



ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

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The accounts were approved and authorised for issue on 29 October 2009

VISITSCOTLAND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

Background and Directors' Report

Introduction

The annual report and accounts includes the accounts for both VisitScotland and the VisitScotland Group. The VisitScotland Group comprises three subsidiary limited companies, Scottish Tourist Board Ltd, Tourist Board Training Ltd and eTourism Ltd. eTourism Ltd became a wholly owned subsidiary during the year having been an associate company until December 2008. During the year the assets of a further subsidiary, TourCo Ltd, were transferred to VisitScotland and TourCo Ltd is now dormant.

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in accordance with Section 6(1) of the Development of Tourism Act 1969. The direction is reproduced at the end of these accounts. VisitScotland is an executive non-departmental public body which operates within the terms of a management statement and financial memorandum agreed with its sponsor department at the Scottish Government.

History and statutory background

VisitScotland was initially established as the Scottish Tourist Board under the Development of Tourism Act 1969. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for the Board to market Scotland overseas. The Tourist Boards (Scotland) Act 2006, which came into force on 1 April 2007, formally changed the name of the Scottish Tourist Board to VisitScotland. VisitScotland's main office is in Edinburgh and there are also more than 100 Visitor Information Centres and local offices throughout the country.

EventScotland, established in March 2003 to help develop and co-ordinate major events, is a fully integrated directorate within VisitScotland. A specific amount of grant in aid is received from Scottish Ministers for EventScotland who offer grant assistance to international and national events.

Principal activities

VisitScotland's principal functions under the 1969 Act are to encourage British people to take holidays in Scotland, to encourage the provision and improvement of tourist facilities and amenities in Scotland, and to advise Government and public bodies on matters relating to tourism in Scotland.

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 Commissioner for Public Appointments. VisitScotland has a code of conduct for board members approved by the Scottish Ministers. VisitScotland operates an Audit Committee, a Remuneration Committee and an EventScotland Committee to scrutinise activity in those areas and advise the board and Chief Executive.

Board members who served during the year were:

Peter Lederer CBE (Chairman)
Pat Buchanan (retired 31 January 2009)
Willie Dunn
Brian Houston (retired 30 June 2009)
Alex Pagett
Lesley Sawers
Paddy Crerar (appointed 1 February 2009)
Professor Russel Griggs OBE (appointed 1 February 2009)

Since the end of the financial year two new board members have been appointed:

Dorothy Fenwick (appointed 1 July 2009)

Stephen Carter OBE (appointed 1 August 2009)

A register of interests is maintained and updated regularly. The register is open to the public and is available from the Corporate Affairs team at the main Edinburgh office address and on the corporate website. A review of the register has highlighted the following significant interests:

Board member	Interests
Peter Lederer	Chairman, Gleneagles Hotels Ltd
Pat Buchanan	None
Willie Dunn	Councillor, West Lothian Council
Brian Houston	None
Alex Pagett	None
Lesley Sawers	Chief Executive, Scottish Council for Development and Industry
Paddy Crerar	Chief Executive, Crerar Hotels
Russel Griggs	None
Dorothy Fenwick	None
Stephen Carter	Managing Director, Cameron House Resort

Senior Management Team

The Chief Executive of VisitScotland, Philip Riddle OBE, is also the designated Accountable Officer. He is personally responsible for safeguarding the public funds for which he has charge. The senior management team is made up of the Chief Executive, four directors and two other senior managers:

Eddie Byers – Director of Business Engagement

Riddell Graham – Director of Strategic Partnerships

Ken Neilson – Director of Corporate Services

Malcolm Roughead OBE – Director of Visitor Engagement

Paul Bush OBE - Chief Operating Officer, EventScotland

David Anderson - Head of Human Resources

Information on salary and pension entitlements of the Chief Executive, the directors and the Chief Operating Officer, EventScotland, can be found in the remuneration report. None of the senior management team have any significant interests as declared in the register of interests.

Employment recruitment

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

Diversity & Equal opportunities

VisitScotland is committed to the continued development of diversity and equal opportunities and has recently revised its Equal Opportunities policy which is posted on the corporate website. The policy clearly states that all of VisitScotland's customers, both internal and external, are eligible for the same quality and level of service irrespective of gender, age, marital status, disability, sexual orientation, race, colour, religious beliefs, ethnic or national origin.

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. Equality impact assessments will be carried out on key policies and procedures to ensure that any adverse impact is removed or at least reduced. This action is part of the work arising from the new Single Equality Scheme which is VisitScotland's diversity strategy for the next three years.

Furthermore VisitScotland believes that diversity consists of visible and non-visible differences which also include factors such as social and economic background, personality and work style, thus it includes everybody, not just those in the minority groups. It is founded on the premise that harnessing these differences will create a productive environment in which everybody feels valued, where their talents are being fully utilised and in which organisational and business goals are met.

Learning and development

As a recognised “Investors in People” organisation VisitScotland is committed to ensuring that 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. VisitScotland ensures equality of opportunity for personal development and a consistent process for accessing training. The performance management system assists in identifying the skills gaps and formulating learning and development plans for each member of staff.

Employee consultation

VisitScotland recognises both the Public and Commercial Services Union (PCS) and Unison trade unions. Extensive communication and discussion takes place directly with employees using both electronic media and face to face dialogue. Typical methods of communication include all-staff briefings led by the Chief Executive, regular team meetings, a staff magazine and a daily updated intranet site with a bespoke human resources section. This year a series of “one team” talks were held around the country to highlight the new structure.

Pensions

Details of pension schemes can be found in notes 15 and 16 to the accounts. The remuneration report contains specific disclosures relating to directors’ pensions.

Payment to creditors

In December 2008 the Scottish Government introduced a target for payment of valid suppliers’ invoices within 10 working days of receipt. An analysis of invoices received between January and March 2009 shows that VisitScotland paid 69% of valid invoices received within 10 working days.

Until December 2008 VisitScotland observed the government’s policy for prompt payment under the Better Payment Practice Code and committed to paying its suppliers within 30 days of receipt of a valid invoice unless otherwise agreed. A random sample of invoices taken between April and December 2008 showed that, on average, VisitScotland paid 95% of valid invoices within this period.

Auditors

VisitScotland’s accounts are audited by KPMG LLP, the auditors appointed by the Auditor General for Scotland, in accordance with Section 6(4) of the Development of Tourism Act 1969. The fees chargeable for audit services provided by the appointed auditors in the year to 31 March 2009 were £75,400 (2008 £69,000).

The senior management team who held office at the date of approval of this directors’ report 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.

Management Commentary

Review of activities

VisitScotland continues to work closely with the industry and public sector partners to contribute to the Scottish Government's overarching purpose of sustainable economic growth. The industry has an ambition to grow tourism revenues by 50%. Whilst the economic climate means that this ambition is challenging, VisitScotland's underlying purpose and objectives are unchanged, reflecting the roles it holds in supporting the delivery of industry growth.

Activity this year has been focused around five core objectives outlined in the 2008-2011 Corporate Plan which were to:

- maximise the economic value of the brand: increase economic benefit through stretching and promoting a successful Scottish tourism brand
- inspire through information provision: increase economic benefit and enhance the visitor experience through the provision of information and inspiration
- promote quality: increase economic benefit and enhance the visitor experience through the provision of quality assurance to the visitor and quality advice to the industry
- manage effectively: manage our business effectively and efficiently building a positive corporate reputation
- generate income: generate income and in-kind contributions to support our core activities

In addition to these corporate objectives VisitScotland continues to make increasing efforts to manage operations and projects in a sustainable way and is encouraging the industry to be more environmentally aware. Changes to the organisational structure were completed during the year in order to focus operations more on customer groupings and VisitScotland achieved accreditation as a Hospitality Assured organisation, a standard for business excellence that focuses on the customer experience. A number of efficiency savings were again achieved during the year in line with Scottish Government targets.

Organisational changes

The major project initiated in November 2007 to refine the organisational structure to better meet the needs of customers was completed at the end of March 2008 and changes were implemented from April 2008 onwards. There has been a re-focusing of activity during the year to put the customer - whether that might be the visitor, a tourism business or a strategic partner - at the heart of everything VisitScotland does. This change is centred on how things are done rather than what is done.

VisitScotland's local activities have been restructured and the number of directorates has been reduced from six to four. Each of these focuses on one main section of customers: visitors, businesses, strategic partners and staff. The new directorates are Visitor Engagement, Business Engagement, Strategic Partnerships and Corporate Services.

VisitScotland.com

VisitScotland was a partner in the Public Private Partnership joint venture eTourism Ltd, the company that runs the VisitScotland.com website which provides information to visitors and listing and booking services to the industry. A new website was launched in April 2008. In December 2008 VisitScotland acquired full ownership of eTourism Ltd through its subsidiary company TourCo Ltd at a cost of £64,000. An additional £1,186,000 was loaned to eTourism Ltd to facilitate payments to outgoing shareholders in respect of loans due. These shareholders forgave loans of £3.2 million.

VisitScotland's total investment is now approximately £4 million. An independent valuation of eTourism Ltd carried out at the time of the acquisition puts its value to VisitScotland at between £4 million and £7 million. Since the year end eTourism Ltd has repaid £250,000 of the additional £1,186,000 loan.

This change has happened to improve the commercial viability of service delivery and to allow the operation to adapt more flexibly to consumer trends and tourism industry needs. Changing internet usage and developing

consumer trends have meant that the original model developed over six years ago of a “one-stop shop”, meeting all the customer needs for information, booking and sales, needs to change to ensure the website continues to be a success.

eTourism Ltd has 38 staff and they all relocated from Livingston to Ocean Point in Edinburgh in March 2009. Co-location and sharing services with VisitScotland at Ocean Point will bring further savings in staffing and overheads.

Homecoming Scotland 2009

A key focus during the year has been Homecoming Scotland 2009. To celebrate Homecoming Scotland 2009 there is an inspirational programme of nearly 400 events, festivals and activities that started on the weekend of Burns Night in January and runs through until St Andrews Day on 30 November. Homecoming Scotland 2009 is motivating people with Scottish ancestry, as well as those who simply love Scotland, to “come home” and join in an inspirational celebration of culture, heritage and the many great contributions Scotland has given the world.

This has involved three principal opportunities for VisitScotland:

- building a programme of more than 400 events united under the one banner
- engaging the world - and particularly the Scottish diaspora - through marketing the Year of Homecoming in 40 countries around the world
- engaging Scotland to support and buy into both the spirit of the year and the events themselves through extensive marketing and communications

Led by a dedicated Homecoming Scotland 2009 team in EventScotland, staff across the whole organisation have contributed significantly to delivering this Government initiative through the widest network of partnerships the country has ever seen.

Income

Just over two thirds of VisitScotland’s funding in 2008-2009 was in the form of grant in aid from the Scottish Ministers through the Scottish Government’s Enterprise, Energy and Tourism Directorate. The other third was from a mixture of local authority income, European and enterprise agency income, retail and commercial activities and joint initiatives with the trade, public and private sector interests.

VisitScotland was allocated a total of £47,810,000 revenue grant in aid this year. This is a small decrease of £250,000 compared to 2007-2008. Last year’s grant included a one-off sum for new projects and restructuring of £5,000,000 but this was largely offset by additional funding this year of £2,750,000 for Homecoming Scotland 2009 and £2,000,000 for the Ryder Cup.

Group income for the year declined by £1,285,000 to £20,099,000 (2008 £21,384,000) and includes £8,404,000 commercial income from advertising, marketing opportunities, quality schemes and other activities (2008 £9,122,000), local authority funding of £5,474,000 (2008 £6,264,000) and £4,438,000 retail income (2008 £5,061,000). The sum of £2,319,000 (2008 £1,161,000) was received in European Union grants and £109,000 (2008 £251,000) in enterprise agency contributions.

Expenditure

Total expenditure decreased by £2,537,000 compared to last year reflecting the reduction in income and also the inclusion last year of a provision of £2,787,000 for non-recovery of interest and loan repayments. EventScotland expenditure has increased by £4,571,000 due to additional funding provided for Homecoming Scotland 2009 and the Ryder Cup this year.

Savings achieved in the last two years have again been retained and supplemented with further efficiency savings resulting from a reduction in salaries following restructuring this year, a number of shared property initiatives implemented in the year and procurement savings mainly in the area of media contracts. Under the

Efficient Government initiative the current year target was in the range of £1.2 million to £1.76 million, with £1.76 million being achieved in the year.

A total of £864,000 has been spent on additions to fixed assets this year (2008 £329,000). The main additions have been £166,000 for upgrades to IT equipment and new software and £358,000 for refurbishment and improvements at a number of information centres and local offices. A further £1,250,000 of the capital grant in aid budget was paid to the outgoing shareholders in eTourism Ltd to acquire full ownership of the company.

Position at end of year

The group operating cost statement for the year shows a net operating cost of £49,462,000 (2008 £51,999,000) including joint venture loss of £181,000 arising from the acquisition of eTourism Ltd (2008 loss £454,000). Accounting for defined benefit pensions under Financial Reporting Standard 17 (FRS17) has resulted in a loss of £184,000 (2008 gain £177,000) being recognised in the group operating cost statement. This loss, which could also in future be a gain, is dependent on an actuarial valuation at the year end.

Risks and uncertainties

VisitScotland has a risk management policy and process which identifies the key risks it faces in trying to achieve its objectives. These are reviewed each year in line with the business planning process. External risks identified include uncertainty and reduction in funding levels resulting in failure to achieve key performance indicators, economic slowdown arising from the worldwide credit squeeze, the industry ambition to grow tourism revenues by 50% may not be achieved, a potential reduction in funding from local authorities, lack of development of direct transport routes, major disasters such as a flu pandemic and the incidence of terrorist activity. VisitScotland has detailed mitigating action plans in place for all of these and has updated and expanded some in light of recent events.

Indication of likely future developments

It is widely recognised that the industry is not currently on a natural trajectory to achieve the 50% growth ambition. Economic conditions have led to a decline in travel and tourism across the world. The priority in Scotland in the short term is to stem the decline and restore growth.

During 2008-2009 the Scottish Tourism Forum led a review of the Tourism Framework for Change, consulting widely with industry, the public sector including VisitScotland and suppliers with a view to issuing a refreshed version later in the year. Political support for the 50% growth ambition remains unchanged and significant efforts are being made to identify and implement activities which will stimulate progress towards this shared goal in 2009-2010.

VisitScotland, the enterprise agencies and Scottish Development International have been collaborating on the development of a National Tourism Investment Plan which will determine Scotland's investment needs. In 2009-2010 the agencies will proactively use the plan to engage with the investment market and others in the planning cycle to facilitate effective capital investment. Drawing on international best practice, the plan will also investigate the need for specific tourism investment funding, following the Austrian tourism development bank model.

Following a comprehensive review in 2008 of the visitor information centre network a portfolio strategy has been developed in line with identified customer needs. This will include a capital project to improve a number of centres through refurbishment and new signage. A comprehensive review of the retailing and ticketing strategies has also commenced to ensure that our offering meets demand.

Leisure marketing teams responsible for the UK and international markets will continue to implement agreed development strategies for longer term growth in conjunction with public and private sector partners whilst looking to exploit tactical opportunities which will emerge from the current economic climate. The Business Tourism Unit is continuing to develop and support opportunities for partners in the key corporate sector where enquiry levels are beginning to return to previous levels. The Unit is seeking to develop future long term markets such as Russia and India to ensure that Scotland continues to punch above its weight in this important sector.

EventScotland will continue to secure events for Scotland through its International Programme. Examples of this include the MOBO Awards staged in Glasgow at the end of September and the Rally of Scotland, the final stage of the Intercontinental Rally Challenge, in November. Through the National Events Programme EventScotland will continue to support and develop events that drive domestic tourism around the country. EventScotland will work with Commonwealth Games partners to secure test events for Glasgow in the build up to 2014, and, as the lead agency in the delivery of the Ryder Cup in 2014, will continue its work in coordinating Scotland's preparations for staging this global event.

Following on from the acquisition of eTourism Ltd, work in 2009-2010 will focus on the delivery of an inspirational web site, better connection with visitors and significant improvement in joining customers to businesses. eTourism Ltd will continue to provide services to VisitScotland under the terms of the concession agreement and is expected to generate sufficient cash flows to repay the loan used to finance the acquisition.

Other projects planned for 2009-2010 include a second year reassessment for Hospitality Assured accreditation, the introduction of a bespoke leadership programme for managers and a 360 degree review process, a review of strategic research to ensure that research insights drive strategies, plans and decision making within the organisation and the wider industry, a strategic review of quality assurance activities based on consumer and industry insights, development of a Gaelic Language Plan to promote the language through VisitScotland's activities and implementation of newly developed diversity policies to meet legislative requirements and to demonstrate commitment to equality.

Research activities

VisitScotland's business insight expertise makes it a market leader in the area of research. The research and statistics produced offer essential information and analysis on Scotland's visitors, markets and tourism industry. The scope of the research is constantly reviewed as tourism worldwide is fast moving and ever evolving.

VisitScotland also carries out continuous and comprehensive research to better understand its markets and keep up to date with trends and developments. This includes investigation of markets and consumer segments, valuation of campaigns and monitoring of market news, industry trends and competitor activities. The outcome of this activity goes into the marketing strategy and campaign planning.

Environmental performance and sustainable economic development

VisitScotland is committed to ensuring that Scotland's natural and built environment, upon which tourism within Scotland is so dependent, is safeguarded for future generations to enjoy. To help achieve this VisitScotland has developed and implemented an environmental policy and management system in order to monitor and continually improve its own environmental performance. In the first year (2007-2008) this largely involved recording performance and defining baselines from which to set targets and establish future performance.

Targets were set for efficiency in areas of energy and water consumption, waste and business travel. VisitScotland's environmental policy, targets and the first Environmental Performance Report were published on the corporate website. The data collected suggests that VisitScotland is making good progress towards achieving the targets set for environmental improvement as noted in the second Environmental Performance Report now published.

VisitScotland's environmental policy highlights the need to promote environmental good practice to business partners and raise awareness amongst visitors. VisitScotland continues to promote good practice through its Green Tourism Business Scheme, an environmental accreditation scheme for tourism businesses which also aims to reduce costs and improve efficiency. Taking a sustainable approach will help to secure the industry's long term future and its public reputation. In addition sustainability issues are incorporated into all VisitScotland's operational and corporate plans during the planning process each year.

Social and community issues

VisitScotland continues 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. In order to embrace sustainability objectives VisitScotland works collaboratively with tourism businesses, enterprise

networks, local authorities, local community interests, community planning partnerships, environmental and cultural heritage bodies, the transport sector, local recreation/consumer groups, trade unions, and local education and training bodies.

Performance and key achievements

A large number of key performance indicators are set each year and these are detailed in the annual corporate plan. Achievements against key indicators are reported to board members and directors regularly throughout the year. Measurement is through a number of research surveys and studies plus analysis of results. The main KPIs are summarised below with corresponding results for last year where measured:

Performance measure	2008-09 Target	Achieved	2007-08 Actual	Note
Increase visitor propensity to visit Scotland from UK and Republic of Ireland (Source: advertising tracking surveys)	UK - 60% ROI - 49%	58% 55%	Central TV region 50% Carlton TV region 46%	1
Improve public sector efficiency through the generation of 2% cash releasing efficiency savings per annum (Source: analysis of expenditure)	Between £1.2 and £1.76 million	£1.76 million	N/A	
% of key stakeholders who have incorporated the 50% growth ambition into their planning and operations direction (Source: corporate reputation survey)	50%	56%	45%	
Industry income from business customers (Source: analysis of sales)	£8.4 million	£7.45 million	£8.9 million	2
Local authority funding: to secure contributions to regions (Source: analysis of income)	£5.85 million	£5.61 million	£6.21 million	3
Increase the proportion of businesses in the accommodation quality assurance schemes to 90% by the end of 2008 (Source: independent research study)	90%	71%	83%	4
Increase membership of Green Tourism Business Scheme to 15% at least at entry level by the end of 2008 (Source: independent research study)	15%	13%	10%	5
Reduce VIC operating costs by 10% (Source: analysis of expenditure)	£900,000	£1,200,000	N/A	
Achieve 10% VIC retail spend increase per visitor from 65 pence (Source: analysis of income and visitors)	71.5 pence	72 pence	65 pence	
Additional income generated by relationship marketing UK campaign (Source: independent research study)	£14 million	£48 million	N/A	
Additional income generated by Europe campaigns (France and Germany) (Source: independent research study)	£27.63 million	Germany £33.9 million France £15.8 million	N/A	

Notes:

1. No historical data was available with which to establish the target for the Republic of Ireland.

2. The final outturn reflects particularly challenging economic conditions experienced by the industry during this period. These conditions had a negative impact on business customer confidence and resulted in changes in purchasing patterns.
3. The outcome was 96% of the targeted KPI. This has been a difficult year with increasing funding pressure across all local authorities.
4. The methodology used to assess this KPI has been refined to reflect expanded business CRM data availability.
5. With 710 participants this is an improvement from 9% for 2007, however scheme participation is not growing to plan. The current economic conditions are causing businesses to carefully appraise the commercial benefits before committing to this scheme.

Philip Riddle OBE
Chief Executive
VisitScotland
28 October 2009

Remuneration Report

Remuneration Committee

The Remuneration Committee is made up of two board members and the Chairman. The Chairman also chairs the Remuneration Committee. During 2008/9 the members were:

Peter Lederer (Board Chairman)
Lesley Sawers (Board member)
Pat Buchanan (Board member - retired 31 January 2009)

Paddy Crerar and Russel Griggs (Board members) were appointed to the committee on 1 May 2009.

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.
- to consider any changes in the terms and conditions of employment of the Chief Executive and directors.
- to submit any proposed changes to the Chief Executive's salary and any performance related bonus payable to the Scottish Government for approval.
- to deal with such other matters as may be referred to it by the board members.

Remuneration policy

Under the terms of the financial memorandum 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 guidance. The terms and conditions for the Chief Executive's pay are subject to a separate approval exercise by the Remuneration Committee and the Scottish Government.

The directors' pay includes a non-consolidated bonus of up to 10% based on performance. Annual objectives are set for each director at the beginning of the year and performance against these is reviewed by the Chief Executive. The level of bonus is directly affected by the assessed rating achieved. The Chief Executive's performance is similarly reviewed against targets with a non-consolidated lump sum bonus of up to 15% of salary payable depending on the outcome.

Service contracts

Appointments of the Chief Executive and directors are made on merit and on the basis of fair and open competition. They are on a permanent basis and are open-ended until they reach the normal retirement age of 65, although those who are members of the British Tourist Boards' Pension Scheme can choose to retire at 60 or 65. The notice period is 12 months for Directors and 6 months for the Chief Executive. Early termination, other than for misconduct, would result in payments under agreed redundancy or voluntary severance schemes.

Remuneration

The following tables provide a breakdown of the executive directors' remuneration in 2008-09 and 2007-08 and have been audited by VisitScotland's auditors. Remuneration includes gross salary, any performance related bonuses, benefits in kind and any other allowance to the extent that is subject to UK taxation.

2008/09 year:

Chief Executive	Bonus for 2005/06 £	Back pay and bonus for 2006/07 £	Back pay and bonus for 2007/08 £	Salary 2008/09 including taxable benefits £	Total remuneration 2008/09 £000	Real increase in pension £000	Total accrued pension at 31 March 2009 £000	CETV at 31 March 2008 £000	CETV at 31 March 2009 £000	Real increase in CETV as funded by employer £000
P Riddle Chief Executive	- 17,528	13,766 18,354	7,763 -	160,458	215-220	0-2.5	15-20	184	222	32

Note: the Chief Executive's total remuneration this year includes bonuses and back pay covering the years 2005/06, 2006/07 and 2007/08 which only received formal approval from the Scottish Government after 31 March 2008.

Directors	Remuneration 2008/09 £000	Real increase in pension £000	Total accrued pension at 31 March 2009 £000	CETV at 31 March 2008 £000	CETV at 31 March 2009 £000	Real increase in CETV as funded by employer £000
M Roughead Director of Marketing	115-120	2.5-5.0	15-20	137	172	30
K Neilson Director of Corporate Services	95-100	0-2.5	5-10	54	75	16
R Graham Director of Strategy, Partnerships & Communication	75-80	0-2.5	40-45	520	557	33
E Byers Director of Industry Engagement	95-100	0-2.5	5-10	48	64	11
P Bush Chief operating officer, EventScotland	85-90	0-2.5	15-20	159	192	29

Notes: a) Pension calculations are based on the pensionable salary at 31 March 2009.

b) In April 2008, following implementation of an approved voluntary severance programme, two directors, W. Macleod and D. Noble, left the organisation. They received £144,955 and £145,534 respectively in compensation and pay in lieu of notice. In addition the sum of £136,850 was paid into the pension scheme for W. Macleod.

Previous year (2007/08):	Remuneration 2007/08 £000	Real increase in pension £000	Total accrued pension at 31 March 2008 £000	CETV at 31 March 2007 £000	CETV at 31 March 2008 £000	Real increase in CETV as funded by employer £000
P Riddle Chief Executive	150-155	0-2.5	10-15	182	184	-4
M Roughead Director of Marketing	105-110	2.5-5.0	10-15	133	137	-1
W Macleod Director of Visitor Services & Quality	95-100	0-2.5	5-10	175	180	0
K Neilson Director of Corporate Services	85-90	0-2.5	5-10	49	54	1
D Noble Director of Network Operations	90-95	See note below	See note below	See note below	See note below	See note below
R Graham Director of Strategy, Partnerships & Communication	70-75	2.5-5	35-40	556	520	-39
E Byers Director of Industry Engagement	85-90	0-2.5	5-10	40	48	4
P Bush Chief Operating Officer, EventScotland	75-80	0-2.5	10-15	156	159	-1

Note: Pension and CETV information for D Noble was not available in time for published accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue & Customs as a taxable emolument. The following taxable car benefits are included in remuneration above: P Riddle £5,344 (2008 £5,067), M Roughead £3,968 (2008 £2,641), K Neilson £4,892 (2008 £Nil), E Byers £1,816 (2008 £Nil).

Pension schemes

Pension benefits are provided through either of:

- The British Tourist Boards' Pension Scheme (BTBPS) providing benefits and life assurance for staff based upon final pensionable salary. The BTBPS scheme is a multi-employer defined benefit scheme.
- The Local Government Pension Scheme (LGPS) run locally by various councils. The LGPS is a final salary defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (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 except for D Noble who was a member of the LGPS scheme run by The Highland Council. Further details of these schemes are outlined in notes 15 and 16 to the accounts.

Cash equivalent transfer values

Cash Equivalent Transfer Value (CETV) is a lump sum value in today's terms of the benefits accrued by a member of the pension scheme. This sum is assessed by an actuary and represents the payment by the scheme to secure benefits in another pension scheme when the member leaves. CETV is computed by reference to factors calculated by the Government Actuary's Department.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Board members' remuneration

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.

	2009	2008
	£000	£000
Peter Lederer CBE (Chairman)	20-25	20-25
Pat Buchanan (retired 31 January 2009)	5-10	5-10
Willie Dunn	5-10	5-10
Brian Houston (retired 30 June 2009)	5-10	5-10
Alex Pagett	5-10	5-10
Lesley Sawers	5-10	5-10
Paddy Crerar (appointed 1 February 2009)	0-5	-
Professor Russel Griggs OBE (appointed 1 February 2009)	0-5	-

Pensions are paid to two previous Chairmen and a provision has been made for this in the accounts (note 17).

Philip Riddle OBE
Chief Executive
VisitScotland
28 October 2009

STATEMENT OF BOARD'S AND CHIEF EXECUTIVE'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. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of VisitScotland and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

1. 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;
2. make judgements and estimates on a reasonable basis;
3. state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
4. prepare the accounts on a going concern basis.

In accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Permanent Secretary as the Principal Accountable Officer for the Scottish Administration, has designated the Chief Executive as the Accountable Officer for 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 the Memorandum to Accountable Officers in Other Public Bodies issued by the Scottish Ministers and published in the Scottish Public Finance Manual.

The Accountable Officer is responsible for the maintenance and integrity of the corporate and financial information included on VisitScotland's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accountable Officer I have responsibility for maintaining 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 Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

The purpose of the system of internal control

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 of internal control 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 SPFM and has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

All bodies subject to the requirements of the SPFM 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 policy setting out the process for identifying and evaluating risk. The policy includes regular assessment of risk by senior management, maintenance of a risk register and annual reporting to the Audit Committee and board. A designated risk manager is responsible for maintaining and updating the register and reporting annually on risk, and for promoting awareness across the organisation.

The risk register was fully revised during the year following a risk workshop undertaken with senior management to re-examine and prioritise all risks affecting the organisation. A risk management committee has been created to oversee risk management arrangements. The risk register 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. It also contains lower level risks which affect specific areas of operation within VisitScotland.

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. As new or changed risks emerge they are identified and reported to senior management and added to the risk register together with an action plan to address the risk.

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 and managed at project level and project managers are required to make regular reports on the steps they are taking to manage risks in their areas of responsibility.

In the year to 31 March 2009 the organisation has operated the main risk register alongside the EventScotland risk register. Additional risk registers have been created for the ongoing Homecoming Scotland 2009 and Ryder Cup projects in EventScotland and also for the eTourism Ltd/VisitScotland.com convergence and relocation projects. Work is also continuing to improve the organisation's business continuity and disaster recovery arrangements.

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. In addition VisitScotland is currently implementing recent Scottish Government guidance on data security and information risk.

Review of effectiveness

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 the organisation'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 weaknesses and ensure continuous improvement of the system is in place. The Audit Committee of the Board normally meets three times a year. They consider and comment on the annual internal audit plan, review the reports from both internal and external auditors and review and endorse risk reports. They report to the full meetings of the Board on audit and risk matters. In addition the Board receives regular reports on progress against key performance indicators.

VisitScotland's internal audit function operates to standards defined in the Government internal audit manual. Internal auditors submit regular reports which include their independent opinion 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 action points from the previous audit.

A review of key financial controls this year recognised that considerable efforts have been expended defining and embedding detailed control processes and procedures and continuing to integrate the finance system. This effort was reflected in the relatively low number of findings in comparison to previous years. Other recent internal audit reviews have highlighted some areas for improvements in internal control and these are being addressed.

Whilst controls have been and are working well attention should be drawn to the fact that VisitScotland is not yet fully compliant with the statutory public sector equality duties which involve assessment of key policies and activities for their impact on equality groups. An internal audit review of activity in this area concluded that VisitScotland is making progress in fully embedding a consistently applied system of equality and diversity management that will satisfy regulatory requirements and drive business related activity.

Overall I am pleased with progress made in improving the effectiveness of control systems in the organisation but recognise there is still work to be done.

Philip Riddle OBE
Chief Executive
Visit Scotland
28 October 2009

**GROUP OPERATING COST STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £000	2008 £000
Staff costs	2	20,977	24,357
Commercial marketing activities		28,756	29,473
Other operating costs	5	10,677	14,457
EventScotland	6	8,762	4,572
		<u>69,172</u>	<u>72,859</u>
Retail and Commercial income	3	(10,698)	(11,554)
Other income	4	(9,401)	(9,830)
		<u>(19,100)</u>	<u>(21,384)</u>
Net operating cost before taxation		49,073	51,475
Share of associate loss during year		-	314
Share of pre-acquisition loss - Associate		181	-
Share of associate interest payable		-	140
Amortisation of Goodwill	9	172	-
Corporation tax	19	36	70
		<u>49,462</u>	<u>51,999</u>
Net expenditure			

The notes on pages 24 to 47 form part of these accounts.

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

		2009	2008
		£000	£000
Net actuarial (loss)/gain on valuation of pension fund	16	(3,476)	5,172
Revaluation of Property		(127)	-
Recognised gains and losses for the financial year		<u>(3,603)</u>	<u>5,172</u>

The notes on pages 24 to 47 form part of these accounts.

**GROUP BALANCE SHEET
AT 31 MARCH 2009**

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	8a	7,329	7,515
Intangible assets	8b	383	67
Investment in associate		-	(2,249)
Goodwill	9	1,547	-
		<u>9,259</u>	<u>5,333</u>
Current assets			
Stocks	11	1,176	1,370
Debtors	12a	6,231	6,926
Cash at bank and in hand		5,577	8,135
		<u>12,984</u>	<u>16,431</u>
Creditors			
Amounts falling due within one year	13	<u>(11,105)</u>	<u>(14,698)</u>
Net current assets		<u>1,879</u>	<u>1,733</u>
Total assets less current liabilities		11,138	7,066
Creditors			
Creditors amounts falling due after more than one year	13a	(373)	(424)
Provisions for liabilities and charges	17	<u>(157)</u>	<u>(183)</u>
Net Assets excluding pension liabilities		10,608	6,459
Pension liabilities	16	<u>(4,167)</u>	<u>(507)</u>
Net assets including pension liabilities		<u>6,441</u>	<u>5,952</u>
Financed By:			
General fund	20	2,562	(367)
Government grant reserve	14	3,367	3,546
Revaluation reserve	23	512	608
Unrealised investment appreciation reserve in associate	24	-	2,165
		<u>6,441</u>	<u>5,952</u>

Philip Riddle
Chief Executive
VisitScotland
28 October 2009

The notes on pages 24 to 47 form part of these accounts

**VISITSCOTLAND
BALANCE SHEET
AT 31 MARCH 2009**

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	8c	6,625	6,881
Intangible assets	8d	227	67
Investments	10	90	25
		<u>6,942</u>	<u>6,973</u>
Current assets			
Stocks	11	1,176	1,370
Debtors	12	5,702	6,921
Debtors: amounts receivable from subsidiary after more than one year		1,186	-
Cash at bank and in hand		<u>5,363</u>	<u>7,867</u>
		<u>13,427</u>	<u>16,158</u>
Creditors			
Amounts falling due within one year	13	<u>(10,345)</u>	<u>(14,422)</u>
Net current assets		<u>3,082</u>	<u>1,736</u>
Total assets less current liabilities		<u>10,024</u>	<u>8,709</u>
Creditors			
Creditors amounts falling due after more than one year	13a	(187)	(221)
Provisions for liabilities and charges	17	<u>(157)</u>	<u>(183)</u>
Net Assets excluding pension liability		9,680	8,305
Pension liabilities	16	<u>(4,167)</u>	<u>(507)</u>
Net assets including Pension liability		<u>5,513</u>	<u>7,798</u>
Financed by			
General fund	20	1,982	3,994
Government Grant reserve	14	3,367	3,546
Revaluation reserve	23	164	258
		<u>5,513</u>	<u>7,798</u>

Philip Riddle
Chief Executive
VisitScotland
28 October 2009

The notes on pages 24 to 47 form part of these accounts.

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £000	2008 £000
Net cash outflow from operating activities	25	50,877	41,385
Returns on investments and servicing of finance			
Interest received	4	(152)	(325)
Interest paid	7	32	26
Taxation			
Corporation tax paid	19	70	29
Capital expenditure and financial investment			
Payments to acquire fixed assets	8c	672	329
Payments to acquire intangible assets	8b	192	
Capital Receipts		(51)	(81)
Repayment of loans		32	51
Acquisitions and disposals			
Payments to acquire investment	1,250		-
Net cash acquired with investment	<u>(264)</u>		
		986	
Financing			
Government grants received		(50,100)	(48,351)
Decrease/(increase) in cash		<u>2,558</u>	<u>(6,937)</u>

The notes on pages 24 to 47 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. Accounting policies

The main accounting policies of VisitScotland are set out below.

Basis of preparation

The accounts are prepared in a form determined by Scottish Ministers in accordance with Section 6(1) of the Development of Tourism Act 1969.

The accounts have been prepared in accordance with the historical cost convention as modified to include fixed assets at their value to the organisation by reference to their current cost. The accounts are prepared in accordance with the accounting principles and disclosure requirements of the Government's Financial Reporting Manual ("FReM"). Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Accounting Standards Board, so far as those requirements are appropriate and in accordance with the Accounts Direction given by Scottish Ministers. The accounting policies selected have been applied consistently in dealing with items considered material in relation to the accounts.

FRS 17 (revised) "retirement benefits" has been implemented for the year ended 31 March 2009 for the first time. The primary change relates to prices used in the valuation of pension assets. The impact on the comparatives is not considered to be material and therefore the comparative figures have not been restated in this respect.

FRS 25 "financial instruments: presentation" and FRS 26 "financial instruments: recognition and measurement" have been implemented for the year ended 31 March 2009 for the first time. The Government Financial Reporting Manual does not require a prior year adjustment to reflect this change in accounting policy and therefore the comparative figures have not been restated in this respect.

Basis of consolidation

These accounts and associated notes reflect the group operating cost statement, statement of recognised gains and losses and cash flow statement and their associated notes. Balance sheets and their associated notes, as at the balance sheet date, are prepared for the parent (VisitScotland) and the group.

The group accounts include VisitScotland and its subsidiaries and associates in compliance with financial reporting standard 2 'accounting for subsidiary undertakings' and financial reporting standard 9 'associates and joint ventures'. The results of subsidiaries acquired or disposed of during the year are included in the group operating cost statement from the day of acquisition or up to the date of disposal.

All intra-group sales and profits are eliminated fully on consolidation.

Funding

Most of the expenditure of 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. All income that is not classed as funding is recognised in the period in which it is receivable. Funding for the acquisition of general fixed assets received from the Scottish Government is credited to the general fund. Funding received from any source for the acquisition of specific assets is credited to the government grant reserve and released to the operating cost statement over the life of the asset.

Income

Income is received from a variety of retail and commercial operations, revenue grants, partner contributions and other sources. Income from sale of 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.

Fixed assets and depreciation

Valuation

Land and buildings are stated at the lower of their replacement cost or recoverable amount. Surplus land and buildings are stated at their market value.

The value of all land and building assets 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 in accordance with the Royal Institution of Chartered Surveyors' appraisal and valuation manual insofar as these terms are consistent with the agreed requirements of the FReM.

Equipment is valued at the lower of its net replacement cost or recoverable amount. The net replacement cost is the replacement cost of the asset as new depreciated in respect of its remaining useful life. The recoverable amount is only used when the decision has been made to dispose of the asset.

Assets in the course of construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value.

Losses in value due to a consumption of economic benefits are charged to the operating cost statement. Decreases in asset value that relate to fluctuations in market prices are first charged to the element of the revaluation reserve relating to the asset and that amount is recognised in the statement of recognised gains and losses. Further losses, beyond the level of the revaluation reserve relating to that asset, are charged to the operating cost statement, except where it is anticipated that the reduction in value will reverse in the foreseeable future.

Capitalisation

Individual or group purchases of fixed assets costing in excess of £2,000 are capitalised.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows. Freehold land and assets under the course of construction are not depreciated.

Tangible:

Freehold buildings	-	Up to 50 years
Leasehold buildings	-	Life of lease
Vintage railway carriage	-	25 years
Fixtures and fittings	-	10 years
Office equipment	-	6 years
IT equipment	-	4 years
Motor vehicles	-	4 years

Intangible:

Software licences	-	4 years
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Intangible assets

Intangible assets, such as software licences, are capitalised when they are capable of being used in VisitScotland's activities for more than one year, they can be valued and they have a cost of at least £2,000. They are amortised over the shorter term of the licence and their useful economic lives.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairments at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

On 15 December 2008, the Group, through its subsidiary TourCo Ltd, acquired the remaining 64% interest in eTourism Ltd (in which it had previously held 36%) and as a consequence eTourism Ltd is now a wholly owned subsidiary of VisitScotland.

No additional value has been attached to intangible assets, over and above that deemed inclusive within the value of goodwill arising upon acquisition.

FRS10 requires that goodwill be amortised systematically over a finite period. Goodwill will be amortised over four years based on management's consideration of the period over which the benefit of the acquisition will be realised.

Stocks

Stocks 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 operating cost statement in the year of purchase.

Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Sterling values at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. Any exchange differences are taken to the operating cost statement.

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.

Leases

Rentals under operating leases are charged on a straight-line basis.

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after more than one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period, or a reasonable approximation thereto.

Retirement benefits

VisitScotland employees are members of either a Scottish local government pension scheme (“the Schemes”) 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

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. The Schemes’ assets are measured using market values and the Schemes’ liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

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 an actuary 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 profit and loss account on a systematic basis over the expected average remaining lives of members of the funds in accordance with financial reporting standard 17 ‘retirement benefits’ and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

British Tourist Boards’ Pension Scheme

VisitScotland participates in the BTBPS providing benefits based on final pensionable pay. The assets of the BTBPS are held separately from those of VisitScotland. VisitScotland is unable to identify its share of the underlying assets and liabilities of the BTBPS on a consistent and reasonable basis and therefore, as required by financial reporting standard 17 ‘retirement benefits’, accounts for the BTBPS as if it were a defined contribution scheme. As a result the amount charged to the operating cost statement represents the contributions payable to the BTBPS in respect of the year.

Notional costs

In accordance with the FReM the notional cost of capital has been calculated over the average of total assets less total liabilities at 31 March using the rate specified by Scottish Ministers.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the operating cost statement, 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 income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

In accordance with FRS 19 Deferred tax, 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 measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

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 consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Value added tax

Expenditure in these accounts is stated inclusive of irrecoverable VAT. VisitScotland is subject to partial restriction on the deductibility of VAT on inputs calculated in accordance with a formula agreed with HM Revenue and Customs.

Corporation tax

VisitScotland is liable to corporation tax only on bank interest received. All other members of the group are subject to taxation under current legislation.

Corresponding amounts

Corresponding amounts are shown for the primary accounts and for the notes to the accounts. Where corresponding amounts are not directly comparable with the amount shown in the current financial year financial reporting standard 28 'corresponding amounts' requires that they should be adjusted and the basis for adjustment disclosed in a note to the accounts.

Provisions

VisitScotland provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

Related party transactions

Related party transactions are identified, considered and disclosed in line with the requirements of financial reporting standard 8 'related party transactions'.

Losses and special payments

Operating expenditure 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 accounts.

2. Board Members and staff costs

a) All employees:

	Group	
	2009	2008
	£000	£000
Salaries	17,939	17,908
Social security costs	1,337	1,359
Pension costs	1,508	1,594
Voluntary Severance	193	3,496
	<u>20,977</u>	<u>24,357</u>

Salaries include fees for temporary agency costs of £535,723 (2007/8 £494,758).

b) Board Members' remuneration included above:

	2009	2008
	£000	£000
Chairman	24	24
Other board members	45	44
	<u>69</u>	<u>68</u>

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

	2009	2008
	Number	Number
Senior management	5	7
Operational and support staff	651	707
Fixed term contract	48	39
Agency temporary staff	20	13
Seconded in	1	1
Seconded out	-	-
eTourism Ltd	33	-
Total	<u>758</u>	<u>767</u>

The above table includes eTourism Ltd staff who joined the VisitScotland Group in December 2008.

3. Retail and Commercial income

	Group	
	2009	2008
	£000	£000
Retail income	4,438	5,061
Cost of sales	(2,144)	(2,629)
Gross surplus	2,294	2,432
Advertising income	2,945	3,806
Quality assurance	1,569	1,533
Business opportunities	1,617	1,626
Other commercial income	2,273	2,157
Total commercial income	10,698	11,554

4. Other income

	Group	
	2009	2008
	£000	£000
VisitScotland.com	-	396
Bank interest	152	325
Miscellaneous	118	444
	270	1,165
Local authority income	5,474	6,264
Enterprise agency contributions	109	251
ERDF income	2,319	1,161
Other income	999	570
Amortisation of capital grant	230	242
Net return on pensions assets and liabilities	-	177
	9,401	9,830

5. Other operating costs

	Group	
	2009	2008
	£000	£000
Travel and hospitality	1,631	1,584
Accommodation, equipment and office expenses	7,787	8,807
Provision for interest and loan repayments	-	2,787
Depreciation charge in year	748	1,099
Additional depreciation from disposal	80	-
Impairment of fixed assets	33	-
Notional cost of capital 3.5%	214	180
Net return on pension assets and liabilities	184	-
	10,677	14,457

6. EventScotland

	2009	2008
	£000	£000
Grants for events	6,432	3,982
Operating costs (excluding salaries)	2,330	590
	8,762	4,572
Salaries and social security costs	1,050	669
	9,812	5,241
Other Income	(310)	-
	9,502	5,241

7. Operating Costs

	Group	
	2009	2008
	£000	£000
The following have been included in operating costs:		
Auditors' remuneration:		
Amounts payable for the audit of these accounts	75	69
Amounts payable to the external auditor for non-audit services	13	1
Amounts payable to the external auditor for audit of subsidiary	23	-
Amounts payable to other auditors for audits of other subsidiaries	3	5
Rentals – operating leases	2,288	2,206
Interest payable	32	26
Trade bad debts - written off	117	38
- increase/(decrease) in provision	29	137

8a) Group - tangible fixed assets

Cost or valuation	Land & Buildings £000	Leasehold Improvements £000	Fixtures & Fittings £000	IT Equipment £000	Office Equipment £000	Motor Vehicles £000	Vintage Railway Carriage £000	Total £000
1 April 2008	3,369	4,147	5,242	1,667	1,861	55	497	16,838
Acquisition	-	-	129	-	-	-	-	129
Additions	-	358	136	166	12	-	-	672
Disposals	-	(240)	-	-	-	(11)	-	(251)
Revaluation	(127)	-	-	-	-	-	-	(127)
31 March 2009	3,242	4,265	5,507	1,833	1,873	44	497	17,261

Depreciation

1 April 2008	123	2,209	4,129	1,315	1,496	51	-	9,323
Acquisition	-	-	75	-	-	-	-	75
Charged in year	27	182	206	168	171	1	20	775
Disposals	-	(160)	-	-	-	(11)	-	(171)
Revaluation	(70)	-	-	-	-	-	-	(70)
31 March 2009	80	2,231	4,410	1,483	1,667	41	20	9,932

Net book value at 31 March 2009	3,162	2,034	1,097	350	206	3	477	7,329
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Net book value at 1 April 2008	3,246	1,938	1,113	352	365	4	497	7,515
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8b) Group - intangible fixed assets

	Purchased Software Licences £000
Cost or valuation	
1 April 2008	1,254
Acquisition	247
Additions	192
Disposals	-
31 March 2009	<u>1,693</u>
Amortisation	
1 April 2008	1,187
Acquisition	80
Charged in year	43
Disposals	-
Revaluation	-
31 March 2009	<u>1,310</u>
Net book value 31 March 2009	383
Net book value 1 April 2008	67

8c) VisitScotland - tangible fixed assets

Cost or valuation	Land & Buildings £000	Leasehold Improvements £000	Fixtures & Fittings £000	IT Equipment £000	Office Equipment £000	Motor Vehicles £000	Vintage Railway Carriage £000	Total £000
1 April 2008	2,709	4,147	5,242	1,644	1,860	54	497	16,153
Additions	-	358	102	166	12	-	-	638
Disposals	-	(240)	-	-	-	(11)	-	(251)
Revaluation	(127)	-	-	-	-	-	-	(127)
31 March 2009	<u>2,582</u>	<u>4,265</u>	<u>5,344</u>	<u>1,810</u>	<u>1,872</u>	<u>43</u>	<u>497</u>	<u>16,413</u>
Depreciation								
1 April 2008	96	2,209	4,128	1,292	1,495	52	-	9,272
Charged in year	14	182	202	167	171	1	20	757
Disposals	-	(160)	-	-	-	(11)	-	(171)
Revaluation	(70)	-	-	-	-	-	-	(70)
31 March 2009	<u>40</u>	<u>2,231</u>	<u>4,330</u>	<u>1,459</u>	<u>1,666</u>	<u>42</u>	<u>20</u>	<u>9,788</u>
Net book value at 31 March 2009	2,542	2,034	1,014	351	206	1	477	6,625
Net book value at 1 April 2008	2,613	1,938	1,114	352	365	2	497	6,881

8 d) VisitScotland - intangible fixed assets

	Purchased Software Licences £000
Cost or valuation	
1 April 2008	1,254
Additions	189
Disposals	-
Revaluation	-
31 March 2009	<u>1,443</u>
Amortisation	
1 April 2008	1,187
Charged in year	29
Disposals	-
Revaluation	-
31 March 2009	<u>1,216</u>
Net book value 31 March 2009	227
Net book value 1 April 2008	67

9. Goodwill

	Group £000
As at 15 December 2008	1,719
Charge in the year	(172)
As at 31 March 2009	<u>1,547</u>

On the 15 December 2008 VisitScotland's wholly own subsidiary TourCo Ltd acquired the remaining 64,000 ordinary shares in eTourism Ltd for £64,000. The purchase gives rise to a goodwill figure of £1,719,000 on consolidation. Goodwill has been amortised in the sum of £172,000 leaving a carrying value of £1,547,000.

The goodwill arising upon acquisition has been reviewed for impairment, and no adjustment was deemed necessary. The Group will continue to assess goodwill impairment annually.

10. Fixed Asset Investments

VisitScotland

VisitScotland owned at 31 March 2008 100% of the issued share capital of TourCo Ltd, a company formed to invest in the e-commerce joint venture company eTourism Ltd. On the 31 March 2009 the business and assets (including 100,000 ordinary shares of eTourism Ltd and loans to eTourism Ltd totalling £3,036,000) of TourCo Ltd were transferred to VisitScotland.

On 15th December 2008 TourCo Ltd purchased the remaining 64,000 ordinary shares in eTourism Ltd, for a total cash consideration of £64,000.

Under the terms of the acquisition agreement the previous shareholders' debt of Loan stock and accrued interest was settled by a combination of payment and cancellation/waiver and the arrangement was financed by an advance of £1,186,000 from VisitScotland to TourCo Ltd who then loaned the £1,186,000 to eTourism Ltd. This new loan is repayable on demand, however there is no requirement for eTourism Ltd to make repayments for a period of at least 12 months from the date of acquisition, and thereafter not until such time as eTourism Ltd has sufficient cash flow to undertake them. In addition, interest will accrue at such rate as mutually agreed.

Group

eTourism Ltd accounting year end has been changed, and is now co-terminus as at 31 March 2009. As a consequence a fifteen month period of trading is consolidated in the VisitScotland Group accounts, in accordance with FRS2, a subsidiary being acquired in stages. Therefore, there has been credited to the Group Operating Cost Statement a cost of £181,000 being the 36% share of the resultant trading loss of eTourism Ltd (as an associate) for the period 1 January to 15 December 2008.

11. Stocks

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
Saleable publications published by VisitScotland	62	77	62	77
Retail stock	1,114	1,293	1,114	1,293
	<u>1,176</u>	<u>1,370</u>	<u>1,176</u>	<u>1,370</u>

12a. Debtors

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade debtors	4,266	5,393	4,063	5,246
Provision for doubtful debts	(377)	(1,280)	(374)	(1,280)
	<u>3,889</u>	<u>4,113</u>	<u>3,689</u>	<u>3,966</u>
Prepayments and accrued income	1,985	1,502	1,715	1,588
Sundry debtors	357	297	298	356
Other loans	-	1,014	-	1,011
	<u>6,231</u>	<u>6,926</u>	<u>5,702</u>	<u>6,921</u>

	Group £000	Visit- Scotland £000
Debtors due after more than one year		
Loan	-	1,186
Balance at 31 March 2009	<u>-</u>	<u>1,186</u>

Debtors above are shown net of provisions as follows:	At 1 April 2008	Utilised during year	Movement in provisions	Group at 31 March 2009
	£000	£000	£000	£000
Trade debtors	4,113	(195)	(29)	3,889
Other debtors	2,813	(471)	-	2,342
Total debtors	<u>6,926</u>	<u>(666)</u>	<u>(29)</u>	<u>6,231</u>

Debtors above are shown net of provisions as follows:	At 1 April 2008	Utilised during year	Movement in provisions	VisitScotland at 31 March 2009
	£000	£000	£000	£000
Trade debtors	3,966	(248)	(29)	3,689
Other debtors	2,955	72	(1,014)	2,013
Total debtors	<u>6,921</u>	<u>(176)</u>	<u>(1,043)</u>	<u>5,702</u>

All debtors are denominated in GB pounds.

At 31 March 2009 debtors with a carrying value of £376,880 were impaired and provided for. The amount of the provision was £376,880. The ageing of these debtors is as follows:

	Group at 31 March 2009	VisitScotland at 31 March 2009
Over 90 days	<u>(377)</u>	<u>(374)</u>

The debtors assessed as individually impaired were mainly as a result of various bed and breakfast and hotel establishments which went into liquidation.

Debtors that are less than three months past their due date are not considered impaired. As at 31 March 2009 debtors with a carrying value of £ 1,391,000 were past their due date but not considered impaired. The ageing of debtors which are past their due date but not impaired is as follows:

	Group At 31 March 2009	VisitScotland At 31 March 2009
Under 90 days	477	477
90 - 180 days	570	570
Over 180 days	344	344
	<u>1,391</u>	<u>1,391</u>

12b. Debtors - intra-government balances

	Amounts falling due within one year	
	Group £000	VisitScotland £000
Balances with other central government bodies	310	310
Balances with Local Authorities	1,122	1,122
Balances with bodies external to government	4,799	4,270
At 31 March 2009	6,231	5,702
Balances with other central government bodies	-	-
Balances with Local Authorities	750	750
Balances with bodies external to government	5,162	5,088
Balances with inter-company	1,014	1,083
At 31 March 2008	6,926	6,921

13. Creditors: amounts falling due within one year

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade creditors	4,361	3,843	4,099	3,816
Accruals and deferred income	6,214	10,001	5,768	10,001
H M Government – VAT	8	72	8	72
H M Government – other taxation and social security	434	443	399	435
Corporation tax	36	65	36	65
Loans	52	50	34	33
Other creditors	-	224	1	-
	11,105	14,698	10,345	14,422

All creditors are denominated in GB pounds.

The carrying amount of short term payables approximates their fair value.

The effective interest rate on non-current creditors is nil.

13a. Creditors: Amounts falling due after more than one year

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
Loans (see 13b)	373	424	187	221
Total	373	424	187	221

13b. Loans

	<1 year £000	1-5 years £000	>5 years £000	Total £000
City of Edinburgh Council	17	90	30	137
Scottish Enterprise	7	30	0	37
Scottish Enterprise	2	6	0	8
Aberdeenshire Council	8	31	0	39
Clydesdale Bank	18	85	101	204
	52	242	131	425
Less: Amounts falling due within one year				(52)
				<u>373</u>

- (a) The City of Edinburgh Council loan to VisitScotland is repayable by half-yearly instalments through to January 2015, interest charged at 11.2% p.a.
- (b) The Scottish Enterprise loan to VisitScotland is repayable by monthly instalments through to January 2014, interest charged at 7% p.a. VisitScotland has granted a Standard Security over Jedburgh Visitor Information Centre in favour of Scottish Enterprise.
- (c) The Scottish Enterprise loan to VisitScotland is repayable by monthly instalments through to March 2013, interest charged at 7% p.a. VisitScotland has granted a Standard Security over Jedburgh Visitor Information Centre in favour of Scottish Enterprise.
- (d) The Aberdeenshire Council loan to VisitScotland is repayable in instalments over 19 years, interest charged at 5.6324% p.a.
- (e) Scottish Tourist Board Ltd, a wholly owned subsidiary of VisitScotland, has one loan with Clydesdale Bank. The Clydesdale Bank variable rate loan interest is charged at 1 month LIBOR plus 1.52%. The loan is secured by a floating charge and standard security over Oban Tourist Information Centre and is repayable in monthly instalments to November 2017.

13c. Creditors - intra-government balances

	Amounts falling due within 1 year		Amounts falling due after more than 1 year	
	Group £000	Visit- Scotland £000	Group £000	Visit- Scotland £000
Balances with other central government bodies	474	439	-	-
Balances with Local Authorities	35	35	373	187
Balances with bodies external to government	10,596	9,871	-	-
At 31 March 2009	11,105	10,345	373	187
Balances with other central government bodies	970	697	-	-
Balances with Local Authorities	58	43	-	-
Balances with bodies external to government	13,670	13,682	424	221
At 31 March 2008	14,698	14,422	424	221

14. Government Grant Reserve

	Group and VisitScotland	
	2009	2008
	£000	£000
At 1 April 2008	3,546	3,707
Government Grant received in year	51	81
Amortisation in the year	(230)	(242)
At 31 March 2009	3,367	3,546

15. British Tourist Boards' Pension Scheme

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 including other tourist boards where the employers' contributions are affected by a surplus or deficit in the scheme, but each employer is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. VisitScotland is accounting for BTBPS on a defined contribution basis under the multi-employer exemption permitted by financial reporting standard 17 'retirement benefits' (FRS17).

A full actuarial valuation was carried out using membership data as at 1 April 2006. The results of that valuation have been projected to 31 March 2009 by a qualified independent actuary. VisitScotland's notional share of the pension surplus is £896,000 (2008 £10,125,000 surplus). The notional share this year is calculated by the actuary based on VisitScotland's share of past service liabilities. Last year it was based on a more simplified approach using VisitScotland's total pensionable salaries as a percentage of the scheme's total pensionable salaries.

The funded status in the BTBPS at 31 March 2009 showed a surplus of £4,584,000. This compares to a surplus last year of £30,776,000. The actuary has reported that the main reason for this deterioration is the impact of adverse investment conditions on the scheme. This was partially offset by the reduction in liabilities after allowing for changes in market yields and their impact on the assumptions.

The funding valuation as at 31 March 2009 is due to be carried out later this year and is expected to show a deficit. It is then likely that the actuary will be able to allocate assets and liabilities between the participating employers in the scheme on a consistent and reasonable basis for future FRS17 valuations.

The major assumptions used in valuing the liabilities are as follows:

	31/03/2009	31/03/2008
Inflation assumption	2.65%	3.60%
Rate of increase in salaries	2.65%	3.60%
Increases for pensions in payment	2.65%	3.60%
Revaluation of deferred pensions	2.65%	3.60%
Liability discount rate	6.70%	6.90%
Expected return on CA policy	6.70%	7.30%

During the year ending 31 March 2009 a contribution rate of 15% (2008 15%) of pensionable salaries was paid. This included employees' contributions of 5% and employers' contributions of 10%. Early retirement and enhanced pension liabilities are accounted for under financial reporting standard 12 'provisions, contingent liabilities and contingent assets' and are disclosed in note 17.

16. Local Government Pension Scheme (LGPS)

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

Provisions) (Scotland) Regulations 2008. They are contracted out of the State Second Pension. The consolidated figures from each LGPS are detailed in the tables below.

The latest formal valuation of each LGPS Fund for the purpose of setting employers' actual contributions was as at 31 March 2008, with the next formal valuation due as at 31 March 2011. The employee contributions are fixed at 6% of pensionable pay. The contributions paid by VisitScotland for the year to 31 March 2009 were £768,645. The schemes participated in, together with the employer's contribution rates for the year, are:

Pension Fund	Contribution Rate %
Aberdeen City Council Pension Fund	18.0
Tayside Superannuation Fund	18.9
Falkirk Council Pension Fund	17.4
Dumfries and Galloway Council Pension Fund	19.5
Lothian Pension Fund	12.0
Strathclyde Pension Fund	16.8
Highland Council Pension Fund	20.1
Highland Council Pension Fund (Western Isles)	16.5
Fife Council Superannuation Fund	18.6
Orkney Islands Council Pension Fund	17.7
Scottish Borders Council Pension Fund	18.0
Shetland Islands Council Pension Fund	16.8

The consolidated assumptions and calculations for the schemes are:

Assumptions as at	31 Mar 2009	31 Mar 2008	31 Mar 2007
	%p.a.	% p.a.	% p.a.
Price increases	3.1%	3.6%	3.2%
Salary increases	4.6%	5.1%	4.7%
Pension increases	3.1%	3.6%	3.2%
Discount rate	6.9%	6.9%	5.4%

Assets (employer)	Long term	Long term	Long term	Long term	Long term
	return at	Assets at	return at	Assets at	return at
	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2009	2009	2008	2008	2007
	% p.a.	£000	% p.a.	£000	£000
Equities	7.0%	16,452	7.7%	21,799	7.8%
Bonds	5.6%	3,559	5.7%	4,256	4.9%
Property	4.9%	1,908	5.7%	2,939	5.8%
Cash	4.0%	1,016	4.8%	1,068	4.9%
Total	6.5%	22,935	7.1%	30,062	7.1%

Balance sheet year ended:	31 Mar 2009	31 Mar 2008	31 Mar 2007
	£000	£000	£000
Fair value of employer assets	22,935	30,062	30,214
Present value of funded liabilities	(26,379)	(29,982)	(35,476)
Net (under)/overfunding in funded plans	(3,444)	80	(5,262)
Present value of unfunded liabilities	(723)	(587)	(594)
Net pension asset/(liability)	(4,167)	(507)	(5,856)

Recognition in the operating cost statement

Year ended:	31 March 2009		31 March 2008	
	£(000)	% of pay	£(000)	% of pay
Current service cost	552	14.7%	937	20.0%
Interest cost	1,933	51.5%	1,971	42.1%
Expected return on employer assets	(2,146)	(57.1%)	(2,183)	(46.7%)
Past service cost/(gain)	29	0.8%	9	0.2%
Losses/(gains) on curtailments and settlements	751	20.0%	9	0.2%
Total	1,119	29.8%	743	15.9%
Actual return on plan assets	(5,833)		(1,017)	

Reconciliation of defined benefit obligation

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Opening defined benefit obligation	30,569	36,070
Current service cost	552	937
Interest cost	1,933	1,971
Contributions by members	233	285
Actuarial losses/(gains)	(6,017)	(8,375)
Past service costs/(gains)	29	9
Losses/(gains) on curtailments	751	9
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	(86)	(33)
Estimated benefits paid	(862)	(304)
Closing defined benefit obligation	27,102	30,569

Reconciliation of fair value of employer assets

Year ended:	31 March 2009	31 March 2008
	£(000)	£(000)
Opening fair value of employer assets	30,062	30,214
Expected return on assets	2,146	2,183
Contributions by members	233	285
Contributions by the employer	849	887
Contributions in respect of unfunded benefits	86	33
Actuarial gains/(losses)	(9,493)	(3,203)
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	(86)	(33)
Estimated benefits paid	(862)	(304)
Closing fair value of employer assets	22,935	30,062

Amounts for the current and previous accounting periods

Year ended:	31 March	31 March	31 March	31 March
	2009	2008	2007	2006
	£(000)	£(000)	£(000)	£(000)
Fair value of employer assets	22,935	30,062	30,214	27,052
Present value of defined benefit obligation	(27,102)	(30,569)	(36,070)	(28,174)
Surplus/(deficit)	(4,167)	(507)	(5,856)	(1,122)
Experience gains/(losses) on assets	(9,493)	(3,200)	132	3,947
Experience gains/(losses) on liabilities	2,615	(59)	9	(1,512)

Amount recognised in Statement of Recognised Gains and Losses (STRGL)

Year ended:	31 March 2009 £(000)	31 March 2008 £(000)	31 March 2007 £(000)	31 March 2006 £(000)
Actuarial gains/(losses)	(3,476)	5,172	(5,435)	5,589
Increase/(decrease) in irrecoverable surplus from membership	-	-	-	-
Actuarial gains/(losses) recognised in STRGL	(3,476)	5,172	(5,435)	5,589
Cumulative actuarial gains and losses	<u>1,850</u>	<u>5,326</u>	<u>154</u>	<u>5,589</u>

The total pension charge in the accounts reflects the cost incurred by the group during the year of £1,508,000 (2008 £1,417,000).

	As at 31 March 2009 £000	As at 31 March 2008 £000
British Tourist Boards' Pension Scheme	734	723
Local government pension schemes	768	871
Subsidiary Pension scheme on behalf of eTourism Limited	6	-
Total pension charge	<u>1,508</u>	<u>1,594</u>

17. Provisions for liabilities and charges

	Group and VisitScotland		
	Pension Provision Costs £000	Early Departure Costs £000	Total £000
Balance at 1 April 2008	156	27	183
Provided in the year	1	(27)	(26)
Balance at 31 March 2009	<u>157</u>	<u>-</u>	<u>157</u>

18. Operating lease commitments

The existing operating lease contracts of VisitScotland give rise to the following annual obligations on leases relating to land and buildings due to expire:

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
Less than one year	187	157	187	157
In one to five years	424	391	424	391
Over five years	1,766	1,537	1,705	1,537
	<u>2,377</u>	<u>2,085</u>	<u>2,316</u>	<u>2,085</u>

19. Corporation Tax

	Group	
	2009 £000	2008 £000
Provision for corporation tax at 19% on bank interest received during the year (2008 19%)	<u>36</u>	<u>70</u>

20. General fund

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 April 2008	(367)	(2,071)	3,994	1,793
Funding	50,100	48,351	50,100	48,351
Net expenditure	(49,462)	(51,999)	(48,850)	(51,502)
Notional cost of capital	214	180	214	180
Actuarial (losses)/gains on pension assets and liabilities	(3,476)	5,172	(3,476)	5,172
Arising on consolidation of subsidiary	3,388	-	-	-
Transfer from unrealised investment appreciation reserve	2,165	-	-	-
Balance at 31 March 2009	2,562	(367)	1,982	3,994

21. Performance against key corporate financial targets

Key corporate financial targets are set out annually in VisitScotland's corporate plan. Performance against those targets for the year to 31 March 2009 was:

	Target £000	Actual £000
Budgets		
- total allocation (grant in aid plus resource budget)	51,680	51,680
- total expenditure	51,680	51,576
	-	104

The figures above are disclosed in accordance with Scottish Government guidelines and are therefore not directly comparable to figures shown in these accounts. The total actual expenditure shown above (£51,576,000) is the net expenditure (£49,462,000) from the Operating Cost Statement plus payments to acquired fixed assets. (£2,114,000).

22. Related party transactions

VisitScotland is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year VisitScotland has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as the parent body.

In addition, VisitScotland has had a small number of material transactions with other Government departments and other central government bodies, local government and non-departmental public bodies.

VisitScotland has undertaken £76,374 (2008 £8,131) worth of transactions on an arms-length basis with Gleneagles Hotel which is registered as a business interest by the Chairman Peter Lederer. There was no balance outstanding as payable to Gleneagles at 31 March 2009. 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.

23. Revaluation reserve

	Group		VisitScotland	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 April 2008	608	613	258	25
Arising on revaluation during the year	40	-	40	233
Release from revaluation reserve	(136)	-	(134)	-
Disposals	-	(5)	-	-
At 31 March 2009	512	608	164	258

24. Unrealised investment appreciation reserve

	2009 £000	2008 £000
At 1 April 2008	2,165	2,165
Transfer to general fund	(2,165)	-
At 31 March 2009	-	2,165

25. Notes to the Group cash flow statement

a) Reconciliation of net expenditure to net cash outflow from operating activities

	2009 £000	2008 £000
Net Expenditure	49,073	51,475
Depreciation	(898)	(1,098)
Amortisation of government grants	230	242
Notional cost of capital charge	(214)	(180)
Pension service costs & return on assets	(103)	177
(Decrease)/increase in stock	(194)	67
(Decrease) in debtors	(695)	(3,744)
Decrease/(increase) in creditors	3,644	(4,037)
Decrease in provisions	26	-
Impairment of Assets	(33)	(1,850)
Interest received	152	325
Interest paid	(32)	(26)
Gain on disposal of fixed asset	-	7
Other non-cash transactions	(79)	27
Net cash outflow from operating activities	50,877	41,385

b) Analysis of change in net funds

	2009 £000	2008 £000
Cash at bank and in hand:		
At 1 April 2008	8,135	1,198
Net cash (outflow)/Inflow	(2,558)	6,937
At 31 March 2009	5,577	8,135

26. Losses and special payments

	2009	2008
	£000	£000
Total losses for the year were:		
Trade bad debts written off	117	38
Special payment	3	-
	<u>120</u>	<u>38</u>

27. Capital commitments

There are no capital commitments at 31 March 2009 (2008: none).

28. Financial Instruments

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

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

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 13 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 actual performance against budgets and forecasts. There is no information for the carrying amount or contractual cashflows at the present time.

The table below details the contractual maturities of financial liabilities.

	Group			
	Carrying amount £000	Contractual cashflows £000	Within one year £000	After more than one year £000
Financial liabilities				
Trade and payable	-	-	11,260	373
	<u>-</u>	<u>-</u>	<u>11,260</u>	<u>373</u>
	VisitScotland			
	Carrying amount £000	Contractual cashflows £000	Within one year £000	After more than one year £000
Financial liabilities				
Trade and payable	-	-	10,500	187
	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>187</u>

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 VisitScotland will have from any single counter party. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

VisitScotland operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. Cash and cash equivalents are held with banks which are not expected to fail.

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

	Group		VisitScotland	
	2009	2008	2009	2008
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	6,231	6,926	5,702	6,921
Cash and cash equivalents	5,577	8,135	5,363	7,867
	<u>11,808</u>	<u>15,061</u>	<u>11,065</u>	<u>14,788</u>

The movement in the impairment provision in respect of financial assets is set out in Note 12 above.

Market risk

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

	Group		VisitScotland	
	2009	2008	2009	2008
	£000	£000	£000	£000
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	242	48	242	48
	<u>242</u>	<u>48</u>	<u>242</u>	<u>48</u>

VisitScotland is party to two contractual loans which are variable as to interest rate risk (see Note 13b). These are classified as financial liabilities at fair value.

Financial liabilities carried at fair value are subsequently measured at fair value, with gains or losses arising from change in the fair value being presented in the operating cost statement.

A sensitivity exercise carried out against the Loan instruments indicates that:

An annualised increase of 400 basis points from the rate in use at 31 March 2009 would result in an increase in interest payable on the loans for the ensuing year of £9,000.

An annualised decrease of 100 basis points from the rate in use at 31 March 2009 would result in a decrease in interest payable on the loans for the ensuing year of £3,000.

VisitScotland does not hold any other variable rate financial instruments.

Currency risk

VisitScotland is exposed to currency risk on transactions and balances that are denominated in currencies other than Sterling. VisitScotland is exposed to currency risk from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

Fair Values

The carrying amounts of financial assets and liabilities in the balance sheet are as follows:

	Group			
	2009 Carrying amount £000	2009 Fair value £000	2008 Carrying amount £000	2008 Fair value £000
Financial assets held for sale	-	-	-	-
Trade and other receivables	6,231	6,231	6,926	6,926
Cash and cash equivalents	5,577	5,577	8,135	8,135
Trade and other payables	11,633	11,633	8,559	8,559
	<u>23,441</u>	<u>23,441</u>	<u>23,620</u>	<u>23,620</u>

	VisitScotland			
	2009 Carrying amount £000	2009 Fair value £000	2008 Carrying amount £000	2008 Fair value £000
Financial assets held for sale	-	-	-	-
Trade and other receivables	6,888	6,888	6,921	6,921
Cash and cash equivalents	5,363	5,363	7,867	7,867
Trade and other payables	10,687	10,687	14,643	14,643
	<u>22,938</u>	<u>22,938</u>	<u>29,431</u>	<u>29,431</u>

29. Fair value of acquisition

On 15 December 2008 the VisitScotland group acquired the remaining 64% of eTourism Limited's shares. At this date, the VisitScotland group acquired net liabilities of £2,375,000, which were subject to fair value assessment as shown below.

	Book value at 15 December 2008 £000	Fair value adjustment £000	Fair value at 15 December 2008 £000
Fixed assets	221	-	221
Current assets	1,045	-	1,045
Current liabilities	(777)	-	(777)
Total assets less current liabilities	489	-	489
Inter-company loans more than 1 year	(2,864)	-	(2,864)
Net liabilities	(2,375)	-	(2,375)

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

We have audited the group and parent accounts of VisitScotland for the year ended 31 March 2009 under the Development of Tourism Act 1969. These comprise the group Operating Cost Statement, the group and parent Balance Sheets, the group Cash Flow Statement and group Statement of Recognised Gains and Losses and the related notes. These accounts have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to VisitScotland and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than VisitScotland and the Auditor General for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the board of VisitScotland, Chief Executive and auditors

The board and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the accounts in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the accounts and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the group and parent accounts give a true and fair view and whether the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the Management Commentary included in the Annual Report, is consistent with the accounts. We also report whether in all material respects the expenditure and receipts shown in the accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, we report to you if, in our opinion, the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the background and directors' report and the part of the remuneration report not audited. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

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

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the accounts and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the board and Chief Executive in the preparation of the accounts, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Remuneration Report to be audited.

Opinions

Accounts

In our opinion

- the group and parent accounts give a true and fair view, in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers, of the state of the group's and parent's affairs as at 31 March 2009 and of the group net expenditure, group recognised gains and losses and group cash flows for the year then ended;
- the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Management Commentary included in the Annual Report is consistent with the accounts.

Regularity

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

KPMG LLP
Chartered Accountants
Registered Auditor

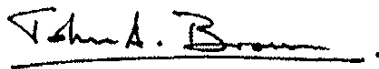
29 October 2009

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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