

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. Accounting policies

The main accounting policies of VisitScotland are set out below.

Basis of preparation

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

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

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

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

Basis of consolidation

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

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

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

Funding

Most of the expenditure of VisitScotland is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund. All income that is not classed as funding is recognised in the period in which it is receivable. Funding for the acquisition of general fixed assets received from the Scottish Government is credited to the general fund. Funding received from any source for the acquisition of

specific assets is credited to the government grant reserve and released to the operating cost statement over the life of the asset.

Income

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

Fixed assets and depreciation

Valuation

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

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

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

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

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

Capitalisation

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

Depreciation

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

Tangible:

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

Intangible:

Software licences	-	4 years
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Intangible assets

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

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

Goodwill

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

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

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

Stocks

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

Foreign currencies

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

Grants paid

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

Leases

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

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

Retirement benefits

VisitScotland employees are members of either a Scottish local government pension scheme (“the Schemes”) or the British Tourist Boards’ Pension Scheme (“BTBPS”). All existing and new members of staff have the option of joining either the Lothian local government pension scheme or the BTBPS.

Local government pension schemes

The Schemes are defined benefit pension schemes providing benefits based on final pensionable pay, which are contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Schemes are held separately from those of VisitScotland. The Schemes’ assets are measured using market values and the Schemes’ liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Schemes are calculated so as to spread the cost of pensions over employees’ working lives with VisitScotland. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the Schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Schemes after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Schemes is recognised in the profit and loss account on a systematic basis over the expected average remaining lives of members of the funds in accordance with financial reporting standard 17 ‘retirement benefits’ and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

British Tourist Boards’ Pension Scheme

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

Notional costs

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

Taxation

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

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

Deferred tax

In accordance with FRS 19 Deferred tax, full provision is made for tax assets and liabilities arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation.

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

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

Value added tax

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

Corporation tax

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

Corresponding amounts

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

Provisions

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

Related party transactions

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

Losses and special payments

Operating expenditure includes certain losses which would have been made good through insurance cover had VisitScotland not been bearing its known risks. Losses and special payments are disclosed in note 25 to the accounts.

2. Board Members and staff costs

a) All employees:

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

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

b) Board Members' remuneration included above:

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

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

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

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

3. Retail and Commercial income

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

4. Other income

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

5. Other operating costs

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

6. EventScotland

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

7. Operating Costs

Group

2009
£000

2008
£000

The following have been included in operating costs:

Auditors' remuneration:

Amounts payable for the audit of these accounts	75	69
Amounts payable to the external auditor for non-audit services	13	1
Amounts payable to the external auditor for audit of subsidiary	23	-
Amounts payable to other auditors for audits of other subsidiaries	3	5
Rentals – operating leases	2,288	2,206
Interest payable	32	26
Trade bad debts - written off	117	38
- increase/(decrease) in provision	29	137

8a) Group - tangible fixed assets

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

Depreciation

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

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

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

8c) VisitScotland - tangible fixed assets

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

8 d) VisitScotland - intangible fixed assets

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

9. Goodwill

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

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

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

10. Fixed Asset Investments

VisitScotland

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

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

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

Group

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

11. Stocks

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

12a. Debtors

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

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

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

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

All debtors are denominated in GB pounds.

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

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

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

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

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

12b. Debtors - intra-government balancesAmounts falling due
within one year

Group	VisitScotland
£000	£000

Balances with other central government bodies	310	310
Balances with Local Authorities	1,122	1,122
Balances with bodies external to government	4,799	4,270
At 31 March 2009	6,231	5,702

Balances with other central government bodies	-	-
Balances with Local Authorities	750	750
Balances with bodies external to government	5,162	5,088
Balances with inter-company	1,014	1,083
At 31 March 2008	6,926	6,921

13. Creditors: amounts falling due within one year

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

All creditors are denominated in GB pounds.

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

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

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

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

13b. Loans

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

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

13c. Creditors - intra-government balances

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

14. Government Grant Reserve

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

15. British Tourist Boards' Pension Scheme

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme including other tourist boards where the employers' contributions are affected by a surplus or deficit in the scheme, but each employer is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. VisitScotland is accounting for BTBPS on a defined contribution basis under the multi-employer exemption permitted by financial reporting standard 17 'retirement benefits' (FRS17).

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

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

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

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

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

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

16. Local Government Pension Scheme (LGPS)

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

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

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

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

The consolidated assumptions and calculations for the schemes are:

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

Assets (employer)	Long term return at 31 Mar 2009 % p.a.	Assets at 31 Mar 2009 £000	Long term return at 31 Mar 2008 % p.a.	Assets at 31 Mar 2008 £000	Long term return at 31 Mar 2007 % p.a.	Assets at 31 Mar 2007 £000
Equities	7.0%	16,452	7.7%	21,799	7.8%	22,229
Bonds	5.6%	3,559	5.7%	4,256	4.9%	3,931
Property	4.9%	1,908	5.7%	2,939	5.8%	3,066
Cash	4.0%	1,016	4.8%	1,068	4.9%	988
Total	6.5%	22,935	7.1%	30,062	7.1%	30,214

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

Recognition in the operating cost statement

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

Reconciliation of defined benefit obligation

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

Reconciliation of fair value of employer assets

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

Amounts for the current and previous accounting periods

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

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

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

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

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

17. Provisions for liabilities and charges

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

18. Operating lease commitments

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

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

19. Corporation Tax

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

20. General fund

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

21. Performance against key corporate financial targets

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

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

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

22. Related party transactions

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

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

VisitScotland has undertaken £76,374 (2008 £8,131) worth of transactions on an arms-length basis with Gleneagles Hotel which is registered as a business interest by the Chairman Peter Lederer. There was no balance outstanding as payable to Gleneagles at 31 March 2009. With the exception of the transactions described above, none of the other Board Members, key management staff or other related parties has undertaken any material transactions with VisitScotland during the year.

23. Revaluation reserve

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

24. Unrealised investment appreciation reserve

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

25. Notes to the Group cash flow statement

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

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

b) Analysis of change in net funds

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

26. Losses and special payments

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

27. Capital commitments

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

28. Financial Instruments

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

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

Liquidity risk

Liquidity risk is the risk that VisitScotland will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. VisitScotland's primary source of funds is the grant in aid provision from the Scottish Government. The loans highlighted in Note 13 represent the remaining sources of debt, or borrowing facilities with external parties, incurred by VisitScotland.

Liquidity is managed by the use of the annual operating plan process and the monitoring of actual performance against budgets and forecasts. There is no information for the carrying amount or contractual cashflows at the present time.

The table below details the contractual maturities of financial liabilities.

	Group			
	Carrying amount £000	Contractual cashflows £000	Within one year £000	After more than one year £000
Financial liabilities				
Trade and payable	-	-	11,260	373
	-	-	11,260	373

	VisitScotland			
	Carrying amount £000	Contractual cashflows £000	Within one year £000	After more than one year £000
Financial liabilities				
Trade and payable	-	-	10,500	187
	-	-	10,500	187

Credit risk

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

VisitScotland carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk VisitScotland will have from any single counter party. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

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

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

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

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

Market risk

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

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

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

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

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

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

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

VisitScotland does not hold any other variable rate financial instruments.

Currency risk

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

Fair Values

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

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

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

29. Fair value of acquisition

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

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