



VISITBRITAIN

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 2007

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

Ordered by Parliament to be printed 10th July 2007

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VISITBRITAIN

Annual Report and Accounts for the year ended 31st March 2007

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 and acts as the England Marketing Advisory Board ("EMAB"). 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 the England Marketing Advisory Board 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 EMAB. These Directions state how the Annual Accounts should be prepared and what disclosure requirements must be followed. EMAB does not receive any income from the Exchequer or from any other source and does not make expenditure decisions. All costs incurred by EMAB and all other expenses connected to EMAB's work are met from within VisitBritain's resources. VisitBritain is required to disclose all expenditure made on behalf of EMAB, specifying separately individual board member's remuneration (see Remuneration Report). Copies of the latest Accounts Directions for both VisitBritain and EMAB 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.

Lord Marshall retired as Chairman on 31st December 2006 and Christopher Rodrigues was appointed on 1st January 2007. He joined VisitBritain from his previous role as President and CEO of Visa International in the United States.

The England Marketing Advisory Board comprises the Chairman, Hugh Taylor, and six members, all of whom are appointed by the Secretary of State for Culture, Media and Sport.

Two sub-committees report to the Board, the Audit Committee, whose members are identified below and the Remuneration Committee whose report is on pages 15 to 21.

VisitBritain Board Members	Appointed	Appointment Expires Retired (R)
Christopher Rodrigues, CBE, Chairman	01 January 2007	31 December 2010
Lord Marshall of Knightsbridge, Former Chairman	02 January 2005	31 December 2006 (R)
Penelope, Viscountess Cobham, Deputy Chairman *	07 April 2003	06 April 2010
Keith Brooks	16 May 2006	24 October 2006 (R)
Ieuan Evans MBE (Visit Wales)	31 March 2007	15 May 2009
Janis Kong OBE	13 February 2006	12 February 2010
Peter Lederer CBE (VisitScotland)	02 April 2001	31 March 2010
Moir Lockhead OBE	11 July 2005	10 July 2009
Kumar Muthalagappan*	01 March 2002	28 February 2010
Alan Parker	01 April 2003	31 March 2010
Hugh Taylor (Chairman, England Marketing Advisory Board)	01 April 2003	31 March 2009

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

England Marketing Advisory Board Members	Appointed	Appointment Expires Retired (R)
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
Tim Cantle Jones	01 August 2003	31 December 2006 (R)
Nick Cust	01 September 2002	31 August 2009
John Govett*	01 May 2003	30 April 2009
Sir William Lawrence Bt. OBE	02 February 2004	31 January 2007 (R)
Rob Rees	04 May 2007	03 May 2011
Brian Summers	01 May 2003	31 December 2006 (R)
Christopher Webster	04 May 2007	03 May 2011

* Members of VisitBritain's Audit Committee

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, 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, Director of Strategy and Communications	1996
David Philip, Director of Corporate Services	June 2001

In addition Roger Johnson served as Britain International Director until his retirement at the end of 2006. Torvald de Coverly Veale was appointed to succeed him as Britain International Director but following the merger of International and England Marketing under one director, he left VisitBritain on 20th January 2007.

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

Following the re-alignment of information technology with individual divisions within VisitBritain, Richard Britton ceased to act as Head of Technology and has assumed another post within the organisation.

Following the reduction of the overseas hubs from four to three the following have been designated Regional Directors:

Keith Beecham	Asia-Pacific	Joined April 1990
Simon Bradley	Americas	Joined March 2003
Frances-Anne Callaghan	Europe	Joined September 1995

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.

Employee Relations

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, pay and 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, bulletins 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 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

VisitBritain continues to become more marketing-driven and is now four years into a culture change programme. VisitBritain works 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 has been 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.

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 was re-accredited as an Investor in People in August 2006.

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.

During the year, VisitBritain made its Comprehensive Spending Review submission to DCMS, which focused on building our online capacity and on how we could maximise the tourism benefits of the London 2012 Olympic and Paralympic Games. This review considered various budget scenarios and showed how VisitBritain could potentially react to changes to its Grand-in-aid. Even though the results of the review will not be known until the autumn, VisitBritain has chosen to reorganise its British and overseas operations in a proactive move, that will see us focus our activity to prepare us to deliver the benefits of 2012 and to continue our investment in the fastest growing markets in tourism, which are predominantly in Asia.

The re-organisation also supports the objectives of the Gershon Review in delivering increased front line services.

In order to meet the costs of the efficiency savings, plan for a variation in our core grant-in-aid (GIA) and make funds available in 2007/8 for the 2012 Olympic and Paralympic activities, VisitBritain has increased its reserves by £1.24m from 2005/6 to 2006/7.

Changes in Accounting Policy

The Financial Reporting Manual issued by HM Treasury has revised the treatment of grand-in-aid in the statutory accounts. The new requirement is for the grand-in-aid to be credited directly to reserves rather than through the income and expenditure account. GIA received for non-specific capital purposes is also credited directly to reserves. In previous years such amounts had been credited to a deferred grant reserve and released against the future amortisation of the relevant asset.

These represent changes in accounting policy and the corresponding amounts for 2005/6 have been re-stated accordingly.

As a result of these changes in policy, the group income and expenditure account will automatically show a deficit which is funded by Grant in Aid included in the reserves as follows:

	2006/07	2005/06
	(£'000)	Re-stated (£'000)
Net expenditure for the financial year	(48,656)	(49,055)
Grant in Aid	49,900	48,900
	<hr/>	<hr/>
	1,244	(155)
Reserves at 1 st April	1,505	1,621
Historic cost account depreciation	79	39
	<hr/>	<hr/>
Reserves at 31st March	2,828	1,505

Income

VisitBritain's core grant-in-aid of £49.9m increased by £1m between 2005/6 and 2006/7 and comprises the promotion of Britain overseas £35.2m (2006: £35.2m), domestic marketing of England £13.4m (2006: £12.4m), promotion of England internationally £1m (2006: £1m) and capital of £300k (2006: £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 £1.8m over 2005/6, the most significant elements of which are:

- income generated from Quality in Tourism from administering the Quality Assessment Scheme rose by £1.3m and other quality income increased by £100k;
- commercial income from on-line and off-line activities has increased by £900k;
- a decrease in income for the subsidiaries of £400k from activities which have been absorbed into VisitBritain;
- overall reduction of £100k for partnership marketing and exhibitions.

Other Operating Income

The main element of the reduction in other operating income of £349k relates to a lower level of activity for services provided to VisitScotland, Visit Wales and Visit London.

Expenditure

In 2005/6 VisitBritain incurred £850k as an exceptional re-organisation charge, the majority of which related to employee costs and which was shown separately in the income and expenditure accounts. In 2006/7, redundancy and pension enhancement costs amounted to £471k which are not considered exceptional and which account for the majority of the increase in salary costs between 2005/6 and 2006/7.

Other operating charges increased by £1.3m year on year, the main component parts being:

- an increase of £2.2m 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 cost of £1.1m matched by increased in commercial income mentioned above;
- increase in Quality Assessment Scheme costs of £450k as a result of increased turnover;
- reduction in the costs of publishing of £1.9m following the move to more on-line activities;
- net reduction in other costs of £300k as detailed in note 6 to the accounts.

Pension Schemes

Under FRS 17, the valuation of the main pension scheme, the British Tourist Boards Pension Scheme ("BTBPS"), showed a surplus of £5.3m as at 31st March 2007 compared to a deficit of £15.1m 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/deficit. However, if the result were allocated on the basis of pensionable salaries at 1st April 2007, the estimated share for VisitBritain is a surplus of £1.9m compared to a deficit of £6.3m last year. The improvement is largely due to changes to the valuation assumptions; most notably, the higher discount rate, lower assumed salary growth and introducing an assumption that on average 10% of members' pension will be commuted for cash at retirement. The increase in employers' contribution (from 2.9% in 2005/06 to 4.8% in 2006/07) was also another contributory factor for this improvement. Employers' contribution has further increased to 10% from April 2007 onwards. VisitBritain also has an additional pension liability of £328k for pension payments to ex-chairmen which are unfunded and is included on the balance sheet.

The pension scheme in the US continued to show a surplus and the valuation as at 31st March 2007 was £1,227k (£1,169k 31st March 2006) of which £184k (£304k as at 31st March 2006) has been recognised in the accounts as a recoverable surplus. These amounts are equivalent to the present value of future benefits expected.

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 £41k has been recognised in these accounts by increasing the value of fixed assets and a corresponding increase to the revaluation reserve.

VisitBritain is in the process of disposing of its only freehold premises in Argentina. Present indications are that it will achieve at least its book value.

There were total additions of £323k to tangible fixed assets, of which £300k was funded from grant-in-aid specifically designated for capital expenditure by DCMS. The main elements of this spend were additions to leasehold improvements (£124k) to both Thames Tower & overseas offices, extension of bicycle storage facilities at Thames Tower and refurbishment of the Hong Kong and Belgian offices. There were also additions to technology hardware of £160k and fixtures and fittings of £39k.

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" VisitBritain has sought to give itself flexibility to manage the working capital requirements pending the outcome of the Comprehensive Spending Review in the autumn of 2007 and the necessity to have funding available for Olympic and Paralympic Games related activities. Accordingly at the end of the financial year there had been an improvement in the working capital position arising from a surplus of income over expenditure for the year ended 31st March 2007 of £1.3m.

This has enabled VisitBritain to reduce its outstanding liabilities by £425k and to finance the increase in debtors and stocks of £1m arising from greater commercial activity.

Treasury Management

In order to finance its overseas offices, VisitBritain has a requirement to purchase approximately £22m per annum of foreign currency; the biggest amount 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.

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 2006/07 76% (2005/2006 71%) of suppliers' invoices not in dispute were paid within 30 days of receipt.

7. 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 which started trading 1st February 2003 (see note 16). Dr Karl-Fred Dietz of Mannheim, Germany audited the German subsidiary Britain Direct GmbH.

The fees paid to the NAO for the audit services amount to £55k. There are no other services provided by the NAO.

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.

8. DEVELOPMENTS DURING THE YEAR

Strategic Objectives

The strategic Departmental objectives for VisitBritain are laid down in the Funding Agreement with the Department for Culture, Media and Sport (DCMS). DCMS provides VisitBritain with grant-in-aid to work towards:

- The Department's Public Service Agreement (PSA) target to improve the productivity of tourism, creative and leisure industries by 2008
- The joint DCMS / industry strategic policy, which aims to increase the turnover of the visitor economy.

These translate into three overall specific objectives for VisitBritain:

- **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 (PR) 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 contributes to 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 are targets by which VisitBritain is measured against the public value aims mentioned above. The objectives and targets form an integral part of VisitBritain's annual business planning cycle. The targets for 2005/6 had not been signed-off formally by the time the Annual Report and Accounts for that year were completed. Accordingly, VisitBritain reported against previously agreed targets. Included on pages 13 and 14, are the outcomes against the revised targets for 2005/6. Page 12 and 13 indicates the targets for 2006/7 and, to the extent possible, the outcomes against those targets.

DCMS and VisitBritain have worked together over the last year to improve the linkages between its objectives and targets, planning processes and work programme to ensure that VisitBritain provides the Government and the tax payer with high levels of public value. During the summer 2007, VisitBritain will be working with DCMS to develop new Funding Agreement targets once DCMS finalises its tourism-related PSA target, which will focus on the tourism benefits of the London 2012 Olympic and Paralympic Games. These targets will become the measures that will be used in the business plans for the following three years and will reflect the strands of all of our current and developing strategies which will be pulled together into a new marketing and industry strategy. This strategy has led to a wider review of VisitBritain's activity and operations around the world, details of which is given below.

Marketing Britain

VisitBritain has applied an increasingly long-term perspective to its Britain marketing with fewer but bigger campaigns, developed around a core idea, which can be tailored and executed as appropriate in local markets on a regional and sub-regional basis. Campaigns following this new format include "Be a Brit Different" in the United States and "Happy Britain" in Japan. VisitBritain also continues to roll out youth, English as foreign language, touring, short breaks, and cities campaign material. VisitBritain also launched its new generation consumer website to bring visitors to Britain. The site now creates a better delivery of the brand, has a wider breadth of content and has fully integrated commercial products.

VisitBritain also works to build stronger relationships with each of its strategic partners and continues to work with the industry, both in Britain and overseas, through a regular programme of trade events and by providing information and market intelligence.

VisitBritain is currently building on Britain's brand values of Depth, Heart and Vitality by adding Passion and Energy, to show the dynamic side of its product that is not always so well known. As part of this, VisitBritain is setting up a London 2012 Marketing Consultation Group to develop a specific Britain brand proposition. It is also developing a celebrity endorsement programme and is planning for VisitBritain's presence at the Beijing 2008 handover with the British Olympic Association.

In March 2007, His Royal Highness the Prince of Wales, as its Patron, opened the first British Tourism Week to raise national awareness of the size, value and importance of the visitor economy. This event generated £1.16m in PR value for the tourism industry. In March 2008, a second event will continue to raise industry and stakeholder awareness, promote quality standards, promote training and professionalism and improve Britain's international competitiveness.

Marketing England

VisitBritain continues to raise awareness of the enjoyEngland brand through all of its work by launching fully integrated multi-media marketing campaigns with a greater emphasis on online marketing and promotions. These included tactical campaigns like "England Rocks!" and "Storybook England", and thematic campaigns; "tasteEngland", "outdoorEngland", "City Culture" and "Family Fun".

VisitBritain's goal is to inspire customers to travel by presenting targeted inspirational information throughout all of its campaigns. The new version of the website www.enjoyEngland.com is able to carry community content, such as blogs and consumer feedback, as well as offer better links to lead consumers to our industry products. VisitBritain is building commercial and bookable products into all of its marketing campaigns to create a strong route to market for its commercial partners.

It is also working with the Partners for England initiative to create a new partnership agreement and delivery plan to ensure that the English tourism industry moves forward with a cohesive strategy and uses its funding for the greatest impact.

The 2006 Excellence in England Awards promoted VisitBritain's quality agenda and relationship with the regions and showcases the best domestic tourism product to help raise standards across the industry and secure England's place as a world-class holiday destination. The 2006 Awards created an estimated £3.3million in advertising equivalent value.

Partnership Activity

VisitBritain is working on behalf of the industry to deliver a strategy designed to increase the distribution network of its online platforms to expose a wider range of industry products to much larger volumes of web traffic. It is creating distribution alliances to significantly increase the audience to its 70 online shops, which provide a route to market for its commercial partners. It is currently transforming its Flights Engine into a Travel Engine by including booking facilities for ferries, taxis, car hire and rail travel. Transport products are the most popular products being purchased through the on/off line retail activities and VisitBritain now has become a primary distributor of Oyster cards for international visitors and continues to have strong relationship with ACP who provides the equally popular rail tickets. It is also actively seeking to increase its trading relationship with the travel trade overseas by becoming the source of supply of tourism products that they might not be able to obtain without VisitBritain support. It is also continuing to increase the number of providers using the EnglandNet platform and Quality Accreditation schemes, which offer SMEs a cost-effective route to international and domestic markets. This year, it will launch its Spa Quality scheme and develop an entry level 'Green' Quality Accreditation scheme to continue to drive up the quality of visitor products. All contributions made by VisitBritain's commercial activity are reinvested back into frontline marketing activity.

Sustainability

Sustainable development has grown in the mind of Britain in recent years, particularly in relation to public awareness about climate change. As a result, VisitBritain has identified the need to provide leadership on sustainable tourism and will work to develop a fresh, best practice Sustainable Tourism Strategy that shows real leadership. This strategy will focus on the following four aspects:

- Customer focused - based around a sustainable tourism marketing policy;
- Partner focused - quality assurance schemes and a destination marketing policy;
- Supplier focused – around Visit Britain's procurement policy;
- Internal - green housekeeping and travel policy.

Future Developments

In January 2007, VisitBritain's Board and executives identified a number of key drivers that it will need to advance if the British tourism industry is to improve its performance and continue to flourish to build a stronger platform to deliver success for the national tourist boards, the English regions, partners and all sectors of the industry. These drivers are:

- **London 2012:** maximising the tourism benefits of the London 2012 Olympic and Paralympic Games, launching the 2012 Tourism Strategy with DCMS and Visit London and preparing for the handover to London at the Beijing Games in August 2008
- **Consumer understanding:** building and promoting strong brands for Britain and England, getting more consumers to discover the breadth of experience on offer and communicating industry research, insights and future trends
- **Content:** developing ever more interactive and engaging content on VisitBritain's websites
- **Globalisation:** using market intelligence to help VisitBritain have the biggest impact in the network of markets in which it operates and expanding the share of the growing and developing markets, such as China, India and Russia
- **Enabling technology:** increasing website functionality, using new Customer Relationship Management (CRM) systems and working with partners to expand the distribution of Britain's content
- **Quality/Value for money:** further increasing the number of accommodation providers and attractions in the Quality Accreditation schemes, launching expanded schemes and better presenting the value experience
- **Sustainability:** developing an industry policy, updating the sustainable tourism strategy and introducing an entry level 'Green' Quality Accreditation scheme while incorporating sustainability more broadly into all marketing activity
- **Asset utilisation:** ensuring that services available to visitors from accommodation to transport are always used to their greatest capacity and the potential value of events are maximised.
- **Transport:** working with the carriers and transport industry to bring visitors to Britain and to improve the welcome, information provision, integration and level of service for visitors
- **Efficiency:** continuing to find the best operating structure and processes for VisitBritain in London and around the world so that a greater proportion of funding can go into frontline marketing.

Organisational Changes

VisitBritain is updating its structure and staffing to enable it to take full advantage of the opportunities offered in the coming years. VisitBritain wants to be in the best shape to maximise the benefits offered to the visitor economy by the London 2012 Olympic and Paralympic Games ahead of the proposed joint launch of the 2012 Tourism Strategy in the summer. In addition, the increasingly competitive nature of tourism requires continued investment in the fastest growing tourism markets such as Asia.

The Indian market is showing good growth and if current trends continue, VisitBritain would anticipate more than 500,000 visits a year from India within a few years. China's growth continues apace and there is a great opportunity to promote Britain at the handover to London at the 2008 Games in Beijing. During the past two years VisitBritain has successfully started marketing operations in Malaysia and Thailand and plans to assess further expansion into countries such as the Philippines, Indonesia, Brunei and Vietnam. Reflecting the strategy of building an innovative online capacity, these will be a virtual presence mostly through the web rather than the opening of representative offices.

VisitBritain's overseas network, its market intelligence and focused promotion that this provides, is one of our organisation's core strengths. Reflecting the importance of strong regional leadership, the overseas General Managers will become Regional Directors, reporting directly to the Chief Executive. These Regional Directors will lead in three regions; Asia-Pacific, Americas and Europe, with the European hub relocated to London.

Recognising the importance of the 2012 Games in driving the Britain brand in international markets, the brand development and Brand Partnerships Unit will move to the Director of Strategy and Communications, who has steered VisitBritain's Olympic-leveraging strategy from its inception. Central to VisitBritain's marketing opportunities around the 2012 Games; it will develop long-term commercial and marketing partnerships with non-tourism partners. This team will take the lead on working with the Brand Partnership Unit, jointly established with Visit London, to develop a specific proposition to present to potential 2012 sponsors.

The Quality Department will move to Commercial and Marketing Services, where it will benefit from a sharper business service focus which will add value to the 24,000 members of VisitBritain's quality scheme.

Marketing expertise will be consolidated under the leadership of a single Marketing Director. This unification will provide an excellent platform for the increased involvement of public and private sector partners across the whole of the marketing team. The successful marketing and delivering of the Enjoy England brand will continue to be delivered by a dedicated team. The funding for England marketing will continue to be ring-fenced. A new Britain Marketing Department will be established: this department will operate as an internal agency to provide services to the overseas markets including shared content and collateral. A shared Marketing Support team will ensure that VisitBritain services British, English, Scottish and Welsh interests ever more effectively overseas.

Outcomes against DCMS Funding Agreement Targets 2006/07

In the autumn of 2006, VisitBritain and DCMS worked together to improve the linkages between its objectives and targets, planning processes and work programme to ensure that VisitBritain provides the Government and the tax payer with high levels of public value. These targets, and results against them (where available) are detailed below.

Targets: Growing the Visitor Economy	
Incremental Spend and Return on Investment: Britain International at least £1,065 m 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 International £30 m ROI of 30:1	
Regional Spread: Achieve a regional spread of at least 54%	
Seasonal Spread: Achieve a seasonal spread of at least 35%	
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 990
Investment in VisitBritain's Activities £21 m, including £4.5m from the private sector	VisitBritain generated non-government income of £21.959m in the year ended 31 st 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 to 6.5m	Over 7.1 million entries are now held in the database

Targets: Improving Britain's Image Abroad	
Improve Perceptions of Britain's Image Abroad 4.0 out of 5.0	The qualitative score was 4.48 out of 5 up slightly from 4.42 from 2005/06 because of slightly higher score for press visits and TV coverage.

Targets: Improving Access for the British Citizen to a Better Visitor Product	
Incremental Spend and Return on Investment: England Domestic £174.2m 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 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 to 27,500	30,347 providers are on the EnglandNet database
Providers Bookable Online to 7,000	10,400 of these providers can have their products booked online
Partners Signed Up for Polling to 33%	34% of our partners are signed-up for polling

Outcomes against DCMS Funding Agreement Targets 2005/06 (Revised)

Targets	
Return on Investment – Britain International Generate additional spend of at least £1,065 million by overseas visitors, resulting from VisitBritain's marketing activity and a return on investment of at least 30:1	£1,906m of additional tourism expenditure was generated for the UK – an ROI of 54:1. The average ROI over the last 3 years (2003/4 to 2005/6) is 44:1.
Return on Investment – England International Generate additional spend of at least £15 million by visitors from the agency markets and a return on investment of 15:1 (both based on the first 6 months evaluation of activities)	Additional tourism expenditure of £32.3m for England was generated from domestic visitors – a return on investment of 32:1.
Regional Spread Achieve at least 55% of the additional spend outside of London.	Regional spread of 61% was achieved.
Seasonal Spread Achieve at least 36% of the additional spend between October and March.	32% of incremental spend was generated between the months of October and March, but the actual additional spent exceeded target
Scotland and Wales Develop a methodology to measure the incremental spend of inbound visitors to Scotland and Wales over 2005/06.	In 2005/06, questions were included in the International Passenger Survey to gauge how many nights visitors to Britain were spending in Scotland and Wales, to then extrapolate their incremental spend. Response to questions has not been as robust as expected and VisitBritain is seeking to improve the methodology over 2006/07.
Customer Service Standards Overseas offices and the Britain and London Visitor Centre to achieve a customer contact standard score of at least 990 out of 1,200.	VisitBritain achieved a score of 934 points. During the course of the year, VisitBritain introduced email as a new medium, in addition to the traditional telephone standards. This has had the impact of slightly reducing the outcomes
Investment in VisitBritain's Activity Generate a total of £19.5m of investment in VisitBritain's activity, including £4m that comes purely from the private sector	VisitBritain generated non-Government income of £20.470m in the year ended 31 st March 2006 (For detailed analysis see Audited Accounts). Included in this figure is approximately £7m received from the private sector.

Website Visits Grow the number of visits to the VisitBritain family of websites to 10.5m	At 31 st March 2006, the VisitBritain family of websites had received 11.04m visits.
International Database Increase the number of qualified records to 5.5 million	At 31 st March 2006, the number of records in the international database exceeded 6.3 million. Following a review of the data against improved quality standards the number of records was reduced to 6.03 million.
Britain's image as a tourist destination Press and PR activities to achieve an average evaluation score of at least 3.9 out of 5.	Press and PR activities outperformed the target with an average score of 4.39 points.
Return on Investment – England Domestic Generate additional spend of £148.8 million by domestic visitors, resulting from VisitBritain's marketing activity and a return on investment of at least 12:1	£243.2m of additional tourism expenditure was generated for England – an ROI of 20:1
Quality Increase the number of accommodation providers in the Quality Scheme to 47%	49% of accommodation providers were members of the scheme
EnglandNet Increase the number of providers to 25,000, number bookable to 700 and partners signed-up for polling to 5%	25,472 providers were part of EnglandNet, of which 772 were bookable online and 5.5% were signed-up for polling.

Tom Wright, Chief Executive
VisitBritain
2nd July 2007

VISITBRITAIN

Annual Report and Accounts for the year ended 31st March 2007

Remuneration Report

(The figures for the Remuneration Report of the Board and senior executives are within the scope of the Comptroller and Audit 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 England Marketing Advisory Board members.

Purpose of Remuneration Committee

- To assist and advise the Chairman of VisitBritain in setting the objectives of the Chief Executive and, subsequently, in assessing the Chief Executive's performance against those objectives and recommending to the Board each year what level of pay increase and bonus he should receive;
- 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.

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)
Lord Marshall (Chairman until his retirement on 31st December 2006)
Penelope, Viscountess Cobham
Peter Lederer
Alan Parker

Ex-Officio: Tom Wright (Chief Executive)
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. A personal development plan is also agreed.

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 and exceeds expectations.

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 6 months lump sum compensation plus 1 month's pay for each complete year of service.

Remuneration of Boards and Senior Executives

VisitBritain Board members' remuneration:

	Remuneration	
	2006/07	2005/06
	£	£
Christopher Rodrigues (Chairman – Appointed 1 st January 2007)	11,289	Nil
Lord Colin Marshall (Chairman to 31 st December 2006)	36,777	45,155
Penelope, Viscountess Cobham (Deputy Chairman)	21,760	21,331
Keith Brooks (Appointed 16 th May 2006, retired 24 th October 2006)	Nil	Nil
Philip Evans (Retired 31 st March 2006)	Nil	Nil
Martin George (Retired 31 st December 2005)	Nil	6,692
Janis Kong (Appointed 13 th February 2006)	9,100	1,190
Peter Lederer	Nil	Nil
Moir Lockhead (Appointed 11 th July 2005)	9,100	6,480
Kumar Muthalagappan	9,100	8,923
Alan Parker	9,100	8,923
Hugh Taylor	Nil	Nil
	<hr/>	<hr/>
	106,226	98,694
Pensions to former Chairmen	22,122	21,560
	<hr/>	<hr/>
Total remuneration	128,348	120,254

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.

EMAB Board members' remuneration:

	Remuneration 2006/07	Remuneration 2005/06
	£	£
Hugh Taylor (Chairman)	21,760	21,331
Suzanne Bond	9,100	8,923
Tim Cantle-Jones (Retired 31 st December 2006)	6,825	8,923
Nick Cust	9,100	8,923
John Govett	9,100	8,923
Sir William Lawrence (Retired 31 st January 2007)	7,583	8,923
Brian Summers (Retired 31 st December 2006)	6,825	8,923
Total remuneration	70,293	74,869

Executives' remuneration

The salary and pension entitlements of the Executives of VisitBritain are set out in the tables on pages 18 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 Funded Unapproved Retirement Benefit Scheme for 2005/6 and a Self-Invested Personal Pension Plan for 2006/7.

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

Tom Wright
Chief Executive
VisitBritain

2nd July 2007

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 (appointed 1 st June 2002) (Chief Executive)	45	177,874 ⁴	26,082 ⁵	2.4	9.1	88	117	29
Julian Aviss (appointed 1 st July 2003) (Director, People and Performance)	59	97,161	4,189	4.2	20.6	340	423	83
Michael Bedingfield (appointed 2 nd June 2003) (Director, Marketing)	45	97,466	4,128	2.2	6.1	53	80	27
Kenny Boyle (appointed 17 th March 2003) (Director, Commercial and Marketing Services)	41	97,959	4,186	2.2	6.5	50	74	24
Richard Britton (appointed 1 st February 2005) (Head of Technology)	32	74,089	3,376	1.4	2.7	12	23	11
Sandie Dawe (appointed 1996) (Director, Strategy and Communications)	51	98,240	4,313	4.7	36.2	517	590	73

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 Includes performance bonus of £21,844

⁵ Includes additional contribution of £20,869 to a Self Invested Personal Pension Plan (SIPP).

Roger Johnson (appointed 1 st April 1998, Retired 31 st December 2006) (Director, Britain International)	60	80,684	3,583	2.4	58	1,196	0	0
David Philip (appointed 1 st January 2002) (Director, Corporate Services)	58	101,378	4,451	2.4	8.9	131	178	47
Torvald De Coverley Veale (appointed 1 st May 2006, resigned 20 th 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.

2005/06

Name	Age as at 31.03.2006	Salary including performance pay ¹	Employer pension contributions ²	Real increase in pension at 60 (£'000)	Total accrued pension at 60 as at 31.03.2006 (£'000)	Cash equivalent transfer value as at 31.03.2005 (£'000)	Cash equivalent transfer value as at 31.03.2006 ³ (£'000)	Real increase cash equivalent transfer value (£'000)
Tom Wright (appointed 1 st June 2002) (Chief Executive)	44	172,454 ⁴	24,757 ⁵	1.7	6.7	47	88	41
Julian Aviss (appointed 1 st July 2003) (Director, People and Performance)	58	93,961	2,451	2.4	16.4	189	340	151
Michael Bedingfield (appointed 2 nd June 2003) (Director, England Marketing)	44	92,153	2,385	1.4	3.9	24	53	29
Kenny Boyle (appointed 17 th March 2003) (Director, Commercial and Marketing Services)	40	92,202	2,449	1.5	4.3	24	50	26
Richard Britton (appointed 1 st February 2005) (Head of Technology)	31	70,575	2,030	1.1	1.3	1	12	11
Sandie Dawe (appointed 1996) (Director, Strategy and Communications)	50	96,743	2,524	2.4	31.5	323	517	194

¹ Includes performance bonuses for all the Directors.

² Following the advice of the actuaries of the Pension Scheme, employer contributions were increased to 2.9% from 1% with effect from 1st April 2005

³ A cash equivalent transfer value (CETV) is a lump sum value in today's terms of the rights accrued within a members 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 Includes a performance bonus of £23,143.

⁵ Includes additional contribution of £ 21,693 to FURBS

Roger Johnson (appointed 1 st April 1998) (Director, Britain International)	59	102,792	2,627	7.3	57.5	700	1196	496
Simon Parker (appointed 14 th February 2005, left 15 th December 2005) (General Manager, Enterprise Unit)	40	83,420	1,643	1.4	1.5	1	18	17
David Philip (appointed 1 st January 2002) (Director, Corporate Services)	57	99,833	2,604	1.6	6.5	58	131	73
Peter Varlow (appointed 1 st April 2003, retired 15 th June 2005) (Director, Special Projects)	60	16,583	365	2.3	39.6	521	0	0

VISITBRITAIN

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2007

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;
- 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 the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Tom Wright
Chief Executive
VisitBritain

2nd July 2007

VISITBRITAIN

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2007

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 the 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 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 2007 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 of failure 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 a Risk Advisory Group, chaired by the Director of Corporate Services, which includes representatives of various elements of the business and an independent advisor from our internal auditors.

During 2006 the formal "Risk Management Policy and Guidelines" were enhanced and a revised risk register was introduced. The revised framework was approved by the Board on 6th December 2006.

This document is available to all staff and gives detailed guidance on responsibilities and management of risk. The Risk Advisory Group champions risk management in VisitBritain and advises managers on best practice both by carrying out quality checks and undertaking comparison of risk registers between the various divisions and overseas offices of the organisation.

Following the introduction of the new framework, members of the Risk Advisory Group facilitated workshops for each of the divisions in the UK and for the four overseas hub offices. These sessions identified the risks and opportunities in relation to the 2007/8 Business Plan and compiled individual risk registers. These were reviewed by the Risk Advisory Group and formed the basis for the compilation of the top level Corporate Risk Register for the organisation as a whole.

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.

In 2006 a new Funding Agreement was agreed with the Department for Culture, Media and Sport which sets out strategies and targets within the Department's PSA targets. VisitBritain supplements these with its own internal Key Performance Indicators. Those are based on the Departmental/Hub Business Plans which in turn are subject to a review to identify risks in achieving those targets as recorded in the Risk Registers.

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 been rolling out a more simplified business continuity framework which has been benchmarked against the DCMS guidelines. VisitBritain also has a framework in place to respond to external events that have an adverse impact on tourism:

- **Tourism Industry Emergency Response Group (TIER)** which is an industry group chaired by the Strategy and Communications Director to handle impact assessment, communications to consumer/potential travellers, the media, Government, opinion formers and the industry.
- **Immediate Action Group, VisitBritain's Internal Crisis Management Emergency Response Group**, which deals with monitoring of overseas impact, communications to consumer, media, stakeholders and staff.
- **All Tourism Recovery Strategy Group**, which reviews the development of international and England marketing strategies to help recover the market in times of crisis. This is not a standing group, it might be to state that such a group would be set up in the event of a major impact and would consist of relevant/appropriate stakeholders, private and public.

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

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.

As well as the Core Financial Systems this work covered:

- visits to overseas offices to test systems and the self assessment framework;
- the management controls, security of income and key performance indicators of the Commercial and Marketing Services Division;
- the operation of VisitBritain's overseas offices providing agency services;
- the control and operation of the Quality Assurance Scheme; and
- evaluation of the Financial Procurement Toolkit and opportunities for further development.

At the Audit Committee in June 2007 I received the Annual Internal Audit Report for 2006/7. Without giving specific assurance on the effectiveness of the whole system of Internal Control within VisitBritain it states that the control environment appears to be well embedded in 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 also now 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 the internal auditors' experience of attending these;
- meetings we have had with senior members of staff indicate a good control culture within the organisation; and
- evidence that the recommendations from previous internal audit reports have, or are in the process of being 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 (as detailed above) which they are satisfied should provide assurance regarding the effective and efficient achievement of VisitBritain's objectives.

In addition VisitBritain has:-

- tested the framework in place to respond to external events that have an adverse impact on tourism by DCMS led and in house scenario exercises.
- made independent visits to overseas offices to test systems within the control self assessment framework;
- undertaken a full update and rewrite of its financial procedures manual which is substantially completed at the date of this report.

Future Developments

In the year 2007/8 VisitBritain will be strengthening its internal controls by:

- rolling out the updated Financial Procedures manual mentioned above;
- following the procurement review, updating its Financial Procurement manual and appointing a Head of Procurement;
- implementing fully the control self assessment framework for all overseas offices; and
- completing and testing Business Continuity Plans.

6. SIGNIFICANT INTERNAL CONTROL PROBLEMS

I am able to confirm that there have been no significant internal control problems in VisitBritain up to the 31st March 2007 and up to the date of this report.

Tom Wright

Chief Executive
VisitBritain

2nd July 2007

VISITBRITAIN

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2007

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 group and parent accounts of VisitBritain for the year ended 31st March 2007 under the Development of Tourism Act 1969. These comprise the Group and Parent Income and Expenditure Accounts, the Group and Parent Balance Sheets, the Group Cashflow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These accounts 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 accounts 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 accounts and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the operating and financial review, is consistent with the accounts. 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 of 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 accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts. My responsibilities do not extend to any other information.

The maintenance and integrity of VisitBritain's website is the responsibility of the Accounting Officer, the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

Basis of audit opinion

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 accounts 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 accounts, and of whether the accounting policies are most appropriate to 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 accounts and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and 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 accounts and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the accounts 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 2007 and of its deficit for the year then ended;
- the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- Information given within the Annual Report, which comprises the operating and financial review, is consistent with the accounts.

Audit 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 accounts conform to the authorities which govern them.

Report

I have no observations to make on these accounts.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

9th July 2007

VISITBRITAIN

Group income and expenditure account

For the year ended 31st March 2007

	NOTES	2006/07 (£'000)	2005/06 (Re-stated) (£'000)
<u>Gross Income</u>			
Income from activities	3	20,589	18,751
		<hr/>	<hr/>
Other operating income	4	20,589 1,370	18,751 1,719
		<hr/>	<hr/>
Group total income		21,959	20,470
		<hr/>	<hr/>
<u>Expenditure</u>			
Staff costs	9	19,651	19,031
Depreciation and amortisation	14	639	552
Other operating charges	6	50,429	49,111
Grants paid to Regional Tourist Boards	8	155	273
		<hr/>	<hr/>
		70,874	68,967
Net expenditure before exceptional items		<hr/> (48,915)	<hr/> (48,497)
		<hr/>	<hr/>
Exceptional re-organisation costs	12	-	(850)
Net expenditure after exceptional items, before interest & tax		<hr/> (48,915)	<hr/> (49,347)
		<hr/>	<hr/>
Interest received and other finance income	10	259	293
Notional costs	11	(85)	(65)
Taxation	13	-	(1)
		<hr/>	<hr/>
Net expenditure on ordinary activities		(48,741)	(49,120)
		<hr/>	<hr/>
Reverse notional costs		85	65
		<hr/>	<hr/>
Group net expenditure for the financial year	24	<hr/> (48,656)	<hr/> (49,055)

The notes on pages 35 to 56 form part of the accounts.

VISITBRITAIN

Group balance sheet

As at 31st March 2007

	NOTES	2007	2006
			(Re-stated)
		(£'000)	(£'000)
<u>Fixed Assets</u>			
Tangible assets	14	2,190	2,402
		<u>2,190</u>	<u>2,402</u>
<u>Current Assets</u>			
Stocks	17	905	557
Debtors	19	9,272	8,601
Cash at bank and in hand	18	742	610
		<u>10,919</u>	<u>9,768</u>
Creditors: amounts falling due within one year	20	<u>(9,898)</u>	<u>(10,323)</u>
Net current assets/(liabilities)		<u>1,021</u>	<u>(555)</u>
Net assets before pension assets and liabilities		<u>3,211</u>	<u>1,847</u>
Pension assets USA scheme	23	184	304
Pension liabilities UK unfunded scheme	23	<u>(328)</u>	<u>(334)</u>
Net assets after pension assets and liabilities		<u>3,067</u>	<u>1,817</u>
Financed by: -			
Income and expenditure reserve	24	2,828	1,505
Pension (liability) reserve	25	(546)	(432)
Revaluation reserve	26	785	744
		<u>3,067</u>	<u>1,817</u>

The notes on pages 35 to 56 form part of the accounts.

Tom Wright
Chief Executive
VisitBritain

2nd July 2007

Authorised for issue on 10th July 2007.

There were no reportable post balance sheet events between the balance sheet date and 2nd July 2007, the date when the Chief Executive despatched the accounts to DCMS. The financial statements do not reflect events after this date.

VISITBRITAIN

Income and expenditure account

For the year ended 31st March 2007

	NOTES	2006/07	2005/06 (Re-stated)
		(£'000)	(£'000)
<u>Gross Income</u>			
Income from activities	3	19,409	17,211
Other operating income	4	1,468	1,842
		<u>20,877</u>	<u>19,053</u>
<u>Expenditure</u>			
Staff costs	9	19,538	18,859
Depreciation and amortisation	14	636	549
Other operating charges	6	49,491	47,864
Grants paid to Regional Tourist Boards	8	155	273
Gross expenditure	7	<u>69,820</u>	<u>67,545</u>
Net expenditure before exceptional items		(48,943)	(48,492)
Exceptional re-organisation costs	12	-	(850)
Net expenditure after exceptional items, before interest & tax		<u>(48,943)</u>	<u>(49,342)</u>
Interest received and other finance income	10	259	293
Notional costs	11	(86)	(65)
Net expenditure on ordinary activities		<u>(48,770)</u>	<u>(49,114)</u>
Reverse notional costs		<u>86</u>	<u>65</u>
VisitBritain net expenditure for the financial year	24 & 7	<u>(48,684)</u>	<u>(49,049)</u>

The notes on pages 35 to 56 form part of the accounts.

VISITBRITAIN

Balance sheet

As at 31st March 2007

	NOTES	2007	2006 (Re-stated)
		(£'000)	(£'000)
<u>Fixed Assets</u>			
Investment in subsidiaries	16	8	58
Tangible assets	14	2,190	2,400
		<u>2,198</u>	<u>2,458</u>
<u>Current Assets</u>			
Stocks	17	803	467
Debtors	19	9,363	8,653
Cash at bank and in hand	18	641	439
		<u>10,807</u>	<u>9,559</u>
Creditors: amounts falling due within one year	20	(9,804)	(10,152)
Net current assets/(liabilities)		<u>1,003</u>	<u>(593)</u>
Net assets before pension assets and liabilities		<u>3,201</u>	<u>1,865</u>
Pension assets - USA scheme	23	184	304
Pension liabilities - UK unfunded scheme	23	(328)	(334)
Net assets after pension assets and liabilities		<u>3,057</u>	<u>1,835</u>
Financed by: -			
Income and expenditure reserve	24	2,818	1,523
Pension (liability) reserve	25	(546)	(432)
Revaluation reserve	26	785	744
		<u>3,057</u>	<u>1,835</u>

The notes on pages 35 to 56 form part of the accounts.

Tom Wright
Chief Executive
VisitBritain

2nd July 2007

Authorised for issue on 10th July 2007.

There were no reportable post balance sheet events between the balance sheet date and 2nd July 2007, the date when the Chief Executive despatched the accounts to DCMS. The financial statements do not reflect events after this date.

VISITBRITAIN

Group cash flow statement

For the year ended 31st March 2007

	NOTES	2006/07		2005/06 (Re-stated)	
		(£'000)	(£'000)	(£'000)	(£'000)
Net cash (outflow) from operating activities			(49,664)		(48,796)
Return on investment and servicing of finance	10		215		226
Taxation	13		-		(1)
Capital Expenditure:-					
Purchase of tangible fixed assets	14	(323)		(298)	
Disposal of tangible fixed assets	14	<u>4</u>		<u>-</u>	
			(319)		(298)
Grant-in-aid financing	2		<u>49,900</u>		<u>48,900</u>
Increase in cash	18		<u>132</u>		<u>31</u>

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

Note (i) Operating deficit before interest and taxation		(48,915)		(49,347)
Depreciation charges	14		639	552
Loss on the disposal of fixed assets	6		12	-
US pension scheme current service cost/ (curtailment gain)	23/12		44	(88)
(Increase) in stocks	17		(348)	(164)
(Increase) in debtors	19		(636)	(1,962)
(Increase) in accrued income	19		(35)	(91)
(Decrease)/increase in creditors	20		<u>(425)</u>	<u>2,304</u>
Net cash (outflow) from operating activities			<u>(49,664)</u>	<u>(48,796)</u>
Note (ii) analysis of financing				
Grant-in-aid received from DCMS	2		49,900	48,900
Applied towards the purchase of fixed assets	2		<u>(300)</u>	<u>(300)</u>
Total Grant-in-aid applied towards revenue expenditure	2		<u>49,600</u>	<u>48,600</u>

The notes on pages 35 to 56 form part of the accounts.

VISITBRITAIN

Group statement of total recognised gains and losses

For the year ended 31st March 2007

	Notes	2006/07 (£'000)	2005/06 (Re-stated) (£'000)
Operating surplus (deficit) for the year	24	1,244	(155)
Actuarial (loss) on assets and liabilities of USA pension scheme	23	(94)	(22)
Exchange rate (loss)/ gain on USA pension scheme	23	(26)	23
Revaluation gain of leasehold improvements under modified historical cost accounting	26	41	76
		<hr/>	<hr/>
Total recognised gains and (losses) relating to the year		1,165	(78)

The notes on pages 35 to 56 form part of the accounts.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

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.

Change of accounting policy

With effect from the 2006/07 reporting period HM Treasury has reviewed FReM which now requires NDPBs to account for grants and grants received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. The new requirement is for the grant-in-aid to be credited directly to the income and expenditure reserve rather than showing it as an income on the face of the income and expenditure account. This is a change in accounting policy from earlier periods when such items were recorded as an income.

GIA received for non-specific asset purchases will also be credited to the income and expenditure reserve. In previous years such amounts had been credited to a deferred grant reserve and released against the future depreciation of the relevant assets; this is no longer required. As a result the brought forward balance on the grant reserve account has been transferred to the income and expenditure reserve.

The effect of this change on the certified 2005/06 accounts and the impact of the change on the results of the current year is shown below. Note there is no impact on the net liability position of the VisitBritain as a result of this change in policy.

	VisitBritain			Group		
	At 31 March 2006 (as previously stated)	Impact of adopting the new policy	At 31 March 2006 (re-stated)	At 31 March 2006 (as previously stated)	Impact of adopting the new policy	At 31 March 2006 (re-stated)
	£'000	£'000	£'000	£'000	£'000	£'000
Net deficit/expenditure for 2005-06	(219)	(48,830)	(49,049)	(225)	(48,830)	(49,055)

Basis of consolidation

The group financial statements consolidate the financial statements of the parent (VisitBritain) and its two wholly owned subsidiary undertakings, Britain Direct GmbH (Germany) and British Travel Centre AB (Sweden), 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 two overseas subsidiary undertakings' results were consolidated into the group accounts using average rate of exchange for income and expenditure accounts and closing rate for the balance sheet as per SSAP 20 – Foreign currency translation.

As at 31st August 2006 the subsidiary in Germany, Britain Direct (BD) GmbH, ceased trading and its current 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 Scheme is derived from annual participation fees and one-off joining fees from those who participate in the scheme. 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, with the exception of the freehold property in Argentina, were re-valued in accordance with MHCA and only the revaluation of leasehold improvements were 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 is in the process of disposing of its only freehold premises in Argentina. Present indications are that it will achieve at least its book value.

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

Stocks consist of publications, maps/guides 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 30). Short-term debtors and creditors are held at fair value and have therefore been excluded from the financial instrument disclosures other than in note 30 referring to currency exposure.

Notional costs

The notional cost of capital is calculated at 3.5% (2005/06 3.5%) of the average capital employed in the year including pension assets & liabilities (see note 11) per the Government Financial Reporting Manual (FRM). 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, including 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 £49.9m less the £0.3m capital grant-in-aid (2005/06 £48.9m less capital £0.3m) is reconcilable to the expenditure on the Department for Culture, Media and Sport resource account RfR1.

Other grants received included £410k (2005/06 £320k) from The London Development Agency (LDA) who continued their work with our Britain and London Visitor Centre.

VisitBritain is participating in a European Commission-funded programme – OSSATE. VisitBritain has received £148k (2005/06 £130k) 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, particular the rapidly growing ageing market. Developed in conjunction with VisitBritain's established National Accessibility Scheme, the two-year project will define the data requirements and support its online distribution, via visitbritain.com and a new European Portal, europeforall.com and other media.

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:	2006/07	2005/06 (Re-stated)
	(£'000)	(£'000)
Partnership marketing, media & publicity income	6,651	6,321
Income from exhibitions, fairs & workshops	2,546	2,976
Income from commercial activities	5,561	4,625
Quality scheme income	4,102	2,700
Distribution income	549	589
VisitBritain income from activities	<u>19,409</u>	<u>17,211</u>
Income from activities of subsidiaries	1,298	1,895
Less intra-group transactions – subsidiaries	(118)	(355)
Group income from activities	<u>20,589</u>	<u>18,751</u>

4. OTHER OPERATING INCOME

	2006/07	2005/06 (re-stated)
	(£'000)	(£'000)
Service income*	324	684
Office rental income	564	529
Other grants	558	540
Other income **	22	89
VisitBritain other operating income	1,468	1,842
Other operating income from activities of subsidiaries	40	23
Less intra-group transactions - subsidiaries	(138)	(146)
Group other operating income	1,370	1,719

*Service income in 2006/07 includes £99k (2005/06 - £382k) of fees charged, in the agency model markets, for services provided to VisitScotland, Visit Wales and Visit London.

** This is income received from the reassignment of VisitBritain's Dublin office lease to the new tenant when the office moved to new premises in 2005-06. Originally the income was estimated to be £89k but an additional of £22k was received in the current financial year.

VisitBritain sub-leases properties in London and also received rental income from Visit London and Visit Wales 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 2007, the total rental income was £564k (2005/06 £529k). This level of rental income is expected to remain consistent throughout the next financial year.

5. OPERATING SURPLUS/ (DEFICIT)

	2006/07	2005/06 (Re-stated)
	(£'000)	(£'000)
Group operating (deficit) for the financial year (see note 24)	(48,656)	(49,055)

This is stated after charging or crediting:

VisitBritain Board Members' remuneration	106	99
EMAB Board Members' remuneration	72	75
Auditors' remuneration (UK)	55	53
Auditors' remuneration (overseas)	9	6
Operating lease rentals (see note 15)	3,335	3,330
Travel, subsistence and hospitality:		
Chairman and Board Members (VisitBritain)	36	21
Chairman and Board Members (EMAB)	13	11
Employees	1,807	1,704

6. OTHER OPERATING CHARGES

	2006/07		2005/06 (Re-stated)	
	(£'000)	(£'000)	(£'000)	(£'000)
Partnership marketing, media & publicity costs		22,711		20,510
Publishing		2,504		4,381
Commercial costs		4,145		3,050
Quality scheme costs		4,493		4,038
Distribution costs		2,042		2,486
CRM and database costs		2,801		2,630
Research and evaluation		1,873		1,929
Property and support costs - overseas		4,270		4,326
Property and support costs - UK		3,528		3,723
Loss/(gain) on sale of fixed assets		12		-
EMAB Board Secretariat operation costs		11		14
Irrecoverable VAT (UK and overseas)		1,685		1,544
Prior year creditors provision written off		(398)		(524)
Foreign exchange (gain)		(294)		(244)
Investment in Britain Direct GmbH written off		50		-
Provision against amount due from Britain Direct GmbH		58		-
Corporate tax		-		1
VisitBritain other operating charges		49,491		47,864
Expenditure of subsidiaries				
Cost of goods sold	1,117		1,558	
Other operating charges	127		190	
		1,244		1,748
Less net loss on the disposal of Britain Direct GmbH already provided in parent		(50)		-
Less intra-group transactions – subsidiaries		(256)		(501)
Group other operating charges		50,429		49,111

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 EMAB Board.

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

2006-07

	Britain International £'000	England Domestic £'000	England International £'000	Total £'000
Staff Costs (see note 9)	15,357	4,082	99	19,538
Direct marketing costs	17,236	11,456	2,041	30,733
Other marketing costs	5,429	2,436	-	7,865
Operational costs	10,098	1,560	26	11,684
Gross expenditure per the income and expenditure account	48,120	19,534	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	34,931	12,458	1,295	48,684

2005-06

	Britain International £'000	England Domestic £'000	England International £'000	Total £'000
Staff Costs (see note 9)	14,896	3,872	91	18,859
Exceptional re-organisation staff costs (see note 12)	709	141	-	850
Direct marketing costs	16,840	10,562	2,005	29,407
Other marketing costs	5,440	2,674	-	8,114
Operational costs	9,590	1,561	14	11,165
Gross expenditure per the income and expenditure account	47,475	18,810	2,110	68,395
Less:-				
London Development Agency Grant (see note 2)	-	410	-	410
Ossate Grant	-	130	-	130
Non Government Funding (NGF) (see note 3 & 4)	12,624	5,300	882	18,806
Net Expenditure per the income and expenditure account	34,851	12,970	1,228	49,049

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 £69.820m (£68.395m - 2005/06) represents the following items in the Income and Expenditure account:-

	2006/07	2005/06
	£'000	£'000
Staff Costs (see note 9)	19,538	18,859
Exceptional re-organisation staff costs (see note 12)	-	850
Other operating charges (see note 6)	49,491	47,864
Depreciation	636	549
Grant paid to Regional Tourist Boards (see note 8)	<u>155</u>	<u>273</u>
Gross expenditure per the Income and Expenditure Account	<u>69,820</u>	<u>68,395</u>

The following table reports total expenditure for the England Marketing Advisory Board:-

	2006/07	2005/06
	(£)	(£)
Board Members' remuneration	71,810	74,869
Employers NI & other taxes	9,675	8,328
Travel and subsistence	13,006	10,975
Board secretariat	<u>-</u>	<u>10,323</u>
Total expenditure	<u>94,491</u>	<u>104,495</u>

8. GRANTS PAID

	2006/07	2005/06
	(£'000)	(£'000)
General grants relating to Regional Tourism entities	40	113
East of England Tourist Board	10	57
Visit Heart of England	10	10
Visit London	10	8
Northumbria Tourist Board (One North East)	10	22
North West Tourist Board	10	9
Tourism South East	35	9
South West Tourism	10	9
East Midlands Development Agency	10	2
Yorkshire Tourist Board	<u>10</u>	<u>34</u>
Total grant expenditure to regional and other tourism bodies	<u>155</u>	<u>273</u>

9. STAFF COSTS

	Notes	2006/07 (£'000)	2005/06 (£'000)
Wages and salaries		15,055	14,900
Agency staff and students		519	653
Payment to contractors		576	421
Expatriate taxable benefits		427	478
Expatriate local tax		150	320
Social security costs		1,730	1,728
Normal redundancy costs		438	-
Pension costs – normal contributions	23	546	337
Pension costs – redundancy pension enhancement costs	23	32	-
Special pension costs	23	21	22
Amount charged to I&E as current service cost of US pension scheme	23	44	-
		<u>19,538</u>	<u>18,859</u>
Staff costs of subsidiaries		<u>113</u>	<u>172</u>
Group staff costs before exceptional re-organisation staff costs		19,651	19,031
Exceptional redundancy and pension costs	12	-	938
Amount credited to income & expenditure as curtailment gain of the US pension scheme ¹	23	-	(92)
Amount charged to income & expenditure as current service cost of US pension scheme	23	-	4
		<u>19,651</u>	<u>19,881</u>
Group staff costs including exceptional items charged to the income & expenditure account			
		<u>19,651</u>	<u>19,881</u>
The average number of employees during the year is made up as follows:		2006/07	2005/06 (Re-stated)
		No.	No.
Marketing		402	417
Overseas support (marketing & administration)		19	23
Administration (CEO, people & performance and corporate services)		42	42
		<u>463</u>	<u>482</u>

VisitBritain uses temporary agency and contractor staff to fill short-term posts to deliver its objectives. The number of staff employed would be the equivalent of 34 full time VisitBritain staff (2005/06 – 35).

¹ Represents amount included in the accounts in relation to the US pension scheme related to FRS17 (see note 23).

10. INTEREST RECEIVED AND OTHER FINANCE INCOME

	2006/07	2005/06
	(£'000)	(£'000)
Interest received on bank balances placed on overnight deposit	215	226
Finance income USA pension scheme (see note 23)	<u>44</u>	<u>67</u>
	<u>259</u>	<u>293</u>

11. NOTIONAL COSTS

	2006/07	2005/06
	(£'000)	(£'000)
Notional costs consist of:		
Group cost of capital	85	65
VisitBritain Parent cost of capital	86	65

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

	2006/07	2005/06
	(£'000)	(£'000)
Staff redundancy costs (see note 9)	-	850
Staff pension enhancement costs (see note 9 & 23)	<u>-</u>	<u>88</u>
	-	938
Exceptional recoverable surplus/curtailment gain on USA pension scheme (see note 23)	<u>-</u>	<u>(88)</u>
Total exceptional costs charged to income & expenditure	<u>-</u>	<u>850</u>

13. CORPORATION TAX

VisitBritain is assessed for Corporation Tax (CT) in the UK on its investment income (mainly comprising net interest and net rental income).

For the financial year 2006/07 no UK CT is payable by VisitBritain as Schedule A (rental) losses are offset against taxable income. Unused taxable losses brought forward to 2006/07 amount to £12.14m (2005/06 £10.15m). There was no CT payable by the subsidiaries for the financial year 2006/07 due to loss relief.

VisitBritain is assessed for CT in Germany, Sweden, 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 (VisitBritain Argentina office)

Freehold land and buildings are valued professionally every five years and were professionally valued at 31st March 2005. Lindblom Propiedades of Buenos Aires, Argentina, an independent commercial surveyor, carried out the revaluation. The basis of the valuation was open market value. VisitBritain is in the process of disposing of its only freehold premises in Argentina. Present indications are that it will achieve at least its book value.

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.

	Land & buildings		Motor	IT	Fixtures	Total
	Freehold	Leasehold Improvements	Vehicles	Equipment	Fittings & Equip.	
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Cost or valuation at 1 st 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 31 st March 2007	37	5,206	56	352	326	5,977
Cumulative depreciation at 1 st 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 31 st March 2007	4	3,329	51	239	164	3,787
Net book value at 1 st April 2006 - Group	35	2,090	12	71	194	2,402
Net book value at 31 st March 2007	33	1,877	5	113	162	2,190
Less Subsidiaries	-	-	-	-	-	-
VisitBritain						
Net book value at 31 st 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 to the revaluation reserve. Therefore, the total group depreciation charge was £639k.

15. OPERATING LEASE COMMITMENTS

Balance Sheet Disclosure

At 31st March 2007 VisitBritain had annual commitments under non-cancellable operating leases as set out below:

	2006/07		2005/06	
	Land and buildings	Others	Land and buildings	Others
	(£'000)	(£'000)	(£'000)	(£'000)
Operating leases which expire:				
Within one year	684	215	279	244
In the second to fifth years inclusive	1,755	60	2,163	102
Over five years	412	-	344	-
	<u>2,851</u>	<u>275</u>	<u>2,786</u>	<u>346</u>

Income and Expenditure Disclosure

	2006/07		2005/06	
	Others (buildings)	Hire plant and machinery	Others (buildings)	Hire plant and machinery
	(£'000)	(£'000)	(£'000)	(£'000)
The amounts charged as operating leases during the year were as follows: -	<u>3,160</u>	<u>175</u>	<u>3,138</u>	<u>192</u>

16. INVESTMENT – SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	2006/07	2005/06
	(£'000)	(£'000)
Investments		
Investment in subsidiaries	8	58

Subsidiary undertakings – New VisitBritain 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

	2006/07 (£'000)	2005/06 (£'000)
Finished goods and goods for resale (VisitBritain)	803	467
Finished goods (Subsidiaries)	<u>102</u>	<u>90</u>
Group stocks	<u>905</u>	<u>557</u>

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

18. CASH AT BANK AND IN HAND

	2006/07 (£'000)	2005/06 (£'000)	CHANGE IN YEAR (£'000)
Cash at bank and in hand: VisitBritain	641	439	202
Cash at bank and in hand: Subsidiaries	<u>101</u>	<u>171</u>	<u>(70)</u>
Cash at bank and in hand: Group	<u>742</u>	<u>610</u>	<u>132</u>

19. DEBTORS – AMOUNTS RECEIVABLE WITHIN ONE YEAR

	2006/07 (£'000)		2005/06 (£'000)	
Trade debtors	5,141		5,024	
Less provision for bad and doubtful debts	<u>(190)</u>		<u>(205)</u>	
		4,951		4,819
VAT debtors		1,272		783
Other debtors		340		304
Debtors provision for recoverable overseas & UK VAT (see note 21a)		105		810
Prepayments		2,388		1,655
Accrued income		295		261
Section 4 grants recoverable		33		154
Less provisions for irrecoverable section 4 grants		<u>(21)</u>		<u>(133)</u>
Total VisitBritain debtors		9,363		8,653

Subsidiaries

Trade debtors	14	62
Other debtors	1	16
	<u>15</u>	<u>78</u>
Less inter-group transactions	<u>(106)</u>	<u>(130)</u>
Group debtors	<u>9,272</u>	<u>8,601</u>

20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006/07		2005/06	
	(£'000)	(£'000)	(£'000)	(£'000)
Trade creditors		4,369		4,863
Other taxes and social security		63		87
Other creditors		3		(5)
Deferred income		3,401		2,747
Accruals		1,738		2,270
Provision for mobile tax creditors (see note 21 b)		118		169
Provision for UK VAT creditors (see note 21 a)		100		-
HM Government – Section 4 grants recoverable		33		154
Less provisions for irrecoverable section 4 grants		(21)		(133)
Total VisitBritain creditors		<u>9,804</u>		<u>10,152</u>

Subsidiaries

Trade creditors	174	269
Other creditors	13	10
Accruals	13	22
	<u>200</u>	<u>301</u>
Less intra-group transactions	<u>(106)</u>	<u>(130)</u>
Group creditors	<u>9,898</u>	<u>10,323</u>

21. VAT AND MOBILE TAX CREDITORS

a) VAT obligation	2006/07	2005/06
	(£'000)	(£'000)
Provision for UK VAT at 1 st April	-	211
Net increase (reduction) in UK VAT provision	<u>100</u>	<u>(211)</u>
Provision carried forward at 31 st March (see note 20)	<u>100</u>	<u>-</u>

b) Mobile tax obligation	2006/07	2005/06
	(£'000)	(£'000)
Provision for mobile tax at 1 st April	169	57
Net increase / (reduction) in mobile tax provision worldwide	<u>(51)</u>	<u>112</u>
Provision carried forward at 31 st March (see note 22)	<u>118</u>	<u>169</u>

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 2007 VisitBritain was committed to purchasing £11.624m of foreign currency. (At the previous year-end VisitBritain was committed to purchases of £11.197m).

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 £118k (2005/06 £169k) 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. At the present time the timing of any decision by the European Commission is unknown.

There is also a potential liability in respect of a claim by a supplier. VisitBritain is disputing the claim and no amount has been provided within the accounts as it is not of a material amount.

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 £599k (2005/06 - £447k), of which £419k (2005/06 - £215k) 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 £32k (2005/06 - £88k) has been paid to the BTBPS as pension enhancement for staff who took early retirement as part of VisitBritain's continuous restructuring programme.

The increase of normal contribution in the year ended 31st March 2007 was mainly attributable to the increase in the rate of contribution to BTBPS from 2.9% to 4.8% (2005/06 - 2.9%) to continue to address the ongoing scheme deficit (see below the FRS 17 report).

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

		2006/07	2005/06
		(£'000)	(£'000)
Normal contributions	(see note 9)	546	337
Pension enhancement/exceptional contributions	(see notes 9&12)	32	88
Special contributions ¹	(see note 9)	<u>21</u>	<u>22</u>
		<u>599</u>	<u>447</u>

¹ The special pension contribution is a supplementary pension scheme payment for Tom Wright that was made to a Self Investment Pension Plan (SIPP) for 2006/07 and to a Funded Unapproved Retirement Benefits Scheme (FURBS) in 2005/06.

FRS 17 – Retirement benefit

The pension report is prepared according to the requirement of FRS 17 which is adopted in full for the financial year ended 31st March 2007, 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 2006, carried out by a qualified actuary from Hazell Carr Pensions Consulting, updated to 31st March 2007. The result for the whole scheme is available and the scheme shows an overall surplus of £5.3m for the current year, compared to £15.15m deficit in 2005/06 before allowance of any related deferred tax. VisitBritain's notional share of the scheme's surplus has been identified as £1.9m (2005/06 £6.3m deficit) using current total pensionable salaries. This improvement is largely due to changes to the valuation assumptions; most notably, the higher favourable discount rate, lower assumed salary growth and introducing an assumption that on average 10% of the member's pension will be commuted for cash at retirement.

During the year ended 31st March 2007 the basic contributions of employees were 5% of pensionable salaries, with VisitBritain contributing a further 4.8%. Following the advice of the Schemes' actuaries, VisitBritain's contribution has been increased to 4.8% of pensionable salaries in 2006/07 from 2.9% in the previous year. This will further increase to 10% for the following years.

VisitBritain also has additional un-funded liabilities for pension payments to 6 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 2006, updated for materially significant changes that occurred up to 31st March 2007. The major assumptions used by the actuary were:

Assumptions	31 st March 2007	31 st March 2006
Discount rate	5.4%	4.9%
Inflation assumption	3.3%	3.0%
Salary increases	3.3%	4.5%
Increases to pension payment in line with R.P.I.*	3.3%	3.0%

*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 2007 was £328k (2005/06 £334k), which is disclosed on the primary accounts per FRS 17 full disclosure requirements.

Therefore the overall position of the UK scheme is:

	31 st March 2007	31 st March 2006
	(£'000)	(£'000)
Share of main scheme surplus/(deficit)	1,926	(6,295)
Un-funded pension in payment liability (6 former Chairmen)	(328)	(334)
Overall surplus/(deficit)	<u>1,598</u>	<u>(6,629)</u>

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 on the primary accounts.

Restructuring in the USA has resulted in a substantial movement in VisitBritain's future US pension liabilities accruing to employees in the scheme reported in 2005/06 and 2006/07. The local actuary from Mercer USA valued the scheme liability as at 31st March 2007 and the actual surplus was capped from £1.23m to £184k (£1.17m to £304k in 2005/06) 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 2007 the recoverable amount of the surplus has decreased, although the actual scheme surplus had increased, due to a decrease in active membership in the scheme.

A full actuarial valuation of the USA pension scheme was carried out by the local Mercer actuary as at 1st January 2006 and it was rolled forward for fifteen months to 31st March 2007, adjusted to allow for membership changes.

The major assumptions used by the actuary were:

	As at 31 st March 2007	As at 31 st March 2006
Rate of increase in salaries	3.50%	3.50%
Rate of increase for pensions in payment	2.50%	2.50%
Discount rate	5.90%	5.90%
Expected long-term rate of return on plan assets during financial year	7.27%	7.07%
Inflation assumption	2.50%	2.50%

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

Return on assets:	As at 31 st March 2007		As at 31 st March 2006	
	Long term expected rate of return	Market value of assets (£'000)	Long term expected rate of return	Market value of assets (£'000)
Equities	8.30%	1,602	8.20%	1,667
Bonds	5.10%	698	5.00%	804
Cash	3.60%	37	3.40%	62
Total market value of assets	7.27%	2,337	7.07%	2,533
Present value of liabilities		(1,110)		(1,364)
Surplus in the scheme		1,227		1,169
Irrecoverable surplus/ (effect of surplus cap)		(1,043)		(865)
Related deferred tax asset/(liability)		-		-
Net pension asset		184		304

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 31 st March 2007 (£'000)	Year ended 31 st March 2006 (£'000)
Expected return on pension scheme assets	124	135
Interest on pension liabilities	(80)	(68)
Net Return	44	67

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

	Year ended 31 st March 2007 (£'000)	Year ended 31 st March 2006 (£'000)
Actual return less expected return on assets	88	138
Experience gains and losses on liabilities	160	(128)
Changes in assumptions	(20)	88
Adjustment due to surplus cap	(322)	(120)
Actuarial gain/(loss) on assets and liabilities	(94)	(22)
Exchange rate gain/(loss)	(26)	23
Total (loss)/gain recognised in STRGL (see note 25)	(120)	1

Movement in surplus during the year

	Year ended 31 st March 2007 (£'000)	Year ended 31 st March 2006 (£'000)
Surplus in scheme at beginning of the year	304	148
Extension of coverage/other adjustments	-	-
<i>Movement in the year:</i>		
Other finance income (see note 10)	44	67
Current service costs (see note 9)	(44)	(4)
Gain due to increase in the recoverable surplus from an increase in active membership (see note 9)	-	92
Curtailement gain	-	-
Actuarial gain/(loss) recognised in the STRGL	(94)	(22)
Exchange rate gain/(loss) recognised in the STRGL	(26)	23
Surplus in the scheme at the end of the year	184	304

History of experience gains and losses

	Year ending 31 st March 2007	Year ending 31 st March 2006
Difference between expected and actual return on scheme assets:		
Amount (£'000)	88	138
% of scheme assets	4%	5%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	160	(128)
% of scheme liabilities	14%	(9%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	120	1
% of scheme liabilities	11%	0%

The scheme is contributory and VisitBritain's contribution in the year was £NIL (2005/06 £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 2007 are in South Africa, Australia, New Zealand, Argentina, Brazil, Canada, the Republic of Ireland, Netherlands, Denmark, Germany, Norway and Sweden. 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 £127k (2005/06 £122k) and are included within the total pension cost for the year.

24. INCOME AND EXPENDITURE RESERVE

	VisitBritain		Group	
	2006/07 (£000)	2005//06 (Re-stated) (£000)	2006/07 (£000)	2005/06 (Re-stated) (£000)
Net expenditure in the current year	(48,684)	(49,049)	(48,656)	(49,055)
GIA received (note 2)	49,900	48,900	49,900	48,900
	1,216	(149)	1,244	(155)
MHCA depreciation charge - movement to reserve	79	39	79	39
Opening reserve at 1 st April	1,523	1,633	1,505	1,621
Reserve at 31st March	2,818	1,523	2,828	1,505

25. PENSION RESERVE

	VisitBritain		Group	
	2006/07	2005/06	2006/07	2005/06
	(£000)	(£000)	(£000)	(£000)
Opening pension reserve*	(432)	(409)	(432)	(409)
Decrease/(increase) in UK pension liability on the unfunded scheme	6	(24)	6	(24)
Actuarial (loss) on US pension scheme recognised in the STRGL (see note 23)	(94)	(22)	(94)	(22)
Exchange rate (loss)/gain on US pension scheme (see note 23)	(26)	23	(26)	23
Closing pension reserve per the balance sheet*	(546)	(432)	(546)	(432)

NB *before adjustment for deferred tax

26. REVALUATION RESERVE

	2006/07	2005/06
	(£'000)	(£'000)
At 1 st April	744	668
Revaluation gain – Leasehold improvements (see note 14)*	120	115
MHCA depreciation charge – credited to income & expenditure reserve	(79)	(39)
At 31 st March	785	744

*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 (FRoM). The revaluation resulted in a material increase to the leasehold improvement but not on any other class of assets.

27. GOVERNMENT GRANT RESERVE

	2006/07	2005/06
	(£'000)	(Re-stated) (£'000)
At 1 st April	-	381
Capital grant received during the year	-	298
Amount credited to income and expenditure re depreciation	-	(228)
Amount transferred to income and expenditure reserve due to accounting policy change (see note 1)	-	(451)
At 31 st March	-	-

28. DISCLOSURES ON INTRA-GOVERNMENT BALANCES

In compliance with the Government FReM, material intra-government balances as at 31st March 2007 are disclosed below.

	Debtors balance as at 31/03/2007	Creditors balance as at 31/03/2007
	(£'000)	(£'000)
Balances with other central government bodies (including pension and other central government funds)	2,557	147
Balances with local authorities	145	158

29. 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 has had a small number of transactions (£31k of purchases and no sales) with DCMS. 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)
Penelope Viscountess Cobham	Marketing Birmingham	Director	Marketing Promotion	9	-	-	-
Philip Evans	Visit Wales	Chairman	Marketing Promotions	2,227	527	-	-
Peter Lederer	VisitScotland	Chairman	Marketing Promotions	675	94	107	6
Peter Lederer	Gleneagles Hotel	Board Member	Marketing Promotions	6	-	-	-
Hugh Taylor	Hilton Hotels	Vice President	Marketing Promotions	25	1	92	-
Tom McGrath	Tourism Ireland	Board Member	Marketing Promotions	293	59	21	-
Juliet Williams	South Western Regional Development Agency	Vice President	Marketing Promotions	-	-	13	-

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	Visit London	Director	Marketing promotions	974	325	212	54
Tom Wright	European Travel Commission	Vice President	Marketing Promotions	-	-	21	-
Tom Wright	South West Tourism	Director	Marketing Promotions	49	2	13	-
Simon Bradley	Yorkshire Tourist Board	Member	Marketing promotions	343	97	22	2
Michael Bedingfield	East of England Tourism	Director	Marketing Promotions	120	55	65	-
Michael Bedingfield	East Midlands Tourism	Director	Marketing Promotions	14	2	65	-
Jeremy Brinkworth	Visit Chester & Cheshire	Director	Marketing Promotions	-	-	11	-
Bernard Donoghue	Marketing Manchester	Director	Marketing Promotions	339	120	8	1
Roger Johnson/Michael Bedingfield	Englands North Country	Chairman	Marketing Promotions	1,265	1,042	42	30
Roger Johnson/Seren Welch	Merseyside Partnership	Board Member	Marketing Promotions	94	12	1	-
Jenny McGee	One North East Tourism Advisory Board	Observer	Marketing Promotions	136	67	16	-
David Philip	Tourism South East	Director	Marketing Promotions	155	67	50	7

30. 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% (2005-06 70%) 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 (£10.92m) and financial liabilities (£9.898m), and 93% 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

In accordance with Board policy, VisitBritain has purchased forward currency contracts. At 31st March 2007 there were commitments to purchase currency to a total sterling value of £11.624m (2005/06 £11.197m) (see note 22). These included forward major currency contracts of EUR6.5m, USD9.5m, CAD1.05m and SEK6m. 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.

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