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## MANAGEMENT COMMENTARY

### 1. STRATEGIC REPORT

#### 1.1 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 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 89 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 by providing information and inspiration to new and repeat visitors so that they derive the best experience out of a visit to Scotland. VisitScotland provides quality assurance to visitors and quality advice to industry and works closely with partners to assist the tourism industry in not only meeting but exceeding visitors' expectations. VisitScotland, through the VisitScotland Events Directorate, is also responsible for the development of a portfolio of events that deliver economic and social impact and international profile for Scotland by establishing Scotland as the perfect stage for events.

VisitScotland is 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 as Scotland's destination marketing organisation, our role is the delivery of not only focused activity, building upon the successes of the "The Winning Years", and developing the legacy beyond, but also in making a major contribution to the Scottish Government's drive towards the internationalisation of Scottish businesses.

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

#### 1.2 CORPORATE OBJECTIVES AND STRATEGY

VisitScotland's core business priority is to **grow and develop Scotland's visitor economy sustainably through our core activity of marketing and events and by working in partnership with businesses and communities.**

In so doing VisitScotland will provide support and contribute to the industry-led strategy, Tourism Scotland 2020 ambition of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn.

The need to work in partnership with all manner of multiple stakeholders to ensure the successful delivery of sustainable economic benefit to Scotland, including the delivery of a series of major events in 2014, i.e. the Ryder Cup, and a year-long programme of Homecoming events, including Bannockburn Live, was reflected within our strategic priorities for 2014/15, as outlined in our *2013-2016 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, and in so doing to promote sustainable growth in the Visitor Economy.
- **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 by maximising our reach and return on investment in pursuing the growth of the Visitor economy.
- **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.

### 1.3. STRATEGIC OUTCOMES REPORT FOR THE YEAR

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

#### **Business Theme : "Scotland welcomes the world"**

In the context of VisitScotland's primary purpose to maximise the sustainable benefit of tourism to Scotland, spend from overnight visitors to Scotland is valued at £4.7bn,<sup>1</sup> with 36% of that spend coming from international visitors, although they account for only 16% of visitors.

A strong finish to the year resulted in April 2014 – March 2015 figures showing a 10% year on year increase in both the number of visitors and expenditure.

The value of the wider Visitor Economy (including knock on impacts in other sectors and spend from tourist related employees) to the Scottish economy is much greater and much wider, being valued at £11.6bn, supporting 292,000 jobs and 20,000 diverse businesses.<sup>1</sup> It is further estimated that around 200,000 non-tourism jobs are supported by the tourism industry, with tourism generating around £2 million per day for the food and drink industry for example.<sup>2</sup>

### DELIVERY OF CORPORATE OBJECTIVES FOR THE YEAR

#### MARKETING

Notable achievements of our principal investment programmes are set out under Key Project Performance Measures on page 7.

In 2014-15 Events took centre stage as the industry and the world were treated to a year of activity which put Scotland in the global spotlight. The Year of Homecoming was a resounding success with over 1,000 events being attended by 4.6 million people, generating £136 million of net additional revenue for Scotland, inspiring 326,000 visitors from outside the country to travel to Scotland, and creating 1,336 net full time equivalent jobs. (Source: *Our measurement criteria; page 8*).

The XX Commonwealth Games were hosted by Glasgow and deemed to be the 'best ever Games' by those who participated and spectated. Over 700,000 visitors attended the Games with over 1.5 billion people worldwide watching of which 35 million were in the UK. As a contribution, VisitScotland worked with over 1,200 journalists during the Games to showcase Glasgow and Scotland to the world. (Source: *Legacy 2014 website*).

The Ryder Cup, attended by 210,000 spectators was hosted by Gleneagles, and again, Scotland was thrust into the homes of over 25 million people worldwide generating a media value of over £50m. With economic activity of more than £100 million, and plaudits for being the 'best ever Ryder Cup', Scotland reinforced its position as 'The Home of Golf'. (Source: *A Study of Economic Impact & Wider Benefits of The Ryder Cup*).

2015 promises to be just as action-packed with the central theme of Food and Drink featuring in the VisitScotland activity programmes during the period January-March 2015 and beyond.

The Business Events Bid Fund continued to go from strength to strength with 30 conferences secured for Scotland to place between 2015 and 2022, with an estimated value of £54.6 million and the annual VisitScotland Expo conference held at the AECC in Aberdeen in April 2014 was, once again, an immense success generating in excess of an estimated £21 million worth of business. (Source: *Our measurement criteria; page 8*).

Underpinning our activity in bringing visitors to Scotland has been the success in developing our aviation hub strategy with partner agencies as part of Team Scotland. The introduction by Qatar Airways, Etihad, US Airways and United Airlines of new services direct to Scotland during 2014/15, in addition to the growing importance of Turkish Airlines and Virgin Atlantic, has resulted in greater access to the markets of North America, Asia, Australasia and the Indian Sub-Continent.

#### *Marketing Research and Insight*

The Insight Department supports VisitScotland's organisational purpose - to grow and develop the sustainable economic benefit of tourism to Scotland's visitor economy - by informing and guiding the development of robust, forward-looking and measureable strategies. We create and communicate relevant and valuable knowledge and insights for colleagues, partners and stakeholders.

The department comprises five distinct disciplines and areas of knowledge: Research, Economics, Trends analysis, Digital Analytics, and Consumer CRM. In addition to their specialist area of work, all members of the Insight department have the responsibility to maintain and share an up-to-date awareness of the latest developments and best practice in their fields, and to pro-actively engage with colleagues and stakeholders so they can benefit from our knowledge and expertise.

During the financial year 2014-15, the department continued the publication of reports of our trends and statistical analyses, which are amongst the top downloads from our key information channel on our corporate website – [www.visitscotland.org](http://www.visitscotland.org). We responded to 375 enquiries for information through our e-mail service,



and managed dissemination of the national tourism statistics. In addition, we supported or collaborated with a range of partners including Scottish Enterprise, VisitEngland, the Scottish Government, Scottish Local Authorities Economic Development, various local authorities and the Scottish Tourism Alliance. In this landmark year, VisitScotland Insight department also lent its expertise to partners with regard to the measurement of several of the major 2014 events.

The continual development of our measurement tools, with improved methodology and analysis for our Consumer CRM and Digital Analytics data, together with the launch of a new brand and advertising tracker, which provides the enhanced range of campaign reporting and deep-dive analysis for colleagues, ensures the on-going reliability and consistency of service

#### INFORMATION PROVISION

VisitScotland operated a network of 76 VICs in 2014/15 which attracted over 3.3 million visitors and generated £2 million pounds worth of revenue for the industry through accommodation bookings.

In addition, VisitScotland worked in partnership with 35 businesses to provide an arms-length service through a network of information points in partnership.

During the year significant improvements were made to key strategic centres in Aberdeen, Perth and Edinburgh Airport. Recognising the changing environment in which information is now accessed by consumers and the huge growth in the use of digital technology, a major review of information provision, within the context of the customer experience strategy, was carried out during the year. The outcome of this review is a recognition that the format and content of our information provision must change. It needs to be more integrated, make best use of technology, engage more effectively with partners and businesses and retain a strong human element much desired by international visitors. Detailed plans of what that will look like in practice are being developed jointly in partnership with Local Authorities, key strategic partners and industry/community groups.

In this context VisitScotland's strategy is focused on providing information through multiple touch points, providing engaging content to meet the needs of visitors at each stage of their journey.

Key developments have included the integration of all standalone regional, product and international websites to create a global website under the visitScotland.com banner. New and enhanced content and optimisation of the site has increased the number of visits/sessions, up 17.9% on 13/14 levels to 20,223,252.

A key focus has been connecting more visitors with businesses listed on the site, and during the year over 1,140,542 visitor referrals were passed to businesses so listed. Over 34% of accommodation businesses are now providing online availability as a result of VisitScotland's work to integrate web booking engines, with 14,909 accommodation bookings during the last year.

Recognising the increase in smartphone usage, the website was also optimised for mobile users and a new mobile phone application developed, which is now available to download from both the Apple and Google app stores. The VisitScotland 'Explore' app helps visitors to plan their trip around Scotland and enables users to find activities, attractions, events and accommodation using their current location, or by selecting one using the location finder. With the co-operation of the transport agencies we have incorporated a journey planner tool into the app to support the trip planning process.

Social media engagement continues to grow, and at the end of March 2015 we had recorded the following increases in our coverage since their commencement in April 2014;

- **Facebook**  
498,000 Facebook fans globally - Up 97% from the initial 257,000 fan base.
- **Twitter**  
128,000 Twitter followers globally - Up 64% from the initial 78,000 followers.
- **Instagram**  
37,000 Instagram followers globally - Up 513% from the opening 6,000 followers.

In addition, information is distributed monthly to over 2 million visitors on VisitScotland's database, keeping them up to date with events, seasonal highlights, industry and partner offers.

#### QUALITY AND SUSTAINABILITY

VisitScotland's Quality Assurance Schemes continue to receive strong support from the industry with over 8,000 businesses achieving a star rating, food grading or welcome scheme recognition during 2014/15.

Further developments to enhance the range of advice and support provided to businesses as part of our engagement have included enhancing our focus on sustainability, accessibility and digital issues.

Recognising the changing market environment in which we operate and the rapid growth of user generated content, stimulated by the explosion in the use of technology, VisitScotland led a significant review of the current approach towards quality and quality assurance on behalf of the "home" tourist boards (VisitEngland, VisitWales, & Tourism Northern Ireland) and the AA. The final outcome of this review was published in June, and it was concluded that change was essential. VisitScotland is now considering the manner of the changes and how they could be implemented to enhance the quality of the visitor experience.

## WORKING IN PARTNERSHIP

In 2014/15 much of the focus of our national, regional and local partnership working has centred on maximising the benefits of our once in a lifetime programme of events including Homecoming, the Commonwealth Games and the Ryder Cup. Judging by results just published, industry and stakeholders have grabbed these opportunities and maximised visitor spend in-line with expectations. Strategically there has been a strong move towards enhancing our engagement with both businesses and destinations to maximise the benefits of digital technology. This has focused on one to one digital advice using Google Analytics and encouraging destinations to make their areas more web-enabled and bookable on-line. During the year we signed a contract with user generated content aggregator 'TrustYou' to develop a new approach thereby enhancing the promotion of quality on our web site, visitscotland.com.

Relationships with our key public sector partners and agencies continue to develop through a strong focus on the National Tourism Development Framework ("NTDF"), customer experience strategy and our refreshed approach to marketing.

The NTDF was reviewed during the year with national partners providing a progress report and the various action plans were updated to record over 600 projects with an investment value of £10.1 billion.

VisitScotland's key industry partner is the Scottish Tourism Alliance, and activity in 2014/15 continued to centre on supporting the delivery of the key strands of the national tourism strategy TS2020 and its roll out via the 'rocket' to destinations and sector groups.

A review of the strategy is underway and VisitScotland has provided research and insights support and helping formulate the next phase of focused delivery.

New partnerships developed during the year have had a strong social and community focus, with strategic and operational discussions being held with Social Enterprise Scotland, SENSCOT. The foundations have been laid for engagement with all 32 Community Planning Partnerships for the autumn of 2015.

## EVENTS

Scotland's events industry has delivered another outstanding world class year of events delivery, with VisitScotland's Events Directorate, primarily through EventScotland, together with its partners, working to keep events at the top of the agenda. As a consequence, there have been a great many stand-out events this year, and a summary of the principal achievements follows:

### The XX Commonwealth Games

In addition to the 17 sports the Queen's Baton Relay, Opening and Closing Ceremonies, Culture 2014 and Festival 2014 played a massive part in the lead up to and success of the Games;

- The Games contributed more than £740 million gross to Scotland's economy, including £390 million for Glasgow's economy, and has supported, on average, approximately 2,100 jobs each year from 2007 and 2014. (Source: *Legacy 2014 website*).
- Glasgow 2014 was hailed as "the standout Games in the history of the movement" by Commonwealth Games Federation chief executive Mike Hooper.
- More than 1.2 million tickets were sold for the Games. (Source: *Legacy 2014 website*).

### The 2014 Ryder Cup

The world's greatest team golf event returned to Scotland, the Home of Golf, for only the second time in its history, and proved that there is no greater platform for the world's best golf tournaments;

- Generated £106 million of economic activity in Scotland. (Source: *A Study of Economic Impact & Wider Benefits of The Ryder Cup*).
- Sky Sports golf analyst Butch Harmon said The 2014 Ryder Cup was the "best organised Ryder Cup ever." (Source: *The Ryder Cup Highlights Report*).
- The overall Ryder Cup week attendance at Gleneagles by spectators and other groups (including event staff, volunteers, and officials) was 250,000 of which the total spectator attendance was 213,000. (Source: *A Study of Economic Impact & Wider Benefits of The Ryder Cup*).
- Coverage through 50 global broadcasters reached in almost 200 territories around the world. (Source: *A Study of Economic Impact & Wider Benefits of The Ryder Cup*).
- The Ryder Cup Gala Concert at The SSE Hydro provided a great curtain raiser for The Ryder Cup; including performances from Nile Rodgers, Texas, and Jake Bugg.
- Inspirational effects were reflected in the 68% of visitors who intend to return to Scotland within a year for a leisure break. (Source: *A Study of Economic Impact & Wider Benefits of The Ryder Cup*).

### Year of Homecoming

Highlight events included: HOME: The International Launch of the Kelpies, Bannockburn Live, Forth Bridges Festival, a two-month long Highland Homecoming programme, and GENERATION, to name but a few;

- Net additional revenue in Scotland attributable to Homecoming 2014 is assessed as £136 million.
- 326,000 visitors from outside the country, who cited Homecoming as the primary reason for travelling to Scotland in 2014.

- 4.6 million attendance across more than 1,000 Homecoming 2014 events.  
(Source: *Homecoming Scotland 2014 Economic evaluation report –The Moffat Centre for Travel and Tourism Business Development, Glasgow Caledonian University*).

Other momentous events held during the year;

- MTV EMA 2014 / Glasgow.
- BBC Sports Personality of the Year.
- The launch of VisitScotland's Year of Food & Drink.

#### Investment in events

During 2014-15 nearly £2.8 million was invested in events across Scotland by VisitScotland, via EventScotland, with our supported events generating in excess of £77 million of economic impact to Scotland. As well as investing in our country's events, EventScotland and partners have continued to work to secure new events, for example:

- LEN European Swimming Championships secured for Glasgow in 2018.
- European Sports Championships 2018 secured for Scotland.
- UEFA EURO 2020 (Glasgow will be one of the host cities with Hampden Park as the venue.)

#### Business Events

Formerly known as the Business Tourism Unit, the Business Events team drives corporate meetings, incentive groups, association conventions and exhibitions into Scotland from around the world. With staff in London, Toronto and key locations within Scotland, the Business Events team works in partnership with the city convention bureaux of Edinburgh, Glasgow, Dundee and Aberdeen plus key venues, hotels and academic centres of excellence to attract business events related to Scotland's key industry sectors.

##### *The Conference Bid Fund*

- The £2 million National Conference Bid Fund ("NBF") completed its first 3 years in existence with a cumulative 78 conferences secured over the next 7 years, delivering a future estimated total delegate expenditure of £155 million, in return for £1.5 million of match-funding Local Authority/Destination Management Organisation commitments. (Source: *Our measurement criteria; page 8*).
- The most common industry sector for international conferences supported by the fund remains Life Sciences & Medical, thereafter, Energy & Sustainability, Education and Creative Industries/ICT/Electronic Technologies.
- As result of regional efforts by the Business Events team to encourage use of the fund, there has been greater use of the fund outside the four main cities. Conferences supported by the fund have taken place in locations including Stirling, Kingussie, St Andrews, Inverness, Stornoway, Orkney, Shetland and Peebles, covering topics as diverse as artificial intelligence, mountain biking, maritime law, nuclear physics, woodland sustainability and karate.

In addition to year round sales & marketing activity work to market Scotland as a MICE destination, the Business Event team also took part in major international MICE trade shows and delivered on-territory activity including: IMEX (Europe & America), EIBTM Barcelona, Incentive Travel Exchange (Las Vegas), M&I Forums Eastern Europe (North America), Burns Supper (Dusseldorf), Scotland Week 2014 Activity (New York, San Francisco, Toronto Los Angeles) and Year one of the Toronto-based VisitScotland Business Events presence Strategic Partnership Activity

Business event enquiries from this activity for the full year 2014/15 reached £113 million. In addition, known confirmed business into Scotland from previous, specific leads, has totalled £13 million. (Source: *Our measurement criteria; page 8*).

#### Future focus

Following an incredible 2014, the Scottish Events industry felt the time was right to revisit and review the event strategy, "Scotland the Perfect Stage". The revised strategy aims to provide an enhanced strategic approach and focus for all those involved in the delivery of events in Scotland.

In line with the revised strategy, and on 1 April 2015, VisitScotland restructured its Events Directorate to take on a wider role in the events industry, which will provide further support and commitment. As a result there are now three teams within the "VisitScotland's Events" Directorate: EventScotland; Development-Events Industry; and Business Events. Each team plays a pivotal role in the implementation of the strategy by:

- Building on previous work and the legacy of 2014 to attract, sustain and develop major events, festivals and business events to maximise economic impact and media profile.
- Raising the national and international profile of Scotland the Perfect Stage.
- Leading and advising the events industry, providing information and training, sharing best practice and working with the industry to focus on quality delivery.
- Working to develop capacity, knowledge and partnerships to strengthen the Scottish events industry.
- Driving business events such as corporate meetings, incentive groups, conventions and exhibitions.

VisitScotland's Events Directorate will continue to develop and evolve to build upon this landmark year and further enhance Scotland's reputation as the "Perfect Stage" for events.

#### 1.4 ORGANISATIONAL EFFICIENCY

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 **£2,079,000** within the following areas:

- Procurement **£760,000**
- Asset management **£129,000**
- Organisational change (including benefits derived from voluntary redundancy, and non-replacement of senior staff), and shared services **£1,190,000**

The cumulative savings from 2008 to date under the efficiency programme now exceed **£13,400,000** a sum total of **£7,200,000** ahead of the original Government target.

#### 1.5 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 8).

For 2014-15 the measurement statistics have revolved around a number of key areas involving core projects, and a selection of the more important results are shown below. The principal areas have delivered or are delivering the outcomes expected.

PERFORMANCE MEASURE	2014-15 Achieved £ Million	2014-15 Target £ Million
<b>ATTRIBUTABLE ECONOMIC ACTIVITY IN SCOTLAND</b>		
INTERNATIONAL MARKETING ( Note (i) )		
<ul style="list-style-type: none"> <li>• Pan European Touring Campaigns ( Note (ii) )</li> <li>• Long Haul Campaign ( Note (ii) )</li> <li>• Emerging Markets campaign <i>(Value of new leisure product potential)</i></li> </ul>	<b>59.6</b> <b>32.0</b> <b>5.0</b>	<b>60.0</b> <b>14.0</b> <b>9.0</b>
<b>TOTAL INTERNATIONAL MARKETING ECONOMIC ACTIVITY</b>	<b>96.6</b>	<b>83.0</b>
UK & IRELAND MARKETING ( Note (i) )		
<ul style="list-style-type: none"> <li>• National themed campaigns</li> <li>• Regional Marketing – Spring/summer – Autumn/Winter Campaigns: "Exploring Scotland "</li> </ul>	<b>111.9</b> <b>86.8</b>	<b>120.0</b> <b>40.0</b>
<b>TOTAL UK &amp; IRELAND MARKETING ECONOMIC ACTIVITY</b>	<b>198.7</b>	<b>160.0</b>
NATIONAL & INTERNATIONAL EVENTS PROGRAMME( Note (i) )		
<ul style="list-style-type: none"> <li>• Golf Events – Ryder Cup / Scottish Open</li> <li>• Homecoming Scotland</li> <li>• Investment derived from £3m Grants</li> <li>• Public Partner Funding – additionality</li> </ul>	<b>112.0</b> <b>136.0</b> <b>77.3</b> <b>1.7</b>	<b>104.0</b> <b>44.0</b> <b>34.1</b> <b>3.0</b>
<b>TOTAL EVENTS PROGRAMME ECONOMIC ACTIVITY</b>	<b>327.0</b>	<b>185.1</b>
BUSINESS EVENTS CONFERENCE 3 YEAR BID FUND PROGRAMME ( Note (iii) )		
<ul style="list-style-type: none"> <li>• Year 1 – 2012/13 : 21 conferences</li> <li>• Year 2 - 2013/14 : 28 conferences (at a lower average value)</li> <li>• Year 3 – 2014/15 : 29 conferences</li> </ul> <p><i>(Value of Conferences won in respective years; i.e. the estimated future spend and not what has actually occurred- Notes (i) &amp; (iv) )</i></p>	<b>60.0</b> <b>47.5</b> <b>54.6</b>	<b>10.0</b> <b>60.0</b> <b>60.0</b>
<b>CUMULATIVE BID FUND CONVERSION TO DATE</b>	<b>162.1</b>	<b>130.0</b>

INTERNAL GENERATION	2014/15	2013/14
<ul style="list-style-type: none"> <li>Deliver Visitor Footfall to VisitScotland Information Centres (VICs) <i>(Source: Footfall counters in VICs)</i></li> </ul>	Million 4.26	Million 4.49
<ul style="list-style-type: none"> <li>Deliver improved public sector efficiency savings p.a. – Government targets Single Year Cumulative from 2008 <i>(Source: Analysis of expenditure)</i></li> </ul>	£ Million  2.1 13.4	£ Million  1.2 6.2
<b>SUSTAINABILITY – level of CO2 Emissions</b> <i>Operational Offices &amp; VICs</i> <ul style="list-style-type: none"> <li>Energy</li> <li>Waste &amp; Water</li> <li>Transport</li> </ul> <b>TOTAL</b> <i>(Source: Operational analyses)</i>	Tonnes Registered 1,317 77 <u>383</u> <b>1,777</b>	Tonnes (Not to exceed) 1,836 87 <u>365</u> <b>2,288</b>

NOTES:

**Our measurement criteria**

- i) This is gross economic activity (i.e. visitor spend) resulting from marketing activity. The figures do not adjust for issues such as deadweight or displacement.
- ii) The measurement methodology was changed last year to bring international marketing evaluation in line with UK marketing evaluation – i.e. by using only those people who opened the VisitScotland newsletter communication instead of everyone who received it
- iii) Year one was a 'standing start' and therefore targeted outcomes were unknown. – Year two target was based on year one outcome. Year three provided the balance of the overall Bid Fund target –which over the three years is £130 million.
- iv) Work is underway to build an economic impact model to estimate the value of Conferences and Business events. It is anticipated that the model will be available for use in 2015/16.

*Specific measures:*

*Estimated supported 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.

*Consumer marketing additional revenue*

- The economic activity 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 resulting economic activity value 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 marketing*

- 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.

*Business Events*

- All Business Events statistics are derived from in-house capture of conference leads and bid fund applications /wins, as follows;
  - *Business Events core events* - Enquires are received by the Business Events team as a result of their 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. The figures generated represent an estimate of business spend from the exhibitors, gathered by means of the official post-expo evaluation.

#### *Future methodology*

Work is currently in progress across the organisation to enhance our measurement framework. The primary focus is on translating many of the current economic activity measures to net economic impact (i.e. New money in Scotland as a result of VisitScotland activity). The economic impact estimates will provide Gross Value Added (GVA) and Full-time Equivalent (FTE) metrics. It is anticipated that the first phase of these new metrics will be available in 2015/16.

Economic impact assessment will adhere to HM Treasury Green Book standard. For further information see <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

## 1.6 CORPORATE OBJECTIVES FOR 2015/16

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 set out in the Programme for Government, *One Scotland*, and Scotland's Economic Strategy ("SES"), and Scotland's International Framework. We will focus our efforts around the four pillars as laid out in the SES, namely;

- Internationalisation
- Investment
- Innovation
- Inclusive growth

In particular, we will strive through our activities to increase competitiveness and tackle inequality. VisitScotland will do this by continuing to deliver its principal role of marketing Scotland to the world as a tourist destination by adopting the following strategies:

- Our marketing platforms will support tourism businesses to internationalise while our campaign activity and customer experience offering will inspire visitors to come to Scotland, to do more, see more, stay longer and spend more.
- Through increased digital offerings we will seek to introduce innovative approaches to engaging with visitors both pre-and post-arrival
- 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 together with industry and agencies across Scotland to promote the importance of the visitor economy, engaging with communities at a local level, working with partners to encourage support of the fair work agenda and the Scottish Business Pledge.
- Working through the One Scotland Partnerships (Scottish Government and partner agencies) we will 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.

Our core objective in support of our overarching purpose is: **To contribute to the Tourism 2020 Strategy ambition of growing tourism revenues by £1bn by 2020 from a base line of £4.5bn,<sup>1</sup> and progress towards this goal will be achieved with deliverance of the principal strategies as outlined above, all closely integrated with interdependencies, as set out in our 2013-16 Corporate Plan, which is available online at:**

[http://www.visitscotland.org/about\\_us/our\\_focus/corporate\\_plan.aspx](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 £436<sup>3</sup> million.**

The 2013-2016 Corporate Plan has been prepared in the wider context of the Scotland's Economic Strategy, and to support and show our contribution to this, VisitScotland measures its performance through the **National Performance Framework**.

The following diagram (overleaf) displays the manner of VisitScotland's contribution:





## 1.7 MARKETING OUTLOOK

The Government's Economic Strategy (GES) has a sharp focus on the opportunities to grow sustainably the Visitor Economy in Scotland over the next year, and beyond, building on the Legacy created throughout 2014 of Capability, Capacity, Credibility and Confidence.

2015 will allow Scotland to show the world yet again why it is the Perfect Stage for events. The following is a selection of some key events throughout the coming year:

- Federation Equestre Internationale (FEI) European Eventing Championships 2015.
- World Artistic Gymnastics 2015
- World Orienteering Championships 2015
- Turner Prize 2015
- The Open
- The Scottish Open
- The British Womens' Open
- 2015 "Focus Year" - Year of Scotland's Food & Drink

Our vision is for Scotland to be the most sustainable tourism destination in Europe, and 84% visitors say that sustainability is very or quite important when making holiday choices. Consequently, we are incorporating sustainability into our Quality Assurance ("QA") schemes, and in November 2014 we included sustainability actions as a minimum number of core standards for our QA Scheme. Businesses can choose which actions they undertake from a set of 30 that cover areas such as energy, and water efficiency, travel and transport, waste management, or natural and cultural heritage.

The subject of Quality and what that means to the overall customer experience in a digital age will be examined as we begin to build up our strategic thinking for the period 2015-2020.

Our focus on priority markets and activities will be sharper, more honed by the vast amount of data VisitScotland captures thereby generating an even greater return on investment for all involved in the Visitor Economy.

The National Events Strategy will guide our thinking in terms of creating a balanced portfolio of International and National events in addition to how best we support the industry in its ambition to grow.

The customer experience is key to the success of Scotland as a destination in this competitive market place and VisitScotland will continue to use its Insights team to drive our common understanding of visitor trends, their needs and channel usage pre-arrival, on arrival and post-departure. This will involve making our information provision fit for purpose over the next 5 year period based on current usage and forecast trends.

Value for money, Service and Quality will continue to be key determinants of success given the uncertainties around the Euro, the sluggish return to growth in Europe and increasing levels of competition from key competitors.



## 1.8 CURRENT ECONOMIC CLIMATE AND TOURIST TRENDS

### ECONOMIC BACKGROUND<sup>4</sup>

#### United Kingdom

The UK economy Gross Domestic Product ("GDP") grew by 3% in 2014, its strongest performance since 2006, and the highest growth rate in the G7, and continued to expand in Q1 2015, and the aggregate output is now estimated to be more than 10% above its lowest point in Q2 2009, and around 4.5% higher than at the start of the recession in 2008.

Notwithstanding, UK growth expansion slowed somewhat to 0.4% in the first quarter of 2015, reflecting a small fall in construction output, and significantly slower growth in manufacturing (0.1%) and services sectors (0.4%), compared to the average quarterly rates seen through 2014.

On a similar basis, the Scottish economy grew strongly throughout 2014, recording in Q4 growth of 0.6%, its tenth successive quarter growth, and overall for 2014, expanded at a rate of 2.7%, the fastest pace since before the recession in 2006.

The strength of the recovery through 2014 has centred upon the services sector more so in the UK, with growth of 3%, whereas Scotland only achieved 2.3%, however, in contrast the construction sector was the principal driver for growth in Scotland at 13% over the year, whereas the UK construction sector only grew by 7.4%.

In Scotland, the latest labour market data shows that jobs continue to be created at a fairly fast pace, indeed in the latest February – April 2015 quarter at faster rate in Scotland than in the UK both in the quarter and over the year. Conversely, the picture differs on unemployment, with the numbers seeking work in Scotland rising slightly in the latest quarter (0.7%), with a reduction over the year to a QTR 1 figure of 6% - whereas the UK exhibited a QTR 1 fall in jobless of 2.3%, and an annual rate of 5.5%.

#### Global economy

The Euro area continued to recover during the past year, but private investment remained weak, with Ireland, Spain and Germany being notable exceptions. An overall Euro GDP growth rate of 0.9% was achieved in 2014 from a 2013 position of negativity at -0.5%. The recovery in the Eurozone area has continued to be moderate, albeit, growth in QTR 4 of 2014 was stronger than expected, but patchy across countries. A satisfactory long term resolution of the 'Greek' situation remains work in progress, and the ECB medium term price stability strategy crucial to the recovery.

GDP Growth in the United States has been energetic, averaging 3.9% annualised in the last three quarters of 2014. Consumption—the principal driver of growth—has benefitted from steady job creation and income growth, lower oil prices, and improved consumer confidence. The unemployment rate reached 5.5% in February 2015, at 8.3 million, 1.2 % below that of February 2014, and core personal consumption was only 1.4% higher than a year ago, with headline inflation even lower at 0.2%, largely reflective of falling energy prices. However, a modest fall in growth was experienced in QTR 1 in 2015.

#### Looking forward

The International Monetary Fund ("IMF") has predicted that, for 2015-16, global growth is projected to increase slightly from 3.4% in 2014 to 3.5% in 2015, rising to 3.8% in 2016. The increase in growth in 2015 will be driven by a rebound in advanced economies, supported by the decline in oil prices, with the United States playing the most important role, albeit near term risks of a much stronger slowdown in China in 2015 will have an impact across sectors, accordingly.

With conditions in place for a robust economic performance in 2015, the United States growth is projected to reach 3.1%, and to remain at this rate for 2016. Asset purchases by the Federal Reserve ceased in October 2014, and interest rates are forecast to rise in QTR 3 of 2015, with unemployment expected to fall to 5.1%.

Closer to home, it has been forecast that the UK economy will grow at a rate of 2.6% in 2015, with the prospect that it could repeat its achievement in 2014, of growing faster than any other G7 economy, albeit moderating slightly to around 2.4% in 2016. Consumer spending is projected to grow at a relatively strong pace of 2.8%, supported by stronger real wage growth, continued increases in employment, however, countered to some extent by a slight increase in fiscal interest rates.

The outlook for the Euro area is broadly unchanged, relative to the World Economic Outlook (Oct 2014) forecast, with GDP growth expected to increase to 1.5% in 2015 from 0.9% in 2014. In particular, growth in Germany is forecast to pick up for 2015 to 1.6%, with France at 1.2%, Italy at 0.5%, and Spain at 2.5%, although there remain self-evident risks to the fragile confidence and economic activity. The outlook beyond 2015 is being projected to be at similar rates.

Finally, the Scottish economy is expected to grow to around 2.3% in 2015, and 2016. The fall in oil price is a key factor shaping the outlook, entailing both upside and downside risks. The onshore economy, including Tourism, should benefit through lower costs and prices, but the oil price shock has negative implications for the oil and gas sector and its supply chain.

Despite the negative impacts the overall outlook for the Scottish economy remains positive with spare capacity in the economy, employment high and rising, helping to boost household incomes, and firms are well placed to capitalise on domestic and external demands this year.

**TOURISM PERFORMANCE IN SCOTLAND<sup>5</sup>**

In Scotland, international tourism performed strongly in 2014, compared to 2013, with an 11% increase in the number of trips. Total nights spent in Scotland by international visitors was up over 11%, and spend by 10%.

		2013	2014	
Rank	Country	Trips (000's)	Trips (000's)	% Change 13/14
1	USA	316	418	Up 32%
2	Germany	293	343	Up 17%
3	France	193	190	Down 1%
4	Australia	138	158	Up 14%
5	Netherlands	138	149	Up 8%

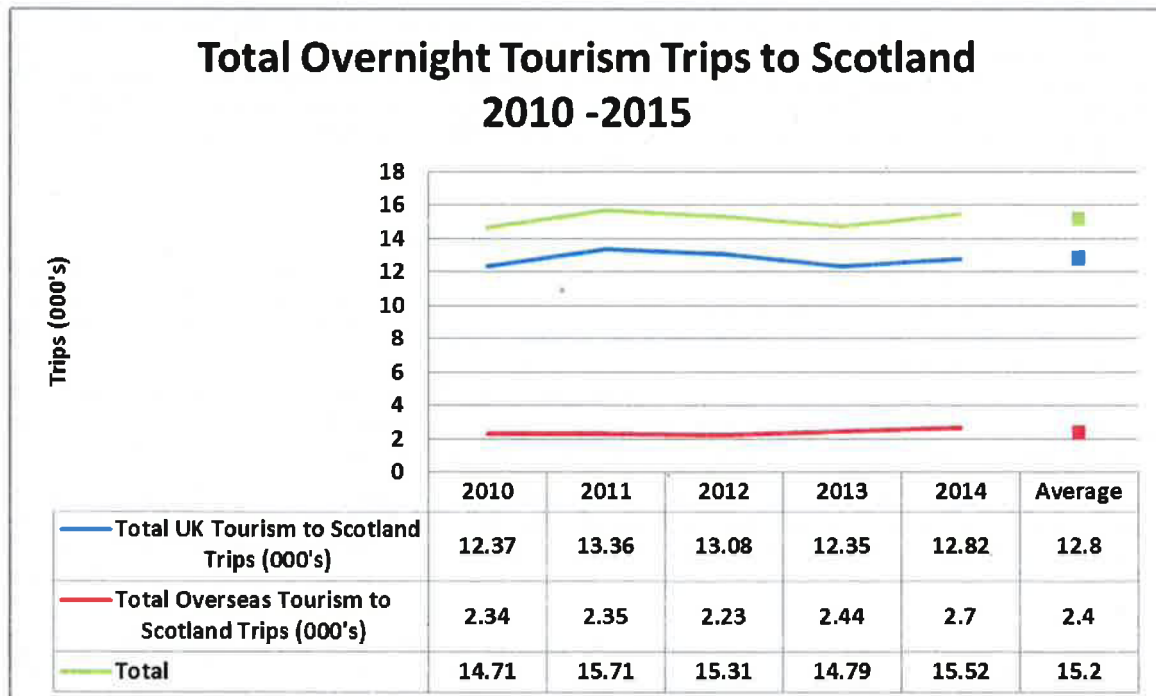
Source: IPS

Outwith Scotland's most popular markets figures indicate that the country is becoming increasingly a favourite with various short haul markets from Scandinavia and Central Europe, assisted by improving flight connectivity.

In 2014, 52% of international visitors to Scotland came for a holiday. Visiting friends and relatives ("VFR") accounted for 26%, and business travel for 18%. Business trips and holidays increased by 19%, and 16% respectively, whilst VFR remained flat on 2013's figures.

**Total Overnight Tourism Trips to Scotland 2010-2015**

The number of overseas visitors to Scotland reached 2.7 million in 2014 (this peak had not been reached since the pre-economic crisis period in 2007). The number of domestic visits in 2014 registered 12.82 million. The total of combined visits in 2014 reached 15.52 million.

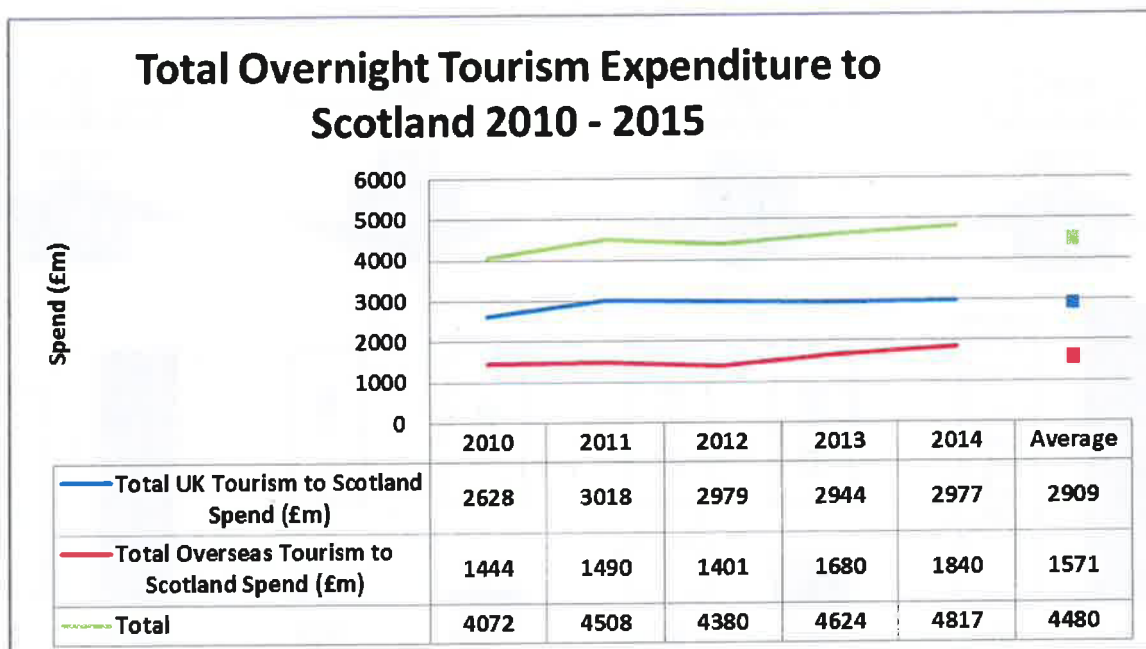


Source: GBTS/IPS

**Total Overnight Tourism Expenditure to Scotland 2010-2015**

Overseas expenditure has risen to £1.8bn in 2014. Domestic expenditure has reached £3.0bn in 2014. Expenditure in Scotland reached £4.8bn in 2014, and since 2010 domestic tourism expenditure has risen by

13% in current prices, whilst overseas expenditure has grown by 27%. Overall tourism expenditure has grown 18% since 2010.



Source: GBTS/IPS

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 sustainable economic recovery, and the success of our activities demonstrates that we can stimulate economic growth in the short and long term.

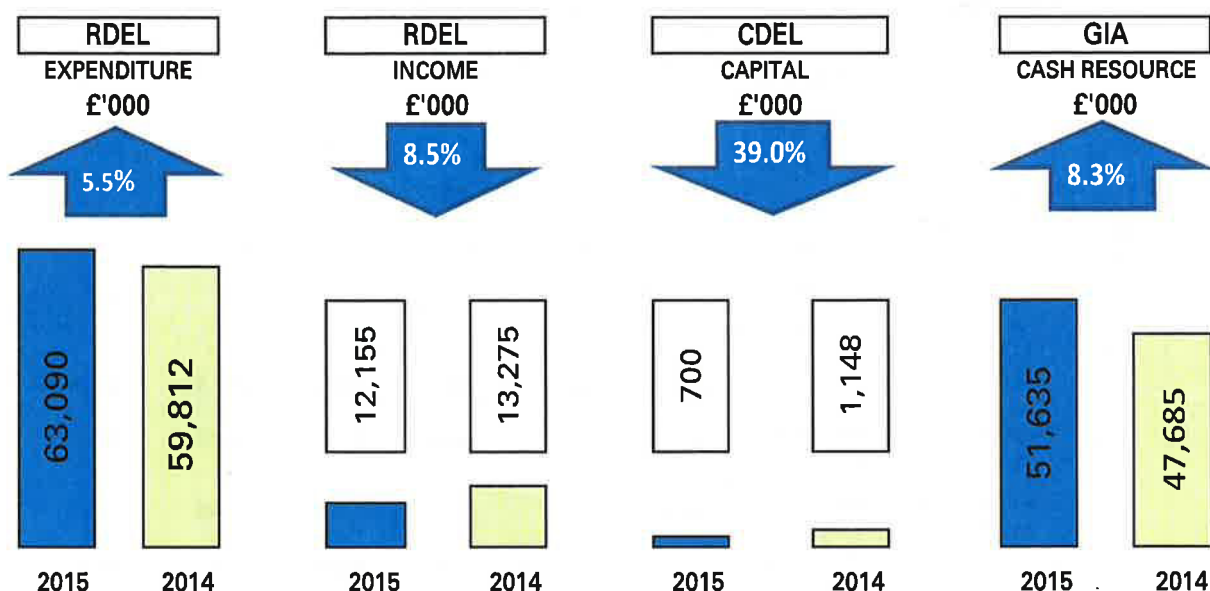
In this respect, VisitScotland's role in being able to stimulate economic growth is now firmly established, and this is borne out by results from our marketing activity, which indicates that for every £1 spent by VisitScotland it is estimated that in excess of £20 additional expenditure is spent on tourism activities in Scotland, and together with our partners we are all playing our part in contributing to the economic recovery of Scotland.<sup>6</sup>

#### Footnotes: Sources

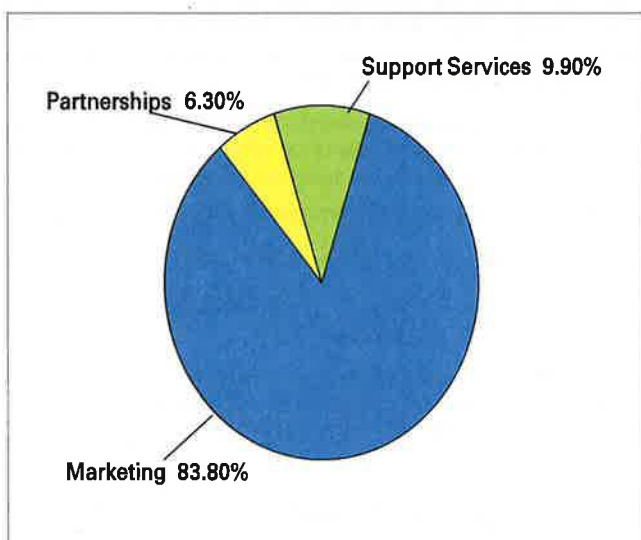
1. Deloitte 2013 Report : The economic contribution of the tourism economy in the UK – <http://www.deloitte.com>
2. Scotland's National Food and Drink Policy <http://www.scotland.gov.uk/food>
3. The Economic Contribution of VisitScotland Marketing – Deloitte. An Independent report commissioned in 2011 for VisitScotland. 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.
4. ONS – Office of National Statistics – Quarterly Statistics - Q1 2015.  
State of the Economy – Dr Gary Gillespie - The Scottish Government – June 2015.  
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University of Strathclyde and Fraser of Allander Economic Commentary – The Scottish Economy June 2015  
PWC UK economic outlook –July 2015.
5. GBTS – Great Britain Tourism Survey  
IPS – International Passenger Survey  
Tourism Visits and Expenditure – The Scottish Government  
VisitScotland Insight Department – Monthly Trends & Statistics.
6. Delivering for Scotland - <http://www.visitscotland.org/pdf/DeliveringForScotland.pdf>

1.9 FINANCIAL PERFORMANCE AND REVIEW

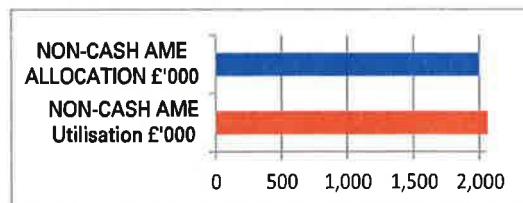
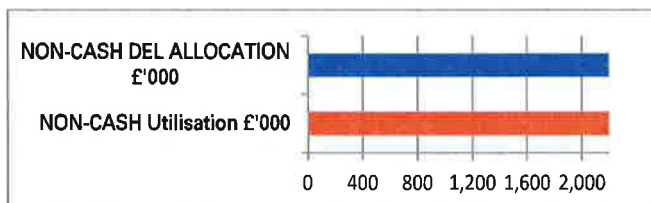
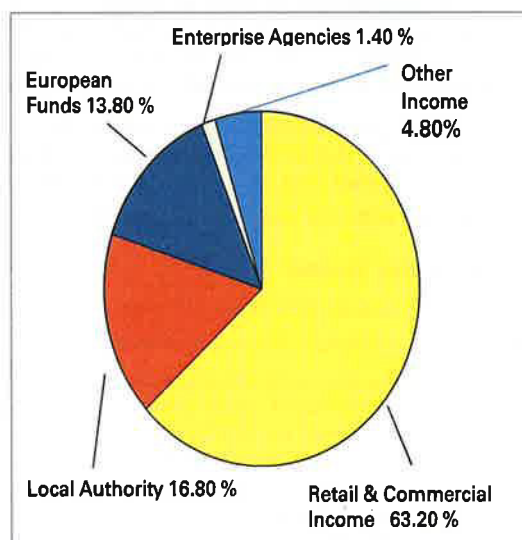
(i) VisitScotland utilisation of Resource Funding



2015 RDEL EXPENDITURE BY ACTIVITY



2015 RDEL INCOME BY SECTOR



NON-CASH DEL utilisation includes depreciation, amortisation, and impairment  
 NON-CASH AME utilisation includes IAS 19 pension adjustments

These financial statements show the net expenditure of VisitScotland. 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").

## (II) 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 2015 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, both revenue and capital of £51,635,000.

In addition, the 'non-cash' outturn was equal to the available Grant-in-Aid allocation of £2,200,000.

In respect of VisitScotland's AME allocation for the year ended 31 March 2015, the outturn produced a small overspend of £30,000 with regard to this non-core 'non-cash' budget, against which VisitScotland is not measured.

### A. 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 2014/15 this core revenue grant amounted to £50,935,000 (2014: £46,535,000), an increase of £4,400,000.

The expenditure of £52,833,000 in respect of marketing activities represented 84% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2014:£49,476,000 (83%)). Partnership and Support Services expenditure totalled £10,122,000 providing a slight decrease of £50,000 year on year.

#### *Retail, commercial, and other income*

The supplementary income generated comprising Retail, Commercial, and Other Income fell back from £13,275,000 to £12,155,000, a decrease of £1,120,000.

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 47 to 51 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 £700,000 (2014: £1,150,000).

A total of £700,132 has been spent on additions to fixed assets this year (2014:£1,166,000). The main additions have been £470,579 on the ongoing refurbishment and improvements to the network of VisitScotland Information Centres, and local offices, together with £229,553 on computer equipment and software development.

During the year a capital disposal programme was completed in respect of computer equipment, etc, with a cost value of £623,000, having been fully depreciated. In accordance with the VisitScotland sustainable environment and Health & Safety policies, these assets were disposed of by certified agents in a safe and proper manner.

### B. NON-CASH OUTTURN

#### Non-Core Revenue Expenditure

Depreciation, amortisation and impairment charges amounted to £2,200,000 (2014:£1,883,000), and met the required target of the non-cash allowance of £2,200,000 (2014:£2,200,000).

#### Non-Core Annually Managed Expenditure ("AME")

The excess of £30,000, with regard to the non-core AME budget of £2,000,000, arose from the charge for net pension service costs and return on assets of £2,030,000 (2014:£2,101,000) charged in accordance with the accounting treatment under IAS 19 "Employee Benefits" (See Note 22).

**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 2015 was as follows:

**'CASH' OUTTURN**
**CORE REVENUE EXPENDITURE**

	OPERATING COSTS	
	2015 £'000	2014 £'000
Marketing activities	52,833	49,476
Partnership engagement	3,987	4,217
Support services	6,135	5,955
Gross expenditure (refer below)	<u>62,955</u>	<u>59,648</u>
Net finance costs & taxation	135	164
Gross expenditure after finance costs & taxation	<u>63,090</u>	<u>59,812</u>
<b>Income</b>		
Retail and commercial	(7,684)	(7,669)
Other income	(4,471)	(5,549)
Dividend receivable - Subsidiary company	-	(57)
Net expenditure	<u>50,935</u>	<u>46,537</u>
<b>CORE CAPITAL EXPENDITURE</b>		
Payments to acquire fixed assets	700	1,166
Deduct : attributable to net value of Property disposals	-	(18)
Total net expenditure	<u>51,635</u>	<u>47,685</u>
<b>FUNDED BY</b>		
Grant-in-Aid	(51,635)	(47,685)

**NET 'CASH' (UNDERSPEND)/OVERSPEND**

£'000

£'000

**'NON - CASH' OUTTURN**
**NON-CORE REVENUE EXPENDITURE**

Depreciation / Amortisation / Impairment	2,200	1,891
(Profit)/Loss on disposal of non-current assets	-	(8)
	<u>2,200</u>	<u>1,883</u>
<b>FUNDED BY</b>		
Grant-in-Aid	(2,200)	(2,200)

**NON-CORE REVENUE (UNDERSPEND)/OVERSPEND**

-

(317)

**NON-CORE Annually Managed Expenditure (AME)**

Pension Costs - IAS 19 adjustments (Note 22)	2,030	2,101
<b>FUNDED BY</b>		
Grant-in-Aid	(2,000)	(2,000)

**NON-CORE AME OVERSPEND /(UNDERSPEND)**

30

101

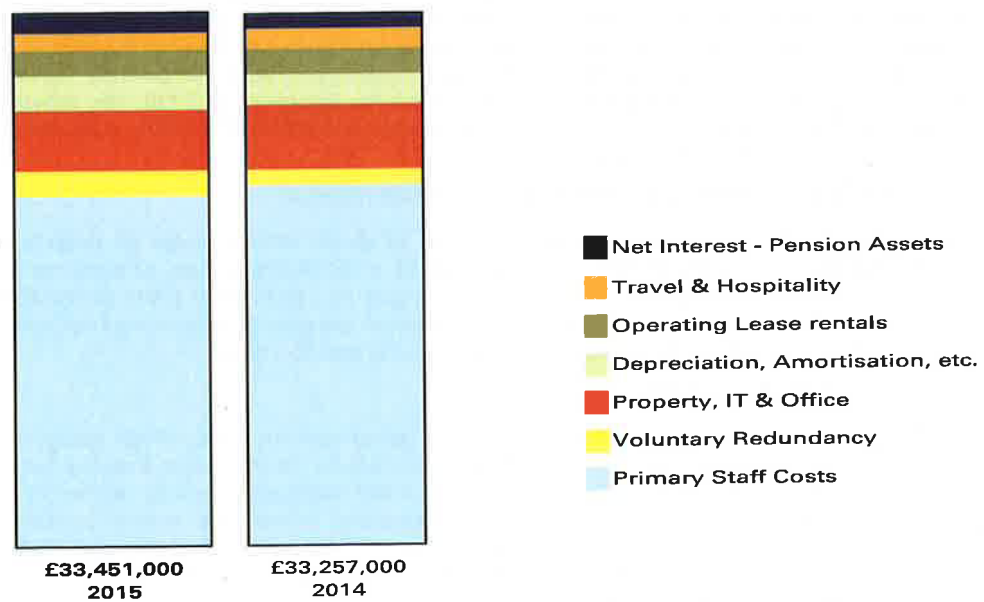
(III) Reconciliation of Cash Outturn statement to Statement of Comprehensive Net expenditure ('SOCNE')

	<b>£'000</b>
Gross expenditure on a resource basis, as per Cash Outturn	62,955
Add: Depreciation, amortisation and impairment, etc. (Non-Cash)	<u>2,200</u>
	65,155
Add: IAS 19 adjustments (Non-Cash- Note 22)	<u>2,030</u>
Gross expenditure on an IFRS basis, as reported as per SOCNE	<b><u>67,185</u></b>

The statement of comprehensive net expenditure for the year, on page 35, shows net operating expenditure after taxation of **£55,165,000** (2014:£50,521,000), an increase of £4,644,000.

This increase is representative of the additional core revenue grant received, offset partially by a fall in Income of £1,120,000, and the principal categories within Staff and Administration costs, Retail & Commercial Income, and Other Income are as follows:

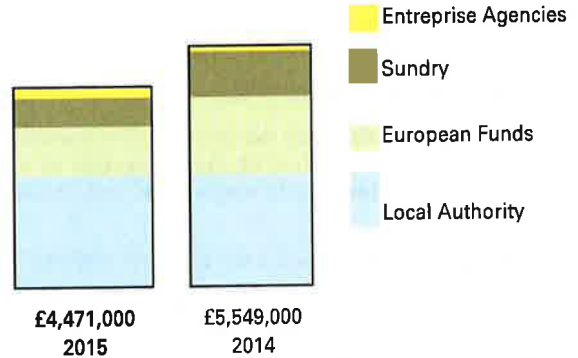
**Staff and Administration costs**  
[ Included within Gross Resource Expenditure ]



**Retail & Commercial Income**



**Other Income**



*Gross expenditure (including staff & administration costs)*

- Marketing activity - an increase of £3,497,000
- Partnership engagement - a decrease of £230,000
- Support services - an increase of £357,000
- Pension Scheme costs - a decrease of £71,000

*Retail and commercial income* (Note 5) has shown an overall increase of £15,000, and comprises:-

- Net Retail sales - a decrease of £240,000
- Business Promotion & Advertising and Quality assurance - an increase of £240,000
- Miscellaneous Income - an increase of £15,000



*Other Income* (Note 6) showed a decrease year on year of £1,078,000, being made up of:-

- European Regional Development Fund – a decrease of £293,000
- Local Authority income - a reduction of £71,000
- Enterprise Agencies & sundry income - a reduction of £714,000.

*Staff costs* (Note 3) and *Administration overheads* (Note 4)

These costs are included within Gross Resource Expenditure, as reported on pages 49 and 50, and the principal spend variances compared to last year are as follows:-

- Total staff costs – a reduction of £549,000 in payroll/pension costs offset by an increase of £837,000 in voluntary redundancy payments.
- Travel & hospitality – a reduction of £243,000.
- Property, IT and office expenses – a reduction of £225,000.
- Operating lease rentals – an increase of £15,000
- Trade bad debt write downs and provisions – a reduction of £51,000
- Amortisation, depreciation, etc. – an increase of £317,000.

*Other comprehensive expenditure / income* (page 35)

As portrayed, this includes surpluses arising on the revaluation of properties of £261,000 (2014:£79,000), together with the transfer of surpluses from Revaluation Reserve to General Reserve in respect of the expiry of Finance Leases amounting to £178,000. 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 £10,962,000 (2014: £207,000), is shown, which is recognised in the Statement of Financial Position.

#### (IV) STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR

The VisitScotland statement of financial position at 31 March 2015, on page 36, reflects a net liabilities position of **£35,058,000** (2014:£20,808,000). The increase of £14,250,000 arises, predominantly, as a result of the combined pension schemes' deficit having now risen to **£39,812,000** (2014:£26,820,000), 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 statement of financial position dates.

#### (V) BASIS OF PREPARATION AND GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that VisitScotland will continue in operational existence for the foreseeable future. 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 2015/16 has already been given, there is no reason to believe that future approvals will not be forthcoming.

On this basis, the Board considers it appropriate to prepare the financial statements on a going concern basis.

#### (VI) CASH BALANCES

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

#### (VII) 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 1 April 2014 and 31 March 2015 shows that VisitScotland paid 87% of valid invoices received within 10 working days. (2014: 87%)

### 1.10 PRINCIPAL RISKS AND UNCERTAINTIES

VisitScotland has a risk management policy setting out a robust process for identifying and evaluating the risks which it faces in trying to achieve its objectives. A Corporate Risk Register is maintained, which 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. In addition, there are specific sub-Risk Registers (linked to the Corporate Risk Register) which cover major corporate projects, events, etc, in greater detail that are ongoing at any point in time. In this way, risks are identified and monitored at department level, and, individually, for key projects, and managed accordingly.

Important risks for VisitScotland as an organisation include:-

- Ensuring effective support for, and partnership with, tourism businesses as the industry responds to the requirements of the strengthening the Scottish, and United Kingdom economies;
- Ensuring the investment in information digital technology is maximised for the benefit of the Tourism industry in the deliverance of the wider economic and community benefit.
- VisitScotland's ability to attract and retain a highly skilled workforce in order to deliver its ambitious business plans.



## 1.11 PUBLIC INTEREST REPORTING

### Information request processing

As a publicly-funded organisation, VisitScotland is committed to full compliance with the Freedom of Information (Scotland) Act 2002 (FOISA).

- In 2014-15, VisitScotland received 31 information enquiries.
- Number of appeals to the Office of the Scottish Information Commissioner: Nil

### Proactive disclosure of information

The VisitScotland website contains details of our publication scheme and information which we routinely publish: [http://www.visitscotland.org/about\\_us/our\\_policies/freedom\\_of\\_information.aspx](http://www.visitscotland.org/about_us/our_policies/freedom_of_information.aspx)

Under the Public Services Reform (Scotland) Act 2010 we have, along with other public bodies in Scotland, a duty to publish annual public statements relating to our expenditure in the following areas:

- Public relations
- Overseas travel
- Hospitality and entertainment
- External consultancy
- Payments with a value in excess of £25,000
- Employees/members who receive remuneration in excess of £150,000

VisitScotland's Annual Report and Financial Statements can be downloaded from the VisitScotland website: [http://www.visitscotland.org/about\\_us/our\\_focus/annual\\_report.aspx](http://www.visitscotland.org/about_us/our_focus/annual_report.aspx)

## 1.12 OUR PEOPLE

### Structure

VisitScotland's structure is focused around the four key customer groups: visitors, businesses, strategic partners and internal customers (our people). The aims of the organisation are now delivered by four principal directorates, plus the Chief Executive's Office (which includes Corporate Communications, Insight, Business Affairs and Human Resources) namely:

- Marketing
- Partnerships
- Events
- Corporate Services

As of 1 April 2015 the directorate 'EventScotland', having been expanded with the addition of the Business Events Team (formerly the Business Tourism Unit), was re-named 'VisitScotland Events', to reflect the wider aspects of the business event arena.

### Employment

Full details of the numbers of employees are given in Note 3 to the Financial Statements, and other relevant staff information is as follows:

	2014/15	2013/14
Staff turnover %	19.39	14.15
Sickness absence days /person	4.35	3.90
Male/female - Total workforce %	31/69	31/69
Male/female – Board members %	89/11	87/13
Male/female – Senior management (including Heads of Dept.)%	65/35	65/35

### Change Management

This has been a year of significant change, commencing with a restructuring within Partnerships, followed by the appointment of a new Director of Marketing, and a subsequent major restructuring of that whole Directorate, and culminating with changes to the EventScotland Directorate, as mentioned previously. Our staff have actively and enthusiastically engaged with these changes and VisitScotland is now more streamlined and better organised for the challenges ahead.

As well as preparing for and managing change, whilst continuing with business-as-usual activity, our staff also supported some of the most significant events held in Scotland for many years such as the Commonwealth Games and Ryder Cup.

### Fair Work

VisitScotland has embraced the Scottish Government's Fair Work initiative and does not utilise zero-hours contracts for any of our staff. This positive approach means that we offer all our seasonal Visitor Services Advisors a minimum number of guaranteed hours per week, and, in addition, as of the August 2015 pay award VisitScotland shall become a Scottish Living Wage employer and will seek formal accreditation as such in due course.

Our latest gender pay gap survey shows that we are within a 5% tolerance for all but two of our pay grades and we continue to work to equalise this as part of our ongoing equality commitments. Furthermore, with the pending departure of five Board members in November 2015, we shall be looking to achieve a better gender balance on the Board, as a whole, upon the appointment of new members.

### **Access to Learning**

VisitScotland is committed to ensuring that every member of staff is appropriately equipped to deliver their personal objectives and so contribute to the overall corporate objectives of the organisation. Our vision is to be an organisation where learning is current, continuous and part of our culture.

In 2014/2015 an average of 32 people per month attended a formal training event with significantly more being involved in on-the job learning initiatives. Forty-eight of our managers attended the Management Development Passport Initiative attaining Institute of Leadership and Management certification, and we will be investing even more in development activity this coming year as well as supporting a further 22 members of staff in pursuing professional qualifications. In addition, our internal mentoring scheme will pair around 10 mentors and mentees.

### **Youth Employment**

VisitScotland continues with its significant commitment to youth employment. We have a comprehensive strategy for developing and employing young people, and annually VisitScotland recruits six Modern Apprentices all of whom are guaranteed a job at the end of their placement. We also employ six graduates per year and offer six two-year mentorships on the Career Ready programme (to help prepare young people for the world of work). Last year we also offered around 60 one-week work experience placements for 4th year high school students throughout Scotland. As a consequence, the culmination of our efforts around youth employment was formally acknowledged in June 2015 by the award to VisitScotland of 'Investors in Young People'.

### **Our approach to Diversity and Equality**

Enhancing access to tourism in Scotland, promoting the social and economic benefits of fostering good relations within the tourism industry and between tourism businesses and visitors, and supporting positive opportunities for the sector, are key features of each of our strategies. Equality is therefore an integral driver of our function as a service provider to both tourism businesses and visitors, and also of our own commitment as an employer, and we strive to mainstream the delivery of equality throughout our organisation.

Our dedicated equality outcomes outline the focus of our work towards meeting our duties as a public authority under the general equality duty of the Equality Act 2010, which are to have due regard, in the exercise of our functions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations.

VisitScotland maintains an inclusive environment, and is committed to the continued development of diversity and equal opportunities as represented by its published Mainstreaming Equality Report which can be found on our corporate web-site. This report was updated in April 2015 with our revised equality outcomes from 2013 – 2017 meeting in full our specific duty under the Equality Act 2010.

As an organisation, we recognise that successfully meeting the general equality duty is not only about working towards specific equality outcomes, but about ensuring that the needs of the duty are an integral part of our everyday practice. We consider promoting equality to be an organisation-wide responsibility, and have sought to mainstream equality throughout our functions.

The following are examples of our work as an organisation towards mainstreaming the general equality duty:

#### **Accessible Tourism**

VisitScotland has a dedicated programme of activity focused on Accessible Tourism. This aims to support tourism businesses and destinations in catering for visitors who have accessibility requirements such as disabled people, but also those who traditionally would not have been included in the term "accessible tourism". These would include families with young children, older people, and those with temporary disabilities or injuries, so that tourism in Scotland is inclusive and available to all.

Our Accessible Tourism programme covers a range of activity, including both providing support to individual tourism businesses and coordinating larger projects. This work aspires to promote equality by contributing towards eliminating discrimination for people with access requirements in accessing tourism services in Scotland, advancing the equality of opportunity for access to tourism, and encouraging dialogue between visitors in the Accessible Tourism market and the Scottish tourism industry. Through our work in this area, we also aim to help increase visitor spend on Accessible Tourism in Scotland and therefore the contribution of this market to Scotland's economy.

There are 11.6 million people living in the world with a long-term disability, impairment or illness. (*Source: Office for Disability Issues ("ODI") "Disability Prevalence Issues Est 2011/12"*). In 2013, the Accessible Tourism market contributed £1.5 billion to Scotland's economy.

- The volume of visits for the Accessible Tourism market represented 23% of all overnight trips and 14% of all day visits to Scotland in 2013. (*Source: GTBS 2013*).

- Value of visits: trips by those in the Accessible Tourism market represented 24% of the overall value of overnight trips and 14% of the overall value of day visits to Scotland in 2013. (Source: GBTS 2013).
- There has been a 21% increase in volume of visits by those in the Accessible Tourism market to Scotland since 2009, despite a 3% decrease in the overall volume of visits to Scotland. (Source: GBTS 2013).
- There has been a 20% increase in value of visits by those in the Accessible Tourism market to Scotland since 2009, compared to only a 6% increase in the overall value of all visits. (Source: GBTS 2013).

Therefore, more people in the Accessible Tourism market are coming to Scotland, and they are spending more, and in our deliverance of our objectives, our work this year has included:

- Developing and promoting the on-line Accessible Tourism training course – to date nearly 1,000 businesses have signed up to use it. Available on [www.visitscotland.org](http://www.visitscotland.org) – and it is free to use.
- Promoting the ongoing use of the access statement tool builder on line for businesses, a new version in being designed for 2016 in partnership with VisitEngland. Available on [www.visitscotland.org](http://www.visitscotland.org). This is, also, free to use.
- The Glasgow Accessible Tourism Destination pilot, which saw 25 businesses taking their staff through the accessible tourism training, and drafting an access statement. See attached link for an example. <http://www.hutchesonglasgow.com/media/358306/access-statement-for-hutchesons-bar-brasserie-july-2015.pdf>. Support to produce these access statements & training together with 1-2-1 support for each business was given by the VisitScotland team. Following this project, VisitScotland is now looking at developing “Access Statements” for all its own estate so that staff and customers will have quality information about our products and services..
- VisitScotland also engaged Euan’s Guide ([www.euanguide.com](http://www.euanguide.com)) to produce 4 accessible itineraries, building on the legacy from a very successful Commonwealth Games (CWG). The itineraries were built by disabled people for disabled people which support the findings from our consultations with them, “nothing for us without us.” (<http://www.visitscotland.com/holidays/accessible/itineraries/>) In addition, the Accessible Tourism team, working with the CWG Organising Committee, provided on the ground training, and advice, to support access and inclusion for the CWG.
- VisitScotland was also instrumental in discussions with the Scottish Government which inspired the first ever debate on Accessible Tourism in the Scottish Parliament, held in 2014.
- Equality and Diversity and Accessible Tourism manager in partnership with the Edinburgh Convention Bureau won the bid to host the very first International 23rd Rehabilitation Congress in Edinburgh at the EICC in October 2016. This conference will bring over 1,500 people from all over the world into Edinburgh for a week, and is forecast to bring in an extra £2 million revenue to the City.
- Work is now under way for an Accessible Tourism training programme and developing accessible itineraries, working with the industry utilising all the successful outputs from the Glasgow Accessible Tourism Destination pilot.

There are plans to implement an in house training programme on diversity & equality training for all staff in the next two years, with special reference to promoting accessible content & design writing for our content, digital and marketing teams so all our products, new website and promotional materials are all fully accessible.

#### **Our commitment**

These actions both internal and external identified above and in VisitScotland’s Mainstreaming Equality Report 2015 support the key business objectives contained within the VisitScotland Corporate Plan 2013/2016. The contribution of the economic value confirms that the Accessible Tourism programme over the last three years adds real value to the Scottish economy and no longer should it be viewed as an “add on” to the work VisitScotland does, but be accepted as being mainstreamed into all our work.

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 highest requirements of the legislation and also delivers real, visible, and sustainable change.

## 1.13 CORPORATE SOCIAL RESPONSIBILITY

### Environmental performance and sustainable economic development

The Scottish Government has set ambitious climate change targets: to reduce Scotland's greenhouse gas (carbon emissions) by 80% by 2050, with an interim reduction of 42% by 2020, against a 2008/09 baseline.

VisitScotland, as the lead public body for tourism, is committed to achieving best practice in not only its own performance management in relation to sustainability, and reduction of carbon emissions, but also to encourage and assist the tourism industry to follow its lead in support of the Government's targets. In so doing, VisitScotland's management has aligned its operational activities to meet its obligations under The Climate Change (Scotland) Act 2009, which 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 programmes through mitigation and adaptation.

VisitScotland continues to work through Sustainable Scotland Network in the ongoing development of its Carbon Management Plan (CMP), developed in partnership with the Carbon Trust in 2011. This has brought the benefit of significant cost savings and reductions in greenhouse gas emissions for the organisation, in accordance with the aforementioned Act.

The table below tracks our progress to date:

CO2 Emissions (tonnes)	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Buildings- Energy	2,693	2,512	2143	1745	1641	1613	1394
Transport	542	508	453	431	373	321	383
Emissions Total	3,235	3,020	2,596	2,176	2,014	1,934	1,777
TARGET [ not to exceed ]	3,235	3,073	2,839	2,669	2,535	2,408	2,288
% reduction from 2008/ 09 Baseline	-	7%	20%	33%	38%	40%	45%

As at 31 March 2015, VisitScotland has achieved a 45% reduction in CO emissions, which exceeds the 2020 target of 40%.

In comparison with 2013-14 VisitScotland achieved an 8% reduction in CO emissions. The emission reduction has 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, as well as changes within the VisitScotland estate.

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.<sup>7</sup>

In 2014/15 VisitScotland has maintained its recycle rate to 64%, and reduced waste produced overall by 2.3%, heading towards the targets set by the end of 2015. In addition, VisitScotland has improved its environmental performance across the business, for example, with an increased award at Silver and Gold standard levels for premises certified under Green Business Tourism Scheme, promoting safe driver training through Energy Savings Trust, and an increase in e-brochure availability and implementation of Carrier Bag Charge (Scotland) Regulations across VisitScotland VIC network. As a signatory to the Carrier Bag Commitment, in the period from 20 Oct 2014 when regulations came into force to 31 March 2015, VisitScotland has provided customers with 7,896 chargeable bags, which resulted in net proceeds of £329, which will be put to internal environmental causes.

### Social and community issues

A key action of VisitScotland 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.

VisitScotland works closely with Zero Waste Scotland and Scottish Future Trust to further develop sustainable procurement within our corporate culture, by taking proper account of sustainability in our procurement activity, in accordance with the Sustainable Procurement Action Plan for Scotland 2009.

<sup>7</sup> 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.

### External Facing Sustainability Activity

VisitScotland also recognises 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 is encouraging and supporting businesses and destinations to become more sustainable and is committed to ensuring the industry continues to innovate.

During 2014/15, VisitScotland has continued to encourage and support a wide range of tourism businesses to make some meaningful progress with regards to their sustainability. From January 2015 onwards, sustainability minimum requirements have been incorporated into the Quality Assurance scheme. A set of guides and factsheets have been developed for businesses to provide them with advice and support on 11 different topics, from energy, water, waste to community engagement and adapting to climate change, and additional factsheets have been developed to provide more in-depth advice to businesses on resource efficiency, and how to cut their costs and reduce their carbon emissions. The relevant business support and advice documentation has been developed in partnership with Resource Efficient Scotland.

VisitScotland worked closely with partners to support the Green Drive program, which ensured that The 2014 Ryder Cup at Gleneagles was one of the most sustainable and environmentally-friendly sporting tournaments in the world. Sustainability and environmental benefits being a key legacy of The 2014 Ryder Cup, with four 'green' projects in Perthshire receiving funding totally nearly a quarter of a million pounds.

Working with destinations such as Glasgow, through the Sustainable Glasgow Tourism Group (Greener Legacy Project) in preparation for the Glasgow Commonwealth Games, ensured that 100% of the businesses (67 businesses) contracted to provide accommodation to the Glasgow 2014 Commonwealth Games had some form of environmental accreditation. In addition, VisitScotland supported development of the 'Envirowheel' advice for Glasgow businesses, working with partners such as Scottish Enterprise, Scottish Business in the Community, Glasgow City Council, and Glasgow City Marketing Bureau.

As supporters of Zero Waste Scotland's Hospitality and Food Service Agreement (HaFSA), VisitScotland is part of the Scotland HaFSA Working Group. VisitScotland is supporting the HaFSA targets in our own operations, as well as using our influence among tourism businesses to helping Scotland follow its Zero Waste Plan.

Increased engagement of businesses and partners on Accessible Tourism is ensuring a positive visitor journey for all visitors to Scotland and highlights an excellent development opportunity for many businesses, and with over 800 registrations for our online accessible training, VisitScotland is supporting tourism businesses to increase awareness of equality issues and confidence in communicating with disabled people. Development of our access statements through on-line tools and delivery of workshops across Scotland continues at a pace, with over 250 businesses having signed up to complete their statement.

VisitScotland is working with Glasgow City Council to promote the Glasgow Green Year 2015, Glasgow's first Green themed year, celebrating its aspiration to be one of the most sustainable cities around.

As part of our preparations for and launch of the Year of Food and Drink Scotland 2015, VisitScotland has been working in partnership with its key partners; the Scottish Government, Scotland Food and Drink and Scottish Enterprise. A Year of Food and Drink 2015 toolkit was created to support the industry to promote the year through a wide range of activities.

Looking ahead, VisitScotland is committed to supporting sustainability activities, both internal and industry facing, commensurate with the Scottish Government's aim as set out in its Budget for 2015/16 of ensuring the sustainability of our public services and the deliverance of better outcomes for those that use them.

For further details and information see the VisitScotland Annual Sustainability Report for 2014/15 that can be found at [http://www.visitscotland.org/about\\_us/our\\_focus.aspx](http://www.visitscotland.org/about_us/our_focus.aspx)



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland  
17 October 2015.

## 2. DIRECTORS' REPORT

### 2.1 THE BOARD

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.

The Board operates two sub-committees which scrutinise certain areas of activity in greater depth and make recommendations to the Board. These are the Audit & Risk Committee, and the Remuneration Committee, the work of which is considered in the Remuneration Report.

The Board Members who held office during the year, and their respective committee memberships, were as follows:

Dr Mike Cantlay OBE +	(Chairman)
Stephen Carter OBE	
Paddy Crerar	
Gordon Dewar * +	
Stephen Dunlop *	
Dorothy Fenwick +	
Manus Fullerton*	
Professor Russel Griggs OBE *	
Calum Ross +	

- \* Member of the Audit & Risk Committee during the year.
- + Member of the Remuneration Committee during the year.

### 2.2 EXECUTIVE SENIOR MANAGEMENT TEAM

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

Executive Senior Management Team members who held office during the year were as follows:

Malcolm Roughead OBE	Chief Executive
Riddell Graham	Director of Partnerships
Ken Neilson	Director of Corporate Services
Paul Bush OBE	Chief Operating Officer - EventScotland
Charles Smith	Director of Marketing

Paul Bush's title was changed to Director of Events, as from 1 April 2015.

In addition, the Head of Human Resources attends Executive Senior Management Team meetings. Information on the salary and pension entitlements of the Chief Executive and Executive Senior Management Team can be found in the Remuneration Report on page 26.

Charles Smith commenced his role as Director of Marketing on 6 October 2014.

### 2.3 REGISTER OF BOARD MEMBERS' INTERESTS

VisitScotland supports the highest standards of Corporate governance, and has in place Codes of Conduct both for Board Members and staff. 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 corporate website, together with the Register of Board Members Interests containing details of company directorships and other significant interests held by Board Members:- [http://www.visitscotland.org/about\\_us/our\\_structure/the\\_board.aspx](http://www.visitscotland.org/about_us/our_structure/the_board.aspx). Short biographies of the members of the Board can also be found at this website address.

### 2.4 STRATEGIC REPORT

In accordance with section 414(c)(11) of the Companies Act 2006, VisitScotland has chosen to include several matters in the Strategic Report which would otherwise be included in the Directors' Report.

These matters are:-

- Review of business and performance against key performance indicators
- Future developments
- Sustainability and environmental matters
- Information about employees and social and community issues

### 2.5 FUNDING

VisitScotland's primary source of funding is Grant in Aid from the Scottish Government. The initial Grant in Aid allocation for 2015/16 is £47.6m, and together with in year budget revisions and funds generated by VisitScotland from the use or sale of assets, European income, and other partner contributions are deemed adequate for funding the organisation's operating business plan for the ensuing year.

## 2.6 FINANCIAL INSTRUMENTS

VisitScotland has exposure to liquidity, credit and market risks from its use of financial instruments. The extent of these risks is set out in Note 23 to the financial statements

## 2.7 RETIREMENT BENEFITS

Details of pension schemes in use by VisitScotland can be found in note 22 to the financial statements. The Remuneration Report (pages 26 – 29) contains specific disclosures relating to Directors' pensions.

## 2.8 SICKNESS ABSENCE DATA

The average sickness absence per full time employee in 2014/15 was **4.35 days** compared with 3.90 days in 2013/14.

## 2.9 DATA LOSS

There were no incidents of data loss, or lost personal data, which required formal reporting to the Information Commissioner's Office in 2014/15.

## 2.10 STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Executive Senior Management Team who held office at the date of approval of the annual report and financial statements 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.

As far as the Accountable Officer is aware, there is no relevant information of which VisitScotland's auditors are unaware. The Accountable Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish VisitScotland's auditors are aware of that information.

## 2.11 AUDITOR

VisitScotland's annual report and financial statements 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 appointed auditor for the year ended 31 March 2015 was Grant Thornton UK LLP.

The fees payable for audit services provided by the appointed auditors in the year to 31 March 2015 were **£71,000** (2014:£70,000). There were no fees payable to Grant Thornton LLP for non-audit work during the year (2014: £Nil).



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland  
12/ October 2015.



## REMUNERATION REPORT

### 1. REMUNERATION COMMITTEE

The Remuneration Committee is made up of at least two Board members and the Board Chairman. The Board Chairman ordinarily chairs the Remuneration Committee. During 2014-15 the members were:

Dr Mike Cantlay OBE	(Board Chairman)
Gordon Dewar	(Board member) stood down 1 February 2015
Calum Ross	(Board member)
Dorothy Fenwick	(Board member) appointed 1 February 2015

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.

*The supporting tables that follow showing Directors' Remuneration and Pension information, together with the Median Pay Multiples, have been audited by VisitScotland's auditors.*

### 2. 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 a pay increase in 2014-15, but did not receive any bonus award.

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.

### 3. 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. Early termination, other than for misconduct, would result in payments under agreed contractual, or redundancy arrangements.

### 4. BOARD MEMBER'S 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, apart from those recently appointed, are serving their second and final 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.

	Appointment expires	2015 £'000	2014 £'000
Dr Mike Cantlay OBE (a) Chairman	31 March 2016	40-45	30-35
Stephen Carter OBE	30 November 2015	5-10	5-10
Paddy Crerar	30 November 2015	5-10	5-10
Gordon Dewar	31 August 2016	5-10	0-5
Stephen Dunlop	31 August 2016	5-10	0-5
Dorothy Fenwick (b)	30 November 2015	5-10	10-15
Manus Fullerton	30 November 2015	5-10	5-10
Professor Russel Griggs OBE	30 November 2015	5-10	5-10
Calum Ross	31 August 2016	5-10	0-5

- (a) M Cantlay's remuneration for 2014/15 included a payment for additional days worked during the year. His actual salary remains within the band £30,000 - £35,000.
- (b) D Fenwick's remuneration for 2013/14 included a payment for additional work undertaken. Her actual salary remains within the band £5,000 - £10,000.



Pensions are paid to two previous Chairmen, and a provision has been made for this in these financial statements (Note 24).

## 5. EXECUTIVE SENIOR MANAGEMENT TEAM

The following tables provide a breakdown of the executive Directors' remuneration in 2014-15 and 2013-14. Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK taxation. All executive Directors received a pay award as at 1 August 2014, in accordance with the Scottish Government's public sector pay policy.

No performance-related bonuses were awarded in 2014-15 (2013-14:£Nil).

### Directors' Remuneration (Salary, benefits in kind and pension)

#### Single total figure of remuneration

As at 31 March 2015

Executive Director	Salary £'000	Car allowance £'000	Benefits in Kind (to nearest £100) £	Pension benefits # £'000	TOTAL £'000
<b>M Roughead</b> Chief Executive (a)	140 - 145	-	4,900	-	145 - 150
<b>K Neilson</b> Director of Corporate Services	100 - 105	-	1,600	27	130 - 135
<b>R Graham</b> Director of Partnerships	90 - 95	6	-	87	180 - 185
<b>P Bush</b> Chief Operating Officer - EventScotland	95 - 100	6	-	53	150 - 155
<b>C Smith (b), (c) &amp; (d)</b> Director of Marketing	55 - 60	3	-	17	70 - 75

(a) M Roughead withdrew from the BTB Pension Scheme as of 1 April 2014 and no longer contributes to a VS Pension scheme.

(b) C Smith commenced as of 6 October 2014

(c) Full year equivalent salary : £110,000 - £120,000

(d) Full year car allowance : £6,000

(e) No performance related bonuses were paid to any directors in the year.

As at 31 March 2014

Executive Director	Salary £'000	Car allowance £'000	Benefits in Kind (to nearest £100) £	Pension benefits # £'000	TOTAL £'000
<b>M Roughead</b> Chief Executive	140 - 145	-	4,400	35	175 - 180
<b>K Neilson</b> Director of Corporate Services	100 - 105	-	2,000	36	135 - 140
<b>R Graham (a)</b> Director of Partnerships	80 - 85	6	-	18	105 - 110
<b>P Bush (b)</b> Chief Operating Officer - EventScotland	85 - 90	6	-	23	115 - 120

(a) Full year equivalent salary : £85,000 - £90,000

(b) Full year equivalent salary : £90,000 - £95,000

(c) No performance related bonuses were paid to any directors in the year.

Note:

# The value of pension benefits accrued during the year is calculated as the *real increase in pensions* and applying the HMRC methodology multiplier of 20, less the contributions made by the individual.

The *real increase in pension* excludes increases due to inflation or any increase due to transfer of pension rights.

## Directors' Pensions

Pension benefits are provided through either of :

- i) **The British Tourist Boards' Pension scheme (BTBPS)** providing benefits and life assurance for staff based on final pensionable salary. The BTBPS scheme is a multi-employer defined benefit scheme.
- ii) **The Local Government Pension Scheme (LGPS)** run locally by various Local Authority 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 withdrew from the BTBPS scheme as of 1 April 2014. He has not joined the LGPS scheme. All the other Directors are all members of The BTBPS scheme.

### As at 31 March 2015

Executive Director	Accrued pension £'000	Real increase in annual pension £'000	CETV note (b) £'000	CETV: Increase net of members' contributions note (c) £'000
<b>M Roughead</b> Chief Executive	30 - 35	0	849	164
<b>K Neilson</b> Director of Corporate Services	15 - 20	0 - 2.5	457	133
<b>R Graham</b> Director of Partnerships	55 - 60	2.5 - 5.0	1,740	357
<b>P Bush</b> Chief Operating Officer - EventScotland	25 - 30	2.5 - 5.0	758	194
<b>C Smith ( Note (d) )</b> Director of Marketing	0 - 5	0 - 2.5	14	11

### As at 31 March 2014

Executive Director	Accrued pension £'000	Real increase in annual pension £'000	CETV note (b) £'000	CETV: Increase net of members' contributions note (c) £'000
<b>M Roughead</b> Chief Executive	25 - 30	0 - 2.5	677	78
<b>K Neilson</b> Director of Corporate Services	15 - 20	0 - 2.5	315	47
<b>R Graham</b> Director of Partnerships	50 - 55	0 - 2.5	1,362	126
<b>P Bush</b> Chief Operating Officer - EventScotland	20 - 25	0 - 2.5	552	55

Note:

- a) Pension calculations are based on the pensionable salary at 31 March.
- b) **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 BTPS, CETV is computed by reference to factors agreed by the Trustees of the BTPS.
- c) **CETV: Increase net of members' contributions.** This reflects the increase in CETV effectively funded by the employers over the year. It takes account of the change in accrued pension due to additional accrual and salary growth, excluding inflation, and uses common market 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.
- d) C Smith joined the BTBPS Scheme on 1 November 2014.

## 6. MEDIAN PAY MULTIPLES

The highest paid member of the executive senior management team was the Chief Executive. His annualised salary before Pension benefits was 6.56 times the remuneration of £21,678 median earnings of the organisation's work-force in 2014-15 (2013-14: 6.63 x £21,463).

This year's calculation has been derived from a greater analysis of the underlying work-force data to produce an adjusted Median / Ratio – In so doing, the comparative figure for 2013/14 has been amended, accordingly.

	<b>2014-15</b>	<b>2013-14</b>
Highest-Paid Director's Salary	<b>£140k - £145k</b>	<b>£140k - £145k</b>
Median Total Remuneration	<b>£21,678</b>	<b>£21,463</b>
Ratio	<b>6.56</b>	<b>6.63</b>



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland  
*hr* October 2015

## 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 financial statements.

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of VisitScotland, and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the financial statements 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 financial statements;
- d) prepare the financial statements 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.



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland

10/ October 2015

## GOVERNANCE STATEMENT

### GOVERNANCE FRAMEWORK

#### Responsibilities

The Board has corporate responsibility for the overall strategy of the organisation within the strategic and funding framework set by the Scottish Minister, ensuring that VisitScotland fulfils the aims and objectives as directed, and in so doing shall demonstrate high standards of corporate governance at all times.

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

In addition, at operational level, the Health & Safety Committee, chaired by an Executive Director, exists to review the organisation's health and safety practices, and compliance with appropriate legislation. The Health & Safety Committee provides the Audit & Risk Committee with the dedicated H & S Risk Register for review at each meeting, and, as necessary, also reports on matters to the Board.

#### 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.

#### Board attendance

The following sets out the number of meetings the VisitScotland Board and its principal committees held during 2014/15, and the individual attendance by Board and committee members.

	Board	Audit & Risk Committee	Remuneration Committee
Dr Michael Cantlay OBE	6 ( 6 )	-	2 ( 2 )
Stephen Carter OBE	3 ( 6 )	-	-
Paddy Crerar	6 ( 6 )	-	-
Gordon Dewar	4 ( 6 )	3 ( 4 )	1 ( 1 )
Stephen Dunlop	5 ( 6 )	5 ( 5 )	-
Dorothy Fenwick	5 ( 6 )	-	1 ( 1 )
Manus Fullerton	6 ( 6 )	4 ( 5 )	-
Professor Russel Griggs OBE	3 ( 6 )	5 ( 5 )	-
Calum Ross	5 ( 6 )	-	2 ( 2 )

[ Meetings attended (Meetings eligible to attend) ]

### OPERATIONAL MANAGEMENT FRAMEWORK

The delivery of VisitScotland's aims and objectives is supported by an operational framework comprising key corporate business processes and a wide range of control mechanisms, which ensure that: policies and strategies are put in place; values and principles are met; high quality services are delivered; laws and regulations are complied with; processes are in place and complied with; and financial statements and other published information are accurate, timely and comply with relevant standards and best practice.

### BUDGETARY CONTROL

Operating plans and capital budgets are approved on an annual basis as part of the strategic business planning process. The Executive 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 MANAGEMENT

#### 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 2015, and up to the date of approval of the annual report and financial statements.

## **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 Executive Senior Management Team and the Audit & Risk 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 Executive Senior Management Team on a quarterly basis, reported upon at each Audit & Risk Committee meeting, and in so doing the Board, through its Audit & Risk 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. In this respect there is currently under development a project to integrate the whole process of the identification of individual personal work objectives, with the underlying Project Initiation Documents which, annually, underpin the Operating Plans, linked through to identifiable Operating Risks/overall Strategic Risks, and respective mitigating actions, which will enhance the Corporate Risk Register methodology and provide even greater assurance in the management of risks.

## **Data Loss & Records Management**

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 is further enhanced by the activities of the Data Governance and Security Group which monitors and controls 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. VisitScotland is also on track to fulfil its obligations under the Public Records (Scotland) Act 2011 with the implementation of its records management plan by August 2015.

There was one incident of unauthorised exposure or loss of personal data during the financial year. The incident involved a fully encrypted item of equipment [a Laptop] which was stolen. In view of the fact that the equipment did not have any personal data thereon, it was not considered necessary to report the incident to the Information Commissioner's Office ("ICO"). However, in the circumstances, the incident was reported to the Police. To-date there has been no recovery of the stolen equipment.

## **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 the VisitScotland Audit & Risk Committee*

The VisitScotland Board has established an Audit & Risk Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit & Risk Committee of the Board normally meets four times a year.

The Audit & Risk Committee comprises Chair and two/three non-executive Board members. Representatives of the Scottish Government, external and independent internal auditors, together the Director of Corporate Services, the Head of Finance, and the Audit & Compliance Manager, and myself, attend these meetings.

The Audit & Risk Committee seeks assurances from a number of sources mainly via management, comment on the annual internal audit plan, and review the audit reports from both internal and external auditors. In addition they review and endorse Corporate Risk Register reports, as well as carrying out ad-hoc reviews of departmental/project Risk sub-registers that underpin the principal Corporate Risk Register. They report to the full meetings of the Board on all audit and risk matters, and in so doing the Audit & Risk Committee adds to the value of assurances through challenge and has confidence in their reliability. In addition, the Audit & Risk 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 & Risk 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 & Risk 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. As a consequence, I have confirmed for 2014/15 that controls have been, and are, working well within VisitScotland, and that there are no significant matters arising which would require to be raised.

##### *Independent Internal Audit*

VisitScotland's internal audit function operates to standards defined in the Government internal audit manual. As well as its own internal audit team, which monitors the Visitor Information Centre ("VIC") network as to compliance in accordance with the VIC manual of financial and operational rules, VisitScotland also employs the services of independent auditors to report on the adequacy and effectiveness of VisitScotland's systems 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(s), 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 & Risk Committee during the year.

For 2014/15 the overall conclusion of the independent internal auditor identified a very good level of assurance in the areas reviewed. *"In our opinion VisitScotland has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks. Proper arrangements are in place, in the areas we have reviewed, to promote value for money, deliver best value and secure regularity and propriety in the administration and operation of the organisation."*

*Complementary External Audit Reports*

During the year VisitScotland's external auditors carried out an independent audit review of VisitScotland's approach to the management of its ICT contracts, under the auspices of Audit Scotland's *"Managing ICT Contracts Follow-up Checklist (2014)"*. The detailed review of elements of our 'Digital and Media' strategy – and our approach to the redevelopment of our website digital offering - concluded that the project had been managed efficiently, on time, and within budget, and, importantly, that knowledge was passed on to the in-house team upon completion ensuring that transfer to business as usual activities was done effectively.

*Statutory External Audit*

The Auditor General for Scotland is responsible for auditing the VisitScotland financial statements. 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 financial statements for the year ended 31 March 2015 and on the regularity of transactions reflected in the financial statements. No significant issues have been identified as part of their audit process.



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland  
17/ October 2015.



**VISITSCOTLAND**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015	2014
		£'000	£'000
<b>Resource Expenditure</b>			
Marketing activities		53,824	50,327
Partnership engagement		3,987	4,217
Support services		7,344	6,987
	2	<b>65,155</b>	<b>61,531</b>
<b>Non - Resource Expenditure</b>			
Pension Costs - IAS 19 adjustments (Note 22)	2	<b>2,030</b>	<b>2,101</b>
		<b>67,185</b>	<b>63,632</b>
<b>Gross expenditure</b>			
<b>Income</b>			
Retail and commercial	5	<b>(7,684)</b>	(7,669)
Other income	6	<b>(4,471)</b>	(5,549)
Dividend receivable -subsidiary company	7	-	(57)
<b>Net expenditure</b>		<b>55,030</b>	<b>50,357</b>
Finance costs	8	<b>135</b>	166
Finance income	8	-	(2)
<b>Net operating expenditure before taxation</b>		<b>55,165</b>	<b>50,521</b>
Corporation tax	9	-	-
<b>Net operating expenditure</b>		<b>55,165</b>	<b>50,521</b>
<b>Other Comprehensive Expenditure /(Income)</b>			
Net actuarial deficit on valuation of retirement benefit schemes	22	10,962	207
Removal of property asset - no title on transfer		18	-
Transfer revaluation reserve on removal of property		(19)	-
Balance on revaluation reserve arising on disposal of property.		-	(10)
Transfer from revaluation reserve on expiry of Finance Leased assets.		178	-
Transfer to general reserve on expiry of Finance Leased assets		(178)	-
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(260)	(69)
<b>Total other comprehensive expenditure</b>		<b>10,701</b>	<b>128</b>
<b>TOTAL COMPREHENSIVE NET EXPENDITURE</b>		<b>65,866</b>	<b>50,649</b>

The notes on pages 39 to 77 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2015**

	Note	2015	2014
		£'000	£'000
<b>Assets</b>			
<b>Non-Current</b>			
Tangible fixed assets	11	7,928	8,866
Intangible assets	10	566	886
Investments in subsidiaries	13	-	-
<b>Total non current assets</b>		<b>8,494</b>	<b>9,752</b>
<b>Current</b>			
Inventories	14	877	834
Trade and other receivables	15	1,982	3,083
Cash and cash equivalents	16	4,381	4,686
<b>Total current assets</b>		<b>7,240</b>	<b>8,603</b>
Assets classified as held for sale	12	-	-
<b>Total Assets</b>		<b>15,734</b>	<b>18,355</b>
<b>Liabilities</b>			
<b>Current</b>			
Other borrowings	20	(485)	(480)
Trade and other payables	18	(8,462)	(9,342)
Current tax liabilities	18	-	-
<b>Total current liabilities</b>		<b>(8,947)</b>	<b>(9,822)</b>
<b>Net current liabilities</b>		<b>(1,707)</b>	<b>(1,219)</b>
Other borrowings	20	(1,902)	(2,384)
Provisions	24	(128)	(132)
Other payables	18	(3)	(5)
Retirement benefit obligations	22	(39,812)	(26,820)
<b>Total non-current liabilities</b>		<b>(41,845)</b>	<b>(29,341)</b>
<b>Total Liabilities</b>		<b>(50,792)</b>	<b>(39,163)</b>
<b>Net Liabilities</b>		<b>(35,058)</b>	<b>(20,808)</b>
<b>Taxpayers' equity</b>			
General reserve		3,500	4,821
Pension reserve		(39,812)	(26,820)
Revaluation reserve		1,254	1,191
<b>Total Equity</b>		<b>(35,058)</b>	<b>(20,808)</b>

Malcolm Roughead OBE

Chief Executive

VisitScotland

*1/7* October 2015

The notes on pages 39 to 77 form part of these financial statements

**VISITSCOTLAND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure before taxation		55,165	50,521
<b>Items not involving the flow of cash</b>			
Depreciation of tangible fixed assets	11	(1,638)	(1,499)
Impairment of tangible fixed assets	11	(145)	(8)
Amortisation of intangible fixed assets	10	(417)	(384)
Profit/(Loss) on disposal of tangible fixed assets		-	8
Net pension service costs and return on assets		(2,030)	(2,101)
<b>Net financing costs</b>	8 (i)	(135)	(107)
<b>Movements in working capital</b>			
Increase /(Decrease) in inventories	14	43	(112)
(Decrease)/Increase in receivables	15	(1,279)	(1,337)
Decrease/(Increase) in payables	18	849	(1,160)
<b>Movement in provisions</b>			
(Increase) / Decrease in provisions		182	115
<b>Net cash flow from operations</b>		50,595	43,936
Interest paid	8	135	166
Taxes paid	9	-	3
<b>Net cash outflow from operating activities</b>		50,730	44,105
<b>Cash flows from investing activities</b>			
Payments to acquire tangible fixed assets	11	603	998
Payments to acquire intangible fixed assets	10	97	168
Proceeds from sale of tangible fixed assets		-	(26)
Transfer of asset on hive-up of subsidiary		-	340
Interest received	8	-	(2)
Dividend received	7	-	(57)
<b>Net cash flows used in investing activities</b>		700	1,421
<b>Cash flows from financing activities</b>			
Grant in aid from Scottish Government		(51,635)	(47,685)
Repayment of loans		33	37
Decrease in other borrowings- obligations under finance leases		477	455
<b>Net cash flows from financing activities</b>		(51,125)	(47,193)
<b>Net (increase)/ decrease in cash and cash equivalents</b>		305	(1,667)
Cash and cash equivalents as at 1 April	16	4,686	3,019
<b>Cash and cash equivalents at 31 March</b>	16	4,381	4,686

The notes on pages 39 to 77 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2015**

	General Reserve	Pension Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2013</b>	<b>5,547</b>	<b>(24,512)</b>	<b>1,131</b>	<b>(17,834)</b>
Net operating expenditure	(50,521)	-	-	(50,521)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	69	69
Transfer surplus on revaluation reserve on sale of property	10	-	(10)	-
Transfer between reserves	2,100	(2,101)	1	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(207)	-	(207)
<b>Total recognised income and expense as re-stated</b>	<b>(48,411)</b>	<b>(2,308)</b>	<b>60</b>	<b>(50,659)</b>
Grant in aid from Scottish Government	47,685	-	-	47,685
<b>Balance at 1 April 2014</b>	<b>4,821</b>	<b>(26,820)</b>	<b>1,191</b>	<b>(20,808)</b>
Net operating expenditure	(55,165)	-	-	(55,165)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	260	260
Transfer balance on disposal of property	1	-	(19)	(18)
Transfer balance on revaluation reserve on expiry of Finance Lease	178	-	(178)	-
Transfer between reserves	2,030	(2,030)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(10,962)	-	(10,962)
<b>Total recognised income and expense</b>	<b>(52,956)</b>	<b>(12,992)</b>	<b>63</b>	<b>(65,885)</b>
Grant in aid from Scottish Government	51,635	-	-	51,635
<b>Balance at 31 March 2015</b>	<b>3,500</b>	<b>(39,812)</b>	<b>1,254</b>	<b>(35,058)</b>

The notes on pages 39 to 77 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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

#### Basis of preparation

These financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM 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 FReM 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.

By reason of the fact that all VisitScotland subsidiaries are now non-trading / dormant, there is no longer any purpose to be served by the consolidation of subsidiary accounts, since their inclusion is not material for the purpose of giving a true and fair view.

The particular policies adopted by VisitScotland covering these financial statements for the year ended 31 March 2015 are described below. They have been applied consistently in dealing with the items that are considered material to the financial statements.

#### Basis of accounting

Under Section 6(1) of The Development of Tourism Act 1969, VisitScotland 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 80.

These financial statements are presented in £ sterling, which is the organisation's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### 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 financial statements have been prepared on this basis. VisitScotland has net liabilities as at the date of the statement of financial position of **£35.06** million (2014:£20.81 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 2015-16, 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 financial statements. Details of VisitScotland's liquidity position is given in Note 23.

#### Accounting convention

These financial statements 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.

#### Non-Consolidation

In accordance with section 405 of Companies Act 2006, and with the agreement of the Scottish Government, VisitScotland no longer prepares consolidated financial statements embracing its subsidiary companies since all are now in a dormant state, and their inclusion is no longer material to show a true and fair view.

In addition, VisitScotland does not have any Equity accounted investees – associates and jointly controlled entities.

#### Funding

Much of the expenditure incurred by VisitScotland is met from funds advanced by the Scottish Government within an approved allocation—Grant in Aid ("GIA"). 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.

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 organisation, 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 statement of financial position. 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 VisitScotland 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 organisation. 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 the date of each statement of financial position.

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 the date of each statement of financial position 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 FReM.

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**

#### *VisitScotland 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 statement of financial position 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 statement of financial position, 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.

#### *VisitScotland 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 VisitScotland 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 at the rate under current legislation, enacted, or substantively enacted at the date of the statement of financial position.

### *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 substantively enacted, at the date of the statement of financial position. 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 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. Cash and cash equivalents with regard to GIA and all expenditure are held within the Government Banking Service ("GBS") nominated accounts, and miscellaneous receivables within other commercial bank balances.

At initial recognition, VisitScotland 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 date of the statement of financial position.

*(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 financial statements 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 financial statements 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.

VisitScotland 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 VisitScotland 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.

VisitScotland 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 22.

*(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.

VisitScotland 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 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 at the date of the statement of financial position 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. 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 date of the statement of financial position.

### Revised accounting standard – IAS 19 (Employee Benefits)

Revisions to IAS 19 (Employee benefits) came into effect from 1 January 2013 for accounting periods starting after that date. The revised standard provides for increased disclosure analysis of pension assets in use, and restricts the estimated rate of return to be earned on pension assets to a level equivalent to the discount rate used in assessing future pension liabilities.

### 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 25 to the financial statements.

### **Accounting standards issued but not yet adopted**

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2015, have been adopted, where applicable to VisitScotland.

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

#### **IFRS 9 - Financial instruments (2014)**

This standard is mandatory for accounting periods commencing on or after 1 January 2018. The adoption of this standard could change the classification and measurement of financial assets. The impact on the financial statements has not been determined.

## **2. SEGMENTAL REPORTING**

Under IFRS 8, VisitScotland's operating segments for the year ended 31 March 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 VisitScotland. During the year ended 31 March 2015, 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, VisitScotland's Events Directorate, is well established as the national events agency, with the aim of strengthening and promoting Scotland's events industry. Through two distinctive yet complementary VisitScotland 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)**  
FOR THE YEAR ENDED 31 MARCH 2014

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
<b>Operating expenditure</b>				
Marketing activities		37,072	13,255	50,327
Partnership engagement		4,217	-	4,217
Support services		6,309	678	6,987
<b>Gross expenditure (excluding IAS 19 adjustments - Note 22)</b>	<b>3 &amp; 4</b>	<b>47,598</b>	<b>13,933</b>	<b>61,531</b>
<b>Income</b>				
Retail and commercial	5	(6,504)	(1,165)	(7,669)
Other income	6	(4,543)	(1,006)	(5,549)
Dividend receivable	7	(57)	-	(57)
<b>Net operating expenditure</b>		<b>36,494</b>	<b>11,762</b>	<b>48,256</b>
Finance costs	8	166	-	166
Finance income	8	(2)	-	(2)
IAS 19 adjustments	22	2,101	-	2,101
<b>Net operating cost before taxation</b>		<b>38,759</b>	<b>11,762</b>	<b>50,521</b>
Corporation tax	9	-	-	-
<b>Net operating expenditure</b>		<b>38,759</b>	<b>11,762</b>	<b>50,521</b>

**FOR THE YEAR ENDED 31 MARCH 2015**

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
<b>Operating expenditure</b>				
Marketing activities		36,907	16,917	53,824
Partnership engagement		3,987	-	3,987
Support services		7,085	259	7,344
<b>Gross expenditure (excluding IAS 19 adjustments - Note 22)</b>	<b>3 &amp; 4</b>	<b>47,979</b>	<b>17,176</b>	<b>65,155</b>
<b>Income</b>				
Retail and commercial	5	(5,491)	(2,193)	(7,684)
Other income	6	(4,471)	-	(4,471)
<b>Net operating expenditure</b>		<b>38,017</b>	<b>14,983</b>	<b>53,000</b>
Finance costs	8	135	-	135
Finance income	8	-	-	-
IAS 19 adjustments	22	2,030	-	2,030
<b>Net operating cost before taxation</b>		<b>40,182</b>	<b>14,983</b>	<b>55,165</b>
Corporation tax	9	-	-	-
<b>Net operating expenditure</b>		<b>40,182</b>	<b>14,983</b>	<b>55,165</b>

### 3 STAFF COSTS

included within gross expenditure

#### a) All employees ( including Board members )

	2015	2014
	£'000	£'000
Salaries	16,710	16,992
Social security costs	1,266	1,317
Voluntary severance	1,882	1,045
	<b>19,858</b>	<b>19,354</b>
Pension costs - Current service	3,202	3,418

<b>Total staff costs</b>	<b>23,060</b>	<b>22,772</b>
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Agency fees in respect of temporary staff, included above	12	55
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#### b) Voluntary severance

##### i) No of exit packages agreed within following bandings;

	2015 Number	2014 Number
£0 - £20,000	10	17
£20,001 - £40,000	16	12
£40,001 - £60,000	9	5
£60,001 - £80,001	2	-
£80,001 - £100,000	4	2
£100,001 - £120,000	3	1
£140,001 - £160,001	1	-

<b>Total number of exit packages</b>	<b>45</b>	<b>37</b>
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	2015 £'000	2014 £'000
ii) Total cost of exit packages agreed within each band;		
£0 - £20,000	82	198
£20,001 - £40,000	437	304
£40,001 - £60,000	421	247
£60,001 - £80,000	136	-
£80,001 - £100,000	333	188
£100,001 - £120,000	328	108
£140,001 - £160,000	145	-

There were no compulsory redundancies ( 2014: None )

<b>Total cost of exit packages</b>	<b>1,882</b>	<b>1,045</b>
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#### c) Board Members' remuneration

	2015 £'000	2014 £'000
Chairman	41	34
Board members	66	57

The number of Board members holding office during the year was 8 ( 2014 : 8).

<b>Total Board Members' remuneration</b>	<b>107</b>	<b>91</b>
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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:

	2015	2014
	Number	Number
Executive senior management team	5	4
Operational and support staff		
Heads of department	16	19
Other staff	605	628
Fixed term contract	31	40
Outward secondees	-	-
	<b>657</b>	<b>691</b>
Temporary staff	2	4
<b>Total average number of full-time equivalents</b>	<b>659</b>	<b>695</b>

**4 ADMINISTRATION OVERHEADS**

included within gross expenditure

	2015	2014
	£'000	£'000
Travel and hospitality	1,258	1,501
Property, information technology, and office expenses	4,256	4,481
Operating lease rentals:		
Property	1,491	1,478
Vehicles and equipment	160	158
Depreciation of tangible fixed assets	1,638	1,499
Amortisation of intangible assets	417	384
Impairment of tangible fixed assets	145	8
(Profit)/Loss on sale of tangible fixed assets	-	(8)
Net interest cost and return on pension assets	1,183	1,090
Trade bad debts		
Written off	25	13
Recovered	-	(4)
Increase /(decrease) in provision	(178)	(111)
(Decrease)/ increase in past pension provision	(4)	(4)
<b>Total administration overheads</b>	<b>10,391</b>	<b>10,485</b>

Administration overheads also includes:

	2015	2014
	£'000	£'000
Fees payable for the audit of these financial statements	71	70
Fees payable to other auditors for the audit of subsidiaries	2	3
<b>Total audit fees</b>	<b>73</b>	<b>73</b>



**5 RETAIL AND COMMERCIAL INCOME**

	2015 £'000	2014 £'000
<b>Retail</b>		
Products income	3,751	4,212
Cost of sales	(1,811)	(2,215)
<i>Gross surplus</i>	1,940	1,997
Other consumer income	205	388
	<b>2,145</b>	<b>2,385</b>
<b>Commercial</b>		
Business promotion and advertising	2,940	2,464
Quality assurance	1,069	1,305
Miscellaneous income	1,530	1,515
	<b>5,539</b>	<b>5,284</b>
<b>Total retail and commercial income</b>	<b>7,684</b>	<b>7,669</b>

**6 OTHER INCOME**

	2015 £'000	2014 £'000
Local authority income	2,044	2,115
European regional development fund income	1,672	1,965
Enterprise agency contributions	172	142
Sundry income	583	1,327
<b>Total other income</b>	<b>4,471</b>	<b>5,549</b>

**7 DIVIDEND RECEIVABLE**

	2015 £'000	2014 £'000
Scottish Tourist Board Limited - wholly owned subsidiary	-	57
<b>Total dividend receivable</b>	<b>-</b>	<b>57</b>

**8 FINANCING COSTS**

	2015 £'000	2014 £'000
<b>Finance costs</b>		
Interest payable on loans	2	6
Interest charge - finance lease obligations	133	160
<b>Total finance cost</b>	<b>135</b>	<b>166</b>

<b>Finance income</b>		
Bank interest receivable	-	2
<b>Total finance income</b>	<b>-</b>	<b>2</b>

**8(i) NET FINANCING COSTS [ Financing Costs ; Dividend receivable ]** **135**      **107**

**9 TAXATION**

	2015 £'000	2014 £'000
<b>Corporation Tax</b>		
Current tax	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

**Current tax**

Corporation tax is calculated at 20% ( 2014:21%) based on bank interest received during the year.

**10 INTANGIBLE ASSETS**

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
At cost or valuation				
At 1 April 2013	2,062	1,121	730	3,913
Additions	151	17	-	168
<b>At 31 March 2014</b>	<b>2,213</b>	<b>1,138</b>	<b>730</b>	<b>4,081</b>
At 1 April 2014	2,213	1,138	730	4,081
Additions	35	12	50	97
<b>At 31 March 2015</b>	<b>2,248</b>	<b>1,150</b>	<b>780</b>	<b>4,178</b>
<b>Amortisation</b>				
At 1 April 2013	1,144	986	681	2,811
Charge for the year	302	54	28	384
<b>At 31 March 2014</b>	<b>1,446</b>	<b>1,040</b>	<b>709</b>	<b>3,195</b>
At 1 April 2014	1,446	1,040	709	3,195
Charge for the year	354	41	22	417
<b>At 31 March 2015</b>	<b>1,800</b>	<b>1,081</b>	<b>731</b>	<b>3,612</b>
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>448</b>	<b>69</b>	<b>49</b>	<b>566</b>
<b>At 31 March 2014</b>	<b>767</b>	<b>98</b>	<b>21</b>	<b>886</b>
<b>At 31 March 2013</b>	<b>918</b>	<b>135</b>	<b>49</b>	<b>1,102</b>
<b>Asset Financing</b>				
Owned / beneficially owned	448	69	49	566
Finance Lease	-	-	-	-
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>448</b>	<b>69</b>	<b>49</b>	<b>566</b>

**11 TANGIBLE FIXED ASSETS***Freehold Property*

All Freehold Land & Buildings, and those held under beneficial ownership, were inspected this year and valued at 31 March 2015 by DVS Property Specialists - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2013 (Red Book) issued by The Royal Institution of Chartered Surveyors.

*Leasehold Finance Lease Property*

All Finance Leasehold properties, having been inspected last year, were valued at 31 March 2015 by Graham & Sibbald - Chartered Surveyors, on a fair value basis with regard to the remaining heritable interest of VisitScotland.

**11 TANGIBLE FIXED ASSETS (continued)**

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At cost or valuation</b>								
At 1 April 2013	382	4,582	5,394	7,759	1,828	43	497	20,485
Additions	-	18	241	181	558	-	-	998
Transfer from Subsidiary	85	255	-	-	-	-	-	340
Impairment	-	(8)	-	-	-	-	-	(8)
Revaluation	4	65	-	-	-	-	-	69
<b>At 31 March 2014</b>	<b>471</b>	<b>4,912</b>	<b>5,635</b>	<b>7,940</b>	<b>2,386</b>	<b>43</b>	<b>497</b>	<b>21,884</b>
At 1 April 2014	471	4,912	5,635	7,940	2,386	43	497	21,884
Additions	-	-	470	58	75	-	-	603
De-recognition on expiry of Finance lease	-	(34)	-	-	-	-	-	(34)
Transfer	-	(60)	-	60	-	-	-	-
Disposals	(5)	(14)	-	(268)	(355)	-	-	(642)
Impairment	(38)	(107)	-	-	-	-	-	(145)
Revaluation	17	243	-	-	-	-	-	260
<b>At 31 March 2015</b>	<b>445</b>	<b>4,940</b>	<b>6,105</b>	<b>7,790</b>	<b>2,106</b>	<b>43</b>	<b>497</b>	<b>21,926</b>
<b>Depreciation</b>								
At 1 April 2013	-	-	3,198	6,815	1,363	43	100	11,519
Charge for the year	-	525	479	209	266	-	20	1,499
<b>At 31 March 2014</b>	<b>-</b>	<b>525</b>	<b>3,677</b>	<b>7,024</b>	<b>1,629</b>	<b>43</b>	<b>120</b>	<b>13,018</b>
At 1 April 2014	-	525	3,677	7,024	1,629	43	120	13,018
De-recognition on expiry of Finance lease	-	(34)	-	-	-	-	-	(34)
Disposals	-	(1)	-	(268)	(355)	-	-	(624)
Charge for the year	-	543	536	239	300	-	20	1,638
<b>At 31 March 2015</b>	<b>-</b>	<b>1,033</b>	<b>4,213</b>	<b>6,995</b>	<b>1,574</b>	<b>43</b>	<b>140</b>	<b>13,998</b>
<b>Net book value</b>								
<b>At 31 March 2015</b>	<b>445</b>	<b>3,907</b>	<b>1,892</b>	<b>795</b>	<b>532</b>	<b>-</b>	<b>357</b>	<b>7,928</b>
<b>At 31 March 2014</b>	<b>471</b>	<b>4,387</b>	<b>1,958</b>	<b>916</b>	<b>757</b>	<b>-</b>	<b>377</b>	<b>8,866</b>
<b>At 31 March 2013</b>	<b>382</b>	<b>4,582</b>	<b>2,196</b>	<b>944</b>	<b>465</b>	<b>-</b>	<b>397</b>	<b>8,966</b>
<b>Asset Financing</b>								
Owned / beneficially owned	445	1,490	1,892	795	532	-	357	5,511
Finance Lease	-	2,417	-	-	-	-	-	2,417
<b>Net book value</b>	<b>445</b>	<b>3,907</b>	<b>1,892</b>	<b>795</b>	<b>532</b>	<b>-</b>	<b>357</b>	<b>7,928</b>
<b>At 31 March 2015</b>	<b>445</b>	<b>3,907</b>	<b>1,892</b>	<b>795</b>	<b>532</b>	<b>-</b>	<b>357</b>	<b>7,928</b>

**12 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	2015 £'000	2014 £'000
<b>Freehold property</b>		
At 1st April	-	18
Assets sold	-	(18)
<b>At 31 March</b>	<b>-</b>	<b>-</b>
<b>Revaluation reserve attributable to the property</b>		
At 1st April	-	(10)
Transfer to reserves arising on sale	-	10
<b>At 31 March</b>	<b>-</b>	<b>-</b>

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.

**13 INVESTMENT****Subsidiaries**

	2015 £'000	2014 £'000
<b>Investment in subsidiaries</b>		
Shares at cost, less amounts written off,		
At 1 April	-	-
<b>At 31 March</b>	<b>-</b>	<b>-</b>

**Subsidiary companies**

Following the transfer of the assets and liabilities of Scottish Tourist Board Limited to VisitScotland as at 31 March 2014 this subsidiary company ceased to trade. Therefore, as from 1st April 2014 VisitScotland's six subsidiary companies, all of which are wholly owned, are classified as Non-Trading and / or Dormant, namely:

- Scottish Tourist Board Limited
- Etourism Limited
- TourCo Limited
- Tourist Board Training Limited - Limited by guarantee
- VisitScotland Limited
- VisitShetland Limited

**14 INVENTORIES**

	2015 £'000	2014 £'000
Retail stock	877	834
<b>At 31 March</b>	<b>877</b>	<b>834</b>

**15 TRADE AND OTHER RECEIVABLES**

	2015 £'000	2014 £'000
<b>Current</b>		
Trade receivables	1,720	2,599
less: Provision for impairment	(144)	(322)
Trade receivables - net	1,576	2,277
Prepayments	189	753
Accrued income	160	33
Other receivables	57	20
<b>At 31 March</b>	<b>1,982</b>	<b>3,083</b>

Trade and other receivables reported above *include*:

**Receivables - Public sector balances**

	2015 £'000	2014 £'000
<b>Current</b>		
Local Authorities	64	761
Other Central Government bodies	164	163
<b>At 31 March</b>	<b>228</b>	<b>924</b>

**16 CASH AND CASH EQUIVALENTS**

	2015 £'000	2014 £'000
Balance at 1 April	4,686	3,019
Net change in cash and cash equivalent balances	(305)	1,667
<b>At 31 March</b>	<b>4,381</b>	<b>4,686</b>
<b>The balances at 31 March were held at:</b>		
Commercial banks and cash in hand	2,410	2,081
Government Banking Service	1,971	2,605
<b>At 31 March</b>	<b>4,381</b>	<b>4,686</b>

Outwith monies held within the Government banking framework, cash at bank earns interest at floating rates based on daily bank deposit rates

**17 RECEIVABLES - PROVISION FOR IMPAIRMENT**

Impairment provisions are used to record impairment losses unless VisitScotland is 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	Other receivables	Total
	£'000	£'000	£'000
At 1 April 2013	433	-	433
Utilised during year	(283)	-	(283)
Movement in Provision	172	-	172
<b>At 31 March 2014</b>	<b>322</b>	<b>-</b>	<b>322</b>
At 1 April 2014	322	-	322
Utilised during year	(181)	-	(181)
Movement in Provision	3	-	3
<b>At 31 March 2015</b>	<b>144</b>	<b>-</b>	<b>144</b>

The following represents VisitScotland receivables for which full provision has been made at 31 March 2015 and the ageing of these receivables was as follows:

	2015 £'000	2014 £'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	144	322
Impairment	(144)	(322)
<b>Impaired receivables at 31 March</b>	<b>144</b>	<b>322</b>

Other than amounts due from subsidiary 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 2015 receivables with a carrying value of £NIL ( 2014: £NIL ) were past their due date, but not considered to be impaired, and their ageing was follows:

	2015 £'000	2014 £'000
Under 90 days	-	-
91 - 180 days	-	-
Over 180 days	-	-
<b>At 31 March</b>	<b>-</b>	<b>-</b>

**18 TRADE AND OTHER PAYABLES**

## a) Current

	2015	2014
	£'000	£'000
Trade payables	1,227	1,250
Social security and other taxes	520	465
Amounts owed to subsidiary undertakings	47	47
Accruals	6,209	6,192
Deferred income	439	1,241
Loans	2	33
Other payables	18	114
	<b>8,462</b>	<b>9,342</b>
Corporation tax	-	-
<b>At 31 March</b>	<b>8,462</b>	<b>9,342</b>

## b) Non - current

Loans	3	5
<b>At 31 March</b>	<b>3</b>	<b>5</b>

 Trade and other payables reported above *include*:

## c) Public sector balances

	2015	2014
	£'000	£'000
<b>Current</b>		
Local Authorities	141	45
Other Central Government bodies	520	467
<b>At 31 March</b>	<b>661</b>	<b>512</b>
<b>Non - current</b>		
Local Authorities	3	5
Other Central Government bodies	-	-
<b>At 31 March</b>	<b>3</b>	<b>5</b>

**19 LOANS**

	Current				Non - current			Total 31 March 2014
	Within	Between	After	Total	Current	Non - current	Total	
	1 year	1 - 5 years	5 years	31 March	Within	Between		
	1 year	1 - 5 years	5 years	2015	1 year	1 - 5 years		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
City of Edinburgh Council	-	-	-	-	29	-	-	29
Scottish Enterprise	-	-	-	-	1	-	-	1
Aberdeen Council Loans Fund	2	3	-	5	3	5	-	8
<b>Total Loans</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>5</b>	<b>33</b>	<b>5</b>	<b>-</b>	<b>38</b>

## Details of individual loans:

	Maturity Date	Rate of Interest %		Loan information
		Fixed	Variable	
City of Edinburgh Council	Settled	11.20		Security released
Scottish Enterprise	Settled	7.00		Security released
Aberdeen Council Loans Fund	Mar 2016		4.79%	Unsecured composite loan(s).re; 5 properties (VIC's) in region.

**20 OTHER BORROWINGS**

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	(133)	480
Between one and five years	2,107	(264)	1,843
After five years	560	(19)	541
<b>At 31 March 2014</b>	<b>3,280</b>	<b>(416)</b>	<b>2,864</b>
Within one year	590	(105)	485
Between one and five years	1,860	(169)	1,691
After five years	219	(8)	211
<b>At 31 March 2015</b>	<b>2,669</b>	<b>(282)</b>	<b>2,387</b>

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 2015, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% ( 2014 : 6.0%).



**21 OPERATING LEASES****a) Operating lease agreements where VisitScotland is the lessee**

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:*

	2015	2014
	£'000	£'000
<b>Leasehold properties</b>		
Not later than one year	1,162	1,158
After one year but not more than five years	3,313	3,378
After five years	1,167	1,846
<b>At 31 March</b>	<b>5,642</b>	<b>6,382</b>
	2015	2014
	£'000	£'000
<b>Leasehold plant &amp; equipment</b>		
Not later than one year	61	86
After one year but not more than five years	96	67
After five years	-	-
<b>At 31 March</b>	<b>157</b>	<b>153</b>

**b) Operating lease agreements where VisitScotland is the lessor**

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 10 years.

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

	2015	2014
	£'000	£'000
Not later than one year	303	348
After one year but not more than five years	752	786
After five years	129	308
<b>At 31 March</b>	<b>1,184</b>	<b>1,442</b>

## 22 POST - RETIREMENT BENEFITS

### a) BRITISH TOURIST BOARD'S 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, with the principal Employer (also a participating Employer) being VisitBritain together with the other participating Employers, namely VisitScotland, and the Welsh Assembly Government (accrued ceased with effect from 1 February 2009).

A full actuarial valuation was carried out using membership data as at 31 March 2012, by Xafinity Consulting Limited, qualified independent actuaries, and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to the measurement date (31 March 2015). The roll forward methodology utilises the payroll and benefit information supplied and the resulting liabilities have then been adjusted to reflect the different assumptions used. A new valuation is being carried out as at 31 March 2015, and will form the basis of the 2016 disclosures.

During the year ended 31 March 2015, a total contribution of **23.2%** (2014:22.3%) of pensionable salaries was paid by VisitScotland. This included employees' contributions of 5%, and employer's contributions of 18%. Employer contributions paid by VisitScotland for the year to 31 March 2015 amounted to **£1,350,000** (2014: £1,511,000). The rate to be paid during the year to 31 March 2016 by VisitScotland is a composite rate of **18%**, plus the deficit contributions due in accordance with the recovery plan.

The current service cost of **£2,151,000** (2014:£2,467,000) represents VisitScotland's cost of additional benefits earned by active members during the year, and includes administration expenses of £143,000 (2014:£162,000), which, set against the employer contributions paid, reflects a deficit in the year of £801,000.

The Trustees of the Scheme are currently undertaking a review of the level of employers' contributions necessary to meet the ongoing Scheme deficit, in conjunction with assessing the strength of the respective employers' guarantees and/or covenants in support thereof.

Each employer's share of the scheme's assets has been identified by considering the cashflows relating to each employer and adjusting the proportion of total assets held, accordingly. The following table illustrates VisitScotland's share of respective liabilities:-

	31 March 2015	31 March 2014
Share of total past service liabilities -	<b>26.8%</b>	25.4%
Share of benefit outgo -	<b>16.4%</b>	16.7%
Share of future service cost -	<b>54.3%</b>	55.2%

The net interest expense of £685,000 is a charge to the statement of comprehensive net expenditure and reflects the addition of interest to the beginning of the year funded status (surplus or deficit) at the discount rate adopted at the start of the year.

Although the expected return on assets was £2,253,000 over the period, the actual investment return (net of the Scheme's investment expenses) was £7,662,000. As a consequence, there was an asset gain over the period of **£5,409,000**.

However, owing to changes in financial market conditions (falling bond yields, etc) over the year, and the resultant changes in assumptions used to value the liabilities and for experience arising, the resulting overall actuarial loss produced was **£14,787,000**.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to **£58,834,000** (2014: £51,020,000), as detailed on page 64, as compared to its share of Scheme liabilities of **£85,208,000** (2014: £66,530,000) results in the funded status of VisitScotland's share of the scheme reflecting a liability of **£26.37 million** as at 31 March 2015 (2014: £15.51 million).

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 24.

**22 POST - RETIREMENT PENSION BENEFITS ( continued)**
**a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)**
**ASSUMPTIONS**

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

**Financial :**

As at 31 March	2015 % p.a.	2014 % p.a.
Inflation assumption	2.40 CPI	2.80 CPI
Rate of increase in pensionable salaries	4.30	4.60
<i>3.3% until 31 March 2019 then 4.3% thereafter ( 2014: 3.6% until 31 March 2019 : 4.6% thereafter)</i>		
Rate of increase for pensions in payment	2.40 CPI	2.80 CPI
<i>The CPI assumption for 2015 has been calculated as RPI (3.30%) less 0.9% p.a.( 2014: RPI (3.60%) less 0.8% p.a.)</i>		
Liability discount rate	3.20	4.40
Expected return on employer Assets	3.20	4.40

**Mortality:**

Life expectancy is derived from the PXA00 ( Working Party 26) tables projected for the medium cohort effect, based upon year of birth. Minimum improvements of 1.25% p.a. for Males and 0.75% for Females.

*Future expected lifetime of current pensioner at age 65*

Male born in 1945 23.0 years

Female born in 1945 24.7 years

*Future expected lifetime of current pensioner at age 65*

Male born in 1965 25.5 years

Female born in 1965 26.1 years

*Life expectancy on 31 March 2014 mortality assumptions*

	Males	Females
Retiring today aged 60 (immediate annuitant)	23.2 years	24.7 years
Retiring in 20 years aged 60 ( deferred annuitant)	25.7 years	26.2 years

**Commutation:**

It is assumed that 100% of active and deferred members will commute 10% of their pensions for a cash sum.

**Sensitivity Analysis**

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme as at 31 March 2015 amounts to approximately 24.2 years. ( 2014 : 23.4 years). Under IAS 19 because the liabilities are discounted by reference to bond yields, whereas the Scheme invests a significant proportion of its assets in equities and other return seeking assets, the disclosures are likely to remain volatile in future years.

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the liability value and the consequence for the Scheme deficit is as follows:

		-0.50%	Central assumption	0.50%
i) RPI Inflation	Liabilities	£75.0m	£85.2m	£97.2m
	Assets	£58.8m	£58.8m	£58.9m
	Deficit	(£16.2m)	(£26.4m)	(£38.3m)

These calculations take into account an appropriate variance in the assumptions for the increases to pensions in payment, for the revaluation of deferred pensions before retirement and for salary growth to ensure consistency with the revised RPI inflation assumption.

ii) Discount rate	Liabilities	£96.0m	£85.2m	£76.0m
	Assets	£58.9m	£58.8m	£58.8m
	Deficit	(£37.1m)	(£26.4m)	(£17.2m)

		- 1 Year	Central assumption	+ 1 year
iii) Life expectancy	Liabilities	£82.5m	£85.2m	£88.1m
	Assets	£58.8m	£58.8m	£59.0m
	Deficit	(£23.7m)	(£26.4m)	(£29.1m)

**22 POST - RETIREMENT PENSION BENEFITS ( continued)****a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2015**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	51,020	-	51,020
Present value of funded liabilities	-	66,530	(66,530)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 1 April 2014</b>	<b>51,020</b>	<b>66,530</b>	<b>(15,510)</b>
Service cost			
- Current service cost**	(143)	2,008	(2,151)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>(143)</b>	<b>2,008</b>	<b>(2,151)</b>
Net interest			
- Interest income on plan assets	2,253	-	2,253
- Interest cost on defined benefit obligation	-	2,938	(2,938)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>2,253</b>	<b>2,938</b>	<b>(685)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>2,110</b>	<b>4,946</b>	<b>(2,836)</b>
Cashflows			
- Plan participants' contributions	309	309	-
- Employer contributions	1,350	-	1,350
- Transfers in	16	16	-
- Benefits paid	(1,380)	(1,380)	-
<b>Expected closing position</b>	<b>53,425</b>	<b>70,421</b>	<b>(16,996)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	14,416	(14,416)
- Other experience	-	371	(371)
- Return on assets excluding amounts included in net interest	5,409	-	5,409
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>5,409</b>	<b>14,787</b>	<b>(9,378)</b>
Fair value of employer assets	58,834	-	58,834
Present value of funded liabilities	-	85,208	(85,208)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2015</b>	<b>58,834</b>	<b>85,208</b>	<b>(26,374)</b>

\*\* The current service cost includes administration expenses of £143,000.

**22 POST - RETIREMENT PENSION BENEFITS ( continued)****a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2014**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	48,680	-	48,680
Present value of funded liabilities	-	62,239	(62,239)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 1 April 2013</b>	<b>48,680</b>	<b>62,239</b>	<b>(13,559)</b>
<b>Service cost</b>			
- Current service cost**	(162)	2,305	(2,467)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>(162)</b>	<b>2,305</b>	<b>(2,467)</b>
<b>Net interest</b>			
- Interest income on plan assets	2,202	-	2,202
- Interest cost on defined benefit obligation	-	2,800	(2,800)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>2,202</b>	<b>2,800</b>	<b>(598)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>2,040</b>	<b>5,105</b>	<b>(3,065)</b>
<b>Cashflows</b>			
- Plan participants' contributions	360	360	-
- Employer contributions	1,511	-	1,511
- Transfers in	26	26	-
- Benefits paid	(1,206)	(1,206)	-
<b>Expected closing position</b>	<b>51,411</b>	<b>66,524</b>	<b>(15,113)</b>
<b>Remeasurements of net defined benefit obligations</b>			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	793	(793)
- Other experience	-	(787)	787
- Return on assets excluding amounts included in net interest	(391)	-	(391)
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>(391)</b>	<b>6</b>	<b>(397)</b>
Fair value of employer assets	51,020	-	51,020
Present value of funded liabilities	-	66,530	(66,530)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2014</b>	<b>51,020</b>	<b>66,530</b>	<b>(15,510)</b>

\*\* The current service cost includes administration expenses of £162,000.

**22 POST - RETIREMENT PENSION BENEFITS ( continued)**
**a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)**
**FAIR VALUE OF EMPLOYER ASSETS**

The Fund's assets are at bid values as required under IAS 19

Asset Category	31 March 2015				31 March 2014			
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	
<b>Equity Securities:</b>								
Consumer	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Energy & Utilities	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Health & Care	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Debt securities:</b>								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Private Equity:</b>								
All	-	-	-	-	-	-	-	-
<b>Real Estate:</b>								
UK Property	5,562	-	5,562	9.5%	4,700	-	4,700	9.2%
Overseas Property	-	-	-	-	-	-	-	-
<b>Investment funds and unit trusts:</b>								
Equities	23,712	-	23,712	40.3%	20,030	-	20,030	39.3%
Bonds	11,306	-	11,306	19.2%	13,051	-	13,051	25.6%
Hedge Funds	12,128	-	12,128	20.6%	11,192	-	11,192	21.9%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - LDI repo	3,879	-	3,879	6.6%	-	-	-	-
Other - Insurance Annuities	1,928	-	1,928	3.3%	1,943	-	1,943	3.8%
<b>Derivatives:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents:</b>								
All	319	-	319	0.5%	104	-	104	0.2%
<b>Totals</b>	<b>58,834</b>	<b>-</b>	<b>58,834</b>	<b>100.0%</b>	<b>51,020</b>	<b>-</b>	<b>51,020</b>	<b>100.0%</b>

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

**HISTORY OF EXPERIENCE GAINS AND LOSSES**

As at 31 March	2015	2014	2013 as re- stated
	£'000	£'000	£'000
Fair value of employer assets	58,834	51,020	48,680
Present value of defined benefit obligation	(85,208)	(66,530)	(62,239)
<b>Net pension (liability)</b>	<b>(26,374)</b>	<b>(15,510)</b>	<b>(13,559)</b>
Experience: (Losses)/gains on assets	5,409	(391)	2,625
Experience: (Losses)/gains on liabilities	(14,787)	(6)	(2,769)
	<b>(9,378)</b>	<b>(397)</b>	<b>(144)</b>
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>	<b>(19,961)</b>	<b>(10,583)</b>	<b>(10,186)</b>

**22 POST- RETIREMENT BENEFITS (continued)****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 have hitherto been contracted out of the State Second Pension Scheme (now ceased), and the consolidated figures from each individual scheme are detailed in the tables below. The latest triennial formal valuations of LGPS Fund, in which VisitScotland participates, were carried out as at 31 March 2014 by Hymans Robertson, qualified independent actuaries. For this year's valuation the actuary has projected forward the results of the valuations as determined at 31 March 2014 to the measurement date (31 March 2015) using consistent methods of approximation. The next formal valuation is due to be carried out at 31 March 2017.

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

	Contribution Rate	
	%	%
	2015	2014
Aberdeen City Council Pension Fund	20.6	20.6
Tayside Superannuation Scheme	18.0	18.0
Falkirk Council Pension Scheme	21.6	21.6
Dumfries and Galloway Council Pension Fund	21.5	21.5
Lothian Pension Fund	14.1	14.1
Strathclyde Pension Scheme	19.3	19.3
Highland Council Pension Fund	21.3	21.3
Highland Council Pension Fund (Western Isles)	18.0	18.0
Fife Council Superannuation Fund	29.8	29.8
Orkney Islands Council Pension Fund	21.4	21.4
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	23.1	23.1

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee's pensionable pay on 31 March. Employer's principal contributions paid by VisitScotland for the year to 31 March 2015 amounted to £1,005,000 (2014: £896,000). The amount of employer contributions expected to be paid during the year to 31 March 2016 by VisitScotland is £932,000.

The Trustees of the Schemes are currently undertaking a review of the level of employers' contributions necessary to meet the ongoing Scheme deficits, in conjunction with assessing the strength of the respective employers' guarantees and/or covenants in support thereof.

The current service cost of £1,011,000 (2014:£951,000), represents VisitScotland's cost of additional benefits earned by active members during the year, and includes an administration allowance of 0.3% of payroll (2014: 0.3%).

The following table illustrates VisitScotland's share of respective LGPS Scheme liabilities:-

	31 March 2015	31 March 2014
Active members -	29.7%	34.4%
Deferred members -	36.6%	37.0%
Pensioner members -	33.6%	28.6%

The actuary has reported that whilst strong assets returns of £3.96 million [excluding net interest of £1.93 million] were received, however, owing to changes in financial market conditions (falling bond yields, etc.) over the year, and the resultant changes in assumptions used to value the liabilities and for experience arising, the resulting overall actuarial loss produced was £5,549,000.

VisitScotland's share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2015, amounts to £49,727,000 (2014: £43,772,000), as detailed on page 69, which when compared to its share of Scheme Liabilities of £63,165,000 (2014: £55,082,000) results in the funded status of VisitScotland's share of the Scheme, as at 31 March 2015, standing at a liability of £13.44 million (2014: £11.31 million).



## 22 POST - RETIREMENT PENSION BENEFITS ( continued)

### b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS) (continued)

#### ASSUMPTIONS

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

#### Financial :

##### As at 31 March

	2015 % p.a.	2014 % p.a.
Inflation assumption	2.40 CPI	2.80 CPI
Rate of increase in pensionable salaries <i>3.3% until 31 March 2019 then 4.3% thereafter ( 2014: 3.6% until 31 March 2019 : 4.6% thereafter)</i>	4.30	4.60
Rate of increase for pensions in payment <i>The CPI assumption for 2015 has been calculated as RPI (3.30%) less 0.9% p.a. ( 2014: RPI (3.60%) less 0.8% p.a.)</i>	2.40 CPI	2.80 CPI
Liability discount rate	3.20	4.40
Expected return on employer Assets	3.20	4.40

#### Mortality:

Life expectancy is based on the Vita Curves as applied to the Lothian Pension Fund with improvements in line with the Medium Cohort 2010 model, and a 1% p.a. underpin, assuming that the current rate of improvement has reached a peak and will converge to a long term rate of 1.25% p.a

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.7 years
Future Pensioners **	24.2 years	26.3 years

\*\* Figures assume members aged 45 as at the last formal valuation date.

#### Historic mortality:

Life expectancies for the year ended 31 March 2014 are based on the Vita Curves as applied to the Lothian Pension Fund. The allowance for future life expectancies are shown below:

Prospective Pensioners - Year of birth, medium cohort and 1% p.a. minimum improvements from 2010

Pensioners - Year of birth, medium cohort and 1% p.a. minimum improvements from 2010

Mortality assumptions have been changed since the previous accounting period.

#### Commutation:

The allowance for commutation is consistent with the assumptions used at the formal valuations carried out as at 31 March 2014, adjusted to allow for any known experience.

#### Major categories of plan assets as a percentage of total plan assets.

The actuaries have been supplied with a split of the Fund's investments as at 31 March 2014 and 31 December 2014.

The asset split for VisitScotland as at 31 March 2015 has been assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2014 ( The split is shown on page 69).

#### Sensitivity Analysis

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme amounts to approximately an average of 19.7 years. ( 2014 : 19.8 years )

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the liability value, and the consequence for the Scheme deficit is as follows:

	% Increase in deficit	Approximate amount
0.5% decrease in Real Discount Rate	12%	£6.5m
0.5% increase in the Salary Increase Rate	2%	£1.0m
0.5% Increase in the Pension Increase Rate	10%	£5.4m
1 year increase in member life expectancy	3%	£1.9m



**22 POST - RETIREMENT PENSION BENEFITS ( continued)****b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2015**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	43,772	-	43,772
Present value of funded liabilities	-	53,966	(53,966)
Present value of unfunded liabilities	-	1,116	(1,116)
<b>Opening position as at 1 April 2014</b>	<b>43,772</b>	<b>55,082</b>	<b>(11,310)</b>
Service cost			
- Current service cost*	-	1,011	(1,011)
- Past service cost (including curtailments)	-	40	(40)
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>1,051</b>	<b>(1,051)</b>
Net interest			
- Interest income on plan assets	1,927	-	1,927
- Interest cost on defined benefit obligation	-	2,425	(2,425)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,927</b>	<b>2,425</b>	<b>(498)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,927</b>	<b>3,476</b>	<b>(1,549)</b>
Cashflows			
- Plan participants' contributions	243	243	-
- Employer contributions	944	-	944
- Contributions in respect of unfunded benefits	61	-	61
- Benefits paid	(1,124)	(1,124)	-
- Unfunded benefits paid	(61)	(61)	-
<b>Expected closing position</b>	<b>45,762</b>	<b>57,616</b>	<b>(11,854)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	1,428	(1,428)
- Change in financial assumptions	-	9,054	(9,054)
- Other experience	-	(4,933)	4,933
- Return on assets excluding amounts included in net interest	3,965	-	3,965
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>3,965</b>	<b>5,549</b>	<b>(1,584)</b>
Fair value of employer assets	49,727	-	49,727
Present value of funded liabilities	-	61,899	(61,899)
Present value of unfunded liabilities	-	1,266	(1,266)
<b>Closing position as at 31 March 2015</b>	<b>49,727</b>	<b>63,165</b>	<b>(13,438)</b>

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

**22 POST - RETIREMENT PENSION BENEFITS ( continued)****b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2014**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	40,771	-	40,771
Present value of funded liabilities	-	50,610	(50,610)
Present value of unfunded liabilities	-	1,114	(1,114)
<b>Opening position as at 1 April 2013</b>	<b>40,771</b>	<b>51,724</b>	<b>(10,953)</b>
<b>Service cost</b>			
- Current service cost*	-	951	(951)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>951</b>	<b>(951)</b>
<b>Net interest</b>			
- Interest income on plan assets	1,836	-	1,836
- Interest cost on defined benefit obligation	-	2,328	(2,328)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,836</b>	<b>2,328</b>	<b>(492)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,836</b>	<b>3,279</b>	<b>(1,443)</b>
<b>Cashflows</b>			
- Plan participants' contributions	246	246	-
- Employer contributions	839	-	839
- Contributions in respect of unfunded benefits	57	-	57
- Benefits paid	(1,063)	(1,063)	-
- Unfunded benefits paid	(57)	(57)	-
<b>Expected closing position</b>	<b>42,629</b>	<b>54,129</b>	<b>(11,500)</b>
<b>Remeasurements of net defined benefit obligations</b>			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	989	(989)
- Other experience	-	(36)	36
- Return on assets excluding amounts included in net interest	1,143	-	1,143
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>1,143</b>	<b>953</b>	<b>190</b>
Fair value of employer assets	43,772	-	43,772
Present value of funded liabilities	-	53,966	(53,966)
Present value of unfunded liabilities	-	1,116	(1,116)
<b>Closing position as at 31 March 2014</b>	<b>43,772</b>	<b>55,082</b>	<b>(11,310)</b>

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

**22 POST - RETIREMENT PENSION BENEFITS ( continued)**
**b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)**
**FAIR VALUE OF EMPLOYER ASSETS**

The Fund's assets are at bid values as required under IAS 19

Asset Category	31 March 2015				31 March 2014				
	Prices not		Total	%	Quoted Prices in Active Markets	Prices not		Total	%
	Quoted Prices in Active Markets	quoted in Active markets				quoted in Active markets			
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s			
<b>Equity Securities:</b>									
Consumer	4,552	-	4,552	9.2%	3,615	-	3,615	8.3%	
Manufacturing	3,433	19	3,452	6.9%	2,811	5	2,816	6.4%	
Energy & Utilities	1,972	-	1,972	4.0%	2,079	-	2,079	4.7%	
Financial Institutions	3,213	-	3,213	6.4%	2,468	-	2,468	5.6%	
Health & Care	1,917	-	1,917	3.8%	1,527	-	1,527	3.5%	
Information technology	2,853	2	2,855	5.7%	1,836	-	1,836	4.2%	
Other	3,476	129	3,605	7.3%	7,580	578	8,158	18.6%	
<b>Debt securities:</b>									
Corporate Bonds (investment grade)	349	85	434	0.9%	1,360	-	1,360	3.1%	
Corporate Bonds (non-investment grade)	-	-	-	-	42	-	42	0.1%	
UK Government	1,019	141	1,160	2.4%	1,216	-	1,216	2.8%	
Other	394	3	397	0.7%	368	-	368	0.8%	
<b>Private Equity:</b>									
All	193	3,316	3,509	7.1%	234	2,091	2,325	5.3%	
<b>Real Estate:</b>									
UK Property	964	3,054	4,018	8.1%	827	2,046	2,873	6.6%	
Overseas Property	1	98	99	0.2%	-	152	152	0.3%	
<b>Investment funds and unit trusts:</b>									
Equities	4,845	6,702	11,547	23.2%	5,453	2,553	8,006	18.4%	
Bonds	727	3,481	4,208	8.5%	850	957	1,807	4.1%	
Hedge Funds	-	-	-	-	-	-	-	-	
Commodities	41	-	41	0.1%	3	29	32	0.1%	
Infrastructure	50	188	238	0.5%	30	124	154	0.4%	
Other	604	314	918	1.8%	1,244	228	1,472	3.4%	
<b>Derivatives:</b>									
Inflation	-	-	-	-	-	-	-	-	
Interest rate	-	-	-	-	-	-	-	-	
Foreign exchange	13	-	13	0.0%	7	-	7	0.0%	
Other	7	-	7	0.0%	4	-	4	0.0%	
<b>Cash and cash equivalents:</b>									
All	1,005	567	1,572	3.2%	1,075	380	1,455	3.3%	
<b>Totals</b>	<b>31,628</b>	<b>18,099</b>	<b>49,727</b>	<b>100.0%</b>	<b>34,629</b>	<b>9,143</b>	<b>43,772</b>	<b>100.0%</b>	

**HISTORY OF EXPERIENCE GAINS AND LOSSES**

As at 31 March	2015			2014			2013 as re-stated
	£'000	£'000	£'000	£'000	£'000	£'000	
Fair value of employer assets	49,727	43,772	40,771				
Present value of defined benefit obligation	(63,165)	(55,082)	(51,724)				
<b>Net pension (liability)</b>	<b>(13,438)</b>	<b>(11,310)</b>	<b>(10,953)</b>				
Experience: (Losses)/gains on assets	3,965	1,143	3,614				
Experience: (Losses)/gains on liabilities	(5,549)	(953)	(5,335)				
	<b>(1,584)</b>	<b>190</b>	<b>(1,721)</b>				
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>	<b>(11,930)</b>	<b>(10,346)</b>	<b>(10,536)</b>				

**22 POST - RETIREMENT PENSION BENEFITS ( continued)****c) TOTAL PENSION SCHEME EMPLOYER'S CONTRIBUTIONS REFLECTED IN THE STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

	2015	2014
	£'000	£'000
British Tourist Boards' Pension Scheme	1,350	1,511
Local Government Pension Schemes	1,005	896
Other Pension Schemes	8	7
<b>At 31 March</b>	<b>2,363</b>	<b>2,414</b>

**d) TOTAL PENSION SCHEME ACTUARIAL LOSSES / (GAINS) RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	2015	2014
	£'000	£'000
British Tourist Boards' Pension Scheme	9,378	397
Local Government Pension Schemes	1,584	(190)
<b>At 31 March</b>	<b>10,962</b>	<b>207</b>

**e) TOTAL DEFICIT ON RETIREMENT BENEFIT OBLIGATIONS**

	2015	2014
	£'000	£'000
British Tourist Boards' Pension Scheme	(26,374)	(15,510)
Local Government Pension Schemes	(13,438)	(11,310)
<b>At 31 March</b>	<b>(39,812)</b>	<b>(26,820)</b>

**f) IAS 19 ADJUSTMENT AS DISCLOSED IN THE MANAGEMENT COMMENTARY**

	BTBPS	LGPS
Charges recognised in the statement of comprehensive net income	2,836	1,549
Employer's contributions	(1,350)	(944)
Contributions in respect of unfunded benefits	-	(61)
	<u>1,486</u>	<u>544</u>
<b>Annually Managed Expenditure (AME)</b>		<b>2,030</b>

## 23 FINANCIAL INSTRUMENTS

VisitScotland 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 VisitScotland's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and stewardship of the risk management framework. The Audit & Risk 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.

VisitScotland has no derivative financial assets or liabilities.

### i) 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 19 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 VisitScotland's financial liabilities as at 31 March, based on contractual undiscounted payments.

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	
<b>As at 31 March 2014</b>					
Loans	38	33	5	-	38
Other borrowings	2,864	613	2,107	560	3,280
Trade and other payables	9,309	9,309	-	-	9,309
<b>Total financial liabilities</b>	<b>12,211</b>	<b>9,955</b>	<b>2,112</b>	<b>560</b>	<b>12,627</b>
<b>As at 31 March 2015</b>					
Loans	5	2	3	-	5
Other borrowings	2,387	590	1,860	219	2,669
Trade and other payables	8,460	8,460	-	-	8,460
<b>Total financial liabilities</b>	<b>10,852</b>	<b>9,052</b>	<b>1,863</b>	<b>219</b>	<b>11,134</b>

**23 FINANCIAL INSTRUMENTS (continued)****ii) 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 as stated in the statement of financial position.

Credit risk arising from 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, if necessary, 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 17 above.

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

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:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current receivables</b>		
Trade and other receivables	1,982	3,083
Cash and cash equivalents		
Government Banking Service	1,971	2,605
Commercial banks	2,410	2,081
<b>At 31 March</b>	<b>6,363</b>	<b>7,769</b>

**23 FINANCIAL INSTRUMENTS (continued)****iii) 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.

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
<b>Fixed interest rate</b>				
At 31 March 2014				
<i>Financial liabilities</i>				
Loans	(30)	-	-	(30)
Other borrowings	(480)	(1,843)	(541)	(2,864)
<b>Total</b>	<b>(510)</b>	<b>(1,843)</b>	<b>(541)</b>	<b>(2,894)</b>
At 31 March 2015				
<i>Financial liabilities</i>				
Loans	-	-	-	-
Other borrowings	(485)	(1,691)	(211)	(2,387)
<b>Total</b>	<b>(485)</b>	<b>(1,691)</b>	<b>(211)</b>	<b>(2,387)</b>
<b>Variable interest rate</b>				
At 31 March 2014				
<i>Financial assets</i>				
Trade and other receivables	3,083	-	-	3,083
Cash and cash equivalents	4,686	-	-	4,686
<i>Financial liabilities</i>				
Loans	(3)	(5)	-	(8)
Trade and other payables	(9,309)	-	-	(9,309)
<b>Total</b>	<b>(1,543)</b>	<b>(5)</b>	<b>-</b>	<b>(1,548)</b>
At 31 March 2015				
<i>Financial assets</i>				
Trade and other receivables	1,982	-	-	1,982
Cash and cash equivalents	4,381	-	-	4,381
<i>Financial liabilities</i>				
Loans	(2)	(3)	-	(5)
Trade and other payables	(8,460)	-	-	(8,460)
<b>Total</b>	<b>(2,099)</b>	<b>(3)</b>	<b>-</b>	<b>(2,102)</b>

**23 FINANCIAL INSTRUMENTS (continued)****iii) Market risk (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 statement of financial position.

	2015		2014	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<i>Financial assets</i>				
Trade and other receivables	1,982	1,982	3,083	3,083
Cash and cash equivalents	4,381	4,381	4,686	4,686
<i>Financial liabilities</i>				
Loans - Fixed interest rate	-	-	(30)	(32)
Loans - Variable interest rate	(5)	(5)	(8)	(8)
Other borrowings	(2,387)	(2,387)	(2,864)	(2,864)
Trade and other payables	(8,460)	(8,460)	(9,309)	(9,309)
<b>At 31 March</b>	<b>(4,489)</b>	<b>(4,489)</b>	<b>(4,442)</b>	<b>(4,444)</b>

**Fair value hierarchy**

VisitScotland's 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 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 : Fixed Interest VisitScotland settled all its fixed term borrowings in the year.

Loans : Variable interest The fair value is deemed to be the same as the carrying value.

Other borrowings : The fair value is deemed to be equal to the net present value of future lease payments.



## 23 FINANCIAL INSTRUMENTS continued

### iii) Market risk (continued)

#### Interest rate sensitivity analyses

##### *Loans*

VisitScotland is a party to one contractual loan which is variable as to interest rate risk, and at the 31 March 2015 the amount outstanding on this loan was **£5,038**.

i) An annualised increase of 400 basis points from the rate in use at 31 March 2015 would result in an increase in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£202** (2014: £312).

ii) An annualised decrease of 100 basis points from the rate in use at 31 March 2015 would result in a decrease in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£50** (2014 :£78).

##### *Cash and cash equivalents*

VisitScotland operates within the Government Banking framework and by so doing does not engage in depositing monies outwith the framework. As a consequence there is minimal interest receivable on its daily bankings, and therefore the sensitivity analysis previously applied to monies held on deposit, and shown for illustrative purposes only, is no longer considered to be necessary. Last year's sensitivity analyses (reflecting a change in 100 basis points in interest rates over the reporting period) is shown by way of comparison.

	100 bps £'000
Year end 31 March 2014	6
<b>Year end 31 March 2015</b>	<b>-</b>

### iv) 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.

**24 PROVISIONS**

	Pension provision £'000	Early departure costs £'000	Total £'000
At 1 April 2013	136	-	136
Utilised	(19)	-	(19)
Charged	15	-	15
<b>At 31 March 2014</b>	<b>132</b>	<b>-</b>	<b>132</b>
At 1 April 2014	132	-	132
Utilised	(19)	-	(19)
Charged	15	-	15
<b>At 31 March 2015</b>	<b>128</b>	<b>-</b>	<b>128</b>

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.

**25 LOSSES AND SPECIAL PAYMENTS**

	2015 £'000	2014 £'000
Total losses for the year were:		
Trade bad debts written off	25	13
<b>At 31 March</b>	<b>25</b>	<b>13</b>

**26 CAPITAL COMMITMENTS**

There were no capital commitments as at 31 March 2015 ( 2014: None ).

**27 CONTINGENT LIABILITIES**

The impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc, was 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.

**28 EVENTS AFTER THE BALANCE SHEET DATE**

**Post Balance Sheet - Non-Adjusting Event**

A fire in the early hours of the morning on 12 May 2015 destroyed the historic old Royal Station in Ballater, which housed not only a museum, and a restaurant, but also the VisitScotland Information Centre. The building is owned by Aberdeen Council and VisitScotland is the principal tenant, and VisitScotland also sub-let parts of the premises to three local businesses.

Fortunately, the replica historic Royal Carriage, which is owned by VisitScotland, escaped damage, however the loss of the VIC Station building, fixtures and fittings, etc, will impact 2015/16 Year End Financial Statements to the extent that the written down value of capital leasehold improvements, fittings and equipment, etc, as at 31 March 2015, will be written off in the year, at an amount of £385k. Aberdeen Council have announced that they will undertake the re-building of the Station at the earliest possible moment, however, the task of re-building is likely to take at least two years.

## 29 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 £'000	from £'000	balance £'000
Mike Cantlay	VisitBritain	Director	Promotions / marketing projects	60	-	144	-
	Highland & Islands Airport Ltd	Director	Promotions / marketing projects	25	-	-	-
Gordon Dewar	Edinburgh Airport Ltd	Director	Retail commission	-	-	22	-
Stephen Dunlop	Scottish Canals	Director	Promotions / Rent Promotions / marketing projects	24	-	5	-
Professor Russel Griggs	Scottish Enterprise	Director	Promotions / marketing projects	280	22	23	-
Malcolm Roughead	Dynamic Earth Trust	Director	Promotions / marketing projects	1	-	1	-
Paul Bush	Commonwealth Games Council	Director	projects	60	-	11	-
<b>Total transaction values</b>				<b>450</b>	<b>22</b>	<b>206</b>	<b>-</b>

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 the members of VisitScotland, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of VisitScotland for the year ended 31 March 2015 under the Development of Tourism Act 1969. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. 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 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. 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 Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities 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 income. 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 income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures 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 the body'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 the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, 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 in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of VisitScotland, the Auditor General for Scotland and the Scottish Parliament (continued)**

**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 respect of these matters.




Robin Baker, (for and on behalf of Grant Thornton UK LLP)  
7 Exchange Crescent  
Edinburgh  
EH3 8AN

2 October 2015

**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