



ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2013

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MANAGEMENT COMMENTARY

INTRODUCTION

Statutory Background

VisitScotland was initially established as the Scottish Tourist Board under the Development of Tourism Act 1969. The Tourist Boards (Scotland) Act 2006 formally changed the name of the Scottish Tourist Board to VisitScotland.

Under the 1969 Act, the function of VisitScotland was to encourage British people to visit and to take holidays in Scotland, to encourage the provision and improvement of tourist facilities and amenities in Scotland, and to advise Government and public bodies on matters relating to tourism in Scotland. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for VisitScotland to market Scotland overseas.

VisitScotland's main office is in Edinburgh, and there are also 97 VisitScotland Information Centres and local offices throughout the country.

Principal Activities

The principal activities of VisitScotland involve the marketing of Scotland to all parts of the world (including Scotland and the rest of the United Kingdom) to attract visitors, providing information and inspiration to visitors and potential visitors so that they derive the best experience out of a visit to Scotland, providing quality assurance to visitors and quality advice to industry, working with partners to assist the tourism industry in not only meeting but exceeding visitors' expectations, and the development of a portfolio of events that deliver impact and an international profile for Scotland by establishing Scotland as a premier stage for events.

EventScotland, a fully integrated directorate within VisitScotland, offers grant assistance to international and national events on behalf of VisitScotland, and works to generate, bid for, attract and sustain events which will drive tourism and increase the international status of Scotland.

In June 2012 VisitScotland was tasked by the Cabinet Secretary for Finance, Employment and Sustainable Growth to position itself across the public sector agencies as both a marketing specialist and as a key economic development agency driving growth in the visitor economy alongside Scottish Development International, Highland and Islands Enterprise and Scottish Enterprise. The organisation is to be clearly seen as the lead body for the visitor economy and specifically in respect of "The Winning Years" and beyond, embracing The Year of Natural Scotland, The Ryder Cup and Homecoming 2014.

In fulfilling this role in economic development the organisation will push beyond its previous boundaries and take a proactive role in areas such as air connectivity, skills, national and local planning (including the Tourism Development Framework for Scotland) and be the holder of the vision for the Scottish visitor economy.

CORPORATE OBJECTIVES AND STRATEGY

VisitScotland's core business priority is to maximise the sustainable economic benefit of tourism to Scotland, and through its activities it continues to seek to achieve this by working closely in partnership with the industry and public sector partners to help boost sustainable economic growth.

During the year VisitScotland continued to play a key role in the Scottish Tourism Leadership Group, which was set up to take ownership and lead the required action to grow tourism in Scotland. This Group works collaboratively across the industry to establish a refreshed and dynamic vision for Scottish tourism, and develop a robust strategy and action plan.

The growing importance of the need to work in partnership with all manner of tourism businesses, industry and Government agencies etc, to ensure the successful delivery of not only sustainable economic benefit to Scotland, but also a significant number of major events, was reflected in a slight change of emphasis within our strategic priorities outlined in our *2012-2015 Corporate Plan*, which was the focus of our activities for the year, as follows:

- **Marketing:** To market Scotland and its outstanding assets to visitors from all parts of the world, including the promotion of Scotland to people living in Scotland, to visit different parts of the country.
- **Information Provision:** To provide information and inspiration to visitors both locally and globally via their preferred choice of medium.
- **Quality and Sustainability:** To provide support and advice to businesses, with the goal of improving the quality and sustainability of the tourism sector in Scotland, and to provide assurance to visitors through our Quality schemes.
- **Working in Partnership:** To listen to and work with the industry, partners, and Stakeholders, to shape our offering and support.
- **Events:** To maximise the benefits from “The Winning Years” and their legacy, and to implement the National events strategy, Scotland the Perfect Stage, and sustain, develop and promote Scotland’s International profile as one of the world’s foremost events destinations.

Each of these corporate objectives has contributed during the year to fulfilling the Purpose Targets and National Outcomes in the Scottish Government’s National Performance Framework, as demonstrated by the achievement of our project targets.

KEY PROJECT PERFORMANCE MEASURES

A large number of performance measures are set each year and these are detailed in the Annual Operating Plan. Achievements against the measures are reported to the Board members and Directors regularly throughout the year. Measurement is compiled through a number of research surveys, studies, plus analysis of results, as shown hereunder - Our measurement criteria (page 3).

For 2012/13 the measurement statistics have revolved around twenty-six key core projects, the results of which are as follows:- six exceeded expectation, eighteen have delivered or are on target to deliver expectation, and two fell short of expectation. A selection of important key projects is shown below:

Performance Measure	2012-13 Achieved Million	2012-13 Target Million
ECONOMIC BENEFIT TO SCOTLAND		
• International Marketing: Pan European Touring Campaigns (Additional visitor spend**)	£ 89.0	£ 70.0
• International Marketing: Emerging Markets Campaign (Value of new leisure product potential)	£ 6.4	£ 10.1
• International Long Haul Campaign (Additional visitor spend**)	£ 28.1	£ 20.1
• UK & Ireland Marketing: Themed Campaigns (Additional visitor spend**)	£ 106.6	£ 130.0
• Local Marketing: – Spring/ Summer-Autumn/Winter Campaigns “Exploring Scotland’s Regions” (Additional visitor spend**)	£ 39.6	£ 30.0
• National & International Events Programme via EventScotland investment of £3m Grants (Net additional spend in Scotland**)	£ 59.5	£ 27.6
• Additionality - Public Partner Funding achieved	£ 12.0	£ 3.5

<ul style="list-style-type: none"> • BTU Bid Fund (Value of Conferences won in 2012/13: <i>i.e.</i> the estimated future spend and not what has actually occurred**) 	£ 60.8	£ 10.0
INTERNAL GENERATION		
<ul style="list-style-type: none"> • Deliver Visitor Footfall to VisitScotland Information Centres (VICs) <i>(Source: Footfall counters in VICs)</i> 	4.45	4.20
<ul style="list-style-type: none"> • Deliver improved public sector efficiency savings p.a. – Government targets • Single Year • Cumulative from 2008 <i>(Source: Analysis of expenditure)</i> 	£ 1.9 £ 9.6	£ 1.1 £ 3.8
SUSTAINABILITY – CO2 Emissions <i>Operational Offices & VICs</i> <ul style="list-style-type: none"> • Energy • Waste & Water • Transport TOTAL <i>(Source: Operational analyses)</i>	Tonnes 1,549 92 373 <u>2,014</u>	Tonnes - - - <u>1,999</u>

NOTE: ** The figures are a measure of gross additional expenditure and do not adjust for issues such as deadweight or displacement.

OUR MEASUREMENT CRITERIA

ESTIMATED ECONOMIC BENEFIT TO SCOTLAND

- **International and National Events Programme** - Economic benefit is assessed using a consistent, Industry standard methodology. All major / international events undergo a full, independent evaluation.
- **Growth Fund** - Based on an Economic Benefit Assessment by Frontline (2013).

CONSUMER MARKETING ADDITIONAL REVENUE

- The additional amount contributed to the Scottish economy by a particular marketing campaign is based on an assessment of the campaign response, and is calculated using conversion rates and additionality.
- The conversion rate of any activity is measured by asking recipients or responders to a campaign whether they actually have visited or will definitely visit Scotland within the campaign period. This is determined through follow up evaluation research. The additionality is determined by factoring out those who were planning to visit Scotland anyway. All major marketing campaign evaluations are carried out by independent agencies.

OTHER MEASURES

- **Potential leads: Business Tourism Unit (BTU) Core Events** - Enquires are received by the BTU as a result of activities. Those which have specific details (i.e. not speculative) are registered and their value calculated using nationally adopted (UK-wide) multipliers for Delegate Expenditure, and the size, nature and duration of the conference.
- **Converted business: National Bid Fund** - The Destination Management Organisation (DMO)/city convention bureau estimates the value of the conferences using a provided model. This again uses nationally adopted (UK-wide) multipliers for Delegate Expenditure and the size, nature and duration of the conference.
- **Potential Business: EXPO** - Buyers are asked for an indication of the potential value of business identified during expo.
- **Route Marketing additional revenue** - Estimated number of inbound travellers multiplied by the average spend per trip (IPS) of an inbound traveller for that country.

- **Intermediary Marketing, Emerging Markets additional revenue** - Calculation of value of new Scotland product featured by international trade derived from surveys from operators and analysis of their activities.
- **Gross additional expenditure by tourists** - Where measures involve an estimate of the gross additional expenditure by tourists, no adjustment is made for issues such as deadweight or displacement.

2013-2016 CORPORATE PLAN

The Corporate Plan is built upon sound strategic analysis, insight and direction from the VisitScotland Board, with valuable input from our Partners, and is constantly reviewed and updated annually to reflect changes in the global economy, and in our own operating environment.

In this respect, VisitScotland plays a crucial role in helping to deliver the government's purpose which is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. For 2013 onwards our purpose remains supported by our five key Corporate Objectives, all closely integrated with interdependencies, as set out in our *2013-16 Corporate Plan*, as follows:

- **Marketing:** To market Scotland and its outstanding assets to visitors from all parts of the world, including the promotion of Scotland to people living in Scotland to visit different parts of the country.
- **Information Provision:** To provide information and inspiration to visitors both locally and globally via their preferred choice of medium.
- **Quality Assurance:** To provide support and advice to businesses, with the goal of improving the quality and sustainability of the tourism sector in Scotland, and to provide assurance to visitors through our Quality Schemes.
- **Working in Partnership:** To listen to and work with industry, partners and stakeholders to shape our offering and support.
- **Events:** To implement the national events strategy, and sustain, develop and promote Scotland's international profile as one of the world's foremost events destinations. In particular, to maximise the economic benefits from "The Winning Years" and their legacy.

For more detail on VisitScotland's **Corporate Plan for 2013 to 2016** it is available online at:

http://www.visitscotland.org/about_us/our_focus/corporate_plan.aspx

All of VisitScotland's work is directed towards growing and developing the sustainable economic benefit of tourism to Scotland's visitor economy. In economic, or value added terms, VisitScotland's marketing generates an annual total economic contribution of £436¹ million boosting the economic recovery, as follows:

- Our marketing and information services inspire visitors to come to Scotland, to do more, see more, stay longer and spend more.
- Our quality assurance schemes encourage the industry to deliver great experiences and to invest in the quality of their businesses.
- The range and scope of our events are reviewed regularly and adjusted to ensure they maximise delivery and return on investment.
- Working as part of Team Scotland (Scottish Government and partner agencies) we continue to build a more collaborative and targeted approach to activity in growth sectors and growth markets, enabling optimisation of Scotland's international status as a great place to live, work, learn, invest, do business and visit.

VisitScotland continues to work in partnership with the wider tourism industry to implement the detailed action plan brought forward by the Scottish Tourism Alliance (STA) to deliver the industry's Tourism Strategy, "Tourism Scotland 2020".

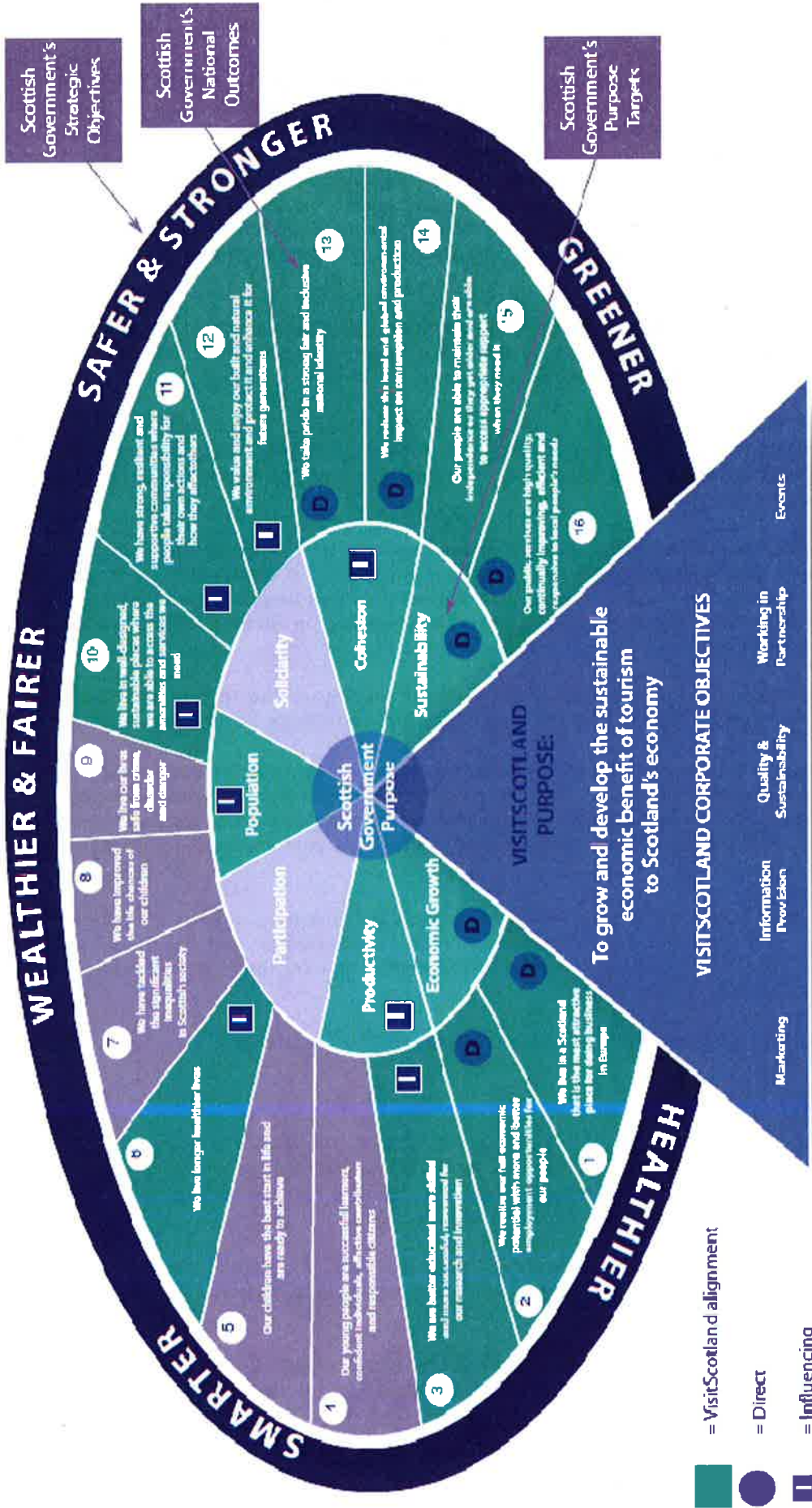
1. Independent report from Deloitte published in 2009. Direct and indirect economic impact generated due to the spending of tourists who have been influenced by VisitScotland to take a trip to Scotland. Figures are per annum, excluding the domestic DAY visitors and the impact of events

The Government's Economic Strategy (GES) has a sharp focus on the opportunities to grow tourism in Scotland over the next three years, and in this respect the programme, centred on "The Winning Years", provides a unique opportunity to showcase Scotland and what it has to offer, as follows:

- Year of Natural 2013
- Open Championship, Muirfield 2013
- The Ryder Cup 2014
- The Commonwealth Games 2014
- Homecoming 2014
- Federation Equestre Internationale (FEI) European Eventing Championships 2015.
- World Artistic Gymnastics 2015.
- World Orienteering Championships 2015

The Corporate Plan has been prepared in the wider context of the Scottish Government's Economic Strategy, and to support and show our contribution to this, VisitScotland measures its performance through the National Performance Framework, and the following diagram displays the manner of VisitScotland's contribution.

VISITSCOTLAND'S CONTRIBUTION TO THE NATIONAL PERFORMANCE FRAMEWORK



REVIEW OF CURRENT YEAR DEVELOPMENTS AND PERFORMANCE

Background economic climate and global trends

Despite the considerable fluctuations in output from quarter to quarter during 2012, in part due to the influence of factors such as the Diamond Jubilee bank holiday and the London 2012 Olympic and the Paralympic Games, the UK economy largely stagnated during 2012.

However, with the first two quarters in 2013 indicating growth in GDP of 0.3%, and 0.6% respectively, it is a positive start to 2013 as the UK climbs very slowly out of a recessionary period. The labour market during 2012 has shown sustained resilience with employment year on year increasing by 1.5%, and unemployment, having been around 8% at the turn of the year, has fallen back to 7.8% (March – May 2013).

Both households and business have pared back spending during the past few years – households in response to the prior accumulation of debt, and businesses reflecting their uncertainty about the future course of both the UK and global economies.

Overall, the European economic downturn not only deepened but it also broadened in territorial scope, and this has contributed to the UK position, exports being further hampered by the appreciation of sterling against the Euro, primarily reflecting the economic uncertainty surrounding the single currency area.

The US economy, whilst greatly slowing in the fourth quarter of 2012, with GDP falling for the first time in three and half years, still grew in 2012 more than it did in 2011, with economic growth increasing to 2.2% from 1.8%. The housing market also had begun to show signs of a turnaround, however, recent evidence during 2013 points to a stalling in growth reflecting the fragility of the situation.

The Scottish economy, whilst experiencing similar fragility as the rest of the UK during 2012, has registered first quarter growth of 0.4%, which year on year reflects economic growth of 1.2%.

Scotland enjoys the benefit of a solid visitor economy, which, despite sustaining a small decline in overseas and domestic visitors in 2012, being reflective of the global economic climate, still achieved an increase of 13% more to the Scottish economy than in 2011 from North American visitors, and furthermore, first quarter 2013 statistics highlight a 9% rise, year on year, in tourism expenditure from long haul markets.

Therefore, the outlook for Scottish tourism remains encouraging, against a back-drop of economic uncertainty, and the enthusiasm that exists within VisitScotland, and the industry as a whole, to promote Scotland as the place for holidays, business tourism, and events, both domestically and internationally, remains steadfast.

All UK figures taken from the Office of National Statistics (ONS) publications.

Events

The events in 2012 included the well supported and immensely successful events programme representing the first year of “The Winning Years”- 2012-2014 trilogy which embraced VisitScotland’s major focus “Year of Creative”, and Disney Pixar’s “Brave” movie, alongside the Queen’s Diamond Jubilee, the London Olympic, and Paralympic Games 2012.

2013 heralds our “Year of Natural Scotland” - one of Scotland’s themed “focus years” in the build up to 2014, which will include, the Glasgow 2014 Commonwealth Games, The Ryder Cup 2014, and the next ‘Homecoming’ year.

The focus on these events will demonstrate VisitScotland’s capacity to play a lead role in the activity not only to develop, but to increase sustainable growth in the visitor economy and Scottish tourism industry.

Efficiency savings

Savings have continued to be made in line with the Scottish Government's commitment to Efficient Government. In the current year these efficiency savings continue to be predominantly generated from three main areas: organisational change - the streamlining of functions; asset management - the continuing realignment of the management of IT servers and communication lines; and benefits gained from shared procurement contracts.

During the year new savings have been made totalling £1,914,000 within the following areas:

- Procurement £1,003,000
- Asset management £125,000
- Organisational change (including benefits derived from voluntary redundancy, and non replacement of senior staff), and shared services £786,000

The cumulative savings from 2008 to date under the efficiency programme now exceed £9,609,000, a sum total of £5,826,000 ahead of the original Government target.

FINANCIAL PERFORMANCE

FINANCIAL REVIEW

These financial statements show the net expenditure of the VisitScotland Group. The principal financial objective for VisitScotland is to ensure that the net financial cash outturn for the year is within the Resource Budget allocated by the Scottish Ministers.

The Resource Budget is provided to cover capital and revenue expenditure (on an accruals basis), and also 'non-cash' costs including depreciation, impairment etc. The Resource Budget is supplemented by the generation of retail and commercial income, local authority funding, European grants, and other income.

A further budget allocation is made by the Scottish Government to cover volatile costs such as pension, provisions and write-downs, which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget. This non-cash budget allowance is designated Annually Managed Expenditure (AME).

STATEMENT OF RESOURCE OUTTURN

The Statement of Resource Outturn shown below reflects VisitScotland's achievement against the respective elements of its overall Resource Budget allocation. For the year ended 31 March 2013 VisitScotland was successful in achieving its main financial objective for the year, in so far as the net 'cash' outturn was equal to the related Resource Budget allocation.

There was a very small 'non-cash' outturn of £3,000 in excess of the available allocation, and an underspend of £296,000 with regard to the non-core 'non-cash' AME budget.

STATEMENT OF RESOURCE OUTTURN

VisitScotland's Total Resource Outturn including core Revenue and non-core Revenue Expenditure set against its Grant in Aid from Scottish Government for the year ended 31 March 2013 was as follows:

'CASH' OUTTURN

CORE REVENUE EXPENDITURE

	OPERATING COSTS	
	2013	2012
	£'000	£'000
Marketing activities	51,642	47,111
Partnership engagement	4,340	4,868
Support services	6,056	6,155
Gross expenditure (refer below)	<u>62,038</u>	<u>58,134</u>
Net finance costs & taxation	183	213
Gross expenditure after finance costs & taxation	<u>62,221</u>	<u>58,347</u>
Income		
Retail and commercial	(9,251)	(9,195)
Other income	(4,615)	(4,992)
Net expenditure	<u>48,355</u>	<u>44,160</u>
CORE CAPITAL EXPENDITURE		
Payments to acquire fixed assets	1,380	1,125
Deduct : attributable to net value of Property disposals	(60)	-
Total net expenditure	<u>49,675</u>	<u>45,285</u>
FUNDED BY Grant-in-Aid	(49,675)	(45,285)
NET 'CASH' (UNDERSPEND)/OVERSPEND	-	-
	£'000	£'000

NON - CASH OUTTURN

NON-CORE REVENUE EXPENDITURE

Depreciation / Amortisation / Impairment	1,771	1,614
Loss on disposal of non-current assets	12	-
	<u>1,783</u>	<u>1,614</u>
FUNDED BY Grant-in-Aid	(1,780)	(1,480)
NON-CORE REVENUE OVERSPEND	3	134

NON-CORE Annually Managed Expenditure (AME)

Pension Costs - IAS 19 adjustments (Note 21)	1,704	478
FUNDED BY Grant-in-Aid	(2,000)	0
NON-CORE AME (UNDERSPEND)/OVERSPEND	(296)	478

CASH OUTTURN

Core CASH Revenue Expenditure

The core revenue 'cash budget' is funded from the Grant-in-Aid provision by Scottish Ministers, through the Scottish Government's Business Directorate. For 2012/13 this core revenue grant amounted to **£48,355,000** (2012: £44,160,000), an increase of £4,195,000.

The expenditure of **£51,642,000** in respect of marketing activities represented **83%** of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn. (2012: £47,111,000 (81%))

Partnership and support services expenditure at **£10,396,000** has reduced in the year by £627,000 from £11,023,000.

Retail, commercial and other income

The supplementary income generated comprising Retail, Commercial and other income fell back from £14,187,000 to **£13,866,000**, a decrease of £321,000.

Details of the segmental reporting, together with further analysis of areas of income and expenditure can be found in Notes 2 to 6, on pages 45 to 49 of these financial statements.

Core CASH Capital Expenditure

The core capital 'cash budget' is also funded from Grant-in-Aid and, after in year adjustments, and capital disposals, amounted to **£1,320,000** (2012: £1,125,000).

A total of **£1,380,000** has been spent on additions to fixed assets this year (2012:£1,125,000). The main additions have been £560,000 on software development and computer equipment, together with £820,000 on the ongoing refurbishment and improvements at a number of network VisitScotland Information Centres, and local offices.

A property capital disposal amounting to **£60,000** took place in the year, and this is shown as a deduction from the capital additions for the year, to reflect the net position shown by the allocated capital 'cash' budget of **£1,320,000**.

NON-CASH OUTTURN

Non-Core Revenue Expenditure

Depreciation, amortisation and impairment charges, together with the loss on the disposal of a property, amounted to **£1,783,000** (2012:£1,614,000), and as set against a non-cash allowance of £1,780,000 (2012:£1,480,000), resulted in the small overspend of £3,000.

Non- Core Annually Managed Expenditure (AME)

The underspend of **£296,000**, with regard to the non-core AME budget of £2,000,000, reflected the net pension service costs and return on assets of **£1,704,000** (2012:£478,000) arising from the accounting treatment under IAS 19 "Employee Benefits" (See Note 21).

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR

The Group statement of comprehensive net expenditure for the year, on page 28 shows net operating expenditure after taxation of **£51,842,000** (2012:£46,252,000), an increase of **£5,590,000**.

This increase is principally reflective of increased Marketing spend of **£4,602,000** in the year, arising from the additional core revenue grant, and the comparative position of the IAS 19 Pension Costs figures, which for this year shows a charge of £1,704,000 (2012:£478,000), a rise of **£1,226,000**.

	£'000
Gross expenditure on a resource basis, as stated above	62,038
Depreciation, amortisation and impairment, etc.	<u>1,783</u>
	63,821
IAS 19 adjustments (Note 21)	<u>1,704</u>
Gross expenditure on an IFRS basis, as reported	<u>65,525</u>

Retail and commercial income (Note 5) has shown an overall slight increase of £56,000 for the year. The major movements therein were in respect of business opportunities, which fell back by £559,000; impacted by lower listing sales, however, this was offset by the increase in miscellaneous income of £841,000, which included £691,000 received with regard to "Games for Scotland".

Other income (Note 6) showed a decrease year on year of £377,000. The main reasons for the movement were that Local Authority income was down £346,000, indicative of the pressures on Local Authorities to reduce funding, and European Regional Development Fund income was down £801,000, as a result of procedural delays to claims arising from European Union requirements. However, to a large extent these shortfalls were mitigated by the increase in Sundry income of £762,000, which arose principally as a result of £733,000 being recharged to Glasgow City Council in respect of the Youth Olympic Games bid.

Staff costs (Note 3) and **Administration overheads** (Note 4) are included within the Resource Expenditure, as reported on page 28. Whilst administration overheads show an increase of £1.46 million, this is distorted by reason of the net interest cost and return on pension assets, which was a charge of £475,000 as against a credit of £149,000 last year. Excluding this item the resultant increase in administration overheads of £833,000 is associated with travel & hospitality (£274,000), property, IT and office expenses (£220,000), amortisation, depreciation, etc, (£169,000), operating lease rentals (£60,000), and the movement in trade bad debt write downs and provisions (£110,000).

Other comprehensive expenditure includes surpluses and deficits arising on the revaluation of properties of £191,000 (2012:£68,000), and also, in accordance with the accounting for defined benefit pensions under International Accounting Standard 19 'Employee Benefits' (IAS 19), the movement in the combined pension schemes' deficit for the year, a loss of **£2,159,000** (2012:£7,015,000) which is recognised in the balance sheet.

BALANCE SHEET POSITION AT THE END OF THE YEAR

The Group balance sheet at 31 March 2013, on page 29, reflects a net liabilities position of **£17,719,000** (2012: £13,155,000). The increase of £4,564,000 is largely as a result of the increased pension scheme deficit now shown of **£24,512,000** (2012:£20,649,000), which, dependent upon market fluctuations, and the assumptions taken in assessing the actuarial net pension liability under IAS 19, may reflect a surplus at future balance sheet dates.

To the extent that the net liabilities are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need, and insofar as approval for Grant-in-Aid for 2013/14 has already been given, there is no reason to believe that future approvals will not be forthcoming.

Cash balances

VisitScotland does not retain any cash reserves, other than monies required to meet authorised expenditure accrued at the year end.

Payment to creditors

VisitScotland observes the Scottish Government's policy for prompt payment to creditors, and is committed to paying suppliers within 10 days of receipt of a valid invoice. An analysis of invoices received between April 2012 and March 2013 shows that VisitScotland paid 87% of valid invoices received within 10 working days. (2012: 83%)

Auditors

VisitScotland's accounts are audited by auditors appointed by the Auditor General for Scotland, in accordance with Section 6(4) of the Development of Tourism Act 1969. The fees payable for audit services provided by the appointed auditors in the year to 31 March 2013 were **£70,000** (2012:£72,000).

The senior management team who held office at the date of approval of this annual report and accounts confirm that, so far as they are each aware, there is no relevant audit information of which VisitScotland's auditors are unaware, and each member of the team has taken all necessary steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VisitScotland's auditors are also aware of that information.

CURRENT AND FUTURE DEVELOPMENTS

Economic climate

Despite the weakness of the UK economy during 2012 domestically generated expenditure was somewhat stronger with households and government consumption providing the mainstay of a 0.7% rise in domestic spend in the first nine months of 2012, compared with the same period of 2011, and latterly, final quarter results show a 0.4% rise in volume terms.

This trend is reflected in the increased tendency to travel on home soil, and although figures for the whole of 2012, suggest that domestic visitors decreased by 4.6% year on year, the Scottish visitor economy remains resilient, and signs of recovery are emerging in both the domestic and international markets for visitors to Scotland.

In this respect, the last quarter of 2012 showed domestic tourism visits to Scotland up 4.5%, and expenditure up 1.8%, on the same quarter of 2011, and also the number of North American tourists rose 20% in the quarter compared to 2011.

In addition, first quarter 2013 figures indicate that international tourism expenditure from long-haul countries (Australia, India, China, etc) has risen by 9%, and by 5% year on year from the same countries.

Furthermore, indicative of the sustained interest in "staycations", recent figures announced in the "*Scottish National Parks Sector Review: 2012*", reveal that the National Parks in Scotland welcomed over a million people from the UK and Ireland last year, contributing over £240 million to the Scottish economy.

VisitScotland continues to be proud of its successes in converting would-be tourists into visitors to Scotland and is working with the tourism industry more closely than ever before. Investment in tourism and VisitScotland is an investment in economic recovery, and the success of our activities demonstrates that we can stimulate economic growth in the short and long term.

In this respect, VisitScotland's role in being able to stimulate economic growth is now firmly established, and this is borne out by results from our marketing activity, which indicate that for every £1 spent by VisitScotland it is estimated that in excess of £20 additional expenditure is generated by visitors to Scotland, and together with our partners we are all playing our part in leading the country out of recession.

Marketing review of the year

The start of 2012 heralded the 'Year of Creative Scotland' which saw a programme of events run throughout the year involving over 30 collaborations between the Culture and Tourism sectors which promoted Scotland's creativity to a global audience.

With 2012 designated the 'Year of Creative Scotland' - our regular Winter Festivals, embracing the highly successful St Andrew's day, Hogmanay and Burns night celebrations, offered a real taste of our nation's distinct traditions and contemporary culture, and at the same time promoted Scotland as a great place to visit, study, work, create, invest and conduct business year round.

'Year of Creative Scotland' marketing activity reached a consumer audience of 323.8 million and a trade audience of 535,000. Throughout the year EventScotland invested in 62 cultural events, 14 of which were supported for the first time. Some notable examples were The Big Concert, Bloody Scotland and Speed of Light. A highlight of the Conference calendar was the TED (Technology Education Design) Global Conference at the EICC in Edinburgh during June.

In March the UK campaign 'Surprise Yourself' recommenced - running throughout the year - which set out to take a number of recognisable Scottish scenes and present them with a "twist" that showcased them in another way - reminding people in the UK and Ireland that Scotland is a great destination to visit.

Building on the successful 2011/12 campaign additional scenes were filmed which ensured that the 'Year of Creative Scotland' was a key element throughout. The campaign generated £146 million of additional spend.

With the forward focus on The Ryder Cup in 2014 at Gleneagles, the "Drive it Home" campaign provided the wherewithal to support consumer-focused groups, and partnership with industry activity at key events in the strategic markets of Europe and the UK, including Scotland-based events. 170,000 'clickthroughs' were recorded, and over 18,000 people took part in the competition to win a 5 star trip to Scotland.

Our International activity continued to perform strongly with the Pan-European and the long haul campaigns generating additional spend of £89 million and £28 million, respectively

2012 also saw a unique partnership between VisitScotland, partner agencies and the world's largest entertainment corporation Disney-Pixar around the movie Brave. The campaign showcased Scotland across the UK, United States, France, Spain, and Germany amongst others, with a TV reach in excess of 82 million people, an editorial reach of 505 million, 5.8 million Facebook users and 1.7 million visits to the specially created VisitScotland Brave website. Over 32,000 referrals were made to our industry partners and 215,000 fans signed up for more information on Scotland. In addition, premieres were held in Los Angeles, Edinburgh as part of the Edinburgh Film Festival, Inverness and at the Venice Film Festival. Finally, 18 flagship Disney stores across Europe screened the VisitScotland advert to 1.9 million visitors, whilst 1.5 million inserts were included with the DVD.

Summer brought a hive of activity across the whole of the UK as the country enjoyed the Queen's Golden Jubilee celebrations and 30th Olympic Games in London. The Olympic Torch Relay provided unique opportunities for communities in all areas of Scotland to be part of London 2012 through the torchbearer process and evening celebrations.

VisitScotland, through EventScotland, played a leading role in co-ordinating Scottish activity for the Torch Relay, over the past year, from chairing the Torch Relay Advisory Group, which pulled together Local Authority partners, police, BBC and other key National Agencies, to arranging a series of seminars over the course of the year to facilitate communication between the London Organising Committee for The Olympic Games (LOCOG), and all interested parties in Scotland.

On the Business Tourism front the Business Tourism Bid Fund continued to go from strength to strength with a total of 79 applications having been made with 21 being successful, which will generate an estimated £61 million of additional revenue to the economy.

Throughout the year 34 Growth Fund applications were approved and 80 events completed across 20 Local Authority areas.

Direct access to Scotland remains key to our growth plans and VisitScotland was delighted to work with partners on new airline routes from Dubai, Toronto, Hamburg, Berlin, Brussels, Bremen and Madrid amongst others.

Marketing outlook

The next few years – 2013 through 2014 and beyond– represent an unprecedented opportunity, not only for Scottish tourism and the Visitor Economy but for the Scottish economy as a whole. These "Winning Years" will see Scotland placed on the global stage like never before.

The Year of Natural Scotland started with a bang as Scotland was named by CNN as ***The Number 1 destination***. Our Shetland ponies used for the launch of the campaign went viral and caught the world's imagination.

VisitScotland, along with its partners will look to build on that interest and look to welcome the world not just in 2014 at the Commonwealth Games, Ryder Cup or at any of the planned Homecoming activities, but into 2015 and beyond.

Working with the industry and partners

The Partnerships directorate has the key role of developing and delivering strong strategic and commercial partnerships with a wide range of external partners and stakeholders (Local Authorities, Destination Organisations, industry groups and individual tourism businesses) at national, regional and local level.

The directorate is responsible for delivery of VisitScotland's world-class Quality Assurance schemes, together with the promotion and sale of products and services.

The single most important piece of work led by the directorate during 2012/13 has been the creation of a first ever National Tourism Development Framework for Scotland (published 1 August 2013) which aims to provide guidance to planning authorities to help secure investment and growth in the visitor economy.

A particular focus over the past 12 months has been on strengthening relationships with key industry bodies notably the Scottish Tourism Alliance and major destination organisations to ensure the work of VisitScotland and the wider visitor economy message is closely aligned to national and local strategies and ambitions.

The directorate has played a significant role in communicating to businesses the benefits of engaging with the Winning Years, notably Year of Natural Scotland and the future opportunities arising from 2014, through a series of focused outreach events and targeted electronic and face-to-face communications activity. This activity has also been fundamental in ensuring significant changes affecting businesses in relation to the organisation's consumer web site, visitscotland.com, have been effectively communicated.

A complete review of our approach to assessing the quality of Scotland's food and drink offering will result in the launch, in the autumn of 2013, of a new scheme linked to a new Government initiative "Taste Our Best"

The directorate has provided VisitScotland's ongoing support for and input to the action plans arising from the industry led tourism strategy for Scotland, 'Tourism Scotland 2020', which was launched in June 2012.

Business Tourism Unit

Our Business Tourism Unit continues to encourage effective partnership working with, and between, the City Convention Bureaux and Local Authorities, whilst building on partnerships with external stakeholders such as Scottish Development International (SDI) to maximise sectoral opportunities presented by the meetings industry.

The £2m National Bid Fund, launched in March 2012 and designed to assist in converting conference locations to Scotland, had a very successful first year of operation. Twenty one conferences, secured with support from the fund of £600k, will take place across Scotland between 2013 and 2019. It is estimated that £61m of future gross additional visitor expenditure will be generated as a result. No account is taken of deadweight or displacement within this figure. The key sectors include Life Sciences, Energy, Food & Drink and Education, and such linkages have given further impetus to partnership work with other Team Scotland agencies.

Further partnership working by the Unit led to two highlights of 2012. Firstly, VisitScotland secured and delivered the inaugural Professional Convention Management Association (PCMA) Global Corporate Summit, which saw a gathering of 30 of the most influential meetings planners in the world, including directors from Nike Inc, Cisco Systems, Oracle, Microsoft and IBM. The PCMA Summit was opened up to SDI and Scottish Government partners as an important networking and positioning opportunity. This partnership is to continue into 2013/14 and gives Scotland a voice at the highest level, in addition to access to combined spending power of over £2bn.

Secondly, "Trailblazers" saw 60 leading North American incentive buyers spend a week in Scotland, which complemented the multi-national and multi-sector Scotland Means Business held in November. Both of these events were addressed by the Scottish Minister for Energy, Enterprise and Tourism, Fergus Ewing, and represent the type of partnerships the Business Tourism Unit will continue to cultivate in 2013/14 and beyond.

EventScotland

VisitScotland's events directorate, EventScotland, as the national events agency, works to strengthen and promote Scotland's events industry. It does this by attracting, developing and sustaining a portfolio of world-class events for Scotland to provide sustainable economic growth.

EventScotland continues to work with its partners in the events industry to deliver against the national events strategy – "Scotland: The Perfect Stage" – a vision to establish Scotland as the perfect stage for home and international events through to 2020.

Successes delivered during the last year include:

- Blair Castle International Horse Trials.
- Edinburgh International Festival, Ingliston Project.
- The highly successful Games for Scotland – 26 events across Scotland.

- The Year of Creative Scotland.
- The impressive portfolio of Golf events including The Johnnie Walker Championship, and The Scottish Open.
- The UCI Track Cycling World Cup.
- The Big Concert, the launch event for the London 2012 Festival in Scotland.
- Delivery of the Olympic Torch Relay in Scotland.
- The co-ordination and delivery of Scotland House during the London Olympics.
- The renowned Scottish Winter Festival programme - 17 events across 9 local authorities.

During the year, in partnership with various agencies, the EventScotland team has achieved success in a bid for the staging of the Turner Prize 2015 in Glasgow. Furthermore, planning is now well under way as regards to events announced earlier, namely, The World Gymnastics Championships – Glasgow 2015; The World Orienteering Championships – Highlands 2015; IPC Swimming European Championships – 2015; European Eventing Championships -2015.

Now, in the Year of Natural Scotland 2013, the focus is on inspiring marketing projects from destination organisations and industry groups, which showcase Scotland's unique natural environment and support the growth of tourism in every corner of the country.

Looking further ahead, EventScotland, on behalf of the Scottish Government, in conjunction with partners, will be delivering a year long celebration of un-missable events across the whole country as part of Homecoming 2014.

Furthermore, as the lead agency in the delivery of the Ryder Cup in 2014, EventScotland continues its work in co-ordinating Scotland's preparations for staging this prestigious global biennial event at Gleneagles.

Research activities

The remit of the Insight Department continues to involve expanding our support for strategy development, with the recent addition of a team focusing on the analysis and evaluation of our digital channels. An immediate aim for the coming year is to integrate this function with the other elements of the Insight department - marketing evaluation, research, trends monitoring and Consumer CRM - to provide comprehensive support for colleagues and partners.

The department continues to support not only the core activities of VisitScotland, but the special year initiatives and events, such as Homecoming Scotland 2014, providing information and inputting measurement expertise. A very positive development in the past year, which will be built on in 2013-14, is closer working with our partner agencies and the Government.

In this respect, the Strategic Forum Research Group continues to foster collaboration amongst its members - Highlands and Islands Enterprise, Scottish Enterprise, Skills Development Scotland, VisitScotland and the Scottish Government. We are also working more closely with the Government teams on the communication of statistics and on the development of our measurement framework.

EXECUTIVE MANAGEMENT

Board Members

The Chair and Board Members are appointed by the Scottish Ministers in accordance with the code of practice for ministerial appointments to public bodies issued by the Public Appointments Commissioner for Scotland.

Board members who served during the year were:

Dr Mike Cantlay (Chairman)
 Stephen Carter OBE
 Paddy Crerar
 Dorothy Fenwick
 Manus Fullerton
 Professor Russel Griggs OBE

Senior Management Team

The Senior Management Team comprises the Chief Executive, the Directors and the Chief Operating Officer of EventScotland. They are responsible for the day-to-day management of VisitScotland's activities and operations.

During the year the Senior Management Team was made up of the following officers:

Malcolm Roughead OBE	Chief Executive
Riddell Graham	Director of Partnerships
Ken Neilson	Director of Corporate Services
Robbie Parish	Director of Digital and Media
Paul Bush OBE	Chief Operating Officer, EventScotland

In addition, the Head of Human Resources attends Senior Management Team meetings. Information on the salary and pension entitlements of the Chief Executive, the Directors and the Chief Operating Officer, EventScotland, can be found in the Remuneration Report.

OUR PEOPLE

Structure

VisitScotland's structure is focused around the four key customer groups: visitors, businesses, strategic partners and internal customers (our people), with the aims of the organisation being delivered by five directorates, plus the Chief Executive's Office (which includes Corporate Communications and Human Resources) namely:

- Marketing
- Partnerships
- Digital and Media
- EventScotland
- Corporate Services

Employment Recruitment

Recruitment campaigns undertaken by VisitScotland are carried out on the basis of fair and open competition and selection on merit. VisitScotland's recruitment and selection records are subject to regular scrutiny by internal auditors. In addition, VisitScotland regularly monitors and reports on a variety of staff statistics.

VisitScotland has been awarded the "two ticks" disability symbol sponsored by Job Centre Plus. This symbol is added to VisitScotland adverts to let disabled people know that if they meet the minimum criteria for a post they will be guaranteed an interview. It also assures staff that if they become disabled, by means of an accident or illness whilst working for VisitScotland, every endeavour will be made to make all reasonable adjustments in order to keep them in work.

Diversity and Equal Opportunities

VisitScotland is committed to the continued development of diversity and equal opportunities and has recently published its Mainstreaming Equality Report on our corporate web-site, in order to meet the specific duty under the Equality Act 2010. The report clearly states that all of VisitScotland's staff and customers are eligible for the same quality and level of service, irrespective of gender, age, marital status, pregnancy and maternity, disability, sexual orientation, race, transgender, religious beliefs, ethnic or national origin. It also sets out how VisitScotland is meeting the Equality Duty through its equality objectives for the next three years.

VisitScotland also recognises that there are groups in society who are discriminated against and therefore aims to make sure that all the people it serves have equal access to all facilities and services. The ongoing successful Accessible Tourism Project developed in partnership with the Scottish Government, is designed to promote accessible tourism as a process of enabling people with disabilities and older people to function independently and with equity and dignity through the delivery of universal tourism products, services and environments. The definition is inclusive of

both visible and invisible disabilities, as well as including those smaller segments like tourists with assistance dogs, which is a growing sector of the accessible market.

The project challenges the concept of disabled people only as service users, but now sees them as contributors. The accessible spend in January 2013 in Scotland was £15 million, an increase of £5m from 2009 (£10m), plus the accessible percentage of the overall spend is up from 6% to 15% which shows that the trend is going in the right direction. This, coupled with the opportunities which 2014 brings with the Commonwealth Games, Ryder Cup, and Homecoming 2014, indicates the potential for economic growth from disabled and older tourists coming to Scotland from all over the world.

Both internal and external actions identified in VisitScotland's Mainstreaming Equality Report will support the key business objectives contained within the VisitScotland Corporate Plan 2013/2016. An equality statement is embraced within the main body of the corporate plan, and underlines a commitment to mainstreaming diversity into the core business of the organisation, and ensures that VisitScotland meets the requirements of the legislation and also delivers real change.

Learning and Development

VisitScotland is committed to ensuring that all members of staff are appropriately equipped to deliver business objectives. The learning and development strategy is embedded in the needs of the business and helps to secure the skills, knowledge and competencies required at organisation, team and individual levels to deliver VisitScotland's remit and meet the challenges ahead. Learning is geared towards working more efficiently and effectively, and a dedicated learning zone for staff development is available within the internal communications hub network.

VisitScotland ensures equality of opportunity for personal development and a consistent process for accessing training. The performance management system assists in identifying the skills gaps and formulating learning and development plans for each member of staff.

Employee Consultation

VisitScotland recognises both the Public and Commercial Services (PCS) and Unison trade unions. Extensive communication and discussion takes place directly with employees using both electronic media and face-to-face dialogue.

Typical methods of communication include all-staff briefings led by the Senior Management Team, regular team meetings, organisational "one team" talk releases, and a daily updated intranet site with a bespoke human resources section. The programme of "one team" talks is a continuing occurrence with staff and senior management discussions being held around the country to highlight developments and new initiatives.

Performance and Reward

VisitScotland's strategy towards performance and reward is aimed at motivating its people based on their contribution. The approaches employed are regularly reviewed to ensure they are achieving their objectives, subject to Government guidelines. Latterly, VisitScotland's success in this area was recognised with the award in 2010 of the Employee Benefits Magazine Award for the Best Benefit Strategy in the category of organisations with up to 1,000 staff.

However, any performance and reward payments are only made in accordance with the Scottish Government's pay policy for staff from time to time in force.

Pensions

Details of pension schemes in use by VisitScotland can be found in note 21 to the accounts. The Remuneration Report contains specific disclosures relating to Directors' pensions.

Sickness Absence

In the year to 31 March 2013, an average of 4.7 working days was lost per staff working year. (2012: 3.6)

CORPORATE SOCIAL RESPONSIBILITY

Environmental performance and sustainable economic development

The Climate Change (Scotland) Act 2009 requires all public bodies to exercise their functions in a way that best contributes to the Act's emission reduction targets and delivery of climate change adaptation programmes. The Act has introduced ambitious legislation to address climate change through mitigation and adaptation, by setting targets for reduction in greenhouse gas emissions of at least 42% by 2020 and 80% by 2050 against a 2008/09 baseline.

The table below tracks our progress to date:

CO2 Emissions (tonnes)	08-09	09-10	10-11	11-12	12-13
Buildings- Energy	2,563	2,382	2,013	1,621	1,549
Buildings -Waste & Water	130	130	130	124	92
Transport	542	508	453	431	373
TOTAL	3,235	3,020	2,596	2,176	2,014
TARGET	3,235	3,073	2,839	2,669	1,999

VisitScotland in partnership with the Carbon Trust has developed its Carbon Management Plan (CMP). The aim is to deliver significant cost savings and reductions in greenhouse gas emissions for the organisation. Our initial goal was to effectively reduce our overall carbon emissions by 25% by 2015. The table above demonstrates that this goal has already been achieved through a programme of increasing efficiency, driving down resource use (e.g. energy use in buildings, business travel and water use), waste reduction and management, and VisitScotland is now well on the way to achieving the Government's expectation of a reduction in total emissions by 42%, by 2020, a target of 1,876 tonnes.

VisitScotland also supports the work of Zero Waste Scotland to achieve the waste prevention and recycling targets within the hospitality and tourism sector. We have pledged both to reduce waste arising from the organisation's internal operations, and increase waste recycling in line with the Scottish Government's targets.²

We also recognise our influence among tourism businesses in helping Scotland meet not only its climate change targets, but also follow its Zero Waste Plan and other relevant sustainable development strategies. VisitScotland will encourage and support businesses to become more sustainable and is committed to ensuring the industry continues to innovate, think and act in this way. The VisitScotland Annual Sustainability Report for 2012/13 can be found on http://www.visitscotland.org/about_us/our_focus.aspx

As an organisation VisitScotland aims to be recognised as a leader in sustainable tourism development at a National, European and World level, and sustainability is part of one of our corporate objectives and is highlighted as one of the building blocks for growth.

As part of this strategy, VisitScotland is working towards tackling the public bodies climate change duties outlined in Part 4 of the Climate Change (Scotland) Act 2009 and other Government Strategies including the Low Carbon Economic Strategy. VisitScotland is contributing to a more sustainable future for Scotland through taking direct action on issues under its control and playing an influencing role where this is not possible.

During the year, VisitScotland has continued to encourage tourism businesses to become more sustainable and to progress work on the integration of sustainability aspects into the quality assurance model. Designed to offer practical steps for improving sustainability in tourism, in VisitScotland's own offices, in VisitScotland Information Centres, and in our procurement decisions, this approach will also guide how employees travel on business and provide advice to businesses and visitors. Furthermore, VisitScotland continues to promote good practice through sustainable

² To reduce food and associated packaging waste arising by 5% by the end of 2015 and increase the overall rate of food and packaging waste being recycled, sent to anaerobic digestion (AD) or composted to at least 70% by the end of 2015.

certification schemes, like the Green Tourism Business Scheme, which aim to improve businesses' efficiency and increase their marketing potential, while also reducing their environmental impact.

Social and community issues

A key action of VisitScotland's strategic plans is to help enhance the quality of life for Scottish communities. VisitScotland is doing this not only through promoting local accommodation, events, attractions and products to visitors, but also continuing to work in partnership with a number of agencies to ensure that tourism improves the quality of life for local communities and involves them in tourism planning and management. The Partnerships team participates in local tourism partnerships across the country in order to support growing the visitor economy throughout Scotland.

VisitScotland also fully supports the link between these tourism partnerships and Community Planning in order to ensure that the tourism sector, including VisitScotland, is engaged in the community planning process and the development of Single Outcome Agreements.

Endorsement of the Accessible Tourism Project was gained from the Scottish Government Tourism Minister in a speech made earlier at this year's Accessible Tourism Conference in March 2013. The Conference was the signature event of Scottish Tourism week.

In addition, VisitScotland's Accessible Tourism Project Team has also recently established a Glasgow Accessible Tourism Working group, made up of the partners within the Glasgow Service with Style initiative, and has recently negotiated with Scottish Government to provide funding of £45,000 for the On Line Accessible Tourism Training programme that will be managed by the Glasgow group, led by VisitScotland, providing the necessary support to ensure all aspects of the requirements are in place for the Games and for Scotland in the future.



Malcolm Roughead OBE

Chief Executive
VisitScotland

30 October 2013

REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee is made up of at least two Board members and the Board Chairman. The Board Chairman also chairs the Remuneration Committee. During 2012-13 the members were:

Dr Mike Cantlay	(Board Chairman)
Paddy Crerar	(Board member)
Professor Russel Griggs OBE	(Board member)

The purpose of the committee is to:

- review the annual salary and performance-related bonus proposals of the Chief Executive and Directors, in line with Scottish Government guidelines;
- consider any changes in the terms and conditions of employment of the Chief Executive and Directors;
- submit any proposed changes to the Chief Executive's salary and any performance-related bonus payable to the Scottish Government for approval;
- deal with such other matters as may be referred to it by the Board.

ALL the following information and supporting tables within this Remuneration Report have been audited by VisitScotland's auditors.

Remuneration policy

Under the terms of the financial memorandum with the Scottish Government an annual pay remit for staff, including Directors, is required to be submitted to the Scottish Government for approval. The pay remit must be within the terms of the Scottish Government's public sector pay policy.

The Chief Executive's performance is appraised by the Chairman in consultation with the Remuneration Committee. His annual pay award and non-consolidated performance payments of up to 10% of base salary are considered by the Remuneration Committee, and approved by the Scottish Government. In accordance with the Scottish Government's pay policy for senior appointments, the Chief Executive received no pay increase or bonus payment in 2012-13.

Directors' performance is appraised by the Chief Executive in consultation with the Remuneration Committee. Their annual pay award, and non-consolidated performance payments of up to 10% of base salary are considered by the Remuneration Committee and approved by the Chief Executive. In accordance with the Scottish Government's pay policy for staff, none of the Directors received a pay increase, or bonus payment in 2012-13.

Service contracts

Appointments of the Chief Executive and Directors are made on merit, and the appointments are on a permanent basis. Certain members of the British Tourist Boards' Pension Scheme can choose to retire from age 60.

The notice period is 12 months for both Directors and the Chief Executive, with the exception of R Parish for whom the notice period is six months. Early termination, other than for misconduct, would result in payments under agreed contractual, or redundancy arrangements.

Remuneration

The following tables provide a breakdown of the executive Directors' remuneration in 2012-13 and 2011-12. Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK taxation.

No performance-related bonuses were awarded in 2012-13. (2011-12: Nil).

In 2013 no employees (2012-none) received remuneration in excess of the highest paid Director.

2012/13 year	Total Remuneration 2012/13	Performance related bonus 2012/13	Real Increase in pension	Total Accrued Pension at 31 March 2013	CETV at 31 March 2012	CETV at 31 March 2013	CETV: Increase Net of members' contributions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Roughead Chief Executive	140-145	-	2.5-5.0	25-30	456	592	129
K Neilson Director of Corporate Services	95-100	-	0-2.5	12-15	209	263	49
R Graham Director of Partnerships	85-90 Notes (d) & (f)	-	0-2.5	50-55	1,106	1,264	154
P Bush Chief Operating Officer, EventScotland	90-95 Notes (d) & (f)	-	0-2.5	20-25	420	508	83
R Parish Director of Digital & Media	105-110 Note (e)	-	0-2.5	0-5	14	32	12
Highest Earner's Total Remuneration (£'000)	140-145						
Median Total Remuneration (£)	25,094						Median earnings of the organisation's workforce as at 31 st March 2013
Ratio	5.68						

Notes:

- (a) No Director received a salary increase in 2012/13
- (b) Pension calculations are based on the pensionable salary at 31 March 2013.
- (c) Benefits in kind included within the above figures are as follows:
Taxable car and other benefits: M. Roughead £4,119; K. Neilson £2,857; R. Graham £49;
P. Bush £49; R. Parish £49.
- (d) A taxable car allowance of £6,000 is included - Last year's allowance of £2,000 was only for a period of four months.
- (e) A taxable car allowance of £6,000 is included.
- (f) The band increase arises only by reason of the inclusion of a full year car allowance.

2011/12 year	Total Remuneration 2011/12	Performance related bonus 2011/12	Real increase in pension	Total accrued pension at 31 March 2012	CETV at 31 March 2011	CETV at 31 March 2012	CETV: Increase net of members' contributions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Roughead Chief Executive	140-145	-	0-2.5	20-25	340	456	109
K Neilson Director of Corporate Services	100-105	-	0-2.5	12-15	161	209	43
R Graham Director of Partnerships	80-85 Note (d)	-	0-2.5	50-55	894	1,106	207
P Bush Chief Operating Officer, EventScotland	85-90 Note (d)	-	0-2.5	20-25	345	420	70
R Parish Director of Digital & Media	105-110 Note (e)	-	0-2.5	0-5	3	14	6
Highest Earner's Total Remuneration (£'000)		140-145					
Median Total Remuneration (£)		24,659	Median earnings of the organisation's workforce as at 31 st March 2012				
Ratio		5.78					

Notes:

- (a) No Director received a salary increase in 2011/12
- (b) Pension calculations are based on the pensionable salary at 31 March 2012.
- (c) Benefits in kind included within the above figures are as follows:
Taxable car and other benefits: M. Roughead £3,769; K. Neilson £4,293; R. Graham £24;
P. Bush £24; R. Parish £24.
- (d) A taxable car allowance of £2,000 is included.
- (e) A taxable car allowance of £6,000 is included

Pension schemes

Pension benefits are provided through either of:

- The British Tourist Boards' Pension Scheme (BTBPS) providing benefits and life assurance for staff based upon final pensionable salary. The BTBPS scheme is a multi-employer defined benefit scheme.
- The Local Government Pension Scheme (LGPS) run locally by various councils. The LGPS is a final salary defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The Chief Executive and Directors are all members of the BTBPS scheme. Further details of all these schemes are outlined in note 21 to the accounts.

Cash equivalent transfer values

Cash Equivalent Transfer Value (CETV) is a lump sum value in today's terms of the benefits accrued by a member of the pension scheme. This sum is assessed by an actuary and is the amount which would be offered by the scheme to transfer benefits into another scheme when the member leaves. Within the BTBPS, CETV is computed by reference to factors agreed by the Trustees of the BTBPS.

CETV: Increase net of members' contributions

This reflects the increase in CETV effectively funded by the employer over the year. It takes account of the change in accrued pension due to additional accrual and salary growth in excess of inflation, and uses common market valuation factors for the start and end of the period. It does not include any increase in value that arises from contributions paid by the employee or the value of any benefits transferred from another pension scheme or arrangement.

Board members' remuneration

The Chair and Board Members of VisitScotland are appointed by Scottish Ministers normally for an initial period of three years, with the option of re-appointment for a second term. All current members of the Board are serving their second term of office.

The Chairman and Board members are not members of the pension schemes. Their remuneration is set out in the table below which has been audited by VisitScotland's auditors. Remuneration is set by the Scottish Government and is reviewed annually.

	2013 £'000	2012 £'000
Dr Mike Cantlay - Chairman	30-35	40-45
Stephen Carter OBE	5-10	5-10
Paddy Crerar	5-10	5-10
Willie Dunn (retired 30 September 2011)	NIL	0-5
Dorothy Fenwick	5-10	5-10
Manus Fullerton	5-10	5-10
Professor Russel Griggs OBE	5-10	5-10
Dr. Lesley Sawers (retired 30 September 2011)	NIL	0-5

The reason for the reduced banding for 2013 with regard to the Chairman's remuneration is that 2012 included a back-dated amount of £9,600, in respect of the year ended 31 March 2011.

Pensions are paid to two previous Chairmen, and a provision has been made for this in the Accounts (Note 23).



Malcolm Roughead OBE

Chief Executive
VisitScotland

30 October 2013

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under Section 6(1) of the Development of Tourism Act 1969 the Scottish Ministers have directed VisitScotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction, which is reproduced at the end of these accounts.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of VisitScotland, and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- a) observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b) make judgements and estimates on a reasonable basis;
- c) state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- d) prepare the accounts on a going concern basis.

In accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Permanent Secretary, as the Principal Accountable Officer for the Scottish Administration, has designated the Chief Executive as Accountable Officer of VisitScotland.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding VisitScotland's assets, are set out in "Managing Public Money" published by HM Treasury.

GOVERNANCE STATEMENT

Governance Framework

Responsibilities

The Board has corporate responsibility for ensuring that VisitScotland fulfils the aims and objectives set by the Scottish Ministers, and in so doing shall demonstrate high standards of corporate governance at all times.

In pursuit of this the Board has established two Committees to scrutinise certain areas of activity in greater depth and make recommendations to the Board. There is an Audit Committee, and a Remuneration Committee, the work of which is considered in the Remuneration Report.

In addition, the Board operates an EventScotland Advisory Group, reporting to the Board, which supports EventScotland's senior management in their responsibilities for issues of risk, reputation, control and governance.

Codes of conduct

VisitScotland supports the highest standards of corporate governance and has in place Codes of Conduct both for Board Members and for Staff, as approved by the Scottish Ministers. In compliance with the Ethical Standards in Public Life, etc. (Scotland) Act 2000 VisitScotland's Code of Conduct for Board Members is published on our website, together with Board Members' Register of Interests.

Budgetary Control

Operating plans and capital budgets are approved on an annual basis as part of the strategic business planning process. The Senior Management Team receive monthly reports on expenditure against budget together with an explanation for significant variances and proposed corrective action, and regular reports on progress against key performance indicators. All reports are subsequently submitted for review to the VisitScotland Board.

Risk and Internal Control

Internal control framework

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve VisitScotland's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an ongoing process designed to identify the principal risks to the achievement of VisitScotland's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within VisitScotland accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual (SPFM) and has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

Approach to Risk Management

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

VisitScotland has a risk management policy setting out a robust process for identifying and evaluating risks which it faces in trying to achieve its objectives. Risk management has been fully incorporated into the corporate planning and decision making processes of the organisation. Preparation of annual departmental operating plans includes a review of existing risks and discussion of any potential new risks. Economic and environmental scanning are key components in this process. They assist in identifying global factors which may affect the business and aid planning to mitigate them. Risks are also identified, managed and reported at project level through project managers.

A Corporate Risk Register is actively in use and not only identifies all the high level risks which impact on the whole organisation and are likely to affect the achievement of objectives contained in the annual operating plan, but also it contains lower level risks which affect specific areas of operation within VisitScotland. Moreover, there are specific sub-Risk Registers (linked to the Corporate Risk Register) which cover major corporate and Events projects in greater detail that are ongoing at any point in time, e.g. Ryder Cup & Homecoming 2014. In this way, risks are identified and monitored at department level, and, individually, for key projects, and managed accordingly.

An owner is assigned for each risk and is responsible for monitoring that risk and ensuring that any identified actions to mitigate it are implemented. Consequently, VisitScotland has detailed mitigating action plans in place to address all significant risks. As new or changed risks emerge they are identified, reviewed for alignment with the business planning process, reported to Senior management and added to the Corporate Risk Register together with an action plan to address the risk.

A designated risk manager, with the support of an independent risk committee, is responsible for maintaining and updating the Corporate Risk Register, recommending and reporting to the Senior Management Team and the Audit Committee four times a year, and promoting awareness across the organisation.

As a result all corporate external and internal risks are actively managed, reviewed and updated by the Senior Management Team on a quarterly basis, reported upon at each Audit Committee meeting, and in so doing The Board through its Audit Committee fulfils its role of Corporate Risk Governance.

More generally, VisitScotland is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area.

Data Loss

VisitScotland has in place a range of systems and measures which ensure that information held by the organisation, and held by third parties on behalf of the organisation, is secure. This process has been recently enhanced with the set up of a Data Governance and Security Group, to monitor and control the release of data from the organisation. In addition, VisitScotland has implemented Scottish Government guidance on data security and information risk through the creation of an information asset register, a risk assessment, an information risk register and awareness training for staff.

There were no reported incidents of unauthorised exposure or loss of personal data during the financial year.

Internal Control

Scope of Responsibility

As Chief Executive and Accountable Officer I have responsibility for maintaining a robust performance management framework, in accordance with the VisitScotland Management Statement and associated Financial Memorandum, as agreed with the Scottish Government's Business Directorate, which includes a sound system of internal control that supports the achievement of VisitScotland's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am personally answerable to the Scottish Ministers in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for safeguarding the public funds under my charge, for ensuring propriety and regularity in the handling of those funds and for the day-to-day operations and management of VisitScotland. In addition, I have a duty to ensure that arrangements have been made to secure best value, which includes the concepts of good corporate governance, performance management and continuous improvement.

The HM Treasury publication "Managing Public Money", and the Scottish Public Finance Manual (SPFM) as issued by the Scottish Ministers, provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. They set out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Review of effectiveness of Internal Control

Role of VisitScotland Audit Committee

The VisitScotland Board has established an Audit Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit Committee of the Board normally meets four times a year. They seek assurances from a number of sources mainly via management, comment on the annual internal audit plan, and review the reports from both internal and external auditors. In addition they review and endorse Corporate Risk Register reports. They report to the full meetings of the Board on all audit and risk matters, and in so doing the Audit

Committee adds to the value of assurances through challenge and has confidence in their reliability. In addition, the Audit Committee prepares an annual report which is considered by the Board.

Management Assurance Statements

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to VisitScotland's Audit Committee regular reports, which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address any weaknesses as they arise, and to ensure continuous improvement of the system is in place.

As Accountable Officer, I am required to provide a Certificate of Assurance to the Scottish Government on an annual basis. To enable signing of this statement I have required assurances on the maintenance and review of internal control systems throughout the organisation from relevant Directors for their areas of responsibility and accountability. To assist with this sign off they will have reviewed their internal control arrangements supported by the completion of an Internal Control Checklist.

The annual completion of the detailed Internal Control Checklist provides the basis for me, as Accountable Officer, to sign off the necessary Certificate of Assurance on the standard of internal control within VisitScotland, in accordance with the Scottish Government requirements.

In summary, on the basis of the above processes, my overall review has not highlighted any significant internal control weaknesses within VisitScotland.

Internal Audit

VisitScotland's internal audit function operates to standards defined in the Government internal audit manual. As well as its own internal audit section, VisitScotland also employs the services of independent auditors to report on the adequacy and effectiveness of VisitScotland's system of internal control together with recommendations for improvement.

The work of the internal auditors is informed by an analysis of the risk to which VisitScotland is exposed. Annual and cyclical audit plans are based on this analysis and cover the whole range of activities within the organisation. The plans include regular review of the risk strategy and risk register, and a follow up of audit recommendations for improvements, and action points from previous audits, the implementation of which has been regularly reviewed by the Audit Committee during the year.

External Audit

The Auditor General for Scotland is responsible for auditing the VisitScotland consolidated accounts. The Auditor General has appointed Grant Thornton UK LLP, Chartered Accountants, to undertake the statutory audit of VisitScotland. VisitScotland subsidiaries are subject to audit by Thomson Cooper, Accountants.

The external auditors have given unqualified audit opinions on the accounts for the year ended 31 March 2013 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.



Malcolm Roughead OBE

Chief Executive
VisitScotland

30 October 2013.

VISITSCOTLAND
GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Resource Expenditure			
Marketing activities		52,439	47,837
Partnership engagement		4,340	4,868
Support services		7,042	7,043
	2	63,821	59,748
Non - Resource Expenditure			
Pension Costs - IAS 19 adjustments (Note 21)	2	1,704	478
		65,525	60,226
Gross expenditure			
Income			
Retail and commercial	5	(9,251)	(9,195)
Other income	6	(4,615)	(4,992)
Net expenditure		51,659	46,039
Finance costs	7	195	226
Finance income	7	(15)	(16)
Net operating expenditure before taxation		51,839	46,249
Corporation tax	8	3	3
Net operating expenditure		51,842	46,252
Other Comprehensive Expenditure /(Income)			
Net actuarial deficit on valuation of retirement benefit schemes	21	2,159	7,015
Balance on revaluation reserve arising on disposal of property.		(47)	-
Deficit arising on revaluation of assets held for sale		1	-
Deficit arising on revaluation of property, plant and equipment		237	68
Total other comprehensive expenditure		2,350	7,083
TOTAL COMPREHENSIVE NET EXPENDITURE		54,192	53,335

The notes on pages 34 to 75 form part of these accounts

VISITSCOTLAND
GROUP BALANCE SHEET
AS AT 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-Current			
Property, plant & equipment	10	9,340	10,194
Intangible assets	9	1,103	955
Total non current assets		10,443	11,149
Current			
Inventories	13	946	932
Trade and other receivables	14	4,048	3,688
Cash and cash equivalents	15	3,019	2,318
Total current assets		8,013	6,938
Assets classified as held for sale	11	18	-
Total Assets		18,474	18,087
Liabilities			
Current			
Other borrowings	19	(453)	(428)
Trade and other payables	17	(8,186)	(6,631)
Current tax liabilities	8	(3)	(3)
Total current liabilities		(8,642)	(7,062)
Net current liabilities		(629)	(124)
Non-Current			
Other borrowings	19	(2,866)	(3,319)
Provisions	23	(136)	(137)
Other payables	17	(37)	(75)
Retirement benefit obligations	21	(24,512)	(20,649)
Total non-current liabilities		(27,551)	(24,180)
Total Liabilities		(36,193)	(31,242)
Net Liabilities		(17,719)	(13,155)
Taxpayers' equity			
General reserve		5,521	5,937
Pension reserve		(24,512)	(20,649)
Revaluation reserve		1,272	1,557
Total Equity		(17,719)	(13,155)

Malcolm Roughead OBE
Chief Executive
VisitScotland
30 October 2013

The notes on pages 34 to 75 form part of these accounts


VISITSCOTLAND
BALANCE SHEET
AS AT 31 MARCH 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-Current			
Property, plant & equipment	10	8,966	9,756
Intangible assets	9	1,102	954
Investments in subsidiaries	12	-	90
Total non current assets		10,068	10,800
Current			
Inventories	13	946	932
Trade and other receivables	14	4,309	3,949
Cash and cash equivalents	15	3,019	2,318
Total current assets		8,274	7,199
Assets classified as held for sale	11	18	-
Total Assets		18,360	17,999
Liabilities			
Current			
Other borrowings	19	(453)	(428)
Trade and other payables	17	(8,187)	(6,722)
Current tax liabilities	8	(3)	(3)
Total current liabilities		(8,643)	(7,153)
Net current liabilities		(369)	46
Other borrowings	19	(2,866)	(3,319)
Provisions	23	(136)	(137)
Other payables	17	(37)	(75)
Retirement benefit obligations	21	(24,512)	(20,649)
Total non-current liabilities		(27,551)	(24,180)
Total Liabilities		(36,194)	(31,333)
Net Liabilities		(17,834)	(13,334)
Taxpayers' equity			
General reserve		5,547	5,956
Pension reserve		(24,512)	(20,649)
Revaluation reserve		1,131	1,359
Total Equity		(17,834)	(13,334)

Malcolm Roughead OBE

Chief Executive

VisitScotland

 October 2013

The notes on pages 34 to 75 form part of these accounts

VISITSCOTLAND
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

		Group	
	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Net operating expenditure before taxation		51,839	46,249
<i>Items not involving the flow of cash</i>			
Net financing costs	7	(180)	(210)
Depreciation on tangible fixed assets	10	(1,269)	(1,296)
Amortisation of intangible fixed assets	9	(412)	(318)
Impairment of non current assets	10	(90)	-
Loss on disposal of sale of property, plant and equipment		(12)	-
Net pension service costs and return on assets	21	(1,704)	(478)
<i>Movements in working capital</i>			
Increase /(Decrease) in inventories	13	14	37
(Decrease)/Increase in receivables	14	456	(1,617)
Decrease/(Increase) in payables	17	(1,555)	6,601
<i>Movement in provisions</i>			
(Increase) / Decrease in provisions		(95)	(15)
Net cash flow from operations			
Interest paid	7	195	226
Interest received	7	(15)	(16)
Taxes paid		3	4
Net cash outflow from operating activities		47,175	49,167
Cash flows from investing activities			
Payments to acquire tangible fixed assets	10	820	548
Payments to acquire intangible fixed assets	9	560	577
Proceeds from sale of tangible fixed assets		(48)	-
Net cash flows used in investing activities		1,332	1,125
Cash flows from financing activities			
Grant in aid from Scottish Government		(49,675)	(45,285)
Repayment of loans		39	204
Decrease in other borrowings- obligations under finance leases		428	405
Net cash flows from financing activities		(49,208)	(44,676)
Net (increase)/ decrease in cash and cash equivalents		(701)	5,616
Cash and cash equivalents as at 1 April	15	2,318	7,934
Cash and cash equivalents at 31 March	15	3,019	2,318

The notes on pages 34 to 75 form part of these accounts

VISITSCOTLAND
GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	General Reserve	Pension Reserve	Revaluation Reserve	Total
A GROUP	£'000	£'000	£'000	£'000
Balance at 1 April 2011	6,426	(13,156)	1,625	(5,105)
Net operating expenditure	(46,252)	-	-	(46,252)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	(68)	(68)
Transfer between reserves	478	(478)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(7,015)	-	(7,015)
Total recognised income and expense	(45,774)	(7,493)	(68)	(53,335)
Grant in aid from Scottish Government	45,285	-	-	45,285
Balance at 1 April 2012	5,937	(20,649)	1,557	(13,155)
Net operating expenditure	(51,842)	-	-	(51,842)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	(237)	(237)
Deficit arising on revaluation of assets held for sale	-	-	(1)	(1)
Transfer surplus on revaluation reserve on sale of property	47	-	(47)	-
Transfer between reserves	1,704	(1,704)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(2,159)	-	(2,159)
Total recognised income and expense	(50,091)	(3,863)	(285)	(54,239)
Grant in aid from Scottish Government	49,675	-	-	49,675
Balance at 31 March 2013	5,521	(24,512)	1,272	(17,719)

The notes on pages 34 to 75 form part of these accounts

VISITSCOTLAND
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	General Reserve	Pension Reserve	Revaluation Reserve	Total
B VISITSCOTLAND	£'000	£'000	£'000	£'000
Balance at 1 April 2011	6,434	(13,156)	1,391	(5,331)
Net operating expenditure	(46,241)	-	-	(46,241)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	(32)	(32)
Transfer between reserves	478	(478)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(7,015)	-	(7,015)
Total recognised income and expense	(45,763)	(7,493)	(32)	(53,288)
Grant in aid from Scottish Government	45,285	-	-	45,285
Balance at 1 April 2012	5,956	(20,649)	1,359	(13,334)
Net operating expenditure	(51,835)	-	-	(51,835)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	(180)	(180)
Deficit arising on revaluation of assets held for sale	-	-	(1)	(1)
Transfer surplus on revaluation reserve on sale of property	47	-	(47)	-
Transfer between reserves	1,704	(1,704)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(2,159)	-	(2,159)
Total recognised income and expense	(50,084)	(3,863)	(228)	(54,175)
Grant in aid from Scottish Government	49,675	-	-	49,675
Balance at 31 March 2013	5,547	(24,512)	1,131	(17,834)

The notes on pages 34 to 75 form part of these accounts

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

A summary of the principal accounting policies of VisitScotland Group is set out below:

Basis of preparation

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FRoM) issued by the Scottish Government. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of VisitScotland for the purpose of giving a true and fair view has been selected.

The particular policies adopted by VisitScotland Group covering these financial statements for the year ended 31 March 2013 are described below. They have been applied consistently in dealing with the items that are considered material to the accounts.

Basis of accounting

Under Section 6(1) of The Development of Tourism Act 1969, VisitScotland Group is required to prepare an annual Statement of Accounts in such form, and containing such particulars as Scottish Ministers may from time to time direct. A copy of the Accounts Direction, at present in force, is set out on page 78.

Going concern

The terms of the management statement between the Scottish Ministers and VisitScotland require that VisitScotland shall conduct its affairs so as to remain solvent within the total resources made available to it by funding bodies. These accounts have been prepared on this basis. VisitScotland has net liabilities at the balance sheet date of £17.72 million (2012:£13.15 million net liabilities), arising from its obligations in respect of the inclusion of retirement benefit obligations falling due in future years, in accordance with the accounting treatment required by IAS 19 'Employee Benefits'.

To the extent that they are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant in Aid for 2013-14, taking into account the amounts required to meet the VisitScotland's liabilities falling due in that year, has already been included in the Scottish Government's estimates for that year, which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and future parliamentary approval will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these accounts. Details of VisitScotland's liquidity position are given in Note 22.

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangibles, inventories, and assets classified as held for sale.

Basis of consolidation

The Group accounts consolidate the accounts of VisitScotland, and all its subsidiary undertakings drawn up to 31 March each year, unless otherwise noted.

No statement of comprehensive net expenditure is presented herewith for VisitScotland, with the approval of the Scottish Ministers.

(a) **Subsidiaries**

Subsidiaries are all entities over which the Group has control over the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed, where necessary and material, to ensure consistency with the policies adopted by the Group.

(b) **Equity accounted investees - associates and jointly controlled entities**

Associates are entities over which the Group has significant influence, but not control. Companies whose business is compatible with the objectives of the Group, in which the holdings are intended to be retained as long term investments, and, in which the Group has active management involvement, are treated as associated undertakings. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreements, and requiring unanimous consent for strategic financial and operational decisions.

The Group accounts include the Group's share of the income and expenses and equity movements of the equity accounted investees, after adjustments to align the accounting policies of the Group, from the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation, or has made payments, on behalf of the investee.

Funding

Much of the expenditure incurred by VisitScotland is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund.

Income

Income is received from a variety of retail and commercial operations, revenue grants, business partner contributions and other sources, and is recognised in the period in which it is receivable. Income from the sale of products, goods and services is recognised in the period in which ownership transfers or the service is provided to the extent that the income has become receivable. Grants and contributions are recognised in the period to which they relate.

Where applicable, income is shown exclusive of Value Added Tax (VAT).

Government grants

Where assets are financed by government grant or donation, the funding element is recognised as income and taken through the statement of comprehensive net expenditure. Deferral of this income will only occur when a condition has been imposed by the funder to the extent that it must be a requirement that the future economic benefits embodied in the grant/donation are consumed as specified by the grantor/donor or must be returned to them.

Grants-in-Aid received from the Government, whether for revenue or capital purposes, are treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the reporting entity, and are credited to general reserves, and not to income or deferred income.

Expenditure

i) **Marketing activities**

Marketing activities incorporates all expenditure, direct and indirect, associated with the marketing, selling, support, and deliverance of the principal function of the VisitScotland Group.

The expenditure is recorded in the period in which the goods are received, or the services are carried out, and includes costs associated with United Kingdom and international marketing, media communications, grant payments made towards domestic and international event tourism, Visitor information network services and infrastructure support, tourist publications, web-based outlet facilities, salaries, and miscellaneous selling and support costs.

ii) Partnership engagement

Partnership engagement includes all expenditure relating to the involvement with commerce, industry and local government in the development of partnership arrangements to promote tourism in Scotland, together with all expenditure associated with the provision of direct support in the maintenance, and monitoring, of quality standards within the network of providers of tourist accommodation and facilities across Scotland.

The expenditure is recorded in the period in which the goods are received, or the services carried out, and also includes salary related costs associated with business development managers and quality assurance assessors, together with all related ancillary costs.

iii) Support services

Support services includes the remaining administrative costs of running the Group, which embraces central procurement, human resources, facilities, and finance, and includes related salaries, general administrative expenses and other miscellaneous costs.

Where applicable, all categories of expenditure are shown exclusive of Value Added Tax (VAT).

Additional information is disclosed in Note 2 "Segmental Reporting".

Grants paid

Grants awarded to third parties are accounted for on an accruals basis, subject to the grantee meeting specific terms and conditions attached to each grant.

Inventories

Inventories of saleable publications, retail and promotional items are stated at the lower of cost and net realisable value. Costs incurred in producing free issue brochures, and obtaining promotional items for which no selling price is charged, are written off to the statement of comprehensive net expenditure in the year of purchase.

Foreign exchange

Assets and liabilities denominated in foreign currencies have been translated into Sterling equivalent values at the spot rate of exchange ruling at the date of the balance sheet. All transactions in foreign currencies are translated into the sterling equivalent at the spot rate ruling at the date of the transaction. Any exchange rate fluctuations are taken to the statement of comprehensive net expenditure.

Goodwill

Goodwill represents the excess of the cost of an acquisition over VisitScotland's interest in the net fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

A review of the impairment of goodwill is carried out annually by directors, and any impairment charged to the statement of comprehensive net expenditure.

Intangible assets

In accordance with IFRS 3 an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Intangible assets, arising upon acquisition, are recognised separately from goodwill.

Under IAS 38 "Intangible Assets", after initial recognition, intangible assets are carried at their re-valued amounts, being their fair value at the date of the revaluation, less any subsequent accumulated amortisation, and any subsequent accumulated impairment losses, unless there is no active market for those assets, in which case the assets are carried at the lower of depreciated replacement cost and value in use for cash generating assets, and depreciated replacement cost for non-generating assets.

Other intangible assets are stated at fair value determined at the date of acquisition of the related underlying business, or at cost if they are separately acquired or represent internally developed software, less accumulated amortisation and impairment losses.

Direct costs related to the development of software for internal use are capitalised only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable and VisitScotland intends to use the software. All other costs, including all overhead, general and administrative and training costs, are expensed as incurred.

Amortisation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based on the estimated useful lives, which are as follows:

Information technology	3 - 4 years
Software licenses	3 - 4 years
Web site development	4 - 10 years

Software licenses are capitalised when they are capable of being used in VisitScotland activities for more than one year, can be valued, and have a cost of at least £2,000.

The useful lives are reviewed, and adjusted if appropriate, at each balance sheet.

An impairment review of other intangible assets is carried out annually by directors, and any impairment charged to the statement of comprehensive net expenditure.

Impairment

The carrying value of VisitScotland's assets, except deferred tax assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use.

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the cash generating units that is expected to benefit from the synergies of a business combination. Each unit, to which the goodwill is allocated, represents the lowest level within VisitScotland at which goodwill is monitored for internal management purposes.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired.

Goodwill on acquisitions of equity accounted investees is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired.

An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the

carrying amount of the goodwill and then to the other asset of the cash generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-current assets other than goodwill

Non-current assets are assessed at fair value. An impairment loss is recognised in the statement of comprehensive net expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, impairment losses recognised in respect of non-current assets other than goodwill may be reversed, and recognised immediately in the statement of comprehensive net expenditure. The carrying amount is increased to the revised estimate of the recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Property, plant and equipment

Property - Land and Buildings

Land and buildings are carried at fair value.

The fair value of all land and buildings is assessed by performing a full valuation at least every five years, and an interim valuation in year three. Interim valuations are carried out in years one, two and four where it is deemed likely that there has been a material change in value. The valuations are carried out by professionally Qualified Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards, insofar as these Standards are consistent with the agreed requirements of the FRM.

Land is regarded as having unlimited useful life and therefore is not depreciated.

Buildings are depreciated on straight line basis over their expected useful lives between 30-50 years.

Buildings under the course of construction are valued at current cost (determined by the application of an appropriate index to the incurred cost) during the construction phase as an asset under construction. At first valuation after being brought into use, any write down of the cost is treated as impairment, and charged to the statement of comprehensive net expenditure.

After initial valuation, upon subsequent revaluation gains are credited to the statement of comprehensive net expenditure to the extent that they reverse previous impairment on that asset. All other gains are credited to the revaluation reserve.

Losses on revaluation are first charged against the surplus previously credited to reserve for that property, to the extent of that surplus, with the balance of any loss being charged to the statement of comprehensive net expenditure.

An annual review takes place to consider losses in value (impairment) due to a change in the consumption of economic benefits, with such losses being charged to the statement of comprehensive net expenditure.

Leasehold Property - designated as Finance Leases

Leasehold land is accounted for as an operating lease.

In respect of leasehold buildings, the subject of a finance lease, they are recognised at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

At first valuation after being brought into use, any write down of the cost is treated as impairment and charged to the statement of comprehensive net expenditure.

Subsequent valuations are undertaken on the basis of the fair value of VisitScotland's remaining heritable interest in the leased building, at least every five years, with an interim valuation being

carried out in year three. Interim valuations are carried out in years one, two and four, where it is deemed likely that there has been a material change in value.

The valuations are carried out by professionally Qualified Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards, insofar as these Standards are consistent with the agreed requirements of the FReM.

Gains arising on revaluation are credited to the revaluation reserve, and losses on revaluation are first charged against the surplus remaining, previously credited to the reserve, for that property, to the extent of that surplus, with the balance of any loss being charged to the statement of comprehensive net expenditure.

Upon early termination of a lease any surplus remaining in the revaluation reserve in respect of a leasehold building is transferred to the statement of comprehensive net expenditure in the year of termination.

An annual review takes place to consider any losses in value (impairment) due to a change in the consumption of economic benefits, with such losses being charged to the statement of comprehensive net expenditure.

Non-Property

Leasehold building improvements

Refurbishments are carried at fair value using appropriate indices, and depreciated straight line over the expected life of the building, or the term of the relevant lease, when shorter.

Plant, Equipment, Fixtures and Fittings

Items of plant, equipment, fixtures and fittings are stated at cost, or valuation, less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset, and includes borrowing costs incurred during construction.

Depreciation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based upon the estimated useful lives of the items of plant, equipment, fixtures and fittings, taking into account the estimated residual value, together with any provision for permanent diminution in value.

All other subsequent expenditure represents repairs and maintenance, and is expensed as incurred.

The estimated useful lives of plant, equipment, fixtures and fittings are:

Vintage railway carriage	25 years
Fixtures and fittings	10 years
Plant & equipment	6 years
IT hardware equipment	4 years
Motor vehicles	4 years

Only plant and equipment and computer hardware costing in excess of £2,000 are capitalised.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale, and a sale within a period of 12 months is considered highly probable.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated, however, any impairment is charged to the statement of comprehensive net expenditure.

Leases

Group as a lessee

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised.

They are recognised at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and repayment of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive net expenditure.

Contingent rentals are charged to the statement of comprehensive net expenditure in the period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives, on the same basis as owned assets, or the term of the relevant lease, whichever is shorter.

Leasehold Property - Land and Buildings - in use on a peppercorn rent are deemed 'owned' by VisitScotland, and recorded at fair value in the Balance Sheet, and depreciated over their useful lives or the term of the relevant lease, whichever is shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight-line basis over the lease term.

Group as a lessor

Assets leased out under operating leases are included within their respective asset designation, and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

In the event that lease incentives are paid to lessees to enter into operating leases, such incentives are initially recorded as an asset and recognised as a reduction of rental revenue in the statement of comprehensive net expenditure on a straight-line basis over the term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments.

As payments fall due, finance income is recognised in the statement of comprehensive net expenditure so as to achieve a constant rate of return on the remaining net investment in the lease.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive net expenditure except to the extent that it relates to items recognised directly in reserves. In this case, the tax is also recognised in reserves.

The current corporation tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date, and adjustments for current taxes payable (receivable) for prior years.

VisitScotland is liable to corporation tax only on bank interest received. All other members of the Group are subject to taxation under current legislation, enacted, or substantively enacted at the balance sheet date.

Deferred tax

In accordance with IAS 12 'Income Taxes', full provision is made for tax assets and liabilities, arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted, at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets, including deferred tax assets for tax loss carry forward positions, and tax credit carry forward positions, are recognised only to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilised.

Financial instruments

Financial liabilities

Borrowings

VisitScotland Group borrowings are derived principally from central Government bodies, Local Authorities and external third parties. The borrowings are either at a fixed, or a variable rate of interest, depending upon the nature of the loan agreement, until the repayment date.

The loans are recognised initially at fair value (plus/net of transaction costs), and subsequently at amortised cost under the effective interest rate method.

The effective interest rate is the rate which exactly discounts estimated future cash flows through the expected life of the borrowings, or where appropriate, a shorter period, to the net carrying amount of the borrowings.

Trade and other payables

Trade and other payables are initially recognised at fair value, which represent the invoiced amounts, less adjustment for estimated revenue deductions and subsequently measured at amortised cost.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

At initial recognition, VisitScotland Group classifies all other financial assets as either (i) at fair value through the statement of comprehensive net expenditure (ii) loans and receivables or (iii) available for sale, depending on the purpose for which the financial assets were acquired. Financial assets are initially recognised at fair value. (Plus/net of transaction costs).

Other financial assets

(i) *At fair value through the statement of comprehensive net expenditure*

Financial assets in this category are either held for trading or designated at fair value through the statement of comprehensive net expenditure, and are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive net expenditure.

(ii) Loans and receivables

This category comprises trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market.

Trade receivables are initially recognised at fair value that represent the invoiced amounts, less adjustments for estimated revenue deductions such as rebates and cash discounts.

Loans and other receivables are carried at amortised cost (plus/net transaction costs) using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date.

(iii) Available for sale

Available for sale financial assets are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

They are measured at fair value based on quoted market prices. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive net expenditure.

Impairment of financial assets

If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded in the statement of comprehensive net expenditure.

The impairment loss can be reversed if the value is recovered in the future. In which case, the reversal of the impairment loss is reported within the statement of comprehensive net expenditure.

Critical accounting estimates and judgements

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the accounts is as follows:

(i) Retirement benefit obligations

The present value of retirement benefit obligations depends upon a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost or income for pensions include discount rate, salary growth, inflation rate, etc. Any changes in these assumptions will impact the carrying amount of retirement benefit calculations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

The Group determines the appropriate rate for salary inflation based on consideration of inflation and long term assumptions in respect of salary increases.

Other key assumptions for retirement benefit obligations are based, in part, on current market conditions.

Additional information is disclosed in Note 21.

(ii) Valuation of assets

The discounted cash flow model used to assess the impairment of intangible and tangible assets includes a number of assumptions, including estimates of future cash flows, discount rate, and other variables.

The Group determines the appropriate discount rate at the end of each year that reflects current market assessments of the time value of money, and the risks specific to the asset.

Comparative amounts

Comparative amounts are provided in accordance with IAS 1 'Presentation of Financial Statements', except where a Standard or Interpretation permits otherwise and includes narrative and descriptive information when this is relevant to the understanding of the financial statements.

If it is necessary to re-classify comparative amounts, but deemed impractical so to do, in accordance with IAS 1 re-classification is not adopted, and a note shown in the financial statements to that effect.

Changes in accounting policy, accounting estimates and mis-statements

Changes in accounting policy, accounting estimates and mis-statements, are recognised in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Provisions

Provisions are recognised when;

- i) VisitScotland Group has a present (legal or constructive) obligation as a result of past events,
- ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and,
- iii) the amount can be reliably estimated.

The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted (at a rate prescribed by HM Treasury) whenever the effect of the time value of money is significant.

Related party transactions

Related party transactions are identified, considered and disclosed in line with the requirements of IAS 24 'Related Party Disclosures'.

Employee Benefits

(a) Retirement benefits

VisitScotland employees are members of either Scottish Local Government Pension Schemes ("LGPS") or the British Tourist Boards' Pension Scheme ("BTBPS"). All existing and new members of staff have the option of joining either the Lothian local government pension scheme or the BTBPS.

Local Government Pension Schemes, and the British Tourist Boards' Pension Scheme ("the Schemes")

The Schemes are defined benefit pension schemes providing benefits based on final pensionable pay, which are contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Schemes are held separately from those of VisitScotland.

Defined benefit obligations are actuarially calculated at least annually on the balance sheet using the projected unit credit method. The present value of the defined benefit obligations is determined by

discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Contributions to the Schemes are calculated so as to spread the cost of pensions over employees' working lives with VisitScotland Group. The contributions are determined by independent actuaries on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the Schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Schemes is recognised in the statement of comprehensive net expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 'Employee Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

All actuarial gains and losses so determined are recognised through the statement of comprehensive net expenditure.

(b) Short-term employee benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned, but not taken. Accruals are recognised for material amounts in respect of holiday days, holiday pay, bonuses and other short-term benefits earned but not taken or paid at the balance sheet date.

Losses and special payments

Net operating cost includes certain losses which would have been made good through insurance cover had VisitScotland not been bearing its known risks. Losses and special payments are disclosed in Note 24 to the Accounts.

Accounting standards issued but not yet adopted

There are a number of new accounting standards which have been issued but have not yet been applied by the Group in these financial statements. The standards that are considered relevant to the Group and the anticipated impact on the consolidated accounts are as follows:

IAS 1 - Presentation of financial statements (Other Comprehensive Income)

Mandatory for accounting periods commencing on or after 1 June 2012.

The adoption of this standard will result in presentational changes to the consolidated accounts.

IAS 19 - Post-employment benefits (pensions)

Mandatory for accounting periods commencing on or after 1 January 2013.

The adoption of this standard will result in presentational and disclosure changes to the consolidated accounts.

IFRS 9 - Financial instruments

Mandatory for accounting periods commencing on or after 1 January 2015. The adoption of this standard could change the classification and measurement of financial assets. The impact on the consolidated accounts has not been determined.

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of interests in Other Entities

IAS 27 - Separate Financial Statements

IAS 28 - Investments in Associates and Joint Ventures

Mandatory for accounting periods commencing on or after 1 January 2013.

The adoption of these standards affects the consolidation and reporting of subsidiaries, associated and joint ventures. The impact on the consolidated accounts is not expected to be significant.

IFRS13 - Fair Value Measurement

Mandatory for accounting periods commencing on or after 1 January 2013.

The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the consolidated accounts has not yet been determined.

2. SEGMENTAL REPORTING

Under IFRS 8, VisitScotland's operating segments are identified as:

- i) VisitScotland – the principal core Government grant supported business operation
- ii) EventScotland - its special event outlet.

These two areas engage in business activities from which they earn revenues and/or receive grants, and incur expenses.

Finance reports to the Board and Accountable Officer disclose the financial performance of the VisitScotland Group. The EventScotland Advisory Group, which reports to the Board, supports EventScotland's senior management in their responsibilities for issues of risk, reputation, control and governance. During the year ended 31 March 2013, marketing, partnership and support expenditure was separately reported, and decisions taken by the Board and Accountable Officer, as Chief operating decision maker, were based on the financial performance within these spend categories, using supplementary information and analysis.

VisitScotland

The principal focus of VisitScotland is to encourage domestic and international visitors to take holidays in Scotland, by fostering the establishment and improvement of tourism facilities and amenities in Scotland, together with the promotion of national events, and to provide advice to Government and public bodies on matters relating to tourism in Scotland.

EventScotland

EventScotland, the national events agency, was established in 2003, with the aim of strengthening and promoting Scotland's events industry. Through two distinctive yet complementary funding programmes EventScotland works to co-ordinate, support, lead and fund events of all sizes across Scotland, from local festivals and literary events to world class sporting tournaments, and music festivals. In so doing it provides a showcase for Scotland's assets, and drives domestic and international tourism, which generates an international profile for Scotland.

Performance of the segments is evaluated against several measures, of which operating expenditure set against appropriated grant income and revenues receipts, is most important.

Since both operating segments operate across the whole of Scotland, any further geographical split is deemed unnecessary.

2 SEGMENTAL REPORTING (continued)

GROUP

FOR THE YEAR ENDED 31 MARCH 2012

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
Operating expenditure				
Marketing activities		40,115	7,722	47,837
Partnership engagement		4,868	-	4,868
Support services		6,980	63	7,043
Gross expenditure (excluding IAS 19 adjustments - Note 21)	3 & 4	51,963	7,785	59,748
Income				
Retail and commercial	5	(8,517)	(678)	(9,195)
Other income	6	(4,992)	-	(4,992)
Net operating expenditure		38,454	7,107	45,561
Finance costs	7	226	-	226
Finance income	7	(16)	-	(16)
IAS 19 adjustments	21	478	-	478
Net operating cost before taxation		39,142	7,107	46,249
Corporation tax	8	3	-	3
Net operating cost		39,145	7,107	46,252

FOR THE YEAR ENDED 31 MARCH 2013

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
Operating expenditure				
Marketing activities		42,604	9,835	52,439
Partnership engagement		4,340	-	4,340
Support services		6,698	344	7,042
Gross expenditure (excluding IAS 19 adjustments - Note 21)	3 & 4	53,642	10,179	63,821
Income				
Retail and commercial	5	(7,895)	(1,356)	(9,251)
Other income	6	(3,882)	(733)	(4,615)
Net operating expenditure		41,865	8,090	49,955
Finance costs	7	195	-	195
Finance income	7	(15)	-	(15)
IAS 19 adjustments	21	1,704	-	1,704
Net operating cost before taxation		43,749	8,090	51,839
Corporation tax	8	3	-	3
Net operating cost		43,752	8,090	51,842

3 STAFF COSTS

included within gross expenditure

a) All employees (including Board members)

	Group	
	2013	2012
	£'000	£'000
Salaries	17,539	17,358
Social security costs	1,388	1,367
Voluntary severance	232	543
	19,159	19,268
Pension costs - Current service	3,385	3,208
Past service charge /(credit) (see Note 21)	-	79
Total staff costs	22,544	22,555
Agency fees in respect of temporary staff, included above	109	189

b) Voluntary severance

	2013	2012
No of exit packages agreed within following bandings;	Number	Number
£0 - £20,000	5	3
£40,001 - £60,000	1	2
£60,001 - £80,000	-	1
£100,001 - £150,000	1	1
£200,001 - £250,000	-	1
Total cost of packages agreed in each band	£'000	£'000
£0 - £20,000	44	17
£40,001 - £60,000	41	98
£60,001 - £80,000	-	61
£100,001 - £150,000	147	150
£200,001 - £250,000	-	217

There were no compulsory redundancies

c) Board Members' remuneration

	2013	2012
	£'000	£'000
Chairman	34	43
Board members	41	50

The Chairman's remuneration for 2012 included a back-dated adjustment for 2011.

The number of Board members holding office during the year was 5 (2012 : 7).

In the forthcoming year, 2014, there will be appointed 3 additional Board members.

Total Board Members' remuneration	75	93
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3 STAFF COSTS (continued)

included within gross expenditure

d) The average number of full-time equivalent employees during the year was:

	Group	
	2013	2012
	Number	Number
Senior management	5	5
Operational and support staff	659	647
Fixed term contract	44	50
Outward secondees	-	(1)
	<hr/>	<hr/>
	708	701
Temporary staff	6	7
	<hr/>	<hr/>
Total average number of full-time equivalents	714	708

4 ADMINISTRATION OVERHEADS

included within gross expenditure

	Group	
	2013	2012
	£'000	£'000
Travel and hospitality	1,581	1,307
Property, information technology, and office expenses	4,388	4,168
Operating lease rentals:		
Property	1,632	1,563
Vehicles and equipment	159	168
Depreciation of tangible assets	1,269	1,296
Amortisation of intangible assets	412	318
Impairment of non current assets	90	-
Loss on sale of non current assets	12	-
Net interest cost and return on pension assets	475	(149)
Trade bad debts		
Written off	23	-
Recovered	(4)	(11)
Increase /(decrease) in provision	96	27
(Decrease)/ increase in past pension provision	(1)	(12)
	<hr/>	<hr/>
	10,132	8,675

Administration overheads also includes:

	2013	2012
	£'000	£'000
Fees payable for the audit of these accounts	70	72
Fees payable to other auditors for the audit of subsidiaries	3	1
	<hr/>	<hr/>
	73	73

5 RETAIL AND COMMERCIAL INCOME

	Group	
	2013	2012
	£'000	£'000
Retail		
Products income	3,968	3,944
Cost of sales	(1,972)	(1,994)
<i>Gross surplus</i>	1,996	1,950
Other consumer income	638	792
	2,634	2,742
Commercial		
Advertising income	2,234	2,127
Quality assurance	1,170	1,395
Business opportunities	1,640	2,199
Miscellaneous income	1,573	732
	6,617	6,453
Total retail and commercial income	9,251	9,195

6 OTHER INCOME

	Group	
	2013	2012
	£'000	£'000
Local authority income	2,372	2,718
European regional development fund income	855	1,656
Enterprise agency contributions	136	128
Sundry income	1,252	490
Total other income	4,615	4,992

7 NET FINANCING COSTS

	Group	
	2013	2012
	£'000	£'000
Finance costs		
Interest payable on loans	10	17
Interest charge - finance lease obligations	185	209
Total finance cost	195	226
Finance income		
Bank interest receivable	15	16
Total finance income	15	16

8 TAXATION

	Group	
	2013	2012
	£'000	£'000
Corporation tax		
Current tax	3	3
Tax charge	3	3

Current tax

Corporation tax is calculated at 20% (2012:20%) based on bank interest received during the year.

9 INTANGIBLE ASSETS

a) Intangible assets - Group

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2011	1,074	981	1,512	3,567
Additions	482	91	4	577
Transfer : re-allocation	(5)	-	-	(5)
At 31 March 2012	1,551	1,072	1,516	4,139
At 1 April 2012	1,551	1,072	1,516	4,139
Additions	511	49	-	560
At 31 March 2013	2,062	1,121	1,516	4,699
Amortisation				
At 1 April 2011	567	904	1,395	2,866
Charge for the year	260	25	33	318
At 31 March 2012	827	929	1,428	3,184
At 1 April 2012	827	929	1,428	3,184
Charge for the year	319	57	36	412
At 31 March 2013	1,146	986	1,464	3,596
Net book value				
At 31 March 2013	916	135	52	1,103
At 31 March 2012	724	143	88	955
At 31 March 2011	507	77	117	701
Asset Financing				
Owned / beneficially owned	916	135	52	1,103
Finance Lease	-	-	-	-
Net book value	916	135	52	1,103
At 31 March 2013	916	135	52	1,103

9 INTANGIBLE ASSETS (continued)

b) Intangible assets - VisitScotland

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
At cost or valuation				
At 1 April 2011	1,074	981	726	2,781
Additions	482	91	4	577
Transfer : re-allocation	(5)	-	-	(5)
At 31 March 2012	1,551	1,072	730	3,353
At 1 April 2012	1,551	1,072	730	3,353
Additions	511	49	-	560
At 31 March 2013	2,062	1,121	730	3,913
Amortisation				
At 1 April 2011	565	904	612	2,081
Charge for the year	260	25	33	318
At 31 March 2012	825	929	645	2,399
At 1 April 2012	825	929	645	2,399
Charge for the year	319	57	36	412
At 31 March 2013	1,144	986	681	2,811
Net book value				
At 31 March 2013	918	135	49	1,102
At 31 March 2012	726	143	85	954
At 31 March 2011	509	77	114	700
Asset Financing				
Owned / beneficially owned	918	135	49	1,102
Finance Lease	-	-	-	-
Net book value	918	135	49	1,102
At 31 March 2013	918	135	49	1,102

10 TANGIBLE FIXED ASSETS

Group and VisitScotland

Freehold Property

All Freehold Land & Buildings, and those held under beneficial ownership, were valued at 31 March 2013 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2013 (Red Book) issued by The Royal Institution of Chartered Surveyors, and had a total value in respect of the Group of £2.2m (2012:£2.6m) : VisitScotland £1.8m (2012: £2.2m)

Leasehold Finance Lease Property

All Finance Leasehold properties were valued at 31 March 2013 on a fair value basis with regard to the remaining heritable interest of VisitScotland therein, by Graham & Sibbald - Chartered Surveyors, and had a total value of £3.1m (2012: £3.6m).

10 TANGIBLE FIXED ASSETS (continued)

a) Group

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation								
At 1 April 2011	705	6,352	4,833	7,316	1,669	43	497	21,415
Additions	-	-	-	282	266	-	-	548
Transfer: re-allocation	(1)	-	-	-	5	-	-	4
Disposals	-	-	-	(5)	(123)	-	-	(128)
At 31 March 2012	704	6,352	4,833	7,593	1,817	43	497	21,839
At 1 April 2012	704	6,352	4,833	7,593	1,817	43	497	21,839
Additions	-	60	561	189	10	-	-	820
Transfer: Held for Sale	(5)	(15)	-	-	-	-	-	(20)
Revaluation	(119)	(118)	-	-	-	-	-	(237)
Disposals	(15)	(46)	-	-	-	-	-	(61)
Transfer on revaluation	(89)	(1,369)	-	-	-	-	-	(1,458)
At 31 March 2013	476	4,864	5,394	7,782	1,827	43	497	20,883
Depreciation								
At 1 April 2011	78	162	2,665	6,459	943	43	60	10,410
Transfer : re-allocation	(1)	-	-	-	-	-	-	(1)
Disposals	-	-	-	(5)	(123)	-	-	(128)
Charge for the year	-	536	296	188	256	-	20	1,296
Transfer on revaluation	11	57	-	-	-	-	-	68
At 31 March 2012	88	755	2,961	6,642	1,076	43	80	11,645
At 1 April 2012	88	755	2,961	6,642	1,076	43	80	11,645
Transfer : Held for Sale	-	(2)	-	-	-	-	-	(2)
Disposals	-	(1)	-	-	-	-	-	(1)
Impairment	1	89	-	-	-	-	-	90
Charge for the year	-	528	237	197	287	-	20	1,269
Transfer on revaluation	(89)	(1,369)	-	-	-	-	-	(1,458)
At 31 March 2013	-	-	3,198	6,839	1,363	43	100	11,543
Net book value								
At 31 March 2013	476	4,864	2,196	943	464	-	397	9,340
At 31 March 2012	616	5,597	1,872	951	741	-	417	10,194
At 31 March 2011	627	6,190	2,168	857	726	-	437	11,005
Asset Financing								
Owned / beneficially owned	476	1,739	2,196	943	464	-	397	6,215
Finance Lease	-	3,125	-	-	-	-	-	3,125
Net book value	476	4,864	2,196	943	464	-	397	9,340
At 31 March 2013								

10 TANGIBLE FIXED ASSETS (continued)

b) VisitScotland

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation								
At 1 April 2011	584	5,988	4,833	7,293	1,670	43	497	20,908
Additions	-	-	-	282	266	-	-	548
Transfers: re-allocation	(1)	-	-	-	5	-	-	4
Disposals	-	-	-	(5)	(123)	-	-	(128)
At 31 March 2012	583	5,988	4,833	7,570	1,818	43	497	21,332
At 1 April 2012	583	5,988	4,833	7,570	1,818	43	497	21,332
Additions	-	60	561	189	10	-	-	820
Transfer: Held for Sale	(5)	(15)	-	-	-	-	-	(20)
Revaluation	(103)	(77)	-	-	-	-	-	(180)
Disposals	(15)	(46)	-	-	-	-	-	(61)
Transfer on revaluation	(78)	(1,328)	-	-	-	-	-	(1,406)
At 31 March 2013	382	4,582	5,394	7,759	1,828	43	497	20,485
Depreciation								
At 1 April 2011	78	161	2,665	6,435	943	43	60	10,385
Transfer : re-allocation	(1)	-	-	-	-	-	-	(1)
Disposals	-	-	-	(5)	(123)	-	-	(128)
Charge for the year	-	529	296	188	256	-	20	1,289
Transfer on revaluation	-	31	-	-	-	-	-	31
At 31 March 2012	77	721	2,961	6,618	1,076	43	80	11,576
At 1 April 2012	77	721	2,961	6,618	1,076	43	80	11,576
Transfer : Held for Sale	-	(2)	-	-	-	-	-	(2)
Disposals	-	(1)	-	-	-	-	-	(1)
Impairment	1	89	-	-	-	-	-	90
Charge for the year	-	521	237	197	287	-	20	1,262
Transfer on revaluation	(78)	(1,328)	-	-	-	-	-	(1,406)
At 31 March 2013	-	-	3,198	6,815	1,363	43	100	11,519
Net book value								
At 31 March 2013	382	4,582	2,196	944	465	-	397	8,966
At 31 March 2012	506	5,267	1,872	952	742	-	417	9,756
At 31 March 2011	506	5,827	2,168	858	727	-	437	10,523
Asset Financing								
Owned / beneficially owned	382	1,457	2,196	944	465	-	397	5,841
Finance Lease	-	3,125	-	-	-	-	-	3,125
Net book value	382	4,582	2,196	944	465	-	397	8,966
At 31 March 2013	382	4,582	2,196	944	465	-	397	8,966

11 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group and VisitScotland

	2013
	£'000
Freehold property	
At 1st April 2012	-
Transfer to assets held for sale	19
Deficit arising on revaluation	(1)
At 31 March 2013	18
Revaluation reserve attributable to the property	
At 1st April 2012	(11)
Transfer arising on revaluation	1
At 31 March 2013	(10)

Land and buildings deemed to be available for sale and where the sale is anticipated to complete within one year are included as current assets. The particular property was subsequently sold in June 2013.

12 INVESTMENT

SUBSIDIARIES

VisitScotland	2013	2012
	£'000	£'000
Investment in subsidiaries		
Shares at cost, less amounts written off.		
At 1 April	90	90
At 31 March	-	90

During the year Etourism Limited, a wholly owned subsidiary of VisitScotland, reduced its share capital in accordance with section 644 & 649 of the Companies Act 2006.

Under the regulations of The Companies (Reduction of Share Capital) Order 2008, given that the company was established as being solvent, the reserve arising on the reduction of capital was deemed to be a distributable reserve. As a consequence, the Directors of Etourism Limited approved the payment in the year of an interim dividend of £99,900 to VisitScotland, which was offset against the outstanding inter-company loan of £100,000. The remaining share capital of Etourism Limited is now £100. Etourism Limited no longer trades, and will henceforth become dormant.

VisitScotland's other wholly owned subsidiary undertakings, all with co-terminus year ends, are as follows:

Operational

- Scottish Tourist Board Limited - Shares acquired at nil value

The nature of the business of this company is that of property management.

Non-Trading and/or Dormant

- TourCo Limited

- VisitScotland Limited

- VisitShetland Limited

- Tourist Board Training Limited - Limited by guarantee

13 INVENTORIES

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Retail stock	946	932	946	932
At 31 March	946	932	946	932

14 TRADE AND OTHER RECEIVABLES

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Trade receivables	3,127	2,455	3,127	2,455
less: Provision for impairment	(433)	(337)	(433)	(337)
Trade receivables - net	2,694	2,118	2,694	2,118
Amounts owed from Group undertakings	-	-	261	261
Prepayments	335	775	335	775
Accrued income	994	609	994	609
Other receivables	25	186	25	186
At 31 March	4,048	3,688	4,309	3,949

Trade and other receivables reported above include:

Receivables - Public sector balances

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Local Authorities	461	141	461	141
Other Central Government bodies	312	467	312	467
At 31 March	773	608	773	608

15 CASH AND CASH EQUIVALENTS

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Balance at 1 April	2,318	7,934	2,318	7,884
Net change in cash and cash equivalent balances	701	(5,616)	701	(5,566)
At 31 March	3,019	2,318	3,019	2,318

The balances at 31 March were held at:

Commercial banks and cash in hand	3,017	2,318	3,017	2,318
Government Banking Service	2	-	2	-
At 31 March	3,019	2,318	3,019	2,318

Cash at bank earns interest at floating rates based on daily bank deposit rates.

16 RECEIVABLES - PROVISION FOR IMPAIRMENT

Impairment provisions are used to record impairment losses unless the Group and VisitScotland are satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and written off directly against the financial asset.

Impairment provisions are as follows:

	Trade receivables £'000	Other receivables £'000	Total £'000
Group			
At 1 April 2011	310	-	310
Utilised during year	(175)	-	(175)
Movement in Provision	202	-	202
At 31 March 2012	337	-	337
At 1 April 2012	337	-	337
Utilised during year	(54)	-	(54)
Movement in Provision	150	-	150
At 31 March 2013	433	-	433
VisitScotland			
At 1 April 2011	310	-	310
Utilised during year	(175)	-	(175)
Movement in Provision	202	-	202
At 31 March 2012	337	-	337
At 1 April 2012	337	-	337
Utilised during year	(54)	-	(54)
Movement in Provision	150	-	150
At 31 March 2013	433	-	433

The following represents Group and VisitScotland receivables for which full provision has been made at 31 March 2013, and the ageing of these receivables was as follows:

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Under 90 days	-	-	-	-
Impairment	-	-	-	-
Over 180 days	433	337	433	337
Impairment	(433)	(337)	(433)	(337)
Impaired receivables	433	337	433	337

Other than amounts due from Group undertakings, receivables assessed as individually impaired were mainly as a result of various bed and breakfast, and hotel establishments, which went into administration, liquidation, etc.

Receivables which are less than three months past their due date are not considered to be impaired.

At 31 March 2013 receivables with a carrying value of £98,000 (2012: £97,000) were past their due date, but not considered to be impaired, and their ageing was follows:

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Under 90 days	30	48	30	48
91 - 180 days	68	49	68	49
Over 180 days	-	-	-	-
At 31 March	98	97	98	97

17 TRADE AND OTHER PAYABLES

a) Current

	Group		VisitScotland	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade payables	1,400	2,098	1,400	2,098
Social security and other taxes	444	411	444	411
Amounts owed to Group undertakings	-	-	27	127
Accruals	6,201	4,040	6,175	4,004
Deferred income	96	-	96	-
Loans	38	39	38	39
Other payables	7	43	7	43
	8,186	6,631	8,187	6,722
Corporation tax	3	3	3	3
At 31 March	8,189	6,634	8,190	6,725

b) Non - current

Loans	37	75	37	75
At 31 March	37	75	37	75

Trade and other payables reported above *include*:

c) Public sector balances

	Group		VisitScotland	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Current				
Local Authorities	73	66	73	66
Other Central Government bodies	475	423	475	423
At 31 March	548	489	548	489
Non - current				
Local Authorities	37	67	37	67
Other Central Government bodies	0	8	0	8
At 31 March	37	75	37	75

18 LOANS

a) Group

	Current				Non - current			
	Within	Between	After	Total	Within	Between	After	Total
	1 year	1 - 5 years	5 years	31 March 2013	1 year	1 - 5 years	5 years	31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
City of Edinburgh Council	27	29	-	56	24	56	-	80
Scottish Enterprise A	7	-	-	7	7	8	-	15
Scottish Enterprise B	-	-	-	-	2	-	-	2
Aberdeen Council Loans Fund	4	8	-	12	6	11	-	17
Total Loans	38	37	-	75	39	75	0	114

b) VisitScotland

City of Edinburgh Council	27	29	-	56	24	56	-	80
Scottish Enterprise A	7	-	-	7	7	8	-	15
Scottish Enterprise B	-	-	-	-	2	-	-	2
Aberdeen Council Loans Fund	4	8	-	12	6	11	-	17
Total Loans	38	37	-	75	39	75	-	114

Details of individual loans:

	Maturity Date	Rate of Interest %		Loan information
		Fixed	Variable	
City of Edinburgh Council	Jan 2015	11.20		Standard security over Edinburgh Visitor Information Centre
Scottish Enterprise A	Jan 2014	7.00		Standard security over Jedburgh Visitor Information Centre
Scottish Enterprise B	Mar 2013	7.00		This loan was settled within the year to 31 March 2013.
Aberdeen Council Loans Fund	Mar 2016			4.76% Unsecured composite loan(s).re;5 properties (TIC's) in region.

19 OTHER BORROWINGS

Group and VisitScotland

Finance lease obligations are payable as follows:

	Minimum lease payments	Future finance charges	Present value of lease obligations
	£'000	£'000	£'000
Within one year	613	(185)	428
Between one and five years	2,406	(474)	1,932
After five years	1,488	(101)	1,387
At 31 March 2012	4,507	(760)	3,747
Within one year	613	(160)	453
Between one and five years	2,271	(367)	1,904
After five years	1,010	(48)	962
At 31 March 2013	3,894	(575)	3,319

Finance lease obligations are principally for buildings. Terms range from 20 to 25 years and include renewal options if it is reasonably certain, at the inception of the lease, that they will be exercised.

At the time of entering into finance lease agreements, the commitments are recorded at amounts equal to the fair value of the leased property or, if lower, the present value of value of the minimum lease payments, using the interest rate implicit in the lease, if this is practicable to determine; if not the Scottish Government advised interest rate for long-term borrowings is used.

As at 31 March 2013, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% (2012 : 6.0%)

20 OPERATING LEASES

a) Operating lease agreements where the Group is lessee

The Group, and VisitScotland, has entered into commercial leases on certain properties, motor vehicles, and items of office equipment. The leases have a duration of between 1 and 20 years

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		VisitScotland	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Leasehold properties				
Not later than one year	1,207	1,337	1,207	1,337
After one year but not more than five years	3,381	3,633	3,381	3,633
After five years	2,478	3,292	2,478	3,292
At 31 March	7,066	8,262	7,066	8,262

	Group		VisitScotland	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Leasehold plant & equipment				
Not later than one year	88	69	88	69
After one year but not more than five years	105	82	105	82
After five years	-	-	-	-
At 31 March	193	151	193	151

b) Operating lease agreements where the Group is lessor

The Group, and VisitScotland, undertakes sub-lets of various premises to third parties on a rolling annual renewal basis, prior to arranging formal non-cancellable leases of between 1 and 5 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group		VisitScotland	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Not later than one year	216	310	216	310
After one year but not more than five years	235	329	235	329
After five years	51	81	51	81
At 31 March	502	720	502	720

21 POST - RETIREMENT BENEFITS

Group and VisitScotland

a) British Tourist Boards' Pension Scheme (BTBPS)

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme, contracted out of the State Second Pension Scheme, and includes other tourist boards.

A full actuarial valuation was carried out using membership data as at 1 April 2012, by Xafinity Consulting Limited, qualified independent actuaries. In particular, because the results from the triennial valuation were not available for last year (a roll forward of the 2009 valuation was used), the degree of accuracy in this year's disclosures is greater and there is a 'catch up' of scheme experience such as mortality, commutation and withdrawals. The next formal valuation is due to be carried out at 31 March 2015.

During the year ended 31 March 2013, a total contribution of **22.3%** (2012:22.3%) of pensionable salaries was paid. This included employees' contributions of 5%, and employers' contributions of 17.3%. The contributions paid by VisitScotland for the year to 31 March 2013 were **£1,230,000** (2012:£1,715,000). The rate to be paid during the year 31 March 2014 by employers is **17.3%**, plus the deficit contributions due in accordance with the recovery plan.

Early retirement and enhanced pension liabilities are accounted for under International Accounting Standard 37 'Provisions, Contingent liabilities and Contingent assets' (IAS 37), and are disclosed in Note 23.

There have been changes in market conditions over the year, which have impacted on key assumptions. In particular, the discount rate has reduced by **0.30%**, and the assumed rate of inflation has also increased by **0.30%**. These factors, together with lower contributions and interest rates have contributed to the increase in the deficit for the year. However, the impact of these factors was partially offset by a benefit from the 'catch up' of an overall experience gain of £3m (due to the new valuation point) on liabilities, and higher than expected returns on invested assets of £2.6m. The net effect of all of these factors has resulted in an increase in the net deficit by **£2.77 million** for the VisitScotland share of the scheme.

As a consequence the actuaries report on the Funded status of VisitScotland's share of the Scheme reflected a liability of **£13.56 million** at 31 March 2013. (2012: £11.74 million).

From a sensitivity perspective, the overall impact of a reduction of 0.5% in the discount rate would increase VisitScotland's net deficit in respect of the Scheme to £20.8 million from that of £13.6 million. Conversely, a 0.5% increase in the discount rate would reduce its assessed deficit to £7.3 million.

21 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

a) British Tourist Boards' Pension Scheme (continued)

After consultations with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

As at 31 March	2013 % p.a.	2012 % p.a.
Inflation assumption	2.80 CPI	2.50 CPI
Rate of increase in pensionable salaries [3.6% for first 5 years : 4.6% thereafter]	4.60	4.30
Rate of increase for pensions in payment	2.80 CPI	2.50 CPI
<i>The CPI assumption for 2013 has been calculated as RPI less 0.8% p.a. (2012: RPI less 0.8% p.a.)</i>		
Liability discount rate	4.50	4.80

Amounts recognised in the Balance Sheet, and the expected future rates of return on VisitScotland Scheme assets

As at 31 March	2013		2012	
	% p.a.	£'000	% p.a.	£'000
Equities	4.50	29,580	5.75	23,694
Bonds	4.50	7,898	4.80	11,264
Gilts	4.50	4,899	2.75	-
Property	4.50	4,125	5.75	3,884
Cash	4.50	-	2.75	-
Total market value of invested assets		46,502		38,842
Annuities	4.50	2,058	4.80	3,950
Cash	4.50	119	2.75	355
Total fair value of assets (incl annuities)	4.50	48,679	5.17	43,147
Present value of funded liabilities		(62,238)		(54,890)
Net pension (liability)		(13,559)		(11,743)

The Scheme has no investments in the Employer(s) or in property occupied by the Employer(s).

Amounts recognised in the group statement of comprehensive net expenditure

	2013 £'000	2012 £'000
Current service cost	2,559	2,504
Interest cost	2,669	2,571
Expected return on employer assets	(2,326)	(2,578)
Past service costs	-	79
At 31 March	2,902	2,576

21 POST - RETIREMENT PENSION BENEFITS (continued)
Group and VisitScotland
a) British Tourist Boards' Pension Scheme (continued)

Movement in defined benefit liabilities

	2013	2012
	£'000	£'000
At 1 April	54,890	46,953
Current service cost	2,559	2,504
Interest cost	2,669	2,571
Contributions by members	356	342
Actuarial (gains) / losses	2,769	3,618
Past service costs	-	79
Gains on curtailment	-	-
Death in Service Premiums paid	-	(50)
Benefits paid	(1,005)	(1,127)
At 31 March	62,238	54,890

Movement in fair value of employer assets

	2013	2012
	£'000	£'000
At 1 April	43,147	40,433
Expected return on assets	2,326	2,578
Contributions by members	356	342
Contributions by employer	1,230	1,715
Death in service premiums	-	(50)
Actuarial / gains	2,625	(744)
Benefits paid	(1,005)	(1,127)
At 31 March	48,679	43,147

Amount recognised in the group statement of comprehensive net expenditure

	2013	2012
	£'000	£'000
Actuarial gains / (losses) on obligations	(2,769)	(3,618)
Actuarial gains on assets	2,625	(744)
At 31 March	(144)	(4,362)
Cumulative actuarial gains and (losses) recognised	(10,186)	(10,042)

History of experience gains and losses

	2013	2012
	£'000	£'000
As at 31 March		
Fair value of employer assets	48,679	43,147
Present value of defined benefit obligation	(62,238)	(54,890)
(Deficit)	(13,559)	(11,743)
Experience: Gains on assets	2,625	(744)
Experience: Gains / (losses) on liabilities	(2,769)	(3,618)

21 POST- RETIREMENT BENEFITS (continued)

Group and VisitScotland

b) Local Government Pension Schemes (LGPS)

VisitScotland participates in a number of Local Government Pension Schemes ("LGPS"), which are defined benefit statutory schemes, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and also the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

All the LGPS are contracted out of the State Second Scheme Pension, and the consolidated figures from each individual scheme are detailed in the tables below.

The latest valuation of each LGPS Fund, for the purposes of setting employers' actual contribution was carried out at 31 March 2011 by Hymans Robertson, qualified independent actuaries. The next formal valuation is due at 31 March 2014.

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee's pensionable pay on 31 March. Employer's contributions paid by VisitScotland for the year to 31 March 2013 were **£926,000** (2012: £945,000).

The various LGPS Schemes in which VisitScotland participates, together with the employers' contribution rates for the year, are as follows:

	Contribution Rate	
	%	%
	2013	2012
Aberdeen City Council Pension Fund	20.6	19.2
Tayside Superannuation Scheme	18.0	18.5
Falkirk Council Pension Scheme	21.6	21.1
Dumfries and Galloway Council Pension Fund	21.5	20.5
Lothian Pension Fund	14.1	14.8
Strathclyde Pension Scheme	19.3	19.3
Highland Council Pension Fund	21.3	19.5
Highland Council Pension Fund (Western Isles)	18.0	17.4
Fife Council Superannuation Fund	29.8	30.9
Orkney Islands Council Pension Fund	21.4	20.4
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	23.1	18.0

The actuary has projected forward the results of the valuations determined at 31 March 2011 using consistent methods of approximation. In so doing, the actuary has reported that there have been a number of changes have taken place in the Fund during the year predominantly due to the following factors:

- i) The deficit has increased due to falling real bond yields, and in this respect the net discount rate in use has fallen by **0.30%**.
- ii) This has been partially offset by strong asset returns.
- iii) An increase in rate of inflation in use by **0.30%** has also impacted upon the deficit.
- iv) A prudent approach to the assumption used for the expected return on assets set at 4.5% being now aligned with the discount rate.

The actuary has reported that VisitScotland's share of the Funded status of the LGPS Schemes at the 31 March 2013 was a liability of **£10.95** million, which compares with a liability of £8.91 million last year.

21 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

b) Local Government Pension Schemes (LGPS) (continued)

The sensitivity of factors used is highlighted by noting that a reduction in the net discount rate will increase the assessed value of net liabilities of the Scheme, as a higher value is placed on benefits paid in the future, whereas a rise in discount rate will have an opposite effect of a similar magnitude. The overall effect of a change in the net discount rate of 0.5% would be to increase the total liabilities by approximately £5.59 million.

After consultation with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

As at 31 March	2013 % p.a.	2012 % p.a.	2011 % p.a.
Inflation assumption	2.80 CPI	2.50 CPI	2.80 RPI
Rate of increase in pensionable salaries <i>[3.6% for first 5 years : 4.6% thereafter]</i>	4.60	4.30	4.60
Rate of increase for pensions in payment	2.80 CPI	2.50 CPI	2.80 RPI
<i>The CPI assumption for 2013 has been calculated as RPI less 0.8% p.a. (2012: RPI less 0.8% p.a.)</i>			
Liability discount rate	4.50	4.80	5.50

Amounts recognised in the Balance Sheet and the expected future rates of return on the VisitScotland Scheme assets as at 31 March

	2013		2012		2011	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	4.5	31,007	6.2	26,524	7.5	26,724
Bonds	4.5	5,658	3.8	4,799	4.9	4,167
Property	4.5	3,016	4.4	3,009	5.5	2,857
Cash	4.5	1,090	3.5	1,073	4.6	981
Total fair value of assets	4.5	40,771	5.6	35,405	6.9	34,729
Present value of funded liabilities		(50,610)		(43,261)		(40,307)
(Deficit) in funded plans		(9,839)		(7,856)		(5,578)
Present value of unfunded liabilities		(1,114)		(1,050)		(1,058)
Net pension (liability)		(10,953)		(8,906)		(6,636)

Amounts recognised in the group statement of comprehensive net expenditure

	2013		2012	
	£'000	% of pay	£'000	% of pay
Current service cost	826	21	665	19
Interest cost	2,126	55	2,270	64
Expected return on employer assets	(1,994)	(52)	(2,412)	(68)
Past service costs	-	-	-	-
Losses on curtailments and settlements	-	-	47	1
Recognition of Transition Asset	-	-	(8)	-
At 31 March	958	24	562	16

21 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

b) Local Government Pension Scheme (LGPS) (continued)

Movement in defined benefit liabilities

	2013	2012
	£'000	£'000
At 1 April	44,311	41,365
Current service cost	826	657
Interest cost on obligation	2,126	2,270
Contributions by members	251	234
Actuarial losses / (gains)	5,335	816
Past service (credit) / costs	-	-
Losses on curtailment	-	47
Estimated unfunded benefits paid	(57)	(54)
Estimated benefits paid	(1,068)	(1,024)
At 31 March	51,724	44,311

Movement in fair value of employer assets

	2013	2012
	£'000	£'000
At 1 April	35,405	34,729
Expected return on assets	1,994	2,412
Contributions by members	251	234
Contributions by employer	869	891
Contributions in respect of unfunded benefits	57	54
Actuarial (losses)/gains	3,320	(1,837)
Estimated unfunded benefits paid	(57)	(54)
Estimated benefits paid	(1,068)	(1,024)
At 31 March	40,771	35,405

Amount recognised in the group statement of comprehensive net expenditure

	2013	2012
	£'000	£'000
Actuarial (losses)/gains on obligations	(5,335)	(816)
Actuarial (losses)/gains on plan assets	3,320	(1,837)
At 31 March	(2,015)	(2,653)
Cumulative actuarial (losses) recognised	(10,830)	(8,815)

History of experience gains and losses

	Year to 31 March			
	2013	2012	2011	2010
	£'000	£'000	£'000	£'000
Fair value of employer assets	40,771	35,405	34,729	31,720
Present value of defined benefit obligation	(51,724)	(44,311)	(41,365)	(47,945)
(Deficit)	(10,953)	(8,906)	(6,636)	(16,225)
Experience: (Losses)/gains on assets	3,320	(1,837)	426	6,874
Experience: (Losses)/gains on liabilities	(5,335)	(816)	3,489	(18,801)

21 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

c) Total pension scheme charges reflected in group statement of comprehensive net expenditure

	2013	2012
	£'000	£'000
British Tourist Boards' Pension Scheme	1,230	1,715
Local Government Pension Schemes	926	945
Pension schemes - Other	6	8
At 31 March	2,162	2,668

d) Total pension scheme actuarial (gains) / losses recognised in group statement of comprehensive net expenditure

	2013	2012
	£'000	£'000
British Tourist Boards' Pension Scheme	144	4,362
Local Government Pension Schemes	2,015	2,653
At 31 March	2,159	7,015

e) As detailed in the Management Commentary, VisitScotland is measured on the Resource Outturn *not including* IAS 19 adjustments. This adjustment (funded as AME) is calculated as follows:

	BTBPS	LGPS
Charges reflected in the group statement of comprehensive net expenditure	2,902	958
Employer's contributions	(1,230)	(869)
Contributions in respect of unfunded benefits	-	(57)
	<u>1,672</u>	<u>32</u>
IAS 19 adjustment as disclosed in the Management Commentary		1,704

22 FINANCIAL INSTRUMENTS

VistScotland has exposure to the following risks from the use of financial instruments:

Liquidity risk; Credit risk; Market risk; Currency risk.

This note presents information about the Group and VisitScotland's exposure to each of the above risks.

Further quantitative disclosures are included throughout these accounts.

The Board has overall responsibility for the establishment and stewardship of the risk management framework. The audit committee oversees how management monitors compliance with VisitScotland's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by VisitScotland. The Group, and VisitScotland, has no derivative financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that VisitScotland will not be able to meet its financial obligations as they fall due.

The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. VisitScotland's primary source of funds is the grant in aid provision from the Scottish Government. The loans highlighted in Note 18 represent the remaining sources of debt, or borrowing facilities with external parties, incurred by VisitScotland. Liquidity is managed by the use of the annual operating plan process and the monitoring of the actual performance against budgets and forecasts.

The following tables summarise the maturity profile of the Group and VisitScotland's financial liabilities as at 31 March, based on contractual undiscounted payments.

a) Group

Financial liabilities	Contractual cash flows				
	Net carrying amount £,000	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
As at 31 March 2012					
Loans	114	39	75	-	114
Other borrowings	3,747	613	2,406	1,488	4,507
Trade and other payables	6,595	6,595	-	-	6,595
Total financial liabilities	10,456	7,247	2,481	1,488	11,216
As at 31 March 2013					
Loans	75	38	37	-	75
Other borrowings	3,319	613	2,271	1,010	3,894
Trade and other payables	8,151	8,151	-	-	8,151
Total financial liabilities	11,545	8,802	2,308	1,010	12,120

22 FINANCIAL INSTRUMENTS continued

Liquidity risk (continued)

b) VisitScotland

Financial liabilities	Net carrying amount £,000	Contractual cash flows			Total £,000
		Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	
As at 31 March 2012					
Loans	114	39	75	-	114
Other borrowings	3,747	613	2,406	1,488	4,507
Trade and other payables	6,686	6,686	-	-	6,686
Total financial liabilities	10,547	7,338	2,481	1,488	11,307
As at 31 March 2013					
Loans	75	38	37	-	75
Other borrowings	3,319	613	2,271	1,010	3,894
Trade and other payables	8,152	8,152	-	-	8,152
Total financial liabilities	11,546	8,803	2,308	1,010	12,121

Credit risk

Credit risk is the risk of financial loss to VisitScotland if a customer, or counter party, fails to meet its contractual obligations, and arises from the trade receivables.

VisitScotland carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk that VisitScotland are exposed to from any single counterparty.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Credit risk arising from the Group and VisitScotland's normal operations is controlled from within the management framework of the Corporate Services directorate, in accordance with the policies and procedures laid down.

VisitScotland operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. The movement in the impairment provision in respect of financial assets is set out in Note 16 above.

Cash and cash equivalents are held with banks, which are not expected to fail.

Both the Group's and VisitScotland's exposure to credit risk is likely to have increased in the current economic climate, but management does not consider this to have had a significant impact as the risk is spread across a large number of receivables.

The maximum exposure to credit risk at the reporting date was:

	Group		VisitScotland	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current receivables				
Trade and other receivables	4,048	3,688	4,309	3,949
Cash and cash equivalents	3,019	2,318	3,019	2,318
At 31 March	7,067	6,006	7,328	6,267

22 FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect the statement of comprehensive net expenditure, or the value of holdings in financial instruments.

a) Group

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
Fixed interest rate				
At 31 March 2012				
<i>Financial liabilities</i>				
Loans	(33)	(64)	-	(97)
Other borrowings	(428)	(1,932)	(1,387)	(3,747)
Total	(461)	(1,996)	(1,387)	(3,844)
At 31 March 2013				
<i>Financial liabilities</i>				
Loans	(34)	(29)	-	(63)
Other borrowings	(453)	(1,904)	(962)	(3,319)
Total	(487)	(1,933)	(962)	(3,382)
Variable interest rate				
At 31 March 2012				
<i>Financial assets</i>				
Trade and other receivables	3,688	-	-	3,688
Cash and cash equivalents	2,318	-	-	2,318
<i>Financial liabilities</i>				
Loans	(6)	(11)	-	(17)
Trade and other payables	(6,595)	-	-	(6,595)
Total	(595)	(11)	-	(606)
At 31 March 2013				
<i>Financial assets</i>				
Trade and other receivables	4,048	-	-	4,048
Cash and cash equivalents	3,019	-	-	3,019
<i>Financial liabilities</i>				
Loans	(4)	(8)	-	(12)
Trade and other payables	(8,151)	-	-	(8,151)
Total	(1,088)	(8)	-	(1,096)

22 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

b) VisitScotland

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
Fixed interest rate				
At 31 March 2012				
<i>Financial liabilities</i>				
Loans	(33)	(64)	-	(97)
Other borrowings	(428)	(1,932)	(1,387)	(3,747)
Total	(461)	(1,996)	(1,387)	(3,844)
At 31 March 2013				
<i>Financial liabilities</i>				
Loans	(34)	(29)	-	(63)
Other borrowings	(453)	(1,904)	(962)	(3,319)
Total	(487)	(1,933)	(962)	(3,382)
Variable interest rate				
At 31 March 2012				
<i>Financial assets</i>				
Trade and other receivables	3,949	-	-	3,949
Cash and cash equivalents	2,318	-	-	2,318
<i>Financial liabilities</i>				
Loans	(6)	(11)	-	(17)
Trade and other payables	(6,686)	-	-	(6,686)
Total	(425)	(11)	-	(436)
At 31 March 2013				
<i>Financial assets</i>				
Trade and other receivables	4,309	-	-	4,309
Cash and cash equivalents	3,019	-	-	3,019
<i>Financial liabilities</i>				
Loans	(4)	(8)	-	(12)
Trade and other payables	(8,152)	-	-	(8,152)
Total	(828)	(8)	-	(836)

22 FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

The following tables present the fair values of financial instruments compared to the carrying amounts for which these instruments are included in the balance sheet.

a) Group	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	4,048	4,048	3,688	3,688
Cash and cash equivalents	3,019	3,019	2,318	2,318
<i>Financial liabilities</i>				
Loans - Fixed interest rate	(63)	(68)	(97)	(106)
Loans - Variable interest rate	(12)	(12)	(17)	(17)
Other borrowings	(3,319)	(3,319)	(3,747)	(3,747)
Trade and other payables	(8,151)	(8,151)	(6,595)	(6,595)
At 31 March	(4,478)	(4,483)	(4,450)	(4,459)
b) VisitScotland				
	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	4,309	4,309	3,949	3,949
Cash and cash equivalents	3,019	3,019	2,318	2,318
<i>Financial liabilities</i>				
Loans - Fixed interest rate	(63)	(68)	(97)	(106)
Loans - Variable interest rate	(12)	(12)	(17)	(17)
Other borrowings	(3,319)	(3,319)	(3,747)	(3,747)
Trade and other payables	(8,152)	(8,152)	(6,686)	(6,686)
At 31 March	(4,218)	(4,223)	(4,280)	(4,289)

Fair value hierarchy

Group and VisitScotland financial assets and liabilities that are valued at fair values are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

All material Group and VisitScotland financial assets and liabilities are defined as level 3 instruments.

Estimation of fair values

The following methods and assumptions were used to estimate fair values:-

- Trade and other receivables: The fair value is deemed to be the same as the carrying value, less any provision for impairment.
- Cash and cash equivalents: The fair value is deemed to be the same as the carrying value.
- Trade and other payables: The fair value is deemed to be the same as the carrying value.
- Loans: The Group and VisitScotland has fixed borrowings with two Government authorities, as designated in Note 18. The fair value of the debt due to these authorities has been calculated based on a discount factor aligned with a weighted average of loan market rates for 5 & 10 year year borrowings. 2013 - 5.00% :(2012 - 5.00%)
- Other borrowings: The fair value is deemed to be equal to the net present value of future lease payments.

22 FINANCIAL INSTRUMENTS continued

Interest rate sensitivity analysis

Loans

VisitScotland is a party to one contractual loan which is variable as to interest rate risk, and at the 31 March 2013 the amount outstanding on this loan was £11,768

- i) An annualised increase of 400 basis points from the rate in use at 31 March 2013 would result in an increase in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£471** (2012: £653).
- ii) An annualised decrease of 100 basis points from the rate in use at 31 March 2013 would result in a decrease in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£118** (2012 :£163).

Cash and cash equivalents

Interest receivable by the Group and VisitScotland from cash and cash equivalents is subject to variation based on movements in the Bank of England base rate, and associated interest rates. Assuming that all other variables remain constant, and using linear extrapolations that may not reflect the actual result, a change of 100 basis points in interest rates over the the reporting year (based on average monthly cash balances) would have increased / decreased net operating costs, as follows:

	Group 100 bps £'000	VisitScotland 100 bps £'000
Year end 31 March 2012	43	43
Year end 31 March 2013	34	34

The above sensitivity analyses are for illustrative purposes only.

Currency risk

VisitScotland is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Where practical, VisitScotland enters into agreements in its functional currency in order to minimise currency risks.

VisitScotland is exposed to currency risk from its activities conducted overseas, but does not enter into any hedge arrangements, and does not consider such currency risk to be material.

23 PROVISIONS

Group and VisitScotland

	Pension provision £'000	Early departure costs £'000	Total £'000
At 1 April 2011	149	-	149
Utilised	(16)	-	(16)
Charged	4	-	4
At 31 March 2012	137	-	137
At 1 April 2012	137	-	137
Utilised	(16)	-	(16)
Charged	15	-	15
At 31 March 2013	136	-	136

VisitScotland is liable for the pension and early departure costs associated with past chairmen, and the provision is adjusted, as necessary, to account for the timing of payments, and the resultant annually discounted liability.

24 LOSSES AND SPECIAL PAYMENTS

Group and VisitScotland

	2013 £'000	2012 £'000
Total losses for the year were:		
Trade bad debts written off	23	-
At 31 March 2013	23	-

25 CAPITAL COMMITMENTS

Group and VisitScotland

There are no capital commitments as at 31 March 2013 (2012: None).

26 CONTINGENT LIABILITIES

Group and VisitScotland

The impact of the change in accounting policy last year with regard to the treatment of Government grants, etc, is such that no longer will there be held in reserve amounts being released over the life of an asset. However, there remains the possibility that, until the official timeline expires in respect of a number of the grants that have hitherto been received, there may be a requirement to repay a proportion of such grants in the event that the associated assets were to be sold or the nature of their use was to be changed.

27 EVENTS AFTER THE BALANCE SHEET DATE

Group and VisitScotland

There have been no events of a material nature arising subsequent to the year end, and prior to the approval of these accounts.

28 RELATED PARTY TRANSACTIONS

VisitScotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government, which in turn, is regarded as a related party.

During the year VisitScotland has had various material transactions, excluding Grant-in-Aid, with the Scottish Government, and with other entities for which the Scottish Government is regarded as the parent body.

In compliance with the FReM and IAS 24 "Related Party Disclosures" requirements, details of material transactions with other Government bodies and companies, all of which have arisen in the normal course of business conducted by VisitScotland, where Board members, Directors and senior staff, have an interest, are disclosed, as follows:

Representative	Company name	Role	Nature of supply	Sales to	Debtor	Purchases	Creditor
				£'000	balance	from	balance
				£'000	£'000	£'000	£'000
Mike Cantlay	VisitBritain	Director	Promotions / marketing projects	29	-	93	9
	Highland & Islands Airport Ltd	Director	Promotions / marketing projects	29	-	-	-
Stephen Carter	Cameron House Resort	Director	Marketing promotions	-	-	3	-
Paddy Crerar	Crerar Hotels Limited	Chairman	Marketing promotions	1	-	-	-
Manus Fullerton	Royal Zoological Society of Scotland	Director	Ed' burgh Pass sales / costs	1	-	17	-
Professor Russel Griggs	Scottish Enterprise	Director	Promotions / marketing projects	334	5	24	-
	Room 501 Limited	Director	Promotions / marketing projects	-	-	11	-
Malcolm Roughead	Dynamic Earth Trust	Director	Promotions / marketing projects	1	-	16	-
Paul Bush	Commonwealth Games Council	Director	Promotions / marketing projects	-	-	1	-
				395	5	165	9

With the exception of the transactions described above, none of the other Board Members, key management staff, or other related parties, has undertaken any material transactions with VisitScotland during the year.

The nature of VisitScotland's operations, and the composition of its Board make it very likely that transactions will take place with companies or other organisations in which a member may have an interest. All transactions involving companies, or organisations in which a member may have an interest, are conducted at arm's length in the normal course of business, and in accordance with VisitScotland procurement guidelines and expenditure approval limits.

Independent auditor's report to VisitScotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of VisitScotland for the year ended 31 March 2013 set out on pages 28 to 75. The financial statements of VisitScotland comprise the group statement of comprehensive net expenditure as at 31 March 2013, group balance sheet, VisitScotland balance sheet, group statement of cash flows and the group and VisitScotland's statement of changes in taxpayers' equity for the year then ended, and notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the HM Treasury Financial Reporting Manual (the 2012-2013 FReM).

This report is made solely to VisitScotland and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer and auditors

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 24, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to VisitScotland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. This information comprises only the the Management Commentary and the part of the Remuneration Report that is not audited. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of VisitScotland's affairs as at 31 March 2013 and of the group's net operating costs for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the HM Treasury Financial Reporting Manual 2012-2013; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Independent auditor's report to VisitScotland, the Auditor General for Scotland and the Scottish Parliament (Continued)

Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion in all material respects the expenditure and receipts in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in these matters.

Grant Thornton UK LLP

Grant Thornton UK LLP

7 Exchange Crescent,
Conference Square,
Edinburgh, EH3. 8AN.

30 October 2013

VISITSCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 6(1) of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 11 January 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers
Dated 30 July 2008

