# VISITBRITAIN

# ANNUAL REPORT AND ACCOUNTS

# FOR THE YEAR ENDED 31st MARCH 2008

**Presented to Parliament pursuant to Section 6
of the Development of Tourism Act 1969**

**Ordered by the House of Commons to be printed 17th July 2008**

**HC 806**
**SG2008/116**

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## Operating and Financial Review

## 1. INTRODUCTION

The British Tourist Authority ("BTA") and the English Tourist Board ("ETB") were established under the Development of Tourism Act 1969 ("the Act").

On 1st April 2003, activities of the ETB (trading as the English Tourism Council, "ETC") were merged with those of the BTA and the BTA assumed responsibility for the domestic marketing of England as well as the international marketing of Britain. This remit increased in April 2005 to market England internationally to four key markets of France, Germany, Ireland and the Netherlands. To reflect this enhanced remit, from April 2003 the BTA adopted the new trading name of 'VisitBritain', although it remains incorporated under the Act as the BTA and this is its legal name. Similarly, the ETB remains incorporated under the Act. Throughout the rest of these accounts the name VisitBritain is used to represent BTA incorporating the merged activities of ETC.

## 2. OBJECTIVES

VisitBritain's mission is to build the value of tourism to Britain generating additional revenue throughout Britain and throughout the year by creating world-class brands and marketing campaigns.

VisitBritain has the following goals:

- Promote Britain overseas as a tourist destination
- Grow the value of the domestic market in England by encouraging people in Britain to spend more on tourism throughout the English regions, throughout the year, informed by advice from VisitEngland (formerly the England Marketing Advisory Board "EMAB") and working with private sector, regional and local government partners
- Help the UK tourism industry to address international and domestic markets more effectively
- Provide advice to Government on matters affecting tourism to Britain and contribute to wider Government objectives.

VisitBritain also builds partnerships with, and provides insights to, other strategic national and regional partners that have a stake in the British and English visitor economies. These include the Welsh Assembly, the Scottish Parliament, the nine English Regional Development Agencies and their delivery partners as well as Northern Ireland, Jersey & Guernsey and the Isle of Man – our offshore partners.

## 3. ACCOUNTS DIRECTIONS

The Secretary of State for Culture, Media and Sport, with the approval of the Treasury and in accordance with Section 6(i) of the Development of Tourism Act 1969 has issued Accounts Directions to VisitBritain and VisitEngland. These Directions state how the Annual Accounts should be prepared and what disclosure requirements must be followed. VisitEngland does not receive any income from the Exchequer or from any other source and does not make expenditure decisions. All costs incurred by VisitEngland and all other expenses connected to VisitEngland's work are met from within VisitBritain's resources. VisitBritain is required to disclose all expenditure made on behalf of VisitEngland, specifying separately individual board member's remuneration (see Remuneration Report). Copies of the latest Accounts Directions for both VisitBritain and VisitEngland can be obtained by contacting the Director of Corporate Services at VisitBritain.

## 4. ORGANISATIONAL STRUCTURE

### Corporate Governance

The Board is responsible for ensuring that VisitBritain operates within the terms of the Development of Tourism Act 1969 and complies with statutory and administrative requirements for the use of public funds. The Board is also responsible for establishing the organisation's overall strategic direction within the policy and framework agreed with DCMS and, subsequently, for overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets.

The Board comprises the Chairman, Christopher Rodrigues and eight members. Five are appointed by the Secretary of State for Culture, Media and Sport, one by the Welsh Assembly and two in an ex-officio capacity. In addition there are four observers who attend meetings by invitation.

The VisitEngland Board comprises the Chairman, Hugh Taylor, and six members, all of whom are appointed by the Secretary of State for Culture, Media and Sport. In addition there are four observers who attend the meetings by invitation.

Two sub-committees report to the Board, the Audit Committee, whose members are identified below and the Remuneration Committee whose report is on pages 16 to 21.

| VisitBritain Board Members | Appointed | Appointment Expires |
|---|---|---|
| Christopher Rodrigues, CBE, Chairman** | 01 January 2007 | 31 December 2010 |
| Penelope, Viscountess Cobham, Deputy Chairman * ** | 07 April 2003 | 06 April 2010 |
| Ieuan Evans MBE | 31 March 2007 | 15 May 2009 |
| Janis Kong OBE | 13 February 2006 | 12 February 2010 |
| Peter Lederer CBE ** | 02 April 2001 | 31 March 2010 |
| Sir Moir Lockhead OBE | 11 July 2005 | 10 July 2009 |
| Kumar Muthalagappan* | 01 March 2002 | 28 February 2010 |
| Alan Parker CBE ** | 01 April 2003 | 31 March 2010 |
| Hugh Taylor | 01 April 2003 | 31 March 2009 |

| VisitBritain Board Observers | Position, Organisation |
|---|---|
| Tamara Ingram | Chairman, Visit London |
| Richard Lambert | Director General, CBI |
| Tom McGrath, OBE | Chairman, Northern Ireland Tourist Board |
| Juliet Williams | Chairman, South West Regional Development Agency |

| VisitEngland Board Members | Appointed | Appointment Expires |
|---|---|---|
| Hugh Taylor (Chairman) | 01 April 2003 | 31 March 2009 |
| Suzanne Bond | 01 May 2003 | 30 April 2009 |
| Sir Brian Briscoe | 23 April 2007 | 22 April 2011 |
| Nick Cust | 01 September 2002 | 31 August 2009 |
| John Govett* | 01 May 2003 | 30 April 2009 |
| Rob Rees | 04 May 2007 | 03 May 2011 |
| Christopher Webster | 04 May 2007 | 03 May 2011 |

* Members of VisitBritain's Audit Committee
** Members of VisitBritain's Remuneration Committee

| VisitEngland Board Observers | Position/Organisation |
|---|---|
| James Bidwell | Chief Executive, Visit London |
| Bob Cotton | Chief Executive, British Hospitality Association |
| Ros Pritchard, OBE | Director General, British Holiday and Home Parks Association |
| Sue Wilkinson | Director, National Trust |

The biographies of the members of both Boards are available on our corporate website – http://www.visitbritain.com/corporate/corporategovernance/

| VisitBritain Directors | Appointed |
|---|---|
| Tom Wright CBE, Chief Executive and Accounting Officer | June 2002 |
| Julian Aviss, Director of People and Performance | July 2003 |
| Michael Bedingfield, Director of Marketing | June 2003 |
| Kenny Boyle, Director of Commercial and Marketing Services | March 2003 |
| Sandie Dawe MBE, Director of Strategy and Communications | 1996 |
| David Philip, Director of Corporate Services | June 2001 |

The Directors' biographies can be found on the VisitBritain website at:
http://www.visitbritain.com/corporate/aboutvisitBritain/visitBritainpeople/VisitBritainpeople.aspx

## 5. STAFF

### Employment

Full details of the numbers of employees split between marketing, marketing support and administration are given in note 9 to the accounts.

### Internal Communications

VisitBritain recognises the Public and Commercial Services Union (PCS) as representing the interests of staff in official negotiations. During the year PCS was consulted on a range of issues, including pay, grading issues and organisational change. The PCS union represents staff in grievance and disciplinary cases.

VisitBritain ensures that information is provided to employees and they are consulted on significant matters via an internal intranet facility, staff surveys and regular meetings with senior management of the organisation.

### Pay

VisitBritain operates a performance management system to align individual objectives to the corporate plans. Performance is assessed against targets and demonstration of our competencies and payments are made in relation to achievements. Approval for the annual pay remit was received from DCMS and performance pay increases were implemented for all eligible staff.

### Culture

Over the last five years VisitBritain's culture change programme has worked to embed a high achievement, high support culture which is underpinned by six organisational competencies. All our recruitment, development and reward strategies are based on the practical application of these competencies. Performance of VisitBritain staff is recognised as a vital part of our future success and a comprehensive series of team development events continues to be undertaken to reinforce the desired culture. An annual 360-degree feedback system continues to be rolled out for all Managers and Directors and a shortened version (180-degree) has been developed to extend the process to staff at all levels.

### Training and Development

Our performance management system is aligned to the corporate competencies and includes a workshop on the principles of effective performance management. As part of the process, training and development needs are identified and appropriately satisfied by means of coaching, mentoring and competency-based courses that are directly applicable to the workplace.

Personal Development plans form an important part of this process and all staff are encouraged to take ownership of their own development.

A Comprehensive Executive Development Programme has been put in place to develop and enhance individuals' leadership skills to meet the future needs of VisitBritain.

### Equal Opportunities and Disability

VisitBritain is fully supportive of creating and maintaining an inclusive environment. All employees have equal opportunities for employment and advancement solely on the basis of ability, qualifications and relevant skills and experience for the work. VisitBritain is committed to an environment where there is no discrimination on any grounds including age, gender, racial or national origin, religious belief, sexual orientation or disability.

VisitBritain regularly monitors and reports on a range of staff statistics including gender and ethnic origin.

### Investor in People

VisitBritain is recognised as an Investor in People.

## 6. RESULTS FOR THE YEAR AND OTHER FINANCIAL INFORMATION

### Financial Policy

During the period covered by these accounts, VisitBritain was funded primarily by Grant in Aid from the Department for Culture, Media & Sport (DCMS) under the provisions of the Act. Following the Government's objectives, VisitBritain seeks to ensure that optimum use is made of all resources during the financial year and, so far as is consistent with its objectives, seeks to maximize non-exchequer resources generated through close working partnerships with the private sector and commercial activities.

In October 2007, DCMS announced the result of the Comprehensive Spending Review (CSR). The Grant in Aid awarded to VisitBritain was reduced from £49.9m (2007/08) to £47.9m (2008/09), £45.4m (2009/10) and £40.9m (2010/11). At the same time the Secretary of State announced a review of British Tourism. This is described further in section 9 of this report under “Developments during the year”.

Although the results of the CSR were not known until October 2007, VisitBritain chose to reorganise its British and overseas operations in a proactive move that saw it focusing its activities on the preparations to deliver the benefits of the 2012 Olympic and Paralympic Games and to invest in the fastest growing markets in tourism, which are predominantly in Asia. The costs of the reorganisation are shown separately as an exceptional item in the income and expenditure account.

In December 2009 the VisitBritain head office lease in Hammersmith expires. The various options available are being explored with DCMS/HM Treasury with the assistance of professional advisors.

### Income

VisitBritain’s core grant-in-aid of £49.9m (2006/07 £49.9m) was increased to £50.65m by a one off grant of £750k. This additional funding was used for a targeted domestic campaign, particularly for rural destinations in the light of the cumulative effects of security alerts, foot and mouth disease, flooding and bad weather. The total grant in aid of £50.65m (£49.9m 2007) comprises the promotion of Britain overseas £35.2m (2007: £35.2m), domestic marketing of England £14.15m (2007: £13.4m), promotion of England internationally £1m (2007: £1m) and capital of £300k (2007: £300k).

As stated above, the amounts are taken directly to reserves and do not appear in the income and expenditure account.

During the course of the year the income from non-government funded activities increased by approximately £690k over 2006/7, the most significant elements of which are:

- commercial income from the on-line and off-line activities has increased by £1.4m due to the continuing growth of the online and offline retail activities worldwide offices offset by lower distribution income of 300k.
- income generated from Quality in Tourism from administering the Quality Assessment Schemes rose by £619k;
- a decrease in income for the subsidiaries of £372k from activities which have been absorbed into VisitBritain;
- a reduction in income from exhibitions and fairs of £560k.

### Other Operating Income

The overall small reduction in other operating income of £8k relates to a reduction in other grant receipts (£93k) but is compensated with an increase in service fee and rental income.

### Expenditure

In 2007/8 VisitBritain incurred £2.85m as an exceptional re-organisation charge, the majority of which is related to employee costs and which is shown separately in the income and expenditure accounts. In 2006/7, redundancy and pension enhancement costs amounted to £471k which were not considered exceptional and were accounted for within salary costs.

Other operating charges increased by £1.6m year on year, the main component parts being:

- an increase of £848k spent on direct partnership marketing, media and publicity costs as a result of increased non-government funding and the move away from traditional marketing methods by way of publications;
- increases in commercial costs of £2.4m (matched by increased commercial income mentioned above) and other direct operational costs as a result of increased e-commerce platforms worldwide;
- increase in Quality Assessment Schemes costs of £315k as a result of increased turnover;
- continued reduction in the costs of publishing of £1.2m following the move to more on-line activities;

**Pension Schemes**

Under FRS 17, the valuation of the main pension scheme, the British Tourist Boards Pension Scheme ("BTBPS"), showed a surplus of £30.8m as at 31st March 2008 compared to £5.3m last year. This result is not consolidated into the accounts as the scheme is a multi-employer scheme and VisitBritain is unable to identify its share of the surplus. However, if the result were allocated on the basis of pensionable salaries at 1st April 2008, the estimated share for VisitBritain is a surplus of £10.67m compared to £1.9m last year. This increase in the surplus is mainly attributable to the change in the valuation assumptions applied by the actuary; most notably, the higher discount rate. The FRS 17 method assesses liabilities by reference to corporate bond yields to discount future pension liabilities to present value. The current economic climate (the "credit crunch") drove the corporate bond yield to a level much higher than would normally be expected and this has had an impact of increasing the surplus. The increase in the employers' contribution (from 4.8% in 2006/07 to 10% in 2007/08) was also another contributory factor to this improvement. The employers' contribution rate will continue to be 10% for the foreseeable future. VisitBritain also has an additional pension liability of £302k for pension payments to ex-chairmen which are unfunded and are included on the balance sheet.

The pension scheme in the US continued to show a surplus and the valuation as at 31st March 2008 was £1,114k (£1,227k 31st March 2007) of which £460k (£184k as at 31st March 2007) has been recognised in the accounts as a recoverable surplus. These amounts are equivalent to the present value of future benefits expected. The overall surplus shows a slight decrease but the recoverable amount has increased due to benefit changes (see note 23).

**Fixed Assets**

In accordance with Treasury guidelines the fixed assets have to be re-appraised at their value to the business, using current replacement cost, by adjusting historic cost to current value using price indices. A net adjustment of (£72k) has been recognised in these accounts by increasing the value of fixed assets and a corresponding increase to the revaluation reserve.

During the year VisitBritain disposed of its only freehold premises in Argentina for the sum of £43k.

There were total additions of £466k to tangible fixed assets, of which £300k was funded from grant-in-aid specifically designated for capital expenditure by DCMS and the remaining amount funded by Non Government Funding (NGF). The elements of this spend were additions to leasehold improvements (£196k) for the refurbishment of Britain and London Visitor Centre (BLVC), Thames Tower & overseas offices (Milan, Paris & Madrid). There were also additions to technology hardware of £270k.

**Working Capital**

VisitBritain's strategy is to continue to operate within its Grant-in-aid allocation whilst taking into account the increasing amount of non-government funding being generated. As outlined above under "Financial Policy", the outcome of the CSR 2007 resulted in a reduction of the grant in aid for the years 2008/09 to 2010/11. Accordingly VisitBritain's plans and operations will be drawn up on the basis of the reduced grant in aid taking account of the outcome of the British Tourism Review mentioned above.

The exceptional reorganisation costs of £2.85m incurred in 2007/08 reflect the necessity to review our structures.

The balance of trade debtors has decreased from £5.14m as at 31st March 2007 to £3.77m as at 31st March 2008. This is mainly due to an exceptional high number of sales invoices issued just before year end in 2006/07 compared to 2007/08 and an improvement in debtors' collection days.

The stock value increase is mainly due to the increase in the commercial activities in relation to the opening of a number of additional online shops (see note 17). The higher year end cash/bank balance is also due to increased foreign currency receipts from commercial activities, mainly the online shops (see note 18).

The overall net asset position of VisitBritain has improved by £555k between 2006/07 and 2007/08.

**Treasury Management**

In order to finance its overseas offices, VisitBritain has a requirement to purchase approximately £15m per annum of foreign currency; the biggest amounts being in American Dollars and Euros.

VisitBritain has a Treasury Policy in place, which has been agreed by the VisitBritain Board and Audit Committee. The latter receives reports at each meeting of the Committee on currency purchases and the outstanding position at that time. To manage the risk of currency fluctuation, the Policy requires that up to 70% of the estimated foreign currency requirements are purchased at the start of the financial year, at which time the budgets and currency book keeping rates are established. The balance is purchased during the actual financial year to allow for changes required between currencies and depending on the foreign currency income generated during the year.

The increase in interest received (see note 10) is a result of increasing receipt of funds from the online shops which were placed on overnight deposit, favourable interest rates and better competition in the market between banks.

**Creditor Payments Policy**

VisitBritain is a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and is committed to the payment of its suppliers to agreed terms or within 30 days. From 1st November 1998 the organisation has incorporated into this policy the regulations contained in the Late Payment of Commercial Debts (Interest) Act 1998. There were no claims for interest payment under the terms of this Act in this financial year. During 2007/08 77% (2006/2007 76%) of suppliers' invoices not in dispute were paid within 30 days of receipt.

## 7. PERSONAL DATA MANAGEMENT

In April 2008 the Cabinet Office issued guidance on the reporting of personal data related incidents in the Management Commentary to Departments' Resource Accounts for 2007/8. DCMS has indicated that it wishes such reporting to be included in the Annual Reports of its sponsored bodies and from 2008/9 onwards an explicit mention of the management of information risk will be made in the Statement of Internal Control.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exceptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

The disclosure required is in three areas:

- Summary of protected personal data related incidents formally reported to the Information Commissioner's office in 2007/8;
- Summary of other protected personal data related incidents in 2007/8;
- Number of incidents under the above categories since 2004.

In 2007/8, VisitBritain has had no incidents covered by the first two paragraphs above and is not aware of any incidents in previous years which would result in security breaches.

During the course of 2008/9 VisitBritain will, in conjunction with its internal auditors, be reviewing its existing Data Protection policies, procedures and recording to ensure they reflect the latest Cabinet Office guidance.

## 8. AUDITORS

The audit of VisitBritain's Statement of Accounts by the National Audit Office (NAO) enables the Comptroller and Auditor General to fulfil his statutory duty under the Development of Tourism Act 1969 to lay annually before Parliament certified copies of the accounts and his report. Deloitte and Touché Tohmatsu of Stockholm, Sweden audited the Swedish subsidiary British Travel Centre AB in Stockholm (see note 16).

The fees paid to the NAO and Deloitte for the audit services amount to £52k and £4k respectively. There are no other services provided by the NAO or Deloitte.

As Accounting Officer I confirm that:

- There is no relevant audit information of which the auditors are unaware
- I have taken all the steps I ought to ensure that they are aware of relevant audit information
- I have taken all the steps I ought to establish that VisitBritain auditors are aware of the information.

## 9. DEVELOPMENTS DURING THE YEAR

**Strategic Objectives**

Departmental strategic objectives for VisitBritain are laid down in a Funding Agreement with the Department for Culture, Media and Sport (DCMS). 2007/08 marked the final year in the three-year funding cycle for VisitBritain. This Agreement is driven by DCMS's Departmental Public Service Agreement (PSA) target for tourism, which up to 31st March 2008 was:

- ***To improve the productivity of tourism, creative and leisure industries***

This target was made up of three main objectives and was the basis for all of VisitBritain's work. Each of these objectives had a sub-set of related Funding Agreement targets. The objectives were:

- **Growing the Visitor Economy**

Taken together, travel, hospitality and attractions form Britain's fifth largest industry, worth £85 billion, directly employing over 2.1 million people. This growth brings increased employment opportunities and wider social and economic benefits.

- **Improving Britain's Image Abroad**

VisitBritain uses marketing campaigns and press and public relations activity to support Britain's diverse range of visitor products and services, increasingly with an online focus. VisitBritain also chairs the Public Diplomacy Partners Group and the Welcome to Britain Group.

- **Improving Access for the British Citizen to a better Visitor Product**

VisitBritain works to raise the level of quality of England's accommodation and attractions through its Quality Accreditation schemes. It also improves consumer access to these services through its EnglandNet platform, which provides consumers with a seamless transfer to partners' booking engines.

These public value aims are not mutually exclusive. The majority of VisitBritain's work in any of the three individual areas will create benefits in the other two.

Included in the Funding Agreement were targets by which VisitBritain was measured against the public value aims mentioned above. The objectives and targets form an integral part of VisitBritain's annual business planning cycle. Targets and results against them for 2007/08 are detailed on pages 13 and 14. Results for the 2006/07 financial year can be found between page 14 and 15.

From April 2008, DCMS is responsible for a new Public Service Agreement target which is to:

- Deliver a successful Olympic Games and Paralympic Games with a sustainable legacy and get more children and young people taking part in high-quality PE and sport.

In order to reflect the totality of the work carried out by the Department, a new set of four Departmental Strategic Objectives has been created for the current Comprehensive Spending Review period, two of which relate specifically to VisitBritain. These are:

- Realise the economic benefits of the Department's sectors
- Deliver a successful and inspirational Olympic and Paralympic Games that provide for a sustainable legacy.

To measure success against achieving these objectives, VisitBritain and DCMS have agreed to a new set Funding Agreement targets, which will be used for a one year period. Following this and the results of the Review of British Tourism, a new Funding Agreement will be set to cover the two remaining years of the funding period.

### Funding and Organisational Changes

In October 2007, DCMS announced a three-year funding settlement, in which it awarded VisitBritain Grant-in-Aid of £47.9 million (2008/09) £45.4million (2009/10) and £40.9million (2010/11). This compares with core funding of £49.9million in 2007/08. VisitBritain is also budgeting to generate approximately £23 million from its commercial activities in 2008/09.

This settlement from the Comprehensive Spending Review has reduced the funding that VisitBritain has available to promote both Britain and England. As a result, the previous Secretary of State, James Purnell, requested that VisitBritain leads a review to establish how the organisation could best deliver against four core objectives, working with other publicly funded agencies and within the context of its funding settlement with DCMS.

These core objectives are:

- Marketing England at home and overseas
- Marketing Britain overseas
- Supporting the development of national tourism policies and the resolution of key national tourism issues
- Securing the tourism benefits of the London 2012 Olympic and Paralympic Games.

As well as considering how VisitBritain could deliver these four core objectives, the Review is also identifying opportunities for further private sector funding and commercial revenue generation to help fund overseas tourism marketing in general and the exploitation of the London 2012 Olympic and Paralympic Games.

The Review is seeking input from VisitBritain's partners including VisitScotland, Visit London, VisitWales, Partners for England, the regional development agencies, local authorities, public diplomacy partners, and key industry groups (e.g. Tourism Alliance, British Hospitality Association and British Tourism Development Committee) and is drawing on external resources where appropriate. The Review aims to determine how VisitBritain should work with other agencies to deliver the following key outcomes:

- Effective marketing of tourism assets to create a growing and profitable visitor economy
- Intervention initiatives where market failure exists
- Key support measures needed from Government
- Effective framework and capabilities for VisitBritain
- Identification of resources needed to deliver a durable legacy from the London 2012 Olympic and Paralympic Games
- Unambiguous and agreed roles and responsibilities for all public agencies.

Chaired by Christopher Rodrigues and overseen by VisitBritain's Board, the British Tourism Framework Review committee will report-back its recommendations to DCMS ministers by July. The committee contains of members of the VisitBritain's Board as well as three independent members, Richard Lambert – Director General of the Confederation of British Industry, Nicholas Holgate – Chief Operating Officer of DCMS and Dr Roger Carter – Managing Director of TEAM Tourism Consulting.

## London 2012 Olympic and Paralympic Games

In September 2007 DCMS launched 'Winning: A Tourism Strategy for 2012 and Beyond' with significant input from both VisitBritain and Visit London. Alongside this VisitBritain has continued to develop and refine its strategy to maximise the benefits of the London 2012 Olympic and Paralympic Games for the UK visitor economy, and to build new relationships with key Olympic stakeholders. An Oxford Economics study commissioned by VisitBritain and Visit London forecasts an additional UK tourism benefit from the 2012 Games of £2.1 billion over 10 years. Plans have also been developed to provide a platform for strategic partners at the Beijing 2008 Olympic and Paralympic Games.

## Marketing: Britain

VisitBritain has continued build the value of tourism in Britain by working in partnership with, and provide insights for, those who have a stake in the visitor economy. We have done this by working with partners to produce sub-regional campaigns based on region-wide strategies. These campaigns have been designed at a regional level for delivery across various markets in each hub region. All campaigns have Press and PR and commercial elements to build the Britain brand and to provide a quality range of products and services to improve the consumers' journey.

This year we have started work to evolve and extend the reach of our current international websites by launching a fourth generation of VisitBritain.com, which now has increased functionality with more products/services and improved CRM capabilities.

We have also worked to revitalise key international markets, such as the United States, through our 'be a BRIT different' campaign which aims to highlight new and unexpected things about Britain to challenge misconceptions and inspire Americans to visit Britain now. Similarly in the Japanese market, we have worked to rebuild visitor numbers by communicating a more energetic and vibrant side of Britain, combined with the more traditional brand values of heritage and culture to expand the offer.

VisitBritain has continued to build strong relationships with its strategic partners and continues to work with industry, both in Britain and on territory, through a regular programme of trade events and by providing information and market intelligence. The British Travel Trade Fair will be refreshed in 2009 to become part of a joint trade and consumer show in London. Commercial, media and strategic partners have reacted positively to this new 'Best of Britain' proposal, with its potential larger audience from lifestyle media.

## Marketing England

During the year, the England Marketing Advisory Board (EMAB) made a decision to establish a new stakeholder board for the development and marketing of England's visitor economy, VisitEngland. With its executive team within VisitBritain and in partnership with regional and local tourism agencies through Partners for England, VisitEngland has responsibility for delivering an effective and well coordinated tourism strategy for England.

VisitBritain has continued to raise awareness of the enjoyEngland brand domestically through all of its work by launching fully integrated multi-media marketing campaigns with a greater online emphasis. These included tactical campaigns such as England Rocks! and Storybook England, and thematic campaigns; tasteEngland, outdoorEngland, City Culture and Family Fun. VisitBritain has continued to promote the enjoyEngland brand in France, Ireland, Germany and the Netherlands where we have rolled-out local language versions of England Rocks!, Short Breaks, Relax and Touring campaigns.

We have continued to develop our website as the official site for England. Inspirational content combined with the EnglandNet database, product offer and our online shop have created a more valuable proposition for our customers. The new generation of enjoyEngland.com is also able to carry community content, such as blogs and consumer feedback. VisitBritain is building commercial and bookable products into all of its marketing campaigns to create a strong route to market for our commercial partners.

## Commercial Activity

During the year VisitBritain consolidated its own retail activities and substantially increased its e-commerce business through growth in its own income platforms.

Further increase is anticipated in 2008/9 not only from continued growth in its own operations but also from income created through the release of white label sites to key partners where these platforms will be branded in line with the partner livery but managed by VisitBritain.

The other key commercial activity of publishing has been facing a tougher commercial environment. As VisitBritain moves to a more web based marketing environment and away from print the publishing activity has reduced with elimination of some of its advertising revenue. Equally the publishing market is facing difficult trading conditions with a considerable increase in the use of discounts to move stock and a shortening of sales time by retailers before stock is returned.

VisitBritain now considers this part of the publishing activity unsustainable after taking into account the impact of the CSR decisions and a licensee has been found to take over the publication activity of the directories and lifestyle products paying VisitBritain a premium on the license and then license fees. The risk will then be entirely eliminated. However VisitBritain will still be at risk for returned stock in 2008/9 as the licensee takes over all risks from the publications for which they are responsible in 2009/10.

VisitBritain has also increased the number of businesses using its EnglandNet platform and Quality Accreditation schemes, which offer SMEs a cost-effective route to international and domestic markets. This year, two new quality accreditation programmes have been started to continue to drive up the quality of visitor products. Firstly, VisitBritain launched its National Spa Accreditation Scheme to provide consumers with reassurance and confidence that participating spas have met minimum standards for health and safety, cleanliness and service and that they are committed to improving quality. More recently, Green Start was launched as an entry level programme designed to help make businesses more sustainable, for both accommodation providers and attractions.

All contributions made by VisitBritain's commercial activities are reinvested back into the frontline marketing of Britain.

## Sustainability

VisitBritain has been developing a strategy around the principle of "promoting sustainable businesses and encouraging responsible visitors". This has four work streams that underpin this:

Greening VisitBritain: To ensure that VisitBritain's own operations are sustainable.

An external audit has been carried out to investigate the operational and physical building's environmental impact with a view to developing a strategy for improving the organisation's sustainable performance.

Supporting Government: To actively contribute to the Government's sustainable development commitments.

The organisation has taken an active role in DCMS's carbon footprint project.

Marketing to consumers: To contribute to sustainable development through international and domestic marketing activities.

Sustainable products (accommodation and attractions) can now be searched for on all of the suites of VisitBritain's websites. The products being promoted are certified by an independently validated scheme. Further to this, responsible traveller sections have been added to the suite of VisitBritain websites, which give guidance to visitors on how they can behave in a more sustainable fashion whilst on holiday.

Industry engagement: To encourage the tourism industry to develop more sustainable products and services

Moving the topic of sustainability from a niche activity to mainstream is a key driver for the activities within this work stream. The focus has been initially on accommodation and attractions, but a wider roll out will be considered in the future. The activity includes: -

- Integration of sustainable principles with national quality assessment standards, which has resulted in best practice leaflets for various sectors of the industry.
- An entry level programme, called Green Start, for sustainability for tourism businesses that aims to engage and educate them, whilst preparing them for being certified by an existing sustainable certification programmes, which VisitBritain has undertaken to validate to ensure they are robust and credible.

**2008/09 Priorities**

The following priorities have emerged from VisitBritain's 2008/09 business planning:

- Ensuring that VisitBritain's structure is fit for purpose following the British Tourism Framework Review;
- Building the value of tourism in Britain and England by working in partnership with, and provide insights for, those who have a stake in the visitor economy;
- Evolving and extending the reach of our current websites by increasing their functionality with user-generated content, more bookable products/services and improved CRM capabilities ;
- Mounting a global handover campaign at the Beijing Games, managing VisitBritain's presence, and providing a platform for the nations and regions in Beijing;
- Developing and maintaining private sector and public diplomacy partnerships to extend the brand and build host city/host nation partnerships with Olympic sponsors;
- Promoting and growing participation in all Quality Accreditation Schemes and develop and implement an entry level sustainable tourism accreditation scheme, Green Start;
- Developing proposals for the restructuring of VisitBritain's commercial operations to maximise the benefits of EnglandNet, commercial income and to make savings in infrastructure costs by a more efficient use of resources;
- Managing the successful delivery of the new Best of Britain event, incorporating the British Travel Trade Fair;
- Finalising VisitBritain's Funding Agreement with DCMS for the remaining two years of the funding cycle (2009/10 to 2010/2011);
- Planning for and managing VisitBritain's relocation from Thames Tower and
- Using the Britain and London Visitor Centre as a flagship walk-in centre to provide visitors with information and to showcase the VisitBritain brand

## Outcomes against DCMS Funding Agreement Targets 2007/08

| TARGETS: GROWING THE VISITOR ECONOMY | RESULTS |
|---|---|
| **Incremental Spend and Return on Investment: Britain**<br>International at least £1,065 m<br>ROI of at least 30:1 | Data for incremental spend, return on investment, regional and seasonal spread is not available when the Annual Report and Accounts is published. VisitBritain has agreed with DCMS that it can report these results separately in the autumn. |
| **Incremental Spend and Return on Investment: England**<br>International £30 m<br>ROI of 30:1 | |
| **Regional Spread:**<br>Achieve a regional spread of at least 53% | |
| **Seasonal Spread:**<br>Achieve a seasonal spread of at least 34% | |
| **Incremental Spend for inbound visitors to Scotland and Wales** | In 2006/07, questions on visits to Wales and Scotland were included on all consumer questionnaires to create a picture of incremental spend in these countries. However, sample sizes of visitors have continued to be, in most cases, less than 100 for each inbound country - and so - too low from which to draw any strong conclusions. |
| **Customer Service Standards:**<br>Overseas offices and the Britain and London Visitor Centre achieve a customer standard score of 990 out of 1,200 | VisitBritain achieved a contact standard score of 1,070 against 990 |
| **Investment in VisitBritain's Activities**<br>£23.5 m, including £5m from the private sector | VisitBritain generated non-government income of £22.649m in the year ended 31 March 2008 (for detailed analysis, see notes 3 & 4 of the accounts). This included £6.7 received from the private sector. |
| **Growth in the Visits to the VisitBritain Family of Websites**<br>to 18m | VisitBritain websites received a total of 14m visits and enjoyEngland sites had 6.4m – a total of 20.4m |
| **Growth of the International Database**<br>to 7m | Over 7.87 million high quality entries are now held in VisitBritain's database |

| TARGETS: IMPROVING BRITAIN'S IMAGE ABROAD | |
|---|---|
| **Improve Perceptions of Britain's Image Abroad**<br>4.0 out of 5.0 | The qualitative score was 4.53 out of 5. |

| TARGETS: IMPROVING ACCESS FOR THE BRITISH CITIZEN TO A BETTER VISITOR PRODUCT | |
|---|---|
| **Incremental Spend and Return on Investment: England Domestic**<br>£174.2m<br>ROI of 13:1 | Data for incremental spend, return on investment will be separately reported in the autumn |
| **Increase the Number of Accommodation Providers in the Quality scheme**<br>to 60% | 50% of accommodation providers in England are members of VisitBritain's accommodation quality assessment schemes. VisitBritain is addressing several issues in order to meet its future targets to grow its quality assessment schemes, which include:<br>▪ Cost issues -some SMEs still believe assessment is too costly<br>▪ Other providers claim they get business from the |

| | |
|---|---|
| | "internet" and that star rating schemes are irrelevant<br>▪ Not all destinations/RDPs operate assessed only schemes<br>▪ In some places, such as London and Birmingham, operators already enjoy high occupancy and again find quality assessment to be irrelevant<br>▪ Other operators cite a perceived lack of promotion/customer awareness of quality schemes. |
| **Growth in EnglandNet Providers**<br>to 30,250 | 43,163 providers are on the EnglandNet database |
| **Providers Bookable Online**<br>to 12,000 | 15,593 of these providers can have their products booked online |
| **Partners Signed Up for Polling**<br>to 33% | 59% of our partners are signed-up for polling |

## Updates outcomes against DCMS Funding Agreement Targets 2006/07 (Revised)

| TARGETS: GROWING THE VISITOR ECONOMY | RESULTS |
|---|---|
| **Incremental Spend and Return on Investment: Britain**<br>International at least £1,065 m<br>**ROI of at least 30:1** | In 2006/07 (after targets were set) a comprehensive review of VisitBritain's evaluation methodology was taken to address the following:<br>▪ The recommendations of the 2004 National Audit Office review of our methodology<br>▪ The need to reflect a more conservative approach to measuring the impact of our online activity.<br><br>The review resulted in lower returns on investment but still in excess of the targets set other than in relation to England International's spend (see below).<br>For Britain International, VisitBritain created £1,095m of additional tourism expenditure 2006/07; a return of investment of 31:1. |
| **Incremental Spend and Return on Investment: England**<br>International £30 m<br>ROI of 30:1 | VisitBritain created £19.4m of additional tourism spend for England from the four near European markets of France, Germany, Ireland and the Netherlands. This is a return of investment of 19:1.<br>The impact of the methodology review was greater as enjoyEngland carried out more online marketing campaigns (73% of their total) compared with 44% of England Domestic and 32% for VisitBritain International. |
| **Regional Spread:**<br>Achieve a regional spread of at least 54% | A regional spread result of 57% was achieved. |
| **Seasonal Spread:**<br>Achieve a seasonal spread of at least 35% | A seasonal spread result of 34% was achieved. |
| **Incremental Spend for inbound visitors to Scotland and Wales** | During 2006/07, questions on visits to Wales and Scotland were included on all consumer questionnaires, which have improved the robustness of the sample size over the previous year. This data has provided VisitBritain with more comprehensive results to analyse. |
| **Customer Service Standards:** | |

| | |
|---|---|
| Overseas offices and the Britain and London Visitor Centre achieve a customer standard score of 990 out of 1,200 | VisitBritain achieved a contact standard score of 1,057 against a target of 990. |
| **Investment in VisitBritain's Activities**<br>£21 m, including £4.5m from the private sector | VisitBritain generated non-government income of £21.959m in the year ended 31st March 2007 (for detailed analysis, see notes 3 & 4 of the accounts). This included £6.3m received from the private sector. |
| **Growth in the Visits to the VisitBritain Family of Websites** to 14.5m | VisitBritain websites received a total of 11.9m visits and enjoyEngland sites had 7.8m – a total of 19.8m |
| **Growth of the International Database**<br>to 6.5m | Over 7.1 million entries are now held in the database |

| TARGETS: IMPROVING BRITAIN'S IMAGE ABROAD | RESULTS |
|---|---|
| **Improve Perceptions of Britain's Image Abroad**<br>4.0 out of 5.0 | The qualitative score was 4.48 out of 5. |

| TARGETS: IMPROVING ACCESS FOR THE BRITISH CITIZEN TO A BETTER VISITOR PRODUCT | RESULTS |
|---|---|
| **Incremental Spend and Return on Investment: England Domestic**<br>£174.2m<br>ROI of 13:1 | VisitBritain created £225.3m of additional tourism spend for England from the domestic market in 2006/07. This is a return of investment of 17:1. |
| **Increase the Number of Accommodation Providers in the Quality scheme** to 54% | 49% of the total stock of accommodation in England participated in VisitBritain's quality accreditation scheme at the end of 2006/07. This result, even though lower, is more accurate than in the previous year. This figure will increase in 2007/08 with a greater focus on building the number of serviced and self catering accommodation providers in the scheme. |
| **Growth in EnglandNet Providers**<br>to 27,500 | 30,347 providers are on the EnglandNet database |
| **Providers Bookable Online**<br>to 7,000 | 10,400 of these providers can have their products booked online |
| **Partners Signed Up for Polling**<br>to 33% | 34% of our partners are signed-up for polling |

Tom Wright CBE, Chief Executive
VisitBritain
4th July 2008

## Remuneration Report

*(The figures for the Remuneration Report of the Board and senior executives are within the scope of the Comptroller and Auditor General's audit opinion on the accounts)*

### INTRODUCTION

The information in this report relates to the Chief Executive (Accounting Officer) and Senior Executives of VisitBritain and also includes details of the remuneration of the VisitBritain and VisitEngland Board members.

**Purpose of Remuneration Committee**

- The Board approves the VisitBritain Business Plan which includes Key Performance Indicators and these form the Chief Executive's objectives for that year. On an annual basis his performance against those objectives is assessed and used to inform the Remuneration Committee who decide the level of pay increase and bonus he should get;
- To assist and advise the Chief Executive in assessing the performance of the Directors each year in order to determine their pay increases and bonuses; and
- To consider any matter relating to employees' conditions of service, remuneration and related matters as the Chief Executive or Board may refer to it.

**Membership**

The Committee consists of four members of the VisitBritain Board, including the Chairman of VisitBritain, who are appointed by the Board.

The Committee elects its own Chairman and the quorum of the Committee is three including the Chairman of VisitBritain (who chairs the Remuneration Committee).

The Chief Executive and Director of People & Performance attend meetings of the Committee and the Secretary to the Board is the Secretary to the Committee.

No member of staff, including the Chief Executive, is present when his/her remuneration is being discussed

The members of the Remuneration Committee are:

| | |
|---|---|
| Membership: | Christopher Rodrigues (Chairman of VisitBritain and the Remuneration Committee)<br>Penelope, Viscountess Cobham<br>Peter Lederer<br>Alan Parker CBE |
| Ex-Officio: | Tom Wright CBE (Chief Executive)<br>Julian Aviss (Director of People and Performance) |
| Secretary: | Ros Carey |

**Remuneration Policy for Executives**

Under the terms of the Development of Tourism Act, 1969 and the Financial Memorandum, the conditions of service that VisitBritain offers to its staff, and its pay award scheme, must be approved by the Department for Culture Media and Sport (DCMS). DCMS must, in turn, obtain Treasury approval before agreeing the pay award framework each year. Increasingly, Treasury insists that pay awards should be performance driven. The arrangements for the Chief Executive are slightly different from those that apply to Directors and the rest of the staff but the same principles apply.

**Performance Assessment and Payment**

Performance objectives are mutually agreed at the beginning of the financial year. These consist of a mix of hard numerical / factual objectives and certain behavioural objectives.

These objectives are then monitored and measured (using SMART criteria) over the year and a final performance rating is agreed ranging from 1 – 6.

1. Falls well below performance expectations
2. Not meeting performance expectations
3. Meets most performance expectations but needs further development
4. An effective performance and clearly meets expectations
5. A very effective performance and regularly exceeds expectations
6. An outstanding performance and exceeds expectations in all areas

The Chief Executive, Directors and other Executives are rewarded purely on the basis of performance. There are no automatic annual increments. Reward has two elements: a variable salary increase (assuming effective performance at least) and a performance bonus if performance is very effective.

**Service Contracts**

Contracts are open-ended rolling contracts; notice period is 6 months for the Chief Executive and 3 months for Directors. Termination payments are limited to the notice period unless redundancy is applied in which case a formula is used to calculate the amount of compensation which roughly equates to six months lump sum compensation plus one month's pay for each complete year of service.

**Remuneration of Boards and Senior Executives**

**VisitBritain Board members' remuneration:**

| | Remuneration 2007/08 £ | Remuneration 2006/07 £ |
|---|---|---|
| Christopher Rodrigues (Chairman – Appointed 1st January 2007) | 48,209 | 11,289 |
| Lord Colin Marshall (Chairman to 31st December 2006) | Nil | 36,777 |
| Penelope, Viscountess Cobham (Deputy Chairman) | 21,900 | 21,760 |
| Keith Brooks (Appointed 16th May 2006, retired 24th October 2006) | Nil | Nil |
| Ieuan Evans (Appointed 31st March 2007) | Nil | Nil |
| Janis Kong | 9,160 | 9,100 |
| Peter Lederer | Nil | Nil |
| Sir Moir Lockhead | 9,160 | 9,100 |
| Kumar Muthalagappan | 9,160 | 9,100 |
| Alan Parker CBE | 9,160 | 9,100 |
| Hugh Taylor | Nil | Nil |
| | 106,749 | 106,226 |
| Pensions to former Chairmen | 22,889 | 22,122 |
| Total remuneration | 129,638 | 128,348 |

The Chairman's pension benefits, which are un-funded, are provided through a modification of the British Tourist Boards' Pension Scheme and are paid directly from VisitBritain's own fund.

**VisitEngland Board members' remuneration:**

| | Remuneration 2007/08 £ | Remuneration 2006/07 £ |
|---|---|---|
| Hugh Taylor (Chairman) | 21,900 | 21,760 |
| Suzanne Bond | 9,160 | 9,100 |
| Brian Briscoe (Appointed 22nd April 2007) | 8,615 | Nil |
| Tim Cantle-Jones (Retired 31st December 2006) | Nil | 6,825 |
| Nick Cust | 9,160 | 9,100 |
| John Govett | 9,160 | 9,100 |
| Sir William Lawrence (Retired 31st January 2006) | Nil | 7,583 |
| Rob Rees (Appointed 3rd May 2007) | 8,297 | Nil |
| Brian Summers (Retired 31st December 2006) | Nil | 6,825 |
| Christopher Webster (Appointed 3rd May 2007) | 8,297 | Nil |
| Total remuneration | 74,589 | 70,293 |

**Executives' remuneration**

The salary and pension entitlements of the Executives of VisitBritain are set out in the tables on pages 19 to 21. "Salary" includes gross salary, performance pay and bonuses and any other allowances to the extent that these are subject to UK taxation. These senior members of VisitBritain do not receive overtime or reserved rights to London weighting.

The pension benefits for the Executives are provided through the British Tourist Boards' Pension Scheme (see note 23 to the accounts). A supplementary pension is paid on behalf of the Chief Executive through a Self-Invested Personal Pension Plan.

The Executives contribute 5% of gross salary to the pension scheme.

Tom Wright CBE
Chief Executive
VisitBritain

4th July 2008

**2007/08**

| Name | Age as at 31.03.2008 | Salary including performance pay[1] | Employer pension contributions[2] | Real increase in pension at 60 (£'000) | Total accrued pension at 60 as at 31.03.2008 (£'000) | Cash equivalent transfer value as at 31.03.2007 (£'000) | Cash equivalent transfer value as at 31.03.2008[3] (£'000) | Real increase cash equivalent transfer value (£'000) |
|---|---|---|---|---|---|---|---|---|
| Tom Wright CBE (appointed 1st June 2002) (Chief Executive) | 46 | 183,000[4] | 33,368[5] | 1.9 | 10.9 | 117 | 113 | (4) |
| Julian Aviss (appointed 1st July 2003) (Director, People and Performance) | 60 | 101,698 | 9,163 | 3.2 | 23.9 | 423 | 439 | 16 |
| Michael Bedingfield (appointed 2nd June 2003) (Director, Marketing) | 46 | 101,394 | 9,288 | 1.9 | 8.0 | 80 | 85 | 5 |
| Kenny Boyle (appointed 17th March 2003) (Director, Commercial and Marketing Services) | 42 | 101,386 | 9,287 | 1.9 | 8.4 | 74 | 76 | 2 |
| Richard Britton[6] (appointed 1st February 2005) (Head of Technology/Digital) | 33 | 76,186 | 7,280 | 1.6 | 4.3 | 23 | 28 | 5 |
| Sandie Dawe MBE (appointed 1996) (Director, Strategy and Communications) | 52 | 101,523 | 9,299 | 2.9 | 39.1 | 590 | 513 | (77) |
| David Philip (appointed 1st January 2002) (Director, Corporate Services) | 59 | 104,766 | 9,597 | 2.0 | 10.9 | 178 | 181 | 3 |

[1] Includes performance bonuses for all the Directors.
[2] Following the advice of the actuaries of the Pension Scheme, employer contributions were increased to 10% from 4.8% with effect from 1st April 2007.
[3] A cash equivalent transfer value (CETV) is a lump sum value in today's terms of the rights accrued within a member's pension scheme. It assumes the member is leaving service and makes a pension transfer of the pension fund to an alternative pension arrangement. Historically the CETV was computed by reference to factors calculated by the Government Actuary's Department (GAD), the main components of which are mortality rate and market conditions in relation to the rate used to discount the future liability but from 1st January 2008 those factors are not linked to the GAD but specific to the scheme itself. Therefore, the CETV as at 31st Mach 2008 is lower compared to the previous years.
[4] Includes performance bonus of £20,000.
[5] Includes additional contribution of £22,088 to a Self Invested Personal Pension Plan (SIPP).
[6] Following a re-organisation Richard Britton became Head of the Digital department with effect from 1st July 2007 but resigned on 30th April 2008.

**2006/07**

| Name | Age as at 31.03.2007 | Salary including performance pay[1] | Employer pension contributions[2] | Real increase in pension at 60 (£'000) | Total accrued pension at 60 as at 31.03.2007 (£'000) | Cash equivalent transfer value as at 31.03.2006 (£'000) | Cash equivalent transfer value as at 31.03.2007[3] (£'000) | Real increase cash equivalent transfer value (£'000) |
|---|---|---|---|---|---|---|---|---|
| Tom Wright CBE (appointed 1st June 2002) (Chief Executive) | 45 | 177,874[4] | 26,082[5] | 2.4 | 9.1 | 88 | 117 | 29 |
| Julian Aviss (appointed 1st July 2003) (Director, People and Performance) | 59 | 97,161 | 4,189 | 4.2 | 20.6 | 340 | 423 | 83 |
| Michael Bedingfield (appointed 2nd June 2003) (Director, Marketing) | 45 | 97,466 | 4,128 | 2.2 | 6.1 | 53 | 80 | 27 |
| Kenny Boyle (appointed 17th March 2003) (Director, Commercial and Marketing Services) | 41 | 97,959 | 4,186 | 2.2 | 6.5 | 50 | 74 | 24 |
| Richard Britton (appointed 1st February 2005) (Head of Technology) | 32 | 74,089 | 3,376 | 1.4 | 2.7 | 12 | 23 | 11 |
| Sandie Dawe MBE (appointed 1996) (Director, Strategy and Communications) | 51 | 98,240 | 4,313 | 4.7 | 36.2 | 517 | 590 | 73 |
| Roger Johnson (appointed 1st April 1998, Retired 31st December 2006) (Director, Britain International) | 60 | 80,684 | 3,583 | 2.4 | 58 | 1,196 | 0 | 0 |

[1] Includes performance bonuses for all the Directors.
[2] Following the advice of the actuaries of the Pension Scheme, employer contributions were increased to 4.8% from 2.9% with effect from 1st April 2006.
[3] A cash equivalent transfer value (CETV) is a lump sum value in today's terms of the rights accrued within a member's pension scheme. It assumes the member is leaving service and makes a pension transfer of the pension fund to an alternative pension arrangement. The CETV is computed by reference to factors calculated by the Government Actuary's Department (GAD), the main components of which are mortality rate and market conditions in relation to the rate used to discount the future liability. The factors had not been revised for a number of years until 1st April 2005. As a result the factors have increased by some 30% to 50% since 31st March 2005 (the exact percentage increase depends on the age of the individual). This accounts for the major increase of the CETV value in the current year. These factors are similar to the assumptions used by the actuary for the main scheme as outlined in note 23 of the FRS 17 report.
[4] Included accrued performance bonus of £21,844 (actual payment was £20,000).
[5] Includes additional contribution of £20,869 to a Self Invested Personal Pension Plan (SIPP).

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| David Philip (appointed 1st January 2002) (Director, Corporate Services) | 58 | 101,378 | 4,451 | 2.4 | 8.9 | 131 | 178 | 47 |
| Torvald De Coverley Veale (appointed 1st May 2006, resigned 20th January 2007) (Director, Britain International) | 46 | 116,850[1] | 3,475 | 0 | 0 | 0 | 0 | 0 |

[1] Includes contractual compensation for loss of office £27,500.

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008

## STATEMENT OF VISITBRITAIN'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Section 6(1) of the Development of Tourism Act 1969, the Secretary of State for Culture, Media and Sport, with the consent of the Treasury, has directed VisitBritain to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of VisitBritain and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive as Accounting Officer of VisitBritain. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding VisitBritain's assets, are set out in Chapter 3 of "Managing Public Money" issued by the Treasury in October 2007.

Tom Wright CBE
Chief Executive
VisitBritain

4th July 2008

# CORPORATE GOVERNANCE:

# STATEMENT ON INTERNAL CONTROL

## 1. SCOPE OF RESPONSIBILITY

The Accounting Officer for the Department for Culture, Media and Sport (DCMS) has designated me, in my role as Chief Executive of VisitBritain, as the Accounting Officer for VisitBritain.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of VisitBritain's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am also responsible for ensuring that proper records are maintained as set out in the Non-Departmental Public Bodies Accounting Officer Memorandum, issued by Treasury and published in Government Accounting.

My responsibility to ensure compliance with the requirements of VisitBritain's Management Statement and Financial Memorandum and Funding Agreement with DCMS is supported by regular meetings between the Chairman and myself with the Secretary of State for Culture, Media and Sport and the Minister for Culture, Creative Industries and Tourism. These meetings cover updates on the implementation of our strategic objectives, help formulate our future business direction and highlight the inherent risks and opportunities in implementing our policies.

These meetings are supplemented by a regular dialogue by myself and my executive team with officials at the DCMS.

## 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 and prioritise the risks to the achievement of VisitBritain's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control has been in place in VisitBritain for the year ended 31st March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

## 3. CAPACITY TO HANDLE RISK

VisitBritain aims to manage risk at a reasonable level to achieve and add value to its policies, aims and objectives. We do not aim to eliminate all risk but we do aim to eliminate surprises and to reduce risk to such a level as is reasonably practicable.

The Board monitors the significant risks to achieving our strategic goals and has delegated to the Audit Committee the responsibility for ensuring risk management is embedded throughout the organisation and appropriate training is given to support this.

The risk management process is led by the Director of Corporate Services with input from a Risk Advisory Group as appropriate.

The formal "Risk Management Policy and Guidelines" are available to all staff and give detailed guidance on responsibilities and management of risk. The Risk Advisory Group champions risk management in VisitBritain and advises managers on best practice.

## 4. THE RISK AND CONTROL ENVIRONMENT

### Control Environment

VisitBritain's strategy is to recognise that good risk management can add value to its work by increasing the likelihood that it will achieve its objectives and targets and by enabling it to take action to reduce the impact if something goes wrong. It also enables it to exploit opportunities in a managed way. It should help in using resources more effectively and lead to better decision making and management of its business.

### Risk Management Framework

We have identified four levels at which risk needs to be managed and controlled in VisitBritain.

- Strategic/Corporate
  This is the level at which we manage risks that threaten our ability to meet our strategic goals and targets, including Funding Agreement targets. It is the responsibility of the Board supported by the Executive, Audit Committee and the Risk Advisory Group to manage and control risk at this level.

- Directorate
  At this level we manage risks that threaten the ability of the Divisions to deliver their strategies and business plans and to meet their divisional targets.

- Support/Crosscutting risks
  At this level we manage the risks which are identified by one division but which are 'owned' by another.

- One-off projects and campaigns
  At this level we manage the risks that threaten our ability to deliver significant projects and campaigns which need to be dealt with in more detail than is possible at the strategic, departmental and support levels.

In addition, VisitBritain has continued to develop and test its business continuity planning for a range of crises. In 2007/8 VisitBritain completed a revised business continuity plan, implemented crisis testing exercises with key executives and reviewed data recovery. VisitBritain will continue to develop its planning alongside risk management strategies and crisis communications management. Crisis testing exercises will be held regularly based on a range of scenarios that could have a serious impact on the organisation.

Business continuity planning is an ongoing process which needs to keep pace with staff changes, technology developments and external factors. VisitBritain uses a network of business continuity coordinators, representing each Division, to keep the plan updated and staff throughout the organisation briefed.

A template business continuity plan is now being used by all overseas offices. In 2007/08, the overseas offices have reviewed security procedures and incorporated them into the plans for each office.

Building the resilience of Britain's tourism industry to crises such as acts of terrorism or diseases such as foot and mouth and avian influenza is a key priority. VisitBritain chairs the Tourism Industry Emergency Response (TIER) Group, which ensures a coordinated response to a crisis and has worked very effectively for crisis events such as the bombings on 7th July, 2005. In 2007/08, VisitBritain ran a crisis testing exercise alongside the DCMS and other Government Departments and representatives of 35 tourism organisations and businesses. The exercise resulted in a set of scenario response guidelines and further developed preparedness for events beyond the control of the tourism industry.

## 5. REVIEW OF EFFECTIVENESS

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the Executive Managers within VisitBritain who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and to ensure continuous improvement of the system is in place.

## Oversight and Monitoring

The roles of the Chairman and Board are set out in VisitBritain's Code of Practice for Board Members and the Management Statement. In broad terms, the Board is responsible:

- for setting strategy and subsequently monitoring VisitBritain's performance against this, and the targets set out in the Business Plan and Funding Agreement;

- for ensuring that VisitBritain fulfils its role under the Development of Tourism Act, 1969 and meets the aims and objectives established by the Secretary of State for Culture, Media and Sport as set out in the Funding Agreement;

- for ensuring it takes account of any guidance received from DCMS in reaching its decisions; and complies with statutory and administrative requirements for the use of public funds; and

- for ensuring that high standards of corporate governance are observed at all times within the organisation.

The Chairman regularly reviews the skills and experience of Board Members, who are appointed by the Secretary of State in accordance with the Nolan Procedures, to ensure that they are compatible with the needs of the organisation. If a skills gap arises, this is addressed as soon as a vacancy occurs.

The Board meets seven times a year and, in recent years, an annual, all day workshop to discuss strategic issues has been introduced, timed to fall at the beginning of the business planning cycle, at which Board Members are joined by the Chief Executive and Senior Management Team. In addition, the majority of Board Members are engaged on an on-going basis in sponsoring discrete areas of activity in which their particular expertise is of value.

In July 2007, Board Members and Observers were asked by the Chairman to complete a questionnaire designed to assess the Board's efficiency and effectiveness. Subsequently, the responses were analysed and the Chairman met with the Board Members to discuss the results. No serious concerns were raised and importantly, Board Members confirmed that they felt able to engage in free, frank and open debate and to challenge each other and the Executive team in a constructive atmosphere.

There is an independent Audit Committee chaired by a Board Member with appropriate financial expertise which oversees the control environment and risk management framework and receives reports from our internal and external auditors on our system of internal control.

BDO Stoy Hayward LLP provides VisitBritain's internal audit service. An annual programme of work is agreed with the Audit Committee on those areas which are known to be of higher risk or may be of an innovative nature or where it is appropriate to carry out a more basic review of existing systems.

The work is amended as defined by VisitBritain's continuous review of its needs and as the priorities for management change. The work is regularly reviewed and adapted as necessary with the consent of the Audit Committee.

All work undertaken by BDO Stoy Hayward LLP is operated to the standards defined in the Government Internal Audit Standards. They submit reports that include their independent opinion on the appropriateness and effectiveness of VisitBritain's internal controls, together with their recommendations for improvement. The appropriate managers and directors at VisitBritain provide formal management responses to these recommendations.

In 2007/8 this work covered:

- a review to provide assurance that appropriate procedures exist, and are in operation, to cover aspects of human resources, including control over overseas offices;

- visits to overseas offices to test systems and the self assessment framework;

- a review of the adequacy and effectiveness of processes and controls in publishing services and retail income;

- a review to provide assurance that there is an appropriate framework in place to provide effective governance of VisitBritain; and

- core financial systems.

At the Audit Committee in March 2008 I received the Annual Internal Audit Report for 2007/8. Without giving specific assurance on the effectiveness of the whole system of internal controls within VisitBritain it states that from their involvement as internal auditors the control environment appears to be well supported by various embedded mechanisms and working practices as follows:

- the overall corporate and divisional risk registers which are used to record and assist with the management of key risks;
- across the organisation, risk registers are in a consistent format;
- the quality of papers prepared for Audit Committee meetings and the means by which matters are dealt with in those meetings based on their experience of attending these;
- meetings they have had with senior members of staff indicating a good control culture within the organisation; and
- evidence that the recommendations from previous internal audit reports have, in the main, been addressed by VisitBritain.

In their opinion, and on the assumption that internal audit recommendations are implemented, VisitBritain has a sound framework of control in the areas reviewed which they are satisfied should provide assurance regarding the effective and efficient achievement of VisitBritain's objectives.

### Future Developments

In the year 2008/9 VisitBritain will be strengthening its internal controls by the following work in addition to the annual review of core financial systems:

- visits to overseas offices to seek assurances as to the operation of controls particularly in relation to recruitment and procurement practices;
- follow up the 2007/8 work on human resource procedures;
- review of the operation of the Britain on View Department;
- updating the review of risk management processes;
- review of technology governance and procedures; and
- review of data protection and information security procedures.

## 6. SIGNIFICANT INTERNAL CONTROL PROBLEMS

I am able to confirm that there have been no significant internal control problems in VisitBritain for the year ended 31st March 2008 and up to the date of this report.

Tom Wright CBE

Chief Executive
VisitBritain

4th July 2008

# VISITBRITAIN

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT

I certify that I have audited the financial statements of VisitBritain for the year ended 31st March 2008 under the Development of Tourism Act 1969. These comprise the Group and Parent Income and Expenditure Account, the Group and Parent Balance Sheet, the Group Cash Flow Statement, the Group Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of VisitBritain, the Chief Executive and Auditor**

VisitBritain and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of VisitBritain's and the Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport. I report to you whether, in my opinion, the information, which comprises the Operating and Financial Review, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In addition, I report to you if VisitBritain has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects VisitBritain's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of VisitBritain's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This comprises the Outcomes against DCMS Funding Agreement Targets. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by VisitBritain and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the VisitBritain'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport, of the state of VisitBritain's affairs as at 31st March 2008 and of its deficit for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport; and

- the information given within the Annual Report, which comprises the Operating and Financial Review, is consistent with the financial statements.

**Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Report**

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

9th July 2008

**VISITBRITAIN**

**Group income and expenditure account**

**For the year ended 31st March 2008**

| | NOTES | 2007/08 | 2006/07 |
|---|---|---|---|
| | | £'000 | £'000 |
| Gross Income | | | |
| Income from activities | 3 | 21,287 | 20,589 |
| | | 21,287 | 20,589 |
| Other operating income | 4 | 1,362 | 1,370 |
| Group total income | | 22,649 | 21,959 |
| Expenditure | | | |
| Staff costs | 9 | 17,526 | 19,651 |
| Depreciation | 14 | 734 | 639 |
| Other operating charges | 6 | 52,087 | 50,429 |
| Grant paid to Regional Tourist Boards | 8 | 158 | 155 |
| Gross expenditure | | 70,505 | 70,874 |
| Net expenditure before exceptional items | | (47,856) | (48,915) |
| Exceptional re-organisation costs | 12 | (2,850) | - |
| Net expenditure after exceptional items, before interest & taxes | | (50,706) | (48,915) |
| Interest received and other finance income | 10 | 458 | 259 |
| Notional costs | 11 | (117) | (85) |
| Group net expenditure on ordinary activities | | (50,365) | (48,741) |
| Reverse notional costs | 11 | 117 | 85 |
| Group net expenditure for the financial year | 24 | (50,248) | (48,656) |

The notes on page 35 to 57 form part of the financial statements

# VISITBRITAIN

## Group balance sheet

## As at 31st March 2008

| | NOTES | 2008 | 2007 |
|---|---|---|---|
| | | (£'000) | (£'000) |
| Fixed Assets | | | |
| Tangible assets | 14 | 1,929 | 2,190 |
| | | 1,929 | 2,190 |
| Current Assets | | | |
| Stocks | 17 | 1,501 | 905 |
| Debtors | 19 | 7,377 | 9,272 |
| Cash at bank and in hand | 18 | 1,029 | 742 |
| | | 9,907 | 10,919 |
| Creditors: amounts falling due within one year | 20 | (8,372) | (9,898) |
| Net current assets | | 1,535 | 1,021 |
| Net assets before pension assets and liabilities | | 3,464 | 3,211 |
| Pension assets - USA scheme | 23 | 460 | 184 |
| Pension liabilities - UK unfunded scheme | 23 | (302) | (328) |
| Net assets after pension assets and liabilities | | 3,622 | 3,067 |
| Financed by:- | | | |
| Income and expenditure reserve | 24 | 3,380 | 2,828 |
| Pension (liability) reserve | 25 | (471) | (546) |
| Revaluation reserve | 26 | 713 | 785 |
| | | 3,622 | 3,067 |

The notes on page 35 to 57 form part of the financial statements

Tom Wright
Chief Executive
VisitBritain

04 July 2008

# VISITBRITAIN

## Income and expenditure account

## For the year ended 31st March 2008

| | NOTES | 2007/08 | 2006/07 |
|---|---|---|---|
| | | £'000 | £'000 |
| Gross Income | | | |
| Income from activities | 3 | 20,473 | 19,409 |
| | | 20,473 | 19,409 |
| Other operating income | 4 | 1,426 | 1,468 |
| Total income | | 21,899 | 20,877 |
| Expenditure | | | |
| Staff costs | 9 | 17,526 | 19,538 |
| Depreciation | 14 | 734 | 636 |
| Other operating charges | 6 | 51,344 | 49,491 |
| Grant paid to Regional Tourist Boards | 8 | 158 | 155 |
| Gross expenditure | | 69,762 | 69,820 |
| Net expenditure before exceptional items | | (47,863) | (48,943) |
| Exceptional re-organisation costs | 12 | (2,850) | - |
| Net expenditure after exceptional items, before interest & taxes | | (50,713) | (48,943) |
| Interest received and other finance income | 10 | 458 | 259 |
| Notional costs | 11 | (117) | (86) |
| Net expenditure on ordinary activities | | (50,372) | (48,770) |
| Reverse notional costs | 11 | 117 | 86 |
| VisitBritain net expenditure for the financial year | 24 & 7 | (50,255) | (48,684) |

The notes on page 35 to 57 form part of the financial statements

# VISITBRITAIN

## Balance sheet

## As at 31st March 2008

| | NOTES | 2008 | 2007 |
|---|---|---|---|
| | | (£'000) | (£'000) |
| Fixed Assets | | | |
| Investment in subsidiaries | 16 | 8 | 8 |
| Tangible assets | 14 | 1,929 | 2,190 |
| | | 1,937 | 2,198 |
| Current Assets | | | |
| Stocks | 17 | 1,435 | 803 |
| Debtors | 19 | 7,424 | 9,363 |
| Cash at bank and in hand | 18 | 963 | 641 |
| | | 9,822 | 10,807 |
| Creditors: amounts falling due within one year | 20 | (8,312) | (9,804) |
| Net current assets | | 1,510 | 1,003 |
| Net assets before pension assets and liabilities | | 3,447 | 3,201 |
| Pension assets - USA scheme | 23 | 460 | 184 |
| Pension liabilities - UK unfunded scheme | 23 | (302) | (328) |
| Net assets after pension assets and liabilities | | 3,605 | 3,057 |
| Financed by:- | | | |
| Income and expenditure reserve | 24 | 3,363 | 2,818 |
| Pension (liability) reserve | 25 | (471) | (546) |
| Revaluation reserve | 26 | 713 | 785 |
| | | 3,605 | 3,057 |

The notes on page 35 to 57 form part of the financial statements

Tom Wright
Chief Executive
VisitBritain

04 July 2008

# VISITBRITAIN

## Group cash flow statement

## For the year ended 31st March 2008

| | NOTES | 2007/08 | | 2006/07 | |
|---|---|---|---|---|---|
| | | (£'000) | (£'000) | (£'000) | (£'000) |
| Net cash (outflow) from operating activities | | | (50,304) | | (49,664) |
| Return on investment and servicing of finance | 10 | | 354 | | 215 |
| Taxation | 13 | | - | | - |
| Capital Expenditure:- | | | | | |
| Purchase of tangible fixed assets | 14 | (466) | | (323) | |
| Disposal of tangible fixed assets | 14 | 53 | | 4 | |
| | | | (413) | | (319) |
| Grant-in-aid financing | 2 | | 50,650 | | 49,900 |
| Increase in cash | 18 | | 287 | | 132 |

Reconciliation of operating (deficit) before tax to net cash inflow from operating activities

| | | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|---|
| **Note** (i) Operating deficit before interest and taxation | | (50,706) | (48,915) |
| Depreciation charges | 14 | 734 | 639 |
| Loss on the disposal of fixed assets | 6 | 17 | 12 |
| US pension scheme recoverable (gain)/ current service cost | 9/23 | (122) | 44 |
| (Increase) in stocks | 17 | (596) | (348) |
| Decrease/(increase) in debtors | 19 | 1,956 | (636) |
| (Increase) in accrued income | 19 | (61) | (35) |
| (Decrease) in creditors | 20 | (1,526) | (425) |
| Net cash (outflow) from operating activities | | (50,304) | (49,664) |

**Note (ii) analysis of financing**

| | | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|---|
| Grant-in-aid received from DCMS | 2 | 50,650 | 49,900 |
| Applied towards the purchase of fixed assets | 2 | (300) | (300) |
| **Total Grant-in-aid applied towards revenue expenditure** | 2 | 50,350 | 49,600 |

The notes on page 35 to 57 form part of the financial statements

# VISITBRITAIN

## Group statement of recognised gains and losses

## For the year ended 31st March 2008

| | NOTES | 2007/08 | 2006/07 |
|---|---|---|---|
| | | (£'000) | (£'000) |
| Operating surplus for the year | 24 | 402 | 1,244 |
| Actuarial gain/ (loss) on assets and liabilities of USA pension scheme | 23 | 63 | (94) |
| Exchange rate (loss) on USA pension scheme | 23 | (14) | (26) |
| Revaluation (loss)/gain of leasehold improvements under modified historical cost accounting | 26 | (72) | 41 |
| Total recognised gains relating to the year | | 379 | 1,165 |

The notes on page 35 to 57 form part of the financial statements.

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2008

## 1. ACCOUNTING POLICIES

**Accounting convention**

The accounts have been prepared under the historical cost convention modified by the inclusion of certain assets at valuation, as stated below, and in accordance with the UK General Accepted Accounting Practice (GAAP), the Companies Act 1985 and in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury.

**Basis of consolidation**

The VisitBritain group financial statements for 2007/08 consolidate the financial statements of the parent (VisitBritain) and its wholly owned subsidiary undertaking, British Travel Centre AB (Sweden). The 2006/07 group financial statements consolidate Britain Direct GmbH (Germany) as well as the British Travel Centre AB, all accounts being made up to 31st March. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by VisitBritain. The overseas subsidiary undertakings' results were consolidated into the group accounts using the average rate of exchange for income and expenditure accounts and closing rate for the balance sheet as per SSAP 20 – Foreign currency translation.

Britain Direct GmbH (Germany) ceased trading in 2006/07 and its online trade was absorbed into the VisitBritain e-commerce platform. The remaining trade has been transferred to VisitBritain's operation in Berlin (see note 16).

**Revenue**

Revenue represents the fair value of consideration received or receivable for services provided and goods sold, net of discount and sales taxes. Revenue and costs from long term contractual arrangements are recognised based on the percentage of completion method.

Revenue from the Quality Assessment Schemes is derived from annual participation fees and one-off joining fees from those who participate in the schemes. Only when an assessment has been physically undertaken is the participation fee recognised as income. New joiners to the scheme pay a non-refundable joining fee which is recognised as income when received.

Commission costs are recognised at the same time as the revenue to which they relate and are charged to cost of sales.

Other revenue is recognised at the time the service is provided or goods are sold.

**Leased assets**

The accounting policy for leased assets complies with SSAP 21- "Accounting for leases and hire purchase contracts".

Leases of property, plant and equipment where the group holds substantially all the risks and rewards of ownership are classified as finance leases. The group has no such type of leases.

Leases where a significant portion of the risks and rewards are held by the lessor are classified as "operating leases". All leases are regarded as operating leases and rentals are charged to the income and expenditure account on a straight-line basis over the period of the lease. If a sale and leaseback transactions result in an operating lease, any profit or loss is recognised in the income and expenditure statement immediately.

**Tangible fixed assets**

Tangible fixed assets are held at cost in accordance with FRS 15 "Tangible Fixed Assets", and are subject to revaluation under Modified Historic Cost Accounting (MHCA) when material. During the year all classes of assets were re-valued in accordance with MHCA and only the revaluation of leasehold improvements was material and recognised in the accounts (see notes 14 & 26). The carrying value of tangible assets was also reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

VisitBritain has disposed of its only freehold premises in Argentina for the consideration of £43k (see note 14).

The group has a policy of capitalisation of all fixed assets over £5,000. Intangible assets (software both purchased and developed in house) are written off in the year of purchase.

**Depreciation**

Depreciation is provided on all fixed assets, other than freehold land, and calculated to write off the cost or valuation on a straight-line basis as follows:

| | |
|---|---|
| Freehold buildings (after valuation) | - the remaining useful economic life |
| Improvement to leasehold land and buildings | - the lease term |
| Motor vehicles | - four years |
| Fixtures, fittings and equipment | - six years |
| Computer equipment | - three years |

Depreciation is charged for a full year in the year of purchase and no charge is made in the year of disposal.

**Stock and work in progress**

Stocks and work in progress consist of publications, maps/guides, transport tickets and attraction tickets and are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further expected costs to be incurred to completion and disposal. Costs incurred in producing publications and promotional items for which no revenue is obtained are charged to the income and expenditure account in the year in which they are incurred.

**Cash**

Cash includes cash in hand and deposits repayable on demand with any qualifying financial institution.

**Foreign currency transactions**

Foreign currency balances are translated into sterling at the rates ruling at the balance sheet date in accordance with SSAP 20 – "Foreign currency translation". Transactions in foreign currencies are recorded at standard rates of exchange using forward rates, established once at the beginning of the year. It is the organisation's policy to enter into forward foreign currency contracts in order to reduce the cost to VisitBritain of meeting its foreign currency obligations. Where a difference between the forward contract and the rate in force on the day of the transaction arises it is included in the income and expenditure account.

Exchange differences arising on the translation of net assets of overseas subsidiary undertakings are taken to reserves. The income and expenditure of such undertakings are translated into sterling at average rates of exchange during the year. All other profits or losses arising on translation are dealt with through the income and expenditure account.

**Recoverable grants/loans**

Grants and loans made under Section 4 (for tourism projects) and Part II (the "Hotel Development Incentive Scheme") of the Development of Tourism Act 1969 were funded separately by H.M. Government, although assistance is no longer available under this scheme.

**Pension costs**

Contributions are made to the British Tourist Boards' Staff Pensions and Life Assurance Scheme (see note 23) in accordance with the advice of independent actuaries and are charged to the income and expenditure account in the year to which they relate. Overseas pension schemes are treated similarly.

**Provisions**

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring provisions are made for direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, approved by the Board and where appropriate communication to those affected has been undertaken at the balance sheet date.

**Derivatives and financial instruments**

The disclosure of financial instruments complies with FRS 13 – "Derivatives and other financial instruments" in so far as it applies to VisitBritain (see note 29). Short-term debtors and creditors are held at fair value and have therefore been excluded from the financial instrument disclosures other than in note 29 referring to currency exposure.

**Notional costs**

The notional cost of capital is calculated at 3.5% (2006/07 3.5%) of the average capital employed in the year including pension assets & liabilities (see note 11) per the Government Financial Reporting Manual (FReM). HM Treasury reviews this rate every three years in their spending review.

**Value added tax (VAT)**

UK VAT - VisitBritain is subject to partial restriction on the deductibility of VAT on inputs calculated in accordance with a formula agreed with HM Revenue and Customs (HMRC). The amount of irrecoverable VAT is charged to the income and expenditure account in the year to which it relates.

Overseas VAT - In countries where VisitBritain is not registered for VAT and does not recover VAT the costs of activities are charged gross, inclusive of VAT, to the income and expenditure account. In countries where VisitBritain recovers VAT, either fully or partially, the treatment of irrecoverable VAT is the same as for UK VAT.

Tangible fixed assets – Tangible fixed assets are shown at cost, net of VAT, in the balance sheet and the irrecoverable element is charged to the income and expenditure account.

## 2. GRANTS

The figure for core government grant-in-aid of £50.650m less the £0.3m capital grant-in-aid (2006/07 £49.9m less capital £0.3m) is reconcilable to the expenditure on the Department for Culture, Media and Sport resource account RfR1.

Other grants received included £378k (2006/07 £410k) from The London Development Agency (LDA) who continued their work with our Britain and London Visitor Centre.

VisitBritain was participating in a European Commission-funded programme – OSSATE and had received £148k in 2006/07 from the European Commission for the OSSATE project to provide data online about the accessibility of tourism products, for potential visitors with a wide range of access needs, particularly the rapidly growing ageing market. Developed in conjunction with VisitBritain's established National Accessibility Scheme, the two-year project was to define the data requirements and support its online distribution, via visitbritain.com and a new European Portal, europeforall.com and other media.

The additional grant of £87k in 2007/08 (2006/07 nil) was from the UK Trade & Industry for part funding partners attending trade shows overseas to promote UK tourism. If the trade show is a key event VisitBritain is also entitled to receive a refund for part of its costs. Therefore, the total repayment of this grant to tourism partners was £68k (see note 8) and the remaining £19k was spent by VisitBritain.

## 3. INCOME FROM ACTIVITIES

Gross income represents the invoiced amount of goods sold and services provided (stated net of trade discount and value added tax) and, in the case of continuing activities, the value of work done during the year.

| Income is attributable to the following activities: | 2007/08 (£'000) | 2006/07 (£'000) (Re-stated)[1] |
|---|---|---|
| Partnership marketing, media & publicity income | 6,503 | 6,590 |
| Income from exhibitions, fairs & workshops | 1,984 | 2,546 |
| Income from commercial activities | 7,051 | 5,622 |
| Quality scheme income | 4,721 | 4,102 |
| Distribution income | 214 | 549 |
| VisitBritain income from activities | 20,473 | 19,409 |
| Income from activities of subsidiaries | 926 | 1,298 |
| Less intra-group transactions | (112) | (118) |
| Group income from activities | 21,287 | 20,589 |

[1] The 2006/07 figures of partnership marketing, media & publicity income and income from commercial activities were re-stated to reflect changes to some activities and to be consistent with the 2007/08 reporting.

## 4. OTHER OPERATING INCOME

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Service income* | 358 | 324 |
| Office rental income | 596 | 564 |
| Other grants | 465 | 558 |
| Other income | 7 | 22 |
| VisitBritain other operating income | 1,426 | 1,468 |
| Other operating income from activities of subsidiaries | 28 | 40 |
| Less intra-group transactions | (92) | (138) |
| Group other operating income | 1,362 | 1,370 |

*Service income in 2007/08 includes £143k (2006/07 - £99k) of fees charged, in the agency model markets, for services provided to VisitScotland, Visit Wales and Visit London.

VisitBritain sub-leases properties in London and also received rental income from Visit London and VisitWales in Canada and the USA. The accounting policy is to accrue the rental income systematically over the course of the year. For the year ended 31st March 2008, the total rental income was £596k (2006/07 £564k). This level of rental income is expected to remain consistent throughout the next financial year.

## 5. OPERATING SURPLUS/ (DEFICIT)

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Group operating (deficit) for the financial year (see note 24) | (50,248) | (48,656) |
| This is stated after charging or crediting: | | |
| VisitBritain Board Members' remuneration | 107 | 106 |
| VisitEngland Board Members' remuneration | 75 | 72 |
| Auditors' remuneration (UK) | 52 | 55 |
| Auditors' remuneration (overseas) | 4 | 9 |
| Operating lease rentals (see note 15) | 3,182 | 3,335 |
| Travel, subsistence and hospitality: | | |
| Chairman and Board Members (VisitBritain) | 39 | 36 |
| Chairman and Board Members (VisitEngland) | 19 | 13 |
| Employees | 1,633 | 1,807 |

## 6. OTHER OPERATING CHARGES

| | 2007/08 | | 2006/07 | |
|---|---|---|---|---|
| | (£'000) | (£'000) | (£'000) | (£'000) (Re-stated)[1] |
| Partnership marketing, media & publicity costs | | 26,209 | | 25,361 |
| Publishing | | 1,373 | | 2,583 |
| Commercial costs | | 6,575 | | 4,146 |
| Quality scheme costs | | 4,808 | | 4,493 |
| Distribution costs | | 1,665 | | 2,065 |
| Research and evaluation | | 1,974 | | 1,898 |
| Property and support costs - overseas | | 4,092 | | 4,293 |
| Property and support costs - UK | | 3,439 | | 3,528 |
| Loss on sale of fixed assets | | 17 | | 12 |
| VisitEngland Board Secretariat operation costs | | 18 | | 11 |
| Irrecoverable VAT (UK and overseas) | | 1,811 | | 1,685 |
| Prior year creditors provision written off | | (326) | | (398) |
| Foreign exchange (gain) | | (311) | | (294) |
| Investment in Britain Direct GMbH written off | | - | | 50 |
| Provision against amount due from Britain Direct GMbH | | - | | 58 |
| Corporate tax | | - | | - |
| VisitBritain other operating charges | | 51,344 | | 49,491 |
| Expenditure of subsidiaries | | | | |
| Cost of goods sold | 837 | | 1,117 | |
| Other operating charges | 110 | | 127 | |
| | | 947 | | 1,244 |
| Less: | | | | |
| net loss on the disposal of Britain Direct GMbH already provided in parent | | - | | (50) |
| intra-group transactions | | (204) | | (256) |
| Group other operating charges | | 52,087 | | 50,429 |

[1] The 2006/07 figures were re-stated to reflect the changes in activities and to be consistent with the 2007/08 reporting

## 7. OVERSEAS AND DOMESTIC ACTIVITIES

VisitBritain is required under the current Accounts Direction issued by DCMS to disclose separately expenditure on the promotion of Britain internationally and England domestically and to disclose the expenditure made on behalf of the VisitEngland Board.

The following table reports total expenditure split between international and domestic marketing activity: -

**2007-08**

| | Britain International (£'000) | England Domestic (£'000) | England International (£'000) | Total (£'000) |
|---|---|---|---|---|
| Staff costs (see note 9) | 13,354 | 4,028 | 144 | 17,526 |
| Exceptional re-organisation staff costs (see note 12) | 2,154 | 545 | - | 2,699 |
| Exceptional re-organisation other costs (see note 12) | 151 | - | - | 151 |
| Direct marketing costs | 16,510 | 12,776 | 2,090 | 31,376 |
| Other marketing costs | 5,788 | 3,630 | 0 | 9,418 |
| Operational costs | 9,700 | 1,726 | 16 | 11,442 |
| **Gross expenditure per the income and expenditure account** | **47,657** | **22,705** | **2,250** | **72,612** |
| less:- | | | | |
| London Development Agency Grant (see note 2) | - | 378 | - | 378 |
| UKTI Grants (note 2) | 87 | - | - | 87 |
| Non Government Funding (NGF) (see note 3, 4 & 10) | 13,513 | 7,594 | 785 | 21,892 |
| **Net Expenditure per the income and expenditure account** | **34,057** | **14,733** | **1,465** | **50,255** |

**2006-07**

(Re-stated)[1]

| | Britain International (£'000) | England Domestic (£'000) | England International (£'000) | Total (£'000) |
|---|---|---|---|---|
| Staff costs (see note 9) | 15,123 | 4,316 | 99 | 19,538 |
| Direct marketing costs | 17,207 | 11,485 | 2,041 | 30,733 |
| Other marketing costs | 5,429 | 2,436 | - | 7,865 |
| Operational costs | 9,951 | 1,707 | 26 | 11,684 |
| **Gross expenditure per the income and expenditure account** | **47,710** | **19,944** | **2,166** | **69,820** |
| less:- | | | | |
| London Development Agency Grant (see note 2) | - | 410 | - | 410 |
| Ossate Grant (note 2) | - | 148 | - | 148 |
| Non Government Funding (NGF) (see note 3, 4 & 10) | 13,189 | 6,518 | 871 | 20,578 |
| **Net Expenditure per the income and expenditure account** | **34,521** | **12,868** | **1,295** | **48,684** |

[1] The 2006/07 figures were re-stated to reflect the changes in activities and to be consistent with the 2007/08 reporting

The allocation of expenditure between international and domestic activity is made as follows:-

1. Expenditure undertaken directly for international or domestic activity is allocated directly;
2. Expenditure that is a shared resource for economic or control reasons is allocated using various ratios that recognise the underlying impact. The criteria used for such allocation includes; time, space, or allocation recognising use of corporate resources;
3. It is not possible to split capital expenditure between domestic and international activity as the fixed assets are shared between all areas of VisitBritain;
4. Expenditure relates to VisitBritain and excludes subsidiaries' results;

5. The total expenditure of £72.612m (£69.820m - 2006/07) represents the following items in the Income and Expenditure account:-

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Staff costs (see note 9) | 17,526 | 19,538 |
| Exceptional re-organisation staff costs (see note 12) | 2,699 | - |
| Exceptional re-organisation other costs (see note 12) | 151 | - |
| Other operating charges (see note 6) | 51,344 | 49,491 |
| Depreciation (see note 14) | 734 | 636 |
| Grant paid to Regional Tourist Boards (see note 8) | 158 | 155 |
| Gross expenditure per the Income and Expenditure Account | 72,612 | 69,820 |

The following table reports total expenditure for the VisitEngland Board:-

| | 2007/08 (£) | 2006/07 (£) |
|---|---|---|
| Board Members' remuneration | 74,589 | 71,810 |
| Employers NI & other taxes | 8,681 | 9,675 |
| Travel & subsistence and secretariat | 18,982 | 13,006 |
| Total expenditure | 102,252 | 94,491 |

## 8. GRANTS PAID

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| General grants relating to Regional Tourism entities | 68 | 40 |
| East of England Tourist Board | 10 | 10 |
| Visit Heart of England | 10 | 10 |
| Visit London | 10 | 10 |
| Northumbria Tourist Board (One North East) | 10 | 10 |
| North West Tourist Board | 10 | 10 |
| Tourism South East | 10 | 35 |
| South West Tourism | 10 | 10 |
| East Midlands Development Agency | 10 | 10 |
| Yorkshire Tourist Board | 10 | 10 |
| Total grant expenditure to regional and other tourism bodies | 158 | 155 |

## 9. STAFF COSTS

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Wages and salaries | 13,630 | 15,055 |
| Agency staff and students | 741 | 519 |
| Payment to contractors | 465 | 576 |
| Expatriate taxable benefits | 350 | 427 |
| Expatriate local taxes | 100 | 150 |
| Social security costs | 1,472 | 1,730 |
| Normal redundancy costs | 50 | 438 |
| Pension costs - normal contributions | 818 | 546 |
| Pension costs - redundancy pension enhancement costs | 0 | 32 |
| Special pension costs | 22 | 21 |
| (Gain) due to increase in the recoverable surplus from US pension scheme | (166) | - |
| Amount charged to I&E as current service costs of US pension scheme | 44 | 44 |
| VisitBritain total staff costs | 17,526 | 19,538 |
| Staff costs of subsidiaries | - | 113 |
| Group staff costs before exceptional re-organisation staff costs | 17,526 | 19,651 |

| The average number of employees during the year is made up as follows: | 2007/08 | 2006/07 |
|---|---|---|
| | No. | No. |
| Marketing | 342 | 402 |
| Overseas support (marketing & administration) | 21 | 19 |
| Administration (CEO, people & performance and corporate services) | 40 | 42 |
| | 403 | 463 |

VisitBritain uses temporary agency and contractor staff to fill short-term posts to deliver its objectives. The number of staff employed would be equivalent of 36 full time VisitBritain staff (2006/07 - 34)

## 10. INTEREST RECEIVED AND OTHER FINANCE INCOME

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Interest received on bank balances placed on overnight deposit | 354 | 215 |
| Finance income USA pension scheme (see note 23) | 104 | 44 |
| | 458 | 259 |

## 11. NOTIONAL COSTS

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Notional costs consist of: | | |
| Group cost of capital | 117 | 85 |
| VisitBritain parent cost of capital | 117 | 86 |

Notional cost is calculated at 3.5% of the average net assets in the year including pension assets and liabilities. This rate is set by HM Treasury and reviewed every three years at their spending review.

## 12. EXCEPTIONAL REORGANISATION COSTS

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Staff redundancy costs[1] | 2,348 | - |
| Staff pension enhancement costs | 274 | - |
| Staff moving & recruitment costs | 110 | - |
| Office closure costs | 58 | - |
| Legal & professional fees | 60 | - |
| | 2,850 | - |

[1]included is £85,769 of normal pension contribution for staff who were made redundant during the financial year but the pension contribution was continued until the end of the fiscal year.

## 13. CORPORATION TAX

VisitBritain is assessed for Corporation Tax (CT) in the UK on its activities excluding those funded by grant in aid. Following a review of the taxable activities and our tax position with our advisors, unused taxable losses brought forward to 2007/08 amount to £5.1m.

VisitBritain is assessed for CT in Germany, Sweden, Australia, Hong Kong and the Netherlands and in all of these countries there is no CT liability due to loss relief claim.

## 14. TANGIBLE FIXED ASSETS

Tangible Fixed Assets are stated at their value to the business by reference to current costs where appropriate, as set out below -:

**Freehold land and buildings**

During the year VisitBritain disposed of its only freehold premises in Argentina for the consideration of £43k.

**Improvements to leasehold land and buildings; motor vehicles; computer equipment; fixtures, fittings and equipment**

From 2004/05 onwards these classes of assets were subject to modified historic cost accounting using appropriate indices and only the indexation of leasehold improvements was considered to be material and adjusted accordingly (see notes 1 & 26). All improvements to leasehold property are considered to be short-term leases that expire within 50 years

### 2007/08

| | Land & buildings | | Motor | IT | Fixtures | Total |
|---|---|---|---|---|---|---|
| | Freehold | Leasehold improvements | vehicles | equipment | fittings & equipments | |
| | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) |
| Cost or valuation at 1st April 2007 | 37 | 5,206 | 56 | 352 | 326 | 5,977 |
| Revaluation (MHCA) | - | 208 | - | - | - | 208 |
| Additions at cost | - | 196 | - | 270 | 0 | 466 |
| Disposals | (37) | (177) | (15) | (172) | (76) | (477) |
| Cost or valuation at 31st March 2008 | (0) | 5,433 | 41 | 450 | 250 | 6,174 |
| Cumulative depreciation at 1st April 2007 | 4 | 3,329 | 51 | 239 | 164 | 3,787 |
| Revaluation (MHCA)* | - | 280 | - | - | - | 280 |
| Charge for the year* | - | 388 | 4 | 150 | 42 | 584 |
| Disposals | (4) | (177) | (15) | (172) | (38) | (406) |
| Cumulative depreciation at 31st March 2008 | 0 | 3,820 | 40 | 217 | 168 | 4,245 |
| Net book value at 1st April 2007 - Group | 33 | 1,877 | 5 | 113 | 162 | 2,190 |
| Net book value at 31st March 2008 | (0) | 1,613 | 1 | 233 | 82 | 1,929 |
| Less Subsidiaries | - | - | - | - | - | - |
| VisitBritain | | | | | | |
| Net book value at 31st March 2008 | (0) | 1,613 | 1 | 233 | 82 | 1,929 |

*The revaluation (MHCA) figure includes £150k of MHCA related additional depreciation which is charged to the income and expenditure account as part of the current year depreciation and then credited to the income and expenditure reserve by transferring from the revaluation reserve. Therefore, the total depreciation charge was £734k.

**2006/07**

| | Land & buildings Freehold (£'000) | Leasehold improvements (£'000) | Motor vehicles (£'000) | IT equipment (£'000) | Fixtures fittings & equipments (£'000) | Total (£'000) |
|---|---|---|---|---|---|---|
| Cost or valuation at 1st April 2006 | 37 | 4,806 | 72 | 1,028 | 579 | 6,522 |
| Revaluation (MHCA) | - | 276 | - | - | - | 276 |
| Additions at cost | - | 124 | - | 160 | 39 | 323 |
| Disposals | - | - | (16) | (836) | (292) | (1,144) |
| Cost or valuation at 31st March 2007 | 37 | 5,206 | 56 | 352 | 326 | 5,977 |
| Cumulative depreciation at 1st April 2006 | 2 | 2,716 | 60 | 957 | 385 | 4,120 |
| Revaluation (MHCA)* | - | 236 | - | - | - | 236 |
| Charge for the year* | 2 | 377 | 7 | 118 | 56 | 560 |
| Disposals | - | - | (16) | (836) | (277) | (1,129) |
| Cumulative depreciation at 31st March 2007 | 4 | 3,329 | 51 | 239 | 164 | 3,787 |
| Net book value at 1st April 2006 - Group | 35 | 2,090 | 12 | 71 | 194 | 2,402 |
| Net book value at 31st March 2007 | 33 | 1,877 | 5 | 113 | 162 | 2,190 |
| Less Subsidiaries | - | - | - | - | - | - |
| VisitBritain | | | | | | |
| Net book value at 31st March 2007 | 33 | 1,877 | 5 | 113 | 162 | 2,190 |

*The revaluation (MHCA) figure includes £79k of MHCA related additional depreciation which is charged to the income and expenditure account as part of the current year depreciation and then credited to the income and expenditure reserve by transferring from the revaluation reserve. Therefore, the total group depreciation charge was £639k.

## 15. OPERATING LEASE COMMITMENTS

**Balance Sheet Disclosure**

At 31st March 2008 VisitBritain had annual commitments under non-cancellable operating leases as set out below:

| | 2007/08 Land and buildings (£'000) | 2007/08 Others (£'000) | 2006/07 Land and buildings (Re-stated)[1] (£'000) | 2006/07 Others (£'000) |
|---|---|---|---|---|
| Operating leases which expire: | | | | |
| Within one year | 137 | 66 | 566 | 215 |
| In the second to fifth years inclusive | 2,297 | 152 | 1,755 | 60 |
| Over five years | 258 | - | 462 | - |
| | 2,692 | 218 | 2,783 | 275 |

[1]The 2006/07 figures for land & buildings were re-stated to be consistent with the 2007/08 reporting.

**Income and Expenditure Disclosure**

| | 2007/08 | | 2006/07 | |
|---|---|---|---|---|
| | Others (buildings) | Hire plant & machinery | Others (buildings) | Hire plant & machinery |
| | (£'000) | (£'000) | (£'000) | (£'000) |
| The amounts charged as operating leases during the year were as follows:- | 3,032 | 150 | 3,160 | 175 |

## 16. INVESTMENT – SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

| Investments | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Investment in subsidiaries | 8 | 8 |

**Subsidiary undertakings –** New e-commerce platforms were opened according to a pre-set programme from 1st January 2006 to 31st March 2007. This meant the online trading activity within one of the subsidiaries, Britain Direct GMbH, was effectively transferred to VisitBritain from January 2006. The remaining part of the subsidiary business was transferred to VisitBritain Berlin when the company ceased trading on 31st August 2006. The results of the subsidiary have been consolidated into the group accounts. The share capital and share premium account (£50k) has been written off in the VisitBritain parent account as well as the net deficit of £58k which was not covered by the share capital.

VisitBritain retained its 100% holding in its subsidiary undertakings, British Travel Centre AB (Sweden). The objective of this subsidiary is to undertake trading activities of a commercial nature.

## 17. STOCKS

The replacement cost of stock would not be materially different from that shown below.

| | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Finished goods & goods for resale (VisitBritain) | 1,241 | 803 |
| Work in progress (VisitBritain) | 194 | - |
| Total stocks (VisitBritain) | 1,435 | 803 |
| Finished goods (subsidiaries) | 66 | 102 |
| Group stocks | 1,501 | 905 |

## 18. CASH AT BANK AND IN HAND

| | 2007/08 (£'000) | 2006/07 (£'000) | CHANGE IN YEAR (£'000) |
|---|---|---|---|
| Cash at bank and in hand: VisitBritain | 963 | 641 | 322 |
| Cash at bank and in hand: Subsidiaries | 66 | 101 | (35) |
| Cash at bank and in hand: Group | 1,029 | 742 | 287 |

## 19. DEBTORS – AMOUNTS RECEIVABLE WITHIN ONE YEAR

| | 2007/08 | | 2006/07 | |
|---|---|---|---|---|
| | (£'000) | (£'000) | (£'000) | (£'000) |
| Trade debtors | 3,765 | | 5,141 | |
| Less provision for bad debt and doubtful debts | (160) | | (190) | |
| | | 3,605 | | 4,951 |
| VAT debtors | | 1,426 | | 1,272 |
| Other debtors | | 534 | | 340 |
| Debtors provision for recoverable overseas & UK VAT (see note 21a) | | 0 | | 105 |
| Prepayments | | 1,493 | | 2,388 |
| Accrued income | | 356 | | 295 |
| HM Government - Section 4 grants recoverable | | 28 | | 33 |
| Less provisions for irrecoverable section 4 grants | | (18) | | (21) |
| Total VisitBritain debtors | | 7,424 | | 9,363 |
| Subsidiaries | | | | |
| Trade debtors | 21 | | 14 | |
| Other debtors | 3 | | 1 | |
| | | 24 | | 15 |
| Less intra-group transactions | | (71) | | (106) |
| Group debtors | | 7,377 | | 9,272 |

## 20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2007/08 | | 2006/07 | |
|---|---|---|---|---|
| | (£'000) | (£'000) | (£'000) | (£'000) |
| Trade creditors | | 2,684 | | 4,369 |
| Other taxes and social security | | 71 | | 63 |
| Other creditors | | 42 | | 3 |
| Deferred income | | 3,782 | | 3,401 |
| Accruals | | 1,521 | | 1,738 |
| Provision for mobile tax creditors (see note 21b) | | 101 | | 118 |
| Provision for UK VAT creditors (see note 21a) | | 100 | | 100 |
| HM Government - Section 4 grants payable | | 29 | | 33 |
| Less provision for irrecoverable section 4 grants | | (18) | | (21) |
| Total VisitBritain creditors | | 8,312 | | 9,804 |
| Subsidiaries | | | | |
| Trade creditors | 127 | | 174 | |
| Other creditors | 1 | | 13 | |
| Accruals | 3 | | 13 | |
| | | 131 | | 200 |
| Less intra-group transactions | | (71) | | (106) |
| Group creditors | | 8,372 | | 9,898 |

## 21. VAT AND MOBILE TAX CREDITORS

| a) VAT obligation | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Provision for UK VAT at 1st April | 100 | - |
| Net increase (reduction) in UK VAT provision | - | 100 |
| Provision carried forward at 31st March (see note 20) | 100 | 100 |

| b) Mobile tax obligation | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|
| Provision for mobile tax at 1st April | 118 | 169 |
| Net increase (reduction) in mobile tax provision worldwide | (17) | (51) |
| Provision carried forward at 31st March (see note 22) | 101 | 118 |

## 22. OTHER COMMITMENTS AND CONTINGENCIES

Following the introduction of the Board Treasury Policy in 2002/03, which incorporates purchasing forward currency contracts and the handling of the overnight cash investments, VisitBritain has purchased forward foreign currency contracts. At 31st March 2008 VisitBritain was committed to purchasing £6.955m of foreign currency. (At the previous year-end VisitBritain was committed to purchases of £11.624m). The reduction in 2007/08 is mainly attributable to the increase in cash receipts of foreign currency from the e-commerce trading worldwide.

VisitBritain has employees who operate overseas for specific contracted periods on expatriate terms. VisitBritain operates a tax equalisation scheme to ensure that their earnings are taxed in a similar way to UK employees. VisitBritain is then responsible for paying any local income tax raised on taxable earnings of that expatriate in the country in which they are operating. Since 2003/04 the liabilities are estimated and disclosed separately based on the previous year earnings and tax payments. An estimated provision of £101k (2006/07 £118k) was included within creditors as mobile tax provision in the accounts (see note 21b).

A complaint alleging the improper use of State Aid has been made against the UK Government and if successful could lead to VisitBritain having to pay compensation or penalties. A decision from the European Commission is expected soon.

## 23. PENSION COSTS

VisitBritain operates two funded defined benefit schemes, in the United Kingdom and the USA, and defined contribution schemes in other parts of the world.

The total pensions cost of the group included within staff and exceptional costs (see note 9 and 12) was £1,200k (2006/07 - £599k), of which £815k (2006/07 - £419k) is normal contribution related to the group's main defined benefit pension scheme, the British Tourist Boards' Pension Scheme (BTBPS). A further special contribution of £274k (2006/07 - £32k) has been paid to the BTBPS as pension enhancement for staff who took early retirement as part of VisitBritain's restructuring programme.

The increase of normal contribution in the year ended 31st March 2008 was mainly attributable to the increase in the rate of contribution to BTBPS from 4.8% to 10% (2006/07 – 4.8%) to ensure the scheme shows a healthy and consistent growth to meet its future pension liability. There was also an exceptional pension contribution of £86k (see note 12) relating to staff who were made redundant during the year but the pension contribution continued to be paid until the end of the financial year.

Total amounts charged to the income and expenditure account for contributions to pension schemes were as follows:

| | | 2007/08 (£'000) | 2006/07 (£'000) |
|---|---|---|---|
| Normal contribution[1] | (see note 9 &12) | 904 | 546 |
| Pension enhancement exceptional contributions | (see notes 9 &12) | 274 | 32 |
| Special contributions[2] | (see note 9) | 22 | 21 |
| | | 1,200 | 599 |

[1] Normal contribution for 2007/08 includes £85,769 of exceptional pension contribution for staff who were being made redundant during the financial year but the pension contribution was continued until the end of the fiscal year.

[2] the special pension contribution is a supplementary pension scheme payment for Tom Wright that was made to a Self Investment Pension Plan (SIPP).

## FRS 17 – Retirement benefit

The pension report is prepared according to the requirements of FRS 17 which is adopted in full for the financial year ended 31st March 2008, as it was for the previous year.

## UK Pension Scheme – Defined benefit scheme

The UK is a participant in the British Tourist Boards' Pension Scheme (BTBPS) providing pension benefits and life assurance for all permanent staff, based upon final pensionable pay. The assets in the UK are held by the Pension Scheme under a cash accumulation contract with the Prudential Assurance Company Limited.

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. As a consequence VisitBritain could not disclose the result of the scheme on the income and expenditure account or the balance sheet. The following available information is disclosed as a note to the accounts as per the FRS17 requirement.

The valuation of the scheme was carried out using membership data from the last full valuation of the scheme at 1st April 2007, carried out by a qualified actuary from Hazell Carr Pensions Consulting, updated to 31st March 2008. The result for the whole scheme is available and the scheme shows an overall surplus of £30.8m for the current year, compared to £5.3m in 2006/07 before allowance of any related deferred tax. VisitBritain's notional share of the scheme's surplus has been identified as £10.7m (2006/07 £1.9m) using current total pensionable salaries. This increase in surplus is mainly attributable to the change in the valuation assumptions; most notably, the higher discount rate. The FRS 17 method assesses liabilities by reference to corporate bond yields to discount future pension liabilities to present value.

During the year ended 31st March 2008 the basic contributions of employees were 5% of pensionable salaries, with VisitBritain contributing a further 10%. Following the advice of the Schemes' actuaries, VisitBritain's contribution has been increased to 10% of pensionable salaries in 2007/08 from 4.8% in the previous year. This level of contribution will continue for the foreseeable future.

VisitBritain also has additional un-funded liabilities for pension payments to six former chairmen. This pension scheme is an unfunded defined benefit scheme and paid direct from VisitBritain's own fund. Full provision for these liabilities is made in the accounts.

The FRS 17 valuation as at 31st March was carried out by the actuary using membership data from the last full valuation of the scheme as at 1st April 2007, updated for materially significant changes that occurred up to 31st March 2008. The major assumptions used by the actuary were:

| Assumptions | 31st March 2008 | 31st March 2007 |
|---|---|---|
| Discount rate | 6.9% | 5.4% |
| Inflation assumption | 3.6% | 3.3% |
| Salary increases | 3.6% | 3.3% |
| Increases to pension payment in line with R.P.I.* | 3.6% | 3.3% |

*Most pension benefits under the scheme are increased in line with inflation.

The present value of the scheme liabilities for former chairmen at 31st March 2008 was £302k (2006/07 £328k), which is disclosed on the primary accounts per FRS 17 full disclosure requirements.

Therefore the overall position of the UK scheme is:

| | 31st March 2008 | 31st March 2007 |
|---|---|---|
| | (£'000) | (£'000) |
| Share of main scheme surplus | 10,668 | 1,926 |
| Un-funded pension in payment liability (6 former Chairmen) | (302) | (328) |
| Overall surplus | 10,366 | 1,598 |

## USA Pension scheme – Defined benefit scheme

VisitBritain employees in the USA employed on a local status basis can join the USA defined benefit scheme.

All the requirements of FRS 17 will apply to the US scheme as adapted in full and the following disclosures are stated in addition to the figures disclosed in the primary accounts.

The local actuary from Mercer USA valued the scheme assets & liabilities as at 31st March 2008 and the actual surplus was £1.11m which was capped by the actuary to £460k (£1.23m capped to £184k in 2006/07) which is the amount equivalent to the present value of future benefits expected to accrue to active members according to FRS 17. For the year ended 31st March 2008 the recoverable amount of the surplus has increased substantially, although the actual scheme surplus had decreased, mainly due to benefit changes.

A full actuarial valuation of the USA pension scheme was carried out by the local Mercer actuary as at 1st January 2008 and it was rolled forward to 31st March 2008, adjusted to allow for membership changes.

## The major assumptions used by the actuary were:

| | As at 31st March 2008 | As at 31st March 2007 |
|---|---|---|
| | | |
| Rate of increase in salaries | 3.50% | 3.50% |
| Rate of increase for pensions in payment | 2.50% | 2.50% |
| Discount rate | 6.70% | 5.90% |
| Expected long-term rate of return on plan assets during financial year | 7.16% | 7.27% |
| Inflation assumption | 2.50% | 2.50% |
| | | |

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

| Return on assets: | As at 31st March 2008 | | As at 31st March 2007 | |
|---|---|---|---|---|
| | Long term expected rate of return | Market value of assets (£'000) | Long term expected rate of return | Market value of assets (£'000) |
| Equities | 8.23% | 1,481 | 8.30% | 1,602 |
| Bonds | 4.86% | 639 | 5.10% | 698 |
| Cash | 3.59% | 33 | 3.60% | 37 |
| | | | | |
| Total market value of assets | 7.16% | 2,153 | 7.27% | 2,337 |
| Present value of liabilities | | (1,039) | | (1,110) |
| Surplus in the scheme | | 1,114 | | 1,227 |
| Irrecoverable surplus/ (effect of surplus cap) | | (654) | | (1,043) |
| Related deferred tax asset/(liability) | | - | | - |
| **Net pension asset** | | **460** | | **184** |

NB. It is not possible to calculate the deferred tax liability that could arise if the scheme was closed and the reported surplus realised.

**Analysis of the amount (charged)/credited to other finance income (see note 10)**

| | Year ended 31st March 2008 (£'000) | Year ended 31st March 2007 (£'000) |
|---|---|---|
| Expected return on pension scheme assets | 174 | 124 |
| Interest on pension liabilities | (70) | (80) |
| | | |
| Net Return | 104 | 44 |

**Analysis of amount recognised in statement of total recognised gains and losses (STRGL) for the year: -**

| | Year ended 31st March 2008 (£'000) | Year ended 31st March 2007 (£'000) |
|---|---|---|
| Actual return less expected return on assets | (295) | 88 |
| Experience gains and losses on liabilities | (19) | 160 |
| Changes in assumptions | 141 | (20) |
| Adjustment due to surplus cap | 236 | (322) |
| **Actuarial gain/(loss) on assets and liabilities** | **63** | **(94)** |
| Exchange rate gain/(loss) | (14) | (26) |
| **Total (loss)/gain recognised in STRGL (see note 25)** | **49** | **(120)** |

**Movement in surplus during the year**

| | Year ended 31st March 2008 (£'000) | Year ended 31st March 2007 (£'000) |
|---|---|---|
| Surplus in scheme at beginning of the year | 184 | 304 |
| Extension of coverage/other adjustments | - | - |
| *Movement in the year:* | | |
| Other finance income (see note 10) | 105 | 44 |
| Current service costs (see note 9) | (44) | (44) |
| Gain due to increase in the recoverable surplus from an increase in active membership (see note 9) | 166 | - |
| Curtailment gain | - | - |
| Actuarial gain/(loss) recognised in the STRGL | 63 | (94) |
| Exchange rate gain/(loss) recognised in the STRGL | (14) | (26) |
| Surplus in the scheme at the end of the year | 460 | 184 |

**History of experience gains and losses**

| | Year ending 31st March 2008 | Year ending 31st March 2007 |
|---|---|---|
| Difference between expected and actual return on scheme assets: | | |
| Amount (£'000) | (295) | 88 |
| % of scheme assets | (13.68%) | 3.76% |
| Experience gains and losses on scheme liabilities: | | |
| Amount (£'000) | (19) | 160 |
| % of scheme liabilities | (1.81%) | 14.40% |
| Total amount recognised in statement of total recognised gains and losses: | | |
| Amount (£'000) | 49 | (120) |
| % of scheme liabilities | 4.73% | (10.78%) |

The scheme is contributory and VisitBritain's contribution in the year was £NIL (2006/07 £NIL). The plan has regular actuarial reviews to determine the contribution required and the funding allows, in advance, for pension increases in line with those granted to US Federal employees. The assets of the fund are invested with the Diversified Investment Advisors.

## Defined Contribution schemes

Other schemes in place during the year to 31 March 2008 are in Netherlands, Germany, Belgium, Denmark, Ireland, Norway, Poland, Brazil, Sweden, Australia, Canada, Korea and Austria. All of these are defined contribution schemes with the employer's basic rate of contribution varying between 3% and 8% of pensionable salaries. The total charges for contributions to these schemes in the year were £89k (2006/07 £127k) and are included within the total pension cost for the year.

## 24. INCOME AND EXPENDITURE RESERVE

| | VisitBritain | | Group | |
|---|---|---|---|---|
| | 2007/08 | 2006/07 | 2007/08 | 2006/07 |
| | (£'000) | (£'000) | (£'000) | (£'000) |
| Net expenditure in the current year | (50,255) | (48,684) | (50,248) | (48,656) |
| GIA received (note 2) | 50,650 | 49,900 | 50,650 | 49,900 |
| | 395 | 1,216 | 402 | 1,244 |
| MHCA depreciation charge - movement to reserve | 150 | 79 | 150 | 79 |
| Opening reserve at 1st April | 2,818 | 1,523 | 2,828 | 1,505 |
| **Reserve at 31st March** | **3,363** | **2,818** | **3,380** | **2,828** |

## 25. PENSION RESERVE

| | VisitBritain | | Group | |
|---|---|---|---|---|
| | 2007/08 | 2006/07 | 2007/08 | 2006/07 |
| | (£'000) | (£'000) | (£'000) | (£'000) |
| Opening pension reserve* | (546) | (432) | (546) | (432) |
| Decrease/(increase) in UK pension liability on the unfunded scheme | 26 | 6 | 26 | 6 |
| Actuarial gain/(loss) on US pension scheme recognised in the STRGL (see note 23) | 63 | (94) | 63 | (94) |
| Exchange rate (loss)/gain on US pension scheme (see note 23) | (14) | (26) | (14) | (26) |
| Closing pension reserve per the balance sheet* | (471) | (546) | (471) | (546) |

NB *before adjustment for deferred tax (nil)

## 26. REVALUATION RESERVE

| | 2007/08 | 2006/07 |
|---|---|---|
| | (£'000) | (£'000) |
| At 1st April | 785 | 744 |
| Revaluation gain - leasehold improvements (see note14)* | 78 | 120 |
| MHCA depreciation change - credited to income & expenditure reserve | (150) | (79) |
| At 31st March | 713 | 785 |

*During the year all classes of assets (except freehold land and buildings) were revalued according to MHCA using appropriate indices per the Government Financial Reporting Manual (FReM). The revaluation resulted in a material increase to the leasehold improvements but not on any other class of assets.

## 27. DISCLOSURES ON INTRA-GOVERNMENT BALANCES

| | Debtors balance as at 31/03/2008 | Creditors balance as at 31/03/2008 |
|---|---|---|
| Balances with other central government bodies (including pension and other central government funds) | 1,897 | 27 |
| Balances with local authorities | 104 | 160 |

## 28. DISCLOSURE ON RELATED PARTY TRANSACTIONS

In compliance with the FReM and FRS 8 "Related Party Disclosures" requirements, details of material transactions with government bodies and companies where Board Members, directors and senior staff have an interest are disclosed:-

a) Intra-department transactions - VisitBritain is an Non-Departmental Public Body (NDPB) of the Department for Culture, Media and Sport (DCMS) which is regarded as a related party. During the year, VisitBritain had no transaction with DCMS other than the receipt of grant in aid. There were no material transactions to report with other entities for which the department is regarded as the parent department.

b) In compliance with the FReM and FRS 8 "related party disclosure", details of material transactions with government bodies and other companies where Board Members, directors and senior staff have an interest are required to be disclosed.

   Members attending Board meetings as observers, by invitation, are not required to disclose such information.

| BOARD MEMBER | COMPANY NAME | ROLE | NATURE OF SUPPLY | SALES TO (£'000) | DEBTOR BALANCE (£'000) | PURCHASES FROM (£'000) | CREDITOR BALANCE (£'000) |
|---|---|---|---|---|---|---|---|
| Ieuan Evans | Visit Wales | Chairman | Marketing Promotions | 1,989 | 149 | - | - |
| Peter Lederer | VisitScotland | Chairman | Marketing Promotions | 262 | 32 | 85 | 6 |
| Tom McGrath | Tourism Ireland | Board Member | Marketing Promotions | 248 | 21 | 9 | - |

**Details of material trading with companies where Directors and Heads of Departments have an interest**

| VISITBRITAIN REPRESENTATIVES | COMPANY NAME | ROLE | NATURE OF SUPPLY | SALES TO (£'000) | END OF YEAR DEBTOR BALANCE (£'000) | PURCHASES FROM (£'000) | END OF YEAR CREDITOR BALANCE (£'000) |
|---|---|---|---|---|---|---|---|
| Tom Wright CBE | Visit London | Director | Marketing promotions | 800 | 306 | 181 | 43 |
| Tom Wright CBE | South West Tourism | Director | Marketing Promotions | 85 | 35 | 10 | - |
| Michael Bedingfield | Englands North Country | Chairman | Marketing Promotions | 698 | 156 | 61 | 4 |
| Sandie Dawe MBE | North West Regional Tourism | Member | Marketing promotions | 249 | 30 | 12 | - |
| Bernard Donoghue | Marketing Manchester | Director | Marketing promotions | 289 | 61 | 73 | 1 |
| Jenny McGee | One North East Tourism Advisory Board | Observer | Marketing Promotions | 264 | 220 | 10 | - |
| Rupert Peters | Yorkshire Tourist Board | Member | Marketing promotions | 521 | 209 | 15 | - |
| David Philip | Tourism South East | Director | Marketing Promotions | 251 | 62 | 114 | 1 |
| Seren Welch | Merseyside Partnership | Board Member | Marketing Promotions | 94 | 49 | 6 | - |

## 29. FINANCIAL INSTRUMENTS

The following disclosure encompasses the requirements of FRS 13 – "Derivatives and other Financial Instruments" in so far as it applies to VisitBritain. This note excludes short term debtors and creditors.

**Liquidity Risk**

Approximately 69% (2006-07- 69%) of VisitBritain's income is provided by grant-in-aid from DCMS. As a result VisitBritain is not exposed to significant liquidity risk.

**Interest Rate Risk**

VisitBritain has financial assets, excluding fixed assets not held under financial leases (£9.91m) and financial liabilities (£8.37m), and 90% of the financial assets and 100% of the financial liabilities carry nil or fixed rates of interest, thus VisitBritain is not exposed to significant risk. Bank balances are placed on overnight deposit at current bank deposit rates (see note 10).

**Foreign Currency Risk**

VisitBritain operates in over 35 countries and carries out transactions in UK sterling, US dollars, Euros and many other foreign currencies.

In accordance with Board policy, VisitBritain manages its exposure to foreign currency risk by purchasing forward currency contracts and keeping operational funding in local currency bank accounts to the minimum business needs.

At 31st March 2008 there were commitments to purchase currency to a total sterling value of £6.955m (2006/07 £11.624m) (see note 22). These included forward major currency contracts of EUR3.75m, USD3.25m, CAD1.45m and AUD1.05m. Overall there was no material difference between the total value of these currency contracts at spot rates on the balance sheet date, and at the contracted forward purchase rates. The reduction in the purchase value of forward contracts reflects the increase in cash receipts in foreign currency from the e-commerce activities worldwide.

## 30. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed in the Annual Report there were no reportable post balance sheet events between the balance sheet date and 9th July 2008, the date when the Chief Executive despatched the accounts to DCMS. The financial statements do not reflect events after this date.

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