



**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

CONTENTS

	Page
Background and Directors' report	1
Management Commentary	4
Remuneration Report	13
Statement of Accountable Officer's Responsibilities	17
Statement on Internal Control	18
Group Statement of Comprehensive Net Expenditure	20
Group Balance Sheet	21
VisitScotland Balance Sheet	22
Group Cash Flow Statement	23
Group Statement of Changes in Taxpayers' Equity	24
VisitScotland Statement of Changes in Taxpayers' Equity	25
Notes to the Accounts	26
Independent Auditor's report	67
Accounts Direction by Scottish Ministers	69

BACKGROUND AND DIRECTORS' REPORT

INTRODUCTION

Statutory background

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

Under the 1969 Act, the function of VisitScotland was established to encourage British people to visit and 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. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for the Board to market Scotland overseas.

VisitScotland's main office is in Edinburgh, and there are also more than 100 Visitor Information Centres and local offices throughout the country.

Principal activities

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

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

CORPORATE GOVERNANCE

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, which is also approved by the Scottish Ministers.

The Board has established Audit, Remuneration, and EventScotland committees to advise members on matters within each of the committee remits.

Board members who served during the year were:

Dr Mike Cantlay (Chairman, appointed 1 April 2010)

Stephen Carter OBE

Paddy Crerar

Willie Dunn

Dorothy Fenwick

Manus Fullerton

Professor Russel Griggs OBE

Dr Lesley Sawers

A register of interests for Board members and Directors 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.

Senior Management Team

The Senior Management Team comprises the Chief Executive, the Directors and the Chief Operating Officer of EventScotland. They are responsible for the day to day management of VisitScotland's activities and operations. Malcolm Roughead, Director of Marketing, was appointed Chief Executive in September 2010.

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

Malcolm Roughead OBE – Chief Executive (appointed 22 September 2010)
Riddell Graham – Director of Partnerships
Ken Neilson – Director of Corporate Services
Robbie Parish – Director of Digital and Media
Paul Bush OBE – Chief Operating Officer, EventScotland

Philip Riddle OBE – Chief Executive (left 31 July 2010)
Eddie Byers – Director of Business Engagement (left 1 September 2010)

In addition, the Head of Human Resources attends Senior Management Team meetings.

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.

Risk management

VisitScotland has a risk management policy and robust process which identifies the key risks it faces in trying to achieve its objectives. Where appropriate, VisitScotland has detailed mitigating action plans in place to address significant risks. These are reviewed in line with the business planning process.

Corporate external and internal risks are actively managed and updated by the Senior Management Team and reported regularly to the Audit Committee. In addition, risks are identified and monitored at department level and for key projects and managed accordingly.

OUR PEOPLE

Structure

VisitScotland's structure is focused around the four key customer groups: visitors, businesses, strategic partners and internal customers (our people). In July 2010 VisitScotland reduced the number of directorates from six to five, namely:

- Marketing
- Partnerships
- Digital and Media
- EventScotland
- Corporate Services

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.

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

Diversity and equal opportunities

VisitScotland is committed to the continued development of diversity and equal opportunities and has published an equal opportunities policy and Single Equality Scheme on the corporate website. The policy clearly states that all of VisitScotland's staff and customers are eligible for the same quality and level of service irrespective of gender, age, marital status, pregnancy and maternity, disability, sexual orientation, race, transgender, religious beliefs, ethnic or national origin.

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. A key project this year is the development of the Accessible Tourism Project in partnership with the Scottish Government. The project is designed to promote accessible tourism as a process of enabling people with disabilities and older people to function independently and with equity and dignity through the delivery of universal tourism products, services and environments. The definition is inclusive of the mobility, vision, hearing and cognitive dimensions of access.

The project challenges the concept of disabled people only as service users, but now sees them as contributors. VisitScotland's research with disabled groups supports this approach, bringing with it a realistic and tangible way of ensuring real equality and also helping it to meet its joint responsibilities under the new Equality Act.

Both internal and external actions identified in VisitScotland's Single Equality Scheme will at the same time support the key business objectives contained within the VisitScotland Corporate Plan 2011/2014. An equality statement is included in the main body of the corporate plan for the first time, and it underlines a commitment to mainstreaming diversity into the core business of the organisation. This will be a fundamental step in ensuring that VisitScotland meets the requirements of the legislation and also delivers real change.

Learning and development

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

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 Senior Management Team, regular team meetings, a staff magazine and a daily updated intranet site with a bespoke human resources section. The programme of "one team" talks continued during 2010 with staff and senior management discussions being held around the country to highlight developments and new initiatives.

Performance and reward

VisitScotland's strategy towards performance and reward is aimed at motivating its people based on their contribution. The approaches employed are regularly reviewed to ensure they are achieving their objectives, subject to Government guidelines. VisitScotland won the Employee Benefits Magazine 2010 award for Best Benefit Strategy in the category of organisations with up to 1,000 staff.

Pensions

Details of pension schemes can be found in note 20 to the accounts. The remuneration report contains specific disclosures relating to Directors' pensions.

MANAGEMENT COMMENTARY

REVIEW OF ACTIVITIES

Economic climate and global trends

A subdued recovery in the UK and other world economies was seen in 2010 although this was accompanied by below average growth in domestic demand and consumer spending. Inflation remained above target in most global regions due to rising world commodity prices and through fiscal measures which targeted household disposable income. Restrained wage demands and moderate economic growth saw interest rates remain at historic lows throughout the whole of 2010.

Scotland is turning the economic corner and as the recession recedes, tourism is well placed to lead the Scottish recovery. It is a tough world out there, but tourism is proving the tonic for the recession. As other industries struggle, Scottish tourism remains strong against a back-drop of doom and gloom. VisitScotland acknowledges that it is not easy for tourism businesses, and with ash clouds and severe weather adding to its problems, the industry is having to work harder than ever in what is the most competitive industry in the world.

But with "staycations" becoming a real trend, and the exchange rates making a Scottish holiday much more competitive, particularly from Europe, we are heading towards a real opportunity for growth. Add to this the winning years ahead of us - as we build up to 2014 and the Ryder Cup, Commonwealth Games and the second Year of Homecoming - and we could not be better placed.

The North American market is showing some signs of growth, and emerging markets like China, India and Russia are responding well to our trade missions and marketing activity. Europe, and particularly more recession-proof markets like Germany, continue to present a real opportunity.

Next year we see the 'Year of Creative Scotland', the Olympics and the new Scotland-based Disney film-Brave, as major opportunities to stimulate growth and interest in Scotland. As a consequence, the picture is encouraging, and the challenge will be to ensure that everyone involved in tourism exploits the opportunities coming our way.

Corporate objectives

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

Following a review of the existing strategy for the Scottish tourism industry - the Tourism Framework for Change - in 2009 the Scottish Tourism Forum recommended that the industry take ownership and lead the required action to grow tourism in Scotland. The Tourism Leadership Group was set up during the year to address this and VisitScotland is playing a key role in this group. The new group is working collaboratively across the industry to establish a refreshed vision for Scottish tourism and develop a robust strategy and action plan.

Activity this year has again been focused around five core objectives outlined in the 2010-2013 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 VisitScotland's business effectively and efficiently building a positive corporate reputation
- generate income: generate income and in-kind contributions to support VisitScotland's core activities which, in turn, must generate income for businesses.

Each of these corporate objectives has contributed during the year to fulfilling the Purpose Targets and National Outcomes in the Scottish Government's National Performance Framework, as demonstrated by the achievement of targets as reported under Key Performance Indicators on page 9.

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

The growing importance of the need to work in partnership with all manner of tourism businesses, industry, Government agencies etc, to ensure the successful delivery of sustainable economic benefit to Scotland, has seen the corporate strategy change for the ensuing three years 2011-2014.

In this respect VisitScotland's strategic priorities for 2011-2014 are, therefore, as follows:-

- Maximise the sustainable economic benefit of tourism in Scotland: market Scotland and its outstanding assets to visitors in all parts of the world.
- Increase the sustainable economic growth of tourism in Scotland by providing information globally via web, digital and inspiration to visitors.
- Deliver quality assurance to visitors, and quality advice to tourism businesses.
- Working together in partnership with tourism businesses, industry bodies, including Destination Management Organisations (DMO's) and local authorities, offering specialist advice in the pursuit of encouraging optimum conditions for achieving sustainable economic growth.
- Establishing Scotland as the perfect stage for Events, by influencing, leading, co-ordinating and supporting people and organisations to deliver the national events strategy over the ensuing three years.

VisitScotland's Corporate Plan for 2011 to 2014 is available online at:
http://www.visitscotland.org/about_us/our_focus/corporate_plan.aspx

Organisational changes

As highlighted above, from July 2010 the number of directorates has been reduced to five. Malcolm Roughead, formerly Director of Marketing, was appointed to the post of Chief Executive during the year. He will continue to lead the Marketing teams in his new role.

Following the announcement by the Scottish Government of a reduction in VisitScotland's core Grant in Aid funding budget, excluding projects, for the 2011-12 year, attention was focussed on protecting marketing spend and making further efficiency savings. Amongst the initiatives launched during the year were strategic reviews of various operational areas of the organisation and the products it provides, improved communications with the industry, a recruitment freeze and a voluntary redundancy scheme.

A thorough review between August and November 2010 of various activities resulted in a major restructuring and re-defining of responsibilities allowing the Partnerships directorate to focus fully on developing and enhancing relationships with a wide variety of businesses and organisations.

Events

Outcomes from the Homecoming Scotland 2009 year include the adoption of specific 'focus' years in the build up to 2014, when Scotland will be in the international spotlight through the Commonwealth Games, The Ryder Cup, and the next 'Homecoming' year.

These 'focus' years comprised;

- Food and Drink in 2010
- Active Scotland in 2011

with two more still to come;

- Creative Scotland in 2012
- Natural Scotland in 2013.

VisitScotland have played and will continue to play a lead role in delivering activity around these 'focus' years.

FINANCIAL PERFORMANCE

Financial Overview

These accounts show the net expenditure of the VisitScotland Group. The principal financial objective for VisitScotland is to ensure that the financial outturn for the year is within the Resource Budget allocated by the Scottish Ministers.

The Resource Budget so allocated covers 'cash costs', being accrued expenditure (capital and revenue), and also certain 'non-cash' costs such as depreciation, provisions, and write-downs. The Resource Budget is supplemented by the generation of retail and commercial income, local authority funding, European grants, and other income, all of which is expended, as necessary.

The 'cash budget' is funded from the grant in aid provision by Scottish Ministers, through the Scottish Government's Culture, External Affairs and Tourism Directorate. For 2010-11 this core revenue grant amounted to **£45,405,000**, a decrease of **£2,350,000** compared to 2009/10.

Whilst specific project grant in aid received in the year was reduced by the absence of Homecoming (2010: £2,675,000), there were grants received in place thereof, in respect of homecoming legacy, winter festivals, and others, in the sum of £1,346,000. In addition, the specific grant for the Ryder Cup was retained at £2,000,000 (2010: £2,000,000).

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

VisitScotland was successful in achieving its main financial objective for the year. The Statement of Resource Outturn shown below highlights a small **£32,000 overspend**.

It should be noted that the impact of the abnormal *non-cash* credit of **£4,119,000** (2010:£411,000-charge) in respect of the net pension service costs and return on assets arising from the accounting treatment under IAS 19 "Employee Benefits" (See Note 20) has been set aside, as agreed, as non-core Annually Managed Expenditure (AME).

Statement of Resource Outturn

VisitScotland's net Resource Outturn, which includes core and non-core revenue expenditure, set against its funding provision for the year ended 31 March 2011 was as follows:

CORE REVENUE EXPENDITURE

	Operating Costs £'000	
Marketing activities	48,601	78%
Partnership engagement	6,774	11%
Support services	6,942	11%
Gross expenditure (refer below)	<u>62,317</u>	
Net finance costs & taxation	236	
Gross expenditure after finance costs & taxation	<u>62,553</u>	
Income		
Retail and commercial	(10,503)	
Other income	(6,655)	
Net expenditure	<u>45,395</u>	
<i>FUNDED BY</i> Grant in Aid	<u>45,405</u>	
UNDERSPEND - (SURPLUS)	<u>(10)</u>	
NON-CORE REVENUE EXPENDITURE		
Depreciation / Amortisation / Impairment	1,753	
Release of Grant Reserve credit	(220)	
Payments to acquire fixed assets	1,007	
Net expenditure	<u>2,540</u>	
<i>FUNDED BY</i> Grant in Aid	<u>2,498</u>	
OVERSPEND - DEFICIT	<u>42</u>	
NET OUTURN - OVERSPEND	<u>32</u>	
NON CORE Annually Managed Expenditure		
Pension Costs - IAS 19 adjustments (Note 20)	(4,119)	
NON - CASH	<u>(4,119)</u>	

Expenditure

The expenditure of **£48,601** in respect of Marketing activities represented **78%** of the core revenue Gross Expenditure for the year, as against last year's comparative spend of £51,585 (79%).

A total of **£1,007,000** has been spent on additions to fixed assets this year (2010:£1,195,000). The main additions have been £739,000 on computer equipment upgrades and software development together with £268,000 on the ongoing refurbishment and improvements at a number of information centres and local offices.

Excluding voluntary severance payments of **£2,218,000** (2010:£200,000) and the Pension credit of £4,119,000 (2010: £411,000 - charge) expenditure on staff costs and other overheads reflected a decrease of **£1,088,000** (2010: £1,573,000 - increase). The full benefit of the voluntary redundancy programme will be seen over the ensuing years.

Efficiency Savings

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

During the year new savings have been made totalling £1,210,000 within the following areas:

- Procurement £680,000
- Asset management £280,000
- Organisational change and Shared services £250,000

The cumulative savings to date under the efficiency programme now exceed £4,080,000, a sum total of £2,480,000 ahead of the original target.

Income

As reported on the Group statement of comprehensive net expenditure (see page 20) Retail and Commercial Income fell back from £11,600,000 to **£10,503,000**, a decrease of **£1,097,000**, and Other Income rose slightly to **£6,875,000** from £6,615,000, an increase of **£260,000**.

Details of the segmental reporting, together with further analysis of areas of income and expenditure can be found in Notes 2 to 6, on pages 36 to 40 of these Accounts.

Statement of comprehensive net expenditure for the year

The Group statement of comprehensive net expenditure for the year shows a net operating cost after taxation of **£42,809,000** (2010:£49,482,000), a reduction of **£6,673,000**.

However, this result has been impacted by the abnormal one-off net credit of **£4,119,000** (2010:£411,000 - charge) in respect of net pension service costs and return on assets arising from the British Tourist Board, and Local Government Pension Schemes. This *non-cash receipt*, arising in the year, has been derived predominantly from the change in the basis of the rate of inflation (CPI/RPI), as determined by the Treasury, and used by the various public sector Pension Schemes.

	£'000
Gross expenditure on a resource basis, as stated above	62,317
Depreciation/amortisation/impairment	<u>1,753</u>
	64,070
IAS 19 adjustments (Note 20)	<u>(4,119)</u>
Gross expenditure on an IFRS basis, as reported	<u>59,951</u>

In accordance with the accounting for defined benefit pensions under International Accounting Standard 19 'Employee Benefits' (IAS 19), the movement in the combined pension schemes' deficit for the year is recognised in the balance sheet, and in the Group statement of comprehensive net expenditure, as a gain of **£10,828,000** (2010:£23,625,000-deficit).

Balance sheet position at the end of the year

The Group balance sheet at 31 March 2011 reflects a net liabilities position of **£5,030,000**, (2010: £19,826,000). This is markedly affected by the current pension scheme deficit of **£13,156,000** (2010: £28,103,000), which, dependent upon market fluctuations, and the assumptions taken in assessing the actuarial net pension liability under IAS 19, may reflect a surplus at future balance sheet dates.

To the extent that the net liabilities are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or grant in aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need, and in so far as approval for grant-in aid for 2011/12 has already been given, there is no reason to believe that future approvals will not be forthcoming.

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 April 2010 and March 2011 shows that VisitScotland paid 80% of valid invoices received within 10 working days.

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 payable for audit services provided by the appointed auditors in the year to 31 March 2011 were **£82,000** (2010:£85,900).

The senior management team who held office at the date of approval of this annual report and accounts 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.

KEY PERFORMANCE INDICATORS

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 for 2010-11 year are summarised below with corresponding results for last year where measured:

Performance Measure	2010-11 Achieved '000	2010-11 Target '000	2009-10 Actual '000
Improve public sector efficiency through the generation of recurring efficiency savings per annum - target is cumulative from 2008-09 year - Government target Internal - VisitScotland (Source: Analysis of expenditure)	£4,080 £4,080	£1,600 £3,800	£2,870 £2,870
Industry income from business customers (Source: Analysis of sales)	£6,643	£7,600	£7,590
Local authority funding support: to secure contributions to regions (Source: Analysis of income)	£3,494	£3,700	£4,233
Secure European Regional Development Funding (Source: Analysis of income)	£2,287	£1,400	£1,759
Deliver visitor footfall to VisitScotland Information Centres (VICs) (Source: Footfall counters in VICs)	4,648	4,600	4,650
Additional income generated by Visitor Engagement activity made up of: <ul style="list-style-type: none"> • International marketing (France/Germany touring campaigns 2010/11) • UK and Ireland marketing (3 themed campaigns) • BTU specific business enquiries (Source: Enquiry and engagement statistics)	£82,900 £167,800 £120,700	£70,000 £125,000 £90,000	£85,500 £163,300 £100,200
Direct economic benefit from events based on EventScotland investment of grants totalling £3 million (Source: Event outcome assessments)	£50,769	£24,000	£51,700

Performance Measure	2010-11 Achieved '000	2010-11 Target '000	2009-10 Actual '000
Value of public partner funding secured alongside EventScotland grants of £3 million (Source:	£5,403	£3,000	£4,193
Value of bookings made through VisitScotland.com web-site (Source: Analysis of bookings)	£8,785	£8,100	£8,139
Number of tourism businesses supported to improve their sustainability through a European funded programme (Source: Analysis of workshop events)	Single units 430	Single units 400	N/A

CURRENT AND FUTURE DEVELOPMENTS

Economic climate

VisitScotland is proud of its successes in converting would-be tourists into visitors to Scotland and is working with the tourism industry more closely than ever before. Investment in tourism and VisitScotland is an investment in economic recovery and we have proved this year that we can stimulate economic growth in the short and long term. This is illustrated by the fact that for every pound we spend at least £20 returns to the Scottish economy. VisitScotland's role in being able to stimulate economic growth is now firmly established, and the organisation is playing a major part in leading the country out of recession.

VisitScotland is meeting the challenge of reduced funding through exploration of new ways of working, building on existing partnerships and fostering new ones. Over the next three years Scotland and its tourism industry has a unique opportunity to maximise the benefit from major set piece events and the world's spotlight shining on the UK in general, and Scotland in particular. VisitScotland, together with all of its partners, will aim to maximise the opportunities afforded by these events, such as the Olympics in 2012, the Commonwealth Games, Ryder Cup and Homecoming in 2014. In the run up to 2014, VisitScotland will maximise the opportunities afforded by the Years of Focus: Active, Creative and Natural Scotland, thereby helping to increase the synergies between tourism and other sectors of the economy.

Marketing

The Perfect Day marketing campaign, launched in March 2010, showcased a number of aspects for the 2010 Year of Food and Drink, including coastal food trails and promotional activity with a range of food and drink industry partners. It generated record levels of income for the economy and is the most successful VisitScotland seasonal marketing campaign ever.

The Autumn Moments campaign launched in September urged Scots to explore more of their own country at a time when the "staycations" trend showed no signs of abating, and the Winter White campaign, running from November 2010 to March 2011, is in its fifth successful year.

The 2011 Year of Active Scotland was formally launched on 1 January 2011 and VisitScotland is supporting this with the launch of two funds to help the adventure sector and Destination Management Organisations engage fully with the active theme. Building on the success of Homecoming Scotland 2009, a group of strategic partners has already been formed to agree the role, remit and themes for Homecoming 2014. In addition, taking advantage of the momentum created by hosting the Adventure Tourism World Summit in Aviemore, VisitScotland and its partners will be represented at the next summit in Mexico, 2011.

The new Surprise Yourself campaign went live in March 2011 with a brand new TV advert supported by direct mail, sales promotions, radio and press advertising, PR and a comprehensive website. Feedback to date has been exceptionally positive.

As part of VisitScotland's commitment to support industry partners grow their businesses internationally, a successful sales mission to China was completed in collaboration with the Scottish Government in the summer of 2010. Activity included media events, interviews, trade workshops and sales calls. Further sales missions were undertaken to India, coinciding with the Commonwealth Games in Delhi, and to Russia.

An important milestone was marked in March 2011 when the Host Nation Agreement was signed at Gleneagles in preparation for the 2014 Ryder Cup. VisitScotland, through EventScotland, the lead delivery partner, and other key partners, have been observing the last four tournaments in order to maximise the benefits for Scotland, when the tournament reaches this country.

A dedicated project team from the Digital and Media Directorate is developing and implementing a comprehensive website strategy which will enable 20,000 Scottish businesses to more effectively and efficiently position their products and services on VisitScotland.com.

The long term direction of the Digital and Media Directorate's web-site strategy is to meet the promotional needs of Scottish tourism, and in so doing ensure that it satisfies necessary European Union legislation surrounding State Aid. In this respect, however, VisitScotland is working with its partners, VisitBritain, VisitWales, the Scottish Government, and other agencies, to rebuff certain complaints levelled against "UK Tourism" agencies, surrounding the use of web-sites for the generation of bookings, etc.

Working with the industry and partners

As a direct result of detailed reviews of VisitScotland's quality assurance schemes, industry engagement, communications, relationships with destination organisations and portfolio of commercial products and services carried out in 2010, it was decided to integrate and restructure three teams, which had previously operated as interdependent units working directly with industry in the development of partnerships relationships.

The result is a new Partnerships directorate which came into being on 1st April 2011 and whose sole focus is on developing and enhancing relationships with a wide range of external partners including individual businesses, sectoral and destination groups, local authorities and key stakeholders at national, regional and local level.

The directorate is responsible for delivery of VisitScotland's world class quality assurance schemes, together with the sale of commercial products and services, developing strategic relations, partnership communications and partnership development including a strong focus on sustainable tourism. In addition, VisitScotland is actively pursuing savings and greater efficiency through working collaboratively with other national and local organisations in Scotland with similar remits and objectives. This includes participation in Government shared services and central procurement groups.

EventScotland

EventScotland continues to work with partners to bid for, grow and support cultural and sporting events in Scotland through its International Programme. Examples of this work include the securing of three further MOBO Awards for 2011, 2013 and 2015 and MTV's first UK live stage event "MTV Crashes... Glasgow". On the sporting front EventScotland put in motion bids for three world championships in 2015. Through the National Events Programme EventScotland will continue to support and develop events that drive domestic tourism around the country.

EventScotland will continue to 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 co-ordinating Scotland's preparations for staging this global event.

The Special Projects Team has provided the operational management support in the development of events and in so doing greatly enhanced the results of the organisation. The team delivered the Games for Scotland programme which consisted of a nationwide series of events to mark the flag handover from Delhi to Glasgow last year. The team also delivered the St Andrews Day and Winter Festivals event programme as well as the events activity within, and overall strategic lead of, the homecoming legacy year of focus on Food and Drink.

Research activities

The role of the Insight Department created at the start of the year is to generate and effectively communicate relevant and valuable insights which will enable the development of well-founded strategies within VisitScotland, improve the support that VisitScotland provides to tourism businesses and help businesses plan and face their own market challenges. During 2010 the department successfully delivered a wide ranging programme of research including measurement of marketing campaigns, a refresh of the UK market segmentation and several projects which helped build our understanding of tourism businesses and their support needs. They have continued to work closely with partners in Tourism Intelligence Scotland to deliver, interpret and communicate research more widely amongst tourism businesses.

CORPORATE SOCIAL RESPONSIBILITY

Environmental performance and sustainable economic development

As an organisation VisitScotland aims to be recognised as a leader in sustainable tourism development at a national, European and World level, and its corporate strategy provides a clear rationale and plan for delivering its aspirations for sustainable tourism over the next five years.

As part of this strategy VisitScotland is working towards tackling the public bodies climate change duties outlined in Part 4 of the Climate Change (Scotland) Act 2009 and other Government Strategies including the Low Carbon Economic Strategy. VisitScotland is contributing to a more sustainable future for Scotland through taking direct action on issues under its control and playing an influencing role where this is not possible. This includes support for the implementation of sustainable tourism strategies at national level with the Tourism Leadership Group and at local level with Destination Management Organisations.

VisitScotland has continued to work closely during the year with diverse tourism businesses to help them understand and implement sustainable practices through a series of free workshops offering practical advice. Designed to offer practical steps for improving sustainability in tourism, in VisitScotland's own offices and in VisitScotland Information Centres, the new strategy will also guide how employees travel on business and provide advice to businesses and visitors. In addition, 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. Furthermore, VisitScotland is developing its Carbon Management Plan in partnership with the Carbon Trust. This aims to deliver significant cost savings and reductions in greenhouse gas emissions for the organisation.

Social and community issues

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

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

Tourism is everyone's business, and to that end VisitScotland, together with Capability Scotland and other partners will seek to understand the 'Accessible Tourism' market in more detail. Workshops are planned with representatives from industry and special interest groups to identify the barriers, both physical and attitudinal, which exist, and in so doing help break down these barriers and ensure that everyone can enjoy a great holiday experience in Scotland.

Malcolm Roughead OBE
Chief Executive
VisitScotland
29 August 2011

REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee is made up of three Board members and the Chairman. The Chairman also chairs the Remuneration Committee. During 2010-11 the members were:

Dr Mike Cantlay	(Board Chairman)
Paddy Crerar	(Board member)
Professor Russel Griggs	(Board member)
Dr. Lesley Sawers	(Board member)

The purpose of the committee is to:

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

Remuneration policy

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

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

Annual objectives are set for each Director at the beginning of the year and performance against these is reviewed by the Chief Executive. The terms and conditions surrounding Directors' bonuses have been changed, by agreement, to reflect that a discretionary non-consolidated bonus of no more than 10% of salary may be awarded only on the occasion of specific criteria being achieved, and, in any event, that such an award is sanctioned by the Scottish Government. The Chief Executive's performance is similarly reviewed against specific criteria, and he may also be awarded a non-consolidated discretionary award of up to 10% of salary, with the sanction of the Scottish Government.

No bonus awards were made for the 2010-11 year.

Service contracts

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

The notice period is 12 months for both Directors and the Chief Executive, with the exception of R Parish for whom the notice period is 6 months. Early termination, other than for misconduct, would result in payments under agreed contractual, or redundancy arrangements.

An agreement was reached during the year to pay the former Chief Executive, Philip Riddle, a gross settlement of £240,000. The amount includes pay in lieu of notice and compensation of £127,092 with an additional payment to the British Tourist Boards' Pension Scheme of £112,908. This is in line with agreed government guidelines and the conditions of the Chief Executive's employment contract.

Remuneration

The following tables provide a breakdown of the executive Directors' remuneration in 2010-11 and 2009-10, and have been audited by VisitScotland's auditors. Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK taxation.

No performance related bonuses were awarded in 2010-11.

2010/11 year	Remuneration 2010/11	Performance related bonus 2010/11	Real increase in pension	Total accrued pension at 31 March 2011	CETV at 31 March 2010	CETV at 31 March 2011	Real increase in CETV as funded by employer £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P Riddle Chief Executive Salary, etc. Leaving package (left 31.07.2010)	85-90 235-240 Note (a)	5-10 Note (a)	0-5.0	20-25	364	507	141
M Roughead Chief Executive	130-135	-	2.5-5.0	20-25	269	340	65
K Neilson Director of Corporate Services	100-105	-	0-2.5	10-15	129	161	27
R Graham Director of Strategy, Partnerships & Communication	75-80	-	0-2.5	45-50	808	894	83
E Byers Director of Industry Engagement (left 1.09.2010)	35-40	-	0-2.5	5-10	109	125	14
P Bush Chief Operating Officer, EventScotland	85-90	-	0-2.5	15-20	303	345	38
R Parish Director of Digital & Media (Note (c))	105-110	-	n/a	0-5	n/a	3	n/a

Notes: (a) Philip Riddle's remuneration in the year included back pay of £2,600 for the year 2009/10, together with a bonus of £9,456 for the year 2009/10, both of which were approved during the year 2010/11. In addition, upon leaving he received £127,092 pay in lieu of notice and compensation, and £112,908 paid directly into the British Tourist Board's Pension Scheme.

(b) Pension calculations are based on the pensionable salary at 31 March 2011.

(c) R Parish joined the pension scheme on 1 December 2010.

2009/10 year	Remuneration 2009/10	Performance related bonus 2009-10	Real increase in pension	Total accrued pension at 31 March 2010	CETV at 31 March 2009	CETV at 31 March 2010	Real increase in CETV as funded by employer £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P Riddle Chief Executive (Note (a))	165-170	15-20	2.5-5.0	15-20	222	364	136
M Roughead Director of Marketing	110-115	5-10	0-2.5	15-20	172	269	91
K Neilson Director of Corporate Services	95-100	0-5	0-2.5	5-10	75	129	48
R Graham Director of Strategy, Partnerships & Communication	75-80	0-5	0-2.5	40-45	557	808	247
E Byers Director of Industry Engagement	90-95	0-5	0-2.5	5-10	64	109	40
P Bush Chief Operating Officer, EventScotland	80-85	0-5	0-2.5	15-20	192	303	106
R Parish Director of Digital & Media (appointed 22/02/2010 - Note (c))	10-15	-	See note below	See note below	See note below	See note below	See note below

Notes: (a) The Chief Executive's remuneration this year includes back pay of £3,921 for the year 2008/09 together with a bonus of £18,886 for the year 2007/08, both of which were approved during the year 2009/10.

(b) Pension calculations are based on the pensionable salary at 31 March 2010.

(c) R Parish did not join the pension scheme until after 31 March 2010.

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 £6,612 (2010:£5,434), M Roughead £3,307 (2010:£3,307), K Neilson £5,206 (2010:£5,206), E Byers £1,251 (2010:£3,108).

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 (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The Chief Executive and Directors are all members of the BTBPS scheme. Further details of all these schemes are outlined in note 20 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.

The joint roles of Chair of VisitScotland and separate responsibilities at VisitBritain are presently allocated 5 days per month. Given an existing ongoing increase in workload this requirement is being reviewed and any adjustment will be backdated as appropriate. The resource requirement of the roles will be reviewed on an annual basis.

		2011	2010
		£000	£000
Dr Mike Cantlay - Chairman	(appointed 1 April 2010)	20-25	-
Stephen Carter OBE	(appointed 1 August 2009)	5-10	5-10
Paddy Crerar		5-10	5-10
Willie Dunn		5-10	5-10
Dorothy Fenwick	(appointed 1 July 2009)	5-10	5-10
Manus Fullerton	(appointed 1 December 2009)	5-10	0-5
Professor Russel Griggs OBE		5-10	5-10
Dr. Lesley Sawers		5-10	5-10
Brian Houston	(retired 30 June 2009)	-	0-5
Peter Lederer CBE- ex Chairman	(retired 31 March 2010)	-	20-25
Alex Pagett	(retired 30 November 2009)	-	5-10

Pensions are paid to two previous Chairmen, and a provision has been made for this in the Accounts (Note 22).

Malcolm Roughead OBE
Chief Executive
VisitScotland
29 August 2011

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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

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 and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

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 2011 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

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

VisitScotland has a risk policy setting out the process for identifying and evaluating risks. The policy was revised during the year following an internal audit review and includes regular assessment of corporate risks by senior management including review of progress with and changes to mitigating actions where appropriate. A designated risk manager is responsible for maintaining and updating a corporate risk register, reporting to the Senior Management Team and the Audit Committee four times a year, and promoting awareness across the organisation.

The Board through its Audit Committee fulfils its role of Corporate Risk Governance. The corporate risk register not only identifies all the high level risks which impact on the whole organisation and are likely to affect the achievement of objectives contained in the annual operating plan, but also it contains lower level risks which affect specific areas of operation within VisitScotland. The corporate risk register was fully revised during the year with input from the Board and the Senior Management Team.

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, managed and reported at project level through project managers.

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 has implemented recent Scottish Government guidance on data security and information risk through the creation of an information asset register, a risk assessment, an information risk register and awareness training for staff.

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

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 VisitScotland's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Audit Committee of the Board normally meets four 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. As well as its own internal audit section, VisitScotland also employs the services of independent auditors to report on the adequacy and effectiveness of VisitScotland's system of internal control together with recommendations for improvement.

The work of the internal auditors is informed by an analysis of the risk to which VisitScotland is exposed. Annual and cyclical audit plans are based on this analysis and cover the whole range of activities within the organisation. The plans include regular review of the risk strategy and risk register and a follow up of action points from previous audits.

Recent internal audit reviews have highlighted some areas for improvements in internal control and these are being addressed. They have also noted significant progress in addressing recommendations from previous audits, the implementation of which has been regularly reviewed by the Audit Committee during the year.

Malcolm Roughead OBE
Chief Executive
VisitScotland
29 August 2011

VISITSCOTLAND
GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	As re-stated 2010 £'000
Resource Expenditure			
Marketing activities		49,473	52,676
Partnership engagement		6,774	7,065
Support services		7,823	7,266
Non - Resource Expenditure			
Pension Costs - IAS 19 adjustments (Note20)		(4,119)	411
Gross expenditure	2	59,951	67,418
Income			
Retail and commercial	5	(10,503)	(11,600)
Other income	6	(6,875)	(6,615)
Net expenditure		42,573	49,203
Finance costs	7	252	297
Finance income	7	(20)	(23)
Net operating cost before taxation		42,805	49,477
Income tax	8	4	5
Net operating cost		42,809	49,482
Other Comprehensive Net Expenditure			
Net actuarial (surplus) / deficit on valuation of retirement benefit schemes	20	(10,828)	23,625
(Surplus)/ deficit arising on Revaluation of property, plant and equipment		(551)	110
Total other comprehensive net (income)/expenditure		(11,379)	23,735
TOTAL COMPREHENSIVE NET EXPENDITURE		31,430	73,217

The notes on pages 26 to 66 form part of these accounts

VISITSCOTLAND
GROUP BALANCE SHEET
AS AT 31 MARCH 2011

	Note	2011 £'000	2010 £'000
Non-Current Assets			
Property, plant & equipment	10	11,080	11,174
Intangible assets	9	701	816
Total non current assets		11,781	11,990
Current Assets			
Inventories	12	895	1,043
Trade and other receivables	13	5,332	3,424
Cash and cash equivalents	14	7,934	8,465
Total current assets		14,161	12,932
Total Assets		25,942	24,922
Current Liabilities			
Other borrowings	18	(404)	(381)
Trade and other payables	16	(13,250)	(11,632)
Income tax payable	8	(4)	(5)
Total current liabilities		(13,658)	(12,018)
Net current assets		503	914
Non-Current Liabilities			
Other borrowings	18	(3,748)	(4,152)
Provisions	22	(149)	(157)
Other payables	16	(261)	(318)
Retirement benefit obligations	20	(13,156)	(28,103)
Total non-current liabilities		(17,314)	(32,730)
Total Liabilities		(30,972)	(44,748)
Net Liabilities		(5,030)	(19,826)
General fund		(9,362)	(23,827)
Government grant reserve		2,703	2,923
Revaluation reserve		1,629	1,078
Total Equity		(5,030)	(19,826)

Malcolm Roughead OBE
Chief Executive
VisitScotland
29 August 2011

The notes on pages 26 to 66 form part of these accounts

VISITSCOTLAND
BALANCE SHEET
AS AT 31 MARCH 2011

	Note	2011 £'000	2010 £'000
Non-Current Assets			
Property, plant & equipment	10	10,598	10,613
Intangible assets	9	700	480
Investments in subsidiaries	11	90	90
Trade and other receivables	13	-	686
Total non current assets		11,388	11,869
Current Assets			
Inventories	12	895	1,043
Trade and other receivables	13	5,445	3,321
Cash and cash equivalents	14	7,884	7,973
Total current assets		14,224	12,337
Total Assets		25,612	24,206
Current Liabilities			
Other borrowings	18	(404)	(381)
Trade and other payables	16	(13,293)	(11,192)
Income tax payable	8	(4)	(5)
Total current liabilities		(13,701)	(11,578)
Net current assets		523	759
Other borrowings	18	(3,748)	(4,152)
Provisions	22	(149)	(157)
Other payables	16	(114)	(151)
Retirement benefit obligations	20	(13,156)	(28,103)
Total non-current liabilities		(17,167)	(32,563)
Total Liabilities		(30,868)	(44,141)
Net Liabilities		(5,256)	(19,935)
General fund		(9,354)	(23,707)
Government grant reserve		2,703	2,923
Revaluation reserve		1,395	849
Total Equity		(5,256)	(19,935)

Malcolm Roughead OBE
Chief Executive
VisitScotland
29 August 2011

The notes on pages 26 to 66 form part of these accounts

VISITSCOTLAND
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

		Group	
	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Comprehensive net expenditure before taxation		42,805	49,477
Items not involving the flow of cash			
Net financing costs	7	(232)	(274)
Depreciation on tangible fixed assets	10	(1,203)	(1,235)
Amortisation of intangible fixed assets	9	(496)	(426)
Impairment of non current assets	10	(54)	(186)
Surplus on cessation of ground Lease property		-	31
Release of deferred capital grants		220	233
Net pension service costs and return on assets	20	4,119	(411)
Other non-cash transactions		(13)	81
Movements in working capital			
(Decrease) in inventories	12	(148)	(133)
Increase / (Decrease) in receivables	13	1,842	(2,692)
(Increase) in payables	16	(1,616)	(114)
Movement in provisions			
(Increase) / Decrease in provisions		74	1
Net cash flow from operations			
Interest paid	7	252	297
Interest received	7	(20)	(23)
Net cash outflow from operating activities		45,530	44,626
Cash flows from investing activities			
Payments to acquire tangible fixed assets	10	626	874
Payments to acquire intangible fixed assets	9	381	321
Corporation tax paid		4	36
Net cash flows used in investing activities		1,011	1,231
Cash flows from financing activities			
Scottish Government funding for the year		(46,446)	(49,045)
Repayment of loans		55	52
Decrease in other borrowings- obligations under finance leases		381	363
Net cash flows from financing activities		(46,010)	(48,630)
Net (increase)/decrease in cash and cash equivalents		531	(2,773)
Cash and cash equivalents as at 1 April		8,465	5,692
Cash and cash equivalents at 31 March	14	7,934	8,465

The notes on pages 26 to 66 form part of these accounts

VISITSCOTLAND
GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	General Fund	Government Grant Reserve	Revaluation Reserve	Total
A GROUP	£'000	£'000	£'000	£'000
Balance at 1 April 2009	235	3,156	1,188	4,579
Amortisation of government grants	-	(233)	-	(233)
Total comprehensive net expenditure	(73,107)	-	(110)	(73,217)
Total recognised income and expense	(73,107)	(233)	(110)	(73,450)
Funding from Scottish Government	49,045	-	-	49,045
Balance at 1 April 2010	(23,827)	2,923	1,078	(19,826)
Amortisation of government grants	-	(220)	-	(220)
Total comprehensive net expenditure	(31,981)	-	551	(31,430)
Total recognised income and expense	(31,981)	(220)	551	(31,650)
Funding from Scottish Government	46,446	-	-	46,446
Balance at 31 March 2011	(9,362)	2,703	1,629	(5,030)

The notes on pages 26 to 66 form part of these accounts

VISITSCOTLAND
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	General Fund	Government Grant Reserve	Revaluation Reserve	Total
B VISITSCOTLAND	£'000	£'000	£'000	£'000
Balance at 1 April 2009	702	3,156	840	4,698
Amortisation of government grants	-	(233)	-	(233)
Total comprehensive net expenditure	(73,454)	-	9	(73,445)
Total recognised income and expense	(73,454)	(233)	9	(73,678)
Funding from Scottish Government	49,045	-	-	49,045
Balance at 1 April 2010	(23,707)	2,923	849	(19,935)
Amortisation of government grants	-	(220)	-	(220)
Total comprehensive net expenditure	(32,093)	-	546	(31,547)
Total recognised income and expense	(32,093)	(220)	546	(31,767)
Funding from Scottish Government	46,446	-	-	46,446
Balance at 31 March 2011	(9,354)	2,703	1,395	(5,256)

The notes on pages 26 to 66 form part of these accounts

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

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

Basis of preparation

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FRoM) issued by the Scottish Government. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

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

HM Treasury, under the Clear line of Sight (Alignment project) removed the cost of capital from budgets and accounts from 1 April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change of accounting policy under IAS 8, and this is reported in Note 24.

The particular policies adopted by VisitScotland Group covering these financial statements for the year ended 31 March 2011 are described below. They have been applied consistently in dealing with the items that are considered material to the accounts.

Basis of accounting

Under Section 6(1) of The Development of Tourism Act 1969, VisitScotland Group is required to prepare an annual Statement of Accounts in such form, and containing such particulars as Scottish Ministers may from time to time direct. A copy of the Accounts Direction, at present in force, is set out on page 69.

Going concern

The terms of the management statement between the Scottish Ministers and VisitScotland require that VisitScotland shall conduct its affairs so as to remain solvent within the total resources made available to it by funding bodies. These accounts have been prepared on this basis, VisitScotland has net liabilities at the balance sheet date of £5.03 million (2010:£19.83 million net liabilities), arising from its obligations in respect of the inclusion of retirement benefit obligations falling due in future years, in accordance with the accounting treatment required by IAS 19 'Employee Benefits'.

To the extent that they are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or grant in aid from the Scottish government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant in aid for 2011-12, taking into account the amounts required to meet the VisitScotland's liabilities falling due in that year, has already been included in the Scottish Government's estimates for that year, which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and future parliamentary approval will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these accounts.

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangibles, and inventories.

Basis of consolidation

The Group accounts consolidate the accounts of VisitScotland, and all its subsidiary undertakings drawn up to 31 March each year, unless otherwise noted.

No statement of comprehensive net expenditure is presented herewith for VisitScotland, with the approval of the Scottish Ministers.

(a) **Subsidiaries**

Subsidiaries are all entities over which the Group has control over the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed, where necessary and material, to ensure consistency with the policies adopted by the Group.

(b) **Equity accounted investees - associates and jointly controlled entities**

Associates are entities over which the Group has significant influence, but not control. Companies whose business is compatible with the objectives of the Group, in which the holdings are intended to be retained as long term investments, and, in which the Group has active management involvement, are treated as associated undertakings. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreements, and requiring unanimous consent for strategic financial and operational decisions.

The Group accounts include the Group's share of the income and expenses and equity movements of the equity accounted investees, after adjustments to align the accounting policies of the Group, from the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation, or has made payments, on behalf of the investee.

Funding

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

Income

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

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

Government grants

Government grants of a revenue nature are credited to the statement of comprehensive net expenditure in the same period as the related expenditure.

Grant-in-aid received from the Government specifically for the purchase of capital items of plant, equipment or otherwise specifically allocated, is treated as a deferred capital grant and released to the statement of comprehensive net expenditure over the expected useful lives of the assets concerned.

Expenditure

i) Marketing activities

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

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

ii) Partnership engagement

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

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

iii) Support services

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

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

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

Grants paid

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

Inventories

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

Foreign exchange

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

Goodwill

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Impairment

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

Goodwill

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

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

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

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

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

Non-current assets other than goodwill

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

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

Property, Plant and Equipment

Property - Land and Buildings

Land and buildings are carried at fair value.

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

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

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

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

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

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

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

Leasehold Property - designated as Finance Leases

Leasehold land is accounted for as an operating lease.

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

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

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

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

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

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

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

Non Property

Leasehold building improvements

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

Plant, Equipment, Fixtures and Fittings

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

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

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

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

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

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

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

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

Non-current assets held for sale

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

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

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

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

Leases

Group as a lessee

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

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

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

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

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

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

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

Group as a lessor

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

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

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

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

Taxation

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

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

VisitScotland is liable to income tax only on bank interest received. All other members of the Group are subject to taxation under current legislation, enacted, or substantively enacted at the balance sheet date.

Deferred tax

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

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

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

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

Financial instruments

Financial liabilities

Borrowings

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

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

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

Trade and other payables

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

Financial assets

Cash and cash equivalents

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

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

Other financial assets

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

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

(ii) Loans and receivables

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

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

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

(iii) Available for sale

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

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

Impairment of financial assets

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

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

Critical accounting estimates and judgements

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

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

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

(i) Retirement benefit obligations

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

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

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

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

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

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

Additional information is disclosed in Note 20.

(ii) Valuation of assets

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

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

Comparative amounts

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

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

Changes in Accounting policy

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

Provisions

Provisions are recognised when;

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

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

Related party transactions

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

Employee Benefits

- (a) Retirement benefits

VisitScotland employees are members of either 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, and the British Tourist Boards' Pension Scheme

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

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

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

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

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

(b) Short-term employee benefits

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

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 23 to the Accounts.

2 SEGMENTAL REPORTING

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

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

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

Finance reports to the Board and Accountable Officer disclose the financial performance of the VisitScotland Group. An EventScotland sub-committee reports to the Board in respect of its financial performance. During the year ended 31 March 2011, marketing, partnership and support expenditure was separately reported, and decisions taken by the Board and Accountable Officer, as Chief operating decision maker, were based on the financial performance within these spend categories, using supplementary information and analysis.

VisitScotland

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

EventScotland

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

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

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

2 SEGMENTAL REPORTING (continued)

GROUP

FOR THE YEAR ENDED 31 MARCH 2010 (as re-stated)

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
Operating expenditure				
Marketing activities		42,557	10,119	52,676
Partnership engagement		7,065	-	7,065
Support services		6,851	415	7,266
Gross expenditure (excluding IAS 19 adjustments - Note 20)	3 & 4	56,473	10,534	67,007
Income				
Retail and commercial	5	(10,915)	(685)	(11,600)
Other income	6	(6,615)	-	(6,615)
Net operating expenditure		38,943	9,849	48,792
Finance costs	7	297	-	297
Finance income	7	(23)	-	(23)
IAS 19 adjustments	20	411	-	411
Net operating cost before taxation		39,628	9,849	49,477
Income tax	8	5	-	5
Net operating cost		39,633	9,849	49,482

FOR THE YEAR ENDED 31 MARCH 2011

	Note	VisitScotland £'000	EventScotland £'000	Total £'000
Operating expenditure				
Marketing activities		41,413	8,060	49,473
Partnership engagement		6,774	-	6,774
Support services		7,628	195	7,823
Gross expenditure (excluding IAS 19 adjustments - Note 20)	3 & 4	55,815	8,255	64,070
Income				
Retail and commercial	5	(9,808)	(695)	(10,503)
Other income	6	(6,875)	-	(6,875)
				0
Net operating expenditure		39,132	7,560	46,692
Finance costs	7	252	-	252
Finance income	7	(20)	-	(20)
IAS 19 adjustments	20	(4,119)	-	(4,119)
Net operating cost before taxation		35,245	7,560	42,805
Income tax	8	4	-	4
Net operating cost		35,249	7,560	42,809

3 STAFF COSTS

included within gross expenditure

a) All employees (including Board members)

	Group	
	2011	2010
	£'000	£'000
Salaries	18,306	18,647
Social security costs	1,449	1,460
Voluntary severance	2,218	200
	21,973	20,307
Pension costs - Current service	3,240	1,567
Past service credit (see Note 20)	(5,698)	-

Total staff costs	19,515	21,874
Agency fees in respect of temporary staff, included above	299	363

b) Voluntary severance

	2011	2010
No of exit packages agreed within following bandings;	Number	Number
£0 - £20,000	21	8
£20,001 - £40,000	19	-
£40,001 - £60,000	19	2
£60,001 - £80,000	8	1
£80,001 - £100,000	1	-
£100,001 - £150,000	2	-
£150,001 - £200,000	-	-
£200,001 - £250,000	1	-
Total cost of packages agreed in each band	£'000	£'000
£0 - £20,000	194	30
£20,001 - £40,000	571	-
£40,001 - £60,000	456	91
£60,001 - £80,000	528	79
£80,001 - £100,000	87	-
£100,001 - £150,000	275	-
£150,001 - £200,000	-	-
£200,001 - £250,000	240	-

There were no compulsory redundancies

c) Board Members' remuneration

	2011	2010
	£'000	£'000
Chairman	24	24
Board members	58	55
Total Board members' remuneration	82	79

3 STAFF COSTS (continued)

included within gross expenditure

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

	2011	2010
	Number	Number
Senior management	6	6
Operational and support staff	633	664
Fixed term contract	69	69
Inward secondees	-	1
Outward secondees	(3)	-
	705	740
Temporary staff	11	13
Total average number of full-time equivalents	716	753

4 ADMINISTRATION OVERHEADS

included within gross expenditure

	Group	
	2011	2010
	£'000	£'000
Travel and hospitality	1,325	1,591
Accommodation, equipment and office expenses	4,520	5,619
Operating lease rentals	1,801	1,731
Depreciation - tangible assets	1,203	1,235
Amortisation- intangible assets	496	426
Impairment of non current assets	54	186
Net interest cost and return on pension assets	574	411
Surplus on cessation of leases	-	(31)
Trade bad debts		
Written off	115	88
Increase /(Decrease) in provision	(66)	(1)
Decrease in Past Pension Provision	(8)	-
	10,014	11,255

Administration overheads also includes:

	2011	2010
	£'000	£'000
Fees payable for the audit of these accounts	68	78
Fees payable to the external auditor for the audit of a subsidiary	14	18
Fees payable to other auditors for the audit of other subsidiaries	3	3
	85	99

5 RETAIL AND COMMERCIAL INCOME

	Group	
	2011	2010
	£'000	£'000
Retail		
Products Income	4,337	4,375
Cost of Sales	(2,149)	(2,112)
<i>Gross surplus</i>	2,188	2,263
Other consumer income	977	1,064
	3,165	3,327
Commercial		
Advertising income	2,060	2,499
Quality assurance	1,497	1,472
Business opportunities	1,483	1,534
Miscellaneous income	2,298	2,768
	7,338	8,273
Total retail and commercial income	10,503	11,600

6 OTHER INCOME

	Group	
	2011	2010
	£'000	£'000
Local authority income	3,494	4,233
European regional development fund income	2,287	1,759
Enterprise agency contributions	357	97
Sundry income	517	293
Release of government grant	220	233
Total other income	6,875	6,615

7 NET FINANCING COSTS

	Group	
	2011	2010
	£'000	£'000
Finance costs		
Interest payable on loans	20	22
Interest charge - finance lease obligations	232	275
Total finance cost	252	297
Finance income		
Bank interest receivable	20	23
Total finance income	20	23

8 TAXATION

	Group	
	2011	2010
	£'000	£'000
Income tax		
Current tax	4	5
Tax charge	4	5

Current tax

Income tax is calculated at 21% (2010:21%) based on bank interest received during the year.

No tax is currently payable on profits generated through a subsidiary company.

9 INTANGIBLE ASSETS

a) Intangible assets - Group

	Development Costs £'000	Acquired Technology £'000	Software Licenses £'000	Total £'000
At cost or valuation				
At 1 April 2009	583	878	1,404	2,865
Additions	217	90	14	321
At 31 March 2010	800	968	1,418	3,186
At 1 April 2010	800	968	1,418	3,186
Additions	274	13	94	381
At 31 March 2011	1,074	981	1,512	3,567
Amortisation				
At 1 April 2009	288	878	778	1,944
Charge for the year	112	2	312	426
At 31 March 2010	400	880	1,090	2,370
At 1 April 2010	400	880	1,090	2,370
Charge for the year	167	24	305	496
At 31 March 2011	567	904	1,395	2,866
Net book value				
At 31 March 2011	507	77	117	701
At 31 March 2010	400	88	328	816
At 31 March 2009	295	-	626	921
Asset Financing				
Owned / beneficially owned	507	77	117	701
Finance Lease	-	-	-	-
Net book value	507	77	117	701
At 31 March 2011	507	77	117	701

9 INTANGIBLE ASSETS (continued)
b) Intangible assets - VisitScotland

	Development Costs £'000	Acquired Technology £'000	Software Licenses £'000	Total £'000
At cost or valuation				
At 1 April 2009	422	878	529	1,829
Additions	217	90	14	321
At 31 March 2010	639	968	543	2,150
At 1 April 2010	639	968	543	2,150
Additions	274	13	94	381
Transfer from Subsidiary	161	-	89	250
At 31 March 2011	1,074	981	726	2,781
Amortisation				
At 1 April 2009	250	878	436	1,564
Charge for the year	62	2	42	106
At 31 March 2010	312	880	478	1,670
At 1 April 2010	312	880	478	1,670
Charge for the year	129	24	45	198
Transfer from Subsidiary	124	-	89	213
At 31 March 2011	565	904	612	2,081
Net book value				
At 31 March 2011	509	77	114	700
At 31 March 2010	327	88	65	480
At 31 March 2009	172	-	93	265
Asset Financing				
Owned / beneficially owned	509	77	114	700
Finance Lease	-	-	-	-
Net book value	509	77	114	700
At 31 March 2011				

10 TANGIBLE FIXED ASSETS

Group and VisitScotland

Freehold Property

Properties falling to be assessed under the Group's valuation policy as at 31 March 2011 were revalued by Messrs Graham & Sibbald - Chartered Surveyors.

Leasehold Finance Lease Property

Finance Leasehold properties and those held under beneficial ownership underwent revaluation as at 31 March 2011, in accordance with the Group's valuation policy, by Messrs Graham & Sibbald - Chartered Surveyors.

10 TANGIBLE FIXED ASSETS (continued)
a) Group

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation								
At 1 April 2009	648	7,763	4,265	7,120	1,704	43	497	22,040
Additions	-	-	322	179	373	-	-	874
Revaluation	33	(209)	-	-	-	-	-	(176)
Disposals	-	(72)	-	-	(766)	-	-	(838)
At 31 March 2010	681	7,482	4,587	7,299	1,311	43	497	21,900
At 1 April 2010	681	7,482	4,587	7,299	1,311	43	497	21,900
Additions	-	-	246	22	358	-	-	626
Revaluation	43	494	-	-	-	-	-	537
Disposals	-	-	-	(5)	-	-	-	(5)
Transfer on revaluation	-	(1,568)	-	-	-	-	-	(1,568)
At 31 March 2011	724	6,408	4,833	7,316	1,669	43	497	21,490
Depreciation								
At 1 April 2009	48	622	2,231	5,875	1,333	42	20	10,171
Revaluation	-	(67)	-	-	-	-	-	(67)
Impairment	30	156	-	-	-	-	-	186
Disposals	-	(33)	-	-	(766)	-	-	(799)
Charge for the year	-	496	204	371	143	1	20	1,235
At 31 March 2010	78	1,174	2,435	6,246	710	43	40	10,726
At 1 April 2010	78	1,174	2,435	6,246	710	43	40	10,726
Revaluation	-	-	-	-	-	-	-	-
Impairment	-	54	-	-	-	-	-	54
Disposals	-	-	-	(5)	-	-	-	(5)
Charge for the year	-	502	230	218	233	-	20	1,203
Transfer on revaluation	-	(1,568)	-	-	-	-	-	(1,568)
At 31 March 2011	78	162	2,665	6,459	943	43	60	10,410
Net book value								
At 31 March 2011	646	6,246	2,168	857	726	-	437	11,080
At 31 March 2010	603	6,308	2,152	1,053	601	-	457	11,174
At 31 March 2009	600	7,141	2,034	1,245	371	1	477	11,869
Asset Financing								
Owned / beneficially owned	646	2,188	2,168	857	726	-	437	7,022
Finance Lease	-	4,058	-	-	-	-	-	4,058
Net book value	646	6,246	2,168	857	726	-	437	11,080
At 31 March 2011	646	6,246	2,168	857	726	-	437	11,080

10 TANGIBLE FIXED ASSETS (continued)

b) VisitScotland

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation								
At 1 April 2009	548	7,203	4,265	7,032	1,608	43	497	21,196
Additions	-	-	322	178	373	-	-	873
Revaluation	8	(24)	-	-	-	-	-	(16)
Disposals	-	(72)	-	-	(766)	-	-	(838)
At 31 March 2010	556	7,107	4,587	7,210	1,215	43	497	21,215
At 1 April 2010	556	7,107	4,587	7,210	1,215	43	497	21,215
Additions	-	-	246	22	358	-	-	626
Revaluation	47	498	-	-	-	-	-	545
Disposals	-	-	-	(5)	-	-	-	(5)
Transfer on revaluation	-	(1,561)	-	-	-	-	-	(1,561)
Transfer from Subsidiary	-	-	-	66	97	-	-	163
At 31 March 2011	603	6,044	4,833	7,293	1,670	43	497	20,983
Depreciation								
At 1 April 2009	48	582	2,231	5,852	1,253	42	20	10,028
Revaluation	-	(27)	-	-	-	-	-	(27)
Impairment	30	156	-	-	-	-	-	186
Disposals	-	(34)	-	-	(766)	-	-	(800)
Charge for the year	-	496	204	364	130	1	20	1,215
At 31 March 2010	78	1,173	2,435	6,216	617	43	40	10,602
At 1 April 2010	78	1,173	2,435	6,216	617	43	40	10,602
Revaluation	-	-	-	-	-	-	-	-
Impairment	-	54	-	-	-	-	-	54
Disposals	-	-	-	(5)	-	-	-	(5)
Charge for the year	-	495	230	211	229	-	20	1,185
Transfer on revaluation	-	(1,561)	-	-	-	-	-	(1,561)
Transfer from Subsidiary	-	-	-	13	97	-	-	110
At 31 March 2011	78	161	2,665	6,435	943	43	60	10,385
Net book value								
At 31 March 2011	525	5,883	2,168	858	727	-	437	10,598
At 31 March 2010	478	5,934	2,152	994	598	-	457	10,613
At 31 March 2009	500	6,621	2,034	1,180	355	1	477	11,168
Asset Financing								
Owned / beneficially owned	525	1,825	2,168	858	727	-	437	6,540
Finance Lease	-	4,058	-	-	-	-	-	4,058
Net book value	525	5,883	2,168	858	727	-	437	10,598
At 31 March 2011	525	5,883	2,168	858	727	-	437	10,598

11 INVESTMENT

SUBSIDIARIES

VisitScotland	2011 £'000	2010 £'000
Investment in subsidiaries		
Shares at cost, less amounts written off		
At 1 April	90	1
Additions	-	89
At 31 March	90	90

VisitScotland's wholly owned subsidiary undertakings are as follows:

Operational

- eTourism Limited
- Scottish Tourist Board Limited - Shares acquired at nil value
- Tourist Board Training Limited - Limited by guarantee

Dormant

- TourCo Limited
- VisitScotland Limited
- VisitShetland Limited

VisitScotland's investment in eTourism Limited, apart from the shareholding, comprises the following:

	2011 £'000	2010 £'000
Original loan	-	1,850
Additional loan	-	686
Outstanding interest	-	1,014
	-	3,550
Impairment	-	(2,864)
Outstanding at 31 March	-	686

Repayment of **£686,000** (2010: £ 500,000) has been made in the year by eTourism Limited against the additional loan of £1,186,000. This loan has now been fully repaid. (2010: £686,000). There has been no interest charged in the year ended 31 March 2011.

At 31 March 2011 all the assets and liabilities of eTourism Limited were formally transferred to VisitScotland, and the business of eTourism Limited has ceased to trade from 1 April. Upon transfer, a repayment of **£187,860** was made in respect of the original loan and the balance of £2,676,350, being already fully impaired, was formally cancelled upon consolidation.

At 31 March 2011 the transfer of assets and liabilities comprised:

	£'000
Fixed assets	90
Current assets	806
	896
Current liabilities	(796)
Net assets	100
Share capital	100

12 INVENTORIES

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Retail stock	895	1,036	895	1,036
Saleable publications, published by VisitScotland	-	7	-	7
At 31 March	895	1,043	895	1,043

13 TRADE AND OTHER RECEIVABLES

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Current				
Trade receivables	2,285	2,757	2,287	2,757
less: Provision for impairment	(310)	(376)	(310)	(376)
Trade receivables - net	1,975	2,381	1,977	2,381
Amounts owed from Group undertakings	-	-	110	100
Prepayments	1,584	349	1,584	188
Accrued income	1,463	640	1,463	640
Other receivables	310	54	311	12
At 31 March	5,332	3,424	5,445	3,321
Non-current				
Amounts owed from Group undertakings	-	-	-	3,550
less: Provision for impairment	-	-	-	(2,864)
At 31 March	-	-	-	686

Trade and other receivables reported above include:

Receivables - Public sector balances

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Current				
Local Authorities	285	441	285	441
Other Central Government bodies	331	231	331	231
At 31 March	616	672	616	672

14 CASH AND CASH EQUIVALENTS

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,934	8,465	7,884	7,973
At 31 March	7,934	8,465	7,884	7,973

Cash at bank earns interest at floating rates based on daily bank deposit rates.

15 RECEIVABLES - PROVISION FOR IMPAIRMENT

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

Impairment provisions are as follows:

	Trade receivables £'000	Other receivables £'000	Total £'000
Group			
At 1 April 2009	377	-	377
Utilised during year	(158)	-	(158)
Movement in Provision	157	-	157
At 31 March 2010	376	-	376
At 1 April 2010	376	-	376
Utilised during year	(226)	-	(226)
Movement in Provision	160	-	160
At 31 March 2011	310	-	310
	Trade receivables £'000	Other receivables £'000	Total £'000
VisitScotland			
At 1 April 2009	374	2,864	3,238
Utilised during year	(158)	-	(158)
Movement in Provision	160	-	160
At 31 March 2010	376	2,864	3,240
At 1 April 2010	376	2,864	3,240
Utilised during year	(226)	(2,676)	(2,902)
Movement in Provision	160	(188)	(28)
At 31 March 2011	310	-	310

The following represents Group and VisitScotland receivables for which full provision has been made at 31 March 2011, and the ageing of these receivables was as follows:

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Under 90 days	-	54	-	54
Impairment	-	(54)	-	(54)
Over 180 days	310	322	310	3,186
Impairment	(310)	(322)	(310)	(3,186)
Impaired receivables	310	376	310	3,240

Other than amounts due from Group undertakings, receivables assessed as individually impaired were mainly as a result of various bed and breakfast, and hotel establishments, which went into administration, liquidation, etc.

Receivables which are less than three months past their due date are not considered to be impaired.

At 31 March 2011 receivables with a carrying value of **£878,000** (2010: £722,000) were past their due date, but not considered to be impaired, and their ageing was as follows:

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Under 90 days	153	232	153	232
91 - 180 days	725	490	725	490
Over 180 days	-	-	-	-
At 31 March	878	722	878	722

16 TRADE AND OTHER PAYABLES

a) Current

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade payables	5,811	4,476	5,794	4,309
Social security and other taxes	461	435	461	408
Amounts owed to Group undertakings	-	-	100	71
Accruals	6,611	6,279	6,591	6,009
Deferred income	310	383	310	357
Loans	57	55	37	36
Other payables	-	4	-	2
	13,250	11,632	13,293	11,192
Income tax	4	5	4	5
At 31 March	13,254	11,637	13,297	11,197

b) Non - current

Loans	261	318	114	151
At 31 March	261	318	114	151

Trade and other payables reported above include:

c) Public sector balances

	Group		VisitScotland	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Current				
Local Authorities	394	123	394	123
Other Central Government bodies	475	461	475	433
At 31 March	869	584	869	556
Non - current				
Local Authorities	97	125	97	125
Other Central Government bodies	17	26	17	26
At 31 March	114	151	114	151

17 LOANS

a) Group

	Non - current			Total 31 March 2011 £'000	Non - current			Total 31 March 2010 £'000
	Current	Between	After		Current	Between	After	
	Within	1 - 5 years	5 years		Within	1 - 5 years	5 years	
	1 year	£'000	£'000		1 year	£'000	£'000	
City of Edinburgh Council	21	80	-	101	19	101	-	120
Scottish Enterprise A	7	15	-	22	7	22	-	29
Scottish Enterprise B	2	2	-	4	2	4	-	6
Aberdeen Council Loans Fund	6	18	-	24	8	24	-	32
Clydesdale Bank plc	21	97	49	167	19	91	76	186
Total Loans	57	212	49	318	55	242	76	373

b) VisitScotland

City of Edinburgh Council	21	80	-	101	19	101	-	120
Scottish Enterprise A	7	15	-	22	7	22	-	29
Scottish Enterprise B	2	2	-	4	2	4	-	6
Aberdeen Council Loans Fund	7	17	-	24	8	24	-	32
Total Loans	37	114	-	151	36	151	-	187

Details of individual loans:

	Maturity Date	Rate of Interest %		Loan information
		Fixed	Variable	
City of Edinburgh Council	Jan 2015	11.20		Standard security over Edinburgh Visitor Information Centre
Scottish Enterprise A	Jan 2014	7.00		Standard security over Jedburgh Visitor Information Centre
Scottish Enterprise B	Mar 2013	7.00		Standard security over Jedburgh Visitor Information Centre
Aberdeen Council Loans Fund	Mar 2016		4.74%	Unsecured composite loan(s).re;5 properties (TIC's) in region.
Clydesdale Bank plc	Nov 2017		1 Month LIBOR +1.52%	Standard security and a floating charge over Oban TIC

18 OTHER BORROWINGS

Group and VisitScotland

Finance lease obligations are payable as follows:

	Minimum lease payments £'000	Future finance charges £'000	Present value of lease obligations £'000
Within one year	613	(232)	381
Between one and five years	2,452	(785)	1,667
After five years	2,668	(183)	2,485
At 31 March 2010	5,733	(1,200)	4,533
Within one year	613	(209)	404
Between one and five years	2,429	(582)	1,847
After five years	2,078	(177)	1,901
At 31 March 2011	5,120	(968)	4,152

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

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

As at 31 March 2011, the finance lease obligations are recorded at their present value at an average interest rate of **6.0%** (2010 : 6.0%)

19 OPERATING LEASES

a) Operating lease agreements where the Group is lessee

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

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

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Leasehold properties				
Not later than one year	1,481	1,479	1,421	1,419
After one year but not more than five years	3,835	4,285	3,835	4,046
After five years	4,163	5,295	4,163	5,066
At 31 March	9,479	11,059	9,419	10,531

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Leasehold plant & equipment				
Not later than one year	88	110	87	100
After one year but not more than five years	54	94	54	94
After five years	-	-	-	-
At 31 March	142	204	141	194

b) Operating lease agreements where the Group is lessor

The Group, and VisitScotland, undertakes sub-lets of various premises to third parties on a rolling annual renewal basis, prior to arranging formal non-cancellable leases of between 1 and 5 years.

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

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Not later than one year	332	237	332	237
After one year but not more than five years	-	1	-	1
After five years	-	-	-	-
At 31 March	332	238	332	238

20 POST - RETIREMENT BENEFITS

Group and VisitScotland

a) British Tourist Board's Pension Scheme (BTBPS)

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme, contracted out of the State Second Pension Scheme, and includes other tourist boards.

A full actuarial valuation was carried out using membership data as at 1 April 2009, and the results of that valuation have been projected to 31 March 2011 by Xafinity Consulting Limited, qualified independent actuaries. The next formal valuation is due 31 March 2012.

During the year ended 31 March 2011, a contribution of **22.3%** (2010:15%) of pensionable salaries was paid. This included employees' contributions of 5%, and employers' contributions of 17.3%. In addition, employers made contributions towards the deficit plan. The contributions paid by VisitScotland for the year to 31 March 2011 were **£1,358,000** (2010:£924,000). The rate to be paid during the year 31 March 2012 by Employers is **17.3%**, plus the deficit contributions due in accordance with the recovery plan.

Early retirement and enhanced pension liabilities are accounted for under International Accounting Standard 37 'Provisions, Contingent liabilities and Contingent assets' (IAS 37), and are disclosed in Note 22.

The actuaries report on the Funded status of VisitScotland's share of the Scheme reflected a liability of **£6.52** million (2010: £11.88 million). It was reported that whilst there was a small investment gain over the year of £697,000, there were two principal reasons for the improvement in the status of the Fund;

- i) Actuarial gains arising from changes in assumptions (other than CPI / RPI see below).
- ii) The Government has changed the inflation measure used to revalue deferred pensions, and to increase pensions in payment. In particular, statutory inflation and pension increases are now linked to Consumer Price Inflation (CPI) rather than Retail Price Inflation (RPI). For the Scheme, the impact affects deferred benefits and pensions earned in respect of service before April 1997, and leads to a reduction in liabilities.

In overall terms the impact on the Scheme of a change to CPI is a reduction of £3.2 million in the liabilities, and a corresponding actuarial gain of the same amount. Following consultation with actuarial advisors, the Directors have considered the rules of the pension scheme and associated members' literature and have concluded, in the absence of a constructive obligation, that this is a change in assumptions and so have recognised the resulting credit as an actuarial gain.

From a sensitivity perspective, the overall impact of a reduction of 0.5% in the discount rate would increase VisitScotland's net deficit in respect of the Scheme to £11.2 million from that of £6.5 million, and that of a 0.5% increase in the discount rate would reduce its assessed deficit to £2.5 million.

20 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

a) British Tourist Boards' Pension Scheme (continued)

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

As at 31 March	2011 % p.a.	2010 % p.a.
Inflation assumption	2.80 CPI	3.80 RPI
Rate of increase in pensionable salaries	4.60	5.30
Rate of increase for pensions in payment	2.80 CPI	3.80 RPI
<i>The CPI assumption for 2011 has been calculated as RPI less 0.8% p.a.</i>		
Liability discount rate	5.50	5.50

Amounts recognised in the Balance Sheet, and the expected future rates of return on VisitScotland Scheme assets

As at 31 March	2011		2010	
	% p.a.	£'000	% p.a.	£'000
Equities	7.20	23,900	7.40	14,789
Bonds	5.50	5,531	5.50	13,653
Gilts	4.20	3,554	4.40	-
Property	7.20	3,414	7.40	2,681
Cash	4.20	-	4.40	1,513
Total market value of invested assets		36,399		32,636
Annuities	5.50	3,884	5.50	4,005
Cash	4.20	150	4.40	141
Total fair value of assets (incl annuities)	6.51	40,433	6.34	36,782
Present value of funded liabilities		(46,953)		(48,660)
Net pension (liability)		(6,520)		(11,878)

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

Amounts recognised in the group statement of comprehensive net expenditure

	2011 £'000	2010 £'000
Current service cost	2,381	833
Interest cost	2,673	1,842
Expected return on employer assets	(2,264)	(1,809)
Past service costs	113	137
Losses on curtailments and settlements	-	-
At 31 March	2,903	1,003

20 POST - RETIREMENT PENSION BENEFITS (continued)**Group and VisitScotland****a) British Tourist Boards' Pension Scheme (continued)****Movement in defined benefit liabilities**

	2011	2010
	£'000	£'000
At 1 April	48,660	27,895
Current service cost	2,381	833
Interest cost	2,673	1,842
Contributions by members	346	343
Actuarial (gains) / losses	(6,216)	18,600
Past service costs	113	137
Gains on curtailment	-	-
Death in Service Premiums paid	(27)	(14)
Benefits paid	(977)	(976)
At 31 March	46,953	48,660

Movement in fair value of employer assets

	2011	2010
	£'000	£'000
At 1 April	36,782	28,790
Expected return on assets	2,264	1,809
Contributions by members	346	343
Contributions by employer	1,348	823
Death in service premiums	(27)	(14)
Actuarial / gains	697	6,007
Benefits paid	(977)	(976)
At 31 March	40,433	36,782

Amount recognised in the group statement of comprehensive net expenditure

	2011	2010
	£'000	£'000
Actuarial gains / (losses) on obligations	6,216	(18,600)
Actuarial gains on assets	697	6,007
Surplus brought forward on recognition of defined benefit scheme	-	895
At 31 March	6,913	(11,698)
Cumulative actuarial gains and (losses) recognised	(5,680)	(12,593)

History of experience gains and losses

As at 31 March	2011	2010
	£'000	£'000
Fair value of employer assets	40,433	36,782
Present value of defined benefit obligation	(46,953)	(48,660)
(Deficit)	(6,520)	(11,878)
Experience: Gains on assets	697	6,007
Experience: Gains / (losses) on liabilities	6,216	(18,600)

20 POST - RETIREMENT BENEFITS (continued)

Group and VisitScotland

a Local Government Pension Schemes (LGPS)

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

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

The latest valuation of each LGPS Fund, for the purposes of setting employers' actual contribution was carried out at 31 March 2008 by Hymans Robertson, qualified independent actuaries. The next formal valuation was due as 31 March 2011.

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee's Pensionable pay on 31 March. The contributions paid by VisitScotland for the year to 31 March 2011 were **£925,000** (2010: £707,000).

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

	Contribution Rate %	
	2011	2010
Aberdeen City Council Pension Fund	19.2	19.1
Tayside Superannuation Scheme	18.5	18.5
Falkirk Council Pension Scheme	21.1	21.1
Dumfries and Galloway Council Pension Fund	20.5	20.0
Lothian Pension Fund	14.8	14.8
Strathclyde Pension Scheme	18.2	17.3
Highland Council Pension Fund	19.5	18.6
Highland Council Pension Fund (Western Isles)	17.4	16.5
Fife Council Superannuation Fund	30.9	30.9
Orkney Islands Council Pension Fund	20.4	18.4
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	18.0	18.0

The actuary has projected forward the results of the valuations determined at 31 March 2008 using consistent methods of approximation. In so doing, the actuary has reported that significant changes have taken place in the Fund during the year predominantly due to the following factors:

- i) The deficit has reduced due to positive asset returns and falling long term inflation expectations;
- ii. The deficit has fallen further due to the change in the assumption upon which pension increases are calculated to that of the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI), in accordance with the Chancellor's budget statement on 22 June 2010.

Following consultation with actuarial advisors, the Directors have considered the rules of the pension scheme and associated members' literature and have concluded that this change is a change in benefits, and so have recognised the resulting credit as a reduction in costs of services provided. This has resulted in a reduction in payroll costs of £5.8 million.

The actuary has reported that VisitScotland's share of the Funded status of the Scheme at the year end 31 March was a liability of **£6.64** million, which compares with a liability of £16.23 million last year.

20 POST - RETIREMENT BENEFITS (continued)

Group and VisitScotland

b) Local Government Pension Schemes (LGPS) (continued)

The sensitivity of factors used is highlighted by noting that a reduction in the net discount rate will increase the assessed value of the net liabilities of the Scheme, as a higher value is placed on benefits paid in the future, whereas a rise in the discount rate will have an opposite effect of a similar magnitude. The overall effect of a change in the net discount rate of 0.1% would be to adjust the total liabilities by approximately £972,000, representing a 2.4% movement thereon.

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

As at 31 March	2011 % p.a.	2010 % p.a.	2009 % p.a.
Inflation assumption	2.8 CPI	3.8 RPI	3.1 RPI
Rate of increase in pensionable salaries	4.6	5.3	4.6
Rate of increase for pensions in payment	2.8 CPI	3.8 RPI	3.1 RPI
<i>The CPI assumption for 2011 has been calculated as RPI less 0.8% p.a.</i>			
Liability discount rate	5.5	5.5	6.9

Amounts recognised in the Balance Sheet and the expected future rates of return on the VisitScotland Scheme assets as at 31 March

	2011		2010		2009	
	% p.a.	£'000	% p.a.	£'000	% p.a.	£'000
Equities	7.5	26,724	7.8	24,430	7.0	16,452
Bonds	4.9	4,167	5.0	3,965	5.6	3,559
Property	5.5	2,857	5.8	2,384	4.9	1,908
Cash	4.6	981	4.8	941	4.0	1,016
Total fair value of assets	6.9	34,729	7.3	31,720	6.5	22,935
Present value of funded liabilities		(40,307)		(46,938)		(26,379)
(Deficit)/ surplus in funded plans		(5,578)		(15,218)		(3,444)
Present value of unfunded liabilities		(1,058)		(1,007)		(723)
Net pension (liability)		(6,636)		(16,225)		(4,167)

Amounts recognised in the group statement of comprehensive net expenditure

	2011		2010	
	£'000	% of pay	£'000	% of pay
Current service cost	849	23	430	12
Interest cost	2,462	66	1,876	51
Expected return on employer assets	(2,296)	(62)	(1,498)	(41)
Past service costs	(5,806)	(155)	191	5
Losses on curtailments and settlements	10	-	2	-
At 31 March	(4,781)	(128)	1,001	27

20 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

b) Local Government Pension Scheme (LGPS) (continued)

Movement in defined benefit liabilities

	2011	2010
	£'000	£'000
At 1 April	47,945	27,102
Current service cost	849	430
Interest cost on obligation	2,462	1,876
Contributions by members	243	240
Actuarial losses / (gains)	(3,489)	18,801
Past service (credit) / costs	(5,806)	191
Gains on curtailment	10	2
Estimated unfunded benefits paid	(51)	(47)
Estimated benefits paid	(798)	(650)
At 31 March	41,365	47,945

Movement in fair value of employer assets

	2011	2010
	£'000	£'000
At 1 April	31,720	22,935
Expected return on assets	2,296	1,498
Contributions by members	243	240
Contributions by employer	842	823
Contributions in respect of unfunded benefits	51	47
Actuarial gains / (losses)	426	6,874
Estimated unfunded benefits paid	(51)	(47)
Estimated benefits paid	(798)	(650)
At 31 March	34,729	31,720

Amount recognised in the group statement of comprehensive net expenditure

	2011	2010
	£'000	£'000
Actuarial gains / (losses) on obligations	3,489	(18,801)
Actuarial gains on plan assets	426	6,874
At 31 March	3,915	(11,927)
Cumulative actuarial gains and (losses) recognised	(6,162)	(10,077)

History of experience gains and losses

	Year to 31 March			
	2011	2010	2009	2008
	£'000	£'000	£'000	£'000
Fair value of employer assets	34,729	31,720	22,935	30,062
Present value of defined benefit obligation	(41,365)	(47,945)	(27,102)	(30,569)
(Deficit)	(6,636)	(16,225)	(4,167)	(507)
Experience: Gains / (losses) on assets	426	6,874	(9,493)	(8,375)
Experience: Gains / (losses) on liabilities	3,489	(18,801)	6,017	(3,203)

20 POST - RETIREMENT PENSION BENEFITS (continued)

Group and VisitScotland

c) Total pension scheme charges reflected in group statement of comprehensive net expenditure

	2011	2010
	£'000	£'000
British Tourist Boards' Pension Scheme	1,358	924
Local Government Pension Schemes	925	623
Pension schemes - subsidiary - eTourism Limited	29	38
At 31 March	2,312	1,585

d) Total pension scheme actuarial (gains) / losses recognised in group statement of comprehensive net expenditure

	2011	2010
	£'000	£'000
British Tourist Boards' Pension Scheme	(6,913)	11,698
Local Government Pension Schemes	(3,915)	11,927
At 31 March	(10,828)	23,625

e) As detailed in the Directors' report, VisitScotland is measured on the Resource Outturn *not including* IAS 19 adjustments. This adjustment (funded as AME) is calculated as follows:

	BTBPS	LGPS
Charges reflected in the Group statement of comprehensive net expenditure	2,903	(4,781)
Employer's contributions	(1,348)	(842)
Contributions in respect of unfunded benefits	-	(51)
	<u>1,555</u>	<u>(5,674)</u>
IAS 19 adjustment as disclosed in the Directors' Report		(4,119)

21 FINANCIAL INSTRUMENTS

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

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

This note presents information about the Group and VisitScotland's exposure to each of the above risks.

Further quantitative disclosures are included throughout these accounts.

The Board has overall responsibility for the establishment and stewardship of the risk management framework. The audit committee oversees how management monitors compliance with VisitScotland's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by VisitScotland. The Group, and VisitScotland, has no derivative financial assets or liabilities.

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 17 represent the remaining sources of debt, or borrowing facilities with external parties, incurred by VisitScotland. Liquidity is managed by the use of the annual operating plan process and the monitoring of the actual performance against budgets and forecasts.

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

a) Group

Financial liabilities	Net carrying amount £,000	Contractual cash flows			Total £,000
		Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	
As at 31 March 2010					
Loans	373	55	242	76	373
Other borrowings	4,533	613	2,452	2,668	5,733
Trade and other payables	11,582	11,582	-	-	11,582
Total financial liabilities	16,488	12,250	2,694	2,744	17,688
As at 31 March 2011					
Loans	318	57	212	49	318
Other borrowings	4,152	613	2,429	2,078	5,120
Trade and other payables	13,197	13,197	-	-	13,197
Total financial liabilities	17,667	13,867	2,641	2,127	18,635

21 FINANCIAL INSTRUMENTS continued

Liquidity risk (continued)

b) VisitScotland

Financial liabilities	Net carrying amount £,000	Contractual cash flows			Total £,000
		Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	
As at 31 March 2010					
Loans	187	36	151	-	187
Other borrowings	4,533	613	2,452	2,668	5,733
Trade and other payables	11,161	11,161	-	-	11,161
Total financial liabilities	15,881	11,810	2,603	2,668	17,081
As at 31 March 2011					
Loans	151	37	114	-	151
Other borrowings	4,152	613	2,429	2,078	5,120
Trade and other payables	13,260	13,260	-	-	13,260
Total financial liabilities	17,563	13,910	2,543	2,078	18,531

Credit risk

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

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

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

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

VisitScotland operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. The movement in the impairment provision in respect of financial assets is set out in Note 15 above.

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

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

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

	Group		VisitScotland	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current receivables				
Trade and other receivables	-	-	-	686
At 31 March	-	-	-	686
Current receivables				
Trade and other receivables	5,332	3,424	5,445	3,321
Cash and cash equivalents	7,934	8,465	7,884	7,973
At 31 March	13,266	11,889	13,329	11,294

21 FINANCIAL INSTRUMENTS (continued)

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.

a) Group

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
Fixed interest rate				
At 31 March 2010				
<i>Financial liabilities</i>				
Loans	(28)	(127)	-	(155)
Other borrowings	(381)	(1,667)	(2,485)	(4,533)
Total	(409)	(1,794)	(2,485)	(4,688)
At 31 March 2011				
<i>Financial liabilities</i>				
Loans	(30)	(97)	-	(127)
Other borrowings	(404)	(1,847)	(1,901)	(4,152)
Total	(434)	(1,944)	(1,901)	(4,279)
Variable interest rate				
At 31 March 2010				
<i>Financial assets</i>				
Trade and other receivables	3,424	-	-	3,424
Cash and cash equivalents	8,465	-	-	8,465
<i>Financial liabilities</i>				
Loans	(27)	(115)	(76)	(218)
Trade and other payables	(11,582)	-	-	(11,582)
Total	280	(115)	(76)	89
At 31 March 2011				
<i>Financial assets</i>				
Trade and other receivables	5,332	-	-	5,332
Cash and cash equivalents	7,934	-	-	7,934
<i>Financial liabilities</i>				
Loans	(27)	(115)	(49)	(191)
Trade and other payables	(13,197)	-	-	(13,197)
Total	42	(115)	(49)	(122)

21 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

b) VisitScotland

	Within 1 year £,000	Between 1 and 5 years £,000	After 5 years £,000	Total £,000
Fixed interest rate				
At 31 March 2010				
<i>Financial liabilities</i>				
Loans	(28)	(127)	-	(155)
Other borrowings	(381)	(1,667)	(2,485)	(4,533)
Total	(409)	(1,794)	(2,485)	(4,688)
At 31 March 2011				
<i>Financial liabilities</i>				
Loans	(30)	(97)	-	(127)
Other borrowings	(404)	(1,847)	(1,901)	(4,152)
Total	(434)	(1,944)	(1,901)	(4,279)
Variable interest rate				
At 31 March 2010				
<i>Financial assets</i>				
Trade and other receivables	3,321	686	-	4,007
Cash and cash equivalents	7,973	-	-	7,973
<i>Financial liabilities</i>				
Loans	(8)	(24)	-	(32)
Trade and other payables	(11,161)	-	-	(11,161)
Total	125	662	-	787
At 31 March 2011				
<i>Financial assets</i>				
Trade and other receivables	5,445	-	-	5,445
Cash and cash equivalents	7,884	-	-	7,884
<i>Financial liabilities</i>				
Loans	(7)	(17)	-	(24)
Trade and other payables	(13,260)	-	-	(13,260)
Total	62	(17)	-	45

21 FINANCIAL INSTRUMENTS continued

Interest rate sensitivity analysis

Loans

VisitScotland is party to two contractual loans which are variable as to interest rate risk. A sensitivity exercise carried out against the Loan instruments indicates that:

- i) An annualised increase of 400 basis points from the rate in use at 31 March 2011 would result in an increase in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£6,336** (2010: £7,086).
- ii) An annualised decrease of 100 basis points from the rate in use at 31 March 2011 would result in a decrease in interest chargeable to the statement of comprehensive net expenditure for the ensuing year of **£1,583** (2010 :£1,771).

Cash and cash equivalents

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

	Group	VisitScotland
	100 bps	100 bps
	£'000	£'000
Year end 31 March 2010	71	71
Year end 31 March 2011	59	59

The above sensitivity analyses are for illustrative purposes only.

Currency risk

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

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

21 FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

a) Group	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	5,332	5,332	3,424	3,424
Cash and cash equivalents	7,934	7,934	8,465	8,465
<i>Financial liabilities</i>				
Loans - Fixed interest rate	(127)	(144)	(155)	(179)
Loans - Variable interest rate	(191)	(191)	(218)	(218)
Other borrowings	(4,152)	(4,152)	(4,533)	(4,533)
Trade and other payables	(13,197)	(13,197)	(11,582)	(11,582)
At 31 March	(4,401)	(4,418)	(4,599)	(4,623)

b) VisitScotland	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	5,445	5,445	4,007	4,007
Cash and cash equivalents	7,884	7,884	7,973	7,973
<i>Financial liabilities</i>				
Loans - Fixed interest rate	(127)	(144)	(155)	(179)
Loans - Variable interest rate	(24)	(24)	(32)	(32)
Other borrowings	(4,152)	(4,152)	(4,533)	(4,533)
Trade and other payables	(13,260)	(13,260)	(11,161)	(11,161)
At 31 March	(4,234)	(4,251)	(3,901)	(3,925)

Fair value hierarchy

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

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

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

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

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

Estimation of fair values

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

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

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

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

Loans: The Group and VisitScotland has fixed borrowings with three Government authorities, as designated in Note 17. The fair value of the debt due to these authorities has been calculated based on a discount factor aligned with a weighted average of loan market rates for 5 & 10 year year borrowings. **2011 - 5.00%** : 2010 - 5.00%

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

22 PROVISIONS

Group and VisitScotland

	Pension provision £'000	Early departure costs £'000	Total £'000
At 1 April 2009	157	-	157
Utilised	(16)	-	(16)
Charged / (released)	16	-	16
At 31 March 2010	157	-	157
At 1 April 2010	157	-	157
Utilised	(16)	-	(16)
Charged / (released)	8	-	8
At 31 March 2011	149	-	149

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

23 LOSSES AND SPECIAL PAYMENTS

	2011 £'000	2010 £'000
Group and VisitScotland		
Total losses for the year were:		
Trade bad debts written off	115	88
Special payments	3	9
	118	97

24 CHANGE IN ACCOUNTING POLICY

Group

HM Treasury, under the Clear line of Sight (Alignment Project) removed the cost of capital from budgets and accounts from 1 April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change of accounting policy under IAS 8.

Applying paragraph 31 of IAS 1 and, noting that the removal of the notional cost of capital charge has no effect on the balance sheets, a specific disclosure is not required. The impact on the prior-year outturn statement / statement of comprehensive net expenditure is a charge of £267,000.

	2010 £'000
Net operating cost - as previously stated	49,215
Notional cost of capital - eliminated	(267)
Net operating cost - as re-stated	<u>49,482</u>

25 CAPITAL COMMITMENTS

Group and VisitScotland

There are no capital commitments as at 31 March 2011 (2010; None).

26 CONTINGENT LIABILITIES

Group and VisitScotland

There are no material contingent liabilities as at 31 March 2011 (2010: None).

27 EVENTS AFTER THE BALANCE SHEET DATE

Group and VisitScotland

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

28 RELATED PARTY TRANSACTIONS

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

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

Representative	Company name	Role	Nature of supply	Sales to £'000	Debtor balance £'000	Purchases from £'000	Creditor balance £'000
Manus Fullerton	Royal Zoological Society of Scotland	Chairman	Ed' burgh Pass sales / costs	3	-	28	-
Dr. Lesley Sawers	Glasgow City Marketing Bureau	Director	Rent and marketing promotions	591	70	59	26
	Scottish Council for Development & Industry	CEO	Grant awards			11	-
	Business Club Scotland	Director	Membership & event sponsorship			50	-
	The Big Partnership Limited	Director	Grant award			24	2
Willie Dunn	West Lothian Council	Councillor	PR services	-	-	-	-
Paddy Crerar	Various hotels within following trading companies;-		Miscellaneous	35	-	-	-
	Crerar Hotels Limited	Chairman	Group accommodation,	21	7	-	-
	North British Trust Hotels Limited		Room hire, Marketing &	15	5	6	-
	City Inns (First Stop Hotels Limited)		sponsorships, etc.,	3	-	6	-
	Crerar Mgt Limited (Swallow Hotels)			1	-	-	-
Stephen Carter	De Vere Hotels Limited	Director	Marketing promotions	8	2	2	-
				677	84	186	28

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

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

Independent auditor's report to 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 2011 set out on pages 20 to 66. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the HM Treasury Financial Reporting Manual 2010-11.

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 Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 17, the Accountable Officer is responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the accounts

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

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and VisitScotland's affairs as at 31 March 2011 and of the group's net operating cost for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the HM Treasury Financial Reporting Manual 2010-11; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers.

Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000

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

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

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary included in the Annual Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the accounts and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

DJ Watt

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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 (FRoM) 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.

A handwritten signature in black ink, appearing to read "John A. Brown", with a horizontal line underneath it.

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