

**Scottish Tourism Alliance - Directors Report
Accounts & Financial Statements for the Period Ended 31 March 2016.**

2015 – The Year of Food and Drink was another busy year and successful year for our industry which delivered continued year on year growth since the launch of the Tourism strategy in 2012 despite a number of challenges and global competition being tougher. The STA continues to build on the strong foundations laid over the prior four years and our priorities remain those that we outlined in the organisations strategic plan published in 2015 with emphasis on four key strands of focus.

1. Ensuring the organisations long term financial sustainability
2. Engaging industry and building stronger and broader relationships
3. Influencing policy and decision making to aid delivery of the TS2020 growth ambition
4. Being a gateway signpost to trusted information, securing benefits for members.

The STA's mission and overarching aims and objectives remain the same and that is to:

- A) Lead an inspired and engaged tourism industry and to act as a central pivot enabling business and Scotland's tourism economy to grow.
- B) To continue to raise the profile and importance of the tourism and hospitality sector with all.

The report summaries the organisations audited financial performance over a **shortened** (9 month) financial year. The board taking this decision to realign itself with the majority of stakeholder and partners accounting period. In the financial commentary below it also sets out the like for like trading performance over the 12 month period July15 - June16 incl. which reaffirms our position of stability

Membership

Membership and associated income continues to grow steadily over the period despite again keeping many of the category price points static for a further year. We now have in excess of 275 organisations subscribed to the STA and we remain grateful those members who continue to support and connect as they do, our retention rate has remained consistently at c90%. We welcomed the appointment of Graham MacLennan into post as Business Development Manager/ Member Relations working 4 days per week and graduate Tara Copic who has provided the administrative support needed to help manage the growth and member relation activities. With some destinations / member groups merging into one body and many smaller / micro business opting to remain members of the STA but through their local or trade associations instead to ensure revenue growth in membership our strategy has been to broaden the new member targeting and encourage more associate business to join and be part of what is the sectors overarching trade body. This strategy for membership growth continues and through the work of our CEO, Marc, and that of Graham we welcome the support of new Patron Sponsors; Johnston Fuels, Microsoft, iomart, Bruce Stevenson Insurance Brokers, Bidvest Scotland. We are also delighted and grateful for the continued pledges of much valued support from Patron sponsors CalMac, ScotRail, Loganair, MacDonald Hotels, Fishers Laundry Services, DAM, RBS, French Duncan, Tennent Caledonian, Arnold Clarke Car & Van Rental, Zero Waste Scotland and Vision Events. We are also grateful to many others with whom we have forged close working relationships. By doing so it has helped keep our overheads down when promoting STA events and membership and our policy agenda for government. We would like to thank, Xpress Recruitment, Lux Events, CIS, HIT Scotland, SCDI, Scottish Chambers of Commerce, The Scottish Retail Consortium, Scotland Food & Drink, Springboard, and Taste Communications.

There have been four Executive Board meetings and three STA Council meetings held in this shortened 9 month financial year. Four TS2020 Strategy Group meetings were also held in addition to many TS2020 related group meetings involving both private and public sector bodies.

Industry Leadership

Throughout 2015-16, the STA has continued to lead in a number of areas especially that of advocacy, and often is asked to represent the views of industry to both UK and Scottish Government officials with the aim to influence policy and positive outcomes for industry. The STA was also invited by the UK Government to have a full seat at the UK Tourism Industry Council (TIC) to represent the views of the industry at that table. The TIC meets formally 4 times per year but as is the case at present, post the EU Referendum now convenes every 8 weeks. We are invited to offer comment to high level economic discussions and debate and have had monthly formal engagement with senior individuals and MSP's across all political parties. We engaged fully with all of the manifesto co-ordinators and held conversations with ministers including organising a Tourism Hustings for STA Council representatives in the lead up to the 2016 elections.

As well as having regular dialogue with the past tourism minister Fergus Ewing MSP throughout the year representing the industry's views, and now with the new Cabinet Secretary for Culture Tourism External Affairs Fiona Hyslop MSP, the STA CEO and Chair now meet formally on a 1/4ly basis with their counterparts at VisitScotland Lord Thurso & Malcolm Roughead. The STA has further strengthened its direct relationship with the Scottish Office too and continues to work closely with Bruce Crawford MSP (Chair of the Cross Party Group for Tourism) influencing and shaping the agendas for these meets. We have remained pro-active in giving verbal and written opinion on the effect of the introduction of the Living wage, any proposed form of tourist tax, advocating for a cut in VAT, highlighting the concerns re the current level of skills gap, impact of poor digital connectivity and lack of a funding model to help ensure the sustainability of key destination marketing /Management bodies.

We meet frequently with representatives from across the finance banking sector, SCDI, FSB, Scotland Food & Drink, Food Standards Agency, Scottish Chambers of Commerce, IOD, CBI, Transport Scotland, Scotland's Universities and Colleges and representatives from the local authorities (SLAED). Members of the STA core team hold positions on the Digital Tourism Scotland steering group, the VisitScotland Growth Fund and Focus Years steering groups and the CEO is the Vice Chair of the Scottish Thistle Awards industry steering group panel.

The STA Team

The STA Board continue to offer up a huge amount of their time, promoting the STA, highlighting the industries importance to the economy, and the key issues it faces when meeting with other business leaders and politicians. We have welcomed the appointments of Mhairi Clarke as our PR & Marketing Manager and Graham MacLennan as Business Development /Member Relations Manager, both officially work part time but like all others in the small core team Elaine Townsend, Caroline Warburton, Gillian Brymer (is also contracted to Wild Scotland 2.5days p.w.), Denise Connolly who is seconded into post from ZWS, and Alan Rankin (Marine Tourism Development Group Project Mgr) all do so much more on a regular basis. Tara Copic our Graduate membership and events admin support has sadly left us to take up a teaching job in Japan but we welcome another graduate Ellen Ingram who takes up the post on a part time basis. We continue to retain the services of Ross Laird at Grayling so to have a daily presence in Holyrood. Ross keeps us informed on all matters being discussed in both the Scottish and UK parliament that have or potentially could have a direct impact of Scottish Tourism. The cost to retain Graylings services are jointly shared with BHA.

May I also take this opportunity once again to thank those on the STA Council many of whom are Chairs of sector associations, the TS2020 Strategy group Champions and fellow board members who all give a huge amount of time voluntarily, are passionate about growing tourism wealth and committed to providing the best to visitors who come to Scotland.

Industry Events & Engagement

Over the period July 15- end March 16 we held our Autumn Conference and AGM at the EICC to which 310 delegates attended, our annual "Patrons and Business Leaders Dinner" was kindly hosted by STA Patron RBS at their Business School in Gogarburn to which 60 attended. We held a networking event in Inverness in December on the eve of the Highland Tourism conference, and STA board and team members attended in excess of 30 other events over the course of the year promoting the STA, sharing the industries policy agenda headlines and gathering in the voice from others. Our Scottish Tourism Week Signature Programme of events this year took a different direction, acknowledging the feedback from many in the more rural parts of Scotland who said taking time out to get to the signature conference in the central belt was a challenge and costly. We in response to this feedback we undertook a roadshow programme to share the key messages of the TS2020 mid- term review and updates on STA activity over the course of the week ahead of the STA Signature conference in Edinburgh; the CEO, Chair, and members of the core team and board presented at 24 separate events. Over 600 delegates attended the signature conference and dinner with a difference / parliamentary reception held across the two final days of STW at the EICC. In total we engaged more than 4000 industry colleagues from across Scotland into the tourism conversation. We are especially grateful to all the sponsors and partners who made this STW event programme such a huge success.

Business Planning and Accounts

We are pleased to report that the 9 month trading period ended in line with budget with a small deficit of (£6568), this was in line with forecast due to the bulk of the STA membership renewal being due in April & May of each year. The 12 month like for like year at end of June 2016 reporting a surplus of £2,952. vs prior year £2677.00. These results are reflective of core STA related activity. 50% employee cost contributions for the PR & BDM managerial posts in year 1 and similar for the STW PCO were received under our company growth account management criteria. All other government grants received as reported in the accounts relate directly to TS2020 activity and salaries of those employed to work on the TS2020 project. We continue to have a contract in place with Wild Scotland to provide a support by way of financial accounting, administrative, membership and event co-ordination services. This contract has been renewed for a third term through to end of December 2016. The inherited £37,000 of monies owed by STF to HMRC have now been repaid in full.

The renewed pledges of support from sponsors, continued growth and retention of members Patrons, access to support through our account management status and our robust business plan all provide the Board with continued confidence for the long term sustainability of the company. We continue to receive welcome support from VisitScotland in the form of free of charge office provision in Stirling and support as required and sought from SE as one of their company growth account managed business.

Closing Remarks

As stated in the prior year's report the Board remain focused on building the long term financial sustainability of the STA and continue to be very aware of the challenges in growing income in the current economic climate and the increasing budget constraints faced by destination bodies and sub-sector associations. To conclude the Board remain confident that with the disciplined management and the strong leadership provided by Marc together with the increased profile and reputation of the STA, its ongoing growth in membership and other forms of commercial income, the organisation will continue to grow from strength to strength.