



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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## ANNUAL REPORT

### PERFORMANCE REPORT

#### 1.1 OVERVIEW

##### 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 principal function of VisitScotland was to encourage British people to visit and to take holidays 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 85 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 has been tasked by Scottish Ministers 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 ("SDI"), Highland and Islands Enterprise ("HIE"), and Scottish Enterprise ("SE").

The organisation is clearly seen as the lead body for the visitor economy and as Scotland's destination marketing organisation, our role is focused on the delivery of not only evidence-based activity 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 has pushed beyond its previous boundaries and has taken 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 is the holder of the vision for the Scottish visitor economy.

#### 1.2 CORPORATE OBJECTIVE AND STRATEGIES FOR 2015/16

**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, being the Tourism Scotland 2020 ambition of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn.

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. During the year we focused our efforts on the four pillars as laid out in the SES, namely:

- **Internationalisation**
- **Investment**
- **Innovation**
- **Inclusive growth**

In pursuit of the deliverance of our principal role of marketing Scotland to the world as a tourist destination VisitScotland adopts 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 usage of digital channels 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 strategic added value and return on investment.

- Working together with industry and agencies across Scotland we will 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, and visit.

Our achievements and performance for the year are set out hereunder.

### 1.3. THE CHIEF EXECUTIVE'S VIEW ON THE YEAR'S PERFORMANCE

Each of the above corporate strategies 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 delivery of measured economic benefits.

#### **VisitScotland's business mantra is that "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 indicating the underlying strength of the domestic market and the opportunity which exists in international markets, both short haul and long haul.

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 far reaching, being valued at around £12 billion of economic activity in the wider Scottish supply chain, supporting over 196,000 jobs and over 20,000 diverse businesses (*Source: Tourism Core Brief – OCEA Scottish Government*). 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>

As a public agency, it is critical that we demonstrate the impact of our investment. Our activity supports economic activity on two levels. On one level we can measure the monetary contribution to the wider visitor economy, and on another level we can measure economic activity generated through our influence on partners' and stakeholders' behaviour and performance. This latter aspect is more difficult to quantify but strategic leadership is a key element of our role as Scotland's National Tourism Organisation.

Over the course of 2015/16, in response to Scottish Government reporting requirements, VisitScotland introduced a new Economic Measurement Framework with a two-pronged approach reflecting the aforementioned levels of influence. The Framework allows us to undertake robust and rigorous assessment of the economic benefits associated with the activities we support across Scotland. Our economic measurement methodology adheres to both HM Treasury Green Book standards and Scottish Government guidance. One aspect of the Framework focuses on economic impact assessment, thereby measuring the extra economic benefits generated as a direct result of our interventions, and the other focuses on our economic influencer role, and, in particular, how we contribute to Scotland's Economic Strategy ("SES")<sup>4</sup> priorities of Internationalisation, Innovation, Investment and Inclusive Growth.

Our commitment to working with industry partners/ businesses is one of our key strategies. We recognise that some businesses have difficulty in implementing all nine aspects of the Scottish Business Pledge and we will continue to support them with evidence that the impacts are beneficial to not only their employees but also their overall productivity. We are aware the Scottish Enterprise has commissioned research in this area and will look to use that work when engaging with our customer base to ensure consistency of message and approach.

VisitScotland's performance is key to increasing the output required to sustain the development of Tourism in Scotland, and in this respect 2015/16 proved to be an immensely positive year successfully building on the outstanding events staged across Scotland in 2014, and confirming Scotland as a 'must visit' destination for business or leisure.

Momentum is crucial to success and the results we have delivered throughout 2015/16 across the organisation as demonstrated by our Economic Benefit Performance Measures (see **1.5 Key Performance Indicators** – page 8) bode well for future performance, and our contribution to the industry target as laid out in the 2020 Strategy.

## 1.4 OVERALL DELIVERY OF CORPORATE OBJECTIVE AND PERFORMANCE FOR THE YEAR

### MARKETING.

2015/16 was a year of significant change in Marketing where a new Global Campaign, a new Global website and a raft of strategic partners infused a new approach to Tourism and Events Marketing.

The year began with a continuation of our 'Brilliant Moments' campaign targeted at the domestic market, specifically SE England, and travel hubs on the East Coast main rail line, emphasising just how easy it is to get to Scotland for a break. This activity continued until Autumn/Winter, and focused on the Islands in conjunction with a range of regional campaigns in partnership with Local Authorities and Destination Management Organisations.

Throughout 2016 centre stage was held by our Themed Year highlighting Scotland's Food and Drink, and, in addition, a major research exercise was carried out culminating with the development of our new Global Campaign.

In February 2016, we launched 'The Spirit of Scotland' signalling a new era for VisitScotland as we look to build on the success of 2014. Supporting the campaign was a new website with substantially increased functionality and a host of strategic and innovative partnerships ranging from product development with Tripadvisor, content with The Guardian, MediaScotland and the New York Times, to broadcasts with NBC and STV.

Booking.com became the 13th booking engine to be integrated with our website, increasing the accommodation available to view on visitscotland.com by 25%.

This heralded a significant change in the channels we use to market Scotland at home and abroad. Whilst traditional media in TV, Outdoor and Press still have a role to play, the majority of our marketing investment is deployed on digital channels such as search, social media, display and content distribution through partners resulting in huge increases in our reach across channels: Facebook increased to 661,000, up 33% year on year; Twitter grew by 35% to 173,000 followers; and Instagram by 276% to 138,000 followers. In addition, we grew our visitor database by 7% to 3.4m. All of these channels provide us with directly engaged potential visitors with whom we can communicate on an on-going basis.

Our primary metric of success, the volume of referrals we generate for industry increased by 16% to 1.2m thereby generating a potential income figure of £404m, and our own campaign activity generated £1.74 billion of gross economic activity and £86 million of net economic impact.

Collaborative working with industry and travel intermediaries at home and abroad is key to ensuring that Scotland's product offering is tailored to the needs of current and future travellers, and to ensure that product can be found when the prospective visitor turns to their channel of choice to research and book their holiday.

During 2015/16 the Intermediary Marketing team oversaw a programme of 40 platforms including exhibitions, workshops, sales missions and webinars to help businesses engage with wholesalers, operators and agents in our key markets.

In collaboration with SE, SDI and HIE we are supporting businesses to internationalise, in particular SME's. In this vein VisitScotland EXPO continues to play a pivotal role in international and domestic engagement, delivering a record 7,000 pre-arranged appointments between Scottish tourism exhibitors and buyers. In addition, one hundred and fifty new and 60 extended Scotland travel products were brought to market.

Our future growth depends on easy and affordable access to and around Scotland. In partnership with Transport Scotland, Scottish Enterprise and the airports of Scotland we continue to grow our air access network, vital not just for tourism but also business connectivity.

Throughout 2015/16 VisitScotland worked with 22 airlines on joint campaigns. Some highlights were as follows;

- 100,000 additional seats serving North America including a new Delta service from JFK to Edinburgh;
- Icelandair's new service into Aberdeen via Keflavik from Canada and the US;
- Low cost carrier WOW's announcement of service into Edinburgh via Keflavik from North America;
- Other successes were Westjet extending their Halifax to Glasgow service and Air Canada Rouge adding Glasgow to its Toronto network.

In Europe, a key partnership with AirFrance/KLM supported the launch of Paris-CDG to Glasgow, and wins for Inverness, with KLM and BA, and Dundee, with Flybe from Amsterdam, were announced.

### EVENTS

Following an unprecedented year for events in 2014/15 the VisitScotland Events Directorate has continued to work with its partners to sustain, develop and promote Scotland's international profile as the Perfect Stage for Events.

As with the Marketing Directorate, the new National Events Strategy heralded a change in the way we were structured reflecting the greater role we have in not just developing events and the Industry but also developing Scotland. Each team within the Events Directorate plays a key leadership role in delivery of the strategy.

Across the Directorate, and in line with our International Engagement strategy the EventScotland team attends a number of major events and conferences, most notably sportaccord, to position Scotland as the 'Perfect Stage'

for Events and to develop relationships with international events rights holders. A number of Memoranda of Understanding have been reached with other destinations, most notably Major Events New Zealand, and the team is often asked to present internationally on Scotland's success story.

The Business Events team focuses on North America, France, Germany, Spain and the UK with an in-market presence in London and Toronto, and dedicated agents in New York, Munich and Madrid.

Through the EventScotland team a number of elite events were won and hosted throughout the year, such as the World Gymnastics Championships regarded by Federation Internationale de Gymnastique (FIG) President Bruno Grandi as the 'best ever', watched by over 80,000 spectators at the SSE Hydro. With over 47% of those spectators coming from outside of Scotland and generating £4.5m net direct economic impact for Scotland, the event reached a global audience of 650 million. *(Source: World Gymnastics Championships: Economic Impact Assessment)*

Another huge success was the 144th Open held at St Andrews, which delivered a net economic benefit of £88 million (including the direct multiplier effect) to Scotland. Watched by over 237,000 spectators, almost 66% came from outwith Scotland. *(Source: The Open 2015 St Andrews: Economic Impact Assessment)*

### **Investment in events**

During 2015/16 through the International, National and Beacon Funding Programmes a total of £3 million was invested in 60 events, generating £110 million net additional spend and covering 20 Local Authority areas. Over 77% of events supported were held outwith Glasgow and Edinburgh, and 37% took place outside of the summer window.

Major events supported were The Turner Prize, IPC Swimming World Championships, The World Orienteering Championships, Glasgow Indoor Grand Prix and European Eventing Championships.

Scotland's reputation as The Home of Golf, and as the host of world class golf events, was underpinned by our staging of nine key events supported across the men's, ladies' and seniors' tours including the Aberdeen Asset Management Scottish Open, the RICOH Women's British Open, and the Aberdeen Asset Management Ladies Scottish Open. These key events are central to our golf marketing strategy, which includes strategic partnerships with Sky Sports and NBC.

Demonstrating the strength of Scotland's appeal as the Perfect Stage for events, we can look forward to hosting the World Badminton Championships 2017; the European Championships, the 147th Open, and the opening of the V&A Museum of Design in 2018; the European Athletics Indoor Championships, the World Wheelchair Curling Championships and the 2019 Solheim Cup in 2019; followed by the World Men's Curling Championships and UEFA EURO 2020, in 2020.

### **Business Events**

The Business Events team attracts 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 bureau of Edinburgh, and of 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 National Conference Bid Fund*

- The £3 million National Conference Bid Fund completed its first four years in existence with a cumulative 152 conferences secured between 2013 and 2022, delivering a future estimated total delegate expenditure of £270 million, in return for £2.5 million of match-funding Local Authority/Destination Management Organisation commitments.
- 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.
- The fund continues to be used to ensure that Business Event benefits are felt throughout the country, covering locations as diverse as Arran, Dornoch, Aviemore, Peebles, Kirkwall, Stirling, Kingussie, St Andrews, Inverness, Stornoway and Shetland.

In addition to year round sales & marketing activity to market Scotland as a Meetings, Incentives, Conferences, Exhibitions ("MICE") destination, the VisitScotland Business Events 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, and Scotland Week 2015 Activity. Year 2 of the Toronto-based VisitScotland Business Event presence saw us build on our North American strategic partnership relationships, and engage with the International Live Events Association.

Business event enquiries from this activity for the full year 2015/16 reached £126.5 million. In addition, known confirmed business into Scotland from previous specific leads, has totalled £13 million excluding the National Conference Bid Fund.

## Development in the Events Industry

Stemming from consultation with industry a need to help the events industry to grow was identified and a new team was created in April 2015 with responsibility for a broad range of activity, but specifically for delivery of three key themes; Partnership and Collaboration; Education and Knowledge Exchange; and Quality, Organisation and Delivery.

Highlights were as follows:

- The successful delivery of the National Events Conference in December 2015 at the EICC with 300 delegates.
- Development and delivery of a Seminar Programme, including Event Marketing Innovation and Event Fundraising, both due in 2016/17.
- Collaboration with the Events and Festivals Group, which looks to represent the views of the events and festivals sector.
- Co-ordination of all Themed Years and Special Projects on behalf of VisitScotland, such as Food and Drink, which delivered a visitor spend of almost £1 billion and 47 events attended by over 1 million people, and Scotland's Winter Festivals.
- A programme of 23 events across 14 Local Authorities with a total attendance of 300,000.
- A record number of entries for the Scottish Thistle Awards.
- Delivery of the Growth Fund providing support to groups of businesses for collaborative tourism marketing activity.

## INFORMATION PROVISION

VisitScotland operated a network of 73 Visitor Information Centres in 2015/16, which attracted over 3.1 million visitors, and generated £1.6 million pounds worth of revenue for the industry through accommodation bookings, and £3.5 million of revenue through ticketing.

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. Free visitor Wi-Fi was installed in 40 centres across Scotland. 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.

Our main digital project in 2015/16 was the re-development of our website [visitscotland.com](http://visitscotland.com). The new site has a number of dynamic features to help the visitor plan each stage of their journey from inspiration to booking and detailed trip planning. The site is fully responsive and therefore offers an optimum user experience across all device types. A key focus of the re-development was to ensure that we were reaching more visitors with great content and connecting more visitors with businesses listed on the site. The addition of our new Online Community platform also provides a rich resource for visitors to get the inside track from people in Scotland on things to do and places to go in Scotland.

During 2015/16 over 1.2 million visitor referrals were passed to businesses listed. Over 42% of accommodation businesses are now providing online availability as a result of VisitScotland's work to integrate web booking engines, the most recent addition being Booking.com.

Social media engagement continues to grow, and at the end of March 2016 we had recorded the following increases in our coverage since their commencement in April 2014:

- **Facebook**  
661,000 Facebook fans globally - Up 157% from the initial 257,000 fan base.
- **Twitter**  
173,000 Twitter followers globally - Up 122% from the initial 78,000 followers.
- **Instagram**  
138,000 Instagram followers globally - Up 2,200% from the opening 6,000 followers.

In addition, information is distributed monthly to over 3.4 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 significant support from the industry with 7,700 awards issued to businesses in our star rating, 'Taste Our Best' or *welcome* schemes during 2015/16.

Despite this there are notable sectoral differences with a continued decline in the participation in QA accommodation schemes by serviced accommodation and self-catering establishments from 2014 to 2015, which mirrors a trend that has existed since figures peaked in 2006. Conversely, in the same period, visitor attraction uptake has increased year on year by 25%.

Recognising these changes, and the parallel 'explosion' in the use of digital technology and online user reviews by consumers to make holiday decisions, VisitScotland has been leading three important quality related initiatives: together with the AA, Visit England, Visit Wales and Tourism Northern Ireland a review of the accommodation standards schemes; work with user review aggregator 'Trust', and a look to the long term future of quality set within the context of quality tourism destinations.

## WORKING IN PARTNERSHIP

A significant amount of work has continued and been developed over the past 12 months in partnership with a wide range of external stakeholders. The Themed Years of 2015 (Food and Drink) and 2016 (Innovation, Architecture and Design) have provided a focus for much of this engagement activity.

Strong relationships have been maintained with all 32 Local Authorities notably around the new customer experience and information strategies, refresh of the National Tourism Development Framework and Community Planning Partnerships.

VisitScotland was heavily involved in the mid-term review and subsequent refresh of the Scottish Tourism Alliance ("STA") led TS2020 national tourism strategy.

Close operational working has taken place across a number of public sector agencies such as Scottish Enterprise, Highlands and Islands Enterprise, Transport Scotland, Scottish Development International and VisitBritain in addition to many of the industry representative bodies such as STA and the British Hospitality Association.

Enhanced activity with key sector and destination management organisations has been underpinned by digital development opportunities arising from the new 'ScotSpirit' global marketing campaign, new website, content creation and Digital Tourism Scotland/digital advice programmes.

## 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.

A great deal of work goes into ensuring in that our decision-making is evidence-based, generates best value for money, delivers a compelling return on marketing investment and adds strategic value, as demonstrated by the development of our **Economic Benefit Performance Measures** (See below - Page 8).



## 1.5 KEY PERFORMANCE INDICATORS

VisitScotland's success in delivering sustained economic benefit to Scotland is supported by a large number of performance measures that are determined 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.

### ECONOMIC BENEFIT PERFORMANCE MEASURES

The basis of VisitScotland's principal Key Economic Benefit Performance Indicators is derived from our *Economic Measurement Framework\** which has four economic measurement performance indicators, as follows:

- **Gross Economic Activity** - the monetary value of all economic activity related to or associated with an intervention. In most cases, some of the economic activity would have happened anyway, thus we need to calculate the net impact figure to understand the new money in the economy as a result of the intervention
- **Net economic impact (direct)** - new money in the economy that would not have happened without the VisitScotland intervention (net impact takes account of what would have happened anyway (deadweight), spend displaced from elsewhere in the economy, leakage, and substitution).
- **GVA (direct, indirect, induced)** - the economic gross value added created in a business when transforming inputs (things bought-in) into outputs (sales). GVA measures profits and wages of Scotland-based businesses and employees. By measuring our impact on increasing GVA, we are reporting our economic contribution to Scotland's wider economy.
- **FTE jobs supported (direct, indirect, induced)** - full time equivalent jobs supported in Scotland's economy. This indicator can include jobs created, safeguarded, extended hours and/or season, progressing from part-time to full-time, etc.

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 our service.

A summary of the economic performance of a range of VisitScotland key activities carried out in the year against the framework indicators is included below:

Interventions 2015-16**	Gross Economic Activity - £M	Net Economic Impact (Direct) - £M	GVA - £M	FTE Jobs Supported
International Consumer Marketing – Short Haul/Europe (Jan – Dec 2015)	332	19	12	301
International Consumer Marketing – Long Haul (Jan – Dec 2015)	251	18	11	285
UK & Ireland Consumer Marketing (Mar 2015 – Feb 2016)	856	35	22	562
<b>Consumer Marketing Total</b>	<b>1,439</b>	<b>72</b>	<b>45</b>	<b>1,148</b>
Golf Programme (includes The Open 2015)***	n/a	91	34	894
International Programme***	n/a	100	38	982
National Programme***	n/a	5	2	47
Special Beacon Programme***	n/a	6	2	55
<b>EventScotland Total ***</b>	<b>n/a</b>	<b>202</b>	<b>76</b>	<b>1,978</b>
<b>Expo 2015</b>	<b>3.7</b>	<b>1.7</b>	<b>1.1</b>	<b>27</b>
<b>National Bid Fund – conferences that took place 15-16</b>	<b>50</b>	<b>30</b>	<b>15</b>	<b>385</b>
<b>Business Events Total</b>	<b>53.7</b>	<b>31.7</b>	<b>16.1</b>	<b>412</b>

\* Our Economic Measurement Framework is built on a two-pronged approach. One aspect focuses on economic impact assessment to HM Treasury Green Book standard. This has four KPIs as highlighted above. The second facet of the framework looks at the strategic added value created by VisitScotland. This measures VisitScotland's role as an economic

*influencer contributing to Scotland's Economic Strategy, and the added value we create through leadership, influence, synergy, engagement, leverage, etc.*

*\*\*In some cases the intervention measurement period does not align with the financial year – where this is true the date ranges included have been highlighted*

*\*\*\*EventScotland net economic impact estimates include the indirect and induced multiplier effects – thus are not directly comparable with other activities capturing only the direct net economic impact.*

*Gross Economic Activity estimates are not currently available for EventScotland. In 2016-17 EventScotland will introduce a new economic impact assessment model in line with the wider VisitScotland Economic Measurement Framework – this will overcome the challenges outlined.*

2015-16 was a transition year in terms of performance measurement, as the first phase of the new Economic Measurement Framework was successfully embedded-in. The second phase of the Framework will be advanced over the period 2016-17, and it is anticipated a wider range of interventions will be reported under the Framework in future years. Overall, the advancement of economic measurement practices will be an iterative process, achieved through engagement, both internally (across directorates, departments, management, etc.) and externally (with Scottish Government and other stakeholders).

## ORGANISATIONAL & OPERATIONAL EFFICIENCIES

### a) Public efficiency savings

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

During the year new savings have been made totalling £1,800,000 within the following areas:

- Procurement £510,000
- Organisational change (including benefits derived from voluntary redundancy, and non-replacement of senior staff), and shared services £1,290,000

The cumulative savings from 2008 to date under the efficiency programme now exceed £15,200,000.

	2015-16 Achieved	2015-16 Target
<ul style="list-style-type: none"> <li>• <b>Deliver improved public sector efficiency savings p.a. – as above Government targets</b> Single Year Cumulative from 2008 <i>(Source: Analysis of expenditure)</i></li> </ul>	£ Million  1.8 15.2	£ Million  1.2 7.4

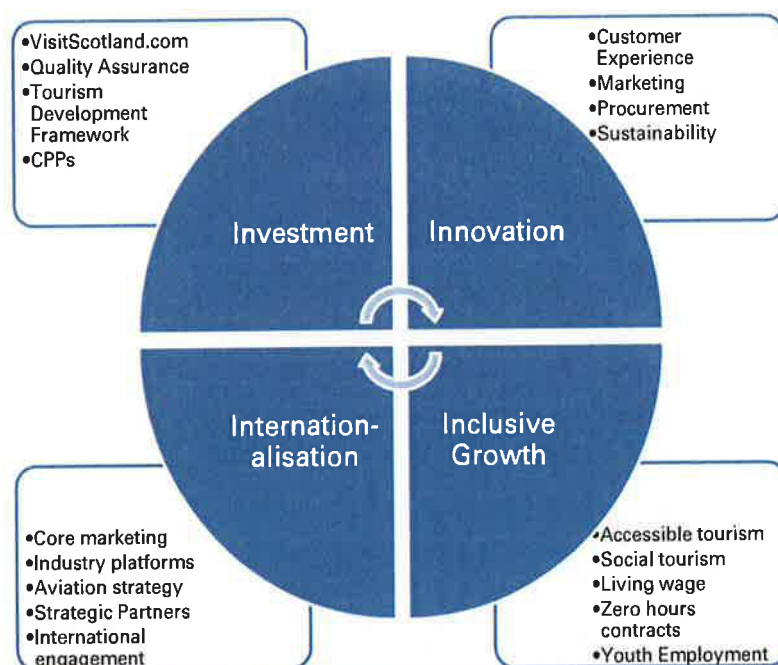
### b) Other

	2015-16 Achieved	2015-16 Target
<ul style="list-style-type: none"> <li>• <b>Deliver Visitor Footfall</b> to VisitScotland Information Centres (VICs) <i>(Source: Footfall counters in VICs)</i></li> </ul>	Million 3.16	Million 3.36
<ul style="list-style-type: none"> <li>• <b>Deliver sustainable efficiencies</b> - level of CO2 Emissions <i>Operational Offices &amp; VICs</i> Energy Waste &amp; Water Transport <b>TOTAL</b> <i>(Source: Operational analyses)</i></li> </ul>	Tonnes Registered 1,106 71 371 1,548	Tonnes (Not to exceed) 1,744 83 347 2,174

## 1.6 CORPORATE OBJECTIVE AND STRATEGIES FOR 2016/17

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, and we will focus our efforts around the four pillars as laid out in the SES, namely:

**INVESTMENT : INNOVATION : INTERNATIONALISATION : INCLUSIVE GROWTH**



**DELIVERY ACROSS THE FOUR "I"s** SCOTLAND | ALBA

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 visitor destination by adopting the following strategies:

- **Marketing:** We will 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 different parts of the country..
- **Events:** We will support the national events strategy and its delivery and sustain, develop and promote Scotland’s international profile as one of the world’s foremost events destinations.
- **Internationalisation and International Engagement:** We will utilise all our platforms to enable Scottish based tourism businesses to better understand international opportunities and market to a global audience and we will work within One Scotland Partnerships to optimise the potential afforded by Scotland’s Diaspora and our strategic partnerships at regional, European and global levels.
- **Customer experience:** We will provide information and inspiration to visitors both locally and globally via their preferred choice of medium.
- **Quality & Sustainability:** We will provide support and advice to businesses, with the goal of improving the quality and sustainability of the tourism sector in Scotland. We will provide assurance to visitors through our Quality Schemes.
- **Inclusive Tourism:** We will strive to make tourism in Scotland inclusive, and available to all.
- **Working in Partnership:** We will listen to, and work with, the industry, partners and communities to shape our offering and support.

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 through delivery of the core strategies as outlined above, all closely integrated with interdependencies, as set out in our 2014-17 Corporate Plan, which is available online at:

<http://www.visitscotland.org/about us/our focus/corporate plan.aspx>

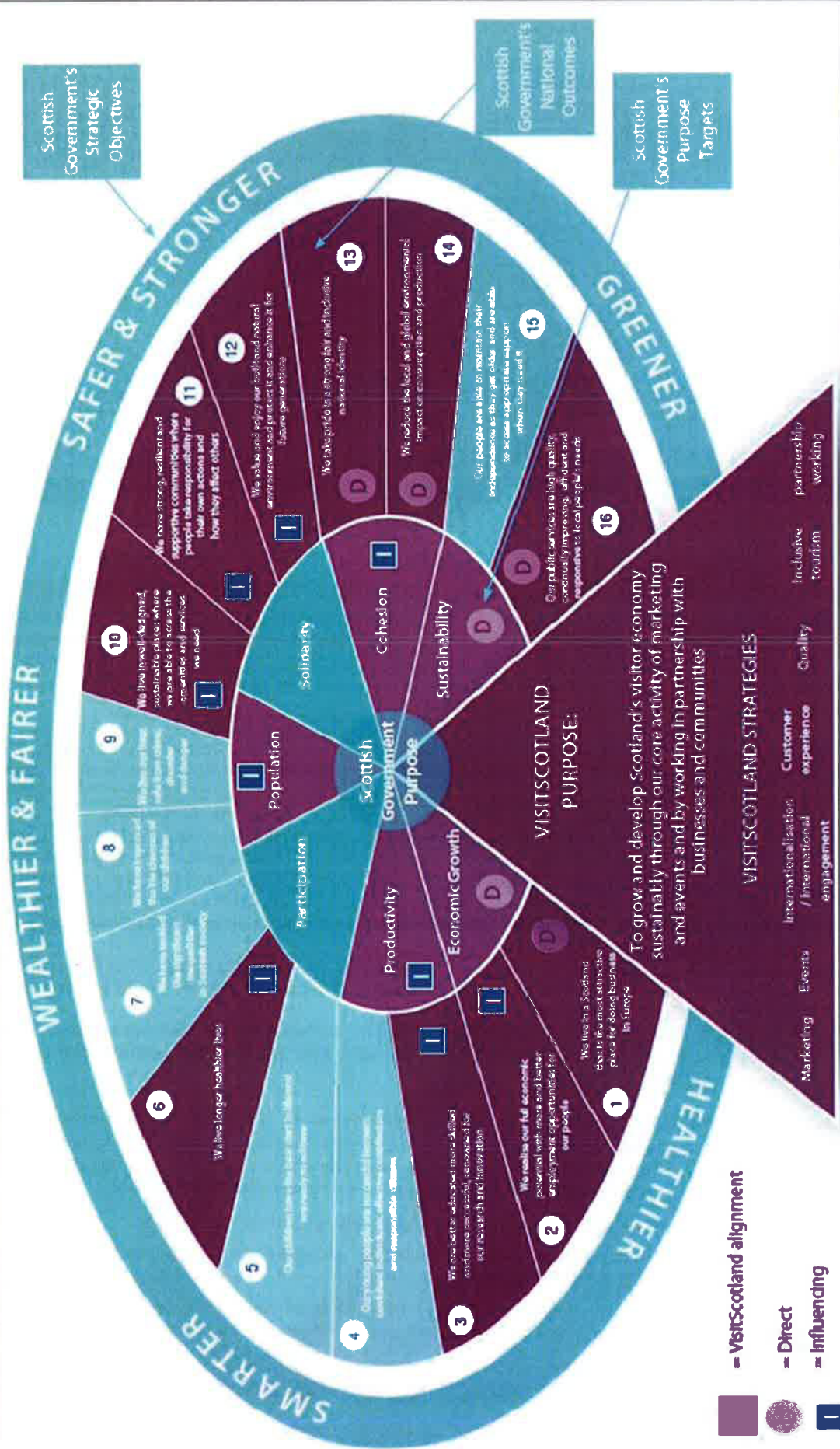
All of VisitScotland’s work is directed towards growing and developing the sustainable and inclusive economic benefit of tourism to Scotland’s visitor economy.

The 2014-2017 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:

# OUR CONTRIBUTION TO THE NATIONAL PERFORMANCE FRAMEWORK

## Ar buaidh air Fream-obrach Déanadas Náiseanta



## 1.7 GENERAL BUSINESS OUTLOOK

Scotland's Economic Strategy identifies the importance of tourism to the Scottish Economy, from supporting rural communities to promoting Scotland on the world stage.

2016/17 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:

- Celtic Connections
- Spirit of Speyside Whisky Festival
- World Mountain Bike Championships 2016
- The Open
- The Aberdeen Asset Management Scottish Open
- The British Senior Men's Open
- 2016 "Focus Year" - Year of Innovation, Architecture and Design

Our vision is for Scotland to be the most sustainable tourism destination in Europe, and 84% of 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 since November 2014 we have 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 is being examined as we begin to build up our strategic thinking for the period 2016-2020.

Whilst the industry continues to enjoy healthy year on year growth these are uncertain economic and political times and so 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 'Market Prioritisation Index' looks at the relative value of domestic and international markets weighted against set criteria such as growth, connectivity and value thereby ensuring that our resources are focused on those markets with the greatest return. Our ability to measure the performance of our own channels will ensure that our activity can be optimised on a continuous basis allowing VisitScotland to use data not only in a real time reactive way but ultimately in a pro-active and predictive manner.

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 five year period based on current usage and forecast trends.

We will continue our efforts to share our insights and knowledge with the wider public and private sector stakeholder base through our communications programmes in addition to developing best practice in the areas of Marketing Research, Economics, Trends and Statistical Analysis, Digital analytics and Consumer CRM.

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

The VisitScotland Business Events team will drive forward our 'Sectors Max' strategy, whereby all of our core activity will focus on supporting and maximising the potential of Scotland's key industry sectors, be it through the Associations market (in conjunction with Academic Ambassadors), or via the sectoral meetings market (in conjunction with Corporate Ambassadors).

We will continue to ensure that tourism is for everyone through the work we are carrying out with partners in the areas of accessibility and social tourism in addition to the continued engagement with and support for our partners within destination marketing organisations thereby spreading the economic benefit of the visitor economy to all of Scotland.

VisitScotland will continue to develop its International Engagement at a corporate and functional level building on the strategic relationships we have established in Europe, North America and Asia-Pacific across the disciplines of Marketing, Events and Quality, sharing best practice and growing Scotland's reputation as a world class destination.

There are certainly challenges ahead, and many opportunities, but the industry is resilient, growing in capacity, capability and confidence and VisitScotland looks forward to seizing, together with its partners, those opportunities which exist both at home and abroad to maximise our potential and grow the visitor economy in a sustainable and inclusive way.

## 1.8 CURRENT ECONOMIC CLIMATE AND TOURIST TRENDS

### ECONOMIC BACKGROUND<sup>5</sup>

#### United Kingdom

Growth in the UK economy Gross Domestic Product ("GDP") had been slowing down from around 3% in 2014, through 2015 (@ 2.3%) to a forecast level of 1.9% for 2016. The decision to leave the EU will now create many more uncertainties surrounding the potential for future growth.

GDP is estimated to have grown by 0.4% in the first quarter of 2016, compared with 0.6% in QTR 4 2015, driven entirely by expansion in the Service sector (0.6%), but offset by a contraction both in Production (-0.4%) and Construction (-0.9%) sectors. Furthermore, the employment rate in the UK increased in the latest quarter (Jan-Mar 2016) to 74.2% - the highest rate since records began, with the unemployment rate (5.1%) remaining unchanged in QTR 1 2016, down from 5.6% year on year.

Similarly, the Scottish economy has been resilient over the past 12 months in the face of challenging external conditions, with Scottish GDP growing by 1.9% during 2015, driven by construction, and service sectors, but with growth having slowed during the second half of 2015, GDP in the final Quarter remained subdued (0.9% annualised) compared to the start of the year (3.1% annualised).

The slowdown exhibited across the UK arose from a decline in business investment, particularly from overseas, driven by political instability and the uncertainty surrounding the UK's future trading relationships with the European Union. For Scotland, latterly, growth weakened with stimulus from infrastructure spending disappearing, and a slow-down in the service sector, and the continuing impact of the fall in oil price on household incomes and spending.

Whilst the latest labour market data (Jan -Mar 16) for Scotland shows that there are still 141,000 more people in employment than the post-recession low (Feb-Apr 2010), unfortunately, the employment rate fell by 1.3% over the year to 73.1%, and unemployment rate rose to an annual rate of 6.2%, up 0.2% year on year, at 2.6 million.

#### Global economy

The Euro area continued to recover slowly during the past year, albeit at differential rates as to individual countries, with an overall GDP output of 1.5% for 2015, and in the first QTR 1 2016 the Eurozone registered growth of 0.5%.

GDP Growth in 2015 for the United States has been modestly reasonable at 2.4%. However, whilst GDP in QTR 4 of 2015 fell to 1.4% reflective of pressures on investment, exports and personal consumption, QTR 1 2016 has registered a GDP increase at an annual rate of 1.1%, a more positive outcome year on year set against 2015. Unemployment in the USA declined by one million during the year, to 7.9 million in the fourth quarter of 2015. The decrease was about half that experienced the previous year, with the rate declining by 0.7% over the year to 5.0% in the fourth quarter of 2015. A further fall to 4.5% was registered in QTR 1 2016.

#### Looking forward

Following world growth in GDP having achieved 3.1% in 2015, the International Monetary Fund ("IMF") has recently revised down its 2016 GDP growth forecast from 3.4% to 3.2% reflective of risks particularly in emerging markets and developing economies. The United States is forecast to be the fastest growing G7 economy at 2.4% for 2016, albeit, first quarter unemployment has risen back to 5%, and the longer term economic prospects are weaker, and China is projected to further slowdown in 2016 and beyond to 2017.

For the Euro area, output is expected to grow at a rate of 1.4% - 1.5% in 2016, and overall not expected to be too badly affected by the outcome of the UK referendum to leave the EU.

Closer to home, the decision to leave will likely impact adversely the short to medium term economic prospects for the UK and Scotland, due to the increased political and economic uncertainty. Forecasters appear to be in broad agreement that the likely effect on GDP growth for 2016 will be a downward revision as follows: United Kingdom: 2016 - 1.6% ( Prior 1.9%) : Scotland: 2016 - 1.4% ( Prior 1.6%).

While there are real challenges, including subdued global demand and the impact of the oil price on the Scottish offshore industry, Scotland's economy has proved itself to be resilient, not least in the tourism sector which continues to perform well.

The expectation beyond 2016 is one of increased uncertainty, with the economies of the UK and Scotland finely balanced in the face of the many economic and political pressures impacting upon economic output.

## TOURISM PERFORMANCE IN SCOTLAND<sup>6</sup>

In Scotland, international tourism again performed strongly, with total spend by international visitors up 1.4%, although, International Visitor performance (for all purposes of trips) to Scotland in 2015, as against 2014, recorded a fall in trips, and spend, of 4% and 8% respectively. However, the decline in 2015 does need to be compared against the backdrop of an exceptionally good year in 2014. Furthermore, these figures hide the fact that overall trips and spend for the purposes of holiday, by international visitors to Scotland in 2015, recorded the highest values seen since 2011, despite the overall decline in trips and spend, arising from a fall in Business Travel and "Visiting Friends and Relatives" purposes.

EU15 markets recorded a 5% increase in expenditure from 2014 to 2015 and only a 0.3% decline in trips. Outwith the exceptional level of global level events occurring in Scotland during 2014, the overall performance in 2015 exceeded that which had been achieved each year since 2011.

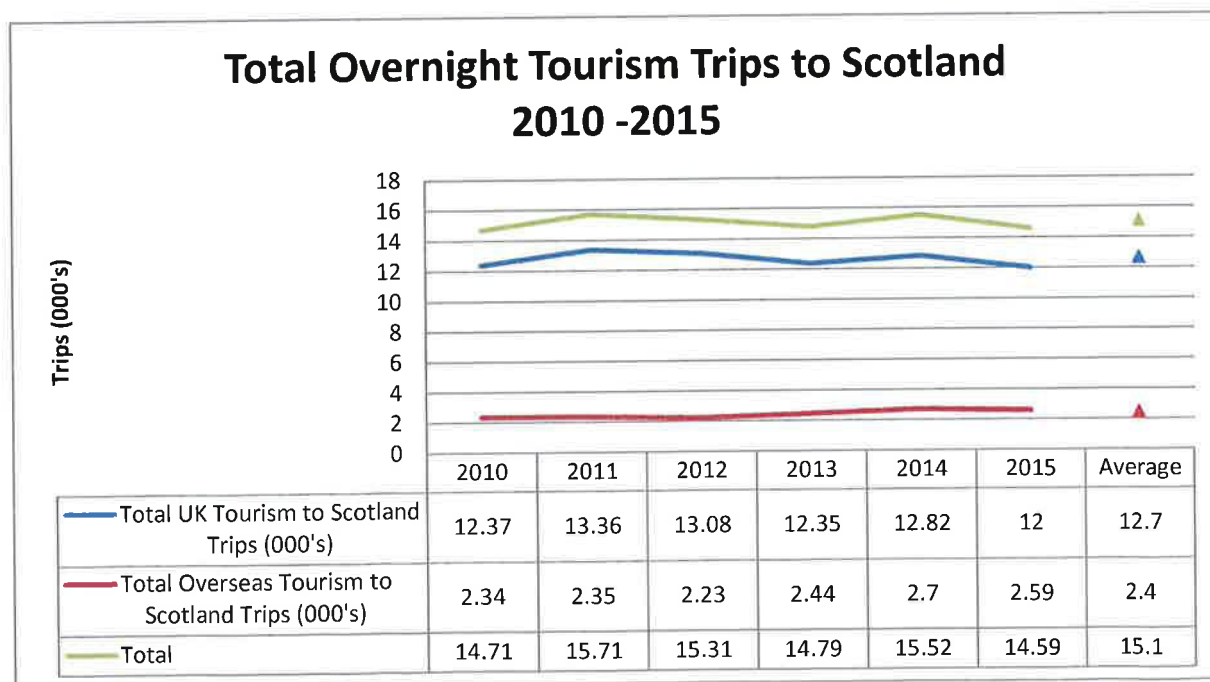
Rank	Country	2013	2014	2015	% CHANGE	
		Trips (000's)	Trips (000's)	Trips (000's)	13-15	14-15
1	USA	316	417	409	Up 29.4%	Down 1.9%
2	Germany	293	343	323	Up 10.2%	Down 5.8%
3	France	193	190	196	Up 1.5%	Up 3.2%
4	Netherlands	138	149	157	Up 13.8%	Up 5.4%
5	Spain	93	101	146	Up 56.9%	Up 44.6%

Source: IPS

In 2015, 56% of international visitors to Scotland came for a holiday. Visiting friends and relatives ("VFR") accounted for 23%, and business travel for 17%. Holidays trips increased by 4%, while VFR and Business trips declined on 2014's figures.

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

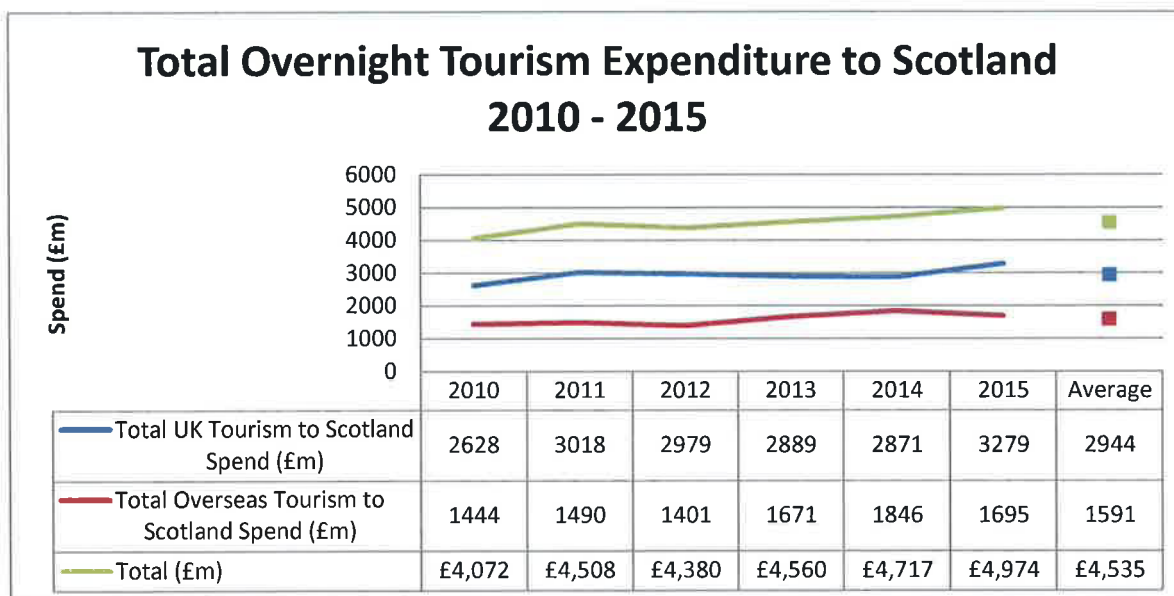
The number of overseas visitors to Scotland reached 2.6 million in 2015 (the second highest level reached since 2011). The number of domestic visits in 2015 registered 12 million. The total of combined visits in 2015 reached 14.59 million.



Source: GBTS/IPS

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

Overseas expenditure was £1.7bn, and domestic expenditure reached a record £3.3bn, in 2015. Overall Overnight Tourism Expenditure in Scotland reached £5.0bn in 2015. Domestic tourism expenditure has risen by 14% in historic prices from 2014, whilst overseas expenditure has declined by 8%. Overall tourism expenditure grew 5% since 2014, with a 9% growth from 2013 to 2015.



Source: GBTS/IPS

### First Quarter 2016 Tourism results

Figures announced in the first quarter IPS publication 'Overseas Travel and Tourism: Quarter 1: 2016' show an increase in European visitors to Scotland, and statistics released by ONS (UK Office of National Statistics) in July 2016 show that almost 300,000 European visitors visited Scotland up from 206,000 in the same period in 2015. During this time, expenditure increased from £77 to £108 million.

Domestic tourists also spent more money whilst in Scotland with an 8% increase on the previous year, and although combined overseas and domestic visits fell by 7%, expenditure for these markets rose by 2% in the year ended 31 March 2016.

### VisitScotland outcomes

VisitScotland continues to be proud of its successes in converting would-be tourists into visitors to Scotland and is working with the tourism industry more closely than ever before. Investment in tourism and VisitScotland is an investment in economic, social and environmental sustainability, 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, and together with our partners we are all playing our part in contributing to the economic recovery of Scotland.

### 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. HM Treasury Green Book provides guidance on how publicly funded bodies should prepare and analyse proposed policies, programmes and projects to obtain the best public value and manage risks. It also covers the evaluation of policies programmes and projects after they have been implemented to assess economic performance.  
More information can be found online, at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)
4. Scottish Government (2015)–Scotland's Economic Strategy. For more information go to;  
<http://www.gov.scot/Topics/Economy/EconomicStrategy>
5. ONS – Office of National Statistics – Quarterly Statistics - Q1 2016.  
State of the Economy – Dr Gary Gillespie - The Scottish Government – June 2016.  
IMF World Economic Outlook – Jul 2016.



*United States Economic Statistics - (About.com US economy) July 2016.*  
*United States Bureau of Economic Analysis - (BEA). July 2016*  
*United States Bureau of Labor Statistics - (BLS) July 2016.*  
*University of Strathclyde and Fraser of Allander Economic Commentary – The Scottish Economy June 2016*  
*PWC UK economic outlook –July 2016*

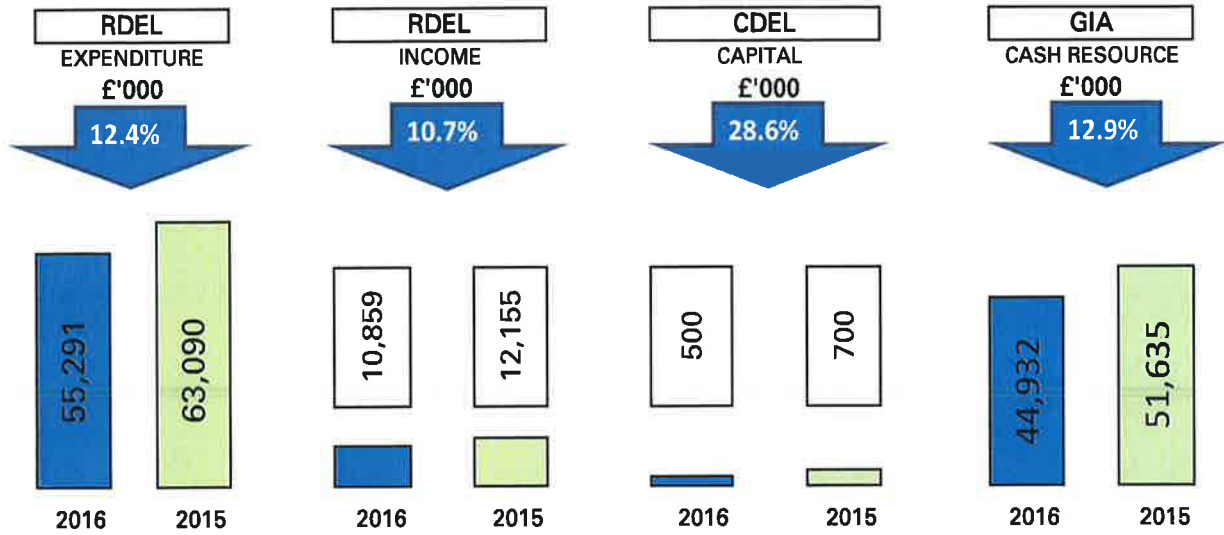
6. *GBTS – Great Britain Tourism Survey*  
*IPS – International Passenger Survey*  
*Tourism Visits and Expenditure – The Scottish Government*  
*VisitScotland Insight Department – Monthly Trends & Statistics.*
7. *Delivering for Scotland - <http://www.visitscotland.org/pdf/DeliveringForScotland.pdf>*

### 1.9 UTILISATION OF GOVERNMENT RESOURCE FUNDING

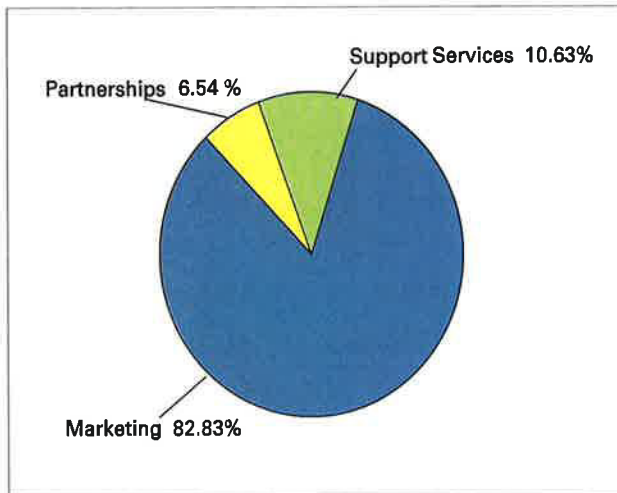
#### (I) GRANT-IN-AID RESOURCE ("GIA")

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.

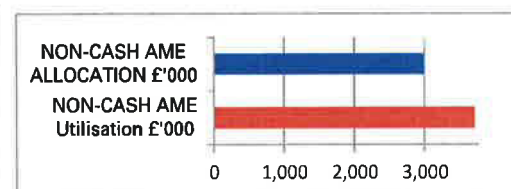
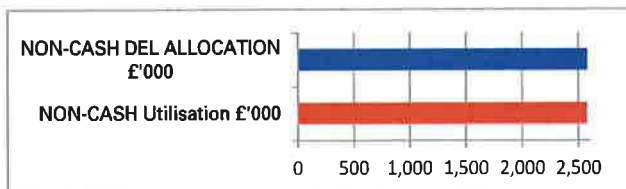
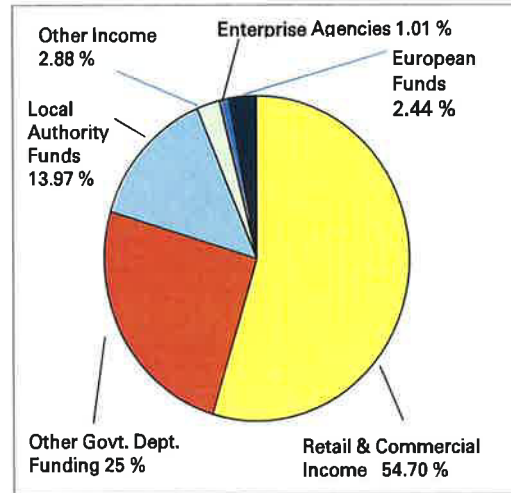
A further non-targetable budget allocation is made by the Scottish Government to cover volatile costs such as pension, provisions and write-downs, which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget. This non-cash budget allowance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



2016 RDEL EXPENDITURE BY ACTIVITY



2016 RDEL INCOME BY SECTOR



NON-CASH DEL utilisation includes depreciation, amortisation, and impairment  
 NON-CASH AME utilisation includes IAS 19 pension adjustments - VS is NOT measured on this Outturn

RDEL = Resource Departmental Expenditure Limit  
 CDEL = Capital Departmental Expenditure Limit

## (II) STATEMENT OF RESOURCE OUTTURN

The Statement of Resource Outturn shown below (page 19) reflects VisitScotland's achievement against the respective elements of its overall Resource Budget allocation. For the year ended 31 March 2016 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 £44,932,000.

In addition, the 'non-cash' outturn was equal to the available Grant-in-Aid allocation of £2,580,000.

In respect of VisitScotland's AME allocation for the year ended 31 March 2016, the outturn produced an overspend of £714,000 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 2015/16 this core revenue grant amounted to £44,432,000 (2015: £50,935,000), a decrease of £6,503,000. The principal reason for the reduction was the ending of the funding provided for the 2014 Ryder Cup, which was offset, in part, by an increase to the underlying core grant.

The expenditure of £45,799,000 in respect of marketing activities represented 83% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2015: £52,833,000 (84%)). Partnership and Support Services expenditure totalled £9,415,000 providing a decrease of £707,000 year on year.

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

The supplementary income generated comprising Retail, Commercial, and Other Income fell back from £12,155,000 to £10,859,000, a decrease of £1,296,000.

Further analysis of areas of income and expenditure can be found in Notes 3 to 6, on pages 57 to 58 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 £500,000 (2015: £700,000).

A total of £499,887 has been spent on additions to fixed assets this year (2015: £700,132). The main additions have been £253,202 on the ongoing refurbishment and improvements to the network of VisitScotland Information Centres, and local offices, together with £246,685 on computer equipment and Digital infrastructure software development.

### B. NON-CASH OUTTURN

#### Non-Core Revenue Expenditure

Depreciation, amortisation and impairment charges amounted to £2,580,000 (2015: £2,200,000), and met the required target of the non-cash allowance of £2,580,000 (2015: £2,200,000).

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

The excess of £714,000, with regard to the non-core AME budget of £3,000,000, arose from the charge for net pension service costs and return on assets arising in the year of £3,714,000 (2015: £2,030,000), as determined by Actuaries, charged in accordance with the accounting treatment under IAS 19 "Employee Benefits" (See Note 21).

#### REDUCED GIA

The amount of the Grant-in-Aid originally available to VisitScotland for 2015/16 was £45,432,000 (RDEL:£44,732,000 + CDEL:£700,000). Subsequently, VisitScotland agreed to deliver savings on discretionary expenditure amounting to £300,000 RDEL and £200,000 CDEL, and the actual Grant-in-Aid drawdown by VisitScotland was restricted to £44,932,000 (RDEL: £44,432,000 + CDEL: £500,000).

**VISITSCOTLAND**
**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 2016 was as follows:

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

	OPERATING COSTS	
	2016 £'000	2015 £'000
Marketing activities	45,799	52,833
Partnership engagement	3,614	3,987
Support services	5,801	6,135
<b>Gross expenditure (refer below)</b>	<b>55,214</b>	<b>62,955</b>
Net finance costs & taxation	77	135
Gross expenditure after finance costs & taxation	55,291	63,090
<b>Income</b>		
Retail and commercial	(5,939)	(7,484)
Other income	(4,920)	(4,671)
Net expenditure	<b>44,432</b>	<b>50,935</b>
<b>CORE CAPITAL EXPENDITURE</b>		
Payments to acquire fixed assets	500	700
Total net expenditure	<b>44,932</b>	<b>51,635</b>
<b>FUNDED BY Grant-in-Aid</b>	<b>(44,932)</b>	<b>(51,635)</b>
<b>NET 'CASH' (UNDERSPEND) / OVERSPEND</b>	<b>-</b>	<b>-</b>

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

Depreciation / Amortisation / Impairment	2,580	2,200
	<b>2,580</b>	<b>2,200</b>
<b>FUNDED BY Grant-in-Aid</b>	<b>(2,580)</b>	<b>(2,200)</b>

**NON-CORE REVENUE (UNDERSPEND) / OVERSPEND**
**NON-CORE Annually Managed Expenditure (AME)**

Pension Costs - IAS 19 adjustments (Note 21)	3,714	2,030
<b>FUNDED BY Grant-in-Aid</b>	<b>(3,000)</b>	<b>(2,000)</b>

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

<b>714</b>	<b>30</b>
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**Reconciliation of Statement of Resource Outturn to the Statement of Comprehensive Net Expenditure ("SOCNE")**

	£'000	£'000
Gross expenditure on a resource basis, as per Cash Outturn	55,214	62,955
Add: Depreciation, amortisation and impairment, etc. ( Non-Cash)	2,580	2,200
	57,794	65,155
Add: IAS 19 adjustments ( Non-Cash - Note 21 )	3,714	2,030
Gross expenditure on an IFRS basis, as reported as per SOCNE	<b>61,508</b>	<b>67,185</b>

## 1.10 FINANCIAL PERFORMANCE ANALYSIS

### (I) STATEMENT OF COMPREHENSIVE NET EXPENDITURE

The statement of comprehensive net expenditure for the year, on page 44, shows net operating expenditure after taxation of £50,726,000 (2015: £55,165,000), a decrease of £4,439,000. This decrease is representative of a reduction in the core revenue grant received, together with the impact of a fall in Income of £1,296,000.

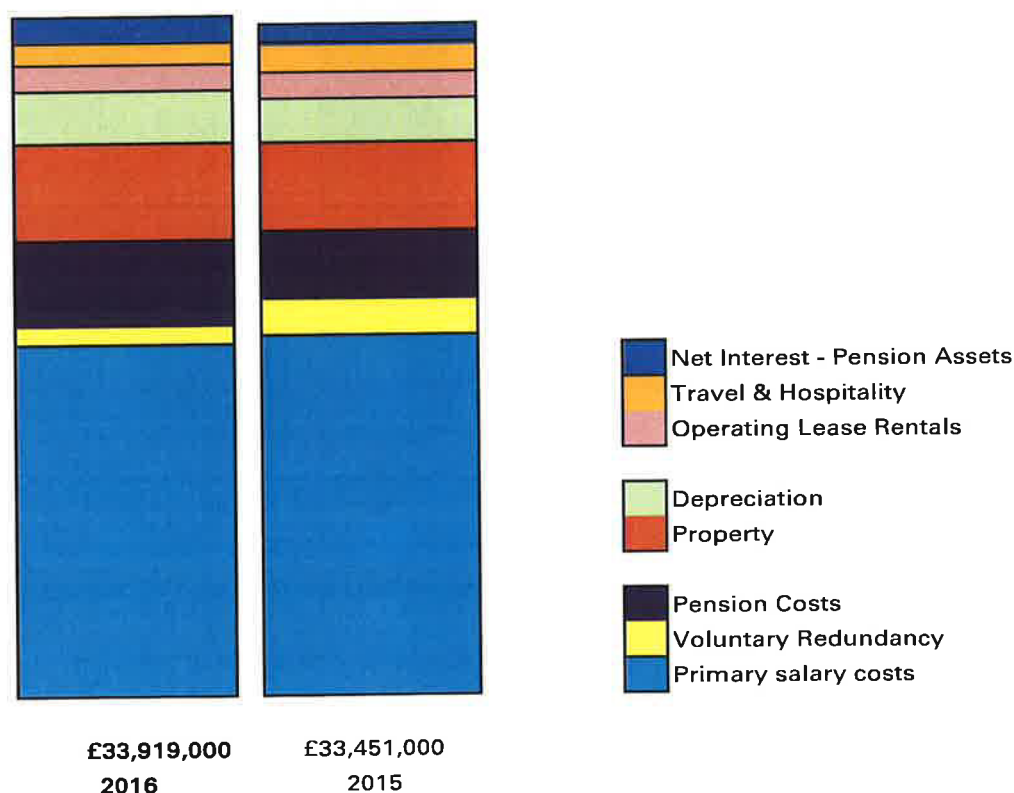
#### a) Gross expenditure (including staff & administration costs)

- Marketing activity - a decrease of £6,194,000  
The reduction in spend was substantially impacted following the conclusion of the Ryder Cup in 2014 -2015.
- Partnership engagement – a decrease of £186,000
- Support services – a decrease of £981,000
- Pension Scheme costs – an increase of £1,684,000

#### b) Staff costs (Note 3) and Administration overheads (Note 4)

##### Staff and Administration costs

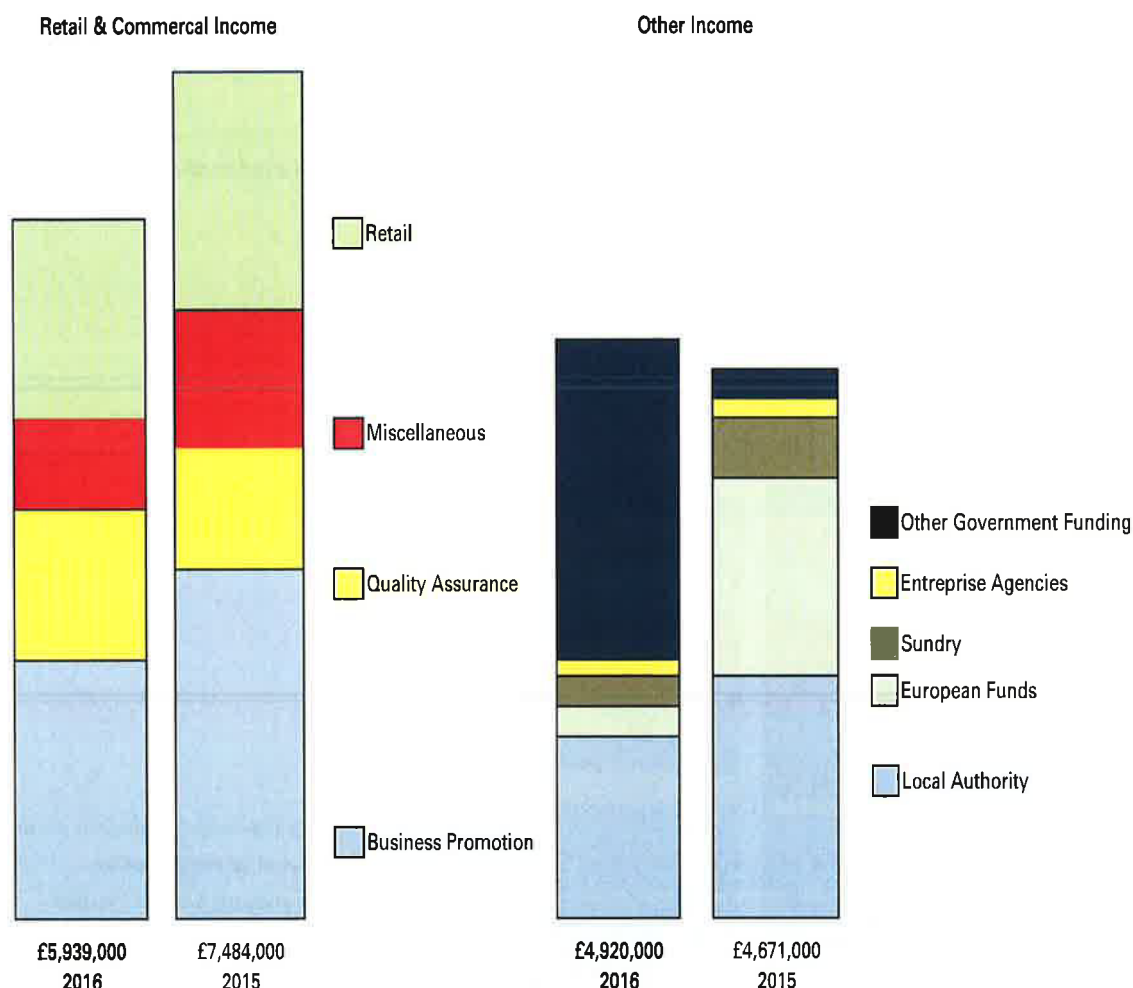
[ Included within Gross Resource Expenditure ]



These costs are included within Gross Resource Expenditure, as reported on pages 57 and 58, and the principal spend variances compared to last year are as follows:-

- Total staff costs – an overall reduction of £378,000 reflects a decrease in payroll/voluntary redundancy payments of £2,098,000, offset by an increase in Pension Current Service costs of £1,720,000.
- Net interest cost – Pension assets – an increase of £129,000
- Travel & hospitality – a reduction of £77,000.
- Property, IT and office expenses – an increase of £431,000.
- Operating lease rentals – a decrease of £157,000
- Trade bad debt write downs and provisions – a decrease in the level required of £140,000
- Amortisation, depreciation, etc. – an increase of £380,000

**c) Retail & Commercial Income ( Note 5) and Other Income ( Note 6)**



*Retail and Commercial Income* (Note 5) has shown an overall reduction of £1,545,000, and comprises:-

- Net Retail sales – a decrease of £330,000
- Business Promotion & Advertising and Quality assurance – a decrease of £508,000
- Miscellaneous Income – a decrease of £707,000

*Other Income* (Note 6) displays an increase year on year of £249,000, being made up of:-

- Other Government Department funding – an increase of £2,515,000
- European Regional Development Fund – a decrease of £1,407,000
- Local Authority income - a reduction of £527,000
- Enterprise Agencies & sundry income - a reduction of £332,000.

**Other comprehensive expenditure / income** (page 44)

As portrayed, this includes surpluses arising on the revaluation of properties of £83,000 (2015:£260,000), together with the transfer of surpluses from Revaluation Reserve to General Reserve in respect of the expiry of Finance Leases amounting to £51,000. (2015: £178,000)

In addition, in accordance with the requirements to account for defined benefit pensions under International Accounting Standard 19 'Employee Benefits' (IAS 19), the movement in the combined pension schemes' asset valuation for the year, a surplus of £9,416,000 (2015: Loss £10,962,000), is shown, which is recognised in the Statement of Financial Position.

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

The VisitScotland statement of financial position at 31 March 2016, on page 45, reflects a net liabilities position of £31,353,000 (2015:£35,058,000). The reduction of £3,705,000 arises, predominantly, as a result of the combined pension schemes' deficit having now fallen back to £34,110,000 (2015: £39,812,000), 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.

## (III) 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 2016/17 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.

## (IV) CASH BALANCES

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

## (V) 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 2015 and 31 March 2016 shows that VisitScotland paid 89% of valid invoices received within 10 working days. (2015: 87%)

## 1.11 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 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.
- Uncertainty surrounding the operation of European Regional Development Fund programme, with regard to the final procedures and processes, which have yet to be agreed between the lead partners involved for the 2016-17 programme.
- The uncertainties arising from the impending departure of the United Kingdom from the European Union Community, and resultant impact on VisitScotland's strategic and operational outcomes.
- VisitScotland's ability to attract and retain a highly skilled workforce in order to deliver its ambitious business plans.

## 1.12 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 2015-16, VisitScotland received 29 information enquiries. (2015: 31 )
- Number of appeals to the Office of the Scottish Information Commissioner: Nil (2015: 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)

### 1.13 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	15-16
Buildings- Energy	2,693	2,512	2143	1745	1641	1613	1394	1177
Transport	542	508	453	431	373	321	383	371
Emissions Total	<b>3,235</b>	<b>3,020</b>	<b>2,596</b>	<b>2,176</b>	<b>2,014</b>	<b>1,934</b>	<b>1,777</b>	<b>1,548</b>
TARGET [ not to exceed]	3,235	3,073	2,839	2,669	2,535	2,408	2,288	2174
% reduction from 2008 - 09 Baseline	-	<b>7%</b>	<b>20%</b>	<b>33%</b>	<b>38%</b>	<b>40%</b>	<b>45%</b>	<b>52%</b>

As at 31 March 2016, VisitScotland has achieved a 52% reduction in CO<sub>2</sub> emissions, which exceeds the 2020 target of 42%.

In comparison with 2014-15 VisitScotland achieved a 13% reduction in CO<sub>2</sub> 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 (“ZWS”) 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>8</sup>

In 2015/16 VisitScotland increased its recycle rate to 66%, and reduced waste produced overall by 6.9% from the baseline year 2012/13, exceeding the 5% reduction target. We have pledged to both reduce waste from the organisation’s internal operations and increase waste recycling in line with the Hospitality Food Services Agreement (HaFSA) targets supported by the Scottish Government, and we shall be exploring how we can support the overall targeted outcomes of this voluntary agreement, as well as giving consideration to the promotion of ‘Courtauld 2025’ being relevant to the Industry.

In addition, VisitScotland 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 our VIC network. As a signatory to the Carrier Bag Commitment, in the year to 31 March 2016 there has been a reduction of around 85% across the VIC network compared to previous year’s usage. VisitScotland has provided customers with 35,675 chargeable bags, which has resulted in net proceeds of £1,427, which, following discussion with the Carrier Bag team at ZWS, will be put to internal environmental causes, focusing on maximising additionality.

*8. To reduce food and associated packaging waste arising by 5% by the end of 2015 from baseline year 2012/13 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.*



## 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 fully supports the link between these tourism partnerships and Community Planning in order to ensure that the tourism sector, including VisitScotland, participate in the community planning process and the on-going design, development and implementation of each Community Planning Partnerships' Local Outcome Improvement Plan.

In addition, VisitScotland works closely with ZWS 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.

## External Facing Sustainability Activity

We not only recognise our influence among tourism businesses in helping Scotland meet not only its climate change targets, but also follow its 'Making Things Last' strategy, and other relevant sustainable development strategies. In so doing, we are encouraging and supporting businesses and destinations to become more sustainable and we are committed to ensuring the industry continues to innovate.

During 2015/16 VisitScotland has continued to encourage and support a wide range of tourism businesses to make some meaningful progress with regards to their sustainability. Since January 2015 we have incorporated minimum sustainability requirements into our Quality Assurance scheme. Advice and support on becoming more sustainable and resource efficient is provided to businesses through the Quality and Tourism Advisors, the Better Business Guides and Factsheets, as well as working in partnership with Resource Efficient Scotland and Green Tourism.

The Year of Food and Drink Scotland 2015 ("YFD") was an excellent opportunity to showcase Scotland as a land of Food and Drink through a wide range of events and business activities for the people of Scotland and our visitors to enjoy. The YFD provided extensive opportunities for supporting Scottish and local food and drink producers, which contributes to the sustainability of local economies as well as supporting social and environmental aspects. The YFD was delivered in partnership between VisitScotland, the Scottish Government, Scotland Food & Drink, and a range of other partners.

The efforts to increase the sourcing and profile of Scottish Food and Drink, and thus supporting the Scottish Food and Drink industry, have been reinforced by the increased number of businesses that have achieved VisitScotland's Taste Our Best accreditation, which showcases businesses that provide and promote a quality Scottish Food and Drink experience. By the end of 2015 over 1,000 businesses achieved Taste Our Best accreditation, doubling the number of accreditations within 12 months.

The Year of Innovation, Architecture and Design 2016, will provide a great opportunity for businesses and destinations across Scotland to showcase how they support sustainability through innovation and design, as well as highlighting some of the great examples of incorporating sustainability in architecture.

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.

In support of VisitScotland's Corporate Plan and its commitment to inclusive growth, as well as Scotland's Economic Strategy, VisitScotland has begun to explore a more structured approach to social tourism, with a view to helping disadvantaged individuals and families experience the special attributes of Scotland. Since early 2016, part of our new and widely publicised 'Spirit of Scotland' campaign, VisitScotland is leading a partnership initiative with industry, the Family Holiday Association and other strategic partners to provide 100 families in Scotland with short breaks. These 'ScotSpirit' breaks will be taking place throughout the summer of 2016.

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 2016/17 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 2015/16 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

13 September 2016.



## ACCOUNTABILITY REPORT

### 2.1 THE CORPORATE GOVERNANCE REPORT

#### 2.1.1 DIRECTORS' REPORT

##### 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 + (Chair)	- Retired 31 March 2016
Professor Anne Anderson	- Appointed 1 December 2015
Rebecca Brooks	- Appointed 1 December 2015
Stephen Carter OBE	- Retired 30 November 2015
Catherine Craig	- Appointed 1 December 2015
Paddy Crerar	- Retired 30 November 2015
Gordon Dewar *	
Stephen Dunlop *	
Dorothy Fenwick +	- Retired 30 November 2015
Manus Fullerton*	- Retired 30 November 2015
Professor Russel Griggs OBE *	- Retired 30 November 2015
Stephen Hagan	- Appointed 1 December 2015
Carolyn Jameson*	- Appointed 1 December 2015
Calum Ross +	

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

+ Member of the Remuneration Committee during the year.

The Rt Hon. the Viscount Thurso has been appointed as Chair of VisitScotland as from 1 April 2016.

##### 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	Director of Events
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 and Staff Report on page 31.

VisitScotland recognises the gender imbalance on the Executive Senior Management Team and is actively supporting and developing talent for the future across the organisation to address the situation. That talent pool will be invited to attend and fully participate in the Executive Senior Management Team meetings as part of their development.

##### 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 Interest, which contains details of company directorships and other significant interests held by Board Members, at the following address:-

[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.

##### PERFORMANCE REPORT

In accordance with section 414(c)(11) of the Companies Act 2006, VisitScotland has chosen to include several matters in the Performance ( & Strategy ) 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

#### **FUNDING**

VisitScotland's primary source of funding is Grant in Aid from the Scottish Government. The initial Grant in Aid allocation for 2016/17 is £45.9m, 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.

#### **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 22 to the financial statements

#### **RETIREMENT BENEFITS**

Details of pension schemes in use by VisitScotland can be found in note 21 to the financial statements. The Remuneration and Staff Report (pages 31-38) contains specific disclosures relating to Directors' pensions.

#### **DATA LOSS**

There was one incident of unauthorised exposure or loss of personal data during the financial year. The incident involved a small secondary business website hosted by a third party which was 'hacked'. This was a site used by business researchers, academics and a small number of students.

The only information available thereon was predominantly business addresses, and occasionally, by default, private addresses. No other personal information was held. The site was closed down immediately, and all persons affected were notified of the breach (167 people). There has been no comeback whatsoever from those impacted by the breach.

The incident was duly reported to the Information Commissioner's Office, which subsequently confirmed satisfaction as to the actions taken, and the matter was closed.

#### **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.

#### **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 2016 was Grant Thornton UK LLP.

The fees payable for audit services provided by the appointed auditors in the year to 31 March 2016 were £71,000 (2015:£70,000). There were no fees payable to Grant Thornton LLP for non-audit work during the year (2015: £Nil).

#### **2.1.2 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 on page 41 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.

As Accountable Officer I can confirm that;

- i) the Annual Report and Financial Statements as a whole, are fair, balanced and understandable, and
- ii) that I take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that they are fair, balanced and understandable.

### 2.1.3 THE 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 Scottish Ministers, 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 and Staff 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 Health & Safety 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. VisitScotland complies with the Code of Practice put in place by the Commissioner for Ethical Standards in Public Life in Scotland as set out in the Public Appointments and Public Bodies etc. (Scotland) Act 2003, and the Guidance issued by the Commissioner. 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 2015/16, and the individual attendance by Board and committee members.

	Board	Audit & Risk Committee	Remuneration Committee
Dr Michael Cantlay OBE	6 (6)	-	1 (1)
Professor Anne Anderson	2 (2)	-	-
Rebecca Brooks	2 (2)	-	-
Stephen Carter OBE	2 (4)	-	-
Catherine Craig	2 (2)	-	-
Paddy Crerar	4 (4)	-	-
Gordon Dewar	4 (6)	5 (6)	-
Stephen Dunlop	6 (6)	5 (6)	-
Dorothy Fenwick	3 (4)	-	1 (1)
Manus Fullerton	4 (4)	- (1)	-
Professor Russel Griggs OBE	3 (4)	3 (4)	-
Stephen Hagan	2 (2)	-	-
Carolyn Jameson	2 (2)	2 (2)	-
Calum Ross	6 (6)	-	1 (1)

[ 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 2016, 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 individual sub-Risk Registers (linked to the Corporate Risk Register) which cover specific projects (e.g. website development), as required, and/or corporate matters (e.g. Health & Safety) and Events (e.g. Solheim Cup) 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.

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.

Furthermore, 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 during the year we commenced a development 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. This development, when completed (2017), will enhance the Corporate Risk Register methodology and provide even greater assurance in the management of risks.

### **Information Risk and 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 organisation's overall legal and regulatory compliance concerning 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 increased awareness training for staff.

During the year VisitScotland fulfilled its obligations under the Public Records (Scotland) Act 2011 with the implementation of its Records Management Plan ("RMP"), which was formally approved by the Keeper of Records (Scotland) in January 2016. Following which, we have embarked on a programme towards the full integration of our information asset register within our new Sharepoint upgrade. This will provide electronic accessibility for identification and updating of information asset records, accordingly, and ensure constant monitoring thereof.

## **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 Culture & Tourism 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, emphasise the need for economy, efficiency and effectiveness, and promote 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 with 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 2015/16 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 VisitScotland 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 2015/16 the overall conclusion of the independent internal auditor in respect of the areas reviewed, which were Procurement; Risk Management; Internal Communications; EPOS implementation; Performance Management & Reporting; Health & Safety and ICT governance, was as follows:

*"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 review of VisitScotland's participation in the 2014/15 National Fraud Initiative submission, the results of which identified no evidence of fraud. The review of the respective elements of the exercise, embracing payroll and suppliers, concluded that there were no issues arising and all required information was submitted to Audit Scotland.

In February 2016 VisitScotland underwent a review of its procurement processes in operation by the Scottish Government under the Scottish Procurement and Commercial Improvement Programme 2016, and achieved a score of 73% within the highest band rating available of M1.

#### *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 2016 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  
13 September 2016.

## 2.2 THE REMUNERATION AND STAFF REPORT

### REMUNERATION COMMITTEE

The Remuneration Committee is made up of at least two Board members and the Board Chair. The Board Chair ordinarily chairs the Remuneration Committee. During 2015-16 the members were:

Dr Mike Cantlay OBE	(Board Chair) retired 31 March 2016
Dorothy Fenwick	(Board member) appointed 1 February 2015 – retired 30 November 2015
Calum Ross	(Board member)

The purpose of the Committee is to:

- review the annual salary and performance-related bonus proposals of the Chief Executive and Director 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 Board Members' and Executive Senior Management Teams' Remuneration and Pension Information, together with Median Pay Multiples, Employment Statistics and Voluntary severance Costs have been audited by VisitScotland's auditors.*

### REMUNERATION POLICY

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

The Chief Executive's performance is appraised by the Chair 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 2015-16, 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. In accordance with the Scottish Government's pay policy, Directors received a pay increase in 2015/16, but did not receive any bonus award for the year ended 31 March 2016.

### 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.

### 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. Having served his second term in office, the Chair retired on 31 March 2016. All current members of the Board as at 31 March 2016 are therefore serving their first term of office.

The Chair and Board members are not members of the pension schemes. Their remuneration is set out in the table below. Remuneration is set by the Scottish Government and is reviewed annually.

	Appointment	2016 £'000	2015 £'000
Dr Mike Cantlay OBE (a) Chair	Retired 31 March 2016	30-35	40-45
Professor Anne Anderson	Appointed 1 December 2015	0-5	NIL
Rebecca Brooks	Appointed 1 December 2015	0-5	NIL
Stephen Carter OBE	Retired 30 November 2015	5-10	5-10
Catherine Craig	Appointed 1 December 2015	0-5	NIL
Patrick Crerar	Retired 30 November 2015	5-10	5-10
Gordon Dewar	Appointed 1 September 2013	5-10	5-10
Stephen Dunlop	Appointed 1 September 2013	5-10	5-10
Dorothy Fenwick	Retired 30 November 2015	5-10	5-10
Manus Fullerton	Retired 30 November 2015	5-10	5-10
Professor Russel Griggs OBE	Retired 30 November 2015	5-10	5-10
Stephen Hagan	Appointed 1 December 2015	0-5	NIL
Carolyn Jameson	Appointed 1 December 2015	0-5	NIL
Calum Ross	Appointed 1 September 2013	5-10	5-10



- (a) M Cantlay's remuneration for 2014/15 included a payment for additional days worked during the year. His actual salary remained within the band £30,000 - £35,000.

#### Summary of Board Members' remuneration

	2016	2015
	£'000	£'000
Chair	34	41
Board members	62	66
The number of Board members ( excluding Chair) holding office during the year was 13 ( 2015 : 8).		
There were six retirees ( including the Chair) during the year.		
<b>Total Board Members' remuneration</b>	<b>96</b>	<b>107</b>

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

#### EXECUTIVE SENIOR MANAGEMENT TEAM

The following tables provide a breakdown of the executive Directors' remuneration in 2015-16 and 2014-15.

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 2015, in accordance with the Scottish Government's public sector pay policy.

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

##### Single total figure of remuneration

As at 31 March 2016

Executive Director		Salary	Car allowance	Benefits in Kind (to nearest £100)	Pension benefits #	TOTAL
		£'000	£'000	£	£'000	£'000
M Roughead (a)	Chief Executive	140 -145	-	5,542	-	145 - 150
K Neilson	Director of Corporate Services	100 - 105	-	2,016	33	135 - 140
R Graham	Director of Partnerships	90 - 95	6	-	38	135 - 140
P Bush	Director of Events	95 - 100	6	-	33	135 - 140
C Smith	Director of Marketing	120 - 125	6	-	28	155 - 160

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

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

As at 31 March 2015

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

(b) C Smith commenced as of 6 October 2014

(c) Full year equivalent salary : £115,000 - £120,000

(d) Full year car allowance : £6,000

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 2016**

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	869	20
<b>K Neilson</b> Director of Corporate Services	20 - 25	0 - 2.5	509	47
<b>R Graham</b> Director of Partnerships	60 - 65	0 - 2.5	1,872	127
<b>P Bush</b> Director of Events	25 - 30	0 - 2.5	833	71
<b>C Smith</b> Director of Marketing	0 - 5	0 - 2.5	36	16

**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 (e) )</b> Director of Marketing	0 - 5	0 - 2.5	14	11

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 BTBPS, CETV is computed by reference to factors agreed by the Trustees of the BTBPS.
- 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) The real increase in annual pension excludes any increase in inflation or any increase due to a transfer of pension rights.
- e) C Smith joined the BTBPS Scheme on 1 November 2014.

## MEDIAN PAY MULTIPLES

The highest paid member of the executive senior management team was the Chief Executive. His annualised salary before Pension benefits was 6.30 times the remuneration of £22,568 median earnings of the organisation's work-force in 2015-16 ( 2014-15: 6.56 x £21,678 ).

This year's Median Total Remuneration calculation has been impacted by the adoption by VisitScotland of the living wage recommendations, accordingly.

	<b>2015 -16</b>	2014-15
Highest-Paid Director's Salary	<b>£140k - £145k</b>	£140k - £145k
Median Total Remuneration	<b>£22,568</b>	£21,678
Ratio	<b>6.30</b>	6.56

## OUR PEOPLE

### Employment Statistics

Full details of the numbers of employees are given in Note 3 (page 57) to the Financial Statements; other relevant staff information is as follows:

	<b>2015 -16</b>	2014 -15
Staff Turnover	<b>14.82%</b>	19.39%
Sickness Absence	<b>1.66%</b>	1.70%
Sickness Absence days/person	<b>3.73</b>	4.35
Male: Female Ratio – Total Workforce	<b>32 : 68</b>	31 : 69
Male: Female Ratio – Board Members*	<b>56 : 44</b>	89 : 11
Male: Female Ratio – Extended Management Team	<b>64 : 36</b>	65 : 35
Staff Salary range (excluding Directors)	<b>£13k - £75k</b>	£13k - £75k

\*The Board is comprised of a 50:50 gender balance, plus the Chair [ Male ].

### Voluntary severance costs

Ongoing business re-organisation during the year has meant that the opportunity for voluntary departure by staff, in accordance with VisitScotland's approved voluntary severance scheme, was taken up by 21 members of staff, at a cost of £554,000, as follows:

	<b>2016</b>	2015
i) No of exit packages agreed within following bandings;	<b>Number</b>	Number
£0 - £20,000	12	10
£20,001 - £40,000	4	16
£40,001 - £60,000	4	9
£60,001 - £80,001	-	2
£80,001 - £100,000	-	4
£100,001 - £120,000	1	3
£140,001 - £160,001	-	1
<b>Total number of exit packages</b>	<b>21</b>	<b>45</b>
	<b>2016</b>	2015
ii) Total cost of exit packages agreed within each band;	<b>£'000</b>	£'000
£0 - £20,000	114	82
£20,001 - £40,000	137	437
£40,001 - £60,000	190	421
£60,001 - £80,000	-	136
£80,001 - £100,000	-	333
£100,001 - £120,000	113	328
£140,001 - £160,000	-	145
There were no compulsory redundancies ( 2015: None )		
<b>Total cost of exit packages</b>	<b>554</b>	<b>1,882</b>

### Consultancy Fees

A total amount of £52,755 was expended in the year on one-off project consultancy costs.

### People Strategy

The People Strategy 2016 focused on 4 key areas:

1. Finding and retaining the best people
2. Developing talent in a focused way
3. Improving how effectively we manage performance and change
4. Demonstrating fairness

#### Finding and retaining the best people

This has proven to be a challenging year in recruiting to certain posts in the organisation where our current pay levels are significantly below the market rate. These posts are mainly in the digital areas, particularly Digital Design & Development, IT, Digital Marketing and Insight. Unfortunately, the restrictions around public sector pay have made it very difficult to remain competitive in these markets. In 2016 we intend to review our pay and grading arrangements with a view to addressing this and other anomalies.

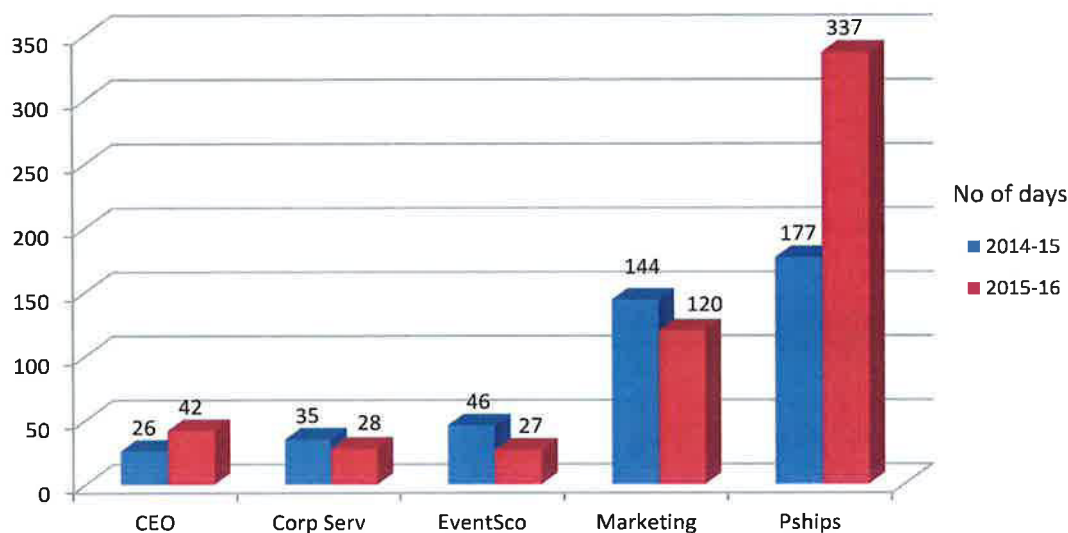
We have improved our recruitment and induction arrangements with a root and branch review. This has led to the implementation of a new online recruitment system and the introduction of a refreshed induction process for 2016/17.

We are currently undertaking a review of our benefits including the rationalisation of our current pension schemes to ensure a balance of liabilities with having a scheme which will be attractive to staff.

#### Developing talent in a focused way

In January 2016 VisitScotland was recognised as an exemplar employer for its commitment to youth employment by the award of Gold status by Investors in Young People. Every year we employ six modern apprentices (all of whom are guaranteed a further one year contract at the end of their placement), six graduates and six two-year mentorships on the Career Ready programme (to help prepare young people from deprived backgrounds for the world of work).

VisitScotland continues to invest in learning with a 30% increase in delegate learning days over 2014 / 2015, as the following bar chart illustrates:



We also saw other significant learning activity including:

- 13 internal mentorship pairings
- 18 Managers completed the Management Development Passport programme – a 6 month leadership and management programme through Edinburgh College
- 22 Professional Qualifications were completed including:
  - CIM Certificate in Professional Marketing x 6
  - CIM Diploma in Professional Marketing x 3
  - CIPR Diploma in Public Relations x 2
  - Diploma in Digital Marketing
  - Cisco Network Programme

## Improving how effectively we manage performance and change

As we change how we provide information to customers to a more digital focus, we were able to close our telephone Contact Centre this year with minimal disruption, with staff either being re-deployed within VisitScotland, or accepting a voluntary redundancy package.

We also prepared the ground for implementing any staffing changes required as a result of the review of how we provide Information Services in future.

In addition, we also held a highly successful series of Staff Conferences in March 2016, where all staff came together to understand our corporate strategy and give their views as to how we manage change over the next few years.

## Demonstrating fairness

VisitScotland became an accredited Scottish Living Wage employer in 2016 meaning we will not pay any member of staff less than the Scottish Living Wage, as advised to us every year by Scottish Government. Given the number of Board retirements during the year we were also able to take the opportunity to equalise the Board complement by the appointment four female Board Members. The new VisitScotland Board is now comprised of four male and four female Members, plus the Chair (male).

## 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 website. 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. A revised set of outcomes is currently being prepared to meet the statutory requirements of publishing these by April 2017.

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. During the year, to further enable us to meet our duties VisitScotland took on a new team member of staff, who will be responsible for all internal staff training in diversity & equality throughout the business, and provide additional support for projects and the overall programme, which brings the complement of the Accessible Tourism team to three.

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. The aim is 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 parents with young children, senior travellers and people with temporary injuries, and their travel companions, so that tourism in Scotland is inclusive and available to all.

Our Accessible Tourism ("AT") 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 UK with a long-term disability, impairment or illness. (Source: Office for Disability Issues ("ODI") "Disability Prevalence Issues Est 2011/12") and some notable statistics, arising from surveys carried out for the year ended December 2015 (*Great Britain Tourism Survey (GBTS) 2015* and *Great Britain Day Visitor Survey (GBDVS) 2015*), are as follows:

- Tourism parties in which at least one member was identified as disabled contributed approximately £1.3 billion to Scotland's economy. This included £504 million on domestic overnight trips and £822 million on day visits in Scotland (over a fifth of the total expenditure on day visits in Scotland).
- The value of the GB Resident Overnight Accessible Tourism market to Scotland has now grown by 55% since 2009, compared to a 20% increase in the overall value of all visits.

- Volume of visits: the Accessible Tourism market represented 15% of all overnight trips, and 19% of all day visits to Scotland in 2015.
- Value of visits: trips by those in the Accessible Tourism market represented 15% of the overall value of overnight trips, and 21% of the overall value of day visits to Scotland in 2015.
- There has been a 33% increase in volume of visits by those in the Accessible Tourism market to Scotland since 2009.
- The average length of domestic overnight stay by those in the accessible market is longer than for the rest of the market (3.7 nights vs. 3.4 nights).
- Only 10% of Accessible Tourism visitors to Scotland in 2015 were wheelchair users – in comparison, 25% of all accessible tourism visitors stated being deaf or having partial hearing loss.
- Disabled people tend not to travel alone and are often accompanied by carers, family and friends. Over 50% travel with a partner, 20% with a child and 21-25% with a companion. This increases occupancy and brings in extra revenue.

The most significant factor is the percentage of the overall accessible expenditure measured against the total, which was registered as 12% in 2009, and has now risen to a figure of 15% in the 6 years to 2015. *(GBTS Survey).*

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:

- i) Developing and promoting the on-line Accessible Tourism training course – to date over 1,000 businesses have signed up to use it. Available on [www.visitscotland.org](http://www.visitscotland.org) - it is free to use.
- ii) The new version of our Access Statement Tool builder is now in its final stages of development, it is being designed for 2016 in partnership with VisitEngland. We will be announcing the launch of this new website in July this year. The new tool will be called an "Access Guide Tool builder", and it will be available on [www.visitscotland.org](http://www.visitscotland.org) - This is also free to use.
- iii) The Glasgow Accessible Tourism Destination pilot, which saw 25 businesses taking their staff through the accessible tourism training, and drafting an access statement, was a success. See attached link for an example. <http://www.hutchesonsglasgow.com/media/358306/access-statement-for-hutchesons-bar-brasserie-july-2015.pdf>. Following this, we have launched a project in Fife, and others are planned in Edinburgh, Argyll & Bute, and the Borders, later this year.

Subsequent to this initiative, 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 continues to work with Euan's Guide ([www.euansguide.com](http://www.euansguide.com)) to produce accessible itineraries. The itineraries for all our AT projects were built by disabled people for disabled people which support the findings from our consultations with them, "nothing for us without us" and information on this can be found at: <http://www.visitscotland.com/holidays/accessible/itineraries/>
- Our Equality and Diversity and Accessible Tourism Manager, on behalf of VisitScotland, in partnership with the Edinburgh Convention Bureau, won the bid to host the very first International 23rd Rehabilitation Congress in Edinburgh at the EICC, which will be held 23-25th October 2016. This Congress will bring over 1,500 people from all over the world into Edinburgh for a week, and is forecast to generate an extra £2 million revenue for the City. VisitScotland has been working with the sponsors Shaw Trust throughout this year, and the Edinburgh AT Project will be instrumental in providing quality information and accessible places to stay and see for those attending the Congress. We have also been working on access statements with Edinburgh Airport, which will be the first point of contact in Scotland for many of the delegates; the Airport is in the process of designing its first access statement, which will be published shortly.

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, such that all our products, new website and promotional materials are all fully accessible.

VisitScotland is also hosting a major EU Conference on Accessible Tourism in September this year, inviting all 28 member states to the Edinburgh Apex for a 2 day "Learning Event" at which we will share, discuss and draft actions for each for the countries to share and to demonstrate commitment thereto, as part of the promotion of Accessible Tourism in Europe.

### **Our commitment**

These actions both internal and external as identified above, and in VisitScotland's Mainstreaming Equality Report 2015, support the key business objectives contained within the VisitScotland Corporate Plan 2014 - 2017. 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.



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland  
13 September 2016.

## 2.3 PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

This section is subject to audit.

### REGULARITY OF EXPENDITURE

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

### Losses and special payments

Other than Trade debts written off during the year, as reported on page 57 of these financial statements VisitScotland incurred no losses during the financial year 2015-16 (2014-15: None)

Other than those payments made with regard to Voluntary Severance packages, as reported on page 34 of these financial statements, totalling £554,000 (2015: £1,882,000) VisitScotland has not made any other special payments during the financial year ended 31 March 2016 (2015: £Nil)

### Fees and Charges

VisitScotland receives Retail and Commercial revenue from the following income streams

	Notes	2016 £'000	2015 £'000
<b>Retail Sales</b>			
Product Income	I	3,126	3,751
Cost of Sales		(1,477)	(1,811)
Gross Profit		1,649	1,940
GP percentage		52.8%	51.7%
<b>Business Promotion and Advertising Income</b>			
Exhibitions and Promotional advertising	II	1,033	1,788
Joint Promotional Campaigns	III	1,159	1,152
		2,192	2,940
<b>Quality Assurance</b>			
Award Scheme Fees	V	1,309	1,069
Less : Direct Costs of Service		1,395	1,288
Net Cost of Service Delivery		(86)	(219)

### Notes:

- I. The primary purpose of the 73 VisitScotland Information Centres situated across Scotland is to provide information to visitors. As part of this service VisitScotland provides information and visitor products, such as maps, books, postcards, stamps, transport tickets, and also showcase local products. The Gross Profit generated is used as a contribution towards the cost of operations of the Visitor Information network.
- II. Exhibitions / Promotions supported during the year (e.g. World Travel Market, London 2015, and the Meetings Show 2015 – London; IMEX America; M & I Forum – London, Scotland in London – Winter 2015; VisitScotland Annual Expo, etc, etc. The principal objective is to use such trade exhibitions and promotional advertising to promote business linked tourism to Scotland with our partners. In so doing VisitScotland seeks only to charge our partners for the cost of our services, expertise, and support administration on a cost recovery basis.
- III. Joint Promotional campaigns with business partners arranged on a 50/50 cost share basis.
- IV. The objective of the Quality Assurance programme is to promote the many accommodation providers across Scotland by awarding a grading of their respective establishments in accordance with approved standards as laid down by the Common Standard's Agreement between VisitScotland, other National Tourist Boards, and the Automobile Association. VisitScotland charges a fee based upon the size of the establishment, and the number of rooms therein. The fees are intended to offset the direct cost of delivery of the service. Accommodation providers are free to participate or not in the Quality Award programme, and receive a listing on the VS website, regardless of their participation.
- V. VisitScotland changed the basis of the QA billing arrangements from seasonal to calendar year in 2015. This resulted in invoicing to customers being lower in 2014/15, and, as a consequence, higher in 2015/16.



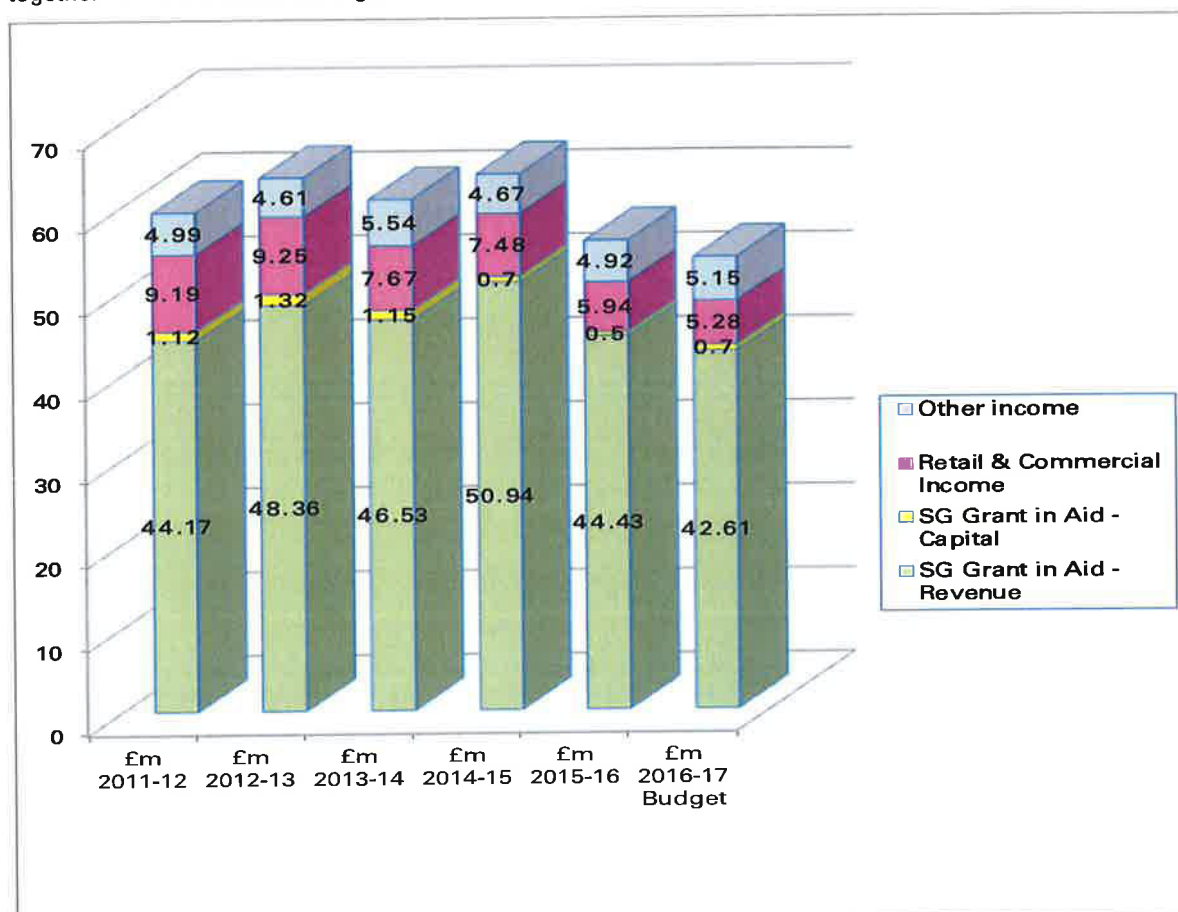
### Remote Contingent liabilities

As reported in the financial statements (page 83), the impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc, was such that the grants will no longer be held in reserve with amounts being released over the life of the 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.

### Long term expenditure trends

VisitScotland's expenditure is principally governed by the funding provided by the Scottish Government through grant-in aid, and the receipt of retail, commercial and other income.

The respective amounts drawn down associated with these principal areas of funding over the last five years together with the indicative budget for 2016/17 are set out in the bar chart below.



Notes:


- i) Scottish Government Grant in Aid funding for 2016-17 is based on indicative figures as provided by the Government.
- ii) The above figures exclude the Non-Cash allowance and AME allowance made each year.

  
**Malcolm Roughead OBE**  
 Chief Executive  
 VisitScotland  
 13 September 2016

## 2.4 DIRECTION BY THE SCOTTISH MINISTERS

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.

- i) 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.
- ii) 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.
- iii) 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

## 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 2016 under the Development of Tourism Act 1969. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow, 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 2015-16 Government Financial Reporting Manual (the 2015-16 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 2016 and of its net expenditure 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 2015/16 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969 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 and Staff 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 Performance Report and Accountability Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff 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.

7 October 2016

**VISITSCOTLAND**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016	2015
		£'000	£'000
<b>Resource Expenditure</b>			
Marketing activities		47,630	53,824
Partnership engagement		3,801	3,987
Support services		6,363	7,344
		<b>57,794</b>	<b>65,155</b>
<b>Non - Resource Expenditure</b>			
Pension Costs - IAS 19 adjustments (Note 21)		3,714	2,030
		<b>61,508</b>	<b>67,185</b>
<b>Gross expenditure</b>			
<b>Income</b>			
Retail and commercial	5	(5,939)	(7,484)
Other income	6	(4,920)	(4,671)
<b>Net expenditure</b>		<b>50,649</b>	<b>55,030</b>
Finance costs	7	77	135
Finance income	7	-	-
<b>Net operating expenditure before taxation</b>		<b>50,726</b>	<b>55,165</b>
Corporation tax	8	-	-
<b>Net operating expenditure</b>		<b>50,726</b>	<b>55,165</b>
<b>Other Comprehensive Expenditure /(Income)</b>			
Net actuarial (surplus)/deficit on valuation of retirement benefit schemes	21(d)	(9,416)	10,962
Removal of property asset - no title on transfer		-	18
Transfer revaluation reserve on removal of property		-	(19)
Transfer from revaluation reserve on expiry of Finance Leased assets.		51	178
Transfer to general reserve on expiry of Finance Leased assets		(51)	(178)
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(83)	(260)
<b>Total other comprehensive expenditure</b>		<b>(9,499)</b>	<b>10,701</b>
<b>TOTAL COMPREHENSIVE NET EXPENDITURE</b>		<b>41,227</b>	<b>65,866</b>

The notes on pages 48 to 84 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	Note	2016	2015
		£'000	£'000
<b>Assets</b>			
<b>Non-Current</b>			
Tangible fixed assets	10	5,888	7,928
Intangible assets	9	344	566
Investments in subsidiaries	12	-	-
<b>Total non current assets</b>		<b>6,232</b>	<b>8,494</b>
<b>Current</b>			
Inventories	13	658	877
Trade and other receivables	14	3,965	1,982
Cash and cash equivalents	15	4,126	4,381
<b>Total current assets</b>		<b>8,749</b>	<b>7,240</b>
Assets classified as held for sale	11	265	-
<b>Total Assets</b>		<b>15,246</b>	<b>15,734</b>
<b>Liabilities</b>			
<b>Current</b>			
Other borrowings	19	(510)	(485)
Trade and other payables	17	(10,487)	(8,462)
<b>Total current liabilities</b>		<b>(10,997)</b>	<b>(8,947)</b>
<b>Net current liabilities</b>		<b>(1,983)</b>	<b>(1,707)</b>
Other borrowings	19	(1,368)	(1,902)
Provisions	23	(124)	(128)
Other payables	17	-	(3)
Retirement benefit obligations	21	(34,110)	(39,812)
<b>Total non-current liabilities</b>		<b>(35,602)</b>	<b>(41,845)</b>
<b>Total Liabilities</b>		<b>(46,599)</b>	<b>(50,792)</b>
<b>Net Liabilities</b>		<b>(31,353)</b>	<b>(35,058)</b>
<b>Taxpayers' equity</b>			
General reserve		1,471	3,500
Pension reserve		(34,110)	(39,812)
Revaluation reserve		1,286	1,254
<b>Total Equity</b>		<b>(31,353)</b>	<b>(35,058)</b>

Malcolm Roughead OBE

Chief Executive

VisitScotland

13 September 2016

The notes on pages 48 to 84 form part of these financial statements

**VISITSCOTLAND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure before taxation		50,726	55,165
<i>Items not involving the flow of cash</i>			
Depreciation of tangible fixed assets	10	(1,556)	(1,638)
Impairment of tangible fixed assets	10	(708)	(145)
Amortisation of intangible fixed assets	9	(316)	(417)
Net pension service costs and return on assets	21(f)	(3,714)	(2,030)
<i>Net financing costs</i>	7 (i)	(77)	(135)
<i>Movements in working capital</i>			
Increase /(Decrease) in inventories	13	(219)	43
(Decrease)/Increase in receivables	14	1,945	(1,279)
Decrease/(Increase) in payables	17	(2,024)	849
<i>Movement in provisions</i>			
(Increase) / Decrease in provisions		42	182
<b>Net cash flow from operations</b>		<b>44,099</b>	<b>50,595</b>
Interest paid	7	77	135
<b>Net cash outflow from operating activities</b>		<b>44,176</b>	<b>50,730</b>
<b>Cash flows from investing activities</b>			
Payments to acquire tangible fixed assets	10	406	603
Payments to acquire intangible fixed assets	9	94	97
Proceeds from sale of tangible fixed assets		-	-
<b>Net cash flows used in investing activities</b>		<b>500</b>	<b>700</b>
<b>Cash flows from financing activities</b>			
Grant in aid from Scottish Government		(44,932)	(51,635)
Repayment of loans		2	33
Decrease in other borrowings- obligations under finance leases		509	477
<b>Net cash flows from financing activities</b>		<b>(44,421)</b>	<b>(51,125)</b>
<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>255</b>	<b>305</b>
Cash and cash equivalents as at 1 April	15	4,381	4,686
<b>Cash and cash equivalents at 31 March</b>	<b>15</b>	<b>4,126</b>	<b>4,381</b>

The notes on pages 48 to 84 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	General Reserve	Pension Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<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	0	(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 1 April 2015</b>	<b>3,500</b>	<b>(39,812)</b>	<b>1,254</b>	<b>(35,058)</b>
Net operating expenditure	(50,726)	-	-	(50,726)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	83	83
Transfer balance on revaluation reserve on expiry of Finance Lease	51	-	(51)	-
Transfer between reserves	3,714	(3,714)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	9,416	-	9,416
<b>Total recognised income and expense</b>	<b>(46,961)</b>	<b>5,702</b>	<b>32</b>	<b>(41,227)</b>
Grant in aid from Scottish Government	44,932	-	-	44,932
<b>Balance at 31 March 2016</b>	<b>1,471</b>	<b>(34,110)</b>	<b>1,286</b>	<b>(31,353)</b>

The notes on pages 48 to 84 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 2015/16 Government Financial Reporting Manual (FRoM) issued by the Scottish Government. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

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

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 2016 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 41.

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 £31.35 million (2015:£35.06 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 2016-17, 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 22.

#### 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 of 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 incorporate all expenditure, direct and indirect, associated with the marketing, selling, support, and deliverance of the principal function of VisitScotland, i.e. the development of tourism in Scotland.

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, digital & 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 include 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).

## **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 substantially 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 21.

*(ii) Valuation of assets*

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

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' (Note 28).

### 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.

#### (c) 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, and subsequent amendments as adopted thereafter. 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 24 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 2016, 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.

#### **IFRS 16 – Leases (2015)**

This standard is mandatory for accounting periods commencing on or after 1 January 2019. The adoption of this standard will affect VisitScotland, as a lessee of property, vehicles and equipment. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

The impact on the financial statements has not been determined.

## **2. SEGMENTAL REPORTING**

Prior to 1 April 2015, under IFRS 8, VisitScotland has hitherto reported on two operating segments within its business, namely:

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

As of 1 April 2015, VisitScotland has strategically restructured its Directorate operations to provide enhanced support and commitment in furtherance of its objectives, and as a consequence, with the merging of operational & management reporting requirements there is no longer considered the need for segmental reporting.

**3 STAFF COSTS**

included within gross expenditure

a) All employees ( including Board members )

	2016	2015
	£'000	£'000
Salaries	16,029	16,710
Social security costs	1,177	1,266
Voluntary severance	554	1,882
	17,760	19,858
Pension costs - Current service	4,922	3,202
<b>Total staff costs</b>	<b>22,682</b>	<b>23,060</b>
Agency fees in respect of temporary staff, included above	50	12

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

	2016	2015
	Number	Number
Executive senior management team	5	5
Operational and support staff		
Heads of department	18	16
Other staff	566	605
Fixed term contract	21	31
	610	657
Temporary staff	1	2
<b>Total average number of full-time equivalents</b>	<b>611</b>	<b>659</b>

**4 ADMINISTRATION OVERHEADS**

included within gross expenditure

	2016	2015
	£'000	£'000
Travel and hospitality	1,181	1,258
Property, information technology, and office expenses	4,687	4,256
Operating lease rentals:		
Property	1,342	1,491
Vehicles and equipment	152	160
Depreciation of tangible fixed assets	1,556	1,638
Amortisation of intangible assets	316	417
Impairment of tangible fixed assets	708	145
(Profit)/Loss on sale of tangible fixed assets	-	-
Net interest cost and return on pension assets	1,312	1,183
Trade bad debts		
Written off	25	25
Increase /(decrease) in provision	(38)	(178)
(Decrease)/ increase in past pension provision	(4)	(4)
<b>Total administration overheads</b>	<b>11,237</b>	<b>10,391</b>

Administration overheads also includes:

	2016	2015
	£'000	£'000
Fees payable for the audit of these financial statements	71	71
Fees payable to other auditors for the audit of subsidiaries	1	2
<b>Total audit fees</b>	<b>72</b>	<b>73</b>

**5 RETAIL AND COMMERCIAL INCOME**

	2016	2015
	£'000	£'000
<b>Retail</b>		
Products income	3,126	3,751
Cost of sales	(1,477)	(1,811)
<i>Gross surplus</i>	1,649	1,940
Other consumer income	166	205
	<b>1,815</b>	<b>2,145</b>
<b>Commercial</b>		
Business promotion and advertising	2,192	2,940
Quality assurance	1,309	1,069
Miscellaneous income	623	1,330
	<b>4,124</b>	<b>5,339</b>
<b>Total retail and commercial income</b>	<b>5,939</b>	<b>7,484</b>

**6 OTHER INCOME**

	2016	2015
	£'000	£'000
Other Government Dept. funding	2,715	200
Local authority income	1,517	2,044
European regional development fund income	265	1,672
Enterprise agency contributions	110	172
Sundry income	313	583
<b>Total other income</b>	<b>4,920</b>	<b>4,671</b>

**7 FINANCING COSTS**

	2016	2015
	£'000	£'000
<b>Finance costs</b>		
Interest payable on loans	-	2
Interest charge - finance lease obligations	77	133
<b>Total finance cost</b>	<b>77</b>	<b>135</b>
<b>Finance income</b>		
Bank interest receivable	-	-
<b>Total finance income</b>	<b>-</b>	<b>-</b>
<b>7(i) NET FINANCING COSTS</b>	<b>77</b>	<b>135</b>

**8 TAXATION**

	2016	2015
	£'000	£'000
<b>Corporation Tax</b>		
Current tax	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

**Current tax**

Corporation tax is calculated at 20% ( 2015:20%) based on bank interest received during the year.

**9 INTANGIBLE ASSETS**

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
At cost or valuation				
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>
At 1 April 2015	2,248	1,150	780	4,178
Re-allocation	51	(2)	(49)	-
Additions	94	-	-	94
<b>At 31 March 2016</b>	<b>2,393</b>	<b>1,148</b>	<b>731</b>	<b>4,272</b>
<b>Amortisation</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>
At 1 April 2015	1,800	1,081	731	3,612
Re-allocation	1	-	(1)	-
Charge for the year	279	36	1	316
<b>At 31 March 2016</b>	<b>2,080</b>	<b>1,117</b>	<b>731</b>	<b>3,928</b>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<b>313</b>	<b>31</b>	<b>-</b>	<b>344</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>Asset Financing</b>				
Owned / beneficially owned	313	31	-	344
Finance Lease	-	-	-	-
<b>Net book value</b>	<b>313</b>	<b>31</b>	<b>-</b>	<b>344</b>
<b>At 31 March 2016</b>	<b>313</b>	<b>31</b>	<b>-</b>	<b>344</b>

**10 TANGIBLE FIXED ASSETS***Freehold Property*

All Freehold Land & Buildings, and those held under beneficial ownership, were inspected this year and valued at 31 March 2016 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors.

*Leasehold Finance Lease Property*

All Finance Leasehold properties were inspected this year and valued at 31 March 2016 by Graham & Sibbald - Chartered Surveyors, on a fair value basis with regard to the remaining heritable interest of VisitScotland.

**10 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 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>
At 1 April 2015	445	4,940	6,105	7,790	2,106	43	497	21,926
Additions	-	32	221	-	153	-	-	406
Impairment	-	(380)	(328)	-	-	-	-	(708)
Revaluation	1	82	-	-	-	-	-	83
Transfer on revaluation	-	(1,566)	-	-	-	-	-	(1,566)
Re-allocation	7	(7)	-	-	-	-	-	-
Transfer - awaiting Sale	(66)	(199)	-	-	-	-	-	(265)
<b>At 31 March 2016</b>	<b>387</b>	<b>2,902</b>	<b>5,998</b>	<b>7,790</b>	<b>2,259</b>	<b>43</b>	<b>497</b>	<b>19,876</b>
<b>Depreciation</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>
At 1 April 2015	-	1,033	4,213	6,995	1,574	43	140	13,998
Charge for the year	-	533	604	170	229	-	20	1,556
Transfer on revaluation	-	(1,566)	-	-	-	-	-	(1,566)
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>4,817</b>	<b>7,165</b>	<b>1,803</b>	<b>43</b>	<b>160</b>	<b>13,988</b>
<b>Net book value</b>								
<b>At 31 March 2016</b>	<b>387</b>	<b>2,902</b>	<b>1,181</b>	<b>625</b>	<b>456</b>	<b>-</b>	<b>337</b>	<b>5,888</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>Asset Financing</b>								
Owned / beneficially owned	387	1,294	1,181	625	456	-	337	4,280
Finance Lease	-	1,608	-	-	-	-	-	1,608
<b>Net book value</b>	<b>387</b>	<b>2,902</b>	<b>1,181</b>	<b>625</b>	<b>456</b>	<b>-</b>	<b>337</b>	<b>5,888</b>
<b>At 31 March 2016</b>	<b>387</b>	<b>2,902</b>	<b>1,181</b>	<b>625</b>	<b>456</b>	<b>-</b>	<b>337</b>	<b>5,888</b>

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

	2016	2015
	£'000	£'000
<b>Freehold property</b>		
At 1st April	-	-
Assets awaiting sale : at valuation	265	-
<b>At 31 March</b>	<b>265</b>	<b>-</b>

Land and buildings which are demonstrably available for sale on the open market, and for which a sale might be expected to be completed within the ensuing year, are classified within current assets.

**12 INVESTMENT****Investment in subsidiaries**

The total cost of the shareholdings held in the subsidiaries as at 31 March 2016 is **£100** ( 2015 : £100 )

***Subsidiary companies***

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

**13 INVENTORIES**

	2016	2015
	£'000	£'000
Retail stock	658	877
<b>At 31 March</b>	<b>658</b>	<b>877</b>

**14 TRADE AND OTHER RECEIVABLES**

	2016	2015
	£'000	£'000
<b>Current</b>		
Trade receivables	2,190	1,720
less: Provision for impairment	(106)	(144)
Trade receivables - net	2,084	1,576
Prepayments	166	189
Accrued income	1,700	160
Other receivables	15	57
<b>At 31 March</b>	<b>3,965</b>	<b>1,982</b>

Trade and other receivables reported above *include*:

**Receivables - Public sector balances**

	2016	2015
	£'000	£'000
<b>Current</b>		
Local Authorities	237	64
Other Central Government bodies	2,124	164
<b>At 31 March</b>	<b>2,361</b>	<b>228</b>

**15 CASH AND CASH EQUIVALENTS**

	2016	2015
	£'000	£'000
Balance at 1 April	4,381	4,686
Net change in cash and cash equivalent balances	(255)	(305)
<b>At 31 March</b>	<b>4,126</b>	<b>4,381</b>
<b>The balances at 31 March were held at:</b>		
Commercial banks and cash in hand	3,222	2,410
Government Banking Service	904	1,971
<b>At 31 March</b>	<b>4,126</b>	<b>4,381</b>

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

**16 RECEIVABLES - PROVISION FOR IMPAIRMENT**

Impairment provisions are used to record impairment losses unless 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 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>
At 1 April 2015	144	-	144
Utilised during year	(67)	-	(67)
Movement in Provision	29	-	29
<b>At 31 March 2016</b>	<b>106</b>	<b>-</b>	<b>106</b>

The following represents VisitScotland receivables for which full provision has been made at 31 March 2016 and the ageing of these receivables was as follows:

	2016	2015
	£'000	£'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	106	144
Impairment	(106)	(144)
<b>Impaired receivables at 31 March</b>	<b>106</b>	<b>144</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 2016 receivables with a carrying value of £NIL ( 2015: £NIL ) were past their due date, but not considered to be impaired.

<b>At 31 March</b>	<b>-</b>	<b>-</b>
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**17 TRADE AND OTHER PAYABLES**
**a) Current**

	2016 £'000	2015 £'000
Trade payables	1,317	1,227
Social security and other taxes	344	520
Amounts owed to subsidiary undertakings	47	47
Accruals	8,037	6,209
Deferred income	721	439
Loans	3	2
Other payables	18	18
	10,487	8,462
Corporation tax	-	-
<b>At 31 March</b>	<b>10,487</b>	<b>8,462</b>

**b) Non - current**

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

 Trade and other payables reported above *include*:

**c) Public sector balances**

	2016 £'000	2015 £'000
<b>Current</b>		
Local Authorities	20	141
Other Central Government bodies	344	520
<b>At 31 March</b>	<b>364</b>	<b>661</b>
<b>Non - current</b>		
Local Authorities	-	3
Other Central Government bodies	-	-
<b>At 31 March</b>	<b>-</b>	<b>3</b>

**18 LOANS**

	Current			Non - current		Total 31 March £'000
	Within 1 year £'000	Between 1 - 5 years £'000	After 5 years £'000			
Aberdeen Council Loans Fund - Unsecured	2	3	-			5
<b>At 31 March 2015</b>	<b>2</b>	<b>3</b>	<b>-</b>			<b>5</b>
Aberdeen Council Loans Fund - Unsecured	3	-	-			3
<b>At 31 March 2016</b>	<b>3</b>	<b>-</b>	<b>-</b>			<b>3</b>

The Aberdeen Council Loans Fund loan was repaid after the year end. The loan was subject to a variable rate of interest during the year of 4.75% pa.

**19 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	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>
Within one year	585	(75)	510
Between one and five years	1,358	(96)	1,262
After five years	109	(3)	106
<b>At 31 March 2016</b>	<b>2,052</b>	<b>(174)</b>	<b>1,878</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 2016, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% ( 2015 : 6.0%).

## 20 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:*

	2016	2015
	£'000	£'000
<b>Leasehold properties</b>		
Not later than one year	1,151	1,162
After one year but not more than five years	3,102	3,313
After five years	565	1,167

<b>At 31 March</b>	<b>4,818</b>	<b>5,642</b>
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	2016	2015
	£'000	£'000

<b>Leasehold plant &amp; equipment</b>		
Not later than one year	83	61
After one year but not more than five years	90	96
After five years	-	-

<b>At 31 March</b>	<b>173</b>	<b>157</b>
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### 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:*

	2016	2015
	£'000	£'000
Not later than one year	276	303
After one year but not more than five years	687	752
After five years	0	129

<b>At 31 March</b>	<b>963</b>	<b>1,184</b>
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## 21 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) (VisitLondon ceased to be a participating employer in 2011/12).

A full actuarial valuation was carried out using membership data as at 31 March 2015, 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 2016). 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. The 31 March 2015 valuation has not yet been finalised.

During the year ended 31 March 2016, a total contribution of **23.2%** (2015:23.2%) 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 **£1,438,000** (2015: £1,350,000). 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 **£3,724,000** (2015:£2,151,000) represents VisitScotland's cost of additional benefits earned by active members during the year, and includes administration expenses of £173,000 (2015:£143,000), which, set against the employer contributions paid, reflects a deficit in the year of £2,286,000.

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:-

	<b>31 March 2016</b>	31 March 2015
Share of total past service liabilities -	<b>27.5%</b>	26.8%
Share of benefit outgo -	<b>21.2%</b>	16.4%
Share of future service cost -	<b>50.8%</b>	54.3%

The net interest expense of £880,000 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 £1,878,000 over the period, the actual investment return (net of the Scheme's investment expenses) was £1,912,000. As a consequence, there was an asset gain over the period of £34,000.

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 **£3,857,000**.

The Scheme's assets are held in funds managed by Newton, Legal & General, M&G, Fidelity, Baillie Gifford, Black Rock and Threadneedle. At the measurement date the fair value of investments with these companies was £237,101,000. In addition, the Scheme also holds a series of annuity policies in respect of some of the pensions currently in payment, as currently valued at £16,889,000. Details of the fair value of the assets and liabilities held is shown on page 71.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to **£60,462,000** (2015: £58,834,000), as compared to its share of Scheme liabilities of **£86,126,000** (2015: £85,208,000) results in the funded status of VisitScotland's share of the Scheme reflecting a liability of **£25.66 million** as at 31 March 2016 (2015: £26.37 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 23.

**21 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	2016 % p.a.	2015 % p.a.
Inflation assumption	2.45 CPI	2.40 CPI
Rate of increase in pensionable salaries <i>3.35% until 31 March 2019 then 4.35% thereafter ( 2015: 3.3% until 31 March 2018 : 4.3% thereafter)</i>	4.35	4.30
Rate of increase for pensions in payment <i>The CPI assumption for 2016 has been calculated as RPI (3.35%) less 0.9% p.a. ( 2015: RPI (3.30%) less 0.9% p.a.)</i>	2.45 CPI	2.40 CPI
Liability discount rate	3.65	3.20
Expected return on employer Assets	3.65	3.20

**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.

*Expected age at death of current pensioner at age 65*

Male aged 65 at year end	89.5 years	88.2 years
Female aged 65 at year end	91.4 years	89.8 years
<i>Expected age at death of current pensioner at age 65</i>		
Male aged 45 at year end	91.2 years	90.7 years
Female aged 45 at year end	93.2 years	91.2 years

*Life expectancy on 31 March 2014 mortality assumptions*

**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 2016 amounts to approximately 23.4 years. ( 2015 : 24.2 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:

*i) RPI Inflation*

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.

	-0.50%	Central assumption	0.50%
	2.85%	3.35%	3.85%
Liabilities	£77.1m	£86.1m	£96.6m
Assets	£60.3m	£60.5m	£60.7m
Deficit	£16.8m	£25.6m	£35.9m

*ii) Discount rate*

	-0.50%	Central Assumption	0.50%
	3.15%	3.65%	4.15%
Liabilities	£96.9m	£86.1m	£77.0m
Assets	£60.7m	£60.5m	£60.3m
Deficit	£36.2m	£25.6m	£16.7m

*iii) Life expectancy*

The tables below set out the effects if life expectancies increase or reduce by one year.

	- 1 Year	Central assumption	+ 1 year
Liabilities	£83.9m	£86.1m	£88.4m
Assets	£60.4m	£60.5m	£60.6m
Deficit	£23.5m	£25.6m	£27.8m

## 21 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 2016

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	58,834	-	58,834
Present value of funded liabilities	-	85,208	(85,208)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 1 April 2015</b>	<b>58,834</b>	<b>85,208</b>	<b>(26,374)</b>
Service cost			
- Current service cost**	(173)	3,551	(3,724)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>(173)</b>	<b>3,551</b>	<b>(3,724)</b>
Net interest			
- Interest income on plan assets	1,878	-	1,878
- Interest cost on defined benefit obligation	-	2,758	(2,758)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,878</b>	<b>2,758</b>	<b>(880)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,705</b>	<b>6,309</b>	<b>(4,604)</b>
Cashflows			
- Plan participants' contributions	330	330	-
- Employer contributions	1,438	-	1,438
- Transfers in	29	29	-
- Benefits paid	(1,893)	(1,893)	-
<b>Expected closing position</b>	<b>60,443</b>	<b>89,983</b>	<b>(29,540)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	2,040	(2,040)
- Change in financial assumptions	-	(8,396)	8,396
- Other experience	-	2,499	(2,499)
- Return on assets excluding amounts included in net interest	19	-	19
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>19</b>	<b>(3,857)</b>	<b>3,876</b>
Fair value of employer assets	60,462	-	60,462
Present value of funded liabilities	-	86,126	(86,126)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2016</b>	<b>60,462</b>	<b>86,126</b>	<b>(25,664)</b>

\*\* The current service cost includes administration expenses of £173,000.

**21 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.

**21 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 2016				31 March 2015			
	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)	-	-	-	-	8,265	-	8,265	14.1%
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	3,042	-	3,042	5.2%
Other	-	-	-	-	-	-	-	-
<b>Private Equity:</b>								
All	-	-	-	-	-	-	-	-
<b>Real Estate:</b>								
UK Property	6,307	-	6,307	10.4%	5,562	-	5,562	9.5%
Overseas Property	-	-	-	-	-	-	-	-
<b>Investment funds and unit trusts:</b>								
Equities	22,706	-	22,706	37.5%	23,711	-	23,711	40.3%
Corporate Bonds	-	-	-	-	-	-	-	-
Hedge Funds	12,253	-	12,253	20.3%	12,128	-	12,128	20.6%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - LDI repo	17,226	-	17,226	28.5%	3,879	-	3,879	6.5%
Other - Insurance Annuities	1,976	-	1,976	3.3%	1,928	-	1,928	3.3%
<b>Derivatives:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents:</b>								
All	(6)	-	(6)	-	319	-	319	0.5%
<b>Totals</b>	<b>60,462</b>	<b>-</b>	<b>60,462</b>	<b>100.0%</b>	<b>58,834</b>	<b>-</b>	<b>58,834</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	2016	2015	2014
	£'000	£'000	£'000
Fair value of employer assets	60,462	58,834	51,020
Present value of defined benefit obligation	(86,126)	(85,208)	(66,530)
<b>Net pension (liability)</b>	<b>(25,664)</b>	<b>(26,374)</b>	<b>(15,510)</b>
Experience: (Losses)/gains on assets	19	5,409	(391)
Experience: (Losses)/gains on liabilities	3,857	(14,787)	(6)
	<b>3,876</b>	<b>(9,378)</b>	<b>(397)</b>
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>	<b>(16,085)</b>	<b>(19,961)</b>	<b>(10,583)</b>



**21 POST- RETIREMENT BENEFITS (continued)****b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)**

VisitScotland participates in a number of Local Government Pension Scheme ("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 2016) 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	
	% 2016	% 2015
Aberdeen City Council Pension Fund	20.8	20.6
Tayside Superannuation Scheme	17.0	18.0
Falkirk Council Pension Scheme	24.7	21.6
Dumfries and Galloway Council Pension Fund	19.5	21.5
Lothian Pension Fund	15.2	14.1
Strathclyde Pension Scheme	21.3	19.3
Highland Council Pension Fund	22.1	21.3
Highland Council Pension Fund (Western Isles)	21.3	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	27.6	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 2016 amounted to **£1,082,000** (2015: £1,005,000). The amount of employer contributions expected to be paid during the year to 31 March 2017 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 **£1,065,000** (2015:£1,011,000), represents VisitScotland's cost of additional benefits earned by active members during the year, and includes an administration allowance of 0.3% of payroll (2015: 0.3%).

The following table illustrates VisitScotland's membership spread in relation to their respective share of the Scheme's defined benefit obligation :-

	31 March 2016	31 March 2015
Active members -	31.5%	29.7%
Deferred members -	35.5%	36.6%
Pensioner members -	33.0%	33.6%

The actuary has reported that whilst weak asset returns of £374,000 [excluding net interest of £1.59 million] were received, owing to changes in financial market conditions over the year, and the resultant changes in assumptions used to value the liabilities and for experience arising, an overall actuarial gain was produced thereon of **£5,914,000**.

VisitScotland's share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2016, amounts to **£51,005,000** (2015: £49,727,000), as detailed on page 76, which when compared to its share of Scheme Liabilities of **£59,451,000** (2015: £63,165,000) results in the funded status of VisitScotland's share of the Scheme, as at 31 March 2016, standing at a reduced liability of **£8.45 million** (2015: £13.44 million).

**21 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**

	2016 % p.a.	2015 % p.a.
Inflation assumption	2.45 CPI	2.40 CPI
Rate of increase in pensionable salaries <i>3.35% until 31 March 2019 then 4.35% thereafter ( 2015: 3.3% until 31 March 2019 : 4.3% thereafter)</i>	4.35	4.30
Rate of increase for pensions in payment <i>The CPI assumption for 2016 has been calculated as RPI (3.35%) less 0.9% p.a.( 2015: RPI (3.30%) less 0.9% p.a.)</i>	2.45 CPI	2.40 CPI
Liability discount rate	3.65	3.20
Expected return on employer Assets	3.65	3.20

**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 2015 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 not 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 2015 and 31 December 2015. The asset split for VisitScotland as at 31 March 2016 has been assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2015 ( The split is shown on page 76).

**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. ( 2015 : 19.7 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	10%	£6.1m
0.5% increase in the Salary Increase Rate	2%	£1.0m
0.5% Increase in the Pension Increase Rate	9%	£5.1m
1 year increase in member life expectancy	3%	£1.8m

## 21 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 2016

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
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>Opening position as at 1 April 2015</b>	<b>49,727</b>	<b>63,165</b>	<b>(13,438)</b>
Service cost			
- Current service cost*	-	1,165	(1,165)
- Past service cost (including curtailments)	-	33	(33)
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>1,198</b>	<b>(1,198)</b>
Net interest			
- Interest income on plan assets	1,593	-	1,593
- Interest cost on defined benefit obligation	-	2,025	(2,025)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,593</b>	<b>2,025</b>	<b>(432)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,593</b>	<b>3,223</b>	<b>(1,630)</b>
Cashflows			
- Plan participants' contributions	255	255	-
- Employer contributions	1,022	-	1,022
- Contributions in respect of unfunded benefits	60	-	60
- Benefits paid	(1,218)	(1,218)	-
- Unfunded benefits paid	(60)	(60)	-
<b>Expected closing position</b>	<b>51,379</b>	<b>65,365</b>	<b>(13,986)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	(4,834)	4,834
- Other experience	-	(1,080)	1,080
- Return on assets excluding amounts included in net interest	(374)	-	(374)
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>(374)</b>	<b>(5,914)</b>	<b>5,540</b>
Fair value of employer assets	51,005	-	51,005
Present value of funded liabilities	-	58,297	(58,297)
Present value of unfunded liabilities	-	1,154	(1,154)
<b>Closing position as at 31 March 2016</b>	<b>51,005</b>	<b>59,451</b>	<b>(8,446)</b>

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

**21 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.

**21 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 2016				31 March 2015			
	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	4,670	-	4,670	9.2%	4,552	-	4,552	9.2%
Manufacturing	3,521	20	3,541	6.9%	3,433	19	3,452	6.9%
Energy & Utilities	2,023	-	2,023	4.0%	1,972	-	1,972	4.0%
Financial Institutions	3,295	-	3,295	6.4%	3,213	-	3,213	6.4%
Health & Care	1,967	-	1,967	3.9%	1,917	-	1,917	3.8%
Information technology	2,927	2	2,929	5.7%	2,853	2	2,855	5.7%
Other	3,565	132	3,697	7.2%	3,476	129	3,605	7.3%
<b>Debt securities:</b>								
Corporate Bonds (investment grade)	357	87	444	0.9%	349	85	434	0.9%
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	1,045	144	1,189	2.3%	1,019	141	1,160	2.4%
Other	405	3	408	0.8%	394	3	397	0.7%
<b>Private Equity:</b>								
All	197	3,402	3,599	7.1%	193	3,316	3,509	7.1%
<b>Real Estate:</b>								
UK Property	988	3,132	4,120	8.1%	964	3,054	4,018	8.1%
Overseas Property	1	101	102	0.2%	1	98	99	0.2%
<b>Investment funds and unit trusts:</b>								
Equities	4,971	6,874	11,845	23.2%	4,845	6,702	11,547	23.2%
Bonds	746	3,570	4,316	8.5%	727	3,481	4,208	8.5%
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	42	-	42	0.1%	41	-	41	0.1%
Infrastructure	50	194	244	0.5%	50	188	238	0.5%
Other	620	322	942	1.8%	604	314	918	1.8%
<b>Derivatives:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	14	-	14	0.0%	13	-	13	0.0%
Other	7	-	7	0.0%	7	-	7	0.0%
<b>Cash and cash equivalents:</b>								
All	1,030	581	1,611	3.2%	1,005	567	1,572	3.2%
<b>Totals</b>	<b>32,441</b>	<b>18,564</b>	<b>51,005</b>	<b>100.0%</b>	<b>31,628</b>	<b>18,099</b>	<b>49,727</b>	<b>100.0%</b>

**HISTORY OF EXPERIENCE GAINS AND LOSSES**

As at 31 March	2016	2015	2014
	£'000	£'000	£'000
Fair value of employer assets	51,005	49,727	43,772
Present value of defined benefit obligation	(59,451)	(63,165)	(55,082)
<b>Net pension (liability)</b>	<b>(8,446)</b>	<b>(13,438)</b>	<b>(11,310)</b>
Experience: (Losses)/gains on assets	(374)	3,965	1,143
Experience: (Losses)/gains on liabilities	5,914	(5,549)	(953)
	<b>5,540</b>	<b>(1,584)</b>	<b>190</b>
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>	<b>(6,390)</b>	<b>(11,930)</b>	<b>(10,346)</b>

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

	2016	2015
	£'000	£'000
British Tourist Boards' Pension Scheme	1,438	1,350
Local Government Pension Schemes	1,082	1005
Other Pension Schemes	8	8

<b>At 31 March</b>	<b>2,528</b>	<b>2,363</b>
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**d) TOTAL PENSION SCHEME ACTUARIAL LOSSES / (GAINS) RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	2016	2015
	£'000	£'000
British Tourist Boards' Pension Scheme	(3,876)	9,378
Local Government Pension Schemes	(5,540)	1,584

<b>At 31 March</b>	<b>(9,416)</b>	<b>10,962</b>
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**e) TOTAL DEFICIT ON RETIREMENT BENEFIT OBLIGATIONS**

	2016	2015
	£'000	£'000
British Tourist Boards' Pension Scheme	(25,664)	(26,374)
Local Government Pension Schemes	(8,446)	(13,438)

<b>At 31 March</b>	<b>(34,110)</b>	<b>(39,812)</b>
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**f) IAS 19 ADJUSTMENT AS DISCLOSED IN THE PERFORMANCE REPORT**

	BTBPS	LGPS
Charges recognised in the statement of comprehensive net income	4,604	1,630
Employer's contributions	(1,438)	(1,022)
Contributions in respect of unfunded benefits	-	(60)
	<u>3,166</u>	<u>548</u>

<b>Annually Managed Expenditure (AME)</b>	<b>3,714</b>
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## 22 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 18 represent the remaining sources of debt, or borrowing facilities with external parties, incurred by VisitScotland. Liquidity is managed by the use of the annual operating plan process and the monitoring of the actual performance against budgets and forecasts.

The following tables summarise the maturity profile of 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 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>
<b>As at 31 March 2016</b>					
Loans	3	3	-	-	3
Other borrowings	1,878	585	1,358	109	2,052
Trade and other payables	10,484	10,484	-	-	10,484
<b>Total financial liabilities</b>	<b>12,365</b>	<b>11,072</b>	<b>1,358</b>	<b>109</b>	<b>12,539</b>

**22 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 16 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:

	2016	2015
	£'000	£'000
<b>Current receivables</b>		
Trade and other receivables	3,965	1,982
Cash and cash equivalents		
Government Banking Service	904	1,971
Commercial banks	3,222	2,410
<b>At 31 March</b>	<b>8,091</b>	<b>6,363</b>



**22 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 2015				
<i>Financial liabilities</i>				
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>
At 31 March 2016				
<i>Financial liabilities</i>				
Other borrowings	(510)	(1,262)	(106)	(1,878)
<b>Total</b>	<b>(510)</b>	<b>(1,262)</b>	<b>(106)</b>	<b>(1,878)</b>
<b>Variable interest rate</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>
At 31 March 2016				
<i>Financial assets</i>				
Trade and other receivables	3,965	-	-	3,965
Cash and cash equivalents	4,126	-	-	4,126
<i>Financial liabilities</i>				
Loans	(3)	-	-	(3)
Trade and other payables	(10,484)	-	-	(10,484)
<b>Total</b>	<b>(2,396)</b>	<b>-</b>	<b>-</b>	<b>(2,396)</b>

**22 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.

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	3,965	3,965	1,982	1,982
Cash and cash equivalents	4,126	4,126	4,381	4,381
<i>Financial liabilities</i>				
Loans - Variable interest rate	(3)	(3)	(5)	(5)
Other borrowings	(1,878)	(1,878)	(2,387)	(2,387)
Trade and other payables	(10,484)	(10,484)	(8,460)	(8,460)
<b>At 31 March</b>	<b>(4,274)</b>	<b>(4,274)</b>	<b>(4,489)</b>	<b>(4,489)</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: 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.

## 22 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 2016 the amount outstanding on this loan was **£2,519**.

i) An annualised increase of 400 basis points from the rate in use at 31 March 2016 would result in an increase in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£101** (2015: £202).

ii) An annualised decrease of 100 basis points from the rate in use at 31 March 2016 would result in a decrease in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£25** (2015 :£50).

It should be noted, however, that this loan will be repaid during the year to 31 March 2017.

##### *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.

#### 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.

**23 PROVISIONS**

	Pension provision £'000	Early departure costs £'000	Total £'000
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>
At 1 April 2015	128	-	128
Utilised	(19)	-	(19)
Charged	15	-	15
<b>At 31 March 2016</b>	<b>124</b>	<b>-</b>	<b>124</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.

**24 LOSSES AND SPECIAL PAYMENTS**

	2016 £'000	2015 £'000
Total losses for the year were:		
Trade bad debts written off	25	25
<b>At 31 March</b>	<b>25</b>	<b>25</b>

**25 CAPITAL COMMITMENTS**

There were no capital commitments as at 31 March 2016 ( 2015: None ).

**26 CONTINGENT LIABILITIES**

The impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc, was such that the grants will no longer be held in reserve with amounts being released over the life of an asset. However, there remains the possibility that, until the official timeline expires in respect of a number of the grants that have hitherto been received, there may be a requirement to repay a proportion of such grants in the event that the associated assets were to be sold or the nature of their use was to be changed.

**27 EVENTS AFTER THE BALANCE SHEET DATE**

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

## 28 RELATED PARTY TRANSACTIONS

VisitScotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government, which in turn, is regarded as a related party. During the year VisitScotland has had various material transactions, excluding Grant-in-Aid, with the Scottish Government, and with other entities for which the Scottish Government is regarded as the parent body.

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

Representative	Company name	Role	Nature of supply	Sales to £'000	Debtor balance £'000	Purchases from £'000	Creditor balance £'000
Mike Cantlay	VisitBritain	Director	Promotions / marketing projects	17	-	39	-
Anne Anderson	University of Glasgow	Vice Principal	Promotions / marketing projects	-	-	7	-
Rebecca Brooks	Scottish Tourism Alliance	Non-Executive Director	Sponsorship / Mktg	1	-	13	-
	Abbey Scotland	Managing Director	Sponsorship / Mktg	8	-	-	-
Cathy Craig	Abellio Scotrail	Commercial Director	Hire of Train-Borders Railway	54	-	3	-
	Argyll & The Isles Tourism Co-operative Ltd	Director	Sponsorship	-	-	1	-
Gordon Dewar	Edinburgh Airport Ltd	Chief Executive Officer	Retail commission/ Services	3	-	38	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/ Mktg	1	-	13	-
Stephen Dunlop	Scottish Canals	Chief Executive Officer	Promotions / Rent	-	-	5	-
Stephen Hagan	Orkney Islands Council	Member	Rent / marketing promotions / Rates	79	-	75	-
Calum Ross	Oban & Lorn Tourism	Chairman	Sponsorship	-	-	11	-
	Argyll & The Isles Tourism Co-operative Ltd	Vice Chairman	Sponsorship	-	-	1	-
	Loch Melfort Hotel	Partner	Quality Assurance Fee	1	-	-	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship / Mktg	1	-	13	-
Malcolm Roughhead	University of Strathclyde	Lay Member	Room hire	1	-	2	-
Paul Bush	Commonwealth Games Council	Chairman	Hospitality	-	-	1	-
	Edinburgh Military Tattoo	Ambassador	Sponsorship	-	-	5	-
<b>Total transaction values</b>				<b>166</b>	<b>-</b>	<b>227</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.

