

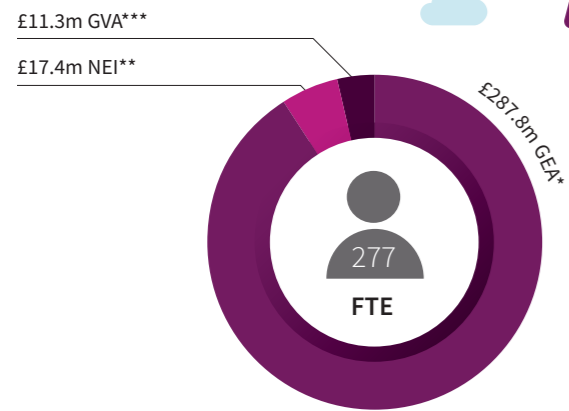
Annual Report and Financial Statements

for the year ended 31 March 2018

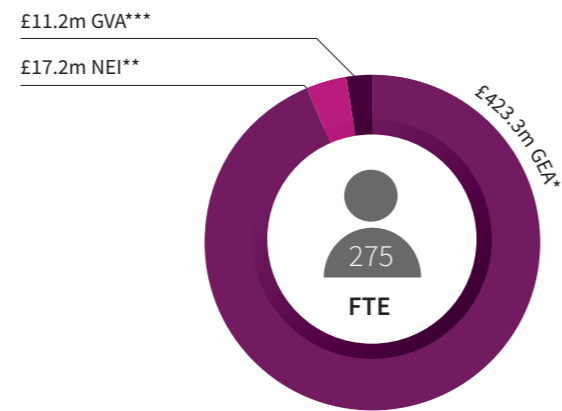
Our Highlights

In 2017/18, VisitScotland contributed to generating the following performance outcomes for the Scottish economy;

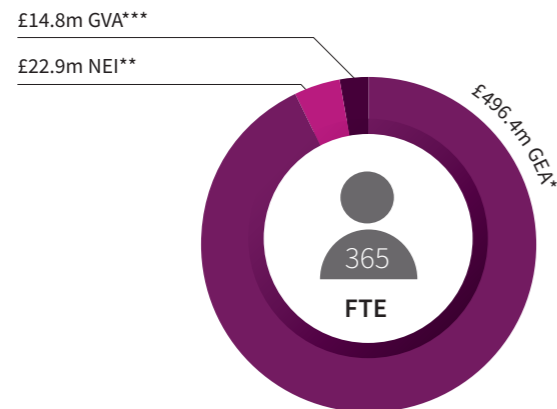
MARKETING



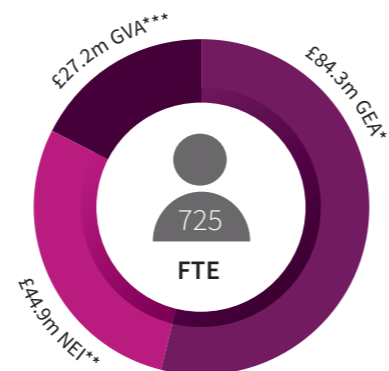
INTERNATIONAL CONSUMER MARKETING – SHORT HAUL/EUROPE
(Jan 2017-Dec 2017)



INTERNATIONAL CONSUMER MARKETING – LONG HAUL
(Jan 2017-Dec 2017)



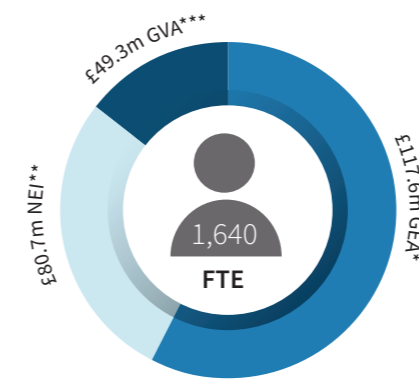
REST OF UK & IRELAND CONSUMER MARKETING
(Mar 2017-Feb 2017)



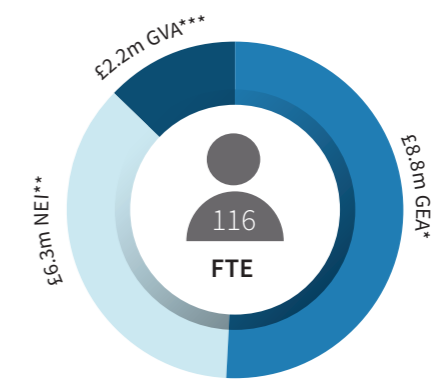
ROUTE DEVELOPMENT



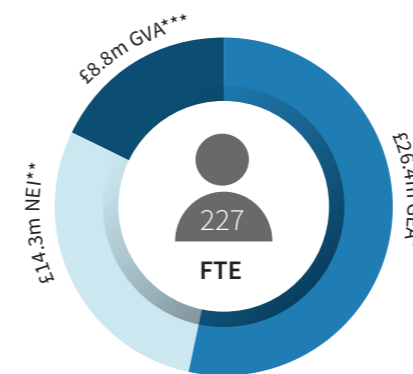
EVENTS



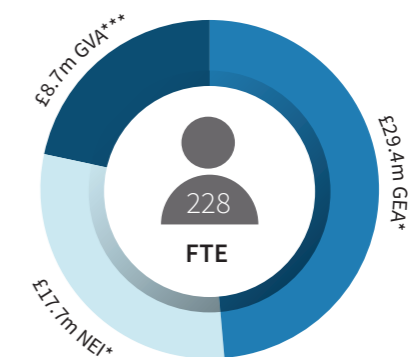
INTERNATIONAL PROGRAMME



GOLF PROGRAMME



EXPO 2017



NATIONAL BID FUND

* GEA Gross Economic Activity, £m
**NEI Net Economic Impact (Direct), £m
***GVA (Direct, Indirect, Induced), £m
FTE Supported (Direct, Indirect, Induced)



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Chair's foreword



The Rt Hon. the Viscount Thurso

This time last year I was reflecting on my first year in office, expressing how impressed I had been by the sheer volume of activity that takes place across VisitScotland. Twelve months on and I continue to be impressed by the impact and reach of VisitScotland. Tourism is the heartbeat of the Scottish economy, touching every community, generating income, jobs and social change.

Marketing Scotland at a national level as a must-visit destination and the perfect stage for events remains at the core of what we do. VisitScotland also plays an important role by championing collaboration, spearheading digital innovation, promoting local areas and events and ensuring that tourism is recognised for the ripple effect of success, well-being and prosperity it brings to all sections of society.

As a non-departmental public body, VisitScotland also has a responsibility to deliver against the Scottish Government's Programme for Government and its Economic Strategy. Working with our many partners across Team Scotland, we have contributed directly and indirectly to achieving the outcomes of the National Performance Framework, including particularly in relation to being the most attractive place for doing business; realising our full

economic potential with more and better employment opportunities for our people; taking pride in a strong, fair and inclusive national identity; and ensuring our public services are high quality.

This year the Board has been working with the Leadership Group to consider how we take VisitScotland from good to great to world class. The culmination of this work has been the launch of a new Strategic Framework which articulates our vision for the future and identifies three areas of strategic intent supported by a range of critical enablers.

Our mission is to lead, support and contribute to a collective effort to build a globally competitive visitor economy, through strategic leadership and industry partnerships. To achieve that mission we will focus on three areas of strategic intent:

- Building a visitor-shaped destination brand
- Investing in Scotland's tourism and events communities
- Facilitating collaboration and embracing change in a global digital economy

Achieving world class means that we need to ensure that VisitScotland is not only fit for purpose but also seeks to be best in class. Over the

coming months we will drive a programme of transformation through talent and technology as we focus on delivering our people strategy and digital and IT strategies.

Tourism is the heartbeat of the Scottish economy, touching every community, generating income, jobs and social change.

As I reflect on another successful year for VisitScotland and Scottish tourism and I look forward to yet more exciting times ahead, I would like to pay tribute to my fellow Board members and the team at VisitScotland and thank them for their hard work and dedication. I would particularly like to extend my thanks to Steve Dunlop

and Gordon Dewar, both of whom have stood down from the Board this year to take on new roles. They have both played a significant role in VisitScotland's continued success.

CEO's statement



Malcolm Roughead OBE

VisitScotland's primary purpose is to stimulate new and sustainable growth in the visitor economy

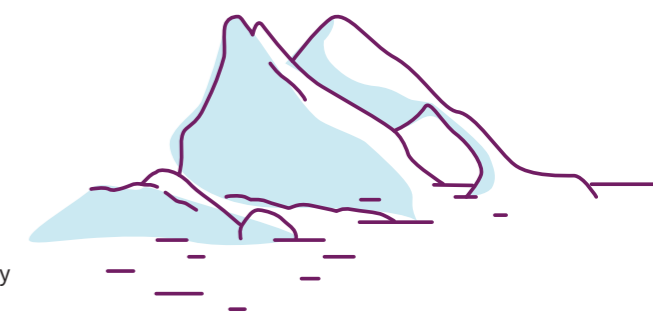
The last 12 months have seen Scottish tourism, and the contribution that VisitScotland makes to the Scottish economy, go from strength to strength. Underlying confidence across the sector has been demonstrated by the significant investment in new products right across the country with 22 new hotels and 2050 new beds introduced to the accommodation sector. Underpinning this sense of confidence in Scottish tourism, we are delighted to have had the opportunity to work with a number of airlines to help launch new routes from North America and Europe, adding an additional 280,485 seats inbound to Scotland, not to mention the announcement of new routes from the Middle and Far East.

VisitScotland's primary purpose is to stimulate new and sustainable growth in the visitor economy and the results of the past year demonstrate that the strong performance we have achieved over recent years is continuing. Our consumer marketing activity generated £1.37 billion of Gross Economic Activity, supporting 939 full time equivalent (FTE) jobs, while our investment in and support for sporting and cultural events contributed towards the generation of £147 million of Gross Economic Activity, supporting 1,831 FTE jobs. Performance across other areas of activity was also strong with our investment in business events, route development, intermediary marketing, quality and the iCentre network yielding impressive results.

Our strong performance has contributed to the continued growth of the sector. Spending by domestic visitors grew by almost 4% in 2017 while trips for holiday purposes increased by 10%. The strength of the day visitor market has been particularly impressive with a 6% increase in visits and a 22% increase in spend. In line with our focus on internationalisation, it is also encouraging to see a particularly strong increase in visitor numbers and spend from our international markets, with trips increasing by 17% and spend increasing by 23%.

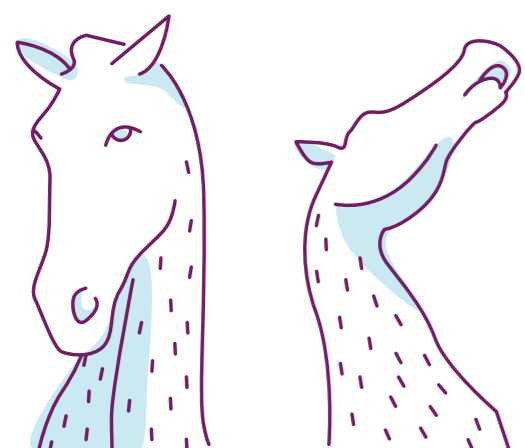
Collaborative working remains central to everything we do, from our events programmes, our quality assurance activity, our business support, our trade platforms, our inclusive tourism programmes and, of course, our marketing. A particular highlight has been our collaboration to develop a new brand for Scotland. Over the past 12 months we have built on existing relationships and in April 2018 we launched a new campaign Scotland is Now, the biggest invitation ever to come and work, live, study, invest, visit and do business with Scotland. We look forward to working with our partners as this develops and grows.

None of this could have been achieved without the dedication and commitment of the VisitScotland team. We continue to invest in our people and develop their skills to help them support the tourism industry as it goes from strength to strength.



Statutory Background

Key strategic objectives, issues and risks



VisitScotland shares the industry ambition of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn

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 is also a network of VisitScotland iCentres and local offices throughout the country.

VisitScotland's core purpose, as set out in the Corporate Plan, is to deliver sustainable and inclusive economic growth throughout Scotland. In so doing, we will play a key role in delivering against the shared industry ambition as set out in Tourism Scotland 2020 of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn.

To deliver our core purpose, VisitScotland adopted the following strategies for 2017/18:

- Marketing
- International Engagement
- Events
- Quality & Sustainability
- Inclusive Tourism

These strategies provide the framework for our performance measurement arrangements and our risk management framework (page 50-53).

The key strategic risks for VisitScotland are detailed on page 51. Looking forward, VisitScotland will also have to consider the following matters:

- how it maintains effective support for, and partnership with, tourism businesses
- how it maximises digital technology for the benefit of the tourism industry in the delivery of the wider economic and community benefit
- how it manages the uncertainties arising from the impending departure of the United Kingdom from the European Union

The financial statements have been prepared on a going concern basis (page 43).

In delivering our strategies we have contributed to the delivery of the four pillars laid out in the Scottish Economic Strategy below:



INVESTMENT

- quality & sustainability
- national tourism development framework
- data driven



INNOVATION

- marketing partnerships
- digital/data
- discovery plan
- social media strategy
- outreach programme



INTERNATIONALISATION

- quality & sustainability
- national tourism development framework
- data driven



INCLUSIVE GROWTH

- accessible tourism
- social tourism
- national events programme
- local engagement

Marketing

We will drive advocacy by inspiring a national movement, helping to facilitate this global advocacy with quality information, content and advice, and empowering and enabling the Scottish tourism industry, in particular our large SME base, to seize the opportunities that the digital economy presents.

visitscotland.com

+19m total site traffic
in 2017/18



+34%
social media
followers

VisitScotland Dedicated Support

14 web booking engines
and online travel agents
are now integrated with visitscotland.com

potential
£387m
in bookings

1.1m
accommodation
referrals

referrals worth
£16m
to events and
attractions

TripAdvisor
drove an extra
£9m
accommodation
revenue

Our Instagram
Travel Agency reached
634m
consumers

iCENTRE

Growth Fund

£369,925 was awarded
in 2017/18

Shop Local
+260
Scottish suppliers

+13.6%
Ticket sales
+12.6%
Retail sales

Marketing

DRIVING NEW VISITS TODAY

Continued marketing investment in our digital and social channels has helped to generate business for Scotland's tourism community by driving increased quality traffic from our key markets, resulting in more people looking at our listings. At the same time, investment in digital channels has allowed VisitScotland to deliver more effectively and efficiently.

visitscotland.com: Total traffic to the site in 2017/18 was just over 19m. Of that total, more than 13.5m visits were generated by organic search, an increase of 13% from the previous year. We saw increases in visits to the site from all our key markets: 10.5% increase from the UK; 2% increase from the US; 28% increase from Germany; and 10% increase from France.

This increase in traffic translated into equally impressive increases in referrals to Scottish tourism businesses and partners, with just over 2m referrals to individual businesses in 2017/18 (a 51% increase on the previous year) and just under 1.5m referrals to partner sites (a 48% increase). Based on an analysis of these referrals, over the past year, visitscotland.com has driven 1.1m accommodation referrals worth a potential £387m in bookings and an estimated further £16m in referrals to events and attractions.

Social Media: Our social media channels continue to grow and over the past year our organic social media posts have reached a total of 375m people, equivalent to an estimated £1.2m media budget to reach the same audience through paid media. Over this



time our social media followers have grown by 34% from 1.6m to 2.1m, with each individual post reaching on average 30% more people than ones published the previous year. This year we embarked on a new social media campaign, Scotland Life to reach a new millennial audience. This saw the production of 27 pioneering videos being co-produced with US and UK social media influencers. These have since been watched 33 million times on YouTube and Facebook.

PARTNERSHIPS / NETWORKS

TripAdvisor: During the first year of our TripAdvisor partnership we drove an extra 24,000 accommodation bookings and £9m of accommodation revenue on the platform.

VISITOR INFORMATION

VisitScotland iCentres: 2017 saw the launch of our two year Information Strategy programme at the heart of which are 26 regional iCentre hubs. A number of these have benefitted from significant refurbishment and investment in recent years and in 2017/18 we saw the refurbishment of Portree and Inverness centres as well as the opening of a brand new centre in Glasgow.

visitscotland.com

13.5m visits
generated by organic search



Our TripAdvisor partnership drove

+24,000

accommodation bookings

Footfall to the iCentre network has remained relatively static. However, retail sales have increased by an impressive 12.6% while ticket sales have increased by 13.6%.

Shop Local is at the heart of our retail strategy, providing a platform for communities, local businesses, craft makers and artists, designers and others to promote and sell their products to visitors via the iCentre network. We now retail over 260 Scottish suppliers throughout the iCentres, providing a shop window to the world for local suppliers who would not otherwise have had a retail outlet.

Outreach: In 2017 the outreach team attended 51 events with pop-up units or with one of our four Coo Vans. The Coo Vans (our mobile information fleet) spent 300 days on the road and visited over 180 sites throughout Scotland.

Marketing

VisitScotland Dedicated Support carried out

1,629
digital business surgeries
in 2017/18

PR

92% of our PR media coverage contained our key message or call to action (directing visitors to our website or social channels).

Our Instagram Travel Agency, an online PR initiative which allowed visitors to create their perfect holiday using Instagram images, reached 634m consumers. To achieve the same reach through paid channels it would cost around £1.3m of display activity.

VIP Programme: Membership of the VIP programme reached 1824 in 2017/18. Our partners, primarily accommodation businesses and visitor attractions, have been recruited as part of a targeted acquisition plan and act as local information ambassadors extending the footprint of our information offering. A most notable success was the signing of an agreement with Historic Environment Scotland which sees 66 properties coming on board the VIP Programme.

iKnow Community: supporting our face to face information is a strong digital information programme through our online iKnow Community. Launched in June 2016, there are now 7015 registered users on the community and 1207 discussion threads underway, incorporating 7016 comments.

INDUSTRY SUPPORT

Both through partnership working with Digital Tourism Scotland and through our own dedicated activity, VisitScotland has played an important role in helping the tourism industry to digitalise over the last 12 months.

Digital Tourism Scotland: VisitScotland led a relaunch of the Digital Tourism Scotland (DTS) website which went live in November 2017.

The relaunched DTS site achieved 11,000 user sessions between November 2017 and the end of March 2018, of which 60% were new users, viewing on average 2.21 pages per session.

From January 2018 – March 2018 we supported delivery of 83 DTS workshops attended by 854 delegates.

VisitScotland Dedicated Support: in 2017/18 we carried out 1629 digital business surgeries which saw the number of online bookable businesses rise from 3591 (41%) to 4525 (48%). In addition, a further 822 businesses added a non-integrated booking URL to their listing.

As a result of ongoing partnership working, 14 web booking engines and Online Travel Agents (OTAs) are now integrated with VisitScotland.com, with a further two close to finalisation, including 1000 properties through Wyndham (cottage.com and Hoseasons).

GROWTH FUND

Supporting the tourism industry across the whole country we had 28 Growth Fund contracts live across 2017/18, 13 of them initiated during the year. A total of £369,925 was awarded in 2017/18, supporting marketing activity to the value of £739,650.

ATTRACTING TOMORROW'S VISITORS

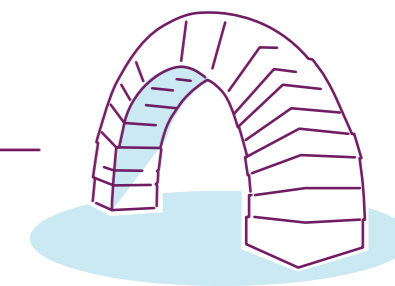
Working collaboratively with partners in the Scottish Government, Scottish Enterprise and Universities Scotland, we launched the first ever national global brand for Scotland – Scotland is Now – targeting the New York tristate area, San Francisco and London.

At the heart of this campaign was a brand film supported by 13 mini-documentaries with people who have a connection to Scotland and a story to share communicating the unique value of our 'Scottishness' and extending the biggest invitation ever to come work, live, study, invest, visit and do business with Scotland.

In the first month of Scotland is Now, the campaign generated 18m total views and 3.7m completed views.

The YouTube launch ad was ranked by YouTube in the top 10% ever for the ad format. Reaching our launch audience via the YouTube masthead was 13x more cost effective than via TV.

Since the campaign launch the Scotland.org site has seen a 13% increase in visits and an average 302% increase across our target markets.



International Engagement

We will work across a wide range of audiences, including other Team Scotland Partners such as the Scottish Government, Scottish Development International and VisitBritain; the international travel trade; Associations; other National Tourism Organisations; and academia, alumni and diaspora networks to better understand international opportunities and optimise the potential that increased internationalisation of the tourism industry represents.

Intermediary Marketing

We've secured
152
new and extended
packages

Worked with
18
airlines

Announcement of
Scotland's
first direct service from
China

Aviation

2017/18
saw the launch of
our first
low cost airline
from the
US East coast

Knowledge Exchange

We've delivered
30
engagement opportunities
for industry partners

17,643
engagements

VisitScotland
has continued to develop
its relationship with the
Icelandic Tourist Board



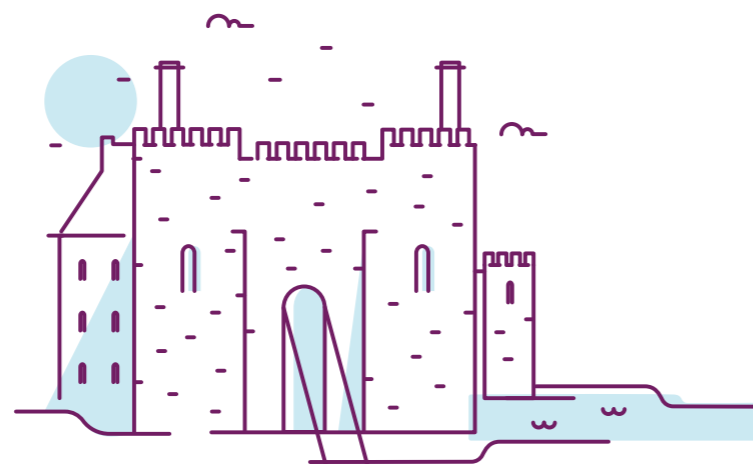
International Engagement

INTERMEDIARY MARKETING

Working closely with tour operators across the globe we supported the creation of 152 new and extended travel products and packages. Within these we have successfully achieved excellent regional and seasonal spread, introducing Scotland South West, Discovering Dumfries and Galloway, Perthshire, Aberdeen and Speyside along with niche seasonal programmes such as photography and walking tours.

We delivered 30 business to business platforms for industry partners, including nine VisitScotland Business Development Missions (Australia / New Zealand, China, India, North America, France, Germany, Italy, the Netherlands, the UK). Other events include ITB Berlin, ILTM China, Destination Britain events in China and North America, and World Travel Market.

Increased numbers of Scottish businesses joining our Business Development Missions helped us achieve some 17,643 engagements in total across our annual programme of business to business platforms, with our online meeting maker system at Expo 2017 responsible for 9,961 meetings.



AVIATION

During 2017/18 we worked with 18 airlines to support existing, new and extended routes from across our key markets.

2017/18 saw the launch of our first low cost long haul flights from the US East coast, with the launch of Norwegian's routes into Edinburgh. We also welcomed a new service from JFK to Glasgow (Delta), the announcement of a new service from Washington to Edinburgh (United) and the winter extension of Air Transat's Toronto – Glasgow service.

In Europe, Eurowings launched their Munich – Edinburgh service and Ryanair and EasyJet launched low cost services from Seville, Valencia and Madrid.

The year was crowned with the announcement of Scotland's first direct service from China, to be operated from June 2018 by Hainan Airlines with flights twice a week between Beijing and Edinburgh direct and a further twice a week via Dublin. Work has been ongoing to support product development with the tour operators who will now use the service.

KNOWLEDGE EXCHANGE

Building on the memorandum of understanding signed with the Icelandic Tourist Board in 2016, VisitScotland has continued to develop this relationship focusing on how to manage increases in tourism sustainably and on information provision. Similarly, the relationship with Visit Flanders has continued to grow with a focus on social and accessible tourism and early discussions on approaches to Open Data.

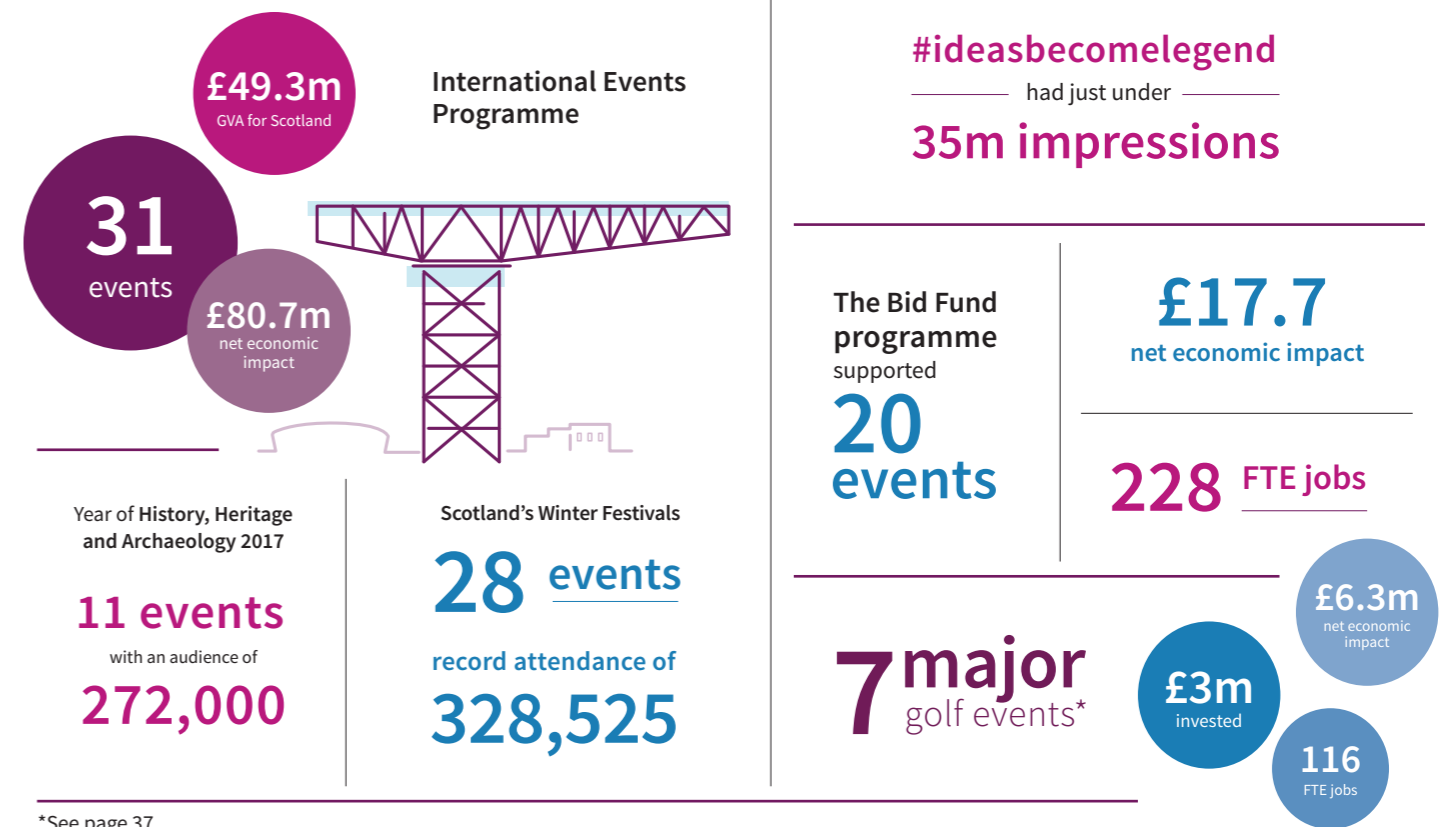
Exploratory discussions are now underway with Innovation Norway, the Netherlands Board of Tourism and Conventions, Tourism New Zealand and Travel Alberta to discuss opportunities for best practice and knowledge exchange.

2017/18 saw VisitScotland make its mark with the United Nations World Tourism Organisation (UNWTO), securing a number of influential speaking roles at the 3rd International Congress on Ethical & Inclusive Tourism; at the Annual Plenary in Chengdu and at the Smart Destinations Conference. In addition, VisitScotland's case study on social tourism was published in the UNWTO's global publication "Inclusive Tourism Best Practice".

Events

We will support the delivery of the national events strategy, **Scotland the Perfect Stage**, working with partners to sustain, develop and promote Scotland's international profile as one of the world's foremost public-facing events destinations and as the perfect stage for events

Core Funding Programmes



#ideasbecomelegend
had just under
35m impressions

The Bid Fund programme supported
20 events
£17.7m net economic impact
228 FTE jobs

Year of History, Heritage and Archaeology 2017
11 events
with an audience of
272,000

Scotland's Winter Festivals
28 events
record attendance of
328,525

7 major golf events*
£3m invested
116 FTE jobs
£6.3m net economic impact

*See page 37

Events

FUNDING PROGRAMMES

The **International Events Programme** supported 31 events in 2017/18, contributing to £80.7m net economic impact and £49.3m GVA for Scotland and supporting over 1,640 FTE jobs through increased visitation including visitors, spectators and participants.

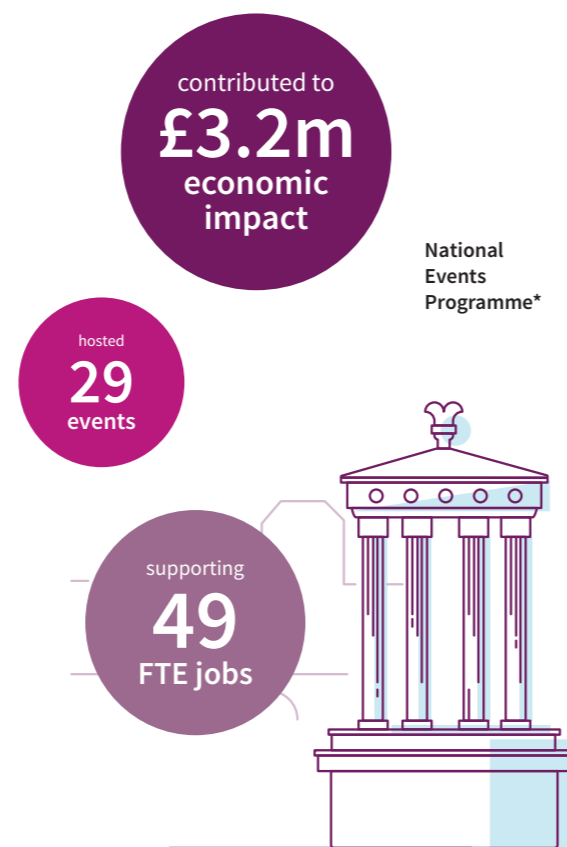
In line with our commitment to inclusive growth, of the 31 events funded, 16% were held outside Edinburgh and Glasgow and 42% were held outwith the summer season.

Five new international events were funded in 2017/18: Badminton World Championships, Revolution Champions League, International Federation of Sport Climbing Speed & Lead Climbing, European Rugby Champions & Challenge Cup Finals, and Ironman 70.3.

Four bids were won in 2017/18: Mountain Bike World Cup, European Short Course Swimming Championships, The Guinness Pro 14 Final 2019, and Team GB Olympic 2020 series swimming.

A total of 29 events were supported through the **National Events Programme**, contributing to £3.2m net economic impact and £1.8m gross value added (GVA) and supporting 49 FTE jobs.

A further seven events were funded through the **Beacon Events Programme** contributing to £1.8m net economic impact and £1m GVA and supporting 26 FTE jobs.



Of the 36 events funded through these two programmes, 100% were held outside Edinburgh and Glasgow, and 53% outside the summer season.

The **Scottish Clan Event Fund** supported 17 events in 2017/18 including those supported in the Splash of Tartan collaboration with the Royal Edinburgh Military Tattoo.

Scotland's Winter Festivals programme supported 28 events with a record attendance of 328,525 across the programme designed to celebrate St Andrew's Day, Hogmanay and Burns Night with activity across 17 local authorities, including island activity on the Outer Hebrides, Orkney and Shetland.

THEMED YEARS

In the Year of History, Heritage and Archaeology 2017 (HHA) we funded 11 events, with an audience of 272,000, and supported a further 260 events through our partner programme.

Media coverage reached an estimated 615m people worldwide while 97m were reached through core and aligned VisitScotland marketing campaigns, including the History of Scotland in 25 Objects ebook. In addition, new digital activity created especially for the year, including Youth / Trad Music, Ancestral and Outlander campaigns, achieved 40m impressions.

The year achieved strong partnership buy-in, with more than 50,000 uses of #HHA2017 generating millions of impressions via multiple partner social networks. There were also 600 downloads of the HHA logo.

As we moved into 2018 and the Year of Young People, we celebrated a global first – a co-designed national events programme with our young people. Exceeding expectations, more than 2000 young people are involved in co-designing the events programme, with thousands more involved in event delivery.

By March 2018, 14 YOYP Signature Programme events were contracted with further events in development; 32 events were contracted through the YOYP Open Programme; 63 events were supported through the Create18 Fund; and 112 events had registered as part of the VisitScotland Partner Events Programme.

Complementing the events programme is a focused tourism marketing programme which is being led by VisitScotland. Central to this programme is a mix of brand new campaign and project activity in addition to key messaging being woven through core channels.

GOLF LEGACY

Scottish Golf Tourism Week took place in October 2017, featuring 68 international golf tour operators from 37 countries, representing more than 40,000 golfers playing 225,000 visitor rounds of golf annually. The Scottish golf sector was represented by 82 Scottish golf tourism exhibitors resulting in more than 3,500 face-to-face appointments as well as multiple familiarisation trips across Scotland.

£3m was invested in seven major golf events in 2017/18, attracting an audience of 95,000 and generating £6.3m net economic impact and £2.2m GVA and supporting 116 FTE jobs.

The total media value associated with the hosting of the RICOH Women's British Open at Kingsbarns Golf Links in Fife rose to £170.58m (up 115% from 2016) in 2017. Of this there was £39.10m of direct benefit which could be attributed directly to Scotland, against an investment of £140,000.



BUSINESS EVENTS

LEGENDS, the business events social media campaign, officially launched at the EICC on 6 November 2017 with 130 stakeholders in attendance from the MICE sector (meetings, incentives, conferences and exhibitions).

The #ideasbecomelegend hashtag had just under 5 million impressions in its first two weeks (rising to 35 million impressions by the end of the financial year) and trended in the Twitter UK top ten on launch night. Two specific conference leads have already been generated via this campaign, with a GVA of £200,000.

A strong international presence continued in 2017/18 with representation at IMEX America in Las Vegas, IMEX Frankfurt and IBTM World in Barcelona. We supported 16 Scottish suppliers at each show, generating more than 200 face-to-face appointments at IMEX America and 12 Destination Presentations to more than 120 buyers.

The Bid Fund programme supported 20 conferences in three cities. From an investment of £186,250 across seven sectors (chemical, creative, education, energy and sustainability, financial services, life sciences and technology), the Bid Fund generated £17.7m net economic impact, £8.7m GVA and supported 228 FTE jobs.

Core business events activity – attendance at trade shows, sales missions, buyer events, familiarisation trips and PR – generated £24.2m net economic impact and £12m GVA and supported 313 FTE jobs.

Our Events Industry Development activity is an essential part of our commitment to deliver the National Events Strategy. A programme of 16 seminar / workshops and one national conference engaged 850 industry partners.

*See page 37

Quality & Sustainability

We will promote and facilitate the continuous improvement of the total quality of the visitor experience in Scotland, building on the strong foundation and economic impact delivered to date by the Quality Assurance Schemes and ensuring that a sustainable approach is taken to developing the industry.

Quality Assurance schemes

85%
of businesses were
satisfied or very satisfied
with the overall QA grading visit

88% would continue to be
part of the scheme

QA Schemes included:

- visitor attractions
- self-catering hotels
- Taste our Best
- hostels
- small serviced caravan camping

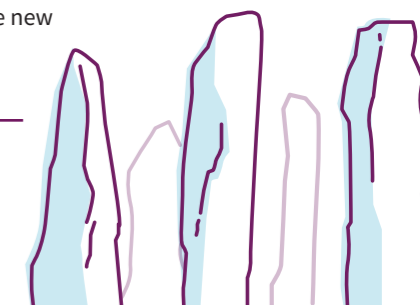
5,050
participants

800 visits

carried out under the auspices of the new
Visitor Attraction scheme

Our Total Quality Experience approach

will pilot in **three different areas** of Scotland



Quality & Sustainability

QUALITY ASSURANCE

Participation in the VisitScotland Quality Assurance schemes stands at approximately 5000. Visitor attraction scheme numbers continue to show an overall increase to 1284 properties. Welcome scheme participation has also noted increases in the following schemes – Ancestral, Children, Classic Cars and Experiencing Gaelic. Participation in the Green Tourism Business Scheme remains at around 750 businesses.

Together with The Association of Scottish Visitor Attractions, we have delivered a robust new Visitor Attraction Quality Assurance Scheme in partnership with the industry to ensure it is fit for purpose and delivers best business development advice to the sector.

Over 800 visits have been carried out under the auspices of the new Visitor Attraction scheme and we are continuing to educate businesses about the changes to the scheme and the benefits therein.

The launch of a new customer service course designed specifically for visitor attraction front-line staff has been hugely successful. The Exceeding Visitors' Expectations programme has seen strong uptake, with "train the trainer" sessions allowing businesses to deliver the training in house.

The average star rating across all sectors increased, with the average scoring within the serviced accommodation sector increasing from 3.55 to 3.59 and within self-catering from 3.7 to 3.73. Increases in quality have been driven by business improvements at 4 star level and above.

The launch of a

new customer service course

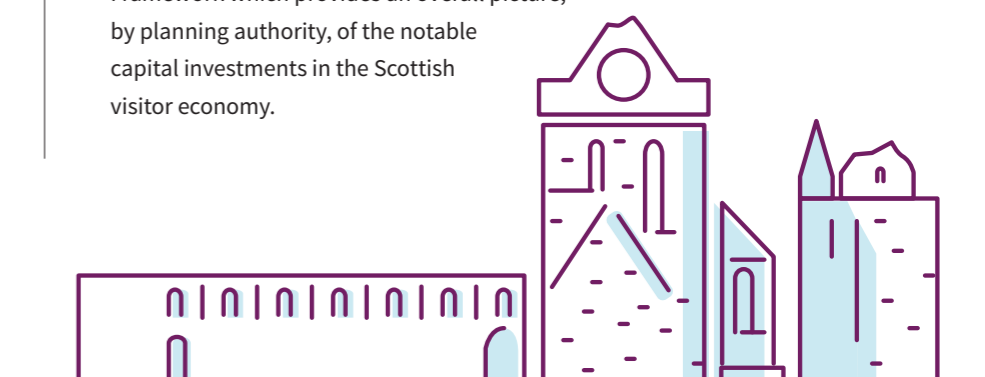
has been
hugely successful

TOTAL QUALITY EXPERIENCE

As the expectations of visitors change, the quality of the end-to-end visitor experience, rather than specific elements, needs to be considered. By using a data driven approach, VisitScotland has begun work with third party data sources to build an approach to total quality to pilot in three different areas of Scotland.

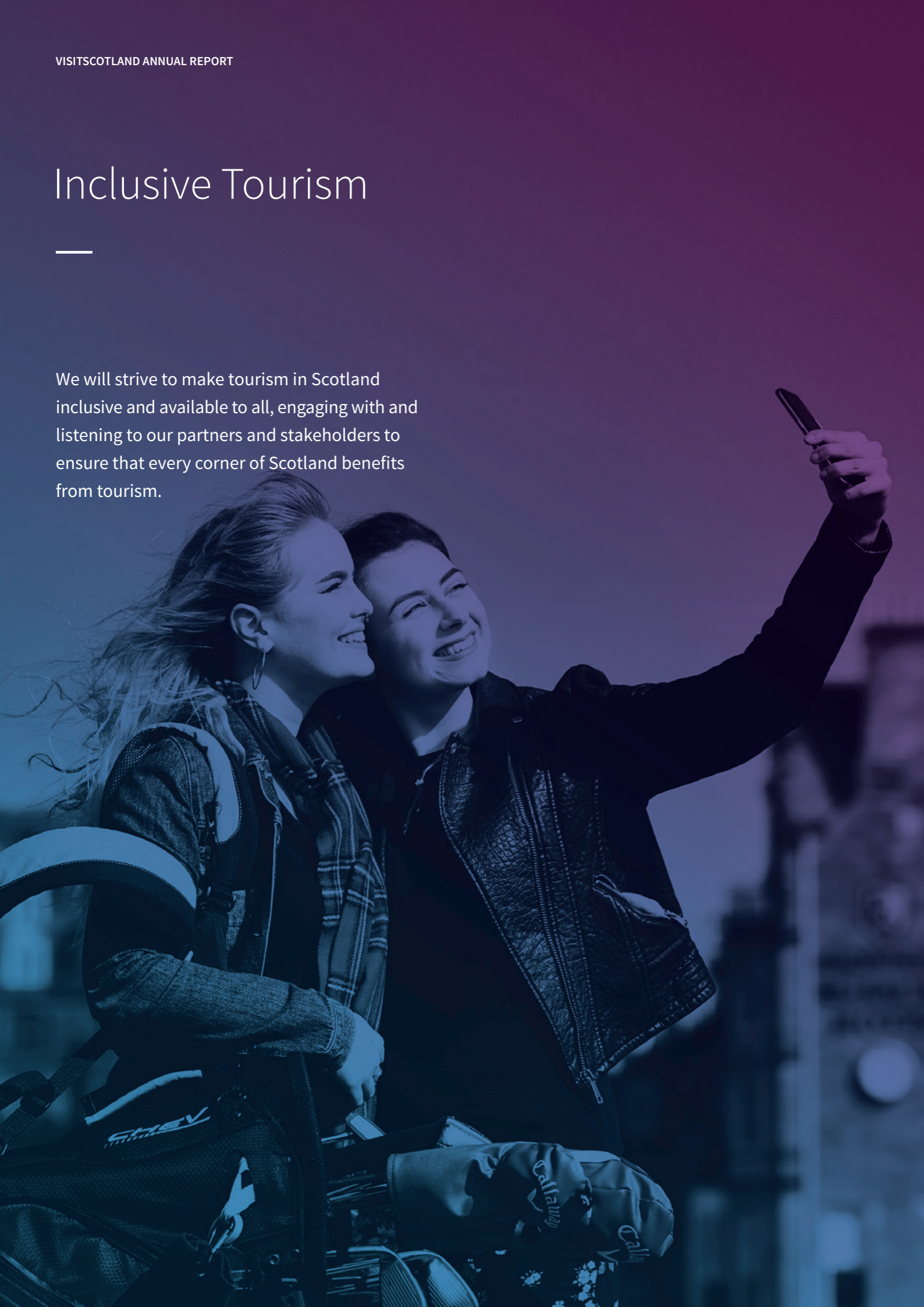
NATIONAL TOURISM DEVELOPMENT FRAMEWORK

Alongside the work to support the Total Quality Experience approach, we are working to create a dynamic framework that maps and gaps both supply and demand. This is building on the current Framework which provides an overall picture, by planning authority, of the notable capital investments in the Scottish visitor economy.



Inclusive Tourism

We will strive to make tourism in Scotland inclusive and available to all, engaging with and listening to our partners and stakeholders to ensure that every corner of Scotland benefits from tourism.



Accessible Tourism

190 businesses registered onto the site to complete a guide

online accessibility training programme

we reviewed **2,000** businesses for accessibility actions

1,500 registered users



Social Tourism

In partnership with the Family Holiday Association and a wide range of partners across Scotland

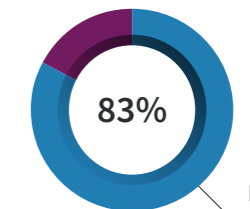
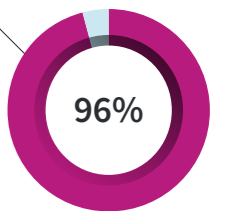
supporting **420** struggling families
1,626 people

88 tourism businesses

83 Scottish charities

24 locations around Scotland

felt better able to cope



had more confidence

Inclusive Tourism

ACCESSIBLE TOURISM

In partnership with VisitEngland, a new accessibility guide website tool was launched in November 2017 to help businesses promote themselves to customers with specific access requirements. At the end of March 2018, 190 businesses had registered onto the site to complete a guide.

Our online accessibility training programme content was updated and at the end of March 2018, we recorded 1,500 registered users.

We introduced basic assessment of several key accessibility actions within our Quality Assurance visits: (i) does the business promote their accessibility facilities; (ii) has the business undertaken accessible customer care training; and (iii) does the business have an access guide? In the 2017 scheme year over 2,000 businesses were reviewed for accessibility actions, representing 88% of the total number of visits. 29% of these businesses were undertaking at least one of three possible actions.

We introduced a new style of educational event for our industry-facing support staff, which involved several facilitated visits to accommodation and attraction venues with good accessibility features and design.

Engagement with the industry included a session at the National Events Conference, in November 2017, for 50 businesses focusing on inclusive and accessible events.

SOCIAL TOURISM

In partnership with the Family Holiday Association, we worked with a wide range of partners across Scotland to support 420 struggling families to get a much needed break. This equates to 1,626 people in total experiencing the magic of Scotland.

This incredible outcome was made possible thanks to the generosity of 88 tourism businesses and organisations in 24 locations around Scotland and 83 Scottish charities and referrers who support the families they work with.

68% of families had never had a holiday together before, while 87% visited parts of Scotland they had never visited before. More importantly, 96% felt better able to cope following their holiday while 83% had more confidence.

Businesses that took part also had a positive experience, with 95% saying they would participate again in future and would recommendation participation to others.

Scotspirit breaks



LOCAL ENGAGEMENT

Through regionally based teams, VisitScotland engaged with, supported and partnered with a number of destination organisations, tourism and sector groups right across the country.

Engagement covered a range of topics including the following:

- digital marketing
- content development
- campaigns
- joint creation and delivery of tourism conferences and industry events
- tourism strategy refresh and development
- delivering the young workforce
- visitor information

In addition, the regional teams engaged with Leader and Flag groups as well as Community Planning Partnerships, ensuring that the visitor economy remains high on local agendas.

In line with the Programme for Government, VisitScotland has had a specific focus on the South of Scotland. In support of the South of Scotland Economic Partnership, the Chief Executive has been appointed as a Board member and the Director of Industry and Destination Development sits on the Executive Group. VisitScotland is leading on development of the tourism strategy for the area and has received additional ring fenced funding for the 2018/19 year to deliver a tourism marketing plan.

Key Performance Indicators

VisitScotland's success in delivering sustained benefits to the Scottish economy is supported by a number of performance measures that are developed and reviewed each year, and these are detailed in the Corporate Plan. Achievements against these measures are reported to the Board members and Directors regularly throughout the year.

ECONOMIC PERFORMANCE

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

- Gross economic activity - the monetary value of all economic activity related to or associated with an intervention.
- Net economic impact (direct) – new money in the economy that would not have happened without the VisitScotland intervention.
- Gross Value Added (“GVA”) (direct, indirect, induced) - this is the economic value added in a business when transforming inputs (things bought-in) into outputs (sales).
- Full Time Equivalent (“FTE”) jobs supported (direct, indirect, induced) – full time equivalent jobs supported in Scotland's economy.

More information on the economic measurement Framework is available at <http://www.visitscotland.org>

The table below presents a summary of the economic performance of a range of VisitScotland key activities against the Framework indicators, over the course of 2017-18.

Interventions 2017-18**	Gross Economic Activity £m	Net Economic Impact (Direct) £m	GVA (Direct, Indirect, Induced) £m	FTE Supported (Direct, Indirect, Induced)
Consumer Marketing				
International Consumer Marketing – Short Haul/Europe (Jan 2017– Dec 2017)	£287.8	£17.4	£11.3	277
International Consumer Marketing – Long Haul (Jan 2017– Dec 2017)	£423.3	£17.2	£11.2	275
Rest of UK & Ireland Consumer Marketing (Mar 2017– Feb 2018)	£496.4	£22.9	£14.8	365
Scotland Consumer Marketing (Mar 2017– Feb 2018)	£166.6	£1.4	£0.9	22
Consumer Marketing Total	£1,374.0	£58.8	£38.2	939
EventScotland				
International Programme	£117.6	£80.7	£49.3	1,640
Beacon Programme	£10.0	£1.8	£1.0	26
National Programme	£10.9	£3.2	£1.8	49
Golf Programme*	£8.8	£6.3	£2.2	116
EventScotland Total	£147.3	£92	£54.3	1,831
Expo 2017				
Expo 2017	£26.4	£14.3	£8.8	227
National Bid Fund				
National Bid Fund (20 conferences supported in 2017/18)	£29.4	£17.7	£8.7	228
Route Development				
Route Development	£84.3	£44.9	£27.2	725

* The 2017 Open Championship was held at Royal Birkdale Golf Club in Southport, England

Our People Strategy

Employees are key stakeholders in the delivery of our vision and our ambition to move towards ‘good, to great, to world class’. Our people are our most valuable asset, with each and every one of our staff having a voice and the power to make a real difference.

FINDING AND RETAINING THE BEST PEOPLE

We continue to attract talented and experienced staff across the business. Our new pay structure has provided equality and transparency. With a greater focus on job moves within the business we remain committed to ensuring our work environment and culture provides variety, stretch and development for our people.

NURTURING OUR TALENT

Talent management has been implemented across the business, identifying the performance and potential for each member of staff. Staff are encouraged to design a structured career plan and take advantage of the vast range of formal learning and experiential development opportunities offered by the business.

We continue to invest in Graduates and Modern Apprentices and are committed to the Career Ready programme, helping young people from deprived backgrounds prepare for the workplace. Our work in youth employment has been recognised and awarded a Gold Standard by Investors in Young People.

MANAGING CHANGE

We focus on ensuring we have the right people, in the right place, with the right skills and behaviours. We seek efficiencies and shape our workforce aligned to our Strategic Framework. Examples over the last 12 months include the implementation of our Information Strategy (Phase 1) and the restructuring of our Marketing Directorate and creation of the Industry and Destination Development Directorate.

EQUALITY OF OPPORTUNITY

In 2017 we published our Public Sector Equality Duty Mainstreaming Report. In 2018 we have continued our commitment to equality and diversity activities attaining a Carer Positive award and Disability Confident ‘committed’ level status. We are an inclusive employer and support a number of staff equality & diversity groups including LGBT and non-visible disabilities.

EMPLOYEE ENGAGEMENT

The VisitScotland Employee Engagement plan is an integral part of our People Strategy and sets out VisitScotland’s commitment to employee engagement through a clear set of defined aims and objectives. It is crucial in taking the steps to achieve a more engaged workforce.

Driven, and owned, by staff from across the business, our engagement activities include the introduction of a variety of initiatives/opportunities for staff including talent management, mental health awareness, volunteering, mentoring, management development, flexible working through the introduction of compressed hours and employee recognition through the VisitScotland Spirit Awards.

A key interdependency is the employee feedback gathered and analysed as part of the 2017 VisitScotland Staff Survey – with an engagement score of 70% and a target to increase this by 10% over the next 2-3 years, we have identified key areas of continuous improvement

including leadership, managing change, career development and staff benefits.

Six over-arching objectives have been identified taking into consideration feedback from staff survey.

Focus area	Objective
Career	Ensure VisitScotland is an Employer of Choice, attracting, developing and retaining a talented and skilled workforce
Connect	Grow excellent leaders and managers across the organisation to support staff engagement and business success
Clarity	Aligning our strategy framework to each directorate, department and individual to provide all staff with an understanding of their contribution
Communicate	Provide the mechanisms to establish, support and encourage an Employee Voice within the organisation
Congratulate	Recognise, acknowledge and celebrating success which supports achievement of the organisations goals
Care	Further develop and drive forward proactive wellbeing, and a safe and healthy work environment.

Corporate & Social Responsibility

ENVIRONMENTAL

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 has aligned its operational activities to meet its obligations under The Climate Change (Scotland) Act 2009 and works through the Sustainable Scotland Network in the ongoing development of its Carbon Management Plan.

Progress to date (see overleaf)

VisitScotland also supports the work of Zero Waste Scotland and is working with all our sites to reduce waste and increase recycling. During 2017/18 we reduced our overall waste by 20%.

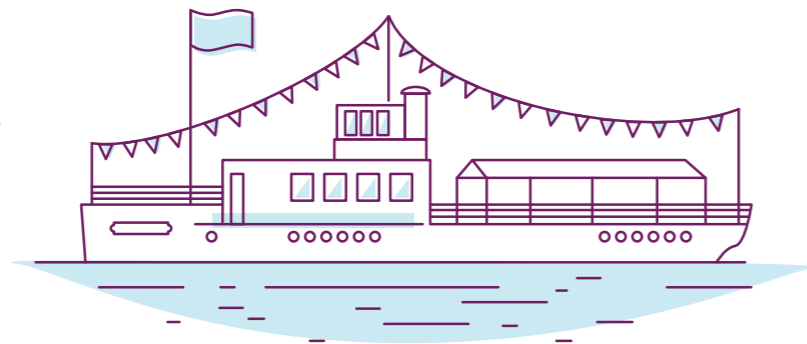
We also support the Scottish Government target introduced in 2016 as part of 'Making Things Last - A circular economy strategy for Scotland' to reduce food waste by 33% by 2025, through providing advice and information to industry as well as our internal operations, where relevant.

SOCIAL

VisitScotland works 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.

Specifically, VisitScotland contributes to the work of Community Planning in order to ensure that the tourism sector participates in the community planning process and the on-going design, development and implementation of each Community Planning Partnership's Local Outcome Improvement Plan.

In addition to the above, through our Inclusive Tourism Strategy VisitScotland is working to make Scotland more inclusive both to those with physical disabilities and to those from economically disadvantaged backgrounds (see pages 32-33 for more detail).



36%
of offices and information centres
certified under the
**Green Tourism
Business Scheme**
at Gold standard level

64%
at Silver standard level

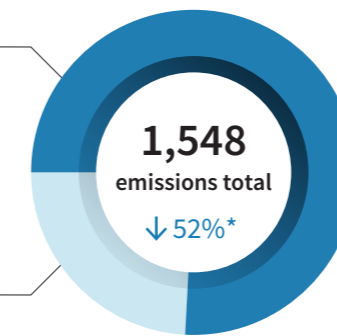
85%
reduction in carrier bag sales
across our iCentres
since our 5p charge was introduced

CO2 EMISSIONS 15/16

Target: 2,174

1,177

Buildings
Energy, Waste, Water



371

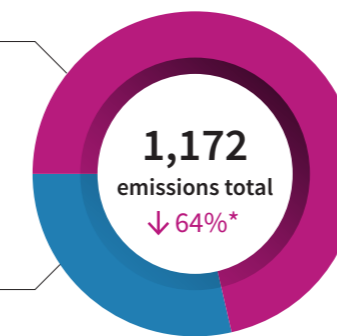
Transport

CO2 EMISSIONS 17/18

Target: 1,965

839

Buildings
Energy, Waste, Water



333

Transport

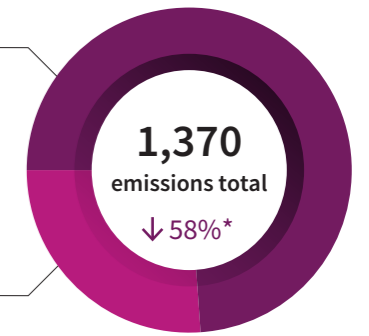
* % reduction from 2008/2009 baseline

CO2 EMISSIONS 16/17

Target: 2,065

1,000

Buildings
Energy, Waste, Water



350

Transport

EXTERNAL FACING SUSTAINABILITY ACTIVITY

VisitScotland recognises the important role it plays in encouraging and supporting businesses and destinations to become more sustainable and we are committed to ensuring the industry continues to innovate.

Since January 2015 we have incorporated minimum sustainability requirements into our Quality Assurance scheme. We have subsequently increased the minimum requirements for all industry sectors to encourage continuous improvement. Advice and support on becoming more sustainable and resource efficient is provided to businesses through the Quality and Tourism Advisors.

For further details and information see the VisitScotland Annual Sustainability Report that can be found at:
https://www.visitscotland.org/about-us/annual_corporate_reports/sustainability-report

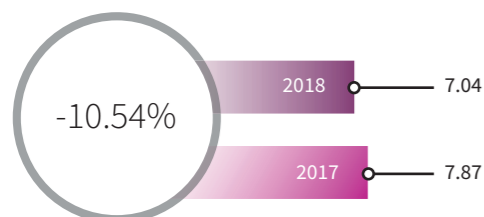
Financial Position

INCOME

RDEL cash resource* (£m)



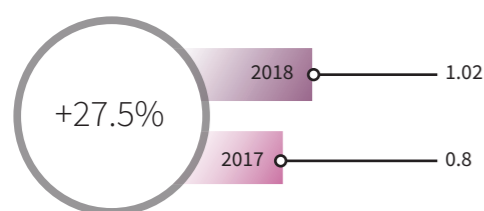
Operating income (£m)



*VisitScotland's core GIA award remained static from 17/18 to 18/19 at £40.4m. The 4.17% increase in RDEL relates to income received for ringfenced projects.

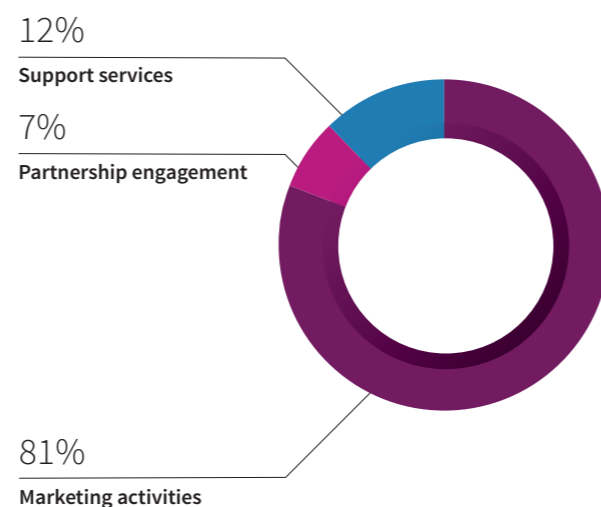
INCOME

CDEL capital (£m)

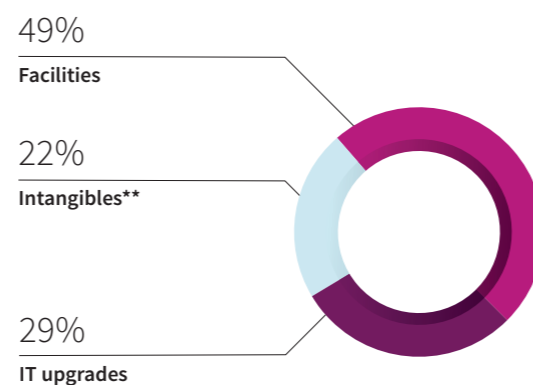


RDEL = Revenue Departmental Expenditure Limit
 CDEL = Capital Departmental Expenditure Limit
 **Includes implementation of new ERP system and Content Mangement System

SPEND BY CATEGORY



SPEND BY CATEGORY (CDEL)



GRANT IN AID

The Resource Budget is provided to cover capital ("CDEL") and revenue expenditure (on an accruals basis) ("RDEL"), 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, 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").

RESOURCE OUTTURN

'Cash' outturn (RDEL)

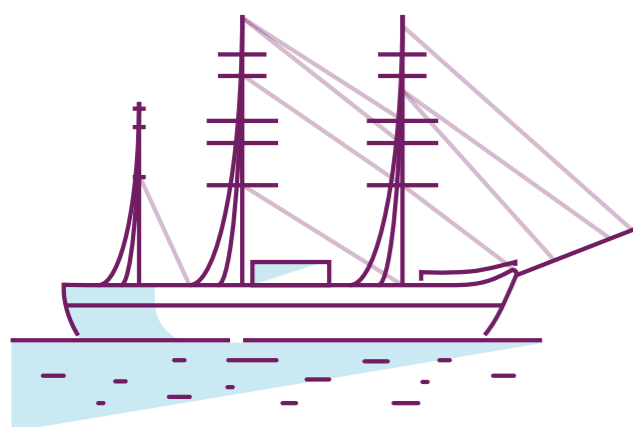
	2018 £m
Marketing activities	42.88
Partnership engagement	3.80
Support services	6.26
Total operating expenditure	52.94
Less: Depreciation & loss on sale of asset (non-cash)	(0.96)
Operating income*	(7.04)
Net operating expenditure	44.94
Net finance costs & taxation	0.04
Net expenditure after tax	44.98
Funded by: Grant-in-Aid	(44.99)
Net 'cash' (underspend)/overspend	(0.01)

'Cash' outturn (CDEL)

	2018 £m
Payments to acquire fixed and intangible assets	1
Funded by: Grant-in-Aid	(1)
Net 'cash' (underspend)/overspend	0

*operating income includes retail, commercial and other income (see page 82)

Financial Position



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 Culture, Tourism and Major Events. For 2017/18 this core revenue grant amounted to £44.99m (2017: £43.19m).

The expenditure of £42.88m in respect of marketing activities represented 81% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2017: £42.23m (80%)). Partnership and Support Services expenditure totalled £10.06m which represents 19% of the core revenue Gross Expenditure for the year (2017: £10.96m (20%)).

RETAIL, COMMERCIAL, AND OTHER INCOME

The supplementary income generated, comprising of Retail, Commercial, and Other Income amounted to £7.04m, a reduction of £0.83m. This reduction was primarily due to a reduction in the money received from local authorities with regards to marketing and information provision.

Further analysis of areas of income and expenditure can be found in Notes 2 to 5 of these financial statements.

CASH CAPITAL EXPENDITURE

The core capital expenditure 'cash budget' is also funded from Grant-in-Aid, and for 2017/18 this grant amounted to £1.02m (2017: £0.8m). Following in year adjustments, and capital disposals, expenditure amounted to £1.01m.

The main capital additions for 17/18 were:

- Glasgow iCentre refurbishment
- Inverness iCentre refurbishment
- IT hard ware and computer equipment upgrades
- ERP system implementation

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 2018/19 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.

CASH BALANCES

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

PAYMENT TO CREDITORS

VisitScotland observes the Scottish Government's policy for prompt payment to creditors, and is committed to paying suppliers within 10 days of receipt of a valid invoice. An analysis of invoices received between 1 April 2017 and 31 March 2018 shows that VisitScotland paid 90% of valid invoices received within 10 working days. (2017: 89%)

Malcom Roughead OBE

Chief Executive
VisitScotland
September 2018

The Corporate Governance Report

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 in Scotland, issued by the Commissioner for Ethical Standards in Public Life in Scotland. Details of the role of the Board and its membership are provided within the Governance Statement.

REGISTER OF BOARD MEMBERS' INTERESTS AND CODE OF CONDUCT

All Board Members work to the high standards of conduct outlined in The Ethical Standards in Public Life (Scotland) Act 2000. Each Board member also records publicly details of company directorships and other significant interests held on their Register of Interests.

VisitScotland's Board Member Code of Conduct is published on our corporate website, as are Registers of Interests for each Board Member. www.visitscotland.org/about-us/our-team/board

AUDITOR

The Auditor General for Scotland appoints auditors to conduct the audit of VisitScotland's Annual Report and Financial Statements, in accordance with Section 6(4) of the Development of Tourism Act 1969. The appointed auditor for the five-year period starting with the year ended 31 March 2017 was Audit Scotland.

The fees payable for audit services provided by the appointed auditors in the year to 31 March 2018 were £69,410 (2017: £68,370). There were no fees payable to Audit Scotland for non-audit work during the year (2017: £ Nil.).



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 67 of these financial statements.

The financial statements are prepared on an accruals basis and must give a true and fair view of the 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 (FRM) and in particular to:

- 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;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FRM have been followed, and disclose and explain any material departures in the financial statements;
- 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 the Accountable Officer, as far as I am aware there is no relevant information of which VisitScotland's auditors are unaware, and that I have taken all necessary steps to make myself aware of any relevant audit information and to establish that VisitScotland's auditors are aware of that information.

Furthermore, I can confirm that;

- the Annual Report and Financial Statements, are fair, balanced and understandable, and
- I take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that they are fair, balanced and understandable.

The Board

THE BOARD

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 its aims and objectives. They also provide general oversight of our practices to ensure the proper management of the organisation, and in so doing demonstrate high standards of corporate governance at all times.

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



The Rt Hon. the Viscount Thurso
Chair

John was appointed as our chairman in 2016, and as such also serves as an Ex-Officio Board member of VisitBritain. He has considerable industry experience: at 27 he became Europe's youngest 5-star hotel manager. He has also served as non-executive director on several public company boards.



Professor Anne Anderson

Anne is Vice-Principal of the University of Glasgow and very active on the international stage in her current role, and previously as Vice-Principal of the University of Dundee. She works to raise the profile of Scotland as an attractive place to study and visit and actively promotes Scotland to prospective students and staff.



Rebecca Brooks

Rebecca is Managing Director of Abbey Tours Scotland, a leading destination management company, and has worked in international tourism since 2001. As former Director of JAC Travel and with her current role, Rebecca's experience has been formed around all international inbound markets to Scotland and the UK.



Catherine Craig

Cathy is Commercial and Memberships Director of Entrepreneurial Scotland. She is an experienced manager who has worked across various disciplines and industries, and has expertise in sales, marketing, business development and change management.



Gordon Dewar*

Gordon is Chief Executive Officer of Edinburgh Airport Ltd. Previous positions held by Gordon include; Chief Executive of the Bahrain Airport Company, Managing Director of Edinburgh Airport, Managing Director of Glasgow Airport and Commercial Director, UK Regions of Arriva plc.



Steve Dunlop**

Steve, at 31 March 2018, was Chief Executive Officer and a Board Member of Scottish Canals. He has previously held senior executive appointments with British Waterways; Newcastle City Council and Falkirk Council and brings a wealth of experience in leadership, cultural change, organisational development and risk management.



Stephen Hagan

Stephen was formerly the COSLA spokesperson for Development, Economy and Sustainability. He is a farmer and a former councillor with Orkney Islands Council. Previously, he was Chair of Orkney Ferries and a non-executive Director for NHS Orkney and the North of Scotland Water Authority. He currently sits on the Board of Calmac.



Carolyn Jameson

Carolyn is Chief Legal Officer for Skyscanner. She is a qualified solicitor who has spent a large number of years working within the technology sector. Her roles have included commercial, legal and leadership roles with an international scope.



Calum Ross

Calum is proprietor of the award-winning Loch Melfort Hotel in Oban. He is currently Chair of both the Argyll and the Isles Tourism Co-operative Ltd and of Oban and Lorn Tourism. He is also a Director of the Scottish Tourism Alliance, a Director of UK Hospitality, and a member of the Tourism Leadership Group.



Caroline Roxburgh

Caroline is a Chartered Accountant, a former partner at PwC, and a Non-Executive Director on other boards including Edinburgh International Festival. She is also an audit committee member at the Royal Conservatoire of Scotland. Caroline has over 30 years' business experience advising boards in a range of industry sectors.

* Gordon Dewar – resigned from VisitScotland Board in Sept 2018

**Steve Dunlop – resigned from VisitScotland Board in April 2018

GOVERNANCE STATEMENT

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 Directorate for Culture, Tourism and Major Events.

This 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.

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.

STANDING COMMITTEES

AUDIT AND 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 committee oversees the arrangements for internal control, risk, corporate governance, internal and external audit and the annual accounts. The audit committee receives the annual accounts, audit reports and a range of other management reports.

The Audit & Risk Committee of the Board normally meets at least four times a year and comprises Chair and 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 myself, attend these meetings.

REMUNERATION COMMITTEE

During 2017/18 all Board members were - de facto – members of the Remuneration Committee, and the Committee met once in July 2017.

The purpose of the Committee is to:

- review the annual salary and performance-related bonus proposals of the Leadership Group, in accordance with Scottish Government guidelines
- consider any changes in the terms and conditions of employment of the Leadership Group
- submit any proposed changes to the Scottish Government for approval
- deal with such other matters as may be referred to it by the Board



ATTENDANCE

The following table show the number of meetings the VisitScotland Board and its principal committees held during 2017/18, and the individual attendance by Board and committee members.

The Rt Hon. the Viscount Thurso attended one Audit & Risk Committee meeting, in his capacity as a Board member.

	Board (8)	Audit and Risk Committee (4)	Remuneration Committee (1)
Lord Thurso	8	1	1
Professor Anne Anderson	8	-	1
Catherine Craig	6	-	1
Rebecca Brooks	8	-	1
Gordon Dewar	6	4	1
Steve Dunlop	5	-	1
Stephen Hagan	8	-	1
Carolyn Jameson	7	3	1
Calum Ross	6	2	-
Caroline Roxburgh	7	4	1

THE LEADERSHIP GROUP

RESPONSIBILITIES

From 1 April 2017 the Leadership Group replaced what was formally known as the Senior Management Team as a way for VisitScotland to actively support and develop talent for the future across the organisation. The Leadership Group is responsible for the delivery of strategy as set by the Board and the day to day management of VisitScotland's activities and operations. 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. Members of the Leadership Group who held office during the year were as follows:

Name	Position
Malcom Roughead	Chief Executive
Charles Smith	Director of Marketing and Digital
Ken Neilson	Director of Corporate Services
Paul Bush	Director of Events
Riddell Graham	Director of Industry Destination Development
Ken Massie (appointed Nov 17)	Head of Regional Leadership and Development
Vicki Miller	Head of Customer Experience
Lynn Jack	Head of Human Resources
Susan Dickie	Head of Insights
Lynne Raeside	Head of Business Affairs
Stuart Turner (resigned Jan 18)	Head of EventScotland
Michelle Lavery	Head of Finance
Alexander Brogan (resigned Nov 17)	Interim Head of Human Resources
Leanne Elliot	HR Operations Manager

Governance Framework

As Accountable Officer, I am responsible for reviewing the effectiveness of the systems of risk management and internal control. The systems are based on ongoing processes 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 system is designed to manage rather than eliminate the risk of failure to achieve VisitScotland’s policies, aims and objectives. 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 2018, and up to the date of approval of the annual report and financial statements.

RISK MANAGEMENT AND CONTROL

The Board has overall responsibility for VisitScotland’s risk management framework.

The Board’s audit committee oversees the risk management framework on behalf of the Board. The committee recommends the appointment of our internal auditors and receives our annual accounts and internal audit reports.

The Risk Management Framework includes a Corporate Risk Register where each risk is aligned to our strategic objectives. As a result, all corporate risks are actively managed, reviewed and updated,



together with the actions to mitigate them, by the Directors and Heads of Department on a quarterly basis, reported the Leadership Group, and reported at each Audit & Risk Committee meeting.

At an operational level, risk management has been fully incorporated into the corporate planning and decision making processes of the organisation. In addition, risks are managed throughout the organisation by the application and review of controls built in to day-to-day working practices, and the use of sub-risk registers (which cover specific matters in greater detail).

KEY RISKS FACING THE ORGANISATION

VisitScotland categorise risk by four levels, which are, very high; high; medium; and low. All risks in VisitScotland’s risk registers are tracked throughout the year, and the table below highlights the six highest risks at the end of last year through to March 2018. These risks remain the most significant to the organisation as at 31 March 2018.

There have been no risks categorised as very high during the year.

Risk

There is a risk that a reduced Scottish Government (SG) budget allocation will mean that that VisitScotland’s core activity budgets will be reduced.

Progress with Mitigation in the year

VisitScotland will continue to seek to reinforce with the Scottish Government the contribution of the Visitor Economy and VisitScotland to the wider Scottish Economy. In addition it looks, through its planning processes, to prioritise funds to activities which produce appropriate returns and will implement efficiency plans which will reallocate funds or absorb, in part, any reductions.

There is a risk that Non SG grant long term funding and income generation plans are not sufficient to meet the long term objectives of the organisation.

VisitScotland continually reviews its commercial income streams to highlight any pressures and take advantage of potential funding opportunities.

Deficit planning with regard to the British Tourist Board (BTB) Pension Scheme identifies a requirement for a large increase in employer contributions. Reducing membership of a number of Local Authority (LA) pension schemes brings a risk of closing the schemes.

BTB: VisitScotland are in ongoing conversations with the Scottish Government finance team and Visit Britain with regards to securing a guarantee for the scheme.

Local Government Pension Schemes (LGPS): VisitScotland has a signed letter of guarantee for all our LGPS in Scotland. We have provided feedback on a consultation to LGP schemes which if included in future guidance, will further improve our position when members fall to zero in a given scheme.

Risk that the organisation does not attract staff and retain key skills across the organisation.

In 17/18 the organisation underwent a full pay and grading review. This new pay structure has provided equality and transparency. With a greater focus on job moves within the business we remain committed to ensuring our work environment and culture provides variety, stretch and development for our people.

There is a risk of natural disaster, along the lines of foot and mouth, or a pandemic. i.e. “EBOLA”, “Bird flu”, or an act of terrorism, etc.

The organisation, with others, monitors for horizon threats and participates in the Scottish Tourism Emergency Response Group. VisitScotland has its own Business Continuity plan which is tested each year.

There is a risk of macro-economic matters such as EU exit, austerity, inflation and exchange rate fluctuations, changes to consumer income and spending, impacting negatively on the Visitor economy.

VisitScotland continues to analyse insight and recommendations on trends, focussing on high value markets. Exchange rate fluctuations have made the cost of marketing abroad more expensive as well as making Scotland a cheaper place to visit.

INFORMATION AND DATA SECURITY

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. The Data Governance and Security Group 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, an information risk register, utilisation of risk assessments and awareness training for staff.

The Scottish Government published a Cyber Resilience Action Plan in November 2017. It aims to ensure that Scotland's public bodies work towards becoming exemplars of cyber resilience. The action plan requires all Scottish public bodies to implement common baseline cyber security standards, as well as adhering to best practice guidelines on a risk-based and proportionate basis. VisitScotland created its own action plan to deliver the requirements and ensure the organisation has an appropriate level of resilience. Good progress is being made in each area to meet the timescales defined by Scottish Government. Cyber resilience and security is a standing item on the agenda of our Leadership Group as well as our Data Governance and Security Group. An update is provided to the Board at each meeting.

During 2017/18, we have been closely monitoring the requirements of the General Data Protection Regulations (GDPR) and engaged with all staff through a set of briefings. New GDPR training has been rolled out to all staff.

Training on data protection and information security is included in the induction process for all new staff. All staff receive periodic refresher training and are provided with data protection updates.

There are no significant lapses in data security to report.

FRAUD, CORRUPTION AND BRIBERY

VisitScotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI). We include data on our staff as part of the NFI exercise.

We produce annual reports on fraud and bribery. These are considered by the audit committee and this forms part of the annual assurance process. The 2017/18 report confirms that there were no instances of fraud or bribery identified or detected in VisitScotland this year.

ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and risk management.

My review is informed by:

- the work and views of the Audit and Risk committee
- the documented assurances of 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 on the adequacy and effectiveness of internal control together with recommendations for improvement;

- comments made by the external auditors in their management letters and other reports.
- The outcome and feedback of external auditors during their annual statutory audit

AUDIT & RISK COMMITTEE

The Audit & Risk Committee reviews the reports from both internal and external auditors. In addition, they agree the annual internal audit plan, review the 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 and seeking assurances from management on any matters arising.

MANAGEMENT ASSURANCE STATEMENTS

Annually, management are required to review the internal control systems throughout the organisation, and to provide assurances and comments via completion of a detailed Internal Control Checklist.

INDEPENDENT INTERNAL AUDIT

For 17/18, Visit Scotland internal audit work has been carried out by the contracted services of independent auditors. Their role is to report on the adequacy and effectiveness of VisitScotland's systems of internal control and make any recommendations for improvement.

For 2017/18 the overall conclusion of the independent internal auditor in respect of the areas reviewed was:

"In our opinion VisitScotland has a framework of controls in place that provides reasonable assurance regarding the

organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks".

STATUTORY EXTERNAL AUDIT

During the year Audit Scotland conducted an interim and year end audit. Audit Scotland have given unqualified audit opinions on the financial statements for the year ended 31 March 2018 and on the regularity of transactions reflected in the financial statements.

CONCLUSION

In summary, on the basis of the above processes, I confirm that I am fully content with the effectiveness of such procedures that enable VisitScotland to maintain appropriate best practice standards of governance and effective risk management, and my overall review has not highlighted any significant internal control weaknesses within VisitScotland. As a consequence, I have confirmed for 2017/18 that controls have been, and are, working well within VisitScotland, and that there are no significant matters arising which would require to be raised.

Malcolm Roughead OBE

Chief Executive
VisitScotland
September 2018.

The Remuneration and Staff Report

THE REMUNERATION AND STAFF REPORT

BOARD AND LEADERSHIP GROUP REPORT

REMUNERATION POLICY

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

Board Members: Remuneration for the Chair and Board Members is set by the Scottish Government and is reviewed annually. 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.

Chief Executive: The Chief Executive's performance is appraised by the Chair in consultation with the Board, in session as the Board Remuneration Committee ("BRC"). His annual pay award and non-consolidated performance payments of up to 10% of base salary are considered by the BRC, and approved by the Scottish Government. This is in accordance with the Scottish Government's pay policy for senior appointments.

Directors: performance is appraised by the Chief Executive in consultation with the BRC. Their annual pay award, and non-consolidated performance payments of up to 10% of base salary, are considered by the BRC, and approved by the Chief Executive. Appointments of the Chief Executive and Directors are made on merit, and the appointments are on a permanent basis. 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 severance, arrangements.

Wider Leadership Group: individual performance is appraised by the Line Manager. Appointments of the Leadership Group are made by the Chief Executive and are reviewed on an annual basis. Their pay award is in line with VisitScotland's pay award to all staff members. For 2017/18 this was between 1%-3% dependent upon salary.

Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK Taxation.

Board Members' Remuneration

	2018	2017
	£'000	£'000
Lord Thurso	30-35	30-35
Professor Anne Anderson	5-10	5-10
Catherine Craig	5-10	5-10
Rebecca Brooks	5-10	5-10
Gordon Dewar	5-10	5-10
Steven Dunlop	5-10	5-10
Stephen Hagan	5-10	5-10
Carolyn Jameson	5-10	5-10
Calum Ross	5-10	5-10
Caroline Roxburgh	5-10	0-5

There were no Board member appointments or resignations during the financial year 2017/18

Leadership Group Remuneration

	17/18	17/18	17/18	17/18	17/18
	Salary	Car Allowance	Non-cash benefits (d)	Pension Benefit (c)	Total
	£'000	£'000	£	£'000	£'000
Malcolm Roughead (a) Chief Executive	145-150		6,300		150-155
Charles Smith Director of Marketing and Digital	120-125	5-10	100	31	155-160
Ken Neilson Director of Corporate Services	105-110		3,000	21	130-135
Paul Bush Director of Events	100-105	5-10	100	34	140-145
Riddell Graham Director of Industry Destination Development	90-95	5-10	100	1	100-105
Ken Massie Head of Regional Leadership and Development	70-75		100	20	90-95
Vicki Miller Head of Customer Experience	70-75		3,900	21	95-100
Lynn Jack Head of HR	65-70		100	18	80-85
Susan Dickie Head of Insights	60-65		100	28	90-95
Lynne Raeside Head of Business Affairs	60-65		100	34	90-95
Stuart Turner (b) Head of EventScotland	55-60		-	11	65-70
Michelle Lavery Head of Finance	50-55		100	21	70-75
Alexander Brogan (b) Interim Head of HR	45-50		-	18	65-70
Leanne Elliot HR Operations Manager	35-40		100	13	50-55

	16/17	16/17	16/17	16/17	16/17
	Salary	Car Allowance	Non-cash benefits (d)	Pension Benefit (c)	Total
	£'000	£'000	£	£'000	£'000
Malcolm Roughead (a) Chief Executive	140-145		6,200		145-150
Charles Smith Director of Marketing and Digital	120-125	5-10		34	160-165
Ken Neilson Director of Corporate Services	100-105		2,400	30	135-140
Paul Bush Director of Events	95-100	5-10		28	130-135
Riddell Graham Director of Industry Destination Development	90-95	5-10		26	120-125

(a) From 1.4.14, Malcom Roughead no longer contributes to the BTB Pension Scheme, nor any other VS scheme

(b) Stuart Turner and Alexander Brogan both left VS during 2017/18

(c) The value of pension benefits accrued during 2017/18 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.

(d) Non-cash benefits disclosed to the nearest £100

Additional Notes:

No performance pay or bonuses were paid or payable during 2017/18

Non-cash benefits (Benefits in Kind) disclosed to the nearest £100

Non-business expenses included in Salary total

In accordance with the Scottish Government's pay policy, the Chief Executive and the Leadership Group members received a pay increase in 2017/18, but did not receive any bonus award.

Pension Entitlements

Leadership Group		Accrued pension	Real increase in annual pension	CETV	CETV: Increase net of members' contributions
		£'000	£'000	£'000	£'000
Malcolm Roughead	Chief Executive	30-35	0	1,061	-69
Charles Smith	Director of Marketing and Digital	5-10	0-2.5	123	24
Ken Neilson	Director of Corporate Services	20-25	0-2.5	740	-9
Paul Bush	Director of Events	30-35	0-2.5	1,123	7
Riddell Graham	Director of Industry Destination Development	60-65	0-2.5	2,084	-77
Ken Massie	Head of Regional Leadership and Development	5-10	0-2.5	166	14
Vicki Miller	Head of Customer Experience	10-15	0-2.5	275	21
Lynn Jack	Head of HR	15-20	0-2.5	389	21
Susan Dickie	Head of Insights	15-20	0-2.5	571	28
Lynne Raeside	Head of Business Affairs	15-20	0-2.5	401	40
Stuart Turner	Head of EventScotland	10-15	0-2.5	249	-1
Michelle Lavery	Head of Finance	0-5	0-2.5	43	15
Alexander Brogan	Interim Head of HR	0-5	0-2.5	84	20
Leanne Elliot	HR Operations Manager	0-5	0-2.5	38	11

Ast at 31 March 2017		Accrued pension	Real increase in	CETV	CETV: Increase net of
Executive Director		£'000	£'000	£'000	£'000
Malcolm Roughead	Chief Executive	30-35	0	1,097	219
Charles Smith	Director of Marketing	0-5	0-2.5	91	49
Ken Neilson	Director of Corporate Services	20-25	0-2.5	722	203
Paul Bush	Director of Events	30-35	0-2.5	1,079	233
Riddell Graham	Director of Industry Destination Development	60-65	0-2.5	2,093	197

Notes:

(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. The sum is assessed by an actuary and is the amount which would be offered by the scheme to transfer benefits into another scheme when the member leaves. Within BTPS, CETV is computed by reference to factors agreed by the Trustees of the BTPS.

(c) **CETV: Increase net of members' contributions.** This reflects the increase in CETV effectively funded by the employers over the year. It takes account of the change in accrued pension due to additional accrual and salary growth, excluding inflation, and uses common market factors for the start and end of the period. It does not include any increase in value that arises from contributions paid by the employee or the value of any benefits transferred from another pension scheme.

(d) The real increase in annual pension excludes any increase in inflation or any increase due a transfer of pension rights.

(e) The assumptions used include future long-term interest rates and inflation.

Certain members of the British Tourist Boards' Pension Scheme can choose to retire from age 60.

The Chair and Board members are not members of the pension schemes. However, pensions are paid to two previous Chairmen, and a provision has been made for this in these financial statements (Note 21).

COMPENSATION AND POST EMPLOYMENT PAYMENTS

VisitScotland is required to disclose any compensation payments made on early retirement or for loss of office for senior members of staff, and any payments made to past directors.

During 2017/18, Interim Head of HR Alex Brogan received compensation in the form of voluntary severance. The amount paid was £11,429.

FAIR PAY DISCLOSURE

The highest paid member of the Leadership Group was the Chief Executive. His annualised salary before Pension benefits was 6.41 times the £22,725 median earnings of the organisation's work-force in 2017-18 (2016-17: 6.27 x £22,695).

The Median Total Remuneration calculation continues to be impacted by adoption of the living wage recommendations.

	17/18	16/17
Highest-Paid Director's Salary	£145k-£150k	£140k-£145k
Median Total remuneration	£22,725	£22,695
Ratio	6.41	6.27

STAFF NUMBERS AND COSTS

	2017/18 £'000	2016/17 £'000
Salaries	17,283	16,705
Social security costs	1,564	1,564
Voluntary severance - in year	338	962
Voluntary severance - accrued	578	-
	19,762	19,231
Pension costs - current service	5,361	4,446
Total Staff Costs	25,123	23,667
Agency fees in respect of temporary staff, included above	337	44

See also note 3 to the accounts.

STAFF COMPOSITION

The average number of full-time equivalent employees during the year was as follows:

Leadership Group	12
Operational and support staff:	
Heads of department	16
All other staff (including Seasonal and Youth Employment Schemes)	538
Fixed term contract (including Seasonal & Youth Employment Schemes)	87
Fixed term contract (excluding Seasonal & Youth Employment Schemes)	14
Temporary staff	-
Total FTE @ 31/03/18	559
Total average number of full-time equivalents for 2017/18	573

SICKNESS ABSENCE DATA AND EMPLOYMENT STATISTICS

	2017/18	2016/17
Staff Turnover	18.91%	13.82%
Sickness Absence	1.67%	1.80%
Sickness Absence days/person	4.35	4.67
Male:Female Ratio – Total Workforce	30:70	33:67
Male:Female Ratio – Board Members	50:50	50:50
Male:Female Ratio – Leadership Group	50:50	-
Male:Female Ratio – Executive Senior Management Team	-	100:0
Male:Female Ratio – Heads of Department	31:69	53:47
Staff Salary range (excluding Leadership Group)	£17k-£76k	£16k-£75

EQUALITY AND DIVERSITY

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 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. The latest Mainstreaming Equality Report was published April 2017. The report includes information on all the work we have done to promote equality within VisitScotland and externally working in partnership with the tourism industry and Government.

As an organisation, we recognise that successfully meeting our general equality duty is not only about working towards specific equality outcomes, but about ensuring that the needs of the organisation are an integral part of our business function. As part of developing equality into our business, we will be training staff to carry out Equality Impact Assessments on all major policies within VisitScotland. Our customer facing staff will receive specific disability equality training, enabling them to provide quality customer service to all our customers, including those with hidden disabilities, and senior travellers.

To help direct the work we have a Staff Equality Working Group that oversees all the internal work within VisitScotland and as result this last year we have set up staff support groups for LGBT+ and staff with hidden disabilities. VisitScotland has also attained Level 1 in both the Disability Confident and Carers Initiatives which highlights the support we provide for staff in both these areas.

Our Equality vision is founded on the fact that harnessing differences will create a productive environment in which everyone feels valued and their talents are being recognised, through which our business and organisational goals are met.

INDUSTRIAL RELATIONS

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The disclosures required by these regulations are within the tables below:

Number of employees who were relevant officials during the year	2
Full-time equivalent employee number	2
Percentage of time spent on facility time	No. of Employees
0%	-
1% - 50%	2
51% - 99%	-
100%	-
Percentage of total paybill spent on facility time	0.001%
Time spent on paid activities as a % of total paid facility time	20%
Total cost of time	£290

EXPENDITURE ON CONSULTANCY

A total amount of £14,487 (2016/17 - £36,899) was expended in the year on one-off consultancy costs.

EXIT PACKAGES**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 32 members of staff, at a cost of £337,759, spread as follows:

	2018	2017
£0 - £20,000	28	11
£20,001 - £40,000	2	12
£40,001 - £60,000	-	4
£60,001 - £80,000	1	4
£80,001 - £120,000*	1	-
Total number of exit packages	32	31

There were no compulsory redundancies (2017: None)

*Agreed on 10 March 2017

Malcolm Roughhead OBE

Chief Executive, VisitScotland
September 2018

Parliamentary Accountability report

REGULARITY OF EXPENDITURE

VisitScotland is held to account by the Scottish Ministers, in accordance with the requirements of Section 6(1) of the Development of Tourism Boards (Scotland) Act 2006. The main financial objective for 2017/18 is to ensure that the financial outturn for the year is within the Resource Budget allocated by the Scottish Ministers. VisitScotland achieved this objective. The Statement of Resource Outturn is on page 43.

REMOTE CONTINGENT LIABILITIES

There is the remote possibility that a proportion of grants previously received may need to be repaid. This is due to an accounting policy change applied in 2012, and will remain until official timelines expire in relation to specific grants. Details are within Note 24 to the Financial Statements.

STATEMENT OF LOSSES AND SPECIAL PAYMENTS

Losses: None during 2017/18 (2016/17: None) other than trade debts written off during the year (see Note 23 to the Financial Statements)

Special Payments: Voluntary severance payments of £338k were made to 32 individuals during the year (2016/17 £962k, 31 individuals). The highest was £85,323, the lowest was £480 and the median was £4,564. These were the only special payments made during the year.

FEES AND CHARGES INCOME

	Notes	2018 £'000	2017 £'000
Retail Sales			
Product Income	I	3,466	3,079
Cost of Sales		(1,543)	(1,457)
Gross Profit		1,923	1,622
GP percentage		55.5%	52.7%
Business Promotion and Advertising income			
Exhibitions and Promotional advertising	II	1,037	1,033
Joint Promotional Campains	III	833	1,144
		1,869	2,177
Quality Assurance	IV		
Award Scheme Fees	V	1,013	1,044
Less: Direct Costs of Service		1,161	1,235
Net Cost of Service Delivery		(148)	(191)

- I Sales of information and visitor products through the network of VisitScotland Information centres
- II Exhibitions/promotions supported during the year. Partners are charged on a cost recovery basis
- III Joint promotional campaigns with business partners
- IV The Quality Assurance programme is aimed at promoting the many accommodation providers across Scotland by awarding a grading of their respective establishments in accordance with approved standards as laid down by the BHA
- V VisitScotland charges a nominal fee based on the size of the establishment and the number of rooms

Malcolm Roughead OBE

Chief Executive, VisitScotland
September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VISITSCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

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 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements in the annual report and financial statements of VisitScotland for the year ended 31 March 2018 under the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 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 2017/18 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

BASIS OF OPINION

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the

Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for



assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

OTHER INFORMATION IN THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

In my 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.

RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

OPINIONS ON MATTERS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

MATTERS ON WHICH I AM REQUIRED TO REPORT BY EXCEPTION

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Gordon Smail
Audit Director

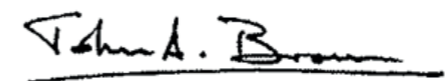
Audit Scotland
4th Floor
102 West Port
Edinburgh EH3 9DN

24 September 2018

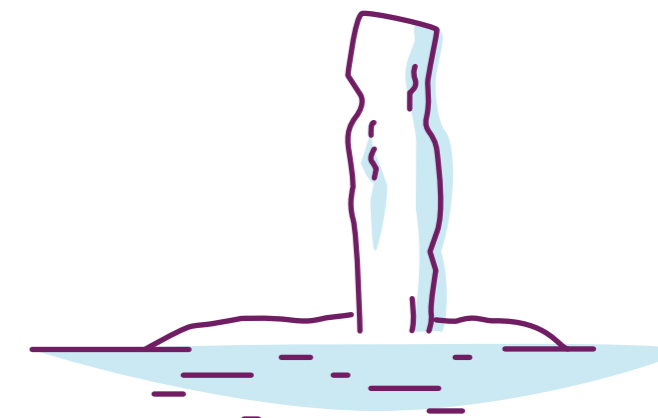
DIRECTION BY THE SCOTTISH MINISTERS

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:

- 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 (FReM) which is in force for the year for which the statement of accounts are prepared.
- 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.
- 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



VisitScotland statement of comprehensive net expenditure for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Resource Expenditure			
Marketing activities		42,883	42,234
Partnership engagement		3,803	4,284
Support services		6,256	6,676
		52,942	53,194
Non-Resource Expenditure			
Pension Costs - IAS 19 adjustments	19.2	3,463	3,125
Gross expenditure	2, 3	56,405	56,319
Income			
Retail and commercial	4	(5,180)	(6,035)
Other income	5	(1,862)	(1,835)
Net expenditure		49,363	48,449
Finance costs	6	46	72
Finance income		-	-
Net operating expenditure before taxation		49,409	48,521
Corporation tax	7	-	-
Net operating expenditure		49,409	48,521
Other Comprehensive Expenditure/(Income)			
Net actuarial (surplus)/deficit on valuation of retirement benefit schemes	19.2	(4,673)	(1,106)
Transfer from revaluation reserve on expiry of Finance Leased assets		-	409
Transfer to general reserve on expiry of Financial Leased assets		-	(409)
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(132)	(29)
(Surplus)/Deficit arising on revaluation of Finance Leased assets		(191)	-
Total other comprehensive expenditure		(4,996)	(1,135)
Total comprehensive net expenditure		44,413	47,386

The notes on pages 72 to 114 form part of these financial statements

VisitScotland statement of financial position as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-Current			
Tangible fixed assets	9	4,625	4,463
Intangible assets	8	232	3
Total non current assets		4,857	4,466
Current			
Inventories	12	718	681
Trade and other receivables	13	2,191	1,428
Cash and cash equivalents	14	5,414	5,371
Total current assets		8,323	7,480
Non-Current assets classified as held for sale	10	25	433
Total Assets		13,205	12,379
Liabilities			
Current			
Other borrowings	17	(310)	(321)
Trade and other payables	16	(10,477)	(9,711)
Total current liabilities		(10,787)	(10,032)
Net current liabilities			(2,119)
Other borrowings	17	(533)	(843)
Provisions	21	(116)	(120)
Other payables	-	-	-
Retirement benefit obligations	19.2	(34,919)	(36,129)
Total non-current liabilities		(35,568)	(37,092)
Total Liabilities		(46,355)	(47,124)
Net Liabilities		(33,150)	(34,745)
Taxpayers' equity			
General reserve		549	478
Pension reserve		(34,919)	(36,129)
Revaluation reserve		1,220	906
Total Equity		(33,150)	(34,745)

The Accountable officer authorised these financial statements for issue on 20 September 2018.

Malcolm Roughead OBE
Chief Executive, VisitScotland

The notes on pages 72 to 114 form part of these financial statements

VisitScotland cash flow statement for the year ended 31 March 2018

Notes	2018 £'000	2017 £'000
Cash flows from operating activities		
Net operating expenditure before taxation	49,409	48,521
Items not involving the flow of cash		
Depreciation of tangible fixed assets	(945)	(1,810)
Impairment of tangible non-current assets awaiting sale	-	(42)
Impairment of tangible fixed assets	-	(126)
Loss on assets held for sale	(15)	-
Amortisation of intangible fixed assets	(3)	(341)
Surplus arising on de-recognition of Finance Lease asset	-	105
Net pension service costs and return on assets	(3,463)	(3,125)
Miscellaneous	(24)	1
Net financing costs	(46)	(72)
Movements in working capital		
Increase/(Decrease) in inventories	37	23
(Decrease)/Increase in receivables	790	(2,529)
Decrease/(Increase) in payables	(766)	773
Movements in provisions		
(Increase)/Decrease in provisions	4	(4)
Net cash flow from operations	44,978	41,374
Interest paid	46	72
Net cash outflow from operating activities	45,024	41,446
Cash flows from investing activities		
Payments to acquire tangible fixed assets	783	787
Payments to acquire intangible fixed assets	232	-
Net cash flows used in investing activities	1,015	787
Cash flows from financing activities		
Grant-in-Aid from Scottish Government	(46,008)	(43,994)
Repayment of loans	-	3
Early termination/de-recognition of finance lease asset	-	(201)
Decrease in other borrowings- obligations under finance leases	321	714
Cash receipts to be reinvested	(395)	-
Net cash flows from financing activities	(46,082)	(43,478)
Net (increase)/decrease in cash and cash equivalents	(43)	(1,245)
Cash and cash equivalents as at 1 April	5,371	4,126
Cash and cash equivalents as at 31 March	5,414	5,371
	(43)	(1,245)

The notes on pages 72 to 114 form part of these financial statements

VisitScotland statement of changes in taxpayers' equity for the year ended 31 March 2018

	General Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2016	1,471	(34,110)	1,286	(31,353)
Net operating expenditure	(48,521)	-	-	(48,521)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	29	29
Transfer balance on revaluation reserve on expiry of Finance Lease	409	-	(409)	-
Transfer between reserves	3,125	(3,125)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	1,106	-	1,106
Total recognised income and expense	(44,987)	(2,019)	(380)	(47,386)
Grant in aid from Scottish Government	43,994	-	-	43,994
Balance at 1 April 2017	478	(36,129)	906	(34,745)
Net operating expenditure	(49,409)	-	-	(49,409)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	323	323
Transfer balance on revaluation to reserves	9	-	(9)	-
Transfer between reserves	3,463	(3,463)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	4,673	-	4,673
Total recognised income and expense	(45,937)	1,210	314	(44,413)
Grant in aid from Scottish Government	46,008	-	-	46,008
Balance at 31 March 2018	549	(34,919)	1,220	(33,150)

The notes on pages 72 to 114 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 2017/18 Government Financial Reporting Manual (FRM) issued by the Scottish Government. The accounting policies contained in the FRM 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 FRM 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 2018 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 67.

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 £33.15 million (2017:£34.745 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 2018-19, taking into account the amounts required to meet the VisitScotland's liabilities falling due have already been included in the Scottish Government's estimates which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and parliamentary approval will not be forthcoming. It is therefore appropriate to adopt a going concern basis for the preparation of these financial statements. Details of VisitScotland's liquidity position is given in Note 20.

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.

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. 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, 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.

EXPENDITURE

MARKETING ACTIVITIES

Marketing activities incorporate all expenditure, direct and indirect, associated with the marketing, selling, support, and delivery 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.

PARTNERSHIP ENGAGEMENT

Partnership engagement includes all expenditure relating to the development of partnership arrangements to promote tourism in Scotland. It also includes 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.

SUPPORT SERVICES

Support services include the remaining administrative costs of running the organisation.

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. Any exchange rate fluctuations are taken to the statement of comprehensive net expenditure.

GOODWILL

Goodwill 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 disposal of 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. 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 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	2-4 years
Software licenses	4-6 years
Web site development	1-6 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 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

Impairment of goodwill is tested annually, or more frequently, if there is an indication of possible impairment. 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.

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.

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 construction are valued at current cost. 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.

Upon 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, 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, in the same way as owned property.

Gains arising on revaluation are credited to the revaluation reserve, and losses are first charged against the surplus remaining, previously credited to the reserve, for that property, 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.

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 estimated useful lives, 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	5-10 years
Plant & equipment	4-6 years
IT hardware equipment	2-6 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 being 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. 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.

Any 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.

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

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 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) 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).

RECEIVABLES

This category comprises trade receivables 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.

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 receivables with maturities greater than 12 months after the date of the statement of financial position.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements 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.

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:

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 Notes 19.1 and 19.2.

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 25).

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 22 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 2017, 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 standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 could change the classification and measurement of financial assets. The impact on the financial statements has not been determined.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard is mandatory for accounting periods commencing on or after 1 January 2018. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised by depicting the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue standard will supersede all current revenue recognition requirements under IFRS. 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 provides a single lessee accounting model, eliminating the distinction between operating and finance leases, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The impact on the financial statements has not been determined.

2

Staff costs (included within gross expenditure)

	2018 Number	2017 Number
Salaries, Social Security & Voluntary Severance	19,762	19,231
Pension Costs - Current service	5,361	4,446
Total staff costs	25,123	23,677

Further details on Total Staff Costs can be found within the Remuneration & Staff report (see page 56)

3

Administration overheads (included within gross expenditure)

	2018 £'000	2017 £'000
Travel and hospitality	1,036	1,067
Property, information technology, and office expenses	3,586	3,827
Operating lease rentals		
Property	1,151	1,277
Vehicles and equipment	125	101
Depreciation of tangible fixed assets	945	1,810
Amortisation of intangible assets	3	341
Impairment of tangible fixed assets	-	126
Impairment of tangible non-current assets awaiting sale	-	42
Surplus arising on de-recognition of Fiance Lease asset	-	(105)
Net interest cost and return on pension assets	1,009	1,276
Loss on Sale of Property	15	0
Trade bad debts		
Written off	25	25
Increase/(decrease) in provision	26	8
(Decrease)/increase in past pension provision	(4)	(4)
Total administration overheads	7,917	9,791
Administration overheads also includes:	2018 £'000	2017 £'000
Fees payable for the audit of these financial statements	70	68
Total audit fees	70	68

4

Retail and commercial income

	2018 £'000	2017 £'000
Retail		
Products income	3,466	3,079
Cost of sales	(1,543)	(1,457)
Gross surplus	1,923	1,622
Other consumer income	97	116
	2,020	1,738
Commercial		
Business promotion and advertising	1,869	2,177
Quality assurance	1,013	1,044
Miscellaneous income	278	1,076
	3,160	4,297
Total retail and commercial income	5,180	6,035

5

Other income

	2018 £'000	2017 £'000
Local authority income	833	1,116
Enterprise agency contributions	109	94
Sundry income	920	625
Total other income	1,862	1,835

6

Financing costs

	2018 £'000	2017 £'000
Finance costs		
Interest charge - finance lease obligations	46	72
Total finance cost	46	72
Finance income		
Bank interest receivable (the amount received was under £250)	-	-
Total finance income	-	-
Net financing costs	46	72

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Taxation

	2018 £'000	2017 £'000
Corporation tax		
Current tax (the amount payable is under £50)	-	-
Total tax charge	-	-

Current Tax

Corporation tax is calculated at 20% (2017:20%) based on bank interest received during the year.

8

Intangible assets

	Development Costs £'000	Acquired Technology £'000	Software Licenses £'000	Total £'000
At 1 April 2016	2,393	1,148	731	4,272
Additions	-	-	-	-
At 31 March 2017	2,393	1,148	731	4,272
At 1 April 2017	2,393	1,148	731	4,272
Removal of Indexation (see Note 9)	-	159	-	159
Additions	-	48	184	232
At 31 March 2018	2,393	1,355	915	4,663
Amortisation				
At 1 April 2016	2,080	1,117	731	3,928
Charge for the year	310	31	-	341
At 31 March 2017	2,390	1,148	731	4,269
At 1 April 2017	2,390	1,148	731	4,269
Charge for the year	3	-	-	3
Removal of Indexation (see Note 9)	-	159	-	159
At 31 March 2018	2,393	1,307	731	4,431
Net book value				
At 31 March 2018	0	48	184	232
At 31 March 2017	3	0	-	3
At 31 March 2016	313	31	0	344
Asset Financing				
Owned/beneficially owned	0	-	184	184
Finance Lease	-	-	-	-
Net book value	0	-	-	184
At 31 March 2018				

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Tangible fixed assets

FREEHOLD PROPERTY

All Freehold Land & Buildings, and those held under beneficial ownership, were valued at 31 March 2018 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors.

LEASEHOLD FINANCE LEASE PROPERTY

All Finance Leasehold properties were valued 31 March 2018 by Graham & Sibbald - Chartered Surveyors on a fair value basis with regard to the remaining heritage interest of VisitScotland.

This is year 2 in our 5 year valuation cycle.

In 2017/18 a full review of the Fixed Asset register was carried out. During this review, it was highlighted that indexation had been applied to a category of assets (tangible and intangible) which was no longer deemed appropriate. An adjustment has been made during the year to account for this, removing the cost and accumulated depreciation with no impact to the balance sheet figure.

INDEXATION ADJUSTMENT (TANGIBLE AND INTANGIBLE)

An indexation adjustment was applied a number of years ago across three categories of assets. This adjustment could not be applied to individual assets, and therefore, VisitScotland decided this year to unwind this adjustment. The impact of the unwind is shown in both notes 8 and 9.

	Land & buildings £'000	Leasehold improvements £'000	Fixtures, Fittings & Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Vintage Railway Carriage £'000	Total £'000
At cost or valuation							
At 1 April 2016	3,289	5,998	7,790	2,259	43	497	19,876
Additions	50	266	3	468	-	-	787
Impairment	(126)	-	-	-	-	-	(126)
Revaluation	29	-	-	-	-	-	29
Disposals	(95)	-	(889)	-	-	-	(984)
Transfer - awaiting Sale	(210)	-	-	-	-	-	(210)
At 31 March 2017	2,937	6,264	6,904	2,727	43	497	19,372
At April 1 2017	2,937	6,264	6,904	2,727	43	497	19,372
Additions	-	501	62	220	-	-	783
Removal of Indexation	-	-	(495)	37	-	-	(458)
Revaluation	324	-	-	-	-	-	324
Disposals	-	-	(1,056)	(366)	-	-	(1,422)
Transfer - awaiting Sale	-	-	-	-	-	-	0
At 31 March 2018	3,261	6,765	5,415	2,618	43	497	18,599
Depreciation							
At 1 April 2016	-	4,817	7,165	1,803	43	160	13,988
Charge for the year	435	559	434	362	-	20	1,810
On Disposal	-	-	(889)	-	-	-	(889)
At 31 March 2017	435	5,376	6,710	2,165	43	180	14,909
At April 1 2017	435	5,376	6,710	2,165	43	180	14,909
Removal of Indexation	-	-	(495)	37	-	-	(458)
Charge for the year	442	221	121	141	-	20	945
On Disposals	-	-	(1,056)	(366)	-	-	(1,422)
At 31 March 2018	877	5,597	5,280	1,977	43	200	13,974
Net book value							
At 31 March 2018	2,384	1,168	135	641	-	297	4,625
At 31 March 2017	2,502	888	194	562	-	317	4,463
At 31 March 2016	3,289	1,181	625	456	-	337	5,888
Asset Financing							
Owned/beneficially owned	1,479	1,168	135	641	-	297	3,720
Finance Lease	905	-	-	-	-	-	905
Net book value	2,384	1,168	135	641	-	297	4,625
At 31 March 2018							

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Non-current assets classified as held for sale

	2018 £'000	2017 £'000
Freehold property		
At 1st April	433	265
Assets transferred in year	-	210
Sale of Assets	(408)	-
	25	475
Impairment	-	(42)
At 31 March	25	433

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, and are valued at market value less sale costs.

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Investment

INVESTMENT IN SUBSIDIARIES

The total cost of shareholdings held in the subsidiaries as at 31 March 2018 is £100 (2017:£100)

SUBSIDIARY COMPANIES

VisitScotland's six subsidiary companies, all of which are wholly owned, are classified as non-trading and dormant, namely:

- Scottish Tourist Board Limited
- Etourism Limited
- TourCo Limited
- Tourist Board Training Limited - Limited by guarantee
- VisitScotland Limited
- Visit Shetland Limited

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Inventories

	2018 £'000	2017 £'000
Retail stock	718	681
At 31 March	718	681

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Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	1,553	1,177
less: Provision for impairment	(141)	(114)
Trade receivables - net	1,412	1,063
Prepayments	769	303
Accrued income	0	50
Other receivables	10	12
At 31 March	2,191	1,428

Trade and other receivables reported above include:

Receivables - Public sector balances

	2018 £'000	2017 £'000
Current		
Local Authorities	133	101
Other Central Government bodies	421	134
At 31 March	554	235

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Cash and cash equivalents

	2018 £'000	2017 £'000
Balance at 1 April	5,371	4,126
Net change in cash and cash equivalent balances	43	1,245
At 31 March	5,414	5,371
The balances at 31 March were held at:		
Commercial banks and cash in hand	3,500	2,162
Government Banking Service	1,519	3,209
Unapplied capital receipts*	395	-
At 31 March	5,414	5,371

*This amount relates to ring-fenced cash from sale of iCentres. As per Scottish Government guidance, VisitScotland is to re-invest proceeds from the sale of these assets in capital projects within the area.

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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 £'000	Total £'000
At 1 April 2016	106	106
Utilised during year	(94)	(94)
Movement in Provision	102	102
At 31 March 2017	114	114
At 1 April 2017	114	114
Utilised during year	(25)	(25)
Movement in Provision	52	52
At 31 March 2018	141	141

The following represents VisitScotland receivables for which full provision has been made at 31 March 2018 and the ageing of these variables was as follows:

	2018 £'000	2017 £'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	141	114
Impairment	(141)	(114)
Impaired receivables at 31 March	141	114

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 2018 receivables with a carrying value of £NIL (2017:£NIL) were past their due date, but not considered to be impaired.

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Trade and other payables

a. Current	2018 £'000	2017 £'000
Trade payables	1,666	520
Social security and other taxes	378	373
Amounts owed to subsidiary undertakings	47	47
Accruals	7,391	7,944
Deferred income	452	553
Other payables	543	274
	10,477	9,711
Corporation tax	-	-
At 31 March	10,477	9,711

Trade and other payables reported above include:

b. Public sector balances	2018 £'000	2017 £'000
Current		
Local Authorities	21	-
Other Central Government bodies	509	532
At 31 March	530	532

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Other borrowings

	Minimum lease payments £'000	Future finance charges £'000	Present value of lease obligations £'000
Within one year	367	(46)	321
Between one and five years	838	(47)	791
After five years	52	-	52
At 31 March 2017	1,257	(93)	1,164
Within one year	338	(28)	310
Between one and five years	538	(18)	520
After five years	13	-	13
At 31 March 2018	889	(46)	843

Finance lease obligations are principally for buildings. Terms range from 20 to 25 years and include renewal options if 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 2018, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% (2017:6.0%)

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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 15 years.

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

	2018 £'000	2017 £'000
Leasehold properties		
Not later than one year	1,298	1,027
After one year but not more than five years	2,703	2,714
After five years	667	29
At 31 March	4,668	3,770

	2018 £'000	2017 £'000
Leasehold plant & equipment		
Not later than one year	78	63
After one year but not more than five years	80	49
After five years	-	-
At 31 March	158	112

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:

	2018 £'000	2017 £'000
Not later than one year	177	261
After one year but not more than five years	325	504
After five years	-	-
At 31 March	502	765

19.1

Post-retirement benefits

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 (accrual 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 2018). The 31 March 2015 valuation has not yet been finalised.

During the year ended 31 March 2018, a total contribution of 23.5% (2017:23.5%) of pensionable salaries was paid by VisitScotland. This included employees' contributions of 5%, and employer's contributions of 18.5%. Employer contributions paid by VisitScotland for the year to 31 March 2018 amounted to £1,755,000 (2017: £1,533,000). The rate to be paid during the year to 31 March 2018 by VisitScotland is a composite rate of 18.5%, plus the deficit contributions due in accordance with the recovery plan.

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 /covenants support.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to £75,209,000 (2017: £75,397,000), as compared to its share of Scheme liabilities of £104,777,000 (2017: £103,422,000) results in the funded status of VisitScotland's share of the Scheme reflecting a liability of £29.568 million as at 31 March 2018 (2017: £28.025 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 21.

Assumptions

BTBPS

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

Financial:

As at 31 March 2018	2018 % p.a.	2017 % p.a.
Inflation assumption	2.30 CPI	2.40 CPI
Principal rate of increase in pensionable salaries *1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%	2.80	3.40 *
Rate of increase for pensions in payment The CPI assumption for 2018 has been calculated as RPI (3.30%) less than 1.0% p.a. (2017:RPI (3.40%) less 1.0% p.a.)	2.30 CPI	2.40 CPI
Liability discount rate	2.70	2.70
Expected return on employer Assets	2.70	2.70

Mortality:

Pre and post retirement assumptions are based on the following criteria:

- Male life expectancy is derived from 97% of SAPS S1NMA table with 2014 CMI projections, based upon year of birth, trending to 1.25% per annum.
- Female life expectancy is derived from 90% of SAPS S1NFA table with 2014 CMI projections based on year of birth, trending to 1.25% per annum.

Expected age at death of current pensioner at age 65		
Male aged 65 at year end	89.7 years	89.6 years
Female aged 65 at year end	91.6 years	91.5 years
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	91.4 years	91.3 years
Female aged 45 at year end	93.4 years	93.3 years

Commutation:

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

Assumptions

BTBPS

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 2018 amounts to approximately 21 years. (2017: 22 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, scheme valuations, as required, 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 Scheme liabilities is as follows:

a. 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%
	2.80%	3.30%	3.80%
Liabilities	£93.4m	£104.8m	£118m

b. Discount rate

	-0.50%	Central assumption	0.50%
	2.20%	2.70%	3.20%
Liabilities	£118.6m	£104.8m	£93.1m

c. Life expectancy

The calculation sets out the effects if life expectancies increase or reduce by one year.

	-1 year	Central assumption	+1 year
Liabilities	£100.8m	£104.8m	£108.7m

These figures are provided for illustration only; they are not intended to be regarded as recommendation for this or for future accounting disclosures.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2018

BTBPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	75,397	-	75,397
Present value of funded liabilities	-	103,422	(103,422)
Present value of unfunded liabilities	-	-	-
Opening position as at 1 April 2017	75,397	103,422	(28,025)
Service cost			
Current service cost**	(203)	3,780	(3,983)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	(203)	3,780	(3,983)
Net interest			
Interest income on plan assets	2,005	-	2,005
Interest cost on defined benefit obligation	-	2,791	(2,791)
Impact of asset ceiling on net interest	-	-	-
Total net interest	2,005	2,791	(786)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,802	6,571	(4,769)
Cashflow			
Plan participants' contributions	413	413	-
Employer contributions	1,755	-	1,755
Transfers in	21	21	-
Benefits paid	(4,275)	(4,275)	-
Expected closing position	75,113	106,152	(31,039)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	(2,197)	2,197
Other experience	-	822	(822)
Return on assets excluding amounts included in net interest	96	-	96
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	96	(1,375)	1,471
Fair value employer assets	75,209	-	75,209
Present value of funded liabilities	-	104,777	(104,777)
Closing position as at 31 March 2018	75,209	104,777	(29,568)

** The current service cost includes administration expenses of £203,000.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2017

BTBPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	60,462	-	60,462
Present value of funded liabilities	-	86,126	(86,126)
Present value of unfunded liabilities	-	-	-
Opening position as at 1 April 2016	60,462	86,126	(25,664)
Service cost			
Current service cost**	(144)	3,221	(3,365)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	(144)	3,221	(3,365)
Net interest			
Interest income on plan assets	2,207	-	2,207
Interest cost on defined benefit obligation	-	3,176	(3,176)
Impact of asset ceiling on net interest	-	-	-
Total net interest	2,207	3,176	(969)
Total defined benefit cost recognised in statement of comprehensive net expenditure	2,063	6,397	(4,334)
Cashflow			
Plan participants' contributions	354	354	-
Employer contributions	1,533	-	1,533
Transfers in	29	29	-
Benefits paid	(1,781)	(1,781)	-
Expected closing position	62,660	91,125	(28,465)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	-	0
Change in financial assumptions	-	13,474	(13,474)
Other experience	-	(1,177)	1,177
Return on assets excluding amounts included in net interest	12,737	-	12,737
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	12,737	12,297	440
Fair value employer assets	75,397	-	75,397
Present value of funded liabilities	-	103,422	(103,422)
Closing position as at 31 March 2017	75,397	103,422	(28,025)

** The current service cost includes administration expenses of £144,000.

Fair value of employer assets

BTBPS

Asset category	31 MARCH 2018				31 MARCH 2017			
	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	£'000	
Equity Securities:								
Consumer	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Energy & Utilities	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Health & Care	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Debt securities:								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	-	-	-	-	-	-	-
Real Estate:								
UK Property	6,663	-	6,663	8.9%	6,472	-	6,472	8.6%
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	28,546	-	28,546	37.9%	28,833	-	28,833	38.2%
Corporate Bonds	-	-	-	-	-	-	-	-
Hedge Funds	12,564	-	12,564	16.7%	12,876	-	12,876	17.1%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - LDI repo	25,103	-	25,103	33.4%	24,870	-	24,870	33.0%
Other - Insurance Annuities	1,777	-	1,777	2.4%	1,917	-	1,917	2.5%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Cash and cash equivalents:								
All	556	-	556	0.7%	429	-	429	0.6%
Totals	75,209	-	75,209	100.0%	75,397	-	75,397	100.0%

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

Fair value of employer assets

BTBPS

History of experience gains and losses

As at 31 March

	2018 £'000	2017 £'000	2016 £'000
Fair value of employer assets	75,209	75,397	60,462
Present value of defined benefit obligation	(104,777)	(103,422)	(86,126)
Net pension (liability)	(29,568)	(28,025)	(25,664)
Experience: (Losses)/gains on assets	96	12,737	19
Experience: (Losses)/gains on liabilities	1,375	(12,297)	3,857
	1,471	440	3,876
Experience: Cumulative actuarial (losses)/gains recognised	(14,174)	(15,645)	(16,085)

19.2

Post-retirement benefits

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 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, was carried out as at 31 March 2017.

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

	2018 £'000	2017 £'000
Aberdeen City Council Pension Fund	20.8	20.8
Tayside Superannuation Scheme	17.0	17.0
Falkirk Council Pension Scheme	24.7	24.7
Dumfries and Galloway Council Pension Fund	19.5	19.5
Lothian Pension Fund	15.2	15.2
Strathclyde Pension Scheme	21.3	21.3
Highland Council Pension Fund	22.1	22.1
Highland Council Pension Fund (Western Isles)	21.3	21.3
Fife Council Superannuation Fund	29.8	29.8
Orkney Islands Council Pension Fund	19.8	19.8
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	27.6	27.6

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 2018 amounted to **£1,152,000** (2017: £1,064,000).

VisitScotland’s share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2018, amounts to **£63,064,000** (2017: £62,033,000), which when compared to its share of Scheme Liabilities of **£68,415,000** (2017: £70,137,000) results in the funded status of VisitScotland’s share of the Scheme, as at 31 March 2018, standing at a reduced liability of **£5.351 million** (2017: £8.104 million).

The asset split at the accounting date, as shown on page 101, is based on the split of each Fund’s asset as at the most recent date this information was available, and, particularly, the division between those assets with prices quoted in active markets and those where prices are not quoted in active markets is an estimate based on the allocation as provided last year.

Assumptions

LGPS

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

Financial:

As at 31 March 2018	2018 % p.a.	2017 % p.a.
Inflation assumption	2.30 CPI	2.40 CPI
Principal rate of increase in pensionable salaries	2.80 **	3.40 *
**salary increases are assumed to be 2.8% across all terms due to the lifting of the 1% pay cap *1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%		
Rate of increase for pensions in payment	2.30 CPI	2.40 CPI
The CPI assumption for 2018 has been calculated as RPI (3.8%) less than 1.0% p.a. (2017:RPI (3.40%) less 1.0% p.a.)		
Liability discount rate	2.70	2.70
Expected return on employer Assets	2.70	2.70

Mortality:

Life expectancy is based on the Vitacurves as applied to the Lothian Pension Fund at the 2014 valuation with improvements in line with the core parameters of the CMI2012 model and a long term rate of improvement of 1.25%

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

Expected age at death of current pensioner at age 65		
Male aged 65 at year end	86.8 years	87.2 years
Female aged 65 at year end	89.4 years	88.8 years
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	89.8 years	89.3 years
Female aged 45 at year end	92.6 years	91.4 years

Assumptions

LGPS

Commutation:

The allowance for commutation is consistent with the assumptions used at the formal valuations carried out as at 31 March 2017.

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

The actuaries have been supplied with a split of each Fund's assets based on the equivalent split provided for 31 March 2017.

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 20 years. (2017:19.7 years)

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the Scheme liabilities, if all other assumptions remain unchanged is as follows:

	% Increase in Liabilities	Approximate amount
0.5% decrease in Real Discount Rate	10.5%	£7.2m
0.5% increase in Salary Increase Rate	1.2%	£0.8m
0.5% increase in the CPI inflation Rate	8.0%	£5.5m
1 year increase in member life expectancy	3.07%	£2.1m

These figures are provided for illustration purposes only; they are not intended to be regarded as a recommendation for this or for future accounting disclosures.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2018

LGPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	62,033	-	62,033
Present value of funded liabilities	-	68,937	(68,937)
Present value of unfunded liabilities	-	1,200	(1,200)
Opening position as at 1 April 2017	62,033	70,137	(8,104)
Service cost			
Current service cost*	-	1,378	(1,378)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	-	1,378	(1,378)
Net interest			
Interest income on plan assets	1,668	-	1,668
Interest cost on defined benefit obligation	-	1,891	(1,891)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,668	1,891	(223)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,668	3,269	(1,601)
Cashflows			
Plan participants' contributions	262	262	-
Employer contributions	1,092	-	1,092
Contributions in respect of unfunded benefits	60	-	60
Benefits paid	(1,824)	(1,824)	-
Unfunded benefits paid	(60)	(60)	-
Expected closing position	63,231	71,784	(8,553)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	(1,352)	1,352
Change in financial assumptions	-	(1,169)	1,169
Other experience	-	(848)	848
Return on assets excluding amounts included in net interest	(167)	-	(167)
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	(167)	(3,369)	3,202
Fair value employer assets	63,064	-	63,064
Present value of funded liabilities	-	67,246	(67,246)
Present value of unfunded liabilities	-	1,169	(1,169)
Closing position as at 31 March 2018	63,064	68,415	(5,351)

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

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2017

LGPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
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)
Opening position as at 1 April 2016	51,005	59,451	(8446)
Service cost			
Current service cost**	-	1,081	(1,801)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	-	1,081	(1,081)
Net interest			
Interest income on plan assets	1,862	-	1,862
Interest cost on defined benefit obligation	-	2,169	(2,169)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,862	2,169	(307)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,862	3,250	(1,388)
Cashflows			
Plan participants' contributions	266	266	-
Employer contributions	1,004	-	1,004
Contributions in respect of unfunded benefits	60	-	60
Benefits paid	(1,331)	(1,331)	-
Unfunded benefits paid	(60)	(60)	-
Expected closing position			
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	9,255	(9,255)
Othe experience	-	(694)	694
Return on assets excluding amounts included in net interest	9,227	-	9,227
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	9,227	8,561	666
Fair value employer assets	62,033	-	62,033
Present value of funded liabilities	-	68,937	(68,937)
Present value of unfunded liabilities	-	1,200	(1,200)
Closing position as at 31 March 2017	62,033	70,137	(8,104)

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

Fair value of employer assets

LGPS

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

Asset category	31 MARCH 2018				31 MARCH 2017			
	Quoted Prices in Active Markets £'000s	Prices not quoted in Active markets £'000s	Total £'000s	%	Quoted Prices in Active Markets £'000s	Prices not quoted in Active markets £'000s	Total £'000	%
Equity Securities:								
Consumer	4,901	-	4,901	7.8%	5,648	-	5,648	9.1%
Manufacturing	4,299	24	4,323	6.9%	4,670	27	4,697	7.7%
Energy & Utilities	1,439	-	1,439	2.3%	2,063	-	2,063	3.3%
Financial Institutions	3,814	-	3,814	6.0%	3,969	-	3,969	6.4%
Health & Care	1,881	-	1,881	3.0%	2,462	-	2,462	4.0%
Information technology	3,649	2	3,651	5.8%	4,104	3	4,107	6.6%
Other	6,651	246	6,897	10.9%	1,938	72	2,010	3.2%
Debt securities:								
Corporate Bonds (investment grade)	1,269	309	1,578	2.5%	729	177	906	1.5%
Corporate Bonds (non-investment grade)	186	-	186	0.3%	2	-	2	0.0%
UK Government	1,649	227	1,876	3.0%	2,058	283	2,341	3.8%
Other	334	2	336	0.5%	273	2	275	0.4%
Private Equity:								
All	192	3,320	3,512	5.6%	266	4,597	4,863	7.8%
Real Estate:								
UK Property	1,366	4,330	5,696	9.0%	932	2,952	3,884	6.3%
Overseas Property	0	22	22	0.0%	19	1,716	1,735	2.8%
Investment funds and unit trusts:								
Equities	5,887	8,142	14,029	22.2%	5,961	8,244	14,205	22.9%
Bonds	688	3,289	3,977	6.3%	863	4,129	4,992	8.0%
Hedge Funds	0	-	0	0.0%	10	-	10	0.0%
Commodities	4	-	4	0.0%	35	-	35	0.1%
Infrastructure	293	1,148	1,441	2.3%	15	59	74	0.1%
Other	771	400	1,171	1.9%	695	361	1,056	1.7%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	0.0%
Other	3	-	3	0.00%	1	-	1	0.0%
Cash and cash equivalents:								
All	1,488	839	2,327	3.7%	1,725	973	2,698	4.3%
Totals	40,764	22,300	63,064	100%	38,438	23,595	62,033	100.0%

Fair value of employer assets

LGPS

History of experience gains and losses

As at 31 March

	2018 £'000	2017 £'000	2016 £'000
Fair value of employer assets	63,064	62,033	51,005
Present value of defined benefit obligation	(68,415)	(70,137)	(59,451)
Net pension (liability)	(5,351)	(8,104)	(8,446)
Experience: (Losses)/gains on assets	(167)	9,227	(374)
Experience: (Losses)/gains on liabilities	3,369	(8,561)	5,914
	3,202	666	5,540
Experience: Cumulative actuarial (losses)/gains recognised	(2,522)	(5,724)	(6,390)

Total pension scheme employer's contributions reflected in the statement of comprehensive net expenditure

	2018 £'000	2017 £'000
British Tourist Boards' Pension Scheme	1,755	1,533
Local Government Pension Schemes	1,152	1,064
Other Pension Schemes	-	8
At 31 March	2,907	2,605

a. Total pension scheme actuarial losses/(gains) recognised in other comprehensive income

	2018 £'000	2017 £'000
British Tourist Board's Pension Scheme	(1,471)	(440)
Local Government Pension Schemes	(3,202)	(666)
At 31 March	(4,673)	(1,106)

b. Total deficit on retirement benefit obligations

	2018 £'000	2017 £'000
British Tourist Boards' Pension Scheme	(29,568)	(28,025)
Local Government Pensions Schemes	(5,351)	(8,104)
At 31 March	(34,919)	(36,129)

c. IAS 19 adjustment as disclosed in the performance report

	BTBPS £'000	LGPS £'000
Charges recognised in the statement of comprehensive net income	4,769	1,601
Employers contributions	(1,755)	(1,092)
Contributions in respect of unfunded benefits	-	(60)
	3,014	449
Annually Managed Expenditure (AME)	-	3,463

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Financial instruments

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

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

This note presents information about 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.

a. 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. Other borrowings are representative of the Finance Lease obligations with regard to Leasehold properties reported in accordance with IAS 17, and highlighted in Note 17.

VisitScotland manages its liquidity by the monthly drawdown of Grant-in-Aid, and the daily management of cash resources. Regular monitoring of actual performance against budgets and forecasts takes place to ensure alignment with the annual operating plan.

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

Financial instruments

b. Credit risk

Financial liabilities	Net carrying amount £'000	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
As at March 2017					
Other borrowings	1,164	367	838	52	1,257
Trade and other payables	9,711	9,711	-	-	9,711
Total financial liabilities	10,875	10,078	838	52	10,968
As at 31 March 2018					
Other borrowings	843	338	538	13	889
Trade and other payables	10,477	10,477	-	-	10,477
Total financial liabilities	11,320	10,815	538	13	11,366

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.

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.

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 15.

VisitScotland operates within the Government Banking framework and any remaining cash and cash equivalents are held with AAA rated banks, which are not expected to fail.

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

	2018 £'000	2017 £'000
Current receivables		
Trade and other receivables	2,191	1,428
Cash and cash equivalent		
Government Banking Service	1,519	3,209
Commercial banks	3,500	2,162
Unapplied capital receipts	395	-
At 31 March	7,605	6,799

Financial instruments

c. 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.

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.

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
Fixed interest rate				
At 31 March 2017				
Financial liabilities				
Other borrowings	(321)	(791)	(52)	(1,164)
Total	(321)	(791)	(52)	(1,164)
At 31 March 2018				
Financial liabilities				
Other borrowings	(310)	(520)	(13)	(843)
Total	(310)	(520)	(13)	(843)
Variable interest rate				
At 31 March 2017				
Financial assets				
Trade and other receivables	1,428	-	-	1,428
Cash and cash equivalents	5,372	-	-	5,372
Financial liabilities	-	-	-	-
Trade and other payables	(9,711)	-	-	(9,711)
Total	(2,911)	-	-	(2,911)
At 31 March 2018				
Financial assets				
Trade and other receivables	2,191	-	-	2,191
Cash and cash equivalents	5,414	-	-	5,414
Financial liabilities				
Loans	-	-	-	-
Trade and other payables	(10,477)	-	-	(10,477)
Total	(2,872)	-	-	(2,872)

Financial instruments

Fair value hierarchy

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

Estimation of fair values

	2018		2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets				
Trade and other receivables	2,191	2,191	1,428	1,428
Cash and cash equivalents	5,414	5,414	5,372	5,372
Financial liabilities				
Other borrowings	(843)	(843)	(1,164)	(1,164)
Trade and other payables	(10,477)	(10,477)	(9,711)	(9,711)
At 31 March	(3,715)	(3,715)	(4,075)	(4,075)

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

Interest rate sensitivity analyses

- 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.

Loans

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

Financial instruments

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.

d. 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.

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Provisions

	Pension provision £'000	Total £'000
At 1 April 2016	124	124
Utilised	(19)	(19)
Charged	15	15
At 31 March 2017	120	120
At 1 April 2017		
Utilised	(19)	(19)
Charged	15	593
At 31 March 2018	116	694

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

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Losses and special payments

	2018 £'000	2017 £'000
Total losses for the year were:		
Trade bad debts written off	25	25
At 31 March	25	25

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Capital commitments

There were no capital commitments as at 31 March 2018 (2017:None).

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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 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.

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.

Details of material transactions with other Government bodies and companies where Board members, Directors and senior staff, have an interest, are disclosed, as follows:

Representative	Company name	Role	Nature of supply	Sales to balance £'000	Debt balance £'000	Purchase from £'000	Creditor balance £'000
Anne Anderson	University of Glasgow	Vice-Principal	Promotions/marketing projects	-	-	38	-
Rebecca Brooks	Scottish Tourism Alliance	Non-Executive Director		2		6	
	Abbey Scotland	Managing Director	Sponsorship/marketing	5			
Cathy Craig	Argyll & The Isles Tourism Co-operative Ltd	Board Member	Sponsorship		-	36	15
Gordon Dewar	Edinburgh Airport Ltd	Chief Executive Officer	Retail commission/Services		-	32	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/Mktg	2	-	6	-
Stephen Dunlop	Scottish Canals	Chief Executive Officer	Promotions/Rent	0	-	6	-
Stephen Hagan	David MacBrayne Ltd (Calmac Ferries Ltd)	Non-Executive Director	Sponsorship / Mktg	18	-		
Calum Ross	Argyll & The Isles Tourism Co-operative Ltd	Vice Chairman	Sponsorship		-	36	15
	Loch Melfort Hotel	Partner	Room hire		-	2	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/Mktg	2	-	6	-
Caroline Roxburgh	Edinburgh International Festival	Board Director/Trustee	Event sponsorship grant		-	135	85
Paul Bush	Edinburgh Military Tattoo	Ambassador	Sponsorship	2	-		-
	Commonwealth Games Scotland	Chair	Sponsorship	3			
Malcom Roughead	University of Strathclyde	Lay Member	Room hire	1	-	18	-
	Diageo	Shareholder	Event partner	8	4		
Stuart Turner	Melrose Rugby Club	Member	Sponsorship			8	
	Scotch Malt Whisky Society	Member	Promotions/marketing projects			2	

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.