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MANAGEMENT COMMENTARY

1. DIRECTORS' REPORT

1.1 INTRODUCTION

STATUTORY BACKGROUND

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

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

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

PRINCIPAL ACTIVITIES

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

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

VisitScotland is tasked by the Cabinet Secretary for Finance, Employment and Sustainable Growth to position itself across the public sector agencies as both a marketing specialist and as a key economic development agency driving growth in the visitor economy alongside Scottish Development International, Highland and Islands Enterprise and Scottish Enterprise. The organisation is to be clearly seen as the lead body for the visitor economy and specifically in respect of the final year of the "The Winning Years" trilogy, being 2014, embracing The Commonwealth Games, The Ryder Cup and Homecoming 2014, and then developing the legacy beyond.

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

1.2 EXECUTIVE MANAGEMENT

BOARD MEMBERS

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

Two sub-committees report to the Board, the Audit Committee (renamed the Audit & Risk Committee, subsequent to the year-end), and the Remuneration Committee. Members of both Committees during the year are identified below.

Board members who served during the year were:

Dr Mike Cantlay**	(Chairman)
Stephen Carter OBE*	
Paddy Crerar **	
Gordon Dewar **	(Appointed 1 September 2013)
Steven Dunlop *	(Appointed 1 September 2013)
Dorothy Fenwick*	
Manus Fullerton*	
Professor Russel Griggs OBE * **	
Calum Ross **	(Appointed 1 September 2013)

* Members of the Audit Committee during the year.

** Members of the Remuneration Committee during the year.

A Register of Board Members' Interests is maintained. Copies of each Board Member's Declaration of Interests can be found on our corporate website:- <http://www.visitscotland.org/about-us/our-structure/the-board.aspx>. Short biographies of the members of the Board can also be found at this website address.

SENIOR MANAGEMENT TEAM

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

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

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

In addition, the Head of Human Resources attends Senior Management Team meetings. Information on the salary and pension entitlements of the Chief Executive and Senior Management Team can be found in the Remuneration Report on page 20.

R Parish relinquished his post as Director – Digital & Media, as of 1 April 2013.

1.3 CORPORATE OBJECTIVES AND STRATEGY

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

The need to work in partnership with all manner of multiple stakeholders to ensure the successful delivery of sustainable economic benefit to Scotland, including a number of major events, was reflected within our strategic priorities for 2013/14, as outlined in our **2013-2016 Corporate Plan**, as follows:

- **Marketing:** To support sustainable growth in the Visitor Economy by marketing Scotland to defined audiences and markets.
- **Information Provision:** To provide information and inspiration to visitors before, during and after their visit via the device of their choice.
- **Quality and Sustainability:** To provide support and advice to businesses, with the goal of improving the quality and sustainability of the tourism sector in Scotland, and to provide assurance to visitors through our quality schemes.
- **Working in Partnership:** To grow the Visitor Economy by maximising our reach and return on investment by harnessing the collective strength of our partners across public, private and third party sectors.
- **Events:** To maximise the benefits from "The Winning Years" and their legacy, and to implement the national events strategy, Scotland the Perfect Stage, and sustain, develop and promote Scotland's International profile as one of the world's foremost events destinations.

1.4 AUDITORS

VisitScotland's annual report and financial statements are audited by auditors appointed by the Auditor General for Scotland, in accordance with Section 6(4) of the Development of Tourism Act 1969. The fees payable for audit services provided by the appointed auditors in the year to 31 March 2014 were £70,000 (2013:£70,000).

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

1.5 PENSIONS

Details of pension schemes in use by VisitScotland can be found in note 22 to the financial statements. The Remuneration Report (pages 20 – 23) contains specific disclosures relating to Directors' pensions.

1.6 SICKNESS ABSENCE DATA

The average sickness absence per full time employee in 2013/14 was 3.90 days compared with 4.70 days in 2012/13.



Malcolm Roughead OBE

Chief Executive
VisitScotland

14 October 2014.

2. STRATEGIC OUTCOMES REPORT FOR THE YEAR 2013/14

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

In the context of VisitScotland's primary purpose to maximise the sustainable benefit of tourism to Scotland, spend from overnight visitors to Scotland is valued at £4.6bn,¹ with 36% of that spend coming from international visitors, although they account for only 16% of visitors. However, the value of the wider Visitor Economy (including knock on impacts in other sectors and spend from tourist related employees) to the Scottish economy is much greater and much wider, being valued at £11.6bn, supporting 292,000 jobs and 20,000 diverse businesses.¹ It is further estimated that around 200,000 non-tourism jobs are supported by the tourism industry, with tourism generating around £2m per day for the food and drink industry for example.²

2.1 DELIVERY OF CORPORATE OBJECTIVES FOR THE YEAR

MARKETING

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

Our major campaign, "The Year of Natural Scotland" ("YNS") ran from 1 January to 31 December 2013, and provided the opportunity to spotlight, celebrate and promote Scotland's outstanding natural beauty, landscapes, and biodiversity to our people and our visitors and to continue to build on the momentum created by the previous 'focus years' as we progress towards Homecoming and beyond.

There was significant investment in activities promoting the year across a range of our key partners, who agreed to use the platform created through the campaign to celebrate 8 key themes – Scotland's natural; "landscapes", "built heritage", "larder", "sustainable tourism", "playground", "flora and fauna", "art in nature", and "nature in cities".

The immense success of the opening YNS campaign which centred on Scotland's shetland ponies caught the world's imagination. So much so that Scotland was named by CNN as *The Number 1 destination*.

Subsequent results from the overall YNS campaign have been excellent. Consumer awareness rose from 8.6% at the end of 2012, to 25% in mid-2013. Ninety eight businesses took part in workshops held as part of YNS, as against a target of 100 participating, and the television commercials alone were viewed by in excess of 20 million people across the UK.³ The "Year of Natural Scotland", with an investment of £3.4m, was our biggest ever nature-based marketing campaign, designed to capitalise on the beauty of the country's great outdoors, encouraging people of all ages to explore the nature and wildlife on their doorstep.

In addition, we launched an initiative to encourage 165,000 school children to become natural explorers as part of a new educational campaign working with such partners as Scottish Natural Heritage ("SNH") & Royal Society for the Protection of Birds Scotland. The success of YNS throughout the year continued with the joint campaign with SNH which saw all of Scotland's Big 5 wild animals championed extensively across billboard advertisements, in Manchester, Liverpool, Newcastle, Glasgow and Edinburgh. Alongside this there was an extensive radio campaign hosted by a well-known TV personality, together with written press and on-line content specially developed throughout the year. The result was a campaign which reached millions of potential visitors, and the competition itself, to find the country's favourite wild animal, generated considerable interest and resulted in the Golden Eagle, the impressive bird of prey, coming out on top with in excess of 40% of the vote.

The annual VisitScotland Expo conference held at the SECC in Glasgow in April 2013 was, once again, an immense success. With a 6.5% increase in exhibitors generating in excess of an estimated £21.4 million worth of business, Expo proved that Scottish Tourism was experiencing a welcoming start to the year.

In the run up to the Commonwealth Games, as the Queen's Baton Relay started its tour around the Commonwealth in India, we embarked on a series of media engagements with some of the biggest and most read publications in the world promoting Scotland ahead of the Games and the Ryder Cup week, and then, as the Queen's Baton moved on into Australia, VisitScotland held a trade mission to promote Homecoming Scotland 2014. At this event we engaged with over 100 media and trade contacts, and feedback from our partners has been extremely positive.

The Launch of our new 'Brilliant Moments' campaign in November represented the consumer side of our "Scotland welcomes the world" message. At the heart of the £5.3m multi-touchpoint campaign was a new TV advert which showcased Scotland's Brilliant Moments of 2014: Homecoming, the Commonwealth Games, and the Ryder Cup, as well as the personal brilliant moments of the people of Scotland. The first TV advertising 'burst' reached 17 million³ ABC1 adults.⁴

Additionally, from a consumer marketing perspective the main focus, latterly, has been on our Homecoming Scotland 2014 campaign across London and the UK, and key European, Australian, New Zealand and Indian markets. With Food and Drink being a key theme for Homecoming Scotland 2014, which builds on the previous success of Year of Food and Drink in 2010, seven events received £200k from the 2014 Food and Drink Fund. The investment will help increase the number of food and drink producers involved in events and promote the distinct role played in shaping Scotland's cultural identity and heritage.

Early January 2014 saw the launch of the dedicated Homecoming TV advert "On your Doorstep" which was targeted at Scotland, Northern England, and Northern Ireland. The launch was attended by Tourism Minister, Fergus Ewing, and generated significant media coverage.

Latterly, in early February, the international campaign "Meet the Scots" was launched. Using 23 "ambassadors", the £1.7 million online and print marketing promotion is targeting millions of potential visitors in the key European markets of Germany, France and Spain, as well as Italy, Sweden, Belgium and the Netherlands. Further afield "Meet the Scots" is aimed at the United States, Canada, Australia, and New Zealand. The campaign, designed to ensure that international visitors are aware of all the great reasons to visit Scotland in every single month of the year, shines the spotlight on each month in 2014, and key Homecoming events and activities taking place at that time.

Underpinning our activity in bringing visitors to Scotland has been the success in developing our aviation hub strategy with partner agencies as part of Team Scotland.

Announcements by Qatar Airways, Etihad, US Airways and United Airlines to introduce new services direct to Scotland during 2014/15, in addition to the growing importance of Turkish Airlines and Virgin Atlantic, will result in greater access to the markets of North America, Asia, Australasia and the Indian Sub-Continent.

INFORMATION PROVISION

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

Key developments have included the integration of all standalone regional, product and international websites to create a global website under the visitscotland.com banner. New and enhanced content and optimisation of the site has increased the number of unique visits, up 50% on 12/13 levels to 9,084,736, and an increase in website sessions, also up 50% on 12/13 levels to 11,563,637. A key focus has been connecting more visitors with businesses listed on the site, and during the year over 1.6m visitor referrals were passed to businesses listed on the site. Over 30% of accommodation businesses are now providing online availability as a result of VisitScotland's work to integrate web booking engines, with 9,239 accommodation bookings during the period June 2013 (go live) – March 2014.

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

Social media engagement continues to grow and at the end of March we had 251,392 followers on facebook, up 123% on 12/13 levels, and 73,307 followers on twitter, up 64% on 12/13 levels. Instagram is also a growing channel with over 18,994 images uploaded by visitors who wanted to share their favourite Scotland places and experiences using our hashtag #brilliantmoments.

Information is distributed monthly to over 2 million visitors on VisitScotland's database, keeping them up to date with events, seasonal highlights, industry and partner offers, and 3.5m visitors were looked after by our Information Centre staff across Scotland.

Research and Insight

The Insight Department continues to build and exploit VisitScotland's knowledge resources, providing support to both colleagues and stakeholders. With four distinct areas of expertise now within the Department - research, trends analysis, consumer CRM and digital analytics - we are exploring the possibilities to combine our data and knowledge to provide an ever richer picture of our markets and activity outcomes.

During the year we carried out a major programme of research to refresh our segmentation of the UK market, to reflect changing attitudes and behaviours amongst consumers. This involved surveying both the general population and respondents to our campaigns, together with data analysis and validation through qualitative research. The resulting segmentation will be shared with our own marketing and partnerships teams and to external parties, as appropriate, in a rolling programme of communication during the coming year. We have subsequently embarked on a major examination of world markets, with the aim of identifying the best opportunities for the next 10 years. This will combine in-depth analysis of published data and forecasts with our own analysis and assessments of market opportunities and challenges.

In the past year there have been some notable examples of our growing focus on partnerships and collaboration. We managed the Islands Visitor Survey on behalf of a group of partners including the Islands authorities and Highlands & Islands Enterprise. Consideration of the findings of this research, together with our

earlier mainland visitor survey, provides us with a nationwide view of visitors and their behaviour. In addition, we undertook a programme of consultation to provide a foundation of information and opinion for the refresh of the national events strategy, enabling those involved in the events sphere to have their say. We have also provided advice to colleagues and partners to establish the measurement frameworks for the major events in 2014, including the Ryder Cup and Homecoming, and we continue to play an active role in the Strategic Forum Research Group, notably establishing a new networking and collaboration group for tourism researchers in the Scottish public sector.

In order to share the knowledge that we develop through these activities, we have greatly increased the published Insight outputs available through our key information channel - www.visitscotland.org - which have become amongst the top downloads from that site. These have included monthly trends updates, annual summaries of national and regional statistics and specific topic papers drawn from the results of our own research

QUALITY AND SUSTAINABILITY

Under the aegis of the Partnerships directorate, the Taste Our Best Food and Drink Scheme was launched in September 2013. A jointly funded initiative with the Scottish Government (at just under £1 million over three years) it aims to drive change in using and promoting Scottish produce, by bringing together the tourism and food and drink industries.

Designed to recognise businesses including hotels, restaurants, cafes, B&Bs, visitor attractions, etc, that not only offer a quality food and drink experience, but include and promote Scottish produce on their menus to give consumers choice, it has the potential to increase revenue for food and drink businesses by up to 20%.

VisitScotland's Quality Assurance schemes continue to receive strong support from industry with over 8,000 businesses achieving a star rating, food grading or welcome scheme recognition during 2013/14.

As we seek to make Scotland become the most sustainable tourism destination in Europe, during the year we commenced our plans to introduce minimum standards for sustainability targets provided for businesses taking part in our Quality Assurance scheme.

WORKING IN PARTNERSHIP

The Partnerships directorate has the key role of developing and delivering strong strategic and commercial partnerships with a wide range of external partners and stakeholders (Local Authorities ("LA"), Destination Organisations ("DMO"), industry groups and individual tourism businesses) at national, regional and local level. Its focus in the year has been exemplified by the significant role it has played in communicating to business the benefits of engaging with the Winning Years, notably, this year, with the Year of Natural Scotland and the beginning of the 2014 campaign year, through a series of focused outreach events and targeted electronic and face to face communications activity. This activity has also been fundamental in ensuring significant changes affecting businesses in relation to the organisation's consumer web site, visitscotland.com.

During the year VisitScotland continued to support the work of the Scottish Tourism Alliance in delivering its ambitions set out in the National Tourism Strategy Scotland 2020 (<http://scottishtourismalliance.co.uk/national-strategy/>). The influential Leadership Group (of which VisitScotland is a member) works collaboratively across the industry to generate a refreshing dynamic vision for Scottish tourism. In June 2013 VisitScotland published the first ever National Tourism Development Framework (*see our website <http://www.visitscotland.org>*) which aims to secure a higher profile for tourism and the visitor economy in the various national and local strategic economic development plans that make up Scotland's planning system. A review of the action plans arising from this Framework has captured details of over 460 projects with a total investment of over £8.4 billion, all of which will contribute to an improvement in the quality of the visitor experience over the next 3 years.

The Business Tourism Unit ("BTU") continues to encourage effective partnerships working with, and between, the City Convention Bureaux and Local Authorities, whilst building on partnerships with external stakeholders such as Scottish Development International ("SDI") to maximise sectoral opportunities with the Meetings, Incentive tours, Conventions, and Exhibitions industry ("MICE").

The £2m National Conference Bid Fund ("NBF") completed its first 2 years in existence with 46 conferences secured over the next 7 years, (starting from 2013), delivering a total future estimated total *delegate expenditure* of £106m in return for £940k of match-funding LA/DMO spend.

The fund has been mostly used by the four main cities of Glasgow, Edinburgh, Dundee and Aberdeen. This was to be expected as they have the centres of excellence such as universities and colleges, the meeting space, hotel beds and other infrastructure. Outside of the cities, there has been tentative use of the fund to support gatherings of 50-200 delegates, most notably in Stornaway. With demonstrable success and its inherent "win/win" proposition, other destinations have been motivated to formulate proper match-funding streams, including the Scottish Borders, Perthshire and Inverness.

The National Bid Fund has also become a highly tangible example and proof, if it was needed, of the wider Visitor Economy. Applications to the fund must be related to one or more of the key industry sectors, and 75% of all applications in the first two years were from the Life Sciences sector, followed by Energy & Sustainability - all for conferences in every city and almost every region corner of Scotland. It has given extra leverage to sectoral alignment between the work of VisitScotland, BTU and SDI/Scottish Enterprise, and allows greater focus to exploit these linkages ever further in 2014 and beyond.

In addition to year round work to market Scotland as destination for conferences, meetings and incentives, the Business Tourism team also took part in 3 major international MICE trade shows - IMEX Europe, IMEX America & EIBTM Barcelona. IMEX America enabled circa 12,000 meeting planners to network and engage with selected Scottish partners, including, Aberdeen Exhibition and Conference Centre, Edinburgh International Conference Centre, Glasgow City Marketing Bureau, Historic Scotland, Scottish Exhibition and Conference Centre, Apex Hotels, Cashel Travel, St Andrews Old Course Hotel & Spa, SPECTRA DMC, The Balmoral Hotel, The Dome, The Gleneagles Hotel, Macdonald Hotels and the Sheraton, showcasing the many world class suppliers and hotels that we have in Scotland, the culmination of which generated in excess of £11 million of specific leads for Scotland.

Business tourism enquiries for the full year 2013/14 reached £134m, as against £116m for 2012/13.⁵ In addition, previously confirmed business into Scotland was quantified at £21m for 2013/14 compared with £13m in 2012/13.

EVENTS

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

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

Notable successes delivered during last year include:

- The Year of Natural Scotland
- Blair Castle International Horse Trials
- World Pipe Band Championships
- The very successful "Games for Scotland" 2013:
 - Event activity took place in all 32 Local Authorities under the theme "Scotland is Next"
 - Total attendance and participation levels have grown from 35k in 2010 to over 112k
- Scotland's outstanding golf events: The SSE Scottish Senior Open, The Johnnie Walker Championship, and The Aberdeen Ladies Scottish Open
- UCI Junior Track Cycling World Championships
- The Edinburgh Arts Festival
- The renowned Scottish Winter Festival programme across St Andrews Day, Hogmanay and Burns night

In January, Homecoming Scotland 2014 got off to a great start with joint Hogmanay celebrations across Stirling, Inverness, Stonehaven, Biggar, and Edinburgh. As well as the Torchlight procession in Edinburgh, the 'Saltire in the Sky' lights provided a spectacular sight in the dark sky for the thousands watching, generating a plethora of media photographic opportunities.

2.2 ORGANISATIONAL EFFICIENCY

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

During the year new savings have been made totalling **£1,693,000** within the following areas:

- Procurement **£720,000**
- Asset management **£183,000**
- Organisational change (including benefits derived from voluntary redundancy, and non-replacement of senior staff), and shared services **£790,000**

The cumulative savings from 2008 to date under the efficiency programme now exceed **£11,302,000**, a sum total of **£7,026,000** ahead of the original Government target.

2.3 KEY PROJECT PERFORMANCE MEASURES

A large number of performance measures are set each year and these are detailed in the Annual Operating Plan. Achievements against the measures are reported to the Board members and Directors regularly throughout the year. Measurement is compiled through a number of research surveys, studies, plus analysis of results, as shown hereunder - Our measurement criteria (pages 8 & 9).

For 2013-14 the measurement statistics have revolved around a number of key areas involving core projects, and a selection of the more important results are shown below. The principal areas have delivered or are delivering the outcomes expected.

PERFORMANCE MEASURE	2013-14 Achieved £ Million	2013-14 Target £ Million
ECONOMIC BENEFIT TO SCOTLAND		
INTERNATIONAL MARKETING (Note (i))		
<ul style="list-style-type: none"> Pan European Touring Campaigns (Note (ii)) Long Haul Campaign (Note (ii)) Emerging Markets campaign (Value of new leisure product potential) 	64.9 14.0 8.7	53.3 17.6 9.0
TOTAL INTERNATIONAL MARKETING OUTCOME	87.6	79.9
UK & IRELAND MARKETING (Note (i))		
<ul style="list-style-type: none"> Themed campaigns Local Marketing – Spring/summer – Autumn/Winter Campaigns: “Exploring Scotland’s Regions” 	110.8 49.5	130.0 30.0
TOTAL UK & IRELAND MARKETING OUTCOME	160.3	160.0
NATIONAL & INTERNATIONAL EVENTS PROGRAMME		
<ul style="list-style-type: none"> Investment derived from £3m Grants (Gross additional spend in Scotland) Public Partner Funding - additionality 	81.7 3.4	27.6 3.0
TOTAL EVENTS PROGRAMME OUTCOME	85.1	30.6
BTU CONFERENCE 3 YEAR BID FUND PROGRAMME (Note (iii))		
<ul style="list-style-type: none"> Year 1 – 2012/13 : 21 conferences Year 2 – 2013/14 : 28 conferences (at a lower average value) (Value of Conferences won in respective years; i.e. the estimated future spend and not what has actually occurred- Notes (i) & (iv)) 	60.0 47.5	10.0 60.0
CUMULATIVE BID FUND CONVERSION TO DATE	107.5	70.0
INTERNAL GENERATION		
<ul style="list-style-type: none"> Deliver Visitor Footfall to VisitScotland Information Centres (VICs) (Source: Footfall counters in VICs) 	Million 4.71	Million 4.45
<ul style="list-style-type: none"> Deliver improved public sector efficiency savings p.a. – Government targets Single Year Cumulative from 2008 (Source: Analysis of expenditure) 	£ Million 1.7 11.3	£ Million 1.2 5.0
SUSTAINABILITY – level of CO2 Emissions <i>Operational Offices & VICs</i> <ul style="list-style-type: none"> Energy Waste & Water Transport TOTAL <i>(Source: Operational analyses)</i>	Registered Tonnes 1,535 78 321 1,934	Tonnes (Not to exceed) 1,913 102 393 2,408

NOTES:

- Additional visitor spend – The figures are a measure of gross additional expenditure and do not adjust for issues such as deadweight or displacement.
- The measurement methodology has been changed this year to bring international marketing evaluation in line with UK marketing evaluation – i.e. by using only those people who opened the VisitScotland newsletter communication instead of everyone who received it. Arising from this the basis for the target has also been changed from that used in previous years.
- Year one was a ‘standing start’ and therefore targeted outcomes were unknown. – Year two target was based on year one outcome. The overall Bid Fund target for the three years is £130 million.
- Work is underway to build an economic impact model to estimate the value of Conferences and Business events. It is anticipated that the model will be available for use in 2015/16.

Our measurement criteria*Estimated economic benefit to Scotland*

- International and National Events Programme* - Economic benefit is assessed using a consistent industry standard methodology. All major/international events undergo a full independent evaluation.

- *Growth Fund* - Based on an Economic Benefit Assessment by Frontline (2013).

Consumer marketing additional revenue

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

Other measures

- *Potential leads: Business Tourism Unit ("BTU") Core Events* - Enquires are received by the BTU as a result of activities. Those which have specific details (i.e. not speculative) are registered and their value calculated using nationally adopted (UK-wide) multipliers for Delegate Expenditure, and the size, nature and duration of the conference.
- *Converted business: National Bid Fund* - The Destination Management Organisation ("DMO")/city convention bureau estimates the value of the conferences using a provided model. This again uses nationally adopted (UK-wide) multipliers for Delegate Expenditure and the size, nature and duration of the conference.
- *Potential Business: EXPO* - Buyers are asked for an indication of the potential value of business identified during expo. The figures generated represent an estimate of business spend from the exhibitors, gathered by means of the official post-expo evaluation.
- *Route Marketing additional revenue* - Estimated number of inbound travellers multiplied by the average spend per trip (IPS) of an inbound traveller for that country.
- *Intermediary Marketing, Emerging Markets additional revenue* - Calculation of value of new Scotland product featured by international trade derived from surveys from operators and analysis of their activities.
- *Gross additional expenditure by tourists* - Where measures involve an estimate of the gross additional expenditure by tourists, no adjustment is made for issues such as deadweight or displacement.

2.4 CORPORATE OBJECTIVES FOR 2014/15

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

In this respect, VisitScotland plays a crucial role in helping to deliver the government's purpose which is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

For 2014/15 our purpose remains supported by our five key Corporate Objectives, previously highlighted, all closely integrated with interdependencies, as set out in our 2013-16 Corporate Plan.

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

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

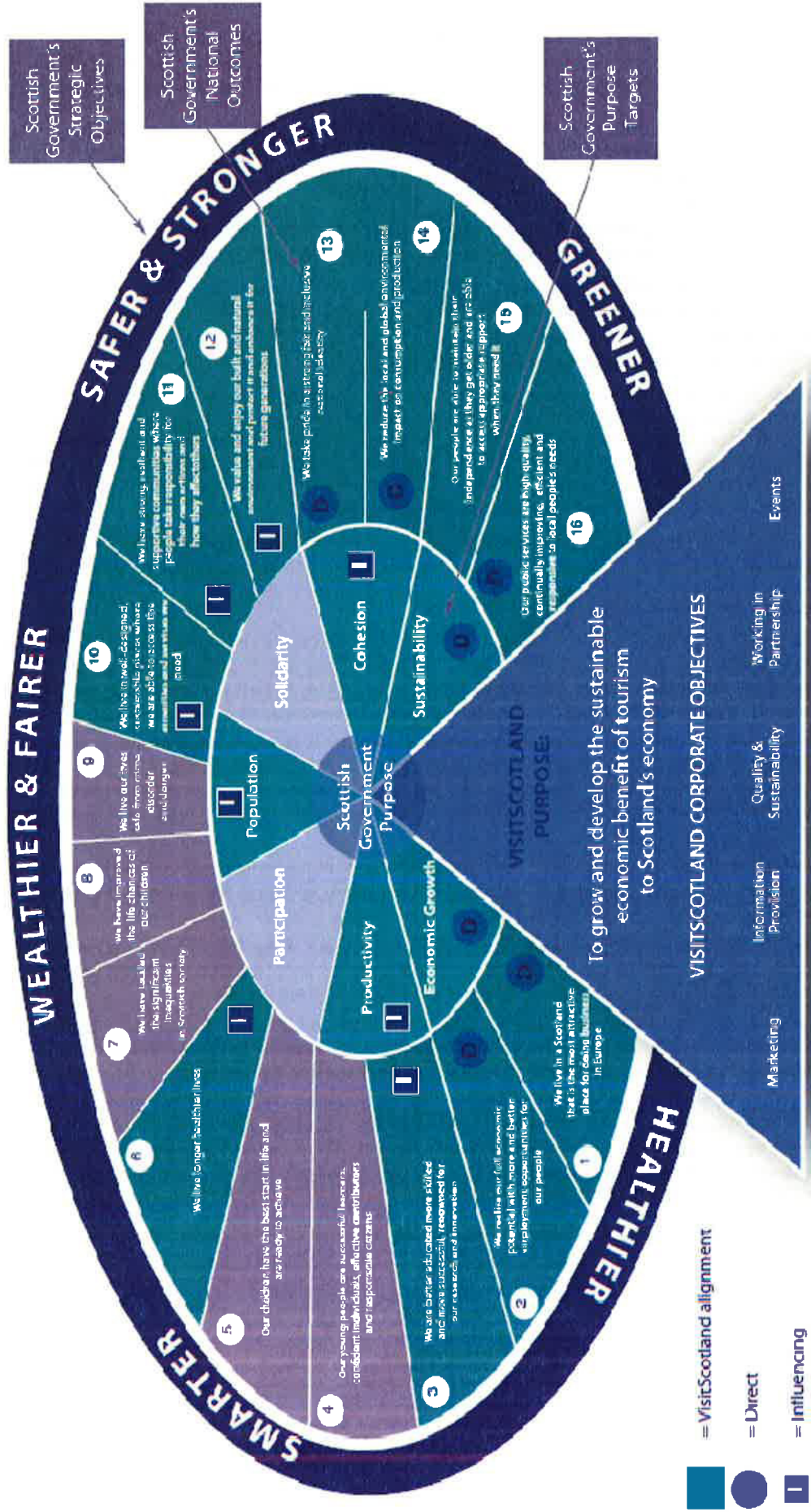
All of VisitScotland's work is directed towards growing and developing the sustainable economic benefit of tourism to Scotland's visitor economy. In economic, or value added terms, VisitScotland's marketing generates an annual total economic contribution of £436⁶ million boosting the economic recovery, as follows:

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

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

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

VISITSCOTLAND'S CONTRIBUTION TO THE NATIONAL PERFORMANCE FRAMEWORK



2.5 MARKETING OUTLOOK

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

- The Ryder Cup 2014
- The Commonwealth Games 2014
- Bannockburn Live 2014
- Homecoming 2014
- MTV European Music awards won for Glasgow in November 2014
- Federation Equestre Internationale (FEI) European Eventing Championships 2015.
- World Artistic Gymnastics 2015
- World Orienteering Championships 2015
- Turner Prize 2015
- 2015 "Focus Year" - Year of Scotland's Food & Drink

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

The National Programme of Event Funding has been replaced with the Beacon Events Programme which will be open to all applicants rather than on an invitation only basis. The purpose of the programme is to: *"Support uniquely Scottish events, which generate economic impact, contribute significantly to the Scotland the Perfect Stage impact areas and act as examples of best practice."*

By way of example, all 10 applicants to the Scottish Governments Clan Event have been offered grant support to stage events across the country in 2014/15. The £200k fund was put in place to support the planning and delivery of local Clan events, not only as part of Homecoming 2014, but also beyond in providing a legacy of support through to the planned Year of History, Heritage and Archaeology in 2017.

The focus of our long haul strategy goes from strength to strength, with increased campaign activity with major airlines, and with the recent launch of the new air route from Doha to Edinburgh, our new three year partnership arrangement with Qatar Airways looks set to generate immense interest, and we are currently planning partnership campaign activity that will likely take place from August to October 2014, and through into 2015, in the GCC and Australia.

On the home front, our link up with East Coast Rail will see a joint campaign encouraging travel from London, York and Newcastle to Scotland towards the end of summer 2014, targeting the 'retired' market with mid-week breaks.

On the digital information landscape we are looking to advance our integration of selected major suppliers of web booking engines to enhance the consumer experience of our web site, and provide a significant increase in on-line available accommodation, notably in the hotel and guest house sectors.

A very strong programme of funded events has been put in place with all 32 Local Authorities for the 2014 "Games for Scotland" programme, being tied to the dates of the Queens Baton Relay throughout Scotland in the 40 days leading up to the Glasgow Commonwealth Games starting in July 2014.

Notably, in excess of 900 events have already been announced for Homecoming 2014, and with planning arrangements well advanced for the Ryder Cup in September, coupled with the onset of the Commonwealth Games, there is considerable optimism that 2014 will not only be an outstanding year of public enjoyment of spectacular eventing successes, and sporting attainment, but also provide the 'perfect stage' for Scotland to conclude its "Winning Years" strategy and build on its legacy into 2015 and beyond.

2.6 CURRENT ECONOMIC CLIMATE AND TOURIST TRENDS

ECONOMIC BACKGROUND⁷

United Kingdom

After a disappointing 2012, and a hesitant start to 2013, the UK economy, after four successive quarters of growth emerged from recession with an estimated increase in Gross Domestic Product ("GDP") of 1.7% as compared with 2012. Notably, UK GDP in volume terms is estimated to have increased by 0.8% between Q4 2013 and Q1 in 2014, and year on year at Q1 2014, an increase of 3% has been recorded, the strongest year on year quarter (same quarter) since before the economic downturn. GDP is now only 0.6% below the pre-economic downturn. On a similar basis, the Scottish economy grew by 1.6% during 2013 compared with 2012, and GDP grew 1% during Q1 2014, with an annualised performance year on year at Q1 2014 registering an increase of 2.6%.

However, with the annual UK household savings ratio standing at 5.2% for 2013 compared with 7.3% in 2012, and the level of real UK household disposable income decreasing in 2013 by 0.3%, following a rise of 2.5%, in 2012, much of the recovery has been consumer led with business investment remaining weak. With the developing pressures on the cost of living, driven by rising price inflation, and low wage awards, impacting consumer spending, unless the upturn in business confidence really takes hold and investment increases any recovery will be difficult to sustain in the long term.

The recovery has been primarily driven by the services sector with output surpassing its pre-downturn peak by 1.9 percentage points having increased by 2.8% between Q1 2013 and Q1 2014. However, it is the only sector to achieve this landmark.

In Scotland, most survey evidence points to growing confidence across the majority of sectors and the outlook in key trading partners has improved over the last year. This improving outlook is most noticeable in the labour market with employment rising by 1.7% over the year, and unemployment falling, and now standing at 6.5% (UK 6.9%), albeit unemployment and inactivity remain above pre-recession levels.

Global economy

The recovery in the Eurozone area has been moderate, but patchy. When comparing Q1 2014 to Q1 2013 year on year GDP for the Eurozone expanded by 0.9%, while GDP for the European Union grew by 1.4%. The European Commission forecasts that annual growth will increase to 1.2% through 2014, below the longer term average and growth in other advanced economies, as the crisis recedes slowly.

The USA led the global recovery in 2013, growing by 1.9% over the year. Annualised quarterly growth slowed from 4.1% in Q3 to 2.6% in the final quarter. Following 0.7% quarterly growth in Q4 2013 GDP for the USA contracted by 0.2% in Q1 2014, the first time the economy has contracted since 2011. With unemployment at 7.7% for 2013, year on year GDP grew by 2.0% between Q1 2013 and Q1 2014.

Looking forward

The International Monetary Fund (IMF) has predicted that, following growth of 3.0% in 2013, world growth will accelerate to 3.6% in 2014. However, there are a number of areas under pressure internally and externally across the globe which could constrain their progress.

Growth in USA is forecast to increase to 2.8% in 2014, and to achieve 3.0% by 2016. The anticipated end of its quantitative easing programme by the Federal Reserve Bank will constrain growth, and unemployment is expected to improve slowly to 7.2% in 2014, and 6.7% in 2015.

The Euro area recovery is also expected to gain ground following its contraction in 2013, with projected GDP growth of 1.2%, although the weakness of the expected recovery in peripheral countries poses a risk to the fragile confidence and economic activity.

Closer to home, it has been forecast that the UK economy will grow faster in 2014 than any other G7 economy, while low wage rises will ensure interest rates do not rise until next year. The predicted growth in the UK's GDP at a little over 3%, moderating to 2.6% in 2015, driven by business investment rather than consumer spending as has been the case up to now, compares with forecasts this year of 1.8% for Germany and 2% for Canada. Important downsides to the UK recovery remain in attendance, namely, a slowdown in Eurozone activity, unrest in Ukraine and Middle East, and the impact on global energy prices, and potential problems in some major emerging markets.

Finally, the Scottish economy is expected to grow to around 2.1% in 2014, ahead of Northern Ireland, Wales and the North of England.

TOURISM PERFORMANCE IN SCOTLAND⁸

For the UK as whole, April 2014 continued the growth trends in visits by overseas visitors since the beginning of 2014, recording a record 2.95 million visits, a 2% year on year increase. Both the year to date and 12 month rolling figures were up 8%, setting new records for the periods ending April 2014.

In Scotland, international tourism performed strongly in 2013, compared to 2012, with a 9.8% increase in the number of trips. Total nights spent in Scotland by international visitors was up over 10%, and spend by 20%.

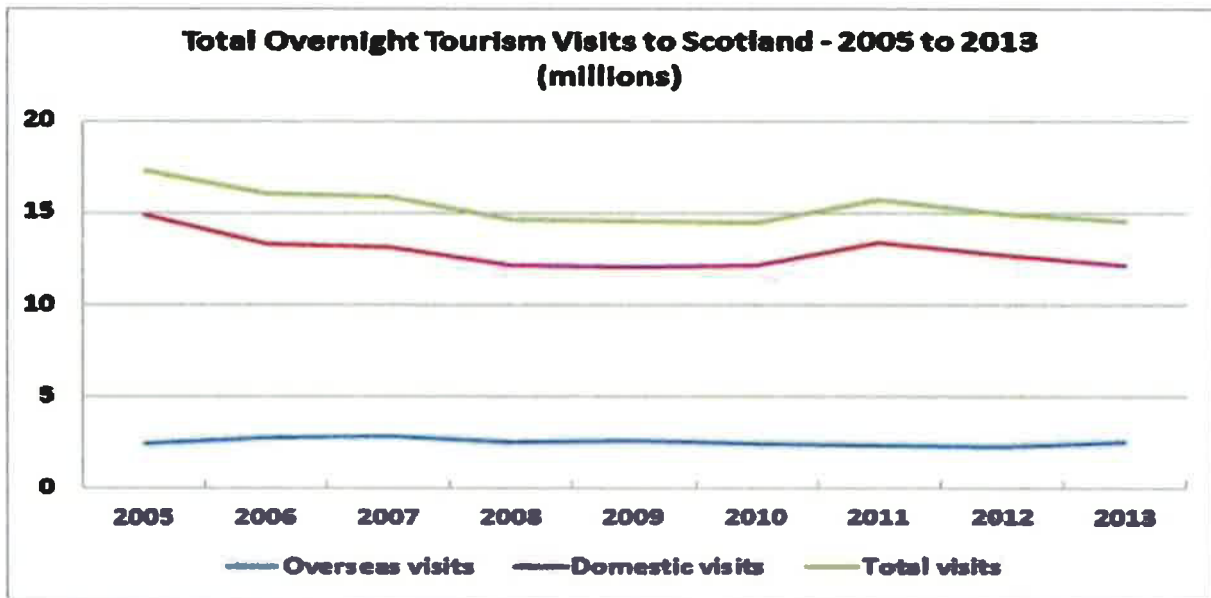
Scotland’s top inbound markets in 2013

Rank	Market	% change 2012/13
1.	USA	Down 2%
2.	Germany	Up 9%
3.	France	Up 10%
4.	Australia	Up 10%
5.	The Netherlands	Down 7%
6.	Canada	Up 20%

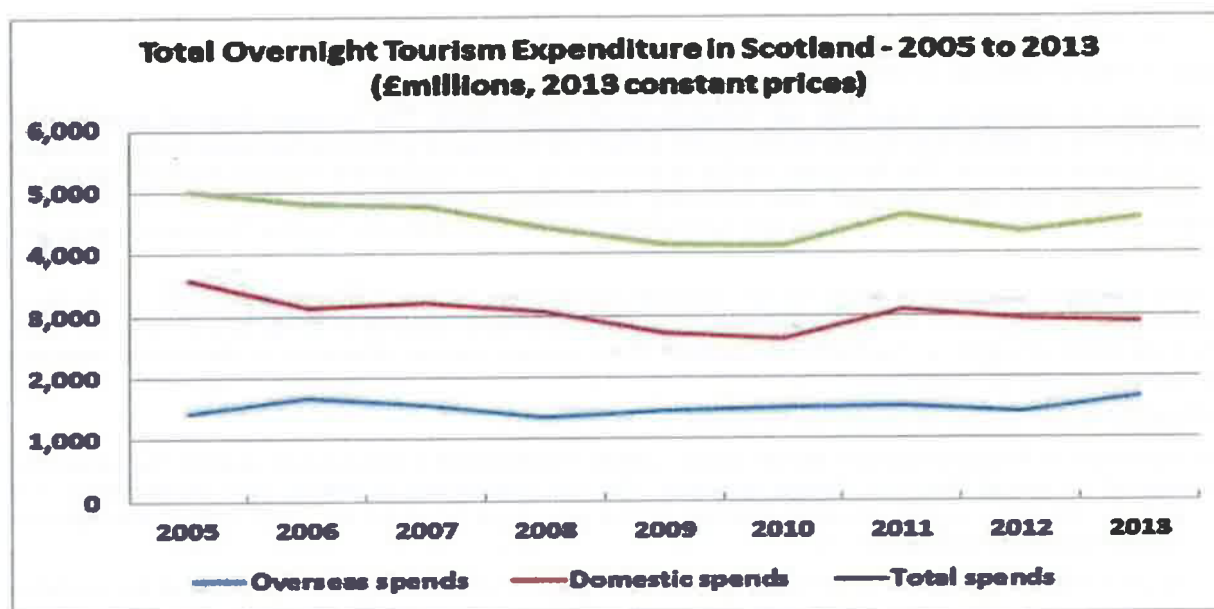
Outwith Scotland’s most popular markets figures indicate that the country is becoming increasingly a favourite with various short haul markets from Scandinavia and Central Europe, assisted by improving flight connectivity.

In 2013, 50% of international visitors to Scotland came for a holiday. Visiting friends and relatives (“VFR”) accounted for 30%, and business travel for 16%. VFR, holiday and business trips, increased by 20%, 6%, and 5%, respectively.

The number of overseas visitors to Scotland reached 2.45 million in 2013 (the peak over the past eight years was reached in 2007 at 2.7 million). The number of domestic visits in 2013 registered 12.1 million. Total of combined visits in 2013 totalled 14.55 million.



Overseas expenditure has risen to £1.7bn in 2013. Domestic expenditure has reached £2.9bn in 2013, a rise of 13% in current prices and 6% in constant prices since 2009. Therefore, the resultant combined expenditure in Scotland reached £4.6bn in 2013, and since 2009 total expenditure has risen by 16% in current prices and 10% in constant.



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

In this respect, VisitScotland's role in being able to stimulate economic growth is now firmly established, and this is borne out by results from our marketing activity, which indicates that for every £1 spent by VisitScotland it is estimated that in excess of £20 additional expenditure is spent on tourism activities in Scotland, and together with our partners we are all playing our part in contributing to the economic recovery of Scotland.⁹

Footnotes: Sources

1. Deloitte 2013 Report : *The economic contribution of the tourism economy in the UK* – <http://www.deloitte.com>
2. Scotland's National Food and Drink Policy <http://www.scotland.gov.uk/food>
3. Courtesy of Media Agency's use of BARB –Broadcaster's Audience Research Board statistics –recognised industry standard
4. NRS (National Readership Survey) social grades which represent the system of demographic classification used in the United Kingdom.
5. These figures relate to strictly measurable and convertible leads made direct to the Business Tourism team, in respect of the estimated total delegate expenditure of the enquiries polled, if converted by the venues and hotels which received them.
6. *The Economic Contribution of VisitScotland Marketing – Deloitte. An Independent report commissioned in 2011 for VisitScotland. Direct and indirect economic impact generated due to the spending of tourists who have been influenced by VisitScotland to take a trip to Scotland. Figures are per annum, excluding the domestic DAY visitors and the impact of events.*
7. ONS – Office of National Statistics – Quarterly Statistics - Q1 2014.
State of the Economy – Dr Gary Gillespie - The Scottish Government - Apr 2014.
IMF World Economic Outlook – Apr 2014.
United States Economic Statistics - (About.com US economy).
United States Bureau of Economic Analysis - (BEA).
United States Bureau of Labor Statistics - (BLS).
UKEO and Fraser of Allander economic forecasts
EY Item Club - Summer forecast 2014.
8. GBTS – Great Britain Tourism Survey
IPS – International Passenger Survey
Tourism Visits and Expenditure – The Scottish Government
VisitScotland Insight Department – Monthly Trends & Statistics.
Deloitte 2013 Report : *The economic contribution of the tourism economy in the UK* – <http://www.deloitte.com>
9. *Delivering For Scotland* - <http://www.visitscotland.org/pdf/DeliveringForScotland.pdf>

2.7 FINANCIAL REVIEW

RESULTS FOR THE YEAR AND OTHER FINANCIAL INFORMATION

These financial statements show the net expenditure of VisitScotland. The principal financial objective for VisitScotland is to ensure that the net financial cash outturn for the year is within the Resource Budget allocated by the Scottish Ministers. The Resource Budget is provided to cover capital and revenue expenditure (on an accruals basis), and also 'non-cash' costs including depreciation, impairment, etc. The Resource Budget is supplemented by the generation of retail and commercial income, local authority funding, European grants, and other income.

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

VISITSCOTLAND STATEMENT OF RESOURCE OUTTURN

The Statement of Resource Outturn shown below reflects VisitScotland's achievement against the respective elements of its overall Resource Budget allocation. For the year ended 31 March 2014 VisitScotland was successful in achieving its main financial objective for the year, in so far as the net 'cash' outturn was equal to the related Resource Budget allocation.

For the year ended 31 March 2014, there was a 'non-cash' outturn of £317,000 under-utilisation of the available GIA allocation of £2,200,000. Since last year's Statement of Resource Outturn reflected the Group position, being inclusive of the results of Scottish Tourist Board Limited, the comparatives for the Non-Cash Outturn for last year have been amended to exclude both the spend, and GIA allowance, of £7,000 depreciation, with regard to the Scottish Tourist Board.

In respect of VisitScotland's AME allocation for the year ended 31 March 2014, the outturn was an excess of £101,000 over this non-core 'non-cash' budget.

CASH OUTTURN

Core CASH Revenue Expenditure

The core revenue 'cash budget' is funded from the Grant-in-Aid provision by Scottish Ministers, through the Scottish Government's Business Directorate. For 2013/14 this core revenue grant amounted to £47,685,000 (2013: £49,675,000), a decrease of £1,990,000.

The expenditure of £49,476,000 in respect of marketing activities represented 83% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2013: £51,642,000 (83%)). Partnership and Support Services expenditure totalled £10,172,000 providing a slight decrease of £224,000 year on year.

Retail, commercial, other income and dividend receivable

The supplementary income generated comprising Retail, Commercial, Other Income and Dividend Receivable fell back from £13,866,000 to £13,275,000, a decrease of £591,000.

Details of the segmental reporting, together with further analysis of areas of income and expenditure can be found in Notes 2 to 6, on pages 39 to 43 of these financial statements.

Core CASH Capital Expenditure

The core capital 'cash budget' is also funded from Grant-in-Aid and, after in year adjustments, and capital disposals, amounted to £1,150,000 (2013: £1,320,000).

A total of £1,166,000 has been spent on additions to fixed assets this year (2013:£1,380,000). The main additions have been £726,000 on computer equipment and software development, together with £440,000 on the ongoing refurbishment and improvements to a number of network VisitScotland Information Centres, and local offices.

A property capital disposal amounting to £18,000 took place in the year, and this is shown as a deduction from the capital additions for the year, to reflect the net position against the allocated capital 'cash' budget.

NON-CASH OUTTURN

Non-Core Revenue Expenditure

Depreciation, amortisation and impairment charges, together with the profit on the disposal of a property, amounted to £1,883,000 (2013:£1,776,000), and set against a non-cash allowance of £2,200,000 (2013:£1,773,000), resulted in an under-utilisation of £317,000.

Non- Core Annually Managed Expenditure (AME)

The excess of £101,000, with regard to the non-core AME budget of £2,000,000, reflected the net pension service costs and return on assets of £2,101,000 (2013:£1,998,000 - as re-stated) arising from the accounting treatment under IAS 19 "Employee Benefits" (See Note 22).

STATEMENT OF RESOURCE OUTTURN

VisitScotland's Total Resource Outturn including core Revenue and non-core Revenue Expenditure set against its Grant in Aid from Scottish Government for the year ended 31 March 2014 was as follows:

		OPERATING COSTS	
		2014 £'000	2013 £'000
'CASH' OUTTURN			
CORE REVENUE EXPENDITURE			
Marketing activities		49,476	51,642
Partnership engagement		4,217	4,340
Support services		5,955	6,056
		<u>59,648</u>	<u>62,038</u>
Gross expenditure (refer below)			
Net finance costs & taxation		164	183
		<u>59,812</u>	<u>62,221</u>
Gross expenditure after finance costs & taxation			
Income			
Retail and commercial		(7,669)	(9,251)
Other income		(5,549)	(4,615)
Dividend receivable - Subsidiary company		(57)	-
		<u>46,537</u>	<u>48,355</u>
Net expenditure			
CORE CAPITAL EXPENDITURE			
Payments to acquire fixed assets		1,166	1,380
Deduct : attributable to net value of Property disposals		(18)	(60)
		<u>47,685</u>	<u>49,675</u>
Total net expenditure			
FUNDED BY	Grant-in-Aid	(47,685)	(49,675)
NET 'CASH' (UNDERSPEND)/OVERSPEND		-	-
		£'000	£'000
NON - CASH OUTTURN			
NON-CORE REVENUE EXPENDITURE			
Depreciation / Amortisation / Impairment		1,891	1,764
(Profit)/Loss on disposal of non-current assets		(8)	12
		<u>1,883</u>	<u>1,776</u>
FUNDED BY	Grant-in-Aid	(2,200)	(1,773)
NON-CORE REVENUE (UNDERSPEND)/OVERSPEND		(317)	3
NON-CORE Annually Managed Expenditure (AME)			
Pension Costs - IAS 19 adjustments (Note 22) (2013: As re-stated)		2,101	1,998
FUNDED BY	Grant-in-Aid	(2,000)	(2,000)
NON-CORE AME OVERSPEND /(UNDERSPEND)		101	(2)

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ('SOCNE')

The statement of comprehensive net expenditure for the year, on page 27, shows net operating expenditure after taxation of **£50,521,000** (2013:£52,129,000), a decrease of £1,608,000.

This decrease is representative of the reduction in our core revenue grant, together with a fall in Income of £591k, and notable spend variances are as follows:

- Marketing activity - a decrease of £2,112,000
- Partnership engagement – a decrease of £123,000
- Support services – a decrease of £48,000
- Pension Scheme costs – an increase of £103,000

	£'000
Gross expenditure on a resource basis, as per Cash Outturn	59,648
Depreciation, amortisation and impairment, etc.	<u>1,883</u>
	61,531
IAS 19 adjustments (Note 22)	<u>2,101</u>
Gross expenditure on an IFRS basis, as reported as per SOCNE	63,632

Retail and commercial income (Note 5) has shown an overall decrease of £1,582,000 for the year, and comprised:-

- Business opportunities – a reduction of £1,206,000 being the impact of lower listing sales
- Net Retail sales – a decrease of £249,000
- Advertising and Quality assurance – an increase of £365,000
- Miscellaneous Income – a fall of £492,000 (Last year included £691,000 with regard to the recharging of costs associated with "Games for Scotland")

Other Income (Note 6) showed an increase year on year of £934,000, being made up of:-

- European Regional Development Fund - an increase of £1,110,000, arising from the normalisation of claims outstanding.
- Local Authority income - a reduction of £257,000 indicative of the continuing pressures on Local Authorities to reduce funding.
- Other sundry income - a small rise of £81,000.

Staff costs (Note 3) and **Administration overheads** (Note 4) are included within the Resource Expenditure, as reported on page 27, and the principal spend variances compared to last year are as follows:-

- Total staff costs – a small increase of £79,000, comprising a payroll/pension cost reduction of £734,000, offset by increased voluntary redundancy costs of £813,000.
- Travel & hospitality – a reduction of £80,000
- Property, IT and office expenses – an increase of £93,000 associated with dilapidation costs.
- Operating lease rentals – a decrease of £155,000 principally in connection with the reduction in the estate
- Amortisation, depreciation, etc. – an increase of £107,000 reflective of the increased capital spend over the past two years.
- Trade bad debt write downs and provisions - a reduction of £106,000 (2013- a charge of £114,000) in provisions arising from improved collection performance.

Other comprehensive expenditure includes surpluses arising on the revaluation of properties of £79,000 (2013: £134,000-deficit), and also, in accordance with the accounting for defined benefit pensions under International Accounting Standard 19 'Employee Benefits' (IAS 19), the movement in the combined pension schemes' deficit for the year, a loss of £207,000 (2013:£1,865,000 – as re-stated) which is recognised in the balance sheet.

BALANCE SHEET POSITION AT THE END OF THE YEAR

The VisitScotland balance sheet at 31 March 2014, on page 28, reflects a net liabilities position of **£20,808,000** (2013: £17,834,000–as re-stated). The increase of £2,974,000 is largely as a result of the increased pension scheme deficit now shown of **£26,820,000** (2013:£24,512,000), which, dependent upon market fluctuations, and the assumptions taken in assessing the actuarial net pension liability under IAS 19, may reflect a surplus at future balance sheet dates.

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 2014/15 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 April 2013 and March 2014 shows that VisitScotland paid 87% of valid invoices received within 10 working days. (2013: 87%)

2.8 OUR PEOPLE**Structure**

VisitScotland's structure is focused around the four key customer groups: visitors, businesses, strategic partners and internal customers (our people). As of 1 April 2013 the work of the Digital & Media department was merged into the other Directorates, and the aims of the organisation are now delivered by four directorates, plus the Chief Executive's Office (which includes Corporate Communications, Business Affairs and Human Resources) namely:

- Marketing
- Partnerships
- EventScotland
- Corporate Services

Employment

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

	2013/14	2012/13
Staff turnover %	14.15	9.91
Sickness absence days /person	3.90	4.70
Male/female - Total workforce %	31/69	31/69
Male/female – Board members %	87/13	80/20
Male/female – Senior management (including Heads of Dept) %	65/35	67/33

Recruitment

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

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

Diversity and Equal Opportunities

VisitScotland maintains an inclusive environment, and is committed to the continued development of diversity and equal opportunities as represented by its published Mainstreaming Equality Report which can be found on our corporate web-site. This report, which meets our specific duty under the Equality Act 2010, clearly states that all of VisitScotland's staff and customers are eligible for the same quality and level of service, irrespective of gender, age, marital status, pregnancy and maternity, disability, sexual orientation, race, transgender, religious beliefs, ethnic or national origin. It also sets out how VisitScotland is meeting the Equality Duty through its equality objectives for the next three years. The report will be reviewed, and a revised version produced in April 2015, in accordance with the Act.

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

VisitScotland has recently launched its new on-line accessible tourism training course which is designed to help the tourism industry to understand the potential of the accessible market both domestic and international, and train staff and managers how to improve their level of customer service to those with access needs. The course contains video, film, podcasts and interactive training to promote accessible tourism, and for managers there is a special module to learn how to build an "Access Statement". Available on www.visitscotland.org under Access. It is free to use.

The project challenges the concept of disabled people only as service users, but now sees them as contributors. The accessible spend in 2012/2013 in Scotland was £370m, an increase of £45m from 2009 (£325m), plus the accessible percentage of the overall spend is up from 6% to 15%, which shows that on average more disabled people are coming to Scotland, and spending more. A recent report from the University of Surrey also indicated that the economic contribution of the accessible market in the 27 EU countries during 2012/13 in total was 164 billion Euro's.¹⁰

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

Learning and Development

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

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

Employee Consultation

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

VisitScotland recognises both the Public and Commercial Services (PCS) and Unison trade unions.

Performance and Reward

VisitScotland's strategy towards performance and reward is aimed at motivating its people based on their contribution. The approaches employed are regularly reviewed to ensure they are achieving their objectives, subject to Government guidelines. As part of the performance management process, training and development needs are identified, and all staff are encouraged to take ownership of their own development through Personal Development Plans.

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

2.9 CORPORATE SOCIAL RESPONSIBILITY

Environmental performance and sustainable economic development

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

VisitScotland continues to work through its Carbon Management Plan (CMP), developed in partnership with the Carbon Trust in 2011. The aim is to deliver significant cost savings and reductions in greenhouse gas emissions for the organisation, as indicated above, in accordance with the Act.

The table below tracks our progress to date:

CO2 EMISSIONS (tonnes)	09-10	10-11	11-12	12-13	13-14
Buildings- Energy	2,382	2,013	1,621	1,549	1,535
Buildings -Waste & Water	130	130	124	92	78
Transport	508	453	431	373	321
TOTAL	3,020	2,596	2,176	2,014	1,934
TARGET [Not to exceed]	3,073	2,839	2,669	2,535	2,408

¹⁰ Economic impact and travel patterns of accessible tourism in Europe – 2014 - University of Surrey – <http://www.surrey.ac.uk>

As of March 2014, VisitScotland has exceeded the 25% reduction target set for 2015, having achieved a 40% reduction in CO emissions, through a programme of increasing efficiency, driving down resource use (e.g. energy use in buildings, business travel and water use), waste reduction, as well as reduction in overall properties in the VisitScotland estate.

VisitScotland also supports the work of Zero Waste Scotland to achieve the waste prevention and recycling targets within the hospitality and tourism sector. We have pledged both to reduce waste arising from the organisation's internal operations, and increase waste recycling in line with the Scottish Government's targets.¹¹

In 2013/14 VisitScotland has increased its recycle rate to 64%, and reduced waste produced overall by 3%, heading towards the targets set by the end of 2015.

Social and community issues

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

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

VisitScotland continues to further develop sustainable procurement within our corporate culture, by taking proper account of sustainability in our procurement activity, in accordance with the Sustainable Procurement Action Plan for Scotland 2009.

External Facing Sustainability Activity

VisitScotland also recognises our influence among tourism businesses in helping Scotland meet not only its climate change targets, but also follow its Zero Waste Plan and other relevant sustainable development strategies. VisitScotland is encouraging and supporting businesses and destinations to become more sustainable and is committed to ensuring the industry continues to innovate.

During 2013/14, VisitScotland has continued to encourage and support a wide range of tourism businesses to make some meaningful progress with regards to their sustainability. Work on the integration of sustainability targets into the VisitScotland Quality Assurance model has also progressed, with basic sustainability actions being included as minimum requirements in the Quality Assurance criteria from autumn 2014.

Furthermore, VisitScotland continues to promote good practice to businesses and visitors through sustainable certification schemes, e.g. the Green Tourism Business Scheme, which aims to improve a business's efficiency and increase its marketing potential, while also reducing its environmental impact.

Following the successful delivery of the Accessible Tourism Conference in March 2013, work has continued to increase engagement of businesses and partners on accessible tourism to ensure a positive visitor journey for all visitors to Scotland and highlight an excellent development opportunity for many businesses.

In response to consumer insights, and in particular, the growing interest in sampling Scottish produce, during the year VisitScotland and the Scottish Government launched 'Taste Our Best', a new Quality Assurance food and drink award scheme. In addition to recognizing and raising quality standards, the scheme has been designed to stimulate the use and promotion of Scottish produce, and in so doing will not only help to meet consumer expectations, but also support Scottish businesses and communities.

For further details and information see the VisitScotland Annual Sustainability Report for 2013/14 that can be found at http://www.visitscotland.org/about_us/our_focus.aspx



Malcolm Roughead OBE

Chief Executive
VisitScotland
14 October 2014.

¹¹ To reduce food and associated packaging waste arising by 5% by the end of 2015 and increase the overall rate of food and packaging waste being recycled, sent to anaerobic digestion (AD) or composted to at least 70% by the end of 2015.

REMUNERATION REPORT

1. Remuneration Committee

The Remuneration Committee is made up of at least two Board members and the Board Chairman. The Board Chairman ordinarily chairs the Remuneration Committee. During 2013-14 the members were:

Dr Mike Cantlay	(Board Chairman)
Paddy Crerar	(Board member) stood down 17 January 2014
Professor Russel Griggs OBE	(Board member) stood down 17 January 2014
Gordon Dewar	(Board member) appointed 17 January 2014
Calum Ross	(Board member) appointed 17 January 2014

The purpose of the committee is to:

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

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

2. Remuneration policy

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

The Chief Executive's performance is appraised by the Chairman in consultation with the Remuneration Committee. His annual pay award and non-consolidated performance payments of up to 10% of base salary are considered by the Remuneration Committee, and approved by the Scottish Government. In accordance with the Scottish Government's pay policy for senior appointments, the Chief Executive received no pay increase or bonus payment in 2013-14.

Directors' performance is appraised by the Chief Executive in consultation with the Remuneration Committee. Their annual pay award, and non-consolidated performance payments of up to 10% of base salary are considered by the Remuneration Committee and approved by the Chief Executive.

3. Service contracts

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

The notice period is 12 months for both Directors and the Chief Executive. Mr R Parish continues in his seconded role at the Scottish Government having relinquished his former position as a Director of VisitScotland as of 1 April 2013. His full contractual benefits are met by the Scottish Government.

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

4. Remuneration

The following tables provide a breakdown of the executive Directors' remuneration in 2013-14 and 2012-13. Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK taxation.

No performance-related bonuses were awarded in 2013-14 (2012-13: Nil).

With Mr R. Parish having ceased his role as a Director of VisitScotland, and his work being re-allocated across other Directors' areas of responsibility, the Remuneration Committee decided that there should be appropriate adjustments to the remaining Directors' salaries to reflect the increased responsibilities taken on.

As a consequence, P. Bush, R. Graham and K. Neilson were awarded increases in salary commensurate with their added responsibilities.

Director's Remuneration (Salary, benefits in kind and pension)**Single total figure of remuneration**

As at 31 March 2014

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

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

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

(c) R Parish ceased to be a Director of VisitScotland as of 1 April 2013.

As at 31 March 2013

Executive Director	Salary £'000	Performance related bonus £'000	Car allowance £'000	Benefits in Kind (to nearest £100) £	Pension benefits # £'000	TOTAL £'000
M Roughead Chief Executive	140 -145	-	-	4,100	57	200 - 205
K Neilson Director of Corporate Services	95 - 100	-	-	2,900	22	120 - 125
R Graham Director of Partnerships	80 - 85	-	6	-	2	90 - 95
P Bush Chief Operating Officer - EventScotland	85 - 90	-	6	-	16	105 - 110
R Parish Director of Digital & Media	100 -105	-	6	-	29	135 - 140

Note:

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

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

The highest paid member of senior management was the Chief Executive. His annualised remuneration before pension benefits was 5.70 times the remuneration of £24,977 median earnings of the organisation's workforce in 2013-14 (2012-13: 5.68 x £25,094).

Directors' Pensions

Pension benefits are provided through either of :

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

The Chief Executive and Directors are all members of the BTBPS scheme. Further detail of these schemes are outlined in note 22 to the accounts.

As at 31 March 2014

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

As at 31 March 2013

Executive Director	Accrued pension £'000	Real increase in annual pension £'000	CETV note (b) £'000	CETV: Increase net of members' contributions note (c)
				£'000
M Roughead Chief Executive	25 - 30	2.5 - 5.0	592	129
K Neilson Director of Corporate Services	12 - 15	0 - 2.5	263	53
R Graham Director of Partnerships	50 - 55	0 - 2.5	1,232	156
P Bush Chief Operating Officer - EventScotland	20 - 25	0 - 2.5	493	82
R Parish Director of Digital & Media	0 - 5.0	0 - 2.5	31	12

Note:

- a) Pension calculations are based on the pensionable salary at 31 March.
- b) **Cash Equivalent Transfer Value (CETV)** is a lump sum value in today's terms of the benefits accrued by a member of the pension scheme. This sum is assessed by an actuary and is the amount which would be offered by the scheme to transfer benefits into another scheme when the member leaves. Within BTPS, CETV is computed by reference to factors agreed by the Trustees of the BTPS.
- c) **CETV: Increase net of members' contributions.** This reflects the increase in CETV effectively funded by the employers over the year. It takes account of the change in accrued pension due to additional accrual and salary growth, excluding inflation, and uses common market factors for the start and end of the period. It does not include any increase in value that arises from contributions paid by the employee or the value of any benefits transferred from another pension scheme.
- d) R Parish ceased as a Director of VisitScotland, as of 1 April 2013.

5. Board members' remuneration

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

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

	2014	2013
	£'000	£'000
Dr Mike Cantlay - Chairman	30-35	30-35
Stephen Carter OBE	5-10	5-10
Paddy Crerar	5-10	5-10
Gordon Dewar (a) (appointed 1 September 2013)	0-5	NIL
Steven Dunlop (a) (appointed 1 September 2013)	0-5	NIL
Dorothy Fenwick (b)	10-15	5-10
Manus Fullerton	5-10	5-10
Professor Russel Griggs OBE	5-10	5-10
Calum Ross (a) (appointed 1 September 2013)	0-5	NIL

(a) Full year equivalent salary band £5,000 - £10,000

(b) D Fenwick's remuneration for 2013/14 included a payment for additional work undertaken with regard to the assessment of the three new Board members. Her actual salary remains within the band £5,000 - £10,000.

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



Malcolm Roughead OBE

Chief Executive
VisitScotland

14 October 2014

3. STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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

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

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

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

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

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

4. GOVERNANCE STATEMENT

GOVERNANCE FRAMEWORK

Responsibilities

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

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

During the year, the EventScotland Advisory Group, which, hitherto reported directly to Board, and supported EventScotland's senior management in their responsibilities for issues of risk, reputation, control and governance, was disbanded, and all EventScotland matters are now dealt with directly by the VisitScotland Board.

Codes of conduct

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

BUDGETARY CONTROL

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

RISK MANAGEMENT

Internal control framework

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

The process within VisitScotland accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual ("SPFM") and has been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and financial statements.

Approach to Risk Management

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

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

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

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

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

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

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

Data Loss

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

There were two incidents of unauthorised exposure or loss of personal data during the financial year. Both incidents involved fully encrypted items of equipment [USB and a Laptop] which were stolen. In view of the fact that neither of the pieces of equipment had any personal data thereon, it was not considered necessary to report the incidents to the Information Commissioner's Office (ICO). However, in the circumstances, both incidents were reported to the Police. To-date there has been no recovery of the stolen equipment.

INTERNAL CONTROL

Scope of Responsibility

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

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

The HM Treasury publication "Managing Public Money", and the Scottish Public Finance Manual (SPFM) as issued by the Scottish Ministers, provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. They set out the relevant statutory, parliamentary and

administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Review of effectiveness of Internal Control

Role of VisitScotland Audit Committee

The VisitScotland Board has established an Audit Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit Committee of the Board normally meets four times a year. They seek assurances from a number of sources mainly via management, comment on the annual internal audit plan, and review the reports from both internal and external auditors. In addition they review and endorse Corporate Risk Register reports. They report to the full meetings of the Board on all audit and risk matters, and in so doing the Audit Committee adds to the value of assurances through challenge and has confidence in their reliability. In addition, the Audit Committee prepares an annual report which is considered by the Board. Subsequent to the year end the title of this committee has been changed to the Audit and Risk Committee.

Management Assurance Statements

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

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

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

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

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

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

Internal Audit

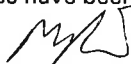
VisitScotland's internal audit function operates to standards defined in the Government internal audit manual. As well as its own internal audit section, VisitScotland also employs the services of independent auditors to report on the adequacy and effectiveness of VisitScotland's system of internal control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

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

External Audit

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

The external auditors have given unqualified audit opinions on the financial statements for the year ended 31 March 2014 and on the regularity of transactions reflected in the financial statements. No further significant issues have been identified as part of their audit process.



Malcolm Roughead OBE

Chief Executive
VisitScotland

14 October 2014.

VISITSCOTLAND
STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £'000	2013 (as re-stated) £'000
Resource Expenditure			
Marketing activities		50,327	52,439
Partnership engagement		4,217	4,340
Support services		6,987	7,035
	2	61,531	63,814
Non - Resource Expenditure			
Pension Costs - IAS 19 adjustments (Note 22)	2	2,101	1,998
		63,632	65,812
Gross expenditure			
Income			
Retail and commercial	5	(7,669)	(9,251)
Other income	6	(5,549)	(4,615)
Dividend receivable -subsidiary company	7	(57)	-
		50,357	51,946
Net expenditure			
Finance costs	8	166	195
Finance income	8	(2)	(15)
		50,521	52,126
Net operating expenditure before taxation			
Corporation tax	9	-	3
		50,521	52,129
Net operating expenditure			
Other Comprehensive Expenditure /(Income)			
Net actuarial deficit on valuation of retirement benefit schemes	22	207	1,865
Balance on revaluation reserve arising on disposal of property.		(10)	(47)
Deficit arising on revaluation of assets held for sale		-	1
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(69)	180
		128	1,999
Total other comprehensive expenditure			
TOTAL COMPREHENSIVE NET EXPENDITURE		50,649	54,128

The notes on pages 31 to 69 form part of these financial statements

**VISITSCOTLAND
BALANCE SHEET
AS AT 31 MARCH 2014**

	Note	2014 £'000	2013 (As re-stated) £'000
Assets			
Non-Current			
Property, plant & equipment	11	8,866	8,966
Intangible assets	10	886	1,102
Investments in subsidiaries	13	-	-
Total non current assets		9,752	10,068
Current			
Inventories	14	834	946
Trade and other receivables	15	3,083	4,309
Cash and cash equivalents	16	4,686	3,019
Total current assets		8,603	8,274
Assets classified as held for sale	12	-	18
Total Assets		18,355	18,360
Liabilities			
Current			
Other borrowings	20	(480)	(453)
Trade and other payables	18	(9,342)	(8,187)
Current tax liabilities	18	-	(3)
Total current liabilities		(9,822)	(8,643)
Net current liabilities		(1,219)	(369)
Other borrowings	20	(2,384)	(2,866)
Provisions	24	(132)	(136)
Other payables	18	(5)	(37)
Retirement benefit obligations	22	(26,820)	(24,512)
Total non-current liabilities		(29,341)	(27,551)
Total Liabilities		(39,163)	(36,194)
Net Liabilities		(20,808)	(17,834)
Taxpayers' equity			
General reserve		4,821	5,547
Pension reserve		(26,820)	(24,512)
Revaluation reserve		1,191	1,131
Total Equity		(20,808)	(17,834)

Malcolm Roughead OBE

Chief Executive

VisitScotland

14 October 2014

The notes on pages 31 to 69 form part of these financial statements

VISITSCOTLAND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Net operating expenditure before taxation		50,521	52,126
<i>Items not involving the flow of cash</i>			
Net financing costs	8	(164)	(180)
Depreciation on tangible fixed assets	11	(1,499)	(1,262)
Amortisation of intangible fixed assets	10	(384)	(412)
Impairment of non current assets	11	(8)	(90)
Profit/(Loss) on disposal of sale of property, plant and equipment		8	(12)
Net pension service costs and return on assets	22	(2,101)	(1,998)
<i>Movements in working capital</i>			
Increase/(Decrease) in inventories	14	(112)	14
(Decrease)/Increase in receivables	15	(1,337)	456
Decrease/(Increase) in payables	18	(1,160)	(1,465)
<i>Movement in provisions</i>			
(Increase) / Decrease in provisions		115	(95)
Net cash flow from operations			
Interest paid	8	166	195
Interest received	8	(2)	(15)
Taxes paid		3	3
Net cash outflow from operating activities		44,046	47,265
Cash flows from investing activities			
Payments to acquire tangible fixed assets	11	998	820
Payments to acquire intangible fixed assets	10	168	560
Proceeds from sale of tangible fixed assets		(26)	(48)
Reduction in subsidiary capitalisation		-	(90)
Transfer of asset on hive-up of subsidiary	13	340	-
Net cash flows used in investing activities		1,480	1,242
Cash flows from financing activities			
Grant in aid from Scottish Government		(47,685)	(49,675)
Repayment of loans		37	39
Decrease in other borrowings- obligations under finance leases		455	428
Net cash flows from financing activities		(47,193)	(49,208)
Net (increase)/ decrease in cash and cash equivalents		(1,667)	(701)
Cash and cash equivalents as at 1 April	16	3,019	2,318
Cash and cash equivalents at 31 March	16	4,686	3,019

The notes on pages 31 to 69 form part of these financial statements

VISITSCOTLAND
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	General Reserve	Pension Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2012	5,956	(20,649)	1,359	(13,334)
Net operating expenditure (as re-stated)	(52,129)	-	-	(52,129)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	(180)	(180)
Deficit arising on revaluation of assets held for sale	-	-	(1)	(1)
Transfer surplus on revaluation reserve on sale of property	47	-	(47)	-
Transfer between reserves (as re-stated)	1,998	(1,998)	-	-
Net actuarial gains/(losses) in retirement benefit schemes (as re-stated)	-	(1,865)	-	(1,865)
Total recognised income and expense	(50,084)	(3,863)	(228)	(54,175)
Grant in aid from Scottish Government	49,675	-	-	49,675
Balance at 1 April 2013 (as re-stated)	5,547	(24,512)	1,131	(17,834)
Net operating expenditure	(50,521)	-	-	(50,521)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	69	69
Transfer surplus on revaluation reserve on sale of property	10	-	(10)	-
Transfer between reserves	2,100	(2,101)	1	-
Net actuarial gains/(losses) in retirement benefit schemes	-	(207)	-	(207)
Total recognised income and expense	(48,411)	(2,308)	60	(50,659)
Grant in aid from Scottish Government	47,685	-	-	47,685
Balance at 31 March 2014	4,821	(26,820)	1,191	(20,808)

The notes on pages 31 to 69 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 2013/14 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

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

The particular policies adopted by VisitScotland covering these financial statements for the year ended 31 March 2014 are described below. They have been applied consistently in dealing with the items that are considered material to the financial statements.

In previous years VisitScotland has prepared Group consolidated financial statements. However, in accordance with section 405 Companies Act 2006 the Directors now consider that, with the hive-up as at 31 March 2014 of the assets and business of Scottish Tourist Board Limited, the remaining trading subsidiary (see note 13) and all other subsidiary companies now being 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 comparative figures for 2013 therefore reflect the basis of non-consolidation.

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 72.

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 at the balance sheet date of **£20.81** million (2013:£17.83 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 2014-15, taking into account the amounts required to meet the VisitScotland's liabilities falling due in that year, has already been included in the Scottish Government's estimates for that year, which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and future parliamentary approval will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these accounts. Details of VisitScotland's liquidity position are given in Note 23.

Accounting convention

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

Non-Consolidation

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

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

Funding

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

Income

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

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

Government grants

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

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

Expenditure

i) Marketing activities

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

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

ii) Partnership engagement

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

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

iii) Support services

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

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

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

Grants paid

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

Inventories

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

Foreign exchange

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

Goodwill

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Impairment

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

Goodwill

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

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

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

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

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

Non-current assets other than goodwill

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

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

Property, plant and equipment

Property - Land and Buildings

Land and buildings are carried at fair value.

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

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

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

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

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

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

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

Leasehold Property - designated as Finance Leases

Leasehold land is accounted for as an operating lease.

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

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

Subsequent valuations are undertaken on the basis of the fair value of VisitScotland's remaining heritable interest in the leased building, at least every five years, with an interim valuation being carried out in year three. Interim valuations are carried out in years one, two and four, where it is deemed likely that there has been a material change in value.

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

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

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

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

Non-Property

Leasehold building improvements

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

Plant, Equipment, Fixtures and Fittings

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

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

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

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

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

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

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

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

Non-current assets held for sale

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

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

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

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

Leases

VisitScotland as a lessee

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

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

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

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

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

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

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

VisitScotland as a lessor

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

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

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

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

Taxation

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

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

VisitScotland is liable to corporation tax only on bank interest received at the rate under current legislation, enacted, or substantively enacted at the balance sheet date.

Deferred tax

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

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

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

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

Financial instruments

Financial liabilities

Borrowings

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

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

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

Trade and other payables

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

Financial assets

Cash and cash equivalents

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

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

Other financial assets

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

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

(ii) Loans and receivables

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

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

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

(iii) Available for sale

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

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

Impairment of financial assets

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

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

Critical accounting estimates and judgements

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

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

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

(i) Retirement benefit obligations

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

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

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

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

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

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

Additional information is disclosed in Note 22.

(ii) Valuation of assets

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

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

Comparative amounts

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

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

Changes in accounting policy, accounting estimates and mis-statements

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

Provisions

Provisions are recognised when;

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

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

Related party transactions

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

Employee benefits

(a) Retirement benefits

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

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

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

Defined benefit obligations are actuarially calculated at least annually on the balance sheet using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

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

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

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

(b) Short-term employee benefits

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

Revised accounting standard – IAS 19 (Employee Benefits)

Revisions to IAS 19 (Employee benefits) came into effect from 1 January 2013 for accounting periods starting after that date. The revised standard has been applied in this year's Annual Report and Financial Statements. 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. Where appropriate, comparator figures for 2012-13 within these financial statements have been amended in respect of the disclosures in accordance with IAS 19 (See note 22).

Losses and special payments

Net operating cost includes certain losses which would have been made good through insurance cover had VisitScotland not been bearing its known risks. Losses and special payments are disclosed in Note 25 to the financial statements.

Accounting standards issued but not yet adopted

All International Reporting Standard, Interpretations and Amendments to published standards, effective at 31 March 2014, 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

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

2. SEGMENTAL REPORTING

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

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

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

Finance reports to the Board and Accountable Officer disclose the financial performance of VisitScotland. The EventScotland Advisory Group, which, hitherto reported to the Board, in support of EventScotland's senior management, has now been disbanded, and its work absorbed by the Board. During the year ended 31 March 2014, marketing, partnership and support expenditure was separately reported, and decisions taken by the Board and Accountable Officer, as Chief operating decision maker, were based on the financial performance within these spend categories, using supplementary information and analysis.

VisitScotland

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

EventScotland

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

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

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

2 SEGMENTAL REPORTING (continued)
FOR THE YEAR ENDED 31 MARCH 2013 (as re-stated)

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
Operating expenditure				
Marketing activities		42,604	9,835	52,439
Partnership engagement		4,340	-	4,340
Support services		6,691	344	7,035
Gross expenditure (excluding IAS 19 adjustments - Note 22)	3 & 4	53,635	10,179	63,814
Income				
Retail and commercial	5	(7,895)	(1,356)	(9,251)
Other income	6	(3,882)	(733)	(4,615)
Dividend receivable		-	-	-
Net operating expenditure		41,858	8,090	49,948
Finance costs	8	195	-	195
Finance income	8	(15)	-	(15)
IAS 19 adjustments (as re-stated)	22	1,998	-	1,998
Net operating cost before taxation		44,036	8,090	52,126
Corporation tax	9	3	-	3
Net operating cost		44,039	8,090	52,129

FOR THE YEAR ENDED 31 MARCH 2014

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

3 STAFF COSTS

included within gross expenditure

a) All employees (including Board members)

	2014	2013 (as re-stated)
	£'000	£'000
Salaries	16,992	17,539
Social security costs	1,317	1,388
Voluntary severance	1,045	232
	<u>19,354</u>	<u>19,159</u>
Pension costs - Current service (2013: As re-stated)	3,418	3,534

Total staff costs	22,772	22,693
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Agency fees in respect of temporary staff, included above	<u>55</u>	<u>109</u>
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b) Voluntary severance

	2014 Number	2013 Number
No of exit packages agreed within following bandings;		
£0 - £20,000	17	5
£20,001 - £40,000	12	-
£40,001 - £60,000	5	1
£80,001 - £100,000	2	-
£100,001 - £150,000	1	1

Total number of exit packages	37	7
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	£'000	£'000
Total cost of exit packages agreed in each band		
£0 - £20,000	198	44
£20,001 - £40,000	304	-
£40,001 - £60,000	247	41
£80,001 - £100,000	188	-
£100,001 - £150,000	108	147

There were no compulsory redundancies (2013: None)

Total cost of exit packages	1,045	232
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c) Board Members' remuneration

	2014 £'000	2013 £'000
Chairman	34	34
Board members	57	41

The number of Board members holding office during the year was 8 (2013 : 5).

During the year a further three (3) Board members were appointed.

Total Board Members' remuneration	91	75
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3 STAFF COSTS (continued)

included within gross expenditure

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

	2014	2013
	Number	Number
Senior management team	4	5
Operational and support staff		
Heads of department	19	19
Other staff	628	640
Fixed term contract	40	44
Outward secondees	-	-
	691	708
Temporary staff	4	6
Total average number of full-time equivalents	695	714

4 ADMINISTRATION OVERHEADS

included within gross expenditure

	2014	2013
	£'000	(as re-stated) £'000
Travel and hospitality	1,501	1,581
Property, information technology, and office expenses	4,481	4,388
Operating lease rentals:		
Property	1,478	1,632
Vehicles and equipment	158	159
Depreciation of tangible assets	1,499	1,262
Amortisation of intangible assets	384	412
Impairment of non current assets	8	90
(Profit)/Loss on sale of non current assets	(8)	12
Net interest cost and return on pension assets (2013: as re-stated)	1,090	620
Trade bad debts		
Written off	13	23
Recovered	(4)	(4)
Increase /(decrease) in provision	(111)	96
(Decrease)/ increase in past pension provision	(4)	(1)
Total administration overheads	10,485	10,270
Administration overheads also includes:	2014	2012
	£'000	£'000
Fees payable for the audit of these financial statements	70	70
Fees payable to other auditors for the audit of subsidiaries	3	3
Total audit fees	73	73

5 RETAIL AND COMMERCIAL INCOME

	2014 £'000	2013 £'000
Retail		
Products income	4,212	3,968
Cost of sales	(2,215)	(1,972)
<i>Gross surplus</i>	1,997	1,996
Other consumer income	388	638
	2,385	2,634
Commercial		
Advertising income	2,464	2,234
Quality assurance	1,305	1,170
Business opportunities	434	1,640
Miscellaneous income	1,081	1,573
	5,284	6,617
Total retail and commercial income	7,669	9,251

6 OTHER INCOME

	2014 £'000	2013 £'000
Local authority income	2,115	2,372
European regional development fund income	1,965	855
Enterprise agency contributions	142	136
Sundry income	1,327	1252
Total other income	5,549	4,615

7 DIVIDEND RECEIVABLE

	2014 £'000	2013 £'000
Scottish Tourist Board Limited - wholly owned subsidiary	57	-
Total dividend receivable	57	-

8 NET FINANCING COSTS

	2014 £'000	2013 £'000
Finance costs		
Interest payable on loans	6	10
Interest charge - finance lease obligations	160	185
Total finance cost	166	195
Finance income		
Bank interest receivable	2	15
Total finance income	2	15

9 TAXATION

	2014 £'000	2013 £'000
Corporation Tax		
Current tax	-	3
Total tax charge	-	3

Current tax

Corporation tax is calculated at 20% (2013:20%) based on bank interest received during the year.

10 INTANGIBLE ASSETS

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
At cost or valuation				
At 1 April 2012	1,551	1,072	730	3,353
Additions	511	49	-	560
At 31 March 2013	2,062	1,121	730	3,913
At 1 April 2013	2,062	1,121	730	3,913
Additions	151	17	-	168
At 31 March 2014	2,213	1,138	730	4,081
Amortisation				
At 1 April 2012	825	929	645	2,399
Charge for the year	319	57	36	412
At 31 March 2013	1,144	986	681	2,811
At 1 April 2013	1,144	986	681	2,811
Charge for the year	302	54	28	384
At 31 March 2014	1,446	1,040	709	3,195
Net book value				
At 31 March 2014	767	98	21	886
At 31 March 2013	918	135	49	1,102
At 31 March 2012	726	143	85	954
Asset Financing				
Owned / beneficially owned	767	98	21	886
Finance Lease	-	-	-	-
Net book value	767	98	21	886
At 31 March 2014	767	98	21	886

11 TANGIBLE FIXED ASSETS*Freehold Property*

All Freehold Land & Buildings, and those held under beneficial ownership, were valued at 31 March 2014 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2013 (Red Book) issued by The Royal Institution of Chartered Surveyors.

Leasehold Finance Lease Property

All Finance Leasehold properties were valued at 31 March 2014 by Graham & Sibbald - Chartered Surveyors on a fair value basis with regard to the remaining heritable interest of VisitScotland.

All properties

For this year (Year 4 in the valuation cycle) the values of the respective properties have only been adjusted where there has been a material change therein.

11 TANGIBLE FIXED ASSETS (continued)

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation								
At 1 April 2012	583	5,988	4,833	7,570	1,818	43	497	21,332
Additions	-	60	561	189	10	-	-	820
Transfer: Held for Sale	(5)	(15)	-	-	-	-	-	(20)
Revaluation	(103)	(77)	-	-	-	-	-	(180)
Disposals	(15)	(46)	-	-	-	-	-	(61)
Transfers on revaluation	(78)	(1,328)	-	-	-	-	-	(1,406)
At 31 March 2013	382	4,582	5,394	7,759	1,828	43	497	20,485
At 1 April 2013	382	4,582	5,394	7,759	1,828	43	497	20,485
Additions	-	18	241	181	558	-	-	998
Transfer from Subsidiary	85	255	-	-	-	-	-	340
Revaluation	4	65	-	-	-	-	-	69
Disposals	-	-	-	-	-	-	-	-
Transfer on revaluation	-	-	-	-	-	-	-	-
At 31 March 2014	471	4,920	5,635	7,940	2,386	43	497	21,892
Depreciation								
At 1 April 2012	78	720	2,961	6,618	1,076	43	80	11,576
Transfer : Held for Sale	-	(2)	-	-	-	-	-	(2)
Disposals	-	(1)	-	-	-	-	-	(1)
Impairment	-	90	-	-	-	-	-	90
Charge for the year	-	521	237	197	287	-	20	1,262
Transfer on revaluation	(78)	(1,328)	-	-	-	-	-	(1,406)
At 31 March 2013	-	-	3,198	6,815	1,363	43	100	11,519
At 1 April 2013	-	-	3,198	6,815	1,363	43	100	11,519
Disposals	-	-	-	-	-	-	-	-
Impairment	-	8	-	-	-	-	-	8
Charge for the year	-	525	479	209	266	-	20	1,499
Transfer on revaluation	-	-	-	-	-	-	-	-
At 31 March 2014	-	533	3,677	7,024	1,629	43	120	13,026
Net book value								
At 31 March 2014	471	4,387	1,958	916	757	-	377	8,866
At 31 March 2013	382	4,582	2,196	944	465	-	397	8,966
At 31 March 2012	505	5,268	1,872	952	742	-	417	9,756
Asset Financing								
Owned / beneficially owned	471	1,678	1,958	916	757	-	377	6,157
Finance Lease	-	2,709	-	-	-	-	-	2,709
Net book value	471	4,387	1,958	916	757	-	377	8,866
At 31 March 2014								

12 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2014	2013
	£'000	£'000
Freehold property		
At 1st April	18	-
Assets sold	(18)	
Transfer to assets held for sale	-	19
Deficit arising on revaluation	-	(1)
At 31 March	-	18
Revaluation reserve attributable to the property		
At 1st April	(10)	(11)
Transfer to reserves arising on sale	10	-
Transfer arising on revaluation	-	1
At 31 March	-	(10)

Land and buildings deemed to be available for sale and where the sale is anticipated to complete within one year are included as current assets.

13 INVESTMENT**Subsidiaries**

	2014	2013
	£'000	£'000
Investment in subsidiaries		
Shares at cost, less amounts written off.		
At 1 April	-	90
At 31 March	-	-

Scottish Tourist Board Limited***Transfer of assets and liabilities to VisitScotland as at 31 March 2014***

In view of the fact that the company had only one principal asset, that of a property in Oban, with no attendant liabilities, the director of the company, and the directors of VisitScotland, the company's parent organisation, agreed that it was in the best long term interests of both parties that all the assets and liabilities of the company be formally transferred to VisitScotland as of 31 March 2014.

Whereupon, all agreements to which the company was a party were novated or assigned to VisitScotland, and it was agreed that the consideration for the transfer of the company's assets and liabilities, including the property, would be a sum equal to the net asset value of the company, which represented an accurate market value for the company's business as a whole. As part of the process, in accordance with section 830(1) of Companies Act 2006, it was determined that an interim dividend of £57,125 would be payable out of profits available for distribution, and that the final consideration would be paid as a reduction in the inter-company loan owed by the company, and a balance of £20,000 would remain outstanding.

The purchase details were as follows;	£
Property valuation as at 31 March 2014	340,000
Less ; inter-company loan account	<u>262,875</u>
Balance of consideration	77,125
Less: interim dividend paid to VisitScotland	<u>57,125</u>
Amount outstanding to company by VisitScotland	<u>20,000</u>

Other subsidiaries - Non-Trading and/or Dormant

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

14 INVENTORIES

	2014	2013
	£'000	£'000
Retail stock	834	946
At 31 March	834	946

15 TRADE AND OTHER RECEIVABLES

	2014	2013
	£'000	£'000
Current		
Trade receivables	2,599	3,127
less: Provision for impairment	(322)	(433)
Trade receivables - net	2,277	2,694
Amounts owed from subsidiary undertakings	-	261
Prepayments	753	335
Accrued income	33	994
Other receivables	20	25
At 31 March	3,083	4,309

Trade and other receivables reported above *include*:**Receivables - Public sector balances**

	2014	2013
	£'000	£'000
Current		
Local Authorities	761	461
Other Central Government bodies	163	312
At 31 March	924	773

16 CASH AND CASH EQUIVALENTS

	2014	2013
	£'000	£'000
Balance at 1 April	3,019	2,318
Net change in cash and cash equivalent balances	1,667	701
At 31 March	4,686	3,019
The balances at 31 March were held at:		
Commercial banks and cash in hand	2,081	3,017
Government Banking Service	2,605	2
At 31 March	4,686	3,019

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

17 RECEIVABLES - PROVISION FOR IMPAIRMENT

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

Impairment provisions are as follows:

	Trade receivables	Other receivables	Total
	£'000	£'000	£'000
At 1 April 2012	337	-	337
Utilised during year	(54)	-	(54)
Movement in Provision	150	-	150
At 31 March 2013	433	-	433
At 1 April 2013	433	-	433
Utilised during year	(283)	-	(283)
Movement in Provision	172	-	172
At 31 March 2014	322	-	322

The following represents VisitScotland receivables for which full provision has been made at 31 March 2014 and the ageing of these receivables was as follows:

	2014	2013
	£'000	£'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	322	433
Impairment	(322)	(433)
Impaired receivables at 31 March	322	433

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 2014 receivables with a carrying value of £NIL (2013: £98,000) were past their due date, but not considered to be impaired, and their ageing was follows:

	2014	2013
	£'000	£'000
Under 90 days	-	30
91 - 180 days	-	68
Over 180 days	-	-
At 31 March	-	98

18 TRADE AND OTHER PAYABLES

a) Current

	2014 £'000	2013 £'000
Trade payables	1,250	1,400
Social security and other taxes	465	444
Amounts owed to subsidiary undertakings	47	27
Accruals	6,192	6,175
Deferred income	1,241	96
Loans	33	38
Other payables	114	7
	9,342	8,187
Corporation tax	-	3
At 31 March	9,342	8,190

b) Non - current

Loans	5	37
At 31 March	5	37

Trade and other payables reported above *include*:

c) Public sector balances

	2014 £'000	2013 £'000
Current		
Local Authorities	45	73
Other Central Government bodies	467	475
At 31 March	512	548
Non - current		
Local Authorities	5	37
Other Central Government bodies	-	-
At 31 March	5	37

19 LOANS

	Current			Non - current			Total 31 March 2014 £'000	Non - current			Total 31 March 2013 £'000
	Within 1 year	Between 1 - 5 years	After 5 years	Within 1 year	Between 1 - 5 years	After 5 years					
	£'000	£'000	£'000	£'000	£'000	£'000					
City of Edinburgh Council	29	-	-	29	27	29	-	56			
Scottish Enterprise	1	-	-	1	7	-	-	7			
Aberdeen Council Loans Fund	3	5	-	8	4	8	-	12			
Total Loans	33	5	-	38	38	37	0	75			

Details of individual loans:

	Maturity Date	Rate of Interest %		Loan information
		Fixed	Variable	
City of Edinburgh Council	Jan 2015	11.20		Standard security over Edinburgh Visitor Information Centre
Scottish Enterprise	Matured	7.00		Standard security over Jedburgh Visitor Information Centre
Aberdeen Council Loans Fund	Mar 2016		4.76%	Unsecured composite loan(s), re; 5 properties (TIC's) in region.

The final payment on the Scottish Enterprise loan was made after the year end.

20 OTHER BORROWINGS

Finance lease obligations are payable as follows:

	Minimum lease payments	Future finance charges	Present value of lease obligations
	£'000	£'000	£'000
Within one year	613	(160)	453
Between one and five years	2,271	(367)	1,904
After five years	1,010	(48)	962
At 31 March 2013	3,894	(575)	3,319
Within one year	613	(133)	480
Between one and five years	2,107	(264)	1,843
After five years	560	(19)	541
At 31 March 2014	3,280	(416)	2,864

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

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

As at 31 March 2014, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% (2013 : 6.0%).

21 OPERATING LEASES

a) Operating lease agreements where VisitScotland is the lessee

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

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

	2014	2013
	£'000	£'000
Leasehold properties		
Not later than one year	1,158	1,207
After one year but not more than five years	3,378	3,381
After five years	1,846	2,478

At 31 March	6,382	7,066
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	2014	2013
	£'000	£'000
Leasehold plant & equipment		
Not later than one year	86	88
After one year but not more than five years	67	105
After five years	-	-

At 31 March	153	193
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b) Operating lease agreements where VisitScotland is the lessor

VisitScotland undertakes sub-lets of various premises to third parties on a rolling annual renewal basis, prior to arranging formal non-cancellable leases of between 1 and 10 years.

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

	2014	2013
	£'000	£'000
Not later than one year	348	216
After one year but not more than five years	786	235
After five years	308	51

At 31 March	1,442	502
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22 POST - RETIREMENT BENEFITS

a) British Tourist Boards' Pension Scheme (BTBPS)

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme, contracted out of the State Second Pension Scheme, with the principal Employer (also a participating Employer) being VisitBritain together with the other participating Employers, namely VisitScotland, and the Welsh Assembly Government (accrued ceased with effect from 1 February 2009).

A full actuarial valuation was carried out using membership data as at 31 March 2012, by Xafinity Consulting Limited, qualified independent actuaries, and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to the measurement date (31 March 2014). The roll forward methodology utilises the payroll and benefit information supplied and the resulting liabilities have then been adjusted to reflect the different assumptions used. The next formal valuation is due to be carried out at 31 March 2015.

During the year ended 31 March 2014, a total contribution of **22.3%** (2013:22.3%) of pensionable salaries was paid by VisitScotland. This included employees' contributions of 5%, and employer's contributions of 17.3%. Employer contributions paid by VisitScotland for the year to 31 March 2014 amounted to **£1,511,000** (2013:£1,230,000). The rate to be paid during the year to 31 March 2014 by VisitScotland is a composite rate of **18%**, plus the deficit contributions due in accordance with the recovery plan.

The current service cost, of **£2,467,000** (2013:£2,708,000), represents VisitScotland's cost of additional benefits earned by active members during the year, and includes administration expenses of £162,000 (2013: £149,000).

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

	31 March 2014	31 March 2013
Share of total past service liabilities -	25.4%	24.2%
Share of benefit outgo -	16.7%	15.1%
Share of future service cost -	55.2%	55.2%

Despite beneficial market conditions over the year which provided an actual return on assets of £1,811,000, a shortfall of **£391,000** was sustained against expectations, which together with a small net actuarial loss of **£6,000** owing to the financial conditions over the year and the resulting changes in the assumptions used to value the liabilities, produced an overall actuarial loss of **£397,000**.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to **£51,019,000** (2013: £48,679,000), as detailed on page 54, as compared to its share of Scheme liabilities of **£66,529,000** (2013: £62,238,000) results in a funded status of VisitScotland's share of the scheme at a liability of **£15.51 million** as at 31 March 2014 (2013: £13.56 million).

In accordance with the new (2011) version of IAS 19, which is now effective, prior year comparative figures have been re-stated, where appropriate, on a consistent basis. An additional disclosure is that of the major categories of plan assets shown as a percentage of plan assets, and the actuaries have been supplied with a split of the Fund's investments at 31 March 2014. This summary can be found on page 56. A more detailed analysis of the constituent investments reflecting whether quoted, or not quoted, in active markets will be available from next year (with 2014 comparatives).

Early retirement and enhanced pension liabilities are accounted for under International Accounting Standard 37 'Provisions, Contingent liabilities and Contingent assets' (IAS 37), and are disclosed in Note 24.

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

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

Financial :

As at 31 March	2014	2013
	% p.a.	% p.a.
Inflation assumption	2.80 CPI	2.80 CPI
Rate of increase in pensionable salaries <i>[* 3.6% for first 5 years : 4.6% thereafter]</i>	4.6*	4.6*
Rate of increase for pensions in payment <i>The CPI assumption for 2014 has been calculated as RPI less 0.8% p.a.(2013: RPI less 0.8% p.a.)</i>	2.80 CPI	2.80 CPI
Liability discount rate	4.40	4.50
Expected return on employer Assets	4.40	4.50

Mortality:

Life expectancy is derived from the PXA00 (Working Party 26) tables projected for the medium cohort effect, based upon year of birth. Minimum improvements of 1.255 p.a. for Males and 0.75% for Females.

Future expected lifetime of current pensioner at age 65

Male born in 1945	23.0 years
Female born in 1945	24.7 years
<i>Future expected lifetime of current pensioner at age 65</i>	
Male born in 1965	25.5 years
Female born in 1965	26.1 years

Life expectancy on 31 March 2014 mortality assumptions

	Males	Females
Retiring today aged 60 (immediate annuitant)	23.1 years	24.7 years
Retiring in 20 years aged 60 (deferred annuitant)	25.6 years	26.1 years

Commutation:

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

Sensitivity Analysis

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme amounts to approximately 23.4 years.

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

		Central	
		-0.50%	0.50%
<i>i) RPI Inflation</i>	Liabilities	£59.2m	£74.8m
	Assets	£51.0m	£51.0m
	Deficit	(£8.2m)	(£23.8m)

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.

<i>ii) Discount rate</i>	Liabilities	£74.4m	£66.5m	£59.8m
	Assets	£51.1m	£51.0m	£51.0m
	Deficit	(£23.3m)	(£15.5m)	(£8.8m)

		Central	
		- 1 Year	+ 1 year
<i>iii) Life expectancy</i>	Liabilities	£64.5m	£68.3m
	Assets	£50.9m	£51.1m
	Deficit	(£13.6m)	(£17.2m)

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

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	48,679	-	48,679
Present value of funded liabilities	-	62,238	(62,238)
Present value of unfunded liabilities	-	-	-
Opening position as at 1 April 2013	48,679	62,238	(13,559)
Service cost			
- Current service cost**	(162)	2,305	(2,467)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
Total service cost	(162)	2,305	(2,467)
Net interest			
- Interest income on plan assets	2,202	-	2,202
- Interest cost on defined benefit obligation	-	2,800	(2,800)
- Impact of asset ceiling on net interest	-	-	-
Total net interest	2,202	2,800	(598)
Total defined benefit cost recognised in statement of comprehensive net expenditure	2,040	5,105	(3,065)
Cashflows			
- Plan participants' contributions	360	360	-
- Employer contributions	1,511	-	1,511
- Transfers in	26	26	-
- Benefits paid	(1,206)	(1,206)	-
Expected closing position	51,410	66,523	(15,113)
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	793	(793)
- Other experience	-	(787)	787
- Return on assets excluding amounts included in net interest	(391)	-	(391)
- Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	(391)	6	(397)
Fair value of employer assets	51,019	-	51,019
Present value of funded liabilities	-	66,529	(66,529)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2014	51,019	66,529	(15,510)

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

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

MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY
FOR THE YEAR ENDED 31 MARCH 2013 (As re-stated)

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	43,147	-	43,147
Present value of funded liabilities	-	54,890	(54,890)
Present value of unfunded liabilities	-	-	-
Opening position as at 1 April 2012	43,147	54,890	(11,743)
Service cost			
- Current service cost**	(149)	2,559	(2,708)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
Total service cost	(149)	2,559	(2,708)
Net interest			
- Interest income on plan assets**	2,475	-	2,475
- Interest cost on defined benefit obligation	-	2,669	(2,669)
- Impact of asset ceiling on net interest	-	-	-
Total net interest	2,475	2,669	(194)
Total defined benefit cost recognised in statement of comprehensive net expenditure	2,326	5,228	(2,902)
Cashflows			
- Plan participants' contributions	356	356	-
- Employer contributions	1,230	-	1,230
- Transfers in	53	53	-
- Benefits paid	(1,058)	(1,058)	-
Expected closing position	46,054	59,469	(13,415)
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	5,248	(5,248)
- Other experience	-	(2,479)	2,479
- Return on assets excluding amounts included in net interest	2,625	-	2,625
- Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	2,625	2,769	(144)
Fair value of employer assets	48,679	-	48,679
Present value of funded liabilities	-	62,238	(62,238)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2013	48,679	62,238	(13,559)

** The current service cost includes administration expenses of £149,000

** Changes to IAS 19 came into effect for the financial year 31 March 2014. These changes have been adopted retrospectively for the prior year, in accordance with IAS 8. The effect of the change on items recognised within the statement of comprehensive net expenditure has been a re-allocation of the administration expenses so highlighted.

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

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

Asset Category	31 March 2014				31 March 2013			
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	
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	4,700	-	4,700	9.2%	4,136	-	4,136	8.5%
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	20,030	-	20,030	39.3%	18,779	-	18,779	38.6%
Bonds	13,051	-	13,051	25.6%	12,756	-	12,756	26.3%
Hedge Funds	11,192	-	11,192	21.9%	10,831	-	10,831	22.2%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - Insurance Annuities	1,943	-	1,943	3.8%	2,058	-	2,058	4.2%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Cash and cash equivalents:								
All	103	-	103	0.2%	119	-	119	0.2%
Totals	51,019	-	51,019	100.0%	48,679	-	48,679	100.0%

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

HISTORY OF EXPERIENCE GAINS AND LOSSES

As at 31 March	2013		
	2014	as re-stated	2012
	£'000	£'000	£'000
Fair value of employer assets	51,019	48,679	43,147
Present value of defined benefit obligation	(66,529)	(62,238)	(54,890)
Net pension (liability)	(15,510)	(13,559)	(11,743)
Experience: (Losses)/gains on assets	(391)	2,625	(744)
Experience: (Losses)/gains on liabilities	(6)	(2,769)	(3,618)
	(397)	(144)	(4,362)
Experience: Cumulative actuarial (losses)/gains recognised	(10,583)	(10,186)	(10,042)

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

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

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

The latest valuation of each LGPS Fund, for the purposes of setting employers' actual contributions was carried out at 31 March 2011 by Hymans Robertson, qualified independent actuaries. The actuary has projected forward the results of the valuations determined at 31 March 2011 to the measurement date (31 March 2014) using consistent methods of approximation. The next formal valuation was due to be carried out at 31 March 2014.

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

	Contribution Rate	
	%	%
	2014	2013
Aberdeen City Council Pension Fund	20.6	20.6
Tayside Superannuation Scheme	18.0	18.0
Falkirk Council Pension Scheme	21.6	21.6
Dumfries and Galloway Council Pension Fund	21.5	21.5
Lothian Pension Fund	14.1	14.1
Strathclyde Pension Scheme	19.3	19.3
Highland Council Pension Fund	21.3	21.3
Highland Council Pension Fund (Western Isles)	18.0	18.0
Fife Council Superannuation Fund	29.8	29.8
Orkney Islands Council Pension Fund	21.4	21.4
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	23.1	23.1

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee's pensionable pay on 31 March. Employer's principal contributions paid by VisitScotland for the year to 31 March 2014 amounted to **£896,000** (2013: £926,000).

The current service cost of **£951,000** (2013:£826,000), represents VisitScotland's cost of additional benefits earned by active members during the year, and includes an administration allowance of 0.3% of payroll (2013: 0.3%).

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

	31 March 2014	31 March 2013
Active members -	34.4%	32.4%
Deferred members -	37.0%	37.0%
Pensioner members -	28.6%	30.6%

The actuary has reported that whilst favourable market conditions produced better than expected asset returns of £1,143,000, there was a small actuarial loss of £190,000 thereon, which coupled with the negative impact of the changes in financial assumptions outweighed the positive asset return, and has led to an overall increase in the Scheme deficit.

VisitScotland's share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2014, amounts to **£43,772,000** (2013: £40,771,000), as detailed on page 61, which when compared to its share of Scheme liabilities of **£55,082,000** (2013: £51,724,000) results in the funded status of VisitScotland's share of the Scheme, as at 31 March 2014, standing at a liability of **£11.31 million** (2013: £10.95 million).

In accordance with the new (2011) version of IAS 19, which is now effective, prior year comparative figures have been re-stated, where appropriate, on a consistent basis.

22 POST - RETIREMENT PENSION BENEFITS (continued)
b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)
ASSUMPTIONS

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

Financial :

As at 31 March	2014	2013
	% p.a.	% p.a.
Inflation assumption	2.80 CPI	2.80 CPI
Rate of increase in pensionable salaries <i>[* 3.6% for first 5 years : 4.6% thereafter]</i>	4.6*	4.6*
Rate of increase for pensions in payment <i>The CPI assumption for 2014 has been calculated as RPI less 0.8% p.a. (2013: RPI less 0.8% p.a.)</i>	2.80 CPI	2.80 CPI
Liability discount rate	4.40	4.50
Expected return on employer Assets	4.40	4.50

Mortality:

Life expectancy is based on the Vita Curves as applied to the Lothian Pension Fund with improvements from 2008 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.4 years	22.8 years
Future Pensioners **	22.6 years	25.4 years

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

Historic mortality:

Life expectancies for the year ended 31 March 2013 are based on the Vita Curves as applied to the Lothian Pension Fund. The allowance for future life expectancies are shown below:

Prospective Pensioners - Year of birth, medium cohort and 1% p.a. minimum improvements from 2008

Pensioners - Year of birth, medium cohort and 1% p.a. minimum improvements from 2008

Mortality assumptions are identical to those used in the previous accounting period.

Commutation:

The allowance for commutation is consistent with the assumptions used at the formal valuations carried out as at 31 March 2011, adjusted to allow for any known experience.

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

The actuaries have been supplied with a split of the Fund's investments as at 31 March 2013 and 31 December 2013.

The asset split for VisitScotland as at 31 March 2014 has been assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2013 (The split is shown on page 61).

Sensitivity Analysis

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

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

	% Increase in deficit	Approximate amount
0.5% decrease in Real Discount Rate	11%	£6.0m
0.5% increase in the Salary Increase Rate	2%	£1.1m
0.5% Increase in the Pension Increase Rate	9%	£4.9m
1 year increase in member life expectancy	3%	£1.6m

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

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

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

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

MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY
FOR THE YEAR ENDED 31 MARCH 2013 (As re-stated)

	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	35,405	-	35,405
Present value of liabilities	-	44,311	(44,311)
Opening position as at 1 April 2012	35,405	44,311	(8,906)
Service cost			
- Current service cost*	-	826	(826)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
Total service cost	-	826	(826)
Net interest			
- Interest income on plan assets**	1,700	-	1,700
- Interest cost on defined benefit obligation	-	2,126	(2,126)
- Impact of asset ceiling on net interest	-	-	-
Total net interest	1,700	2,126	(426)
Total defined benefit cost recognised in statement of comprehensive net expenditure**	1,700	2,952	(1,252)
Cashflows			
- Plan participants' contributions	251	251	-
- Employer contributions	869	-	869
- Contributions in respect of unfunded benefits	57	-	57
- Benefits paid	(1,068)	(1,068)	-
- Unfunded benefits paid	(57)	(57)	-
Expected closing position	37,157	46,389	(9,232)
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	5,421	(5,421)
- Other experience	-	(86)	86
- Return on assets excluding amounts included in net interest**	3,614	-	3,614
- Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income**	3,614	5,335	(1,721)
Fair value of employer assets	40,771	-	40,771
Present value of funded liabilities	-	50,610	(50,610)
Present value of unfunded liabilities	-	1,114	(1,114)
Closing position as at 31 March 2013	40,771	51,724	(10,953)

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

** Changes to IAS 19 came into effect for the financial year 31 March 2014. These changes have been adopted retrospectively for the prior year, in accordance with IAS 8. The effect of the change on items recognised within the statement of comprehensive income, and other comprehensive income, for 31 March 2013 is an adjustment of £294,000.

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

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

Asset Category	31 March 2014				31 March 2013			
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	
Equity Securities:								
Consumer	3,615	-	3,615	8.3%	3,154	1	3,155	7.7%
Manufacturing	2,811	5	2,816	6.4%	2,485	1	2,486	6.1%
Energy & Utilities	2,079	-	2,079	4.7%	1,563	-	1,563	3.8%
Financial Institutions	2,468	-	2,468	5.6%	2,484	1	2,485	6.1%
Health & Care	1,527	-	1,527	3.5%	1,297	-	1,297	3.2%
Information technology	1,836	-	1,836	4.2%	1,610	-	1,610	3.9%
Other	7,580	578	8,158	18.6%	6,890	623	7,513	18.4%
Debt securities:								
Corporate Bonds (investment grade)	1,360	-	1,360	3.1%	1,446	-	1,446	3.5%
Corporate Bonds (non-investment grade)	42	-	42	0.1%	27	-	27	0.1%
UK Government	1,216	-	1,216	2.8%	1,386	-	1,386	3.4%
Other	368	-	368	0.8%	412	-	412	1.0%
Private Equity:								
All	234	2,091	2,325	5.3%	172	1,967	2,139	5.2%
Real Estate:								
UK Property	827	2,046	2,873	6.6%	754	1,794	2,548	6.2%
Overseas Property	-	152	152	0.3%	-	165	165	0.4%
Investment funds and unit trusts:								
Equities	5,453	2,553	8,006	18.4%	5,677	2,513	8,190	20.3%
Bonds	850	957	1,807	4.1%	902	1,036	1,938	4.8%
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	3	29	32	0.1%	4	50	54	0.1%
Infrastructure	30	124	154	0.4%	22	102	124	0.3%
Other	1,244	228	1,472	3.4%	876	123	999	2.5%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	7	-	7	0.0%	3	-	3	0.0%
Other	4	-	4	0.0%	-	-	-	-
Cash and cash equivalents:								
All	1,075	380	1,455	3.3%	957	274	1,231	3.0%
Totals	34,629	9,143	43,772	100.0%	32,121	8,650	40,771	100.0%

HISTORY OF EXPERIENCE GAINS AND LOSSES

As at 31 March	2013		
	2014	as re-stated	2012
	£'000	£'000	£'000
Fair value of employer assets	43,772	40,771	35,405
Present value of defined benefit obligation	(55,082)	(51,724)	(44,311)
Net pension (liability)	(11,310)	(10,953)	(8,906)
Experience: (Losses)/gains on assets *	1,143	3,614	(1,837)
Experience: (Losses)/gains on liabilities	(953)	(5,335)	(816)
	190	(1,721)	(2,653)
Experience: Cumulative actuarial (losses)/gains recognised*	(10,346)	(10,536)	(8,815)

* Changes to IAS 19 came into effect for the financial year 31 March 2014. These changes have been adopted retrospectively for the prior year, in accordance with IAS 8. The effect of the change on items within the above summary of Cumulative Actuarial (Losses)/Gains for the year to 31 March 2013 is that of an increase in the gains of £294,000.

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

	2014	2013
	£'000	£'000
British Tourist Boards' Pension Scheme	1511	1,230
Local Government Pension Schemes	896	926
Other Pension Schemes	7	6
At 31 March	2,414	2,162

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

	2014	2013
	£'000	as re-stated £'000
British Tourist Boards' Pension Scheme	397	144
Local Government Pension Schemes	(190)	1,721
At 31 March	207	1,865

e) TOTAL DEFICIT ON RETIREMENT BENEFIT OBLIGATIONS

	2014	2013
	£'000	£'000
British Tourist Boards' Pension Scheme	(15,510)	(13,559)
Local Government Pension Schemes	(11,310)	(10,953)
At 31 March	(26,820)	(24,512)

f) IAS 19 ADJUSTMENT AS DISCLOSED IN THE MANAGEMENT COMMENTARY

	BTBPS	LGPS
Charges recognised in the statement of comprehensive net income	3,065	1,443
Employer's contributions	(1,511)	(839)
Contributions in respect of unfunded benefits	-	(57)
	<u>1,554</u>	<u>547</u>
Annually Managed Expenditure (AME)		2,101

23 FINANCIAL INSTRUMENTS

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

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

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

The Board has overall responsibility for the establishment and stewardship of the risk management framework. The Audit Committee oversees how management monitors compliance with VisitScotland's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by VisitScotland.

VisitScotland has no derivative financial assets or liabilities.

i) Liquidity risk

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

The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. VisitScotland's primary source of funds is the grant in aid provision from the Scottish Government. The loans highlighted in Note 19 represent the remaining sources of debt, or borrowing facilities with external parties, incurred by VisitScotland. Liquidity is managed by the use of the annual operating plan process and the monitoring of the actual performance against budgets and forecasts.

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

Financial liabilities	Contractual cash flows				Total £,000
	Net carrying amount £,000	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	
As at 31 March 2013					
Loans	75	38	37	-	75
Other borrowings	3,319	613	2,271	1,010	3,894
Trade and other payables	8,152	8,152	-	-	8,152
Total financial liabilities	11,546	8,803	2,308	1,010	12,121
As at 31 March 2014					
Loans	38	33	5	-	38
Other borrowings	2,864	613	2,107	560	3,280
Trade and other payables	9,309	9,309	-	-	9,309
Total financial liabilities	12,211	9,955	2,112	560	12,627

23 FINANCIAL INSTRUMENTS (continued)

ii) Credit risk

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

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

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

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

VisitScotland operates a debt management process including monitoring, escalation procedures and recourse to court action, if necessary, to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. The movement in the impairment provision in respect of financial assets is set out in Note 17 above.

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

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

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

	2014	2013
	£'000	£'000
Current receivables		
Trade and other receivables	3,083	4,309
Cash and cash equivalents		
Government Banking Service	2,605	2
Commercial banks	2,081	3,017
At 31 March	7,769	7,328

23 FINANCIAL INSTRUMENTS (continued)**iii) Market risk**

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

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
Fixed interest rate				
At 31 March 2013				
<i>Financial liabilities</i>				
Loans	(34)	(29)	-	(63)
Other borrowings	(453)	(1,904)	(962)	(3,319)
Total	(487)	(1,933)	(962)	(3,382)
At 31 March 2014				
<i>Financial liabilities</i>				
Loans	(30)	-	-	(30)
Other borrowings	(480)	(1,843)	(541)	(2,864)
Total	(510)	(1,843)	(541)	(2,894)
Variable interest rate				
At 31 March 2013				
<i>Financial assets</i>				
Trade and other receivables	4,309	-	-	4,309
Cash and cash equivalents	3,019	-	-	3,019
<i>Financial liabilities</i>				
Loans	(4)	(8)	-	(12)
Trade and other payables	(8,152)	-	-	(8,152)
Total	(828)	(8)	-	(836)
At 31 March 2014				
<i>Financial assets</i>				
Trade and other receivables	3,083	-	-	3,083
Cash and cash equivalents	4,686	-	-	4,686
<i>Financial liabilities</i>				
Loans	(3)	(5)	-	(8)
Trade and other payables	(9,309)	-	-	(9,309)
Total	(1,543)	(5)	-	(1,548)

23 FINANCIAL INSTRUMENTS (continued)**iii) Market risk (continued)****Fair values of financial instruments**

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

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	3,083	3,083	4,309	4,309
Cash and cash equivalents	4,686	4,686	3,019	3,019
<i>Financial liabilities</i>				
Loans - Fixed interest rate	(30)	(32)	(63)	(68)
Loans - Variable interest rate	(8)	(8)	(12)	(12)
Other borrowings	(2,864)	(2,864)	(3,319)	(3,319)
Trade and other payables	(9,309)	(9,309)	(8,152)	(8,152)
At 31 March	(4,442)	(4,444)	(4,218)	(4,223)

Fair value hierarchy

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

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

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

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

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

Estimation of fair values

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

Trade and other receivables: The fair value is deemed to be the same as the carrying value, less any provision for impairment.

Cash and cash equivalents: The fair value is deemed to be the same as the carrying value.

Trade and other payables: The fair value is deemed to be the same as the carrying value.

Loans: VisitScotland has fixed borrowings with two Government authorities, as designated in Note 19. The fair value of the debt due to these authorities has been calculated based on a discount factor aligned with a weighted average of loan market rates for 5 & 10 year year borrowings. **2014 - 5.00%** (2013 - 5.00%)

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

23 FINANCIAL INSTRUMENTS continued

iii) Market risk (continued)

Interest rate sensitivity analyses*Loans*

VisitScotland is a party to one contractual loan which is variable as to interest rate risk, and at the 31 March 2014 the amount outstanding on this loan was **£7,795**.

i) An annualised increase of 400 basis points from the rate in use at 31 March 2014 would result in an increase in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£312** (2013: £471).

ii) An annualised decrease of 100 basis points from the rate in use at 31 March 2014 would result in a decrease in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£78** (2013 :£118).

Cash and cash equivalents

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

	100 bps
	£'000
Year end 31 March 2013	34
Year end 31 March 2014	6

The above sensitivity analyses are for illustrative purposes only.

iv) Currency risk

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

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

24 PROVISIONS

	Pension provision £'000	Early departure costs £'000	Total £'000
At 1 April 2012	137	-	137
Utilised	(16)	-	(16)
Charged	15	-	15
At 31 March 2013	136	-	136
At 1 April 2013	136	-	136
Utilised	(19)	-	(19)
Charged	15	-	15
At 31 March 2014	132	-	132

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

25 LOSSES AND SPECIAL PAYMENTS

	2014 £'000	2013 £'000
Total losses for the year were:		
Trade bad debts written off	13	23
At 31 March	13	23

26 CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2014 (2013: None).

27 CONTINGENT LIABILITIES

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

28 EVENTS AFTER THE BALANCE SHEET DATE

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

29 RELATED PARTY TRANSACTIONS

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

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

Representative	Company name	Role	Nature of supply	Sales to	Debtor	Purchases	Creditor
				£'000	balance	from	balance
Mike Cantlay	VisitBritain	Director	Promotions / marketing projects	30	-	99	-
	Highland & Islands Airport Ltd	Director	Promotions / marketing projects	33	-	-	-
Gordon Dewar	Edinburgh Airport Ltd	Director	Retail commission	-	-	12	-
Steven Dunlop	Scottish Canals	Director	Rent & contributory costs.	-	-	10	-
Professor Russel Griggs	Scottish Enterprise	Director	Promotions / marketing projects	120	2	18	-
	Room 501 Limited	Director	Promotions / marketing projects	-	-	-	-
Malcolm Roughead	Dynamic Earth Trust	Director	Promotions / marketing projects	3	-	14	-
Paul Bush	Commonwealth Games Council	Director	Promotions / marketing projects	-	-	1	-
Total transaction values				186	2	154	-

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

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

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

We have audited the financial statements of VisitScotland for the year ended 31 March 2014 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Balance Sheet, the Statement of Comprehensive Net Expenditure, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than VisitScotland and VisitScotland's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of VisitScotland's affairs as at 31 March 2014 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.




Gary Devlin, for and on behalf of Grant Thornton UK LLP
Grant Thornton UK LLP
7 Exchange Crescent
Edinburgh
EH3 8AN

14 October 2014

VISITSCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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



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