

Scottish Tourist Board

Foreword to the Accounts for the Year Ended 31 March 2003

Statutory background

The Scottish Tourist Board was established under the Development of Tourism Act 1969. The Board's principal functions under the 1969 Act are to encourage British people to take holidays in Scotland, to encourage the provision and improvement of tourist facilities and amenities in Scotland, and to advise Government and public bodies on matters relating to tourism in Scotland. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for the Board to market Scotland overseas. The Scottish Tourist Board now trades under the name of VisitScotland.

Format of accounts

The accounts and supplementary notes have been prepared in accordance with directions made by the Scottish Ministers in accordance with Section 6(1) of the Development of Tourism Act 1969.

Sources of finance

During the year to 31 March 2003 the Board was funded primarily by grant-in-aid from the Scottish Executive Education Department. In addition the Board received income from commercial activities and joint ventures with the trade, public and private sector interests.

Developments during the year

Our primary purpose is about what we can do, as the national tourism organisation, to generate jobs and wealth for Scotland through the promotion and development of tourism. During 2002/03 we continued to build on the radical restructuring and repositioning of the business which began in 2001/02. Our core activities were focused on building a successful brand for Scottish tourism, providing the industry with routes to market, offering the industry guidance and support to improve quality and service and promoting a greater understanding of the industry.

We have continued to roll-out a new marketing strategy, both in the UK and overseas, which is based on a clear understanding of market trends, scale of opportunity and a sound appreciation of our existing and prospective consumers' aspirations and needs. Our new visitscotland.com joint venture with eTourism Limited is an integral part of our strategy for marketing Scotland as a "must visit – must return" destination. The joint venture has gone from strength to strength from its launch earlier this year. visitscotland.com and our work with the industry on joint campaigns and marketing opportunities reflects our ambition to secure increased economic benefit through close partnership working with other stakeholders.

We have achieved increased participation in our Quality Assurance Schemes during the course of the year. We have been working increasingly with tourism businesses and other agencies on product development to ensure that the visitor experience is aligned with the marketing promise and provides consumers with quality and value for money. Our efforts in this regard continue to be more through encouragement and influence than direct intervention.

Results

The results for the year are contained in the attached accounts. The Board received £33,189,000 grant-in-aid from the Scottish Executive this year, a decrease of £ 7,470,000. However last year's grant-in-aid included additional funding following the foot and mouth outbreak. We have again supported the areas most badly affected by foot and mouth with additional grant aid, and have also provided Area Tourist Boards with further funding to assist with modernising systems and introducing e-commerce.

The Board's Income and Expenditure Account for the year showed a deficit of £966,000 (last year surplus £1,145,000). The deficit was due to £1,250,000 received in grant-in-aid in 2001/02 not being utilised for our investment in the eTourism Ltd joint venture until 2002/03.

Fixed assets

Computer equipment and software for visitscotland.com was transferred to our joint venture company, eTourism Limited during the year.

The addition of £151,000 to fixed assets during the year was mainly investment in information technology to enhance scotexchange.net, introduce an intranet, support increased capacity and improve fault tolerance.

We also invested £957,000 in TourCo Limited (representing 51% of its capital), and the Area Tourist Board network invested a further £919,000 by means of funds provided to us by the Scottish Executive through grant-in-aid.

Payment of Creditors

The Board operates a prompt payment policy in line with the Better Payment Practice Code. The target for payment of invoices to creditors is within 30 days, and the Board achieved a success rate of 93% during the year.

Relocation

Our lease for the main office premises in Ravelston Terrace, Edinburgh expires on 31 March 2005. The Scottish Executive require the Board to review its office location as part of its policy to disperse public sector jobs throughout Scotland. The review will involve a full options appraisal and extensive consultation with our staff.

Board Members

Board Members who served during the year were:

Peter Lederer OBE (Chairman)

Donald Anderson

Pat Buchanan

Michael Cantlay

Donal Dowds

Brian Houston

Sheena Kitchin (retired 30 September 2002)

Alex Pagett (appointed 1 December 2002)

Employee Involvement

The Scottish Tourist Board works in partnership with staff and the Public and Commercial Services Union. Regular formal and informal meetings take place on matters of mutual interest.

The Board is committed to the continued development of equal opportunities, and prohibits any discrimination over gender, race or national origin, religious belief, sexual orientation, disability or age. We take a proactive approach towards the recruitment, induction, training and development of employees.

Opportunities for employment, development and progression are based solely on ability, qualifications, skills and experience.

Auditors

The accounts of the Board are audited by an auditor appointed by the Auditor General for Scotland in accordance with Section 6(4) of the Development of Tourism Act 1969.

Philip Riddle

Chief Executive

Scottish Tourist Board

7 July 2003

Statement of Board's and Chief Executive's Responsibilities

Under section 6(1) of the Development of Tourism Act 1969 the Scottish Tourist Board is required to prepare a statement of accounts in the form and on the basis determined by the Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Board are required 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 have been followed, and disclose and explain any material departures in the financial statements;
4. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accountable Officer for the Scottish Executive Education Department has designated the Board's Chief Executive as the Accountable Officer for the Scottish Tourist Board. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accountable Officer Memorandum and published in Government Accounting.

Statement on Internal Control

As Accountable Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of Scottish Tourist Board policies, aims and objectives, set in conjunction with the Scottish Executive, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve 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 Scottish Tourist Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The necessary procedures were already in place at March 2003 for implementation of Scottish Executive guidance in full in 2003/04.

Risk management has been incorporated more fully into the corporate planning and decision making processes of the organisation. Risk management and internal control will in future be reported to the Board on a regular basis during the year.

The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control and managers are required to make regular reports on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

In addition to the actions mentioned above, the Board has,

- identified and kept up to date the record of risks facing the organisation,
- reported progress against key performance and risk indicators, and
- developed an organisation-wide risk register.

Scottish Tourist Board has an internal audit function, which operates to standards defined in the Government Internal Audit Manual. Internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Board who have responsibility for the development and maintenance of the internal control framework. I also take into account comments made by the external auditors in their management letter and other reports.

Philip Riddle

Chief Executive

Scottish Tourist Board

7 July 2003

Income and Expenditure Account

for the year ended 31 March 2003

	Notes	£000	Previous Year £000
Income			
HM Government – Grant-in-Aid	2	33,038	40,483
Amortisation of capital grant	15	134	456
Income from revenue-earning activities	4	3,578	2,918
Other income	5	478	290
		37,228	44,147
Expenditure			
Staff costs	3	5,927	6,585
Expenditure on revenue-earning activities	4	20,317	20,790
Other operating costs	6	6,295	6,975
Area Tourist Boards	7	5,764	8,766
		38,303	43,116
Operating (deficit)/surplus on ordinary activities before taxation	8	(1,075)	1,031
Corporation tax	18	(20)	(27)
		(1,095)	1,004
Add back notional cost of capital charged under other operating costs		129	141
(Deficit)/surplus for the year	19	(966)	1,145

Statement of Total Recognised Gains and Losses

	Notes	£000	Previous Year £000
(Deficit)/surplus for the year		(966)	1,145
Arising on revaluation	23	32	4
		(934)	1,149

The notes on pages 27 to 40 form part of these accounts.

Balance Sheet
at 31 March 2003

	Notes	£000	Previous Year £000
Fixed Assets			
Tangible assets	9a	237	495
Intangible assets	9b	72	69
Investments	10	957	–
		1,266	564
Current Assets			
Stocks	11	117	136
Debtors	12	3,481	2,120
Cash at bank and in hand		686	5,340
		4,284	7,596
Creditors			
Amounts falling due within one year	13	(3,720)	(5,321)
		564	2,275
Net Current Assets			
		1,830	2,839
Total Assets Less Current Liabilities			
Creditors			
Amounts falling due after one year	14	(144)	(219)
		1,686	2,620
Financed by			
Income and Expenditure Account	19	1,611	2,577
Revaluation Reserve	23	75	43
		1,686	2,620

Philip Riddle

Chief Executive

Scottish Tourist Board

7 July 2003

The notes on pages 27 to 40 form part of these accounts.

Group Income and Expenditure Account

for the year ended 31 March 2003

	Notes	£000	Previous Year £000
Income			
HM Government – Grant-in-Aid	2	33,038	40,483
Amortisation of capital grant	15	134	456
Income from revenue-earning activities	4	3,578	2,918
Other income	5	869	290
Joint Venture income		(219)	–
		37,400	44,147
Expenditure			
Staff costs	3	5,927	6,585
Expenditure on revenue-earning activities	4	20,317	20,790
Other operating costs	6	6,467	6,975
Area Tourist Boards	7	5,764	8,766
		38,475	43,116
Group operating (deficit)/surplus on ordinary activities before taxation	8	(1,075)	1,031
Share of Joint Venture operating loss		(278)	–
Share of Joint Venture interest payable		(33)	–
Corporation tax	18	(20)	(27)
		(1,406)	1,004
Add back notional cost of capital charged under other operating costs		129	141
		(1,277)	1,145
Minority interest		152	–
Group (deficit)/surplus for the year	19	(1,125)	1,145

Statement of Total Recognised Gains and Losses

	Notes	£000	Previous Year £000
(Deficit)/surplus for the year		(1,125)	1,145
Arising on revaluation	23	32	4
		(1,093)	1,149

The notes on pages 27 to 40 form part of these accounts.

Group Balance Sheet
at 31 March 2003

	Notes	£000	Previous Year £000
Fixed Assets			
Tangible assets	9a	237	495
Intangible assets	9b	72	69
		309	564
Investments: Joint Venture			
Share of gross assets		2,168	–
Share of gross liabilities		2,455	–
		(287)	–
Current Assets			
Stocks	11	117	136
Debtors	12	5,332	2,120
Cash at bank and in hand		687	5,340
		6,136	7,596
Creditors			
Amounts falling due within one year	13	(3,720)	(5,321)
		2,416	2,275
Net Current Assets			
		2,438	2,839
Total Assets Less Current Liabilities			
Creditors			
Amounts falling due after one year	14	(1,063)	(219)
		1,375	2,620
Financed by			
Income and Expenditure Account	19	1,452	2,577
Revaluation Reserve	23	75	43
Minority interest		(152)	–
		1,375	2,620

Philip Riddle

Chief Executive

Scottish Tourist Board

7 July 2003

The notes on pages 27 to 40 form part of these accounts.

Group Cash Flow Statement

for the year ended 31 March 2003

	£000	Previous Year £000
Net cash (outflow)/inflow from operating activities	(4,579)	5,177
Returns on investments and servicing of finance		
Interest received	105	131
Minority interest	(152)	–
Taxation		
Corporation tax paid	(27)	(14)
Capital expenditure and financial investment		
Payments to acquire fixed assets	(151)	(176)
Financing		
Government grants received	151	176
(Decrease)/increase in cash	(4,653)	5,294

Notes to the Cash Flow Statement

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

Operating (deficit)/surplus	(1,075)	1,031
Joint Venture share of loss	(159)	–
Amortisation of government grants	(134)	(456)
Notional cost of capital charge	129	141
Depreciation	214	516
Loss on disposal of fixed assets	35	–
Decrease in stock	19	–
Share of Joint Venture net liabilities	287	–
(Increase)/decrease in debtors	(3,212)	2,195
(Decrease)/increase in creditors	(578)	1,881
Interest received	(105)	(131)
Net cash (outflow)/inflow from operating activities	(4,579)	5,177

b) Analysis of change in net funds

	At 1 April 2002 £000	Net Cash Outflow £000	At 31 March 2003 £000
Cash at bank and in hand	5,340	(4,653)	687

Notes to the Accounts
for the year ended 31 March 2003

1. Accounting Policies

The main accounting policies of the Board are set out below.

Accounting Convention

The accounts are prepared under the historical cost convention, modified by the inclusion of:

- a) Tangible fixed assets at their value to the business by reference to current costs; and
- b) stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value,

and on an accruals basis. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

Basis of Consolidation

The Group accounts consolidate the accounts of the Board and its subsidiary and joint venture interests.

Fixed Assets and 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:

Tangible:

Fixtures and fittings	– over 10 years
Non-PC office equipment purchase	– over 6 years
PC equipment and data processing equipment	– over 4 years

Intangible:

Software Licences	– over 4 years
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Tangible Fixed assets are valued for current cost using indices provided by the Office for National Statistics.

Fixed Asset Investments:

An investment made in TourCo Limited during the year is included in the accounts at cost. TourCo Limited is a subsidiary of Scottish Tourist Board. TourCo Limited has an interest in the joint venture company eTourism Limited. Scottish Tourist Board Group accounts therefore include the results of eTourism Limited using the gross equity accounting method.

Notes to the Accounts

for the year ended 31 March 2003

Government Grants

Grants received from HM Government by way of cash Grant-in-Aid for operating purposes are credited to income in the year to which they relate.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Government grants for assistance to tourism projects under Section 4 of the Development of Tourism Act 1969 ceased in June 1993.

Stocks

Stocks of saleable publications and promotional items are stated at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred on disposal.

Historical cost includes costs incurred in bringing each product to its present location and condition, on a first-in, first-out basis.

Costs incurred in producing free issue brochures and obtaining promotional items for which no selling price is charged are written off to the Income and Expenditure Account 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.

All exchange differences are taken to the Income and Expenditure Account.

Recoverable Grants

It is the policy of the Board to recover grants to tourist projects made under Section 4 of the Development of Tourism Act 1969 where the conditions attaching thereto have been breached and no acceptable alternative conditions can be implemented.

Recoverable grants are refundable to HM Government as and when received, therefore no provision is required against any recoverable grants which are considered doubtful.

Leases

All leases are regarded as operating leases and the total payments made under them are charged to the Income and Expenditure Account on a straight line basis over the lease terms.

Change in Accounting Presentation

The constituent parts of Income and Expenditure summarised in note 6 Other Operating Costs have been amended to reflect Scottish Tourist Board's current activities. As a result of the commencement of the joint venture with eTourism Limited some new costs for the provision of information services including call handling have arisen which were previously undertaken by Scottish Tourist Board staff. In addition costs for the development of the visitscotland.com website and associated costs for the creation of a Public Private Partnership have reduced considerably. Following restructuring there is no longer a Futures and Strategy department and most of their activities are now undertaken under the heading of Product Development.

Disclosure of Fixed Assets in note 9 has been revised to fully reflect the value of the fixed assets to the business by reference to current costs. In addition Software licences are now shown under Intangible Assets in line with new accounting guidance.

Pensions

The Board participates in the British Tourist Boards' pension scheme which is a defined benefit scheme. Pension fund liabilities are assessed by independent professionally qualified actuaries at triennial valuations. In accordance with the requirements of Statement of Standard Accounting Practice No 24 pension costs are charged against the Income and Expenditure Account using actuarial valuation methods intended to spread the pension cost evenly over the average service lives of the current employees in the scheme.

In accordance with Financial Reporting Standard 17, appropriate disclosures have been made in respect of pension scheme assets and liabilities.

Notional Costs

Notional Cost of Capital has been calculated at 6% of the average of total assets less total liabilities during the year as required by Scottish Executive guidelines.

Value Added Tax

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

Notes to the Accounts
for the year ended 31 March 2003

2. HM Government Grants Received

	£000	Previous Year £000
Grant-in-Aid	33,038	40,483
Capital grant received included as deferred income (see note 15)	151	176
	33,189	40,659

3. Board Members and Staff Costs

	£000	Previous Year £000
a) All Employees:		
Salaries	5,337	5,172
Social security costs	374	424
Pension contributions (see note 16)	49	61
Pension scheme costs	7	9
Redundancy	160	919
	5,927	6,585

Salaries and social security costs include £616,000 and £17,000 respectively (2002 £737,000 and £70,000) for skilled staff on short term contracts for visitscotland.com

	£000	Previous Year £000
b) Board Members' Remuneration included above:		
Chairman	8	8
Other Board Members	47	46
	55	54

The Chairman and Board Members are not members of the Board's Pension Scheme. Their remuneration fell within the following ranges:

	Gross Salary £000
Peter Lederer (Chairman)	5 – 10
Donald Anderson	5 – 10
Pat Buchanan	5 – 10
Michael Cantlay	5 – 10
Donal Dowds	5 – 10
Brian Houston	5 – 10
Alex Pagett (appointed 1 December 2002)	0 – 5
Sheena Kitchin (retired 30 September 2002)	0 – 5

c) Chief Executive's Remuneration:

Philip Riddle is a member of the Board's Pension Scheme. His total actual remuneration was £138,766 (2002 total £89,871 for part year from 16 July 2001) including £3,696 taxable benefits, £1,200 pension contributions and £8,870 bonus. Under the terms of his contract of employment an annual bonus, subject to performance review by the Remuneration Committee, of up to 15% of salary is payable.

d) Senior Management Salary and Pension Entitlement (see also note 16)

	Age	Remuneration £000	Real Increase in Pension at 60 £	Total Accrued Pension at 60 at 31 March 2003 £
P Riddle – Chief Executive	50	138	1,652	2,750
H Hall – Director of Corporate Services	44	86	1,412	2,279
M Roughead – Director of Marketing	43	84	1,423	2,507
W Macleod – Director of Industry Services	55	84	1,401	2,052

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

	No.	Previous Year No.
Marketing	75	64
Industry Services	72	76
Corporate Services	52	51
visitscotland.com project	12	24
	211	215

Employee numbers are full-time equivalents based on an annual average of numbers paid each month. Previous year figures have been adjusted to reflect the restructuring of departments during 2002. The 24 skilled staff on short term contracts for the visitscotland.com project were transferred to the new joint venture company during the year.

Notes to the Accounts
for the year ended 31 March 2003

4. Revenue-Earning Activities

	Income £000	Expenditure £000	Surplus/(Deficit) £000
Current Year			
Saleable board publications	371	279	92
Free board publications	822	2,034	(1,212)
Advertising and promotion	1,238	17,725	(16,487)
Quality Assurance	1,147	279	868
	3,578	20,317	(16,739)
Previous Year			
Saleable board publications	368	314	54
Free board publications	705	2,116	(1,411)
Advertising and promotion	1,284	18,077	(16,793)
Quality Assurance	561	283	278
	2,918	20,790	(17,872)

The principal objective of the Board is the promotion of Scotland as a holiday destination. In furtherance of this objective the Board spends a substantial sum on advertising, promotion, and the production of free publications which is not recovered from trade partners. Accordingly the Board incurs a deficit on these activities.

Expenditure does not include staff costs or any allocation of overheads.

5. Other Income

	£000	Previous Year £000
Information centres	111	98
Visitor Services initiatives	3	13
visitscotland.com	217	–
Monitoring Research	13	9
Futures and Strategy	–	14
Product Development	8	–
Bank interest	106	133
Rent	20	19
Miscellaneous	–	4
Scottish Tourist Board other income	478	290
Share of subsidiary income	391	–
Group other income	869	290

6. Other Operating Costs

	£000	Previous Year £000
Information Centres	612	446
Information Services – call handling	348	–
Visitor Services initiatives	490	429
visitscotland.com	258	609
Public Private Partnership	137	901
Tourism related environmental initiatives	–	300
Monitoring Research	920	466
Futures & Strategy	–	195
Product Development	172	–
Travel and hospitality expenses	1,044	931
Accommodation, equipment and office expenses	1,884	1,632
Restructuring	52	409
Depreciation charge	146	516
Additional Depreciation arising on revaluation	68	–
Loss on disposal of fixed assets	35	–
Notional cost of capital	129	141
Scottish Tourist Board other operating costs	6,295	6,975
Share of subsidiary costs	172	–
Group other operating costs	6,467	6,975

The Board continues to have an interest in the former Scottish Travel Centre. Expenditure of £82,736 (2002 £63,973) is included in Information Centres. The expenditure is principally rent.

7. Assistance to Area Tourist Boards

	£000	Previous Year £000
General purpose grants	3,305	3,494
Assistance for implementation of visitscotland.com	920	–
Assistance for investment in joint venture	919	–
Assistance for foot & mouth recovery	–	2,792
Additional assistance for foot & mouth recovery:		
Dumfries & Galloway Tourist Board	280	850
Scottish Borders Tourist Board	240	240
Additional financial support	100	1,390
	5,764	8,766

The Board made the following contributions to bodies other than Area Tourist Boards during the year.

	£000	Previous Year £000
Taste of Scotland	5	5

Notes to the Accounts
for the year ended 31 March 2003

8. Operating Surplus

	£000	Previous Year £000
This is stated after charging:		
Board Members' remuneration (see note 3b)	55	54
Auditors' remuneration	27	31
Travel, subsistence and hospitality:		
Chairman and other Board Members	70	48
Other employees	973	883
Rentals – operating leases	771	729
Bad debts – written off	44	31
– decrease in provision	(23)	(47)

9a) Tangible Fixed Assets

At Cost

	Fixtures, Fittings £000	Equipment Purchased		Total £000
		IT £000	Other £000	
1 April 2002 at valuation	722	632	664	2,018
Additions at cost	10	72	22	104
Disposals	(166)	(383)	(266)	(815)
Revaluation adjustment	(13)	(201)	13	(201)
31 March 2003 at valuation	553	120	433	1,106

Depreciation

1 April 2002	585	408	530	1,523
Disposals	(153)	(198)	(254)	(605)
Charge	27	36	39	102
Revaluation	14	(196)	31	(151)
31 March 2003	473	50	346	869

Net Book Value

At 1 April 2002	137	224	134	495
At 31 March 2003	80	70	87	237

Fixed Asset disposals include the sum of £167,000 for assets transferred to eTourism Limited under the joint venture agreement.

9b) Intangible Fixed Assets

At Cost

	Software £000
1 April 2002 at valuation	236
Additions at cost	47
31 March 2003 at valuation	283

Depreciation

1 April 2002	167
Charge	44
31 March 2003	211

Net Book Value

At 1 April 2002	69
At 31 March 2003	72

10. Fixed Asset Investments

The Board owns £510 (51%) of the issued share capital of TourCo Limited, a company formed to invest in the e-commerce joint venture company eTourism Limited. There is also an interest-free loan to TourCo Limited of £956,250.

11. Stocks

	£000	Previous Year £000
Saleable publications published by the Board	117	136
	117	136

The replacement cost of stocks would not be materially different from that shown above.

12. Debtors

	£000	Previous Year £000
Trade debtors	1,137	1,115
Provision for doubtful debts	(48)	(72)
	1,089	1,043
HM Government (taxation)	96	94
Prepayments and accrued income	2,066	783
Sundry debtors	45	40
Loan to Ayrshire & Arran Tourist Board	160	160
Loan to Taste of Scotland	25	–
Scottish Tourist Board debtors	3,481	2,120
Other loans	1,851	–
Group debtors	5,332	2,120

The loan to Ayrshire & Arran Tourist Board has been rescheduled and is repayable in annual instalments from 2005 to 2010 commencing in June 2005. Taste of Scotland Loan is repayable in seven monthly instalments.

Notes to the Accounts

for the year ended 31 March 2003

during 2003. The sum of £1,851,000 is a loan to TourCo Limited repayable after more than one year.

13. Creditors: Amounts falling due within one year

	£000	Previous Year £000
Trade creditors	1,131	2,042
Accruals	2,318	2,872
H M Government – other taxation and social security	135	168
Corporation tax	20	27
Deferred income (see note 15)	116	212
	3,720	5,321

14. Creditors: Amounts falling due after more than one year

	£000	Previous Year £000
Deferred Income (see note 15)	144	219
Scottish Tourist Board total	144	219
Loan from ATBCo Limited	919	–
Group total	1,063	219

15. Deferred Income on Capital Grants

	£000	Previous Year £000
At 1 April 2002	431	711
Capital grant received in year (see note 2)	151	176
	582	887
Amortisation in the year	134	456
Disposals	188	–
At 31 March 2003	260	431
Creditors: Amounts falling due within one year	116	212
Creditors: Amounts falling due after one year	144	219
	260	431

16. Pension Scheme

The Board is a participant in the British Tourist Boards' defined benefit pension scheme. An actuarial valuation was carried out using membership data as at 1 April 2001 and updated to 31 March 2003. It is not possible to split the scheme's assets between individual Boards.

The major assumptions used in valuing the liabilities are given below:

Assumptions	As at 31 March 2003	As at 31 March 2002
Discount rate	5.4%	5.9%
Inflation	2.5%	2.8%
Salary increases	4.0%	4.5%
Increases to pension in payment in line with RPI	2.5%	2.8%
Mortality before retirement	Per Annuity mortality tables AM80/AF80	Per Annuity mortality tables AM80/AF80
Mortality after retirement	90% PMA92/PFA92 (C=2020)	PMA80/PFA80 (C=2015)

The assets in the scheme and the expected rate of return were:

	As at 31 March 2003 £000	As at 31 March 2002 £000
Cash Accumulation Policy	7.5% 98,254	7.5% 109,720
Secured pensions in payment	5.4% 26,672	5.9% 25,248
Secured deferred annuities	5.4% 123	5.9% 102
Total market value of assets	125,049	135,070
Present value of scheme liabilities	133,537	111,429
(Deficit)/surplus in the scheme	(8,488)	23,641

Scottish Tourist Board's share of the deficit is £1,817,000.

Commentary

The scheme shows a deficit on the FRS17 valuation. This is mainly due to the change in the basis and the fall in the surrender value of the cash accumulation policy, reflecting the general fall in the market value of equities over the year. The above figures have been prepared in accordance with a statutory accountancy basis.

It should be noted that the scheme was last reviewed by the Actuary as at April 2001 (in line with the standard actuarial basis) when the position for the scheme as a whole (including all participating employers) was:

On-going funding level:	169% (surplus £55m)
Minimum Funding Requirement (MFR) basis:	161% (surplus £41m)

Since then, contributions have been paid in accordance with the recommendation of the Actuary. A further review is due as at April 2003, the result of which will be available later in the year. The Actuary had confirmed that it is not necessary to review the contribution levels prior to the results of that valuation being available.

Notes to the Accounts

for the year ended 31 March 2003

During the year ending 31 March 2003, a contribution rate of 6% of pensionable salaries was paid. These contributions included 5% employees' contributions.

Pensions paid to two previous Chairmen and two pre-scheme employees are not funded but are a direct charge on Grant-in-Aid. The total unfunded liability for pensions in payment is £168,000.

The charge for pension costs in the year is as follows:

	£000	Previous Year £000
Pension scheme charge	33	45
Pre-scheme pensioners and previous Chairmen	16	16
	49	61

There is no charge or provision in the accounts for or on behalf of pensions to Board Members.

17. Operating Lease Commitments

	£000	Previous Year £000
The existing operating lease contracts of the Board give rise to the following annual obligations on leases relating to land and buildings due to expire:		
Under one year	88	–
In one to five years	295	383
Over five years	355	346
	738	729

18. Corporation Tax

	£000	Previous Year £000
Provision for corporation tax at 19% (2002 20%) on bank interest received during the year	20	27

19. Income and Expenditure Account

	£000	Previous Year £000
At 1 April 2002	2,577	1,432
(Deficit)/surplus for financial year	(966)	1,145
Scottish Tourist Board balance at 31 March 2003	1,611	2,577
Joint Venture share of loss	(159)	–
Group balance at 31 March 2003	1,452	2,577

20. Performance Against Key Corporate Financial Targets

Key corporate financial targets are set out annually in the Board's Business Plan. Performance against those targets for the year to 31 March 2003 was:

	Target £000	Actual £000
Budgets (not to be exceeded)		
– total expenditure	35,149	35,069
– expenditure on running costs	5,847	5,868
– Quality Assurance – net cost	783	803
External partnership funding (to be maximised)	3,625	3,623

The figures above are disclosed in accordance with Scottish Executive guidelines and are therefore not directly comparable to figures shown in these accounts.

21. Capital Commitments

	£000	Previous Year £000
Contracted	–	3

22. Related Party Transactions

Scottish Tourist Board is a Non-Departmental Public Body sponsored by the Scottish Executive.

The Scottish Executive is regarded as a related party. During the year, Scottish Tourist Board has had various material transactions with the Scottish Executive and with other entities for which the Scottish Executive is regarded as the parent body.

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

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

Notes to the Accounts
for the year ended 31 March 2003

23. Revaluation Reserve

	£000	Previous Year £000
At 1 April 2002	43	39
Movement in year	32	4
At 31 March 2003	75	43

The Revaluation Reserve was established to reflect modified historic cost accounting for fixed assets.

24. Losses and Special Payments

	£000	Previous Year £000
Total losses for the year were:		
Section 4 grants and loans written off	–	79
Trade bad debts written off	44	31
Obsolete saleable publications written off	36	72
	80	182
Special payments made in the year were:		
Paid to Mr R Lynch – Ex-gratia payment	–	25
– Legal fees	–	18
	–	43

Independent Auditor's Report

To the members of the Scottish Tourist Board, the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 22 to 40 under the Development of Tourism Act 1969. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 27 to 29.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Board, the Chief Executive and Auditor

As described on page 20 the Board and the Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of expenditure and receipts. The Board and the Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder and whether, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Scottish Tourist Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 21 complies with Scottish Executive guidance on statements on the system of internal control. I report if, in my opinion, it does not comply with the guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scottish Tourist Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Financial statements

In my opinion the financial statements give a true and fair view of the state of affairs of the Scottish Tourist Board at 31 March 2003 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder.

Regularity

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

Fiona Kordiak CPFA, Chief Auditor

Audit Scotland – Audit Services (East Region)

Osborne House, 1/5 Osborne Terrace

Edinburgh EH12 5HG

11 July 2003

The Scottish Tourist Board Direction by the Scottish Ministers

1. The Scottish Ministers, in pursuance of Section 6(1) of the Development of Tourism Act 1969, hereby give the following direction.
2. The statement of accounts, which it is the duty of the Scottish Tourist Board to prepare in respect of the financial year ended 31 March 2001, and in respect of any subsequent financial year, shall comprise:
 - 2.1 a foreword;
 - 2.2 an income and expenditure account;
 - 2.3 a balance sheet;
 - 2.4 a cash flow statement;
 - 2.5 a statement of total recognised gains and losses;
 - 2.6 a statement of accountable officer's responsibilities; and
 - 2.7 a statement on the system of internal financial control.including such notes as may be necessary for the purposes referred to in the following paragraphs.
3. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year. Subject to this requirement, the accounts shall be prepared in accordance with:
 - 3.1 the accounting and disclosure requirements of the Companies Act for the time being in force; and
 - 3.2 generally accepted accounting practice in the UK, including accounting standards issued or adopted by the Accounting Standards Board; and
 - 3.3 guidance which Scottish Ministers may issue from time to time in respect of accounts which are required to give a true and fair view;
 - 3.4 the accounting and disclosure requirements given in "Government Accounting" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time; and
 - 3.5 the disclosure requirements contained in the "Fees and Charges Guide" (in particular those relating to the need for appropriate segmental information for services or forms of service provided);insofar as these are appropriate to the Scottish Tourist Board and are in force for the financial year for which the statement of accounts is to be prepared.
4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - 5.1 fixed assets at their value to the business by reference to current costs; and
 - 5.2 stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

6. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 6 June 2000 is hereby revoked.

Signed by the authority of the Scottish Ministers

David Wilson

Dated 12 June 2001

Schedule 1

Application of the Accounting and Disclosure Requirements of the Companies Act and Accounting Standards

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the equivalent information relating to Scottish Tourist Board shall be contained in the foreword.
3. When preparing its income and expenditure account the Scottish Tourist Board shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet the Scottish Tourist Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.
5. The Scottish Tourist Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed and dated by the Scottish Tourist Board's Accountable Officer.

Accounting Standards

7. The Scottish Tourist Board is not required to include a note showing historical cost profits and losses as described in FRS3.
8. The Scottish Tourist Board shall not adopt the Financial Reporting Standard for Smaller Entities.

Schedule 2

Additional Disclosure Requirements

1. The foreword shall, *inter alia*:
 - 1.1 state that the statement of accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 6(1) of the Development of Tourism Act 1969.
 - 1.2 include a brief history of the Scottish Tourist Board and its statutory background.
2. The notes to the accounts shall include:
 - 2.1 details of any key corporate financial targets set by the Scottish Ministers together with an indication of the performance achieved, and
 - 2.2 details of the pension arrangements operated by the Scottish Tourist Board and confirmation that the scheme accords with the guidance contained in "Non-Departmental Public Bodies: A Guide for Departments".

Five Year Financial Summary

	2002/03 £000	2001/02 £000	2000/01 £000	1999/2000 £000	1998/99 £000
Income					
HM Government – Grant-in-Aid	33,038	40,483	25,201	19,374	19,651
Tourist projects	–	–	–	3	3
Amortisation of capital grant	134	456	442	188	149
Income from activities	4,056	3,208	4,509	5,389	5,480
	37,228	44,147	30,152	24,954	25,283
Expenditure					
Staff costs	5,927	6,585	5,176	4,687	4,487
Advertising, promotion and other operating costs	26,612	27,765	18,468	16,942	16,692
Area Tourist Boards	5,764	8,766	5,529	3,592	4,395
Tourist projects	–	–	–	3	3
	38,303	43,116	29,173	25,224	25,577
Operating (deficit)/surplus	(1,075)	1,031	979	(270)	(294)
Corporation tax	(20)	(27)	(14)	(10)	(12)
	(1,095)	1,004	965	(280)	(306)
Add back notional costs	129	141	84	63	67
<i>(Deficit)/surplus for year</i>	(966)	1,145	1,049	(217)	(239)
Balance Sheet					
Fixed assets	1,266	564	899	903	1,036
Secured loans	–	–	4	27	52
Other net current assets	564	2,275	967	11	81
	1,830	2,839	1,870	941	1,169
Long term loans and provisions	144	219	399	558	569
	1,686	2,620	1,471	383	600
<i>Financed by:</i>					
Income and Expenditure					
Account	1,611	2,577	1,432	383	600
Revaluation Reserve	75	43	39	–	–
	1,686	2,620	1,471	383	600

Area Tourist Board Income 2002-2003

ATB	Public Sector				Membership		Other private sector/ commercial	Total income	
	LA core grant	VS Grant-in-aid	Specific project	Total	Fees	Other			
	£	£	£	£	£	£	£	£	
AGTB	616,900	273,000	692,151	1,582,051	201,278	155,439	356,718	52,142	1,990,911
ADTB	404,000	119,000	164,319	687,319	27,103	44,015	71,118	105,523	863,960
AILLST	480,607	518,000	1,110,751	2,109,358	235,734	378,351	614,085	957,319	3,680,762
AATB	379,950	198,000	960,098	1,538,048	95,618	35,264	130,882	213,915	1,882,845
DGTB	371,320	135,000	1,178,466	1,684,786	119,115	77,990	197,105	392,020	2,273,911
ELTB	1,406,000	367,000	622,800	2,395,800	467,500	220,600	688,100	1,926,600	5,010,500
GGCVTB	2,358,042	276,000	457,133	3,091,175	325,647	330,774	656,421	507,952	4,255,548
HOST	507,218	729,000	580,188	1,816,406	351,928	338,407	690,335	1,097,418	3,604,159
KFTB	380,000	124,000	334,028	838,028	82,078	85,306	167,384	9,801	1,015,213
OTB	193,000	83,100	71,676	347,776	35,166	109,030	144,196	88,148	580,120
PTB	468,500	165,000	379,502	1,013,002	109,077	153,338	262,415	1,090	1,276,507
SBTB	283,558	135,000	1,052,622	1,471,180	80,561	141,639	222,200	1,515	1,694,895
SIT	150,000	80,000	20,016	250,016	29,920	37,700	67,620	113,050	430,686
WITB	104,050	103,000	409,308	616,358	52,119	49,120	101,239	125,311	842,908
TOTAL	8,103,145	3,305,100	8,033,058	19,441,303	2,212,844	2,156,973	4,369,818	5,591,804	29,402,925

Notes

All data is based on 2002-03 unaudited year-end results and estimated out-turns.

VisitScotland Grant-in-aid data includes payments made and accrued payments to the ATBs.

Abbreviations:

AGTB	Aberdeen & Grampian Tourist Board
ADTB	Angus & Dundee Tourist Board
AILLSTTB	Argyll, the Isles, Loch Lomond, Stirling & Trossachs Tourist Board
AATB	Ayrshire & Arran Tourist Board
DGTB	Dumfries & Galloway Tourist Board
ELTB	Edinburgh & Lothians Tourist Board
GGCVTB	Greater Glasgow & Clyde Valley Tourist Board
HOSTB	Highlands of Scotland Tourist Board
KFTB	Kingdom of Fife Tourist Board
OTB	Orkney Tourist Board
PTB	Perthshire Tourist Board
SBTB	Scottish Borders Tourist Board
SIT	Shetland Isles Tourism
WITB	Western Isles Tourist Board

LA Local Authority

VS VisitScotland