

SCOTTISH ENTERPRISE

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2020

Enterprise and New Towns (Scotland) Act 1990

Annual Report and Accounts of Scottish Enterprise prepared pursuant to section 30(1) of the Enterprise and New Towns (Scotland) Act 1990: together with the Independent Auditor's Report to the Members of Scottish Enterprise, the Auditor General for Scotland and the Scottish Parliament.

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PERFORMANCE REPORT

for the year ended 31 March 2020

OVERVIEW

STATEMENT OF PURPOSE AND ACTIVITIES

Scottish Enterprise is an executive Non-Departmental Public Body of the Scottish Government and was established under the [Enterprise and New Towns \(Scotland\) Act 1990](#) for the purposes of furthering the development of Scotland's economy.

This Act defines Scottish Enterprise's key functions as:

- furthering the development of Scotland's economy - including providing, maintaining and safeguarding employment;
- promoting Scotland's industrial efficiency and international competitiveness; and
- furthering improvement of the environment of Scotland, including supporting Scotland's transition to a low-carbon economy.

Scottish Enterprise's duties are as determined by Scottish Ministers under Section 24 of the Act. A range of general and specific powers are set out in full in Section 8 of the Act.

BUSINESS MODEL AND ENVIRONMENT

As Scotland's national economic development agency, Scottish Enterprise's overall objective is to make a significant contribution to achieving the Scottish Government's vision of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing and sustainable and inclusive economic growth.

Working with our partners, Scottish Enterprise seeks to identify and exploit opportunities for Scotland to create a more resilient and thriving economy, building a world-class business environment where people want to come to live, work, study and invest - creating and taking up high value job opportunities.

Scottish Enterprise's objectives and key targets are agreed within our strategic planning process. We operate with our own independent Board reporting to the Cabinet Secretary for Economy, Fair Work & Culture within the Scottish Government.

Scottish Enterprise works closely with public sector partners in delivering for Scotland's economy. Through the [Enterprise and Skills Strategic Board's Strategic Plan](#), the enterprise and skills agencies (Scottish Enterprise, Highlands & Islands Enterprise, Skills Development Scotland, the Scottish Funding Council and South of Scotland Enterprise) are asked to deliver a joint agency approach to achieve a shared ambition for Scotland - helping Scotland move towards the top quartile of Organisation for Economic Co-operation and Development (OECD) countries for productivity, equality, wellbeing and sustainability.

PERFORMANCE REPORT (continued)

The Board's Strategic Plan includes four separate policy missions which the agencies work towards collaboratively in pursuit of the shared vision:

- **Future Skills Needs** - Building a more demand-led skills system that better responds to the current and future skills needs of employers and individuals.
- **Business Creation and Growth** - Creating a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity, and provide a new structure of support for business scale-up.
- **Business Models and Workplace Innovation** - Harnessing the full potential of progressive business models, workplace innovation and fair work to enhance productivity, equality, wellbeing and sustainability.
- **Exporting** - Increasing export growth by increasing the number of exporters, including greater reach at regional level, and the value of exports.

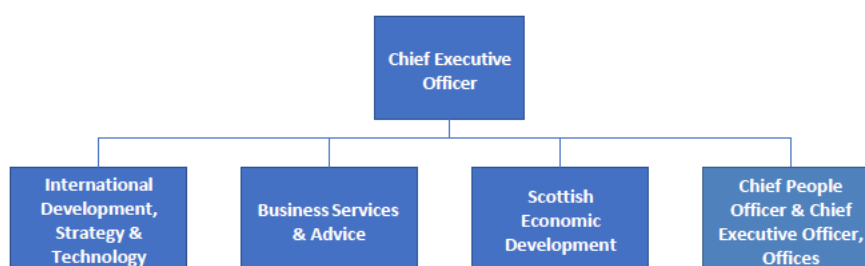
Scottish Enterprise also works with a wider range of partners at national, regional and local levels, for example, VisitScotland, Local Authorities, Business Gateway, City and Regional Growth Deals and Community Planning Partnerships, to secure the alignment of strategies and resources behind the right opportunities.

Some Scottish Enterprise activities operate across all of Scotland, including the Highlands & Islands and South of Scotland Enterprise areas, these being:

- inward investment and overseas market development via Scottish Development International (operating as a joint venture with Scottish Government and Highlands & Islands Enterprise) and including management of the network of overseas offices and field staff;
- major grants programmes, including Regional Selective Assistance (RSA) and SMART:SCOTLAND grants;
- the Scottish Investment Bank;
- the Scottish Manufacturing Advisory Service; and
- Scotland Europa.

Whether at an international, national, regional or local level, Scottish Enterprise works alongside our public-sector partners, universities, colleges, private sector and others to deliver stronger outcomes for Scotland.

During 2019/20, Scottish Enterprise's new leadership structure was finalised. Operations were delivered under the guidance of the Chief Executive and the Executive Leadership Team via the business unit structure below:



PERFORMANCE REPORT (continued)

International Development, Strategy & Technology - This business unit comprises Scottish Development International (SDI), Strategy and Digital, Data & Information Technology (DDIT) services:

- Building Scotland's reputation and reach in strategically important markets, SDI aims to increase the value of Scottish exports and stimulate Scottish companies to sell more goods and services to international markets; and works with others to attract new international investment to strengthen Scotland's communities, company base and sectors. In response to Scottish Government trade policy priorities, SDI delivers expert advice about markets, sectors and how to trade by providing insight and intelligence, investment and connections at home and in priority markets across the globe.
- Strategy works closely with key stakeholders and partners to help shape the direction and priorities for Scottish Enterprise and economic development in Scotland, and build the evidence base to inform activities and strategic priorities and evaluating Scottish Enterprise's impact.
- DDIT leads the work on business technology enablement, focusing on the tools and support needed by Scottish Enterprise colleagues to do their jobs well and laying the foundations to deliver exemplar services for our customers and become a data-driven organisation.

Business Services and Advice - Building resilience and growth in Scotland's business base, this business unit leads the work with companies encouraging them to invest in growth plans and future opportunities, resulting in more resilient, ambitious businesses. Activities also include development of a more holistic business support system across partner agencies where access to insight, information, advice and funding is easy and joined up.

Scottish Economic Development - Building vibrant communities across Scotland to deliver economic and social value, this business unit works with both national and regional partners to deliver better outcomes for all of Scotland's communities; investing in infrastructure, assets and companies to develop a more dynamic and ambitious business community; and identifying and developing future economic opportunities for Scotland. This includes work through the Scottish Investment Bank and its transition to the Scottish National Investment Bank, Business Infrastructure, Sectors, Rural Team, working with Entrepreneurs, Regional Partnerships and working with companies who show considerable growth ambition and capability.

Chief People Officer (CPO) & Chief Executive Officer (CEO), Office - This business unit comprises People Services, Finance, Audit, Marketing & Corporate Affairs:

- People Services focusing on employee-related matters of recruitment, benefits, training and engagement and providing the facilities management function, delivering health & safety and environmental management.
- Finance & Audit, with responsibility for corporate governance and ensuring strategic financial management and value for money, is at the heart of the business and its decision-making process
- Marketing & Corporate Affairs helping to promote and protect the reputation of Scottish Enterprise.

PERFORMANCE REPORT (continued)

STRATEGY AND OBJECTIVES

Scottish Enterprise launched a new [Strategic Framework](#) in 2019/20 which sets out our ambitions for the future of Scotland's economy and how we will transform the way we work - including how we work with others - to achieve our ambitions. The Framework included: a new vision, purpose and values; detailed three-year Corporate Strategy (2019-2022); and a one-year Operating Plan (2019/20).

The Framework was set within the context of Scotland's overall economic agenda. The direction and guidance set out in the Scottish Government's [Economic Strategy](#) (March 2015), the [Economic Action Plan](#) and the [Enterprise and Skills Strategic Board's Strategic Plan](#) together provided a clear ask from the Scottish Government to help deliver its purpose and long-term aspirations for Scotland's economy, as outlined below. How Scottish Enterprise contributes to the Scottish Government's National Performance Framework is addressed later in this report.

Responding to Scotland's Economic Agenda:



PERFORMANCE REPORT (continued)

Vision, Purpose & Values

OUR VISION

An economically vibrant Scotland making a positive impact on the world.

OUR PURPOSE

Create more, better jobs that nurture shared wealth and collective wellbeing.

OUR VALUES

Be Brave

We will be fearless and ambitious in our decision-making, delivering for our economy and our communities. We will celebrate together when we succeed and learn together when we fail.

Be Fair

We will act with the highest standards of integrity and empathy, and champion diversity and sustainability.

Be The Difference

We will proudly stand shoulder to shoulder with others to unlock our collective potential and to make a real impact.

Be Our Best

We will expect the highest standards of ourselves and offer excellence when working with others.

Three-Year Corporate Strategy

The three-year corporate strategy focuses on four key, longer-term ambitions:

Ambition One	<i>Building vibrant economic communities across Scotland, spreading increased wealth and wellbeing.</i>	Working with partners to invest in infrastructure, assets and companies as a means of creating good jobs with value in thriving places where people want to live and work.
Ambition Two	<i>Building Scotland's reputation and reach in strategically important markets.</i>	Bringing together assets, networks, campaigns and support in targeted geographical areas that leverage the Brand Scotland platform and our global networks.
Ambition Three	<i>Building resilience and growth in Scotland's businesses, sectors and regions.</i>	Treating the root causes of business distress and leveraging data, insight and good judgement to forensically target the right growth opportunities.
Ambition Four	<i>Building future economic opportunities that will drive our international advantage.</i>	Securing long-term, patient investment into enterprise 'missions' that will address long-term barriers to growth.

PERFORMANCE REPORT (continued)

2019/20 Operating Plan

The [Operating Plan for 2019/20](#) detailed our operational areas of focus under five key objectives that, together, help deliver the longer-term ambitions in the three-year Corporate Strategy:

Objective One	<i>Attract, create and protect quality jobs and talent that will support wellbeing across Scotland.</i>	Working with businesses to attract, create and protect quality jobs and address skills gaps, targeting areas of future economic opportunity.
Objective Two	<i>Drive research and innovation investment in businesses and sectors.</i>	Matching capabilities, assets and supply chains to opportunities that drive national benefits.
Objective Three	<i>Stimulate capital investment in local, regional and national economies.</i>	Stimulating the right kind of demand through compelling local, regional and national investment prospectus.
Objective Four	<i>Give more businesses across Scotland the best chance to fulfil their potential.</i>	Stimulating demand for and encouraging investment in more businesses and ideas that leverage competitiveness and our international comparative advantages.
Objective Five	<i>Grow export value and the number of exporters.</i>	Working more intensively with those companies, networks and markets that offer the greatest potential to grow exports from Scotland.

In developing the 2019/20 Operating Plan and overall 3-year corporate strategy, we worked closely with our agency partners to build a shared understanding of the environment we operate within and of the shared outcomes we are pursuing as laid out in Scotland's [Economic Strategy](#) and the [Enterprise & Skills Strategic Board's Strategic Plan](#), including the four policy missions. To achieve our shared vision and outcomes requires our collective efforts and resources. Partnership working has long underpinned our work and values as an organisation, however, we know that to achieve our vision, and that of the Strategic Board, new ways of cross-agency working and deeper, more meaningful collaboration are necessary.

In delivering our 2019/20 Operating Plan, this collective approach saw us working cross-agency, to achieve our shared outcomes, including:

- supporting business adoption of innovative workplace practices;
- developing a single business portal;
- scoping the next phase of funding and development of the Innovation Centres; and
- delivering the Prepare for Brexit campaign.

PERFORMANCE REPORT (continued)

KEY ISSUES AND RISKS AFFECTING SCOTTISH ENTERPRISE

Scottish Enterprise operates a Board approved risk management policy. The policy notes that risk is inherent in the business of Scottish Enterprise and sets out the process by which risk is identified, escalated and reviewed appropriately. The Board defines Scottish Enterprise's risk appetite at a strategic level. Each business unit is responsible for identifying areas of risk.

Risks that have potentially significant impact at an organisation-wide level are recorded on the Corporate Risk Register which is owned by the Executive Leadership Team.

The items on this are a combination of the strategic risks identified by senior management and risks escalated from business units, including:

- potential impacts on the economy arising from Brexit due to the uncertainty surrounding how the UK might exit from the European Union and the trading relationship that would apply thereafter;
- failure to deliver our longer-term Strategic and Corporate Plan ambitions for increased resilience and restructuring within the Scottish economy arising from the impact of budget settlements flowing from Governmental Spending Reviews and the potential reduction in the scale of other funding which Scottish Enterprise can attract in the future;
- an expectation from Stakeholders that Scottish Enterprise will replicate the programmes being delivered by South of Scotland Enterprise and the impact on organisational resources required to close any gap;
- potential impact on resources due to the additional focus on the Climate Change Emergency; and
- the potential for significant interference to operations arising from the failure of Scottish Enterprise's systems should we not have an appropriate Disaster Recovery Plan.

The Board reviews the operation of the Risk Management Policy on an annual basis, with the Board Strategy session in October 2019 used to review the current approach to risk management and in particular risk appetite. The Board ensures that the policy is supporting the effective and efficient operation of the organisation and that it helps the business respond to business risks and implement adequate controls. The Audit & Risk Committee reviews risk regularly, and the Board approves the Corporate Risk Register annually with regular updates provided at each Board meeting through a risk dashboard as part of the overall SE performance report.

PERFORMANCE REPORT (continued)

FUTURE DEVELOPMENTS

The ambitions set out in Scottish Enterprise's [Strategic Framework](#) remain crucial to Scotland's pursuit of inclusive and sustainable growth. However, the outbreak of the COVID-19 pandemic at the start of the new performance year 2020/21 means the immediate strategic priority of our work has changed dramatically. The emerging picture has already magnified the importance of the strategic challenges and opportunities for Scotland:

- re-focusing of businesses on critical National Health Service (NHS) supplies has showcased the power of an economy driven by meeting societal challenges;
- fragility of supply chains has reinforced the importance of building home-based capability and resource-efficient, circular approaches to the economy;
- precarious nature of a life on zero-hours contracts and our dependence on people in some of the lowest paid sectors, such as care and retail, makes clear the case for fair work; and
- the uneven impact of the crisis on more fragile communities emboldens the drive for regional equity.

Never before has an economy focused on people's wellbeing seemed so relevant. What is also apparent is that we cannot go back to the status quo. Building a more sustainable, inclusive plan for recovery is essential.

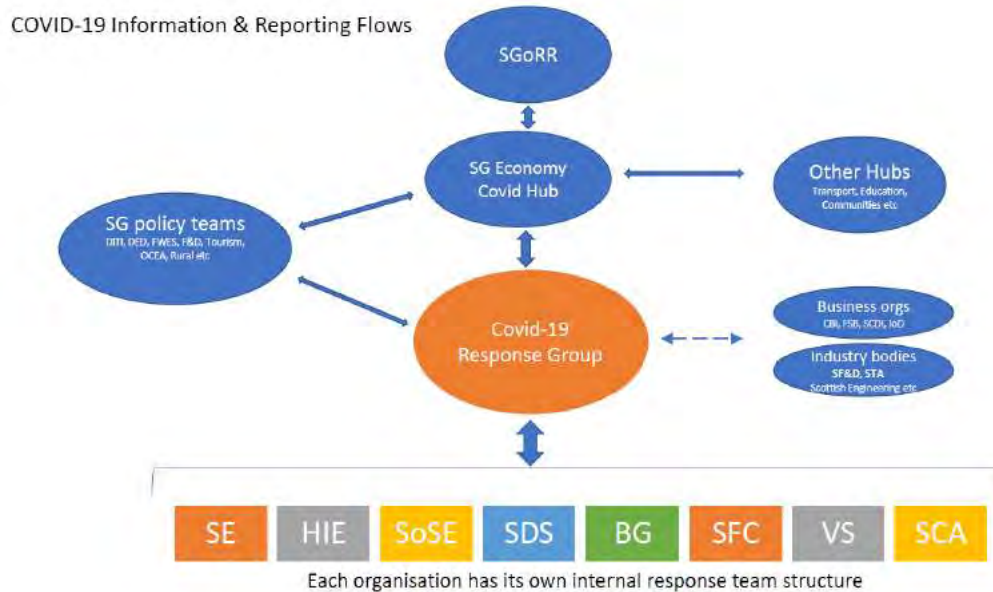
Our purpose therefore remains absolute - creating more, better jobs across Scotland remains our focus for long-term growth - and we need to deliver these in a way that is compatible with a climate-neutral economy - creating an equitable and sustainable approach to growth for Scotland.

We must also focus on supporting businesses deal with the immediate crisis.

The outbreak of the pandemic and the resulting public health measures have resulted in unprecedented restrictions on businesses and the economy. This, in turn, has led to the largest scale provision of Government financial support for businesses, employees and the self-employed in our working lives.

A collaborative multi-agency response to COVID-19 is being delivered. The COVID-19 Response Steering Group (CRSG), which is working directly with the Scottish Government's Economy COVID Hub, brings together the enterprise & skills agencies with Business Gateway, VisitScotland, Scottish Cities Alliance and Local Authorities, and is working closely with the key business organisations and industry bodies.

PERFORMANCE REPORT (continued)



Key:

SGoRR	Scottish Government Resilience Room	SF&D	Scottish Food & Drink
SG	Scottish Government	STA	Scottish Tourism Alliance
DITI	Directorate for International Trade & Investment	SE	Scottish Enterprise
DED	Department of Economic Development	HIE	Highlands & Islands Enterprise
FWES	Fair Work, Employability and Skills	SoSE	South of Scotland Enterprise
F&D	Food & Drink	SDS	Skills Development Scotland
OCEA	Office of the Chief Economic Adviser	BG	Business Gateway
CBI	Confederation of British Industry	SFC	Scottish Funding Council
FSB	Federation of Small Business	VS	Visit Scotland
SCDI	Scottish Council for Development & Industry	SCA	Scottish Cities Alliance
IoD	Institute of Directors		

The CRSG's role is to:

- co-ordinate and deliver a single response to COVID-19 across Scotland's enterprise and skills system;
- co-ordinate delivery of a joint action plan by the enterprise & skills agencies, Business Gateway, Scottish Local Authorities Economic Development Group (SLAED), VisitScotland, Scottish Cities Alliance and Scottish Government;
- promote the [FindBusinessSupport.gov.scot](https://www.findbusinesssupport.gov.scot) website as the main communication channel for businesses in Scotland; and
- liaise with partner agencies.

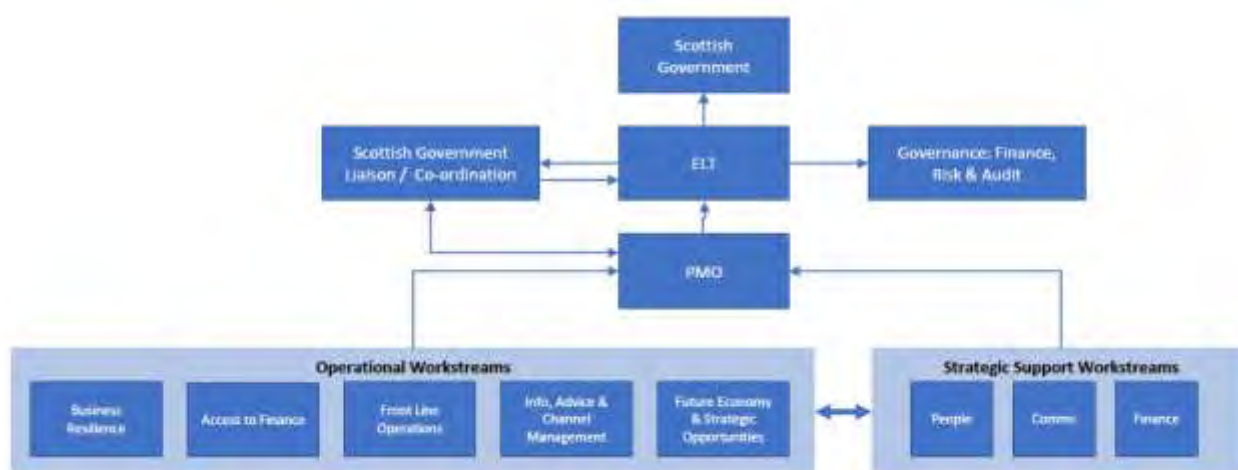
The Scottish Government's plan to tackle the economic implications of the public health emergency is a phased approach. It has four key stages - response, reset, re-start and recovery.

PERFORMANCE REPORT (continued)

Scottish Enterprise's primary role in the response phase (phase one) is to work with our partners to make communicating and accessing support to businesses as straightforward as possible, for example, providing:

- i. clear information on analysis, assumptions and forecasts for the economy and information on help available;
- ii. coherent and accessible advice including on how to access support from others; and
- iii. business support - access to finance but also advice on restructuring where this is appropriate.

Scottish Enterprise's phase 2 response is structured around five key themes and three supporting themes to reflect the emerging priorities for recovery phase, and to ensure that businesses are able to access the most critical support.



Key:

ELT	Executive Leadership Team	PMO	Programme Management Office
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This is a fast-moving situation. Short term, we have responded by structuring our response as set out above and shifting resources to align to emerging priorities brought about by COVID-19. As yet, we do not fully understand how the crisis will impact on the economy and which unforeseen opportunities may emerge. Work is underway with partners to build an understanding of what a restructured economy might look like. This will allow us to adjust and reprioritise our approach and long-term strategy as 2020/21 progresses.

PERFORMANCE SUMMARY

Scottish Enterprise's [2019/20 Operating Plan](#) set out the approach to help improve Scotland's productivity and help build a globally competitive and inclusive economy.

Scottish Enterprise successfully delivered all targets published in the 2019/20 Operating Plan, with all of those exceeding target ranges.

PERFORMANCE REPORT (continued)

Although we exceeded the target range for the number of new/safeguarded jobs paying at least the real living wage, the range was not achieved until late in the performance year, with new inward investment projects which contribute to this target range, particularly difficult to predict.

Overall, these achievements demonstrate a strong performance in challenging economic times. A complex global economy and uncertainty surrounding Brexit continued to have an impact on business confidence throughout the year. Added to this was the impact of COVID-19 on the economy towards the end of 2019/20, in particular on the timing and completion of some company projects. Challenges around the pandemic will continue into 2020/21, and possibly beyond.

PERFORMANCE ANALYSIS

To measure how our support meets our objectives by benefiting companies, sectors and the Scottish economy, we apply a comprehensive framework. We use performance measures to help monitor the contribution we make in terms of our economic impact focused on the longer-term goals of Scotland's [Economic Strategy](#) and the [National Performance Framework](#) (NPF).

Scottish Enterprise contribution to Scottish Government NPF

In total Scottish Enterprise measures align with 23 of the 81 NPF indicators, covering:

- A very direct contribution where our measures around living wage jobs, Research & Development (R&D), exporting, greenhouse gasses are a direct contributor to the NPF indicator (Scottish Enterprise measures aligned with 4 NPF indicators)
- A broad contributor where our measures are key drivers of the NPF outcomes – such as increasing productivity and economic growth (Scottish Enterprise measures aligned with 11 NPF indicators)
- A more indirect contribution, where our activity will play a role in improving the indicator but the pathways to change is more indirect (Scottish Enterprise measures aligned with 8 NPF indicators)

Our Operating Plan target ranges are informed by a range of evidence including: performance of the measures at the macro-economy level; the pipeline of activities and projects that can contribute to the targets; past performance and experience; evidence of expected outcomes of activities, for example from evaluations; and the likely resources available to deliver support. These factors, as well as anticipated efficiency gains in delivering support, allow us to set stretching, evidence-based target ranges. We set target ranges to reflect that there are a number of potential risks and uncertainties that could impact on our performance measures, including changes in the external economic environment that could influence the scale and timing of outcomes achieved. An assessment of the risks and uncertainties identified by Scottish Enterprise is discussed on page 8 above.

PERFORMANCE REPORT (continued)

RESULTS AGAINST KEY PERFORMANCE MEASURES

The indicators in our performance framework align to both Scotland's [National Performance Framework](#) and the [Strategic Board's performance framework](#), allowing the enterprise & skills agencies to demonstrate Scotland's progress towards achieving higher levels of productivity, equality, wellbeing and sustainability.

We continue to work closely with our partner agencies - Highlands & Islands Enterprise in particular - to further align our measurement approaches, and actively keep this under review. Scottish Enterprise and Highlands & Islands Enterprise have worked to align a number of key measures, with clear alignment around exports, turnover, jobs and capital investment. We are also developing common measures on how to more effectively monitor and evaluate inclusive growth.

Behind the primary outcomes set out below is a fuller performance framework which management teams use internally, to track and monitor not only what we deliver but how we deliver. Analysis and insights from the performance framework allows us to better understand what works and what has the greatest impact on Scotland's economy.

We also use the framework to monitor how inclusive our actions are by tracking a number of indicators aimed at giving us more insight into how far our activities reach in terms of people and place.

Primary Outcome Measures 2019/20	Result	2019/20
8,000 - 10,500 planned new/safeguarded jobs paying at least the real living wage	▲	11,188
£300m - £350m planned R&D investment by businesses and sectors	▲	£485m
£150m - £200m planned capital expenditure by businesses and sectors	▲	£355m
£160m - £255m growth funding raised by businesses	▲	£437m
£1.25bn - £1.5bn planned international export sales	▲	£2.22bn

Key: ▲ Exceeded; ◀▶ Achieved; ▼ Not Achieved

Scottish Enterprise successfully delivered all five published targets for 2019/20 with all of those exceeding the target ranges.

Although we exceeded the target range for the number of new/safeguarded jobs paying at least the real living wage, the range was not achieved until late in the performance year. The outcome measure is linked to projects which deliver/safeguard jobs in both indigenous companies and foreign investors (those already established in Scotland, and those new to Scotland), and many of the projects are difficult to predict in terms of completion timescales, especially those projects which we are new to Scotland. A single project can have a disproportionate impact on our results. For example, the Embark project closed late in the performance year (February/March) and delivered a significant number of jobs contributing to Scottish Enterprise achieving the published target.

PERFORMANCE REPORT (continued)

Key achievements during 2019/20 included:

Scottish Enterprise supported 2,333 companies to export during 2019/20 resulting in planned international export sales of £2.2bn, which is a strong performance, compared to the target and previous years' performance, and given the uncertainty brought about by Brexit. It also reflects the strength of focus provided by "A Trading Nation", Scottish Government's plan for growing exports.

We have had a successful year in targeting inward investment, delivering around 6,500 real living wage jobs. This was confirmed by the Ernst & Young (EY) Scotland's Attractiveness Survey 2020, with Scotland continuing to be the most attractive location for inward investment in the UK outside of London. The report revealed that in 2019, Scotland increased inward investment at a faster pace than the UK as a whole, both in terms of number and share of UK projects. With 101 projects secured in 2019, Scotland's share of all UK projects rose from 8.9% to 9.1% from 2018 to 2019.

Reflecting the importance of regional equity, Foreign Direct Investment delivered across 19 different local authority areas last year. Examples, include:

Diodes	Completed its acquisition of the former Texas Instruments business in Greenock safeguarding all 300 jobs on site in a deal facilitated by Scottish Enterprise, the Scottish Government and Inverclyde Council.
Embark Group	In October 2019, the UK's leading online pension solutions provider announced that it would create its new group headquarters and operations centre in Dundee and create several hundred high quality financial service and fintech jobs over the next three to five years. At the same time, Embark's platform technology partner, FNZ, confirmed that it would also establish a new strategic operations centre in Dundee to support Embark in the continued growth of their business.
User Testing	The San Francisco technology company chose Edinburgh as its European Headquarters due to the availability of high-quality talent. The technology development hub is expected to employ over 100 people over three years.
Spire Global	Received one of the largest funding packages ever provided by Scottish Enterprise, underlining our commitment to make Scotland the leading space nation in Europe. Spire will significantly expand its Glasgow site creating 261 jobs over the next five years.

We again demonstrated a strong performance in supporting businesses and sectors to innovate, with Scottish Enterprise's measure of planned investment in Research & Development reaching £485m.

Jobs delivered from completed Regional Selective Assistance (RSA) projects during 2019/20 totalled 3,499.5 - 2,230.5 were new jobs and 1,269 were safeguarded. Also, during the year, Scottish Enterprise offered £24.7m of new grants to support companies with future capital expenditure and job retention/creation projects.

The Scottish Investment Bank (SIB) continued to be a trusted and flexible partner to businesses in Scotland which saw it invest £78.6m and secure £437.5m growth funding for the Scottish economy. SIB invested directly into 130 companies, of which 51 were new to Scottish Enterprise's portfolio. Across SIB's performance measures, we saw investment

PERFORMANCE REPORT (continued)

realisations of £49.3m. SIB's financial readiness service provided additional financial assistance to over 390 companies.

Along with partners and industry, we have continued to invest in strategic sites that either facilitate new uses for existing Scottish assets or support new assets that will benefit the wider community and support Scotland's economic opportunities, for example:

Advanced Manufacturing Innovation District Scotland (AMIDS)	Work began on AMIDS, next to Glasgow Airport, which includes new roads, bridges, cycling routes and pedestrian walkways, funded through the £1.13bn Glasgow City Region City Deal. Along with financial support, Scottish Enterprise is providing expertise to help shape the district masterplan, creating a high-quality environment that fosters collaboration, supports sustainability and promotes health and wellbeing, with places for work, leisure and socialising. The project is estimated to create up to 6,000 jobs and boost Scotland's manufacturing sector by £535m per year in Gross Value Add (GVA).
Medicines Manufacturing Innovation Centre (MMIC)	Positioned next to the National Manufacturing Institute Scotland and supported by Scottish Enterprise, the MMIC achieved planning approval during 2019/20. MMIC aims to attract over £80 million of R&D investment by 2028 and will create 80 high value jobs directly by 2023
Michelin Scotland Innovation Parc (MSIP)	Over the next ten years, investment of up to £60m will transform Michelin's Dundee site into the MSIP supported by Michelin, Scottish Enterprise, Scottish Government and Dundee City Council. The site will become a new global destination for innovation and investment in Sustainable Mobility and Low Carbon Energy.
National Manufacturing Institute Scotland (NMIS)	Scottish Enterprise approved the full business case for NMIS and the project reached a notable milestone during the year when planning permission was granted to develop the new energy carbon neutral building. Key leadership roles have been recruited.

Scottish Enterprise has been an early adopter of Fair Work First, applying Fair Work criteria to Regional Selective Assistance (RSA) grants and other large job-related grants. All new applications for RSA and other large job-related grants after 1st April 2019 applied three Fair Work First criteria that were required for the project to be considered for funding - real living wage, no inappropriate zero-hours contracts, and commitment to address the gender pay gap.

Scottish Enterprise, along with partners, created the single-entry point, [FindBusinessSupport.gov.scot](https://findbusinesssupport.gov.scot) to ensure businesses can quickly and easily access all products and services provided by the public sector, including a national enquiries and signposting service. This has been a critical channel for the enterprise and skills partners in supporting businesses during the COVID-19 crisis, so far, with over a million page views during the pandemic to date.

PERFORMANCE REPORT (continued)

We worked closely with partners, industry and Scottish Government on progressing the transition to a low carbon economy, for example:

Energy Transition	Working with key partners in oil and gas to support the transition of the industry and its supply chain to a low carbon future
Green Investment	Working closely with colleagues from across Scottish Government to build a green investment portfolio and manage the Energy Investment Fund.
Heat	Working with Scottish Government on development of a delivery plan to address the significant carbon reduction challenge around heat.
Hydrogen/Carbon Capture, Use and Storage (CCUS)	Including creation of North East Carbon Capture Usage and Storage (NECCUS), a new industry-led leadership group supporting Scotland's development of internationally leading projects, including Project Acorn, utilising former oil and gas infrastructure for CCUS storage under North Sea, and an EU-supported living lab project for industrial carbon capture based in Grangemouth.
Low Carbon Transport	Joint action plan developed by Scottish Enterprise and Transport Scotland.

Scottish Enterprise continued to collaborate across the economic system, for example:

- Prepare for Brexit - Scottish Enterprise and Highlands & Islands Enterprise have continued to co-chair the Brexit Response Steering Group, co-ordinating a single Brexit response across the enterprise and skills agencies and Business Gateway.
- The Brexit Support Grant was launched by the First Minister in February 2019 and provides funding of up to £4,000 to help small and medium sized enterprises (SMEs) manage a wide range of Brexit impacts.
- The wider Prepare for Brexit Campaign has successfully engaged businesses across Scotland to support them in their Brexit preparedness.

FINANCIAL PERFORMANCE

The results for the year ended 31 March 2020 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

The Grant in Aid allocation is intended to cover capital and revenue expenditure (on an accruals basis) net of in-year income from sources such as European Union funding and from the use or disposal of Scottish Enterprise's property and investment assets. In addition, there are ring-fenced budget allocations for 'non-cash' costs, including depreciation, expected credit losses and write-offs. A further budget allocation for Annually Managed Expenditure is made by the Scottish Government to cover volatile costs such as impairments and valuation adjustments which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget.

PERFORMANCE REPORT (continued)

The original Resource Budget for 2019/20 amounted to £252.655m, comprising a grant in aid provision of £244.355m and a non-cash allocation of £8.3m. During the course of the year Scottish Government confirmed additional net transfers of budget amounting to £26.597m, this funding was provided specifically towards a range of discreet projects including £12.047m for R&D activity, £2.37m for National Manufacturing Institute for Scotland, £1.880m for Fife Energy Park and an additional Financial Transactions allocation of £7.8m. A further non-cash allocation of £35m was also allocated to cover expected credit losses, the estimated future cash shortfall from financial instrument held at amortised cost, and financial assets that have been written off. Therefore, the final approved Resource Budget for 2019/20 amounted to £314.252m, comprising a grant in aid provision of £270.952m and a non-cash allocation of £43.3m. During the year, Scottish Enterprise was also allocated £63.0m to cover costs designated as Annually Managed Expenditure. Details of Scottish Enterprise's financial outturn against the budget allocated by the Scottish Government for 2019/20 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

Scottish Enterprise entered the 2019/20 financial year with a high level of contractual legal commitment in place and the Operating Plan budget reflected this. These commitments covered all activities delivered by the organisation and reflected the significant actions taken over the preceding years to stimulate demand for our support and services.

During the course of the financial year, most of these projects progressed as planned and meant that Scottish Enterprise consistently achieved the internal budget profiles that had been established for monitoring and control purposes. This meant that, unlike historic experience, no significant budget flexibility arising from project slippage emerged during the course of the financial year.

Consequently, Scottish Enterprise did not have the financial capacity to absorb any new project proposals that resulted in additional expenditure during 2019/20. Action was taken during the final quarter to ensure that no new commitments were approved in order to achieve the primary financial objective of delivering a balanced budget with a marginal bias towards underspend.

As Scottish Enterprise entered the final quarter of the financial year our income and expenditure forecasts indicated a marginal underspend position of £2.2m, or 0.6% of the projected budget. As the final quarter unfolded, the emerging COVID-19 pandemic began to impact on planned expenditure. This was most keenly felt in respect of 'access to finance' activities where several investment deals did not conclude as planned and resulted in the underspend against the Financial Transactions budget of £5.6m.

The Resource Budget for 2020/21 amounts to £212.055m, this is net of a £9.9m Financial Transactions income budget in respect of anticipated repayment of returns from which the original investment cost was met from the Financial Transactions expenditure budget. The gross allocation of £221.955m includes £213.655m of grant in aid funding and a ring-fenced non-cash budget provision of £8.3m. As noted previously, the Resource Budget is supplemented by income generated and applied against expenditure incurred during the year. In addition, further transfers of budget from the Scottish Government are anticipated through the normal operation of the Scottish Government's Budget revision process.

PERFORMANCE REPORT (continued)

In response to the COVID-19 pandemic, the Scottish Government issued an interim letter of guidance to all enterprise and skills bodies on 22 April 2020. The letter highlighted that many of the challenges that had previously been the focus of activity during 2020/21 had been overtaken by COVID-19. It emphasised the importance of supporting those at risk of losing their jobs, retaining people in work, and providing the skills our businesses and economy needs. The guidance acknowledged that whilst agencies would need to deliver contractual commitments, all other resources should be prioritised to meet the emerging fiscal, economic and social challenges posed by COVID-19.

During April 2020, Scottish Enterprise worked on behalf of the Scottish Government and in partnership with Highlands and Islands Enterprise, South of Scotland Enterprise, Creative Scotland and VisitScotland to establish and deliver the Creative, Tourism & Hospitality Enterprises Hardship Fund and the Pivotal Enterprise Resilience Fund. The Scottish Government provided an additional £150m of funding to deliver these funds on its behalf.

In addition, Scottish Enterprise worked with other public sector bodies to consider other mechanisms that could be deployed to provide additional financial support to companies impacted by COVID-19. This has included the provision of rental concessions for tenants within our investment property portfolios, and the re-scheduling of loan repayments. The latter course of action will potentially result in a significant shortfall against the Financial Transactions income budget of £9.9m that, as noted above, was established as part of the 2020/21 budget settlement. This has been highlighted to the Scottish Government and will be kept under review as part of the normal budget monitoring process.

Financial Position

Over the year 2019/20, there has been a decrease in net asset values to £466.3m (2019: £538.8m) as shown in Scottish Enterprise's Group Statement of Financial Position.

We have continued our programme of planned asset sales from our land and property portfolio and this is reflected in the total value of the land and property assets which decreased to £148.9m (2019: £169.1m), of which £3.4m (2019: £13.9m) is included as Assets Classified as Held for Sale.

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has decreased to £317.4m (2019: £319.9m). The net reduction in asset values is a product of the fair value assessments of several key equity holdings.

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has increased to £81.9m (2019: £62.9m). The scheme assets have decreased by £23.7m, but scheme liabilities have also decreased by £42.7m primarily due to market conditions affecting the discount rate used to calculate future obligations.

Trade and other receivables (within one year) have increased to £26.4m (2019: £20.8m) as trade debtors have increased by £6.5m largely due to the deferred payment arrangements agreed for the sales of land. Cash balances have decreased to £102.2m (2019: £120.0m) due to timing of payments which is also reflected in the decrease in trade

PERFORMANCE REPORT (continued)

payables and accrued charges balances. A significant proportion of cash held in the Scottish Co-investment Fund and Scottish Loan Fund is to fund future investments.

Scottish Enterprise accesses Financial Transactions funding from the Scottish Government for investment in companies and for the provision of loans. The Financial Transactions funding is repayable to the Scottish Government over various terms of up to 19 years based initially on the estimated returns from the underlying investments made. During 2019/20, Scottish Enterprise drew down £83.9m of repayable Financial Transactions funds and repaid £6.6m to the Scottish Government following the sale of investments made by Scottish Enterprise with Financial Transactions money.

Payment Policy

Scottish Enterprise has a stated service commitment to pay our suppliers within 30 days of receipt of agreed and valid invoices, or as provided for under the terms of an agreed contract. However, as advised by the Scottish Government in November 2008, Scottish Enterprise implemented a revised payment policy of 10 working days for all suppliers.

In the year ended 31 March 2020, Scottish Enterprise paid 81% (2019: 76%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 8.3 days (2019: 9.8 days). The improvement in payment performance is as a result of the 2019 results being adversely affected by the implementation of a new purchase to pay system.

SOCIAL MATTERS

Scottish Enterprise has well developed policies and procedures to address anti-corruption and anti-bribery matters. All Scottish Enterprise staff are always required to act honestly and with integrity and to safeguard the public resources for which they are responsible. Scottish Enterprise will not accept any level of fraud or corruption. Our commitment to ethical standards is outlined within the Scottish Enterprise Code of Conduct Policy, Scottish Enterprise Counter Fraud Policy and our Whistleblowing Policy.

All Scottish Enterprise staff are encouraged to raise concerns about possible improprieties in the conduct of Scottish Enterprise's business whether in matters of financial reporting or other malpractices, including fraud, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual or concealment of any of these matters.

Whilst all staff are concerned with the prevention and detection of fraud, we recognise that the prime responsibility for designing, operating and reviewing control systems rests with the managers involved. As such the processes put in place to manage this are verified through the internal control checklists completed as part of the annual Certificate of Assurance process. This system of internal control is reviewed on an ongoing basis by Scottish Enterprise Internal Audit and by Audit Scotland. Scottish Enterprise Internal Audit will give due regard to the possibility of fraud and other irregularities whilst undertaking internal audit reviews as part of the Scottish Enterprise Internal Audit Plan. Additionally,

PERFORMANCE REPORT (continued)

Scottish Enterprise Internal Audit will seek to identify weaknesses in control that could permit fraud or irregularity.

The Scottish Enterprise Whistleblowing Policy sets out avenues for reporting any suspicions of fraud. This Policy outlines the available options for staff wishing to raise concerns, which are as follows:

- i) Line Manager;
- ii) Head of Internal Audit (including confidential contact);
- iii) Independent third party (confidential whistleblowing hotline operating 24 hours a day, 7 days a week); and
- iv) A nominated non-Executive Board member

Scottish Enterprise is committed to human rights. We have responded to Ministers' guidance on carrying out human rights due diligence and this is now required to be performed in addition to existing checks and considerations undertaken by Scottish Enterprise before engaging in a business relationship with a customer. We have created a Human Rights Due Diligence procedure that applies to every customer engagement. We also continue to support the Scottish Government with the development of a Human Rights and Business Action Plan. This will focus on support for businesses to effectively carry out their human rights obligations.

Following a pilot period, we started implementing the Fairer Scotland Duty (FSD) to strategic decisions in January 2019 and have shared our practice with others. The Duty asks listed public authorities and agencies, including Scottish Enterprise, to do more to tackle inequalities caused by socio-economic disadvantage, reflecting the greater focus on wellbeing, human rights and inclusive growth in the Government's purpose.

We are now applying FSD assessments, undertaken by a group of equality champions, to new approvals considered by the Board. We have published completed assessments on [our website](#) in line with legislative requirements. Further assessments will be added over time. This builds on our equality obligations under the Equality Act 2010 and associated Scottish Specific Equality Duties. Further details are contained in our [Equality Mainstreaming Report](#).

We have created a comprehensive Corporate Social Responsibility strategy to support our organisation's goals and values and to ensure we are a good corporate citizen and play an active part in our communities across Scotland. Key elements of this strategy include our volunteering policy and our work with charities.

We have a strong employee-supported volunteering programme. Our volunteering policy reflects our commitment to an active role in the communities in which we live and work and the environment as well as the development of our people.

Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year (pro-rata for part-time staff). During 2019/20, volunteering opportunities were taken up by 108 colleagues totalling 1,116.50 hours.

PERFORMANCE REPORT (continued)

ENVIRONMENTAL MATTERS

Scottish Enterprise strives to ensure that sustainability issues are addressed both in our own operations and in conjunction with those businesses we support and advise. In respect of our offices, our strategy of reducing our overall energy requirements, adoption of a flexible working environment across all our offices by 2020 and work to ensure we utilise lighting and heating more efficiently has resulted in significant CO₂ reductions over successive years. Similarly, we have revised our travel policies to reduce both the cost and environmental impact of staff requiring travelling as part of their duties. This includes, for example, encouraging the use of technology solutions for meetings and the promotion of public transport and, in particular, rail as an alternative to car use or air travel.

From a carbon baseline of 5,761 tCO₂e we have reduced our carbon footprint to 3,228 tCO₂e for the period 2018 – 2019. The Table below illustrates our carbon reduction over time. Reports and data have been submitted to the [Sustainable Scotland Network](#).

Baseline	5,761 tCO ₂ e
2016 – 2017	4,813 tCO ₂ e
2017 – 2018	3,734 tCO ₂ e
2018 – 2019	3,228 tCO ₂ e

Our annual Climate Change Duties report is published online at www.sustainablesotlandnetwork.org, detailing our yearly carbon performance. The Scottish Government carbon reduction target of 42%, to be reached by 2020 (baseline year 2009/10), was exceeded, with Scottish Enterprise achieving 58% reduction.

Scottish Enterprise has also been re-accredited to the ISO 14001:2015 Standard which is an international standard that specifies the requirements for an environmental management system (EMS). An EMS documents the processes, procedures and responsibilities for achieving environmental policies and objectives, providing assurance to the company and stakeholders that environmental impacts are being measured and improved.



Stephen Dunlop
Accountable Officer
15 July 2020

ACCOUNTABILITY REPORT

for the year ended 31 March 2020

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Board

The members of the Scottish Enterprise Board, except for the Chief Executive, are appointed by the Scottish Ministers.

The Board members who held office during the year were as follows:

Lord Robert H Smith	Chair, from 1 August 2019
Melfort Campbell	
Stephen Dunlop	Chief Executive
Anne Glover	
Willie Mackie	Interim Chair to 31 July 2019
Poonam Malik	
Gavin Nicol	
Sue Paterson	
Karthik Subramanya	
Carmel Teusner	

Executive Leadership Team

The Executive Leadership Team is responsible for the day-to-day management of Scottish Enterprise's activities and operations. The Chief Executive is a member of both the Board and the Executive Leadership Team. Executive Leadership Team members who held office during the year were as follows:

Stephen Dunlop	Chief Executive	
Linda Hanna	Managing Director, Scottish Economic Development	
Paul Lewis (i)	Managing Director, Scottish Development International and International Economic Development	to 27 August 2019
Jane Martin	Managing Director, Business Services and Advice	
Iain Scott (i)	Chief Financial Officer	to 16 April 2019
Charles Smith	Chief Transformation Officer; Managing Director, International Development, Strategy and Technology	to 31 August 2019 from 2 September 2020
Carolyn Stewart	Chief People Officer	

- (i) Following a restructure of leadership during 2018/19 Paul Lewis and Iain Scott stepped down from the Executive Leadership Team on the dates noted above before ultimately leaving Scottish Enterprise under voluntary severance on 27 March 2020 and 19 March 2020 respectively.

Register of Board Members' Interests

Scottish Enterprise supports the highest standards of corporate governance and has in place Codes of Conduct both for Board members and for staff. In compliance with the Ethical Standards in Public Life etc (Scotland) Act 2000, Scottish Enterprise's [Code of](#)

ACCOUNTABILITY REPORT (continued)

[Conduct](#) for Board members is published on our website, together with the Board members' [Register of Interests](#).

Data Loss

There were no reported incidents of unauthorised exposure or loss of personal data during the financial year.

Estate Management

Scottish Enterprise manages its operational offices in full accordance with the Scottish Government's Asset Management Policy. The Scottish Enterprise Property Plan provides details of current operational premises and our strategy is to ensure assets are utilised in the most efficient and effective manner possible. Scottish Enterprise works closely with the Scottish Government and the Smarter Workplaces team at Scottish Futures Trust to achieve this aim.

ELT considered a refreshed Accommodation Strategy in December 2019 and the updated Strategy was due at ELT in March 2020. Due to COVID-19, and the significant effects this will have on SE's demand for future office space, this paper is currently on hold. Scottish Enterprise has established a short-life Working Group on Future Ways of Working. This group will consider, post COVID-19, how staff may work in future, together with requirements on future social distancing measures and what office space and design may therefore be required. Once this Group has reported, the Accommodation Strategy will be updated to reflect the new approach.

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, Scottish Enterprise is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Scottish Ministers. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of Scottish Enterprise at the year end and of its net expenditure and cash flows for the financial year.

In preparing the accounts, Scottish Enterprise is required to:

- observe the Accounts Direction issued by the Scottish Ministers (see page 128), including the relevant accounting disclosure requirements, and apply these accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that Scottish Enterprise will continue in operation.

The Principal Accountable Officer for The Scottish Administration has designated the Chief Executive of Scottish Enterprise as its Accountable Officer. Their relevant responsibilities as Accountable Officer, including the responsibility for the propriety, regularity and value for money of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Scottish Enterprise Framework Agreement and in the

ACCOUNTABILITY REPORT (continued)

Memorandum to Accountable Officers of Other Public Bodies published by the Scottish Government.

The Accountable Officer is responsible for the maintenance and integrity of all information included on Scottish Enterprise's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As the Accountable Officer, as far as I am aware there is no relevant information of which Scottish Enterprise's auditors are unaware and that I have taken all necessary steps to make myself aware of any relevant audit information and to establish that Scottish Enterprise's auditors are aware of that information.

Furthermore, I confirm that the annual report and accounts as a whole is fair, balanced and understandable and as Accountable Officer am personally responsible for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

Introduction

As Accountable Officer, I have responsibility for maintaining a Governance Framework which supports the achievement of the Scottish Enterprise Group's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

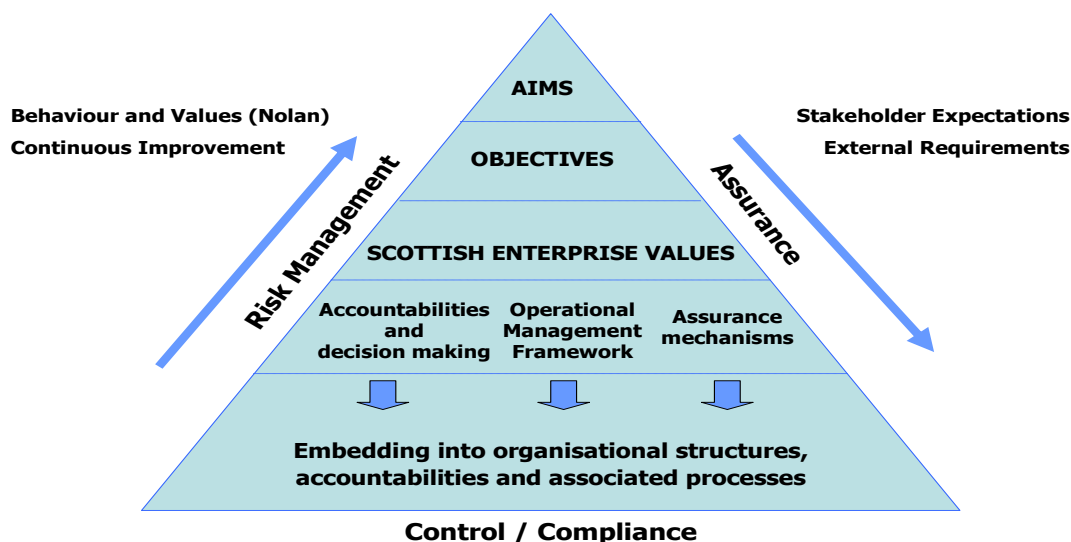
As Accountable Officer, I have specific responsibility in relation to:

- best value, including the concepts of corporate governance and continuous improvement;
- planning, performance management and monitoring;
- advising the Board;
- managing risk and resources; and
- accounting for Scottish Enterprise's activities.

Based on my own review and independent assurances received, it is my view that Scottish Enterprise has in place effective governance arrangements which are working well and comply with generally accepted best practice and relevant guidance. The review of arrangements are outlined as part of the narrative in the relevant sections of the Governance Statement that follows.

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise's Governance Framework incorporates the core principles of good governance and is summarised in the diagram below:



COVID-19

During March 2020, the World Health Organisation declared the outbreak COVID-19 a 'Global Pandemic'. This has had a profound effect on the economy, and Scottish Enterprise has been required to adjust and respond to this in terms of supporting business through the crisis, as well as planning for the subsequent economic impact.

This has been reflected throughout our work, including a significant increase in the frequency of Executive Leadership Meetings, in our future strategy for delivery, and in our Stakeholder Management processes. Specific risks have been highlighted, recorded and managed via a dedicated COVID-19 Risk Register and across our entire Risk Management process.

Aims and Objectives

Scottish Enterprise operates within the parameters of the Enterprise and New Towns (Scotland) Act 1990, which defines our purpose, and Scotland's Economic Strategy which sets out our strategic priorities. Scottish Enterprise's Operating Plan sets out how we will work collaboratively with industry sectors and the rest of the public sector to make a valuable contribution to addressing the challenges facing the Scottish economy.

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise Values

Scottish Enterprise Board

Scottish Enterprise Board members comply with the Scottish Government's '*On Board: A Guide for Board Members of Public Bodies in Scotland*' which sets out the values and behaviours expected. This is complemented by compliance with the Scottish Enterprise Board's Code of Conduct which reinforces these values and sets out how these will be applied within Scottish Enterprise.

Management and Staff

Guidance to staff is included in the Staff Handbook and in other key policies such as the Code of Conduct and Equal Opportunities. The importance of how we achieve our goals is recognised within the internal staff performance system through four sets of behaviours, detailed on page 6 of the Performance Report, which are based on emotional and social intelligence - self-awareness, self-management, social awareness and relationship management - against which staff's performance is measured.

Accountabilities and Decision Making

Scottish Enterprise complies with the Scottish Public Finance Manual and the Framework Agreement which devolves powers to the Scottish Enterprise Board and the Scottish Enterprise Chief Executive.

Scottish Enterprise Board and sub-Committees

The Scottish Enterprise Board is directly accountable to Scottish Ministers and, through them, to the Scottish Parliament. The Board members are appointed by the Scottish Ministers from a variety of backgrounds based on their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. The appointment is made in line with the Code of Practice issued by the Commissioner for Ethical Standards in Public Life in Scotland.

The Scottish Enterprise Board has established clear terms of reference and operating practices for itself and its sub-Committees. The Board meets bi-monthly and its Committees structure and terms of reference are regularly reviewed. The self-assessment of the Board's performance was scheduled for the end of quarter four of 2019/20. However, due to the focus on our response to COVID-19, this has been deferred, with appropriate timeframe being discussed with the Chair. Work is underway to refresh the format of the self-assessment questionnaire. Members' attendance during the year has, however, been considered. The performance of the Chair of the Board is appraised annually by the Scottish Government.

The Board is responsible for Scottish Enterprise's performance and for ensuring it delivers Scottish Ministers' policies and priorities.

As at 31 March 2020, the Board of Scottish Enterprise comprised the Chair, eight non-executive members and the Chief Executive. The Board met in full six times in the year. The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers.

ACCOUNTABILITY REPORT (continued)

It has general corporate responsibility for:

- establishing the overall strategic direction of Scottish Enterprise within the policy, planning and resources framework determined by Scottish Ministers;
- ensuring Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of Scottish Enterprise or on the attainability of our targets;
- ensuring Scottish Enterprise complies with any statutory or administrative requirements for the use of public funds and, in so doing, satisfying itself that Scottish Enterprise operates within the limits of our statutory authority and any delegated authority agreed with the Scottish Government sponsor directorate;
- ensuring review of regular financial information concerning the management of Scottish Enterprise;
- demonstrating high standards of corporate governance at all times;
- providing commitment and leadership in the development and promotion of best value principles throughout Scottish Enterprise; and
- appointing, with Scottish Ministers' approval, a Chief Executive to Scottish Enterprise and, in consultation with the sponsor directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive.

Scottish Enterprise Board

Membership and attendance at meetings of the Board during the year from 01 April 2019 to 31 March 2020 was as follows:

		Eligible to Attend	Attendance
Lord Smith	Chair from 1 August 2019	4	4
Melfort Campbell		6	5
Stephen Dunlop	Chief Executive	6	6
Anne Glover		6	6
Willie Mackie	Interim Chair to 31 July 2019	6	5
Poonam Malik		6	6
Gavin Nicol		6	4
Sue Paterson		6	6
Karthik Subramanya		6	6
Carmel Teusner		6	5

The Board was supported during the year by three sub-Committees - Audit and Risk, Remuneration and Nominations & Governance.

The purpose and membership of each committee for the year to 31 March 2020 is summarised below.

Audit and Risk Committee

The Scottish Enterprise Board has established an Audit and Risk Committee to support members in their responsibilities for issues of risk, control and governance and associated assurance. The Audit and Risk Committee monitors and reports to the Board on the planned activity and results of both internal and external audit, including the adequacy of management response to issues identified by audit activity. The Audit and Risk

ACCOUNTABILITY REPORT (continued)

Committee also reviews the accounting policies, the accounts and the annual report of the organisation.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than three members. At least one Member of the Committee shall have recent and relevant financial experience. All new members undertake a formal induction covering the role of the Audit and Risk Committee and an overview of the organisation's key risks and audit issues. Members also receive appropriate training in relation to their role as a Member of the Audit and Risk Committee.

Carmel Teusner stepped down as acting Chair after the 24 June 2019 Audit and Risk Committee meeting and Willie Mackie resumed as Chair of the Audit and Risk Committee from the 21 August 2019 meeting.

Remuneration Committee

The Remuneration Committee determines and agrees the framework or broad policy for the remuneration of the organisation's Chief Executive, Chair, Executive Directors and other members of the executive management as it is designated by the Scottish Enterprise Board to consider.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than three members. The Chair of the Board may not be the Chair of the Committee. The Committee meets at least twice a year in line with the Scottish Enterprise Performance Review process.

Lord Smith took up membership of the Remuneration Committee meeting on 1 August 2019.

Nominations and Governance Committee

The Nominations & Governance Committee provides a strategic overview of the organisation's senior executive and non-executive personnel including carrying out an annual review of the structure, size and composition (including the skills, knowledge and experience required) of the Scottish Enterprise Board and Executive Leadership Team compared to their current position and makes recommendations to the Chair, Board and Scottish Government for any changes. The Committee is responsible for advising the Chair when filling the position of Chief Executive, on appointments to the Executive Leadership Team and advising the Board for appointment of members to the Board Committees. The Committee also keeps under review the organisation's governance structure including an annual Board effectiveness review.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than three members. The Scottish Enterprise Chair chairs the Committee which meets at least twice a year.

Willie Mackie, in his role as Deputy Chair, took over as Chair of the Nominations & Governance Committee from 28 June 2019. Lord Smith was appointed Chair of this committee from 01 August 2019. Please note Lord Smith was not eligible to attend the 19 September 2019 Nominations & Governance Committee meeting.

ACCOUNTABILITY REPORT (continued)

Sub Committee Membership and Attendance Record

The format of attendance records below shows the number of meetings attended and the number of meetings the Board member was eligible to attend.

	Audit & Risk	Remuneration	Nominations & Governance
Melfort Campbell	3/4	2/2 C	2/2
Anne Glover		2/2	2/2
Willie Mackie, Deputy Chair	2/2 C	2/2	2/2 C
Poonam Malik		2/2	2/2
Gavin Nicol		1/2	1/2
Sue Paterson	4/4		
Lord Smith		0/1	
Karthik Subramanya	2/4		
Carmel Teusner	3/4 C		

C = Chair

Scottish Enterprise Chief Executive

As the Accountable Officer at the date of signing this report, I am personally accountable to the Scottish Parliament for the proper management of public funds and for ensuring these resources are used efficiently, economically and effectively.

Organisational Model

Scottish Enterprise has developed a single organisational model where there are clear lines of responsibility and accountability linked to budgets.

Operational Management Framework

The delivery of Scottish Enterprise's aims and objectives is supported by an operational framework comprising key corporate business processes and a wide range of control mechanisms which ensure that: policies and strategies are put in place; values and principles are met; high quality services are delivered; laws and regulations are complied with; processes are in place and complied with; and financial statements and other published information are accurate, timely and comply with relevant standards and best practice.

These form an essential part of the overall system of internal control which is in place. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. These span Scottish Enterprise's entire range of activities and include:

Strategy and Planning

The Scottish Government's economic agenda, along with opportunities and challenges in Scotland's economy, are the key drivers of Scottish Enterprise's operations. In developing Scottish Enterprise strategies and the Scottish Enterprise Operating Plan, there is a clear framework in which Scottish Enterprise Board members and the Executive Leadership Team take a leading role.

ACCOUNTABILITY REPORT (continued)

Resource Management

Scottish Enterprise always seeks to ensure that our resources are being deployed to maximise the benefits to the Scottish economy. Under-pinning that objective is Scottish Enterprise's Project Lifecycle which incorporates a strong, constructive, independent challenge to increase the quality of the projects and programmes which Scottish Enterprise delivers and to ensure that they are driven by industry priorities. The Project Lifecycle also provides a best practice framework for the appraisal, approval and implementation of projects which provides assurance that Scottish Enterprise's resources are being used effectively and efficiently.

Performance Management

The Scottish Enterprise Operating Plan sets out Scottish Enterprise's priority targets which are monitored on a regular basis.

Budgetary Control

Budgets are approved on an annual basis as part of the Business Planning process. Scottish Enterprise has six main operational budget headings which are aligned with the Operating Plan and a further budget heading for support services. These headings are further analysed into business areas where there is clear accountability for the budget. The Executive Leadership Team receives monthly reports on expenditure against budget together with an explanation for significant variances and the proposed corrective action.

Human Resources

The Staff Handbook clearly sets out staff responsibilities and the behaviours expected.

Scottish Enterprise has been recognised as an Investors in People employer since 2009 and successfully retained Gold accreditation for the second time at the assessment in 2016. Scottish Enterprise were re-assessed in 2019 and whilst retaining the IIP standard, it was not at Gold level. The organisation will continue to be recognised as an IIP Gold employer until our next re-assessment due to take place later in 2020, although the timing of this may change due to the situation surrounding COVID-19.

Scottish Enterprise were recognised as an Investor in Young People (IYP) in December 2014, with the further Award of a Gold level added in September 2015 under the 2nd Generation IYP process. Scottish Enterprise have retained the Gold standard at each assessment thereafter including their most recent assessment` in 2020.

Scottish Enterprise remains committed to maintaining ongoing accreditation for IIP and IYP.

IT Services

Enterprise Information Services (EIS) is a shared service which provides IT services to Scottish Enterprise, Skills Development Scotland, Highlands & Islands Enterprise and South of Scotland Enterprise. EIS hosts the main platforms which are common to each organisation. EIS is supported by contracts with suppliers delivering services under the current Supplier Integration and Management model.

ACCOUNTABILITY REPORT (continued)

In addition to these IT services, Scottish Enterprise also develops and maintains IT services bespoke to Scottish Enterprise's needs. To help deliver and maintain these IT services for Scottish Enterprise, the ongoing development of our Enterprise Architecture capability and Service Management processes in step with EIS will improve the controls between Scottish Enterprise and EIS.

Data Security

The Data Protection and Information Governance Officer has overall responsibility for ensuring adherence to policy and process on Data Protection across the organisation, and for reporting data breaches.

There were no lapses in data security, including losses of personal data, during 2019/20.

Risk Management

Scottish Enterprise has a risk management policy which was last formally approved on behalf of the Scottish Enterprise Board by the Audit and Risk Committee in June 2017. The operation of the policy is reviewed by the Audit and Risk Committee on an annual basis to ensure it continues to support the effective and efficient operation of the organisation helping the business respond to business risks and to implement adequate controls.

In accordance with the policy, the Board determines risk appetite, and obtains assurance from management that risks are being managed accordingly.

During 2019/20, a 'dashboard' presentation has been developed and is now presented to each meeting of the Board to highlight the risk appetite across our Corporate Risk Register and Major Projects. This information in turn provides the Board with an overview of Scottish Enterprise's overall risk profile.

A Corporate Risk Register has been established to consider those risks that impact the organisation as a whole and are likely to affect the organisation's ability to achieve our strategic goals and objectives. The Register is reviewed and discussed by the Executive Leadership Team on a regular basis, including consideration of progress on agreed actions to manage the risks.

Management teams are responsible for maintaining a system of risk management and internal control, consistent with corporate risk arrangements, and designed to enable it to deliver its business objectives in an efficient and effective manner in accordance with our values and policies. Ownership is assigned for each identified risk, both at a corporate and management team level, with the risk owner responsible for co-ordinating response to the risk and for any reporting requirements.

Scottish Enterprise's Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board. The Scottish Enterprise Board approves the Corporate Risk Register annually as part of its annual report on risk management. Risk management arrangements have been reviewed by the Audit and Risk Committee during 2019/20, and the committee were satisfied with the processes detailed and the progress made with our evolving approach. Based on internal audit reviews during 2019/20, further work is still required to fully embed a risk management culture in the day-to-day activities of the organisation.

ACCOUNTABILITY REPORT (continued)

Matters arising / being taken forward

The Internal Audit Plan for 2019/20 was completed. All internal audit reports are reported to the Audit and Risk Committee and graded 1 to 5. Grade 1 represents low priority for attention, increasing to grade 5 for high priority for attention, to highlight the overall priority to the organisation.

The real-time audit of 'Transformation' was graded 4. ELT agreed a range of actions, in accordance with the November 2019 audit report, to address issues around the four areas of prioritisation, governance, alignment and people. A follow up review identified that positive action had been taken in relation to each area highlighted.

The other grade 4 internal audit review during 2019/20 was an EIS partnership audit of Cyber Security. A recent follow up review to this report has highlighted progress in relation to the recommendations, in particular an independent third-party organisation has now commenced the undertaking of a Cyber Maturity Assessment. This is scheduled to be completed by June 2020.

To address specific risks relating to COVID-19, a dedicated Risk Register has been created, and is being used to identify, record and manage risks relating to the pandemic. This Risk Register is reviewed on an ongoing basis and is hosted in a live Share Point environment, so risks can be reviewed on a dynamic basis.

Other risk registers have also been updated to reflect the effect on COVID-19 on work across the entire spectrum of Scottish Enterprise's activities.

During the reporting period 19/20 the Corporate Risk Register identified Risks relating to: -

- The effect of Brexit on the Scottish Economy and its effect on funding for Scottish Enterprise funding given the additional anticipated pressure on public finances
- Scottish Enterprise's future role and ability to secure adequate funding in the revised economic development ecosystem in Scotland
- The organisation's ability to develop and attract talent given financial constraints and stakeholder expectations
- The requirement for a new measurement framework to highlight the longer term economic impact of SE's work
- The risks for the Scottish Economy arising from the Climate Change Emergency and SE's ability to respond to this
- The resources required to ensure Scottish Enterprise's work continues to be informed by the best available data
- The necessity to obtain cyber security accreditation
- The requirement to ensure a fully tested disaster recovery plan is in place

An action management plan was developed to address all of the risks identified.

ACCOUNTABILITY REPORT (continued)

Assurance

Role of Scottish Enterprise Audit and Risk Committee

The Scottish Enterprise Board has established an Audit and Risk Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit and Risk Committee seeks assurances from several sources mainly via management, internal audit and external audit. This assurance draws attention to the aspects of risk management, governance and internal control that are functioning effectively and those that require attention/improvement.

The Audit and Risk Committee critically reviews and challenges this assurance and gives its opinion on its comprehensiveness, reliability and integrity in an annual report which is considered by the Scottish Enterprise Board.

Management Assurance Statements

As Accountable Officer, I am required to provide a Certificate of Assurance to the Scottish Government on an annual basis. To enable the signing of this statement, I require assurances on the maintenance and review of internal control systems throughout the organisation.

All Scottish Enterprise Executive Leadership Team members and the major trading subsidiaries are required to sign a Certificate of Assurance for their areas of responsibility and accountability. To assist with this sign-off they will evidence their internal control arrangements through the completion of an internal control checklist. To enhance assurances further in relation to information technology and related processes, EIS is also required to provide a Certificate of Assurance addressing these specific areas in relation to work undertaken for Scottish Enterprise.

The Certificate of Assurance for 2019/20 now been completed and submitted to Scottish Government in line with the above process. I can confirm that for the year ended 31 March 2020 and up to the authorised date of issue, the governance arrangements and systems of internal control have been in place and have operated effectively.

Internal Audit

Internal Audit provides independent assurance on the adequacy and effectiveness of the whole system of controls, financial management and others which have been established to manage Scottish Enterprise business in a proper manner and ensure accountability for public funds. This assurance is mainly based on an extensive risk-based programme of audits which is approved by the Audit and Risk Committee.

Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of the internal control environment. For 2019/20, the conclusion of internal audit work carried out identifies an overall satisfactory level of assurance on Scottish Enterprise's framework of governance, risk management and management control.

ACCOUNTABILITY REPORT (continued)

Prior to April 2019, each of the Strategic Board partners had separate internal audit arrangements ranging from in-house teams to outsourced contracts. From April 2019, Scottish Enterprise and Skills Development Scotland agreed to share their internal audit services, with SE taking the lead in delivering internal audit across the two organisations. This arrangement has now been extended with both the Scottish Funding Council and the new South of Scotland Enterprise agency agreeing to join the shared service arrangements from April 2020. This arrangement demonstrates increased collaboration across Strategic Board partners.

External Audit

The Auditor General for Scotland is responsible for auditing the Scottish Enterprise consolidated accounts. The Auditor General has appointed Audit Scotland to undertake the statutory audit of Scottish Enterprise. Scottish Enterprise subsidiaries are subject to external audit by Wylie and Bisset LLP.

Audit Scotland Review

During 2019/20, Audit Scotland have reviewed Scottish Enterprise's control environment. A number of matters were identified that Scottish Enterprise is actively addressing. Subject to these matters being addressed, Audit Scotland were able to conclude that the control environment is operating effectively.

REMUNERATION AND STAFF REPORT

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the Executive Leadership Team and provides details of members' remuneration for the year ended 31 March 2020.

Scottish Enterprise Board

Scottish Enterprise Board members, except for the Chief Executive, are appointed by the Scottish Ministers for a fixed period, normally three years. These non-executive members do not have contracts of service with Scottish Enterprise.

Bob Keiller's term of office as Chair expired on 31 December 2018 and Willie Mackie, the Deputy Chair, became the acting Chair with effect from 01 January 2019 until the appointment by the Scottish Government of Lord Robert H Smith as Chair from 01 August 2019. The Scottish Government sets the level of remuneration for the Chair and informs Scottish Enterprise on an annual basis of any increase to be awarded.

The members of the Board are appointed by the Scottish Ministers from a variety of backgrounds based on their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. Board members are paid a basic fee and their total remuneration is set after consideration of additional responsibility arising from holding the position of chair on the board committees. Board members are eligible to receive a travel allowance to attend meetings, which is taxable.

Remuneration is set by the Scottish Government and is reviewed annually. Out with this, remuneration will be amended if the level of responsibility and time commitment changes.

ACCOUNTABILITY REPORT (continued)

Board Members' Remuneration (the information on pages 35 to 41 has been subject to audit).

Remuneration paid to the Chair and other non-executive board members who served during the year to 31 March 2020 was:

	Fee £	Travel Allowance £	2020 Total Remuneration £	Fee £	Travel Allowance £	2019 Total Remuneration £
Lord Robert H Smith, - Chair (a)	32,517	-	32,517	-	-	-
Melfort Campbell	13,260	2,065	15,325	13,080	2,065	15,145
Anne Glover	13,260	-	13,260	13,080	-	13,080
Bob Keiller	-	-	-	31,005	-	31,005
Willie Mackie, - Deputy Chair (b) (d)	24,544	596	25,140	22,107	596	22,703
Poonam Malik (c)	13,260	349	13,609	6,540	-	6,540
Gavin Nicol	13,260	-	13,260	13,080	-	13,080
Sue Paterson (c)	13,260	1,502	14,762	6,540	-	6,540
Karthik Subramanya (c)	13,260	-	13,260	6,540	-	6,540
Carmel Teusner	14,144	2,730	16,874	13,080	2,730	15,810

- (a) Lord Robert H Smith commenced his role as Chairman 1 August 2019 with an annual fee of £48,776.
- (b) Willie Mackie acted as Interim Chair between 1 April 2019 to 31 July 2019 with an annual fee of £41,808. From 1 August 2019, this reduced to £15,912 when he resumed his role as Deputy Chair.
- (c) Poonam Malik, Sue Paterson and Karthik Subramanya joined the board on 1 October 2018.
- (d) Fees include sums payable to reflect the additional time commitment from holding additional responsibilities including the chair positions on the board committees.

Remuneration Committee

The Remuneration Committee determines, and agrees with the Board, the framework or broad policy for the remuneration of the members of the Executive Leadership Team, excluding the Chief Executive (where this is undertaken by the Scottish Government), and such other members of the executive management as it is designated by the Scottish Enterprise Board to consider. This policy is set within the context of applicable Government guidelines. In consultation with the Chair and Chairs of other Scottish Enterprise Board Committees, it agrees the performance framework and, if applicable, any proposed annual bonus for the Chief Executive, which is subject to approval by the Scottish Government. In consultation with the Chair and Chief Executive, it determines the total individual remuneration package of members of the Executive Leadership Team.

The members of the Remuneration Committee who served during the year to 31 March 2020 are outlined in the Governance Statement.

ACCOUNTABILITY REPORT (continued)

Executive Leadership Team

The Executive Leadership Team is responsible for the day-to-day management of Scottish Enterprise's activities and operations. The Chief Executive is a member of both the Board and the Executive Leadership Team.

The Chief Executive and other Executive Leadership Team members are on standard Scottish Enterprise contracts of employment. Their contracts provide for a notice period of up to 12 months.

If an Executive Leadership Team member's employment with Scottish Enterprise is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service. This basis is identical to that applied for all other employees. During 2018/19, Scottish Enterprise carried out a major restructuring of its leadership and the way in which it organises itself to deliver its strategic objectives. As part of the restructuring, two members of the Executive Leadership Team, Paul Lewis and Iain Scott, accepted the offer of voluntary severance and left the organisation during 2019/20. Payments under the severance arrangements were made after they stepped down from the Executive Leadership Team and are therefore not included as part of their respective remuneration figures. Instead the amounts have been disclosed at note (ii).

Executive Leadership Team Remuneration

As part of the Scottish Enterprise performance management system, each Executive Leadership Team member agrees with the Chief Executive personal performance objectives which will have a significant impact on the performance of the organisation. These objectives, and the Chief Executive's appraisal of performance against them, are subject to review by the Remuneration Committee.

Scottish Enterprise aims to ensure that the remuneration packages offered to Executive Leadership Team members:

- enable Scottish Enterprise to attract, retain and motivate high calibre executives;
- remunerate individuals fairly for individual responsibility and contribution; and
- take account of salary policy within the rest of Scottish Enterprise and the relationship that should exist between the remuneration of the Executive Leadership Team and that of other employees.

Basic salaries were set on 01 April 2019 following their annual review in line with the pay remit agreed with the Scottish Government. Salary levels are established after consideration of external market levels and internal comparisons as well as individual responsibilities. Salary payments are made every four weeks.

Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 18% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 65, or 60 for staff members who joined before 01 December 2006.

ACCOUNTABILITY REPORT (continued)

These benefits consist of an annual pension based on final pensionable salary and pensionable service, and a tax-free lump sum, payable on retirement, equivalent to three times the annual pension. Pensions increase annually in accordance with the percentage uplift set out in The Pension Increase (Review) Order announced by the United Kingdom Government each year.

Remuneration of the Executive Leadership Team members who served during the year to 31 March 2020 was:

	2020				2019			
	Salary (i)	Other	Pension Benefits (vi)	Total	Salary (i)	Other	Pension Benefits (vi)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Stephen Dunlop	172	-	39	211	145	-	32	177
Linda Hanna	133	-	49	182	127	-	51	178
Paul Lewis to 27 August 2019 (ii)	56	-	14	70	136	-	42	178
Jane Martin	132	-	42	174	127	-	43	170
Iain Scott to 16 April 2019 (ii)	7	-	0.2	7.2	132	-	15	147
Charles Smith (iii)	53	4	19	76	83	4	24	111
Charles Smith (iv)	74	-	14	88	-	-	-	-
Carolyn Stewart	134	-	20	154	132	-	24	156

- i. All salaries noted above relate to the period that the individual held a role on the Executive Leadership Team. The full-time equivalent salaries payable to Iain Scott and Paul Lewis for the period in which they served on the Executive Leadership Team were £132,646.
- ii. Paul Lewis and Iain Scott left Scottish Enterprise on 27 March 2020 and 19 March 2020 respectively under voluntary severance. Payments made under the severance arrangements were £95,000 each.
- iii. Charles Smith's secondment from Visit Scotland commenced on 30 July 2018 and ended 31 August 2019. The salary and other benefits noted above represent his actual Visit Scotland remuneration package for the period in which he was seconded to Scottish Enterprise. The other benefits represent bonus (£1,250) and car allowance (£2,500). Therefore, the total cost to Scottish Enterprise of his remuneration package, comprised of salary, bonus, car allowance, pension contributions and associated employer's national insurance contributions, amounted to £73,560.
- iv. Charles Smith was appointed to the Executive Leadership Team on a permanent basis from 2 September 2019. His full-time equivalent salary is £128,872.
- v. In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment on 1 April 2019. Increases varied from 1.22% to 4.22% depending upon the position of the existing salary in the pay band. In addition, the salary reported above for Paul Lewis, Iain Scott and Carolyn Stewart includes a non-consolidated cost of living payment awarded because each of them is at the top of their salary band. No Scottish Enterprise bonuses were paid or payable to any members of the Executive Leadership Team for 2019/20.

ACCOUNTABILITY REPORT (continued)

- vi. The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.
- vii. Retirement benefits of the Executive Leadership Team members for the year to 31 March 2020 are as follows:

	<i>Accrued Pension at normal retirement date as at 31 March 2020 and related lump sum £000</i>	<i>Real increase in pension and related lump sum at pension age £000</i>	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2020 £000</i>	<i>At 31 March 2019 £000</i>	<i>Increase in transfer value during year (net of members' contributions) £000</i>
Stephen Dunlop	0 – 5.0 plus, lump sum of 10 - 15	0 - 2.5 plus, lump sum of 5.0 - 7.5	120	49	61
Linda Hanna	45 - 50 plus, lump sum of 140 - 145	0 - 2.5 plus, lump sum of 5.0 - 7.5	1,674	1,407	260
Paul Lewis (b)	60 - 65 plus, lump sum of 180 - 185	0 - 2.5 plus, lump sum of 0 - 2.5	2,046	1,945	97
Jane Martin	30 - 35 plus, lump sum of 90 - 95	0 - 2.5 plus, lump sum of 5.0 - 7.5	1,095	888	200
Iain Scott (b)	45 - 50 plus, lump sum of 135 - 140	0 - 2.5 plus, lump sum of 0 - 2.5	1,535	1,490	45
Charles Smith from 2 Sept 2019 (c)	0 - 5.0 plus, lump sum of 0 - 5.0	0 - 2.5 plus, lump sum of 0 - 2.5	26	-	21
Carolyn Stewart	40 - 45 plus, lump sum of 120 - 125	0 - 2.5 plus, lump sum of 2.5 - 5.0	1,414	1,202	204

- (a) The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and include benefits related to service transferred in from previous employment. It represents a payment which would be made by a retirement benefit scheme to secure benefits in another scheme or arrangement should a member leave the scheme and choose to transfer the benefits they have accrued in this and any former scheme. Annual changes in the cash equivalent transfer value are determined by market conditions. The increase in cash equivalent transfer values is attributable to the routine application of factors which impact on the calculation of retirement benefits, including the reduction in long term interest rates which in turn increases the cost of securing the benefits accrued by scheme members over their total period of service and effect of the passage of time in terms of both additional service and on the time available to generate investment returns prior to retirement.

ACCOUNTABILITY REPORT (continued)

The exceptionally low level of current long-term interest rates causes the cash equivalent transfer values to be unusually high and these would reduce substantially if interest rates were to return to historic levels.

- (b) Paul Lewis and Iain Scott ceased their roles as Company directors on 27 August 2019 and 16 April 2019. The figures in the table above reflect the value of the increase in these members' pension related benefits in the Scheme over the period 1 April 2019 to the respective dates that these members ceased their roles as Company Directors.
- (c) Charles Smith is a member of the British Tourist Boards' Pension Scheme which provides its members with a different pension benefit structure on retirement than the Scottish Enterprise Pension and Life Assurance Scheme. One key difference is that the British Tourist Board's Pension Scheme does not offer a cash lump sum to members on retirement. Charles Smith's retirement benefits for the period of his secondment to Scottish Enterprise from 01 April 2019 to 31 August 2019 were as follows:

	<i>Accrued Pension at normal retirement date as at 31 August 2019</i> £000	<i>Change in pension net of inflation at normal retirement date</i> £000	<i>Cash Equivalent Transfer Value</i>		
			<i>At 31 August 2019</i> £000	<i>At 31 March 2019</i> £000	<i>Increase in transfer value during period (net of members' contributions)</i> £000
Charles Smith	10.0 – 15.0	0 – 2.5	236	182	48

Fair Pay Disclosure

The relationship between the remuneration of the highest paid member of the Executive Leadership Team and the median remuneration of the employees of Scottish Enterprise is as follows:

	2020 £	2019 £
Annualised remuneration before pension benefits of the highest paid member of the Executive Leadership Team	172,250	168,000
Median remuneration of Scottish Enterprise's employees	47,100	44,460
Remuneration ratio	<u>3.7</u>	<u>3.8</u>

The median remuneration of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2020.

The full-time equivalent remuneration paid to Scottish Enterprise staff ranged from £19,142 to £165,100 (2019: £17,450 to £195,247).

ACCOUNTABILITY REPORT (continued)**STAFF REPORT****Staff Costs**

The costs of Non- executive board members, including the Chair, comprise:

	2020 £	2019 £
Remuneration (i) (ii)	158,008	130,443
Social security costs	11,486	9,573
Pension costs (iii)	13,085	12,784
	182,579	152,800

- (i) Remuneration paid to non-executive board members is also detailed in the Remuneration Report above.
- (ii) Scottish Enterprise's Chief Executive, Stephen Dunlop is also a member of the board. Their remuneration is not included above but details are provided in the Remuneration Report.
- (iii) Scottish Enterprise is required to meet the retirement benefits due to past Chairmen of Scottish Development Agency and Scottish Enterprise who are not members of the Scottish Enterprise Pension & Life Assurance Scheme. Provision has been made in these accounts for £92,400 (2019: £103,000) within the total retirement benefit liabilities at 31 March 2020, as assessed by Isio, Scottish Enterprise's advising actuaries.

Staff costs comprise:

	<i>Permanent staff</i>	<i>Others</i>	2020	2019
	£000	£000	£000	£000
Wages and salaries	55,760	-	55,760	54,699
Social security costs	5,905	-	5,905	5,687
Pension costs	22,145	-	22,145	20,254
Inward seconded and temporary staff costs	-	8,227	8,227	4,814
Severance costs and other exit packages	380	-	380	1,172
Total staff costs before recoveries (i)	84,190	8,227	92,417	86,626
Less: recoveries in respect of outward secondments	(645)	-	(645)	(487)
Total net staff costs	83,545	8,227	91,772	86,139

- (i) Total staff costs before recoveries includes expenditure on temporary staff costs of £3,099,000 (2019: £1,477,000) within operating expenditure of which £1,910,263 has been capitalised as an intangible asset and expenditure of £7,000 (2019: £17,000) within other management costs in Note 3.

ACCOUNTABILITY REPORT (continued)**Staff Numbers**

The average number of persons employed calculated on a full-time equivalent basis was:

	<i>Permanent staff</i>	<i>Others</i>	<i>2020</i>	<i>2019</i>
Executive Leadership Team	5	-	5	7
Operations	1,152	-	1,152	1,111
Operations - locally engaged overseas staff	54	-	54	63
Administration and support function	200	-	200	202
Inward Secondments and temporary staff (i)	-	113	113	93
	1,411	113	1,524	1,476

- (i) The number of inward secondments and temporary staff includes people in the overseas offices employed by the Foreign and Commonwealth Office but engaged on Scottish Enterprise business.

Exit Packages and Settlement Agreements

In 2019/20, Scottish Enterprise carried out a further re-organisation of its leadership team and 4 members of staff (2019: 14) accepted the offer of voluntary severance and agreed to leave Scottish Enterprise during 2019/20. The severance costs of £380,000 (2019: £1,172,465) are included in these accounts.

<i>Exit package cost band</i>	<i>Other departures agreed</i>	<i>Total 2020</i>	<i>Total 2019</i>
< £10,000	-	-	-
£30,001 - £40,000	-	-	1
£40,001 - £50,000	-	-	1
£60,001 - £70,000	-	-	1
£70,001 - £80,000	-	-	1
£80,001 - £90,000	-	-	-
£90,001 - £100,000	-	4	10

There were no compulsory redundancies (2019: none).

No members of staff left under a Settlement Agreement (2019: none).

ACCOUNTABILITY REPORT (continued)**Staff Composition**

At the end of the financial year the number of persons of each sex was as follows:

	Male	Female	2020 Total	Male	Female	2019 Total
Board (i)	5	4	9	4	4	8
Executive Leadership Team	2	3	5	4	3	7
Other employees	591	809	1,400	589	792	1,381
Total	598	816	1,414	597	799	1,396

(i) Stephen Dunlop, the Chief Executive Officer, is included as a member of the Executive Leadership Team in the table above. He is also a member of the Board.

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2020 was 9,335 (2019: 10,055) sick days out of a possible 280,091 (2019: 232,694) working days representing a lost time through sickness absence of 3.33% (2019: 4.32%).

Trade Union Facility Time

Scottish Enterprise recognises two trade unions for collective bargaining purposes, Public and Commercial Services Union (PCS) and Unison.

We recognise the benefits of a positive and open relationship with our recognised trade unions. As part of our commitment to working in partnership, we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties. As an organisation, we derive benefits from allowing paid facility time.

There were 16 (2019: 14) staff members who were trade union officials during 2019/20:

<i>Percentage of working hours spent on facility time</i>	<i>Union officials (No)</i>
1 - 50%	16

The total cost of facility time amounted to 0.02% (2019: 0.04%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. 47% (2019: 43%) of the total paid facility time hours was spent on trade union activities.

Staff Policies

We develop and deliver programmes and services to ensure that we recruit, develop, engage and retain talented people, to deliver our business plan for Scotland. Each of the sections below set out our key activities during 2019/20.

Recruit

Scottish Enterprise's recruitment policy ensures that selection processes are fair, open and objective. All appointments are made on merit, and selection criteria will only include requirements that are relevant to the effective performance of the role. This policy relates to both new external candidates and those who are promoted during their career with Scottish Enterprise. We know that by recruiting people from a range of backgrounds at all

ACCOUNTABILITY REPORT (continued)

levels we will gain access to a wide variety of viewpoints, experiences and perspectives. We are a disability confident employer and are committed to upholding the values of this award.

This year we have encouraged higher completion rates of our equality monitoring information. This has been made possible through the introduction of a new employee self-service HR System (SE People Hub). This system has given us scope to ask more detailed questions around the nature of an individual's disability and British Sign Language usage. It is also easier to complete and access. This information is key in identifying trends such as the recruitment and retention rates of those with disabilities and understanding the nature of disabilities across the organisation in order for us to best support our workforce.

The introduction of SE People Hub has also allowed the introduction of anonymised application forms, removing unconscious bias based on the applicant's name, during the screening process.

Engage

We have continued our focus on delivering an inclusive employee engagement programme for Scottish Enterprise as we recognise that highly engaged organisations perform better, are more innovative and have higher levels of employee motivation.

During 2019/2020, we launched our new strategic framework, including a new set of organisational values, which was developed with our staff (and key stakeholders and customers). During this financial year, we have focused on embedding these values across everything we do. Examples of how this has been done include introduction into the performance management system, recognition system, our team talks, management development and induction process.

We have co-operative working relationships with our recognised trade unions and ensure they are engaged in business changes through working groups such as the Terms and Conditions Sub-group and our Joint Committee for Negotiation and Consultation (JCNC). We have a Health & Safety Committee which includes union representatives, employees and management. These committees meet quarterly.

Develop

We develop talent through a comprehensive range of learning and development opportunities, ensuring these are designed to accommodate and support all learning needs and styles. These opportunities include on-line development as well as a broad range of classroom-based learning opportunities all available through our on-line portal, SE Academy.

We continue to support our people managers and leaders through development programmes and we also provide specific skills training to meet new business needs. Colleagues are also supported through our Coaching and mentoring provision and training.

As an accredited Investors in People (IIP) Gold and Investors in Young People (IYIP) Gold employer, attracting a diverse workforce includes a focus on youth employment and development through our structured programmes, for example, Foundation and Modern

ACCOUNTABILITY REPORT (continued)

Apprenticeships. We not only seek to support the young people within our own organisation, but we also support Scotland's future workforce by working closely with those agencies who provide support to young people.

Our Foundation Apprenticeship programme provides work experience for pupils undertaking a vocational qualification and mentoring support to young individuals via such programmes as Career Ready and MCR Pathways programme. We also delivered an intensive Space programme, supported by Nasa astronauts and a Globalscot, which reached over 5,000 young people across schools and colleges. Student feedback on the Space Week included:

"I'm writing to thank you.....I learned more information than I ever dreamed of and I want to give you a huge thank you"

Our aim is to see business and industry embracing equality and realising the business benefits that this can bring. We have also been pro-active in developing our approach on human rights with companies trading or locating overseas. We also trained our First Aiders and members of our HR team to be "Mental Health First Aiders" in order to enhance our support to colleagues. Our equality impact assessments now review human rights as part of the methodology applied and we have carried out assessments on a number of projects. Scottish Enterprise also serves on a working group for international business as part of the Human Rights Scottish National Action Plan (SNAP) development. Over and above that, we have been involved in supporting the development of a related plan for business and human rights, led by the Scottish Government and the Scottish Human Rights Commission.

Retain

We recognise that we all have an important part to play in making sure Scottish Enterprise is the kind of organisation we want it to be. We promote a positive, open and fair culture - a place where everyone is treated with dignity and respect and where colleagues can speak up if they experience or see unacceptable behaviour.

To ensure we continue to improve and embed this positive culture, we have also introduced a wellbeing hub for employees, the hub is a 'one stop shop' incorporating six wellbeing pillars for support and guidance to help our employees. The six pillars are: Financial Matters & Pension; Career; Mental Wellbeing; Your Voice; Physical; and Work Life Balance. There are a wealth of great tools and materials available to employees on this hub.

Following feedback from impacted employees, we introduced a menopause policy, and awareness materials. This has been very well received and has assisted those going through a natural and medically induced menopause.

During the launch of our pay remit, we clarified and highlighted the benefits of our flexible working policy.

ACCOUNTABILITY REPORT (continued)

As part of our wellbeing strategy, we have also raised awareness of some great national wellbeing campaigns and some internal initiatives. They've included: World Menopause Day; World Mental Health Day; International Women's Day; National Walking Month; Volunteers Week; Carer's Week; World Blood Donor Day; CSSC Sport & Leisure Benefits awareness; and International Men's Day.

We published our equality mainstreaming report in April 2019. We carried out detailed analysis of our pay data and the analysis found no evidence of systemic pay discrimination. Our gender pay gap continues to reduce. We have continued to progress the actions in our equality action plan in preparation for the submission of the next equality mainstreaming report in 2021.

Health & Safety

Underpinned by our organisational core values, we have continued to build an engaged and dynamic safety culture within Scottish Enterprise, ensuring leadership at all levels and our staff are at the core of our health and safety delivery. Ensuring competency through appropriate information, instruction, training and supervision remained integral to realising our ambitions.

Training was delivered in line with INDG417- Leading Health and Safety at Work, targeting key leaders across the operational areas to continue the promotion of good safety leadership and visibility as well as prioritising the 'zero harm' principles of individuals and the organisation.

Our Health, Safety and Wellbeing Committee was refreshed to provide a more strategic direction on health, safety and wellbeing matters. Through bolstering our senior representation on the Committee from across key business units, it has provided a greater focus on proactive Health & Safety in operational areas as well as stronger links between the Committee and the rest of the organisation. This was positively supported by site safety tours undertaken by committee members.

The year also saw the vital importance of colleague wellbeing very much in the spotlight. To help drive this, a Wellbeing Advisory Group was set up consisting of representatives from key stakeholder areas. The overarching aim is on leading and steering employee feedback and engagement for wellbeing matters, as well as responding flexibly to changes which may have an impact. This has been supported by face-to-face roadshows providing information on stress and wellbeing support and the opportunity, where colleagues felt comfortable, to share their own experience, and thus seeking to reduce the perceived stigma of asking for help when needed.

We have deepened our collaboration with our Government partner agencies by setting up regular Partnership Network meetings with the theme of sharing best practice and working to promote consistency of approach in health, safety and wellbeing delivery. This has been particularly effective during the COVID-19 pandemic planning and response process.

The People Managers' Health & Safety Checklist was developed and communicated, allowing People Managers to easily identify the key Health & Safety actions they need their direct reports to complete. This helps strengthen the sense of ownership People Managers have in ensuring the health, safety and wellbeing of their teams and meeting the Health & Safety Policy requirements.

ACCOUNTABILITY REPORT (continued)

For the 4th consecutive year, we attained the RoSPA Gold Health & Safety Achievement Award, helping to validate our Health & Safety approach and the suite of work that was undertaken as a result of our external audit action plan.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT
Summary of Resource and Capital Outturn

Scottish Enterprise achieved its main financial objective for the year which is to ensure that the financial outturn for the year is within the Resource Budget allocated by the Scottish Ministers.

Scottish Enterprise's net under-spend against its allocated budget for the year to 31 March 2020 was £7.3m.

Scottish Enterprise drew down Grant in Aid of £268.8m, including £69.2m of Financial Transactions funding net of repayments, against the 2019/20 Grant in Aid provision of £271.0m. £2.5m of the Financial Transactions funding was not utilised and will be carried over to 2020/21. A further £0.4m Grant in Aid was drawn down in respect of EU Exit and COVID-19 additional expenditure which was agreed with Scottish Government after the final budget allocation had been set.

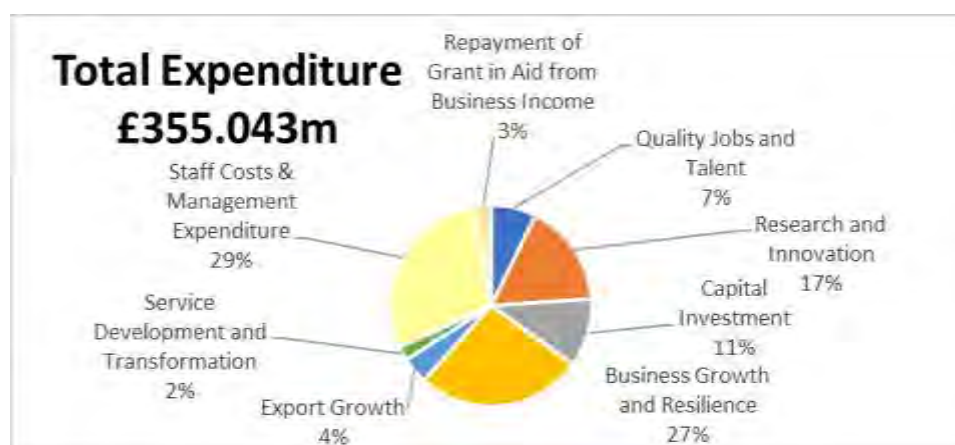
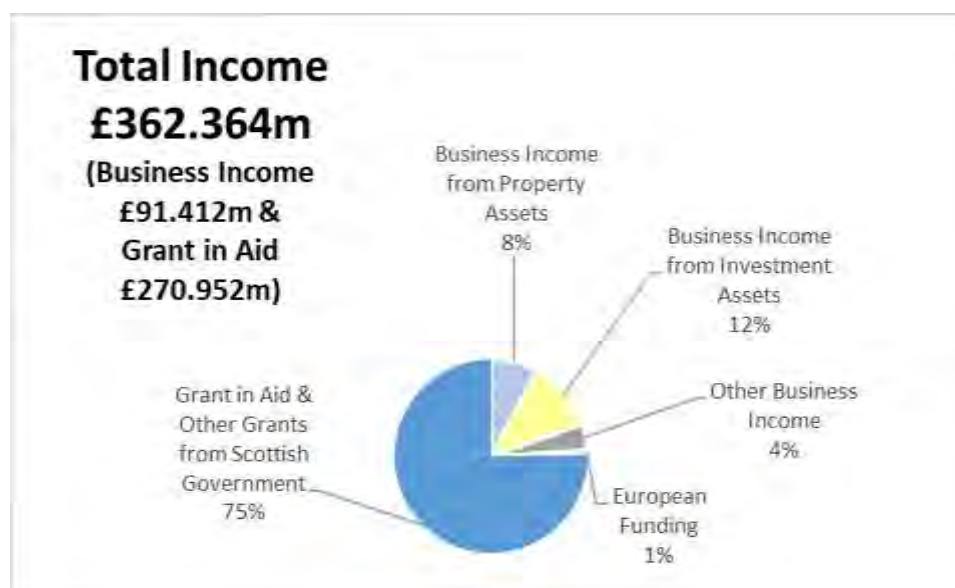
Expenditure in the outturn table below includes £9.2m repayment to Scottish Government in respect of excess business income generated, £8.6m was repaid prior to 31 March 2020. The balance will be repaid during 2020/21.

Scottish Enterprise's outturn against the elements of the budget allocation from the Scottish Government was as follows:

	<i>Expenditure</i>	<i>Income</i>	<i>Outturn</i>	<i>Allocation</i>	<i>Variance</i>
	£000	£000	£000	£000	£000
Resource budget (see below)	181,669	(41,989)	139,680	141,968	(2,288)
Capital budget	102,713	(45,500)	57,213	57,684	(471)
Financial Transactions expenditure	70,661	-	70,661	76,300	(5,639)
Financial Transactions income (a)	-	(3,923)	(3,923)	(5,000)	1,077
	355,043	(91,412)	263,631	270,952	(7,321)
Ring Fenced Resource – expected credit losses	26,454	-	26,454	35,000	(8,546)
Non –cash costs including depreciation	3,950	-	3,950	8,300	(4,350)
Total	385,447	(91,412)	294,035	314,252	(20,217)
Annually managed expenditure	59,275	-	59,275	63,000	(3,725)
Total budget	444,722	(91,412)	353,310	377,252	(23,942)

(a) Financial Transactions income represents returns from investments for which the original cost was met from the Financial Transactions budget, and which was repaid to the Scottish Government.

ACCOUNTABILITY REPORT (continued)



Reconciliation of the group statement of comprehensive net expenditure to resource outturn

	£000
Net expenditure before taxation	290,266
Attributable to non-controlling interests in subsidiaries	(83)
Depreciation charge allocated to non-cash costs	(3,950)
Asset revaluation adjustments charged to annually managed expenditure	(13,130)
Investment impairments and fair value adjustments charged to annually managed expenditure	(64,697)
Net pension costs attributed to annually managed expenditure	(8,278)
Provision release reversed from annually managed expenditure	890
Scottish Government Grant income credited to reserves	(1,600)
Repayment of Grant in Aid in relation to excess business income	9,189
Net expenditure attributed to the capital budget	(68,927)
Resource budget	<u>139,680</u>

ACCOUNTABILITY REPORT (continued)**Energy Investment Fund**

Scottish Enterprise also manages and delivers the Energy Investment Fund for the Scottish Government.

Scottish Enterprise drew down £9.8m of new Financial Transactions funding to cover new investments and made repayments of £2.7m as a result of returns from investments for which the original cost was met from the Financial Transactions.

In accordance with the governance letter any income generated is repayable to Scottish Government to the extent that it is not required to meet administration costs. Expenditure in the outturn table below includes £9.8m repayment to Scottish Government in respect of excess capital and resource income receipts.

The 2019/20 outturn for this fund was:

	<i>Expenditure</i>	<i>Income</i>	<i>Outturn</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Resource budget	2,769	(2,716)	53
Capital budget	7,628	(7,668)	(40)
Financial Transactions expenditure	9,867	-	9,867
Financial Transactions income	-	(2,724)	(2,724)
	20,264	(13,108)	7,156

Losses and Special Payments

	<i>No of cases</i>	<i>£000</i>
Claims abandoned or waived	76	20,137

Due to the high- risk nature of many of its investments, there are occasions when Scottish Enterprise is required to write off balances which are no longer recoverable. In the year to 31 March 2020, balances greater than £250,000 written off were as follows: -

		<i>£000</i>
Ateeda Ltd	Investment made over a ten-year period alongside private sector partners. Despite positive early traction, the company failed to demonstrate commercial viability and its ongoing losses became unsustainable. Unable to find a potential buyer, the company was placed into liquidation in April 2017. Following conclusion of the liquidation process the company was dissolved in February 2020.	1,405
BAM Entertainment Inc	Between 1998 and 2001 Scottish Enterprise invested in VIS Entertainment Limited, a company which produced video games, based in Dundee. BAM! Entertainment, a Californian company acquired VIS Entertainment Limited in early 2004 with the offer being made in US listed shares, consequently Scottish Enterprise held a very small 0.67% shareholding in BAM. Shortly after the VIS Entertainment acquisition BAM stock was delisted by NASDAQ following financial difficulties and consequently fell into dormancy and hasn't traded or released any new products since the delisting.	541

ACCOUNTABILITY REPORT (continued)

		<i>£000</i>
Cellexus Ltd	Cellexus Ltd was established in 2008 to develop high performance single-use disposable bio-reactors for the life-science and biopharmaceutical industries. The company struggled to convert sales pipeline, which impacted on cash and its ability to secure follow-on investment. The company was placed into Administration in September 2017 and no recovery was made in respect of the shareholder investment. Following conclusion of the Administration process the company was Dissolved in June 2019.	250
Centeo Biosciences Ltd	Scottish Enterprise invested in this scientific instrument development company between 2005 and 2011, however, Centeo failed to fully commercialise its product achieving only modest sales and accumulating significant losses. The company ceased commercial operations in 2012, becoming dormant and was subsequently formally Dissolved.	687
Cogbooks Ltd	SE first invested in Cogbooks in 2013 alongside private sector partners. Over recent years the company was unsuccessful in securing additional investment due to sales underperformance. Existing shareholders were only willing to provide a small amount of funding to bridge it to a Series A round, a trade sale or an orderly wind down. During 2019/20 the company successfully secured investment from an external investor, conditional upon the restructuring of Cogbooks balance sheet. This investment the only credible route to securing meaningful funding into the company from which to drive improved performance and recover value for original investors. The write off has arisen from conversion of Scottish Enterprise loan notes however in doing this it provides the opportunity to achieve a return on the equity investment at some point in the future.	857
Giltech Ltd	Investments were made between 2005 and 2014 alongside private partners to develop novel healthcare products. Failure to secure material commercial partnerships meant that the company could not stem ongoing losses. Company was placed into Liquidation in July 2015 and following the conclusion of it was formally Dissolved.	808
I2Eye Diagnostics Ltd	I2EYE was founded in October 2010 to commercialise technology spun out the University of Edinburgh which enabled certain diagnostic eye tests to be carried out. Scottish Enterprise invested alongside private sector partners. The Company failed to develop a product capable of scalability and wider market deployment, which impacted commercial sales and eroded cash from ongoing trading losses. Investors declined further backing, resulting in the company being Liquidated.	349

ACCOUNTABILITY REPORT (continued)

		£000
Infinite Data Storage Ltd	Infinite Data Storage Plc was founded in 1999 to design and build electronic data storage products. Scottish Enterprise invested between November 2003 and December 2005, alongside private investors. Following cashflow difficulties the company went into Liquidation before subsequently being formally Dissolved.	598
Inside Biometrics Ltd	When Scottish Enterprise invested in October 2016 the company had received significant private investor funding from high net worth individuals who continued to support the business alongside Scottish Enterprise. By early June 2017, sales were behind budget, which impacted on short-term financial position of the company. An external third-party review was undertaken to establish if there was a way forward, but the directors of the company decided the best option was to appoint an Administrator in September 2017 which was then subsequently amended to a Creditors' Voluntary Liquidation process in October 2018. Scottish Enterprise received no return from its investment and the company was Dissolved in November 2019.	1,577
Kobojo SAS	Kobojo SAS, a French mobile games company, established a UK registered subsidiary Kobojo Limited to open operations in Dundee. Scottish Enterprise's investment was into the French registered company however was made in support of the opening of the Dundee Studio. Games developed by both the Scottish and French companies were not a commercial success and following cash flow pressures the Dundee operations were closed in early 2016. The French court appointed an Administrator in October 2016 and after failing to find a buyer the court appointed a Liquidator to liquidate the assets and wind up the affairs of the company. The UK subsidiary, Kobojo Limited, was Dissolved in December 2019. Scottish Enterprise did not receive any return in its capacity as a shareholder from this process.	1,449
Kobojo SAS	In addition to the investment in the company, RSA grant funding of £312,500 was provided to support the company. The closure of the Dundee operation which resulted in jobs being made redundant and therefore this was a breach of EU state aid regulations. Up until the point the company entered administration £79,768 of the grant had been repaid. The remaining grant of £232,732 has been written off.	233
NetThings Ltd	Between 2010 and 2018, Scottish Enterprise invested alongside a private sector partner to support the development and commercialisation of the technology in the residential, SME and small commercial premises sectors. After encouraging progress in the residential market, the company struggled to adapt the technology for the SME market. The company experienced cashflow problems and was unable to secure follow on investment. The directors appointed Administrators in November 2018 and the company was Dissolved in February 2020.	2,759

ACCOUNTABILITY REPORT (continued)

		£000
NetThings Ltd	In addition to the investment in the company grant funding of £487,891 was awarded towards eligible research and development costs. The project did not complete, therefore the grant paid of £244,570 has been written off.	245
NGenTec Ltd	NGenTec was founded in 2009 as a spin out from the University of Edinburgh. The company aimed to develop and manufacture innovative gearbox technology for the wind turbine industry. Scottish Enterprise invested between 2010 and 2012 and although progress was made the product it did not achieve a level of commercial sales to prove scalability and attract further investment. In the absence of working capital, the company went into Liquidation in November 2016. The Liquidation provided a small return to shareholders. The company was Dissolved in April 2019.	1,857
Realtime Worlds Inc	Realtime Worlds Inc was the holding company for Realtime Worlds Limited, a games developer based in Dundee. Scottish Enterprise originally invested in the UK company however, following a company restructure received shares in the US company. A major game which was launched in the Spring of 2010 failed to generate expected sales. Conclusion of the Administration process in the UK caused problems for the US holding company resulting in it entering a US Chapter 7 bankruptcy process.	500
ReAqua Systems Ltd	Founded in March 2009, ReAqua Systems developed IP protected heat and water recycling systems, targeted at domestic consumers with the equipment being marketed as a carbon reduction and water re-use system. SE invested between 2010 and 2014, alongside private sector partners to support ongoing development and commercialisation of the company's products. Lack of sales traction significantly impacted on cash flow. The company appointed advisers to seek a sale of the company, but this was unsuccessful. Liquidators were appointed in December 2014, with Scottish Enterprise receiving a small return from the Liquidation process and following conclusion of this, the company was Dissolved in February 2019.	2,504
RSK Tech Ltd	RSK Tech Limited was established in 2003, initially funded by the founder's own resources. Scottish Enterprise invested alongside private sector partners between 2009 and 2011 to support the company's growth plans and expansion into the US market. The company was unable to commercialise its IP into sales and subsequently it went into Liquidation in February 2012. Following completion of this process the company was formally Dissolved.	269

ACCOUNTABILITY REPORT

for the year ended 31 March 2019

		£000
Trendzer Ltd	Trendzer Limited, located in Edinburgh, was established in 2014 to provide template-based web design service and ancillary applications to SMEs. To support the Company's growth, Scottish Enterprise invested in November 2016. The company was slow to build new channel partner relationships and sales pipeline. The impact of this was cash flow pressures and under-performance translating into little appetite from existing shareholders to provide additional funding, while at the same time creditor pressure built to the point that the Court was petitioned to appoint a Liquidator. On conclusion of the Liquidation process the company was formally Dissolved in September 2019.	530

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. Scottish Enterprise has nothing to report for the year ended 31 March 2020 in respect of gifts.

Fees and charges

As required in the Fees and Charges guidance in the Scottish Public Finance Manual, Scottish Enterprise charges market rates whenever applicable.

Remote contingent liabilities

Contingent liabilities that meet the disclosure requirements in IAS37 Provisions and Contingent Liabilities are included in Note 19 of the Notes to the Accounts. In addition, due to the complex nature of the business activities and extensive portfolio of assets of Scottish Enterprise, there are contingent liabilities for which IAS37 does not require disclosure because Scottish Enterprise considers the probability of any requirement to meet any future liabilities to be remote.

Scottish Enterprise also considers to be remote, the likely occurrence of any of the events of default which would require repayment in full or in part of the original funding contributions for the construction of the assets of Glasgow Science Centre Charitable Trust.



Stephen Dunlop
Accountable Officer
15 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH ENTERPRISE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Enterprise and its group for the year ended 31 March 2020 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Scottish Enterprise Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Scottish Enterprise Statement of Financial Position, Group Statement of Cash Flows, Scottish Enterprise Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Scottish Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers of the state of the affairs of the body and its group as at 31 March 2020 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 May 2017. The period of total uninterrupted appointment is three years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Valuations of land and buildings

I draw attention to paragraph 22 of the Statement of Accounting Policies in the financial statements, Critical accounting estimates and judgements, which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH ENTERPRISE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (continued)

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the body and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH ENTERPRISE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (continued)

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH ENTERPRISE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (continued)

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gordon Smail

Gordon Smail
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

15 July 2020

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Expenditure			
Operating expenditure	1,3	232,458	197,637
Net management expenditure on staff costs	3	89,494	85,285
Other management expenditure	3	24,098	30,350
		<u>346,050</u>	<u>313,272</u>
Income			
Income from activities	2	(27,345)	(16,791)
Other Income	2	(17,805)	(29,855)
		<u>(45,150)</u>	<u>(46,646)</u>
Net Operating Expenditure		300,900	266,626
Share of profits in equity accounted investees	7	(51)	(142)
Income from investments	2	(1,468)	(174)
Interest receivable	2	(7,470)	(4,945)
Other finance income	2	(1,645)	(2,622)
Net Expenditure after interest		290,266	258,743
Taxation	4	515	425
Net Expenditure after taxation		<u>290,781</u>	<u>259,168</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net deficits / (gains) on revaluation of property, plant and equipment		2,030	(2,207)
Net losses on revaluation of property, plant and equipment held by Equity Accounted Investee		-	-
Net remeasurement (gains)/losses recognised in retirement benefit scheme		(27,288)	22,988
Total Comprehensive Net Expenditure for the year		<u>265,523</u>	<u>279,949</u>
Attributable to:			
Taxpayers' Equity		265,440	279,911
Non-Controlling Interest		83	38
		<u>265,523</u>	<u>279,949</u>

The notes on pages 65 to 127 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Expenditure			
Operating expenditure	1,3	232,507	191,805
Net management expenditure on staff costs	3	81,487	77,983
Other management expenditure	3	23,741	30,003
		<u>337,735</u>	<u>299,791</u>
Income			
Income from activities	2	(27,216)	(16,134)
Other Income	2	(7,659)	(20,819)
		<u>(34,875)</u>	<u>(36,953)</u>
Net Operating Expenditure		302,860	262,838
Income from investments	2	(1,416)	(132)
Interest income	2	(7,462)	(4,937)
Other finance income	2	(1,645)	(2,622)
Net Expenditure after interest		292,337	255,147
Taxation	4	515	425
Net Expenditure after taxation		<u>292,852</u>	<u>255,572</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net deficits / (gains) on revaluation of property, plant and equipment		1,787	(1,580)
Net remeasurement (gains)/losses recognised in retirement benefit scheme		(27,288)	22,988
Total Comprehensive Net Expenditure for the year		<u>267,351</u>	<u>276,980</u>

The notes on pages 65 to 127 form part of these accounts.


GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Notes	2020 £000	Restated 2019 £000
NON-CURRENT ASSETS			
Property, plant and equipment	5	153,800	164,030
Intangible assets	6	1,911	-
		<u>155,711</u>	<u>164,030</u>
Financial assets			
Investments in equity accounted investees	7	622	1,001
Other investments	8	299,534	314,138
Total financial assets		<u>300,156</u>	<u>315,139</u>
Retirement benefit scheme	10	81,882	62,872
Other non-current receivables	11	2,204	578
TOTAL NON-CURRENT ASSETS		<u>539,953</u>	<u>542,619</u>
CURRENT ASSETS			
Intangible assets	6	-	81
Other investments	8	17,845	5,736
Assets classified as held for sale	12	3,350	13,900
Inventories	13	105	112
Income tax receivable		-	-
Trade and other receivables	14	26,395	20,816
Cash and cash equivalents	15	102,155	119,571
TOTAL CURRENT ASSETS		<u>149,850</u>	<u>160,216</u>
TOTAL ASSETS		<u>689,803</u>	<u>702,835</u>
CURRENT LIABILITIES			
Trade and other payables	16	(47,673)	(67,882)
Income tax payable		(300)	(182)
Provisions	17	-	(794)
TOTAL CURRENT LIABILITIES		<u>(47,973)</u>	<u>(68,858)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>641,830</u>	<u>633,977</u>
NON-CURRENT LIABILITIES			
Other payables	16	(170,385)	(89,963)
Provisions	17	(5,156)	(5,252)
TOTAL NON-CURRENT LIABILITIES		<u>(175,541)</u>	<u>(95,215)</u>
ASSETS LESS LIABILITIES		<u>466,289</u>	<u>538,762</u>
TAXPAYERS' EQUITY			
General Reserve		407,194	473,141
Specific Reserve		981	1,066
Revaluation Reserve		57,129	63,487
Non-Controlling Interest		985	1,068
TOTAL EQUITY		<u>466,289</u>	<u>538,762</u>

The notes on pages 65 to 127 form part of these accounts.

The accountable officer authorised these financial statements for issue on 15 July 2020.



Stephen Dunlop
Accountable Officer
15 July 2020

SCOTTISH ENTERPRISE STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Notes	2020 £000	Restated 2019 £000
NON-CURRENT ASSETS			
Property, plant and equipment	5	101,006	113,771
Intangible assets	6	1,911	-
		<u>102,917</u>	<u>113,771</u>
Financial assets			
Other investments	8	300,767	315,879
Retirement benefit scheme	10	81,882	62,872
Other non-current receivables	11	3,934	2,997
TOTAL NON-CURRENT ASSETS		<u>489,500</u>	<u>495,519</u>
CURRENT ASSETS			
Intangible assets	6	-	81
Other investments	8	17,845	5,736
Assets classified as held for sale	12	3,350	13,900
Trade and other receivables	14	24,389	18,686
Income tax receivable		-	-
Cash and cash equivalents	15	99,390	115,994
TOTAL CURRENT ASSETS		<u>144,974</u>	<u>154,397</u>
TOTAL ASSETS		<u>634,474</u>	<u>649,916</u>
CURRENT LIABILITIES			
Trade and other payables	16	(46,421)	(66,090)
Income tax payable		(300)	(182)
Provisions	17	-	(794)
TOTAL CURRENT LIABILITIES		<u>(46,721)</u>	<u>(67,066)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>587,753</u>	<u>582,850</u>
NON-CURRENT LIABILITIES			
Other payables	16	(170,385)	(89,963)
Provisions	17	(4,996)	(5,092)
TOTAL NON-CURRENT LIABILITIES		<u>(175,381)</u>	<u>(95,055)</u>
ASSETS LESS LIABILITIES		<u>412,372</u>	<u>487,795</u>
TAXPAYERS' EQUITY			
General Reserve		398,070	465,277
Revaluation Reserve		14,302	22,518
TOTAL EQUITY		<u>412,372</u>	<u>487,795</u>

The notes on pages 65 to 127 form part of these accounts.

The accountable officer authorised these financial statements for issue on 15 July 2020.



Stephen Dunlop
Accountable Officer
15 July 2020

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Cash flows from operating activities			
Net expenditure after interest		(290,266)	(258,743)
Adjustments for:			
Depreciation and assets written off		3,950	6,691
Increase in investment provision and write off		8,185	2,952
Property revaluation deficit		13,129	1,597
Investment revaluation deficit		56,511	31,712
Interest receivable	2	(7,470)	(4,945)
Dividends received	2	(1,468)	(174)
Retirement benefit scheme net charges		8,278	6,078
Share of profit in equity accounted investees	7	(51)	(142)
Surplus on disposal of property, plant and equipment	2	(3,327)	(1,872)
Surplus on disposal of investments and equity accounted investees	2	(13,899)	(3,680)
		<u>(226,428)</u>	<u>(220,526)</u>
Decrease in inventories		7	3
Decrease in trade and other receivables		364	17,440
(Decrease) / Increase in trade payables		(14,980)	5,363
(Decrease) / Increase in provision for future liabilities		(890)	3,614
		<u>(241,927)</u>	<u>(194,106)</u>
Income tax expense		(397)	(451)
Net cash outflow from operating activities		<u>(242,324)</u>	<u>(194,557)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		11,095	8,712
Proceeds of disposal of financial assets and equity accounted investees		29,399	20,922
Repayments of other investments		15,535	12,605
Interest received		4,758	2,497
Dividends received		1,468	174
Purchase of property, plant and equipment		(13,397)	(4,386)
Purchase of current intangible assets		(1,997)	(81)
Purchase of financial assets		(92,211)	(61,687)
Net cash outflow from investing activities		<u>(45,350)</u>	<u>(21,244)</u>
Cash flows from financing activities			
Grants from Scottish Government		193,050	202,836
Financial Transactions financing from Scottish Government net of repayments	16	77,208	38,664
Net cash inflow from financing activities		<u>270,258</u>	<u>241,500</u>
Net (decrease) / increase in cash and cash equivalents in the period		(17,416)	25,699
Cash and cash equivalents at the beginning of the period	15	119,571	93,872
Cash and cash equivalents at the end of the period	15	<u>102,155</u>	<u>119,571</u>

The notes on pages 65 to 127 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Net expenditure after interest		(292,337)	(255,147)
Adjustments for:			
Depreciation and assets written off		3,048	2,845
Increase in investment provision and write off		8,186	2,950
Property revaluation deficit		14,816	1,840
Investment revaluation deficit		56,270	31,762
Interest receivable	2	(7,462)	(4,937)
Dividends receivable	2	(1,416)	(132)
Retirement benefit scheme net charges		8,278	6,078
Surplus on disposal of property, plant and equipment	2	(3,327)	(1,872)
Surplus on disposal of investments and equity accounted investees	2	(14,110)	(3,637)
		<u>(228,054)</u>	<u>(220,250)</u>
Decrease in trade and other receivables		929	18,268
(Decrease) / increase in trade payables		(14,440)	5,086
(Decrease) / increase in provision for future liabilities		(890)	3,664
		<u>(242,455)</u>	<u>(193,232)</u>
Income tax expense		(397)	(500)
Net cash outflow from operating activities		<u>(242,852)</u>	<u>(193,732)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		11,039	8,705
Proceeds of disposal of financial assets		29,402	20,655
Repayments of other investments		15,535	12,605
Interest received		4,751	2,489
Dividends received		1,416	132
Purchase of property, plant and equipment		(11,349)	(3,758)
Purchase of current intangible assets		(1,997)	(81)
Purchase of financial assets		(91,685)	(61,657)
Net cash outflow from investing activities		<u>(42,888)</u>	<u>(20,910)</u>
Cash flows from financing activities			
Grants from Scottish Government		191,928	201,577
Financial Transactions financing from Scottish Government net of repayments	16	77,208	38,664
Net cash inflow from financing activities		<u>269,136</u>	<u>240,241</u>
Net (decrease) / increase in cash and cash equivalents in the period		(16,604)	25,599
Cash and cash equivalents at the beginning of the period	15	115,994	90,395
Cash and cash equivalents at the end of the period	15	<u>99,390</u>	<u>115,994</u>

The notes on pages 65 to 127 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2020

	<i>General Reserve £000</i>	<i>Specific Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Non- Controlling Interest £000</i>	<i>Total £000</i>
Balance at 1 April 2018	547,943	1,445	62,381	1,106	612,875
Net expenditure during the year	(258,751)	(379)	-	(38)	(259,168)
Remeasurement gains in retirement benefit scheme	(22,988)	-	-	-	(22,988)
Net surpluses on revaluation of property, plant and equipment	-	-	2,207	-	2,207
Transfer between reserves	1,101	-	(1,101)	-	-
Total recognised income and expense for year to 31 March 2019	<u>(280,638)</u>	<u>(379)</u>	<u>1,106</u>	<u>(38)</u>	<u>(279,949)</u>
Grant in Aid from Scottish Government	201,577	-	-	-	201,577
Repayment of Financial Transactions funding waived	3,000	-	-	-	3,000
Other grants from Scottish Government	1,259	-	-	-	1,259
	<u>205,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,836</u>
Balance at 31 March 2019	<u>473,141</u>	<u>1,066</u>	<u>63,487</u>	<u>1,068</u>	<u>538,762</u>
Net expenditure during the year	(290,613)	(85)	-	(83)	(290,781)
Remeasurement gains in retirement benefit scheme	27,288	-	-	-	27,288
Net deficits on revaluation of property, plant and equipment	-	-	(2,030)	-	(2,030)
Transfer between reserves	4,328	-	(4,328)	-	-
Total recognised income and expense for year to 31 March 2020	<u>(258,997)</u>	<u>(85)</u>	<u>(6,358)</u>	<u>(83)</u>	<u>(265,523)</u>
Grant in Aid from Scottish Government	200,018	-	-	-	200,018
Repayment of Grant in Aid from other business income	(8,568)	-	-	-	(8,568)
Other grants from Scottish Government	1,600	-	-	-	1,600
	<u>193,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,050</u>
Balance at 31 March 2020	<u>407,194</u>	<u>981</u>	<u>57,129</u>	<u>985</u>	<u>466,289</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £9,736m (2019: £9,535m). The grant in aid provision of £201m for 2019/2020 (2018/19: £202m) included £58m (2018/19: £59m) in respect of net capital expenditure.

Specific Reserves are those reserves for which their subsequent use has been restricted to a specific purpose by a subsidiary undertaking.

Revaluation Reserve is the cumulative unrealised balance arising on revaluation adjustments to assets. Included within the Revaluation Reserve total of £57m (2019: £63m) is £57m (2019: £63m) attributable to net unrealised surpluses on Land and Buildings.

SCOTTISH ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2020

	<i>General Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Total £000</i>
Balance at 1 April 2018	538,876	21,322	560,198
Net expenditure during the year	(255,572)	-	(255,572)
Remeasurement losses in retirement benefit scheme	(22,988)	-	(22,988)
Net surpluses on revaluation of property, plant and equipment	-	1,580	1,580
Transfer between reserves	384	(384)	-
Total recognised income and expense for year to 31 March 2019	<u>(278,176)</u>	<u>1,196</u>	<u>(276,980)</u>
Grant in Aid from Scottish Government	201,577	-	201,577
Repayment of Financial Transactions funding waived	3,000	-	3,000
Other grants from Scottish Government	-	-	-
	<u>204,577</u>	<u>-</u>	<u>204,577</u>
Balance at 31 March 2019	<u>465,277</u>	<u>22,518</u>	<u>487,795</u>
Net expenditure during the year	(292,852)	-	(292,852)
Remeasurement gains in retirement benefit scheme	27,288	-	27,288
Net deficits on revaluation of property, plant and equipment	-	(1,787)	(1,787)
Transfer between reserves	6,429	(6,429)	-
Total recognised income and expense for year to 31 March 2020	<u>(259,135)</u>	<u>(8,216)</u>	<u>(267,351)</u>
Grant in Aid from Scottish Government	200,018	-	200,018
Repayment of Grant in Aid from other business income	(8,568)	-	(8,568)
Other grants from Scottish Government	478	-	478
	<u>191,928</u>	<u>-</u>	<u>191,928</u>
Balance at 31 March 2020	<u>398,070</u>	<u>14,302</u>	<u>412,372</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £9,735m (2019: £9,535m). The grant in aid provision of £200m for 2019/20 (2018/19: £202m) included £58m (2018/19: £59m) in respect of net capital expenditure.

Revaluation Reserve is the cumulative unrealised balance arising on revaluation adjustments to assets. Included within the Revaluation Reserve total of £14m (2019: £23m) is £14m (2019: £23m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

The Group and Scottish Enterprise accounts are prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers.

The Group and Scottish Enterprise accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury and the Companies Act 2006 applicable to entities reporting under IFRS. The accounting policies contained in the FReM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of Scottish Enterprise for the purpose of giving a true and fair view has been selected.

Change in accounting policy and restatement

The accounting policies have, unless otherwise stated, been applied consistently for all periods presented in the Group and Scottish Enterprise accounts.

The preparation of accounts in conformity with the FReM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in "Critical accounting estimates and key judgements".

The Group and Scottish Enterprise accounts are prepared under the historical cost convention except that the following assets and liabilities are stated at fair value:

- Retirement benefit assets (Note 10)
- Land and property (Note 5)
- Financial assets (Note 8)
- Assets classified as held for sale (Note 12)

The Board and Accountable Officer have considered the Resource Budget for 2020/21, comprising the availability of Grant in Aid and 'non-cash' budget provision, and consider that Scottish Enterprise has adequate resources to continue in operational existence for the foreseeable future. The accounts are therefore prepared on a going concern basis. Further details of Scottish Enterprise's Resource Budget for 2020/21 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 21.

STATEMENT OF ACCOUNTING POLICIES (continued)

2. Basis of consolidation

The Group Accounts consolidate the accounts of Scottish Enterprise and all its subsidiary undertakings drawn up to 31 March each year unless otherwise noted.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control over their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary and material to ensure consistency with the policies adopted by the Group.

(b) Associates and jointly controlled entities

Associates are entities over which the Group has significant influence but not control. Companies whose business is compatible with the objectives of the Group, in which the holdings are intended to be retained as long term investments and in which the Group has active management involvement are treated as associated undertakings. Joint ventures are those entities over whose activities the Group has joint control of the arrangement and has rights to the net assets of the arrangement, established by contractual agreements and requiring unanimous consent for strategic financial and operational decisions.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Scottish Enterprise uses the most recent available financial statements in applying the equity method. In cases where the reporting date of the associate differs from Scottish Enterprise, adjustments are made for any significant transactions or events that occur between that date and the date of these financial statements.

The Group's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The Group accounts include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies of those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

STATEMENT OF ACCOUNTING POLICIES (continued)*(c) Other*

In respect of other invested companies, Scottish Enterprise considers that in general, the role of the Group is normally that of a passive investor and that investment holdings taken will be disposed of at the earliest opportunity. Scottish Enterprise's role is to provide funding, primarily alongside venture capital co-investment partners, to individual companies to drive economic growth in Scotland and therefore, although a holding may at any particular time be in excess of 20% of the equity, these companies are not accounted for as associated undertakings, in view of the absence of influence over their financial and operating policies.

3. Funding

Scottish Enterprise receives Grant in Aid from the Scottish Ministers on an annual basis coincident with the Group's financial year to finance its net operating costs. Grant in Aid is credited to the General Reserve and the net cost of activities funded by Grant in Aid is charged to this reserve.

Scottish Enterprise also receives Financial Transactions funding from the Scottish Government for the specific purpose of financing equity investments and the provision of loans. Financial Transactions funding is repayable over variable periods and is recognised as a current or long term liability in accordance with the repayment terms determined at the time each tranche of the funding is drawn down from the Scottish Government.

4. Property, plant and equipment*(a) Land*

Land held for or under development, or for the Group's own use, is held at fair value and is valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2020 (Red Book) and specifically the basis valuation for IFRS.

Increases in the carrying amount arising on revaluation of land are credited to the Revaluation Reserve. Decreases that offset previous increases on the same asset are charged against the Revaluation Reserve relating to the asset; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

Increases that offset previous decreases charged to the Statement of Comprehensive Net Expenditure on the same asset are credited to the Statement of Comprehensive Net Expenditure to the extent of previous decreases and subsequently to the Revaluation Reserve.

When land assets are sold, any amounts included in Revaluation Reserve in respect of previously recognised surpluses are transferred to the General Reserve.

Land is not depreciated.

STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Property

A policy of revaluation has been adopted in respect of property assets owned by Scottish Enterprise including any property occupied by Scottish Enterprise for its own use. These are stated in the accounts on a fair value basis with the exception of the Glasgow Science Centre, which due to the specialist nature of the building, is valued on the basis of depreciated replacement cost.

Buildings are held at fair value and are valued annually in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition and use.

Assets under construction are shown at cost less any impairment charges. Once completed these assets are reclassified into land and buildings and are revalued at fair value. Increases or decreases in value at the time of the first professional revaluation are accounted for on the same basis as other revaluation movements noted below.

Increases in the carrying amount arising on revaluation of buildings are credited to the Revaluation Reserve with the exception of increases that offset previous decreases charged to the Statement of Comprehensive Net Expenditure on the same asset. In these cases increases are credited to the Statement of Comprehensive Net Expenditure to the extent of previous decreases and subsequently to the Revaluation Reserve.

Decreases that offset previous increases on the same asset are charged against the Revaluation Reserve relating to the asset; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Reserve.

A depreciation charge is applied in the year of acquisition of an asset and no charge is made in the year in which it is disposed.

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight line basis over their expected useful lives of up to a maximum of 50 years. Where an item of property has significant components, the components are depreciated separately, in accordance with their useful lives. The useful lives of property assets are determined in consultation with Montagu Evans LLP, Chartered Surveyors.

The properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of Financial Position.

The difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Reserve.

STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Non property assets

As permitted by the FReM, non property assets are carried at depreciated historic cost. Scottish Enterprise and the Group consider that all of the assets in these categories have short useful lives and the depreciation rates provide a realistic reflection of consumption and reduction in carrying value.

Non property assets are depreciated on a straight line basis to allocate their cost to their residual values over their estimated useful lives as follows:-

Transport Equipment	over 4 years
Plant and Equipment	over 4 years
Information Technology	over 3 years
Furniture and Fittings	over 4 years
Leasehold Improvements	over 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each Statement of Financial Position.

A depreciation charge is applied in the year of acquisition of an asset and no charge is made in the year in which it is disposed.

(d) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

(e) Impairment

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are tested annually for impairment in the annual valuation process. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses in respect of land, property, plant and equipment are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

STATEMENT OF ACCOUNTING POLICIES (continued)

5. Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale and a sale within a period of 12 months is considered highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated.

6. Financial assets

Classification

Scottish Enterprise classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value through profit or loss; and
- Those to be measured at amortised cost.

The classification depends on the purpose for which the financial assets were acquired and the contractual terms of the cash flows.

For investments in equity that are not held for trading, Scottish Enterprise has not made an irrevocable election to account for the equity investment at fair value through other comprehensive income, and therefore for assets measured at fair value, gains and losses are recorded in profit or loss.

Management determines the classification of its financial assets at initial recognition and reclassifies debt investments only when the business model for managing those assets changes.

(a) Fair value

Fair value assets are non-derivative financial assets that are either designated in this category or not classified as amortised cost. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of each Statement of Financial Position. Fair value assets comprise investments in ordinary shares, investments in preference shares which are not classified as amortised cost and convertible and other loans for which there is no fixed or determinable repayment terms.

STATEMENT OF ACCOUNTING POLICIES (continued)*(b) Amortised cost*

Amortised cost assets are non-derivative financial assets which are held to collect contractual cash flows. They are included in current assets except for maturities greater than 12 months after the date of each Statement of Financial Position which are classed as non current assets.

Recognition and derecognition

Financial assets are recognised when Scottish Enterprise becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or Scottish Enterprise has transferred substantially all risks and rewards of ownership.

Measurement*(a) Fair value*

At initial recognition Scottish Enterprise measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

A quoted investment is valued using the bid price on the date of each Statement of Financial Position.

If the market for a financial asset is not active, Scottish Enterprise establishes fair value from external market evidence.

The price of recent investment is considered the methodology most appropriate. The costs of the investment itself or the price at which a significant amount of new investment into the company is made by an independent third party will be reliable for a limited period following the date of the transaction. While the price of a subsequent funding round is a guide to fair value, Scottish Enterprise will take account of the circumstance of the funding round and any subsequent events which may imply a change to the valuation.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in operating expenditure in the net expenditure statement. Dividends from such investments continue to be recognised in profit or loss as income in the year in which it is receivable.

STATEMENT OF ACCOUNTING POLICIES (continued)*(b) Amortised cost*

Assets that are held for collection of contractual cash flows, where those cash flows represents solely payments of principal and interest, are measured at amortised cost using the effective interest rate method less provision for impairment. Interest income from these financial assets is included in finance income.

Impairment

Scottish Enterprise assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables, Scottish Enterprise applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognised from initial recognition of the receivables.

7. Intangible assets*(a) Patents and other similar intellectual property rights*

Externally purchased patents and other similar intellectual property rights are stated at cost and depreciated over the lesser of the patent life or licence term and the length of the research and development programme to which the patent or licence relates.

(b) Software Licences

Software licences are stated at depreciated replacement cost. Amortisation is calculated on a straight line basis over a period of three years. Annual software licences are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

(c) Carbon Reduction Commitment (CRC) Scheme Allowances

Allowances purchased from the Department of Energy and Climate Change and held at 31 March are included as current intangible assets. Allowances are measured at cost, being a proxy for fair value.

STATEMENT OF ACCOUNTING POLICIES (continued)**(d) Software Research and Development Costs**

Research costs are expensed as incurred. Development expenditure on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use, it is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

8. Assets held by Local Enterprise Companies and their subsidiary undertakings

Under the terms of the operating contract with the Local Enterprise Companies (LECs) all sums arising from the disposal of assets and investments held in their own name but funded by Scottish Enterprise fell to be repaid to Scottish Enterprise. Following the closure of the LECs as operating entities the beneficial interest in their property interests and their interest in specified shares and loans were transferred to Scottish Enterprise for no consideration. The obligations of the LECs' subsidiary undertakings to Scottish Enterprise remain and will diminish over the remaining economic life of the property acquired with funding from Scottish Enterprise provided via the LEC.

9. Inventories

Inventories, representing the stock of goods for re-sale, are stated at the lower of cost and net realisable value.

10. Income

Income from assets sold is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenue from services provided is recognised in the period for which the services were provided to the extent that the income has become receivable.

Revenue grants and partners' contributions to projects are recognised in the period to which they relate.

Income is stated net of VAT where applicable.

STATEMENT OF ACCOUNTING POLICIES (continued)

11. European funding

European funding is credited to the Statement of Comprehensive Net Expenditure on the basis of amounts receivable in respect of expenditure incurred in the accounting period on approved projects.

12. Dividend income

Dividend income is credited to the Statement of Comprehensive Net Expenditure in the year in which it is receivable.

13. Leasing

Where Scottish Enterprise bears substantially all of the risks and rewards of owning the leased item the lease is accounted for as a finance lease under IAS17 *Leases*. IAS17 does not set a quantitative test for assessing the transfer of risks and rewards of ownership. Finance leases are capitalised at the start of the lease term at the fair value of the leased asset, or if lower, the present value of the minimum lease payments. Where the fair value of the leased asset is not quantifiable, the present value of future lease payments is used as a proxy for the purposes of the value of the asset and the associated financial liability. Property, plant and equipment and financial liabilities associated with finance leases are recognised and valued on the same basis as other property, plant and equipment and financial liabilities as set out in the relevant accounting policies.

Lease payments are apportioned between the finance charges and the lease liability in order to achieve a constant rate of interest on the remaining balance of the liability. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

Leases where most of the risks and rewards of ownership of the asset remain with the lessor are classified as operating leases. Operating lease payments are recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. The benefit of any lease incentive is recognised as a reduction in rental expense on a straight line basis over the life of the lease.

14. Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving rise to the grant occurs. Where necessary, obligations in respect of grant awards are recognised as liabilities.

STATEMENT OF ACCOUNTING POLICIES (continued)**15. Taxation**

Tax on the net expenditure for the year comprises current tax. Tax is recognised in the Statement of Comprehensive Net Expenditure, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the rates enacted or subsequently enacted at the date of the Statement of Financial Position in the countries where Scottish Enterprise's subsidiaries operate and generate taxable income, and any adjustment to the tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions for corporation tax on gains, profits and losses, as computed for tax purposes, arising from business activities on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the Statement of Financial Position. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Grant in Aid received from the Scottish Ministers is allocated in the first instance to non-business expenditures.

16. Employee benefits*(a) Retirement benefits*

Scottish Enterprise operates the Scottish Enterprise Pension & Life Assurance Scheme, a defined benefit retirement benefit plan.

The asset recognised in the Statement of Financial Position in respect of a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the date of the Statement of Financial Position, together with adjustments for unrecognised past-service costs. The defined obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The expected return on the plan's assets less the interest cost of the plans' obligations is recognised in the Statement of Comprehensive Net Expenditure as Other Finance Income or as Other Finance Charges where the interest cost exceeds the expected return on plan assets. The interest cost of the plan's obligations represents the increase in obligations arising from unwinding of the discount due to the passage of time.

STATEMENT OF ACCOUNTING POLICIES (continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to taxpayers' funds in the Statement of Other Comprehensive Income in the period in which they arise.

Past service costs represent the change in the present value of the obligation, in respect of prior periods' service, due to changes in benefit entitlement. Past-service costs are recognised immediately in the Statement of Comprehensive Net Expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A settlement is an early settlement of all or part of the plan obligation. A curtailment occurs when the Group is demonstrably committed to reduce significantly the number of employees in the plan or amends the terms of the plan so that the benefits of future services are reduced or eliminated. Measurement of the obligation does not take into account planned curtailments or settlements until the Group is committed to the curtailment or settlement with no realistic possibility of withdrawal.

(b) Short term employee benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not taken. Accruals are recognised for material amounts in respect of holiday days, holiday pay, bonuses and other short term benefits earned but not taken or paid at the date of the Statement of Financial Position.

17. Exchange Gains and Losses

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group accounts are presented in Pounds Sterling, which is Scottish Enterprise's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Net Expenditure.

STATEMENT OF ACCOUNTING POLICIES (continued)**18. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of twelve months or less.

19. Financial LiabilitiesClassification

Scottish Enterprise classifies its financial liabilities on initial recognition as other financial liabilities.

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the date of the Statement of Financial Position. These are classified as non-current liabilities. Scottish Enterprise's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when Scottish Enterprise becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

20. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

STATEMENT OF ACCOUNTING POLICIES (continued)**21. Contingent Liabilities**

A contingent liability is a possible liability whose existence will only be confirmed by uncertain future events that are not wholly under the control of Scottish Enterprise. A contingent liability is disclosed in the notes to the accounts unless the prospect of having to settle such a liability in the future should its existence be confirmed is considered by Scottish Enterprise to be remote. If it is probable that Scottish Enterprise will be required to settle the liability then a provision is recognised in the Statement of Financial Position, as noted above.

22. Critical accounting estimates and judgements

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets meaning there is an unprecedented set of circumstances on which to base a judgement.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the accounts is as follows:

(a) *Retirement benefit scheme*

Due to timing a small proportion of scheme assets are normally based on a lagged valuation. In light of the COVID-19 pandemic the group have reviewed available information on market conditions between the valuation date and the reporting date and consider the year end valuation report provided by the actuary to be the best information available to the Group at 31 March 2020 and can be relied upon.

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

STATEMENT OF ACCOUNTING POLICIES (continued)

The Group also determines the appropriate rate for salary inflation based on consideration of inflation and long-term assumptions in respect of salary increases.

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 10.

(b) Fair value of land and buildings

The Group commissions a valuation of land and buildings held for industrial and commercial use biannually.

In applying the Royal Institute of Chartered Surveyors Valuation Global Standards (Red Book), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by COVID-19. The Red Book defines market uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation report has been used to inform the measurement of assets in these financial statements. Although the valuer has reported on the basis of material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Group at 31 March 2020 and can be relied upon.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on external market conditions existing at the date of each Statement of Financial Position. The group follows the International Private Equity and Venture Capital Valuation ("IPEV") Guidance when determining fair value.

The market uncertainties caused by COVID-19 have been recognised and professional judgement has been exercised, taking into account IPEV Special Valuation Guidance published on 31st March 2020, to consider the level of risk on a case by case basis across the investment portfolio. Where considered appropriate the discount applied to valuations has been adjusted to take account of the impact of COVID-19.

(d) Impairment of financial assets at amortised cost

The Group follows the guidance of IFRS 9 to determine, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk when financial asset held at amortised cost is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

STATEMENT OF ACCOUNTING POLICIES (continued)

The expected credit loss is determined by evaluating loans and receivables and assessing whether the credit risk has increased since initial recognition. Financial assets at amortised cost are classified as follows:

- Stage 1, where the credit risk has not increased significantly then a loss allowance equal to a 12 month expected credit loss is recognised by (i) reviewing loans with shared risk characteristics and (ii) applying a probability assessment of a loss default within 12 months;
- Stage 2, where the loan is past due and based on past experience the asset is considered to be credit impaired, a loss allowance equal to a lifetime expected credit loss is recognised by (i) reviewing loans with shared risk characteristics and (ii) applying a probability assessment of a loss default;
- Stage 3, where an asset is considered to be credit impaired because of past due status and other events that have a detrimental effect on future cash flows an impairment allowance is recognised.

(e) *European Income*

The Group operates a series of programmes which attract financial support from the European Union. Funding is claimed in arrears at the intervention rate agreed at the start of the programmes and based upon the costs incurred to deliver the programmes and the successful delivery of strategic operation outcomes. Claims submitted during the financial year are recognised as income in the financial year they are presented. At the end of each financial year an assessment is made of the eligibility of the expenditure incurred and for which the Group will be able to secure the evidence standards required to make a claim for European funding in the future. Based upon the ratios obtained from completed verification work and extended to expenditure still to be fully verified, an estimate is made of the associated income not yet claimed which is then accrued in the financial statements. Additional information is disclosed in Note 14.

23. Accounting standards issued not yet adopted

There are new accounting standards that have been issued but have not yet been applied by the group in these financial statements. The standards that are considered relevant to the group are as follows:

- IFRS 16 – Leases
Subject to EU adoption and Exposure Draft process this standard will be included in the FReM with effect from 2021/22. The standard replaces IAS 17 - Leases and largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting. The impact on the consolidated accounts has not been determined.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating Expenditure	<u>232,458</u>	<u>197,637</u>	<u>232,507</u>	<u>191,805</u>
Management Expenditure	<u>113,592</u>	<u>115,635</u>	<u>105,228</u>	<u>107,986</u>
Expenditure noted above includes:				
Rentals under operating leases				
Buildings	2,753	3,416	2,367	2,761
Other	58	49	58	49
Foreign exchange (gains)/losses	(462)	24	(442)	50
Depreciation	3,864	6,691	2,962	2,845
Amortisation of intangible assets	86	-	86	-
Auditors' remuneration				
- audit of these accounts (i)	<u>165</u>	<u>163</u>	<u>165</u>	<u>163</u>
Amounts paid to other auditors in respect of:				
- audit of subsidiary companies' accounts	38	32	4	-
- non-audit fees	1	2	-	-
	<u>39</u>	<u>34</u>	<u>4</u>	<u>-</u>

- (i) The auditors of Scottish Enterprise, appointed by the Auditor General for Scotland, are Audit Scotland.

2. INCOME

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income from Activities				
Property Services				
Rents	6,634	8,227	6,323	7,662
Sundry property income	3,485	3,012	3,456	2,963
Surplus / (loss) on disposal of property	3,327	1,872	3,327	1,872
Investment Management				
Surplus on disposal of investments and equity accounted investees	13,899	3,680	14,110	3,637
	<u>27,345</u>	<u>16,791</u>	<u>27,216</u>	<u>16,134</u>
Other Income				
European funding	2,740	6,596	2,740	6,596
Contributions and other fees	15,065	23,259	4,919	14,223
	<u>17,805</u>	<u>29,855</u>	<u>7,659</u>	<u>20,819</u>

NOTES TO THE ACCOUNTS (continued)

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income from Investments				
Dividends and other investment income	<u>1,468</u>	<u>174</u>	<u>1,416</u>	<u>132</u>
Interest Income				
Interest receivable	5,914	4,416	5,906	4,408
Interest calculated using the effective interest rate method	<u>1,556</u>	<u>529</u>	<u>1,556</u>	<u>529</u>
	<u>7,470</u>	<u>4,945</u>	<u>7,462</u>	<u>4,937</u>
Other Finance Income				
Net interest income on retirement benefit scheme assets	<u>1,645</u>	<u>2,622</u>	<u>1,645</u>	<u>2,622</u>

3. SEGMENTAL REPORTING

All income and expenditure is attributable to the principal activity of Scottish Enterprise and relates to economic development activity. The Chief Executive and Executive Leadership Team monitor expenditure by strategic theme as shown below. Management expenditure, including staff costs, and income are not monitored by strategic theme.

For 2019/20 Scottish Enterprise's strategic themes and priorities were restructured and in year reports of expenditure to the Scottish Enterprise Board and Executive Leadership Team were amended to reflect the new structure. Accordingly, the 2018/19 expenditure below has been revised into the current themes and priorities.

NOTES TO THE ACCOUNTS (continued)

A reconciliation of segmental expenditure to net operating expenditure is shown below.

	<i>Group Restated</i>		<i>Scottish Enterprise Restated</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating Expenditure				
Quality Jobs and Talent				
Entrepreneurship and Companies of Scale	2,905	4,515	2,788	4,196
Growth Funding including Inward Investment	16,341	14,085	16,341	14,085
Workplace Development	6,151	9,238	6,176	7,912
Research and Innovation				
Innovation Support	11,939	8,680	12,089	8,699
R&D Support	38,996	38,992	38,996	39,017
Investment in R&D and Innovation Assets	8,090	9,061	8,090	9,061
Capital Investment				
Placemaking Investment	25,496	28,550	24,994	23,014
Property Portfolio Management	4,793	6,677	4,765	6,677
Sectoral Development	7,635	7,717	7,635	7,717
Business Growth and Resilience				
Access to Finance	75,673	36,657	75,662	36,644
Business Growth Services	10,992	8,648	9,875	8,648
Economic Resilience Support	2,108	1,837	2,108	1,837
Export Growth				
Export Support	8,022	6,508	8,022	6,508
International Networking and Marketing	4,439	8,346	6,088	9,664
Overseas Premises and Facilities Management Costs	2,870	3,831	2,870	3,831
Service Development and Transformation				
Business Technology Support and Development	4,201	2,928	4,201	2,928
Marketing Research and Stakeholder Engagement	1,807	1,367	1,807	1,367
Total Segmental Expenditure	<u>232,458</u>	<u>197,637</u>	<u>232,507</u>	<u>191,805</u>
Management Expenditure				
Management expenditure on staff costs (i)	89,494	85,285	81,487	77,983
Premises, ICT, business services and other management costs	24,098	30,350	23,741	30,003
	<u>113,592</u>	<u>115,635</u>	<u>105,228</u>	<u>107,986</u>
Income	<u>(45,150)</u>	<u>(46,646)</u>	<u>(34,875)</u>	<u>(36,953)</u>
Net Operating Expenditure	<u>300,900</u>	<u>266,626</u>	<u>302,860</u>	<u>262,838</u>

NOTES TO THE ACCOUNTS (continued)

(i) Management expenditure on staff costs comprises:-

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	55,942	54,851	49,054	48,493
Social security costs	5,905	5,687	5,248	5,068
Pension costs	22,146	20,254	21,816	20,019
Secondments and temporary staff costs	5,121	3,321	4,989	3,231
Severance costs	380	1,172	380	1,172
	<u>89,494</u>	<u>85,285</u>	<u>81,487</u>	<u>77,983</u>

A further analysis of staff costs is located in the Staff Report section of the Accountability Report.

4. TAXATION

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK Corporation tax @ 19% (2019 19%)	617	724	617	724
Corporation tax (over)/ under provided in previous years	(102)	(299)	(102)	(299)
	<u>515</u>	<u>425</u>	<u>515</u>	<u>425</u>
Share of equity accounted investees' tax	-	-	-	-
Total current tax	<u>515</u>	<u>425</u>	<u>515</u>	<u>425</u>

Factors affecting current tax charge:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net expenditure after interest	290,266	258,743	292,337	255,147
Current tax @ 19% (2019: 19%)	(55,151)	(49,161)	(55,544)	(48,478)
Effect of:				
Non-taxable income and disallowed expenditure	55,768	49,885	56,161	49,202
Tax over provided in previous years	(102)	(299)	(102)	(299)
Current tax charge	<u>515</u>	<u>425</u>	<u>515</u>	<u>425</u>

NOTES TO THE ACCOUNTS (continued)**5. PROPERTY, PLANT AND EQUIPMENT****GROUP**

	Land £000	Buildings £000	Assets Under Construction £000	Transport Equipment £000	Plant and Equipment £000	Information Technology £000	Furniture & Fittings £000	Leasehold Improvement £000	Total £000
Cost and valuation									
At 1 April 2019	89,440	65,774	257	80	15,577	7,525	4,142	13,536	196,331
Additions	2,282	5,665	1,160	-	2,042	82	121	30	11,382
Disposals	(423)	-	-	(29)	(1,039)	(105)	-	(129)	(1,725)
Transfer from/(to) Held for Sale	(1,840)	(270)	-	-	-	-	-	-	(2,110)
Reclassification	-	-	-	-	-	-	-	-	-
Revaluation	(13,960)	(1,163)	(917)	-	-	-	-	-	(16,040)
At 31 March 2020	75,499	70,006	500	51	16,580	7,502	4,263	13,437	187,838
Depreciation									
At 1 April 2019	-	-	-	66	14,571	6,382	3,842	7,440	32,301
Charge for year	-	881	-	14	840	598	192	1,339	3,864
Revaluation	-	(881)	-	-	-	-	-	-	(881)
Disposals	-	-	-	(29)	(1,039)	(107)	(1)	(70)	(1,246)
At 31 March 2020	-	-	-	51	14,372	6,873	4,033	8,709	34,038
Net book value									
At 31 March 2020	75,499	70,006	500	-	2,208	629	230	4,728	153,800
At 31 March 2019	89,440	65,774	257	14	1,006	1,143	300	6,096	164,030
Asset financing									
Owned	75,499	70,006	500	-	2,208	629	230	4,728	153,800
Net book value									
At 31 March 2020	75,499	70,006	500	-	2,208	629	230	4,728	153,800

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2019: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2020 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £145m (2019: £155m).

Within Buildings are buildings that have been revalued by Montagu Evans LLP, Chartered Surveyors on the basis of depreciated replacement cost representing the gross replacement cost discounted for consumption of assets to date. The buildings are depreciated over a period of 60 years.

Assets under construction are held at cost less any impairment charges.

At 31 March 2020 the net carrying value of leased equipment was £Nil (2019: £Nil).

NOTES TO THE ACCOUNTS (continued)**GROUP**

	Land £000	Buildings £000	Assets Under Construction £000	Transport Equipment £000	Plant and Equipment £000	Information Technology £000	Furniture & Fittings £000	Leasehold Improvement £000	Total £000
Cost and valuation									
At 1 April 2018	99,970	67,979	1,250	80	15,050	5,951	4,189	14,041	208,510
Additions	3,067	248	257	-	611	1,682	154	-	6,019
Disposals	(600)	-	-	-	(84)	(108)	(201)	(505)	(1,498)
Transfer from/(to)									
Held for Sale	(10,909)	(2,961)	-	-	-	-	-	-	(13,870)
Reclassification	-	1,250	(1,250)	-	-	-	-	-	-
Revaluation	(2,088)	(742)	-	-	-	-	-	-	(2,830)
At 31 March 2019	89,440	65,774	257	80	15,577	7,525	4,142	13,536	196,331
Depreciation									
At 1 April 2018	-	-	-	56	13,696	5,875	3,840	6,594	30,061
Charge for year	-	3,560	-	10	959	614	203	1,345	6,691
Revaluation	-	(3,560)	-	-	-	-	-	-	(3,560)
Disposals	-	-	-	-	(84)	(107)	(201)	(499)	(891)
At 31 March 2019	-	-	-	66	14,571	6,382	3,842	7,440	32,301
Net book value									
At 31 March 2019	89,440	65,774	257	14	1,006	1,143	300	6,096	164,030
At 31 March 2018	99,970	67,979	1,250	24	1,354	76	349	7,447	178,449
Asset financing									
Owned	89,440	65,774	257	14	1,006	1,143	300	6,096	164,030
Net book value									
At 31 March 2019	89,440	65,774	257	14	1,006	1,143	300	6,096	164,030

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2019	84,301	21,876	257	34	861	7,061	4,136	13,256	131,782
Additions	2,282	5,665	1,160	-	-	76	121	30	9,334
Disposals	(423)	-	-	(17)	-	-	-	-	(440)
Transfer from/(to) Held for Sale	(1,840)	(270)	-	-	-	-	-	-	(2,110)
Reclassification	-	-	-	-	-	-	-	-	-
Revaluation	(13,958)	(2,610)	(917)	-	-	-	-	-	(17,485)
At 31 March 2020	70,362	24,661	500	17	861	7,137	4,257	13,286	121,081
Depreciation									
At 1 April 2019	-	-	-	30	861	5,951	3,887	7,282	18,011
Charge for year	-	881	-	4	-	581	167	1,329	2,962
Disposals	-	-	-	(17)	-	-	-	-	(17)
Revaluation	-	(881)	-	-	-	-	-	-	(881)
At 31 March 2020	-	-	-	17	861	6,532	4,054	8,611	20,075
Net book value									
At 31 March 2020	70,362	24,661	500	-	-	605	203	4,675	101,006
At 31 March 2019	84,301	21,876	257	4	-	1,110	249	5,974	113,771
Asset financing									
Owned	70,362	24,661	500	-	-	605	203	4,675	101,006
Net book value									
At 31 March 2020	70,362	24,661	500	-	-	605	203	4,675	101,006

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2019: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2020 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £95m (2019: £106m).

Assets under construction are held at cost less any impairment charges.

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2018	94,831	22,133	1,250	34	861	5,395	3,983	13,256	141,743
Additions	3,067	248	257	-	-	1,666	153	-	5,391
Disposals	(600)	-	-	-	-	-	-	-	(600)
Transfer from/(to) Held for Sale	(10,909)	(2,961)	-	-	-	-	-	-	(13,870)
Reclassification	-	1,250	(1,250)	-	-	-	-	-	-
Revaluation	(2,088)	1,206	-	-	-	-	-	-	(882)
At 31 March 2019	84,301	21,876	257	34	861	7,061	4,136	13,256	131,782
Depreciation									
At 1 April 2018	-	-	-	26	861	5,355	3,709	5,957	15,908
Charge for year	-	742	-	4	-	596	178	1,325	2,845
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	(742)	-	-	-	-	-	-	(742)
At 31 March 2019	-	-	-	30	861	5,951	3,887	7,282	18,011
Net book value									
At 31 March 2019	84,301	21,876	257	4	-	1,110	249	5,974	113,771
At 31 March 2018	94,831	22,133	1,250	8	-	40	274	7,299	125,835
Asset financing									
Owned	84,301	21,876	257	4	-	1,110	249	5,974	113,771
Net book value									
At 31 March 2019	84,301	21,876	257	4	-	1,110	249	5,974	113,771

NOTES TO THE ACCOUNTS (continued)**6. INTANGIBLE ASSETS****GROUP**

	Software Development Costs £000	Software Development Under Construction £000	Patents and other rights £000	Software Licences £000	CRC Allowances £000	Total £000
Cost						
At 1 April 2018	-	-	787	876	104	1,767
Additions	-	-	-	-	81	81
Disposals	-	-	-	-	(104)	(104)
As at 31 March 2019	-	-	787	876	81	1,744
Additions	431	1,566	-	-	-	1,997
Disposals	-	-	-	-	(81)	(81)
As at 31 March 2020	431	1,566	787	876	-	3,660
Amortisation						
At 1 April 2018	-	-	787	876	-	1,663
Charge for year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 31 March 2019	-	-	787	876	-	1,663
Charge for year	86	-	-	-	-	86
Disposals	-	-	-	-	-	-
As at 31 March 2020	86	-	787	876	-	1,749
Net book value						
At 31 March 2020	345	1,566	-	-	-	1,911
At 31 March 2019	-	-	-	-	81	81
At 1 April 2018	-	-	-	-	104	104
Non-Current Intangible Assets	345	1,566	-	-	-	1,911
Current Intangible Assets	-	-	-	-	-	-
Total Intangible Assets at 31 March 2020	345	1,566	-	-	-	1,911

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	<i>Development Costs £000</i>	<i>Software Development Under Construction £000</i>	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>CRC Allowances £000</i>	<i>Total £000</i>
Cost						
At 1 April 2018	-		633	867	104	1,595
Additions	-		-	-	81	104
Disposals	-		-	-	(104)	(95)
As at 31 March 2019	-		633	867	81	1,581
Additions	431	1,566	-	-	-	1,997
Disposals	-	-	-	-	(81)	(81)
As at 31 March 2020	431	1,566	633	867	-	3,497
Amortisation						
At 1 April 2018	-	-	633	867	-	1,500
Charge for year	-	-	-	-	-	-
As at 31 March 2019	-	-	633	867	-	1,500
Charge for year	86	-	-	-	-	86
As at 31 March 2020	86	-	633	867	-	1,586
Net book value						
At 31 March 2020	345	1,566	-	-	-	1,911
At 31 March 2019	-	-	-	-	81	81
At 1 April 2018	-	-	-	-	104	104
Non-Current Intangible Assets	345	1,566	-	-	-	1,911
Current Intangible Assets	-	-	-	-	-	-
Total Intangible Assets at 31 March 2020	345	1,566	-	-	-	1,911

NOTES TO THE ACCOUNTS (continued)**7. EQUITY ACCOUNTED INVESTEEES**

Scottish Enterprise's investment in Equity Accounted Investees comprises:-

Limited by shares	Accounting period end	Nature of Business	% of Voting rights
Discovery Quay Developments Limited (i)	31 December	Property development	33.33
Ravensraig Limited	31 December	Property development	33.33
Michelin Scotland Innovation Parc Limited	31 March	Innovation Parc	33.33
Limited by guarantee	Accounting period end	Nature of Business	% of Membership
Design Dundee Limited	31 March	Advancement of cultural facility	20.00
Headstart Capital Fund (ii)	30 September	Investment Fund	50.00
Joint arrangement		Nature of Business	% Interest
Scottish Enterprise / Calachem Limited		Property development	60.00

(i) Discovery Quay Developments Limited was dissolved on 27 March 2020.

(ii) Headstart Capital Fund was dissolved on 3 March 2020.

Summarised financial information for Scottish Enterprise's investments in equity accounted investees, on a combined basis, is presented below:

	<i>Current Assets</i> £000	<i>Non current assets</i> £000	<i>Total Assets</i> £000	<i>Current Liabilities</i> £000	<i>Non Current Liabilities</i> £000	<i>Total Liabilities</i> £000	<i>Revenue</i> £000	<i>Expenses</i> £000	<i>Profit / (Loss)</i> £000
At 1 April 2018	50,987	946	51,933	(9,099)	(56,839)	(65,938)	195	(1,253)	(1,058)
At 31 March 2019	50,430	1,114	51,544	(8,431)	(57,662)	(66,093)	7,076	(7,620)	(544)
At 31 March 2020	53,637	1,055	54,692	(18,940)	(35,204)	(54,144)	9,044	(9,930)	(886)

Movements in carrying amount of investment in equity accounted investees:

	£000
Carrying amount at 1 April 2018	1,409
Share of profits	142
Disposal	(535)
Impairment	(15)
Carrying amount at 31 March 2019	<u>1,001</u>
Carrying amount at 1 April 2019	1,001
Share of profits	51
Disposal	(430)
Impairment	-
Carrying amount at 31 March 2020	<u>622</u>

NOTES TO THE ACCOUNTS (continued)**8. FINANCIAL ASSETS – OTHER INVESTMENTS**

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-Current Other Investments				
Fair value through profit or loss	240,383	266,495	241,616	268,236
Amortised cost	68,967	51,298	68,967	51,298
Less: Loss allowance for investments at amortised cost	(9,816)	(3,655)	(9,816)	(3,655)
	<u>299,534</u>	<u>314,138</u>	<u>300,767</u>	<u>315,879</u>
Current Other Investments				
Amortised cost	20,370	7,087	20,370	7,087
Less: Loss allowance for investments at amortised cost	(2,525)	(1,351)	(2,525)	(1,351)
	<u>17,845</u>	<u>5,736</u>	<u>17,845</u>	<u>5,736</u>
Total Other Investments	<u>317,379</u>	<u>319,874</u>	<u>318,612</u>	<u>321,615</u>

No equity investments have been designated as fair value through other comprehensive income.

The above financial assets have been funded as follows:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Grant in Aid	317,379	319,874	318,612	321,615
Public Dividend Capital	-	-	-	-
	<u>317,379</u>	<u>319,874</u>	<u>318,612</u>	<u>321,615</u>

From 1 April 1991 all receipts, both revenue and capital, arising from the investments funded by Public Dividend Capital require to be repaid to the Treasury. This arrangement is consequent upon the provision by the Secretary of State for Scotland to the Scottish Development Agency, at the end of the 1990/91 financial year, of an addition to Grant in Aid for the specific purpose of enabling the Agency to repay all outstanding Public Dividend Capital.

Amounts received during the financial year and payable to the Treasury are disclosed as appropriations in the Statement of comprehensive net expenditure and amounted to £Nil (2019: £Nil).

Listed Investments

Stock Exchange investments included in the above at 31 March 2020 are valued £11,281,250 (2019: £28,263,021) which includes unrealised surpluses on valuation of

NOTES TO THE ACCOUNTS (continued)

£7,496,603 (2019: £24,481,838). Income from listed investments in the year to 31 March 2020 was £51,448 (2019: £58,995).

Details of the initial cost of principal investments included above are disclosed in Note 25.

The Group accounts include the results of the following, all of which are registered in Scotland.

Subsidiary Undertakings

Limited by shares	Nature of Business	% of Voting rights
Ayrshire Development Fund Limited	Investment fund	100
Glasgow Science Centre Limited (i)	Visitor attraction operator	100
Glasgow Science Centre (Trading) Limited (i)	Commercial operations management	100
Loch Lomond Shores Management Company Limited	Property management	100
Scotland Europa Limited	Business services	100
SCTR Limited	Business incubator	100
SE Conference House Limited	Property letting	100
SE Grampian Investments Limited	Investment fund	100
Tay Euro Fund Limited	Investment fund	100
Co-operative Development Scotland Limited	Dormant	100
GDA Investments Limited	Dormant	100
Scottish Investment Bank Limited	Dormant	100

Limited by guarantee	Nature of Business	% of Membership
Calder Park (Management) Limited	Property management	100
Glasgow Science Centre Charitable Trust	Visitor attraction ownership	100
The Glasgow Science Centre Endowment Fund	Investment fund	66.67
ITI Scotland Limited	Commissioning of research	100
This is Remarkable Limited (formerly Investors in People Scotland)	Training & skills accreditation	50(S)
Scottish Intellectual Asset Management Limited	Dormant	50(S)

Companies marked "(S)" are subsidiaries by virtue of control exercised through the board or contractual terms.

- (i) Glasgow Science Centre Limited and Glasgow Science Centre (Trading) Limited are subsidiary companies of Glasgow Science Centre Charitable Trust.

NOTES TO THE ACCOUNTS (continued)**Local Enterprise Companies**

Scottish Enterprise Ayrshire (dormant)
 Scottish Enterprise Borders (dormant)
 Scottish Enterprise Dumfries & Galloway (dormant)
 Scottish Enterprise Dunbartonshire (dormant)
 Scottish Enterprise Edinburgh & Lothian (dormant)
 Scottish Enterprise Fife (dormant)
 Scottish Enterprise Forth Valley (dormant)
 Scottish Enterprise Glasgow (dormant)
 Scottish Enterprise Grampian (dormant)
 Scottish Enterprise Lanarkshire (dormant)
 Scottish Enterprise Renfrewshire (dormant)
 Scottish Enterprise Tayside (dormant)

9. FAIR VALUE MEASUREMENTS

The following table sets out the assets and liabilities that are measured and recognised at fair value at 31 March 2020:

GROUP

	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2020</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Recurring fair value measurements				
Financial assets	11,281	-	306,098	317,379
Land and property assets	-	-	146,005	146,005
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	3,350	3,350
	<u>11,281</u>	<u>-</u>	<u>455,453</u>	<u>466,734</u>

SCOTTISH ENTERPRISE

	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2020</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Recurring fair value measurements				
Financial assets	9,048	-	309,564	318,612
Land and property assets	-	-	95,523	95,523
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	3,350	3,350
	<u>9,048</u>	<u>-</u>	<u>408,437</u>	<u>417,485</u>

NOTES TO THE ACCOUNTS (continued)**Fair value hierarchy**

Group and Scottish Enterprise financial assets that are valued at fair value are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

There have been no transfers between level 1 and level 2 recurring fair value measurements during the year.

Valuation processes for level 3 fair values

All material financial assets are defined as level 3 instruments with the exception of those listed on a recognised stock exchange. Fair values of financial assets are determined every six months by suitably qualified professionals within Scottish Enterprise using recognised valuation techniques.

Scottish Enterprise engages external independent valuers to determine the fair value of the land and buildings that are classified as property plant and equipment at the end of each financial year.

The following table sets out the reconciliation of the opening and closing balances for level 3 fair value measurements as at 31 March 2020:

GROUP

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
At 1 April 2019	291,611	155,471	13,900	460,982
Acquisitions	92,845	9,107	-	101,952
Disposals	(31,122)	(423)	(12,660)	(44,205)
Transfers to/from held for sale	-	(2,110)	2,110	-
Depreciation	-	(881)	-	(881)
Impairment	(8,186)	(19,081)	-	(27,267)
Net losses recognised in Other Comprehensive Net Expenditure	-	(2,030)	-	(2,030)
Net (losses)/gains recognised in Net Expenditure	(39,050)	5,952	-	(33,098)
At 31 March 2020	<u>306,098</u>	<u>146,005</u>	<u>3,350</u>	<u>455,453</u>

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
At 31 March 2019	295,991	106,434	13,900	416,325
Acquisitions	92,845	9,107	-	101,952
Disposals	(32,031)	(423)	(12,660)	(45,114)
Transfers to/from held for sale	-	(2,110)	2,110	-
Depreciation	-	(881)	-	(881)
Impairment	(8,186)	(19,080)	-	(27,266)
Net losses recognised in Other Comprehensive Net Expenditure	-	(1,787)	-	(1,787)
Net (losses)/gains recognised in Net Expenditure	(39,055)	4,263	-	(34,792)
At 31 March 2020	<u>309,564</u>	<u>95,523</u>	<u>3,350</u>	<u>408,437</u>

The following table sets out the amount of unrealised gains or losses for the period included in net expenditure that is attributable to the changes in unrealised gains or loss relating to those assets and liabilities held at the end of the reporting period:

GROUP

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
Unrealised losses recognised in net expenditure	<u>(47,236)</u>	<u>(13,129)</u>	-	<u>(60,365)</u>

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	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
Unrealised losses recognised in net expenditure	<u>(47,241)</u>	<u>(14,817)</u>	-	<u>(62,058)</u>

NOTES TO THE ACCOUNTS (continued)

The following table sets out the valuation techniques used in the determination of fair values within level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value:

Item	Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value
------	---

Financial assets – held at fair value through profit or loss:	<p>Scottish Enterprise holds a number of investments across a range of different instruments, including equity, preference shares and loans. Shares which have voting rights attached are treated as equity and will be valued on a Fair Value basis in line with international industry standards. Likewise, debt instruments that have been provided as a means of bridge funding to the next equity round, will be similarly valued on a Fair Value basis. Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date.</p>
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Several valuation techniques may be considered for use in estimating Fair Value, with judgement applied when considering case-specific factors or terms of the investment which may impact Fair Value. Valuation techniques that will be considered, include price of recent investment, earnings multiple, turnover multiple, indicative offers and for listed companies available market prices. The key selection criteria for the valuation technique adopted is it should be appropriate given the nature, facts and circumstances of the investment.

Scottish Enterprise's portfolio comprises mostly unquoted investments in seed, start up and early stage companies for which there is not active market and in many cases the portfolio companies are pre-revenue or loss making (or both), which rules out earnings or turnover multiple based valuation techniques. Consequently, the Fair Value of the majority of investments is established by reference to valuation placed on the investee company at the most recent round of investment or price of recent investment; however Scottish Enterprise will take into account the circumstances of the funding round, current company performance relative to plan and any subsequent events which may impact on Fair Value.

Where the portfolio company is a more established business with an identifiable stream of earnings that are considered to be maintainable, the Fair Value of Scottish Enterprise's investment will be established by the application of a multiplier to the earnings of the business. The multiplier will be based on the quoted price / earnings ratio appropriate to the industry sector, discounted for lack of marketability, liquidity and other relevant factors which can vary considerably by sector.

NOTES TO THE ACCOUNTS (continued)

Multiplier From 24.77 (before discount) to 27.04 (before discount)
 Discount 40% to 50% (marketability 20%; liquidity 10 % to 20% & minority shareholding 10%)

A number of industries have industry-specific valuation benchmarks and certain financial services, IT and some service sectors where long-term contractors are a key feature, use turnover multiples as a valuation benchmark based on the assumption that purchasers are willing to pay for turnover or market share. For early stage and emerging growth companies that have negative earnings, both historical and projected, a multiple of turnover may be considered as an appropriate valuation technique for calculating Fair Value. Where the portfolio company meets these characteristics we do adopt a turnover based multiple approach with reference to market comparable data that is available e.g. multiples on recent exit transactions, multiple data that is available online for certain sectors / type of business etc. Judgement can then be applied, based on the facts and circumstances of the particular portfolio company to determine the most appropriate revenue multiple for the purposes of determining Fair Value. In portfolio companies where we have adopted a turnover multiple.

Revenue multiplier has ranged from 1x to 4.3x (mean 2.1x) turnover.

Financial assets - held at amortised cost Fair value is based on amortised cost using the effective interest rate method derived from the anticipated cash flows from the investment over its estimated life. A provision for impairment is established if there is objective evidence that Scottish Enterprise will not be able to collect all amounts due according to the terms of the investment.

Land Fair value of land is derived by analysis of comparable sales evidence and quoted prices of land parcels offering similar characteristics in similar locations to the various land parcels being appraised. Consideration is given to local market forces, developer or occupational demand and competing supply. The assets are valued on a capital rate per acre basis with adjustment made to reflect location, site size, potential phasing of future development and, where appropriate, site servicing costs to unlock the development opportunity.

Buildings Fair value of the buildings is derived by analysis of comparable sales transactions of properties offering similar characteristics to the assets under consideration. These are generally derived by adopting an income approach by constructing an envisaged cash flow reflecting the rental income stream, vacancy rates and irrecoverable expenditure associated with any period of

NOTES TO THE ACCOUNTS (continued)

vacancy prior to re-letting. The resultant valuations are cross checked where appropriate on a capital per square feet basis.

Within the portfolio, equivalent yields have typically been in the range 7.5% to 20% with rental voids generally between 18 and 30 months upon individual lease expires. Rental growth has been factored in on a unit by unit basis where evidence supports the contention.

The higher the yield, the longer the vacancy period and the lower any rental growth prospects, then the lower the fair value will be.

The lower the yield, the shorter the vacancy period and the greater the rental growth prospects, then the higher the fair value will be.

Further information and analysis of financial assets is included in Note 21.

10. RETIREMENT BENEFIT SCHEME

Scottish Enterprise operates the Scottish Enterprise Pension & Life Assurance Scheme for all permanent staff which is a defined benefits scheme that provides benefits in the form of a guaranteed level of pension payable for life. The level of benefits provided depends upon the members' length of service and their final pensionable salary. The assets of the scheme are held separately from those of Scottish Enterprise, being invested by the Trustees of the scheme. There are eight Trustees in total, comprising an independent Chairman, three Trustees appointed by Scottish Enterprise and four nominated by members. The Trustees are responsible for ensuring the scheme is run in accordance with the members best interests and the pension laws of the United Kingdom, as overseen by the Pensions Regulator

A full actuarial valuation of the Scottish Enterprise Pension & Life Assurance Scheme was carried out using membership data at 31 March 2017 and the results of that valuation have been projected to 31 March 2020 by Isio, qualified independent actuaries. The next formal valuation will be carried out during 2020/21 based on data at 31 March 2020.

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Present value of funded defined benefit obligations	(717,340)	(760,035)
Fair value of plan assets	799,222	822,907
Recognised surplus in the scheme	<u>81,882</u>	<u>62,872</u>

NOTES TO THE ACCOUNTS (continued)**Movements in the present value of defined benefit obligations**

	2020 £000	2019 £000
At 1 April	(760,035)	(700,316)
Current service cost	(20,892)	(18,777)
Past service cost	-	-
Interest cost	(17,917)	(18,592)
Remeasurements		
- Effect of changes in demographic assumptions	(2,211)	13,141
- Effect of changes in financial assumptions	57,059	(58,640)
- Effect of experience adjustments	-	-
Benefits paid	26,968	23,470
Contributions by members	(312)	(321)
	<u>(717,340)</u>	<u>(760,035)</u>

The weighted average duration of the Scheme's defined benefit obligations is 21 years (2019: 22 years).

Movements in the present value of defined benefit scheme assets

	2020 £000	2019 £000
At 1 April	822,907	792,254
Expected return on plan assets	19,562	21,214
Remeasurements		
- Return on plan assets, excluding interest income	(27,560)	22,511
Contributions by the employer (i)	11,901	11,324
Contributions by members (i)	312	321
Benefits paid by the plan	(26,968)	(23,470)
Administrative expenses	(932)	(1,247)
	<u>799,222</u>	<u>822,907</u>

- (i) With effect from 1 April 2016 Scottish Enterprise offered a pension salary exchange scheme whereby employees were given an option to have their notional salary reduced by an amount equivalent to the member's contribution to the pension scheme and in return Scottish Enterprise's employer contribution to the scheme was increased by an equal amount. The respective contributions to the scheme noted above by the employer and by the members reflect the take up of the offer made to employees.

During the year Scottish Enterprise paid contributions equivalent to 18% of pensionable salaries.

NOTES TO THE ACCOUNTS (continued)**The defined benefit obligation analysed by participant status**

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Active members	(323,933)	(320,883)
Vested deferred members	(128,686)	(153,447)
Retired members	(264,721)	(285,705)
	<u>(717,340)</u>	<u>(760,035)</u>

Expense recognised in the Statement of comprehensive net expenditure

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Current service cost	20,892	18,777
Past service cost	-	-
Administrative expenses	932	1,247
Interest income on retirement benefit scheme assets	(19,562)	(21,214)
Interest on retirement benefit scheme obligations	17,917	18,592
Total retirement benefit scheme expense	<u>20,179</u>	<u>17,402</u>

The expense is recognised in the following lines in the Statement of comprehensive net expenditure

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Management Expenditure	21,824	20,024
Other Finance Income	(1,645)	(2,622)
	<u>20,179</u>	<u>17,402</u>

The total gain amount recognised in the Statement of other comprehensive net expenditure in respect of net remeasurement gains and losses is £27,288,000 (2019: £22,988,000 loss).

Cumulative remeasurement gains and losses recognised in the Statement of other comprehensive net expenditure since 1 April 2002 are net gains of £38,266,000 (2019: £10,978,000 gains)

NOTES TO THE ACCOUNTS (continued)

The fair value and the expected rates of return on scheme assets at 31 March 2020 were as follows:

	2020 £000	2019 £000
Equity instruments	141,433	180,497
Debt instruments	256,316	233,471
Investment funds	258,499	265,727
Real estate	78,793	80,727
Semi-liquid credit	60,165	60,071
Cash or cash equivalents	4,016	2,414
Total fair value of assets	<u>799,222</u>	<u>822,907</u>

The expected rates of return on scheme assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance of the scheme's investment portfolio.

The principal actuarial assumptions at the year end were as follows: -

	2020 % per annum	2019 % per annum
Discount rate	2.20%	2.40%
Future salary increases	1.55%	2.15%
Rate of increase in retirement benefits	1.55%	2.15%
Price inflation	2.25%	3.15%

The assumptions relating to longevity underlying the retirement benefit obligations at the date of the Statement of financial position are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions used as follows: -

	2020 Years	2019 Years
Male member, age 60, retiring today	27.1	27.0
Female member, age 60, retiring today	28.9	28.7
Male member, age 40, retiring in 20 years	28.3	28.1
Female member, age 40, retiring in 20 years	30.7	30.5

NOTES TO THE ACCOUNTS (continued)

Through its defined benefit pension scheme, Scottish Enterprise is exposed to a number of risks, the most significant of which are noted below: -

Volatility: The scheme obligations are calculated using a discount rate set with reference to corporate bond yields and if scheme assets underperform this yield a deficit will be created. The Trustees have agreed an underlying investment strategy to reduce the proportion of scheme assets invested in the equity portfolio and to re-invest into bonds with a maturity profile which matches the scheme obligations.

Inflation rate: The majority of the scheme obligations are linked to inflation, consequently higher levels of inflation in the future will lead to higher liabilities.

Life expectancy: The majority of the scheme obligations are to provide benefits for the life of the member therefore increasing life expectancy of members will result in an increase in scheme liabilities

The sensitivity of the defined benefit obligation to changes in the following actuarial assumptions is as follows: -

	<i>Change in assumption %</i>	<i>Increase in assumption £m</i>	<i>Decrease in assumption £m</i>
Discount rate	0.25	(33.3)	35.6
Inflation rate	0.25	35.9	(34.1)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £19.2m at 31 March 2020.

The above sensitivity analyses are based on the change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the scheme obligations recognised in the Statement of financial position.

During the year to 31 March 2021 Scottish Enterprise estimates that contributions of £12.4m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

NOTES TO THE ACCOUNTS (continued)**11. OTHER NON-CURRENT RECEIVABLES**

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Assets held by Local Enterprise Companies and their subsidiary undertakings (i)	-	-	1,730	2,419
Subsidiary undertakings (ii)	-	-	-	-
Other receivables	2,204	578	2,204	578
	<u>2,204</u>	<u>578</u>	<u>3,934</u>	<u>2,997</u>

- (i) Assets held by Local Enterprise Companies and their subsidiary undertakings represents the balance of the initial capital funding provided by SE Glasgow to the Glasgow Science Centre and which is amortised over the remaining economic life of the property.

12. ASSETS CLASSIFIED AS HELD FOR SALE**GROUP AND SCOTTISH ENTERPRISE**

	<i>Property, plant and equipment</i>
	<i>£000</i>
At 1 April 2018	5,980
Transfers to assets held for sale	13,870
Impairment recognised on re-measurement	(120)
Disposals of non-current assets held for sale	<u>(5,830)</u>
As at 31 March 2019	<u>13,900</u>
At 1 April 2019	13,900
Transfers to assets held for sale	2,110
Impairment recognised on re-measurement	-
Disposals of non-current assets held for sale	<u>(12,660)</u>
As at 31 March 2020	<u>3,350</u>

Land and property assets are disposed of when Scottish Enterprise considers their sale will derive the maximum economic development benefits achievable. Assets deemed to be available for sale and where the sale is anticipated to complete within one year are included as current assets. The assets are being actively marketed with a view to completion of the sales in the coming year.

During the year the sale of a number of assets was successfully concluded in the normal course of business.

NOTES TO THE ACCOUNTS (continued)**13. INVENTORIES**

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finished Goods	105	112	-	-

14. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other Subsidiary undertakings	-	-	124	114
Other receivables (i)	17,695	11,154	16,503	9,948
Prepayments	2,428	2,379	1,942	2,135
Accrued income	6,272	7,283	5,820	6,489
	<u>26,395</u>	<u>20,816</u>	<u>24,389</u>	<u>18,686</u>

(i) Trade and other receivables above are shown net of provisions for impairment as follows:

GROUP

	<i>At</i>	<i>Utilised</i>	<i>Restated</i>	<i>Restated</i>
	<i>1 April 2018</i>	<i>during year</i>	<i>Movements</i>	<i>At</i>
	<i>£000</i>	<i>£000</i>	<i>in Provisions</i>	<i>31 March 2018</i>
			<i>£000</i>	<i>£000</i>
Other receivables	5,731	(1,907)	2,039	5,863

	<i>At</i>	<i>Utilised</i>	<i>Movements</i>	<i>At</i>
	<i>1 April 2019</i>	<i>during year</i>	<i>in Provisions</i>	<i>31 March 2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other receivables	5,863	(1,369)	320	4,814

SCOTTISH ENTERPRISE

	<i>At</i>	<i>Utilised</i>	<i>Restated</i>	<i>Restated</i>
	<i>1 April 2018</i>	<i>during year</i>	<i>Movements</i>	<i>At</i>
	<i>£000</i>	<i>£000</i>	<i>in Provisions</i>	<i>31 March 2019</i>
			<i>£000</i>	<i>£000</i>
Other receivables	5,524	(1,871)	2,078	5,731

	<i>At</i>	<i>Utilised</i>	<i>Movements</i>	<i>At</i>
	<i>1 April 2019</i>	<i>during year</i>	<i>in Provisions</i>	<i>31 March 2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other receivables	5,731	(1,369)	238	4,600

NOTES TO THE ACCOUNTS (continued)**(ii) Public Sector balances**

Included within trade and other receivables are balances due from other public sector organisations as follows:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Central Government	12,681	11,227	12,374	10,900
Local Authorities	927	1,165	917	1,013
NHS Bodies	90	1	90	-
Bodies External to Government	12,697	8,423	11,008	6,773
	<u>26,395</u>	<u>20,816</u>	<u>24,389</u>	<u>18,686</u>

15. CASH AND CASH EQUIVALENTS

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	119,571	93,872	115,994	90,395
Net change in cash and cash equivalent balances	(17,416)	25,699	(16,604)	25,599
Balance at 31 March	<u>102,155</u>	<u>119,571</u>	<u>99,390</u>	<u>115,994</u>

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Scottish Enterprise	44,060	46,445	44,060	46,445
Investment Funds (i)	55,330	69,549	55,330	69,549
Other subsidiary undertakings	2,765	3,577	-	-
	<u>102,155</u>	<u>119,571</u>	<u>99,390</u>	<u>115,994</u>
The balances at 31 March were held at:				
Commercial banks and cash in hand	102,155	119,571	99,390	115,994
Short term investments (ii)	-	-	-	-
	<u>102,155</u>	<u>119,571</u>	<u>99,390</u>	<u>115,994</u>

(i) The Investment Funds balance relates to bank accounts held in respect of The Scottish Co-Investment Fund and The Scottish Loan Fund. Both funds are part funded by the European Union and are intended to finance direct investment activity in association with private sector partners.

(ii) At 31 March 2020, £Nil (2019: £Nil) was held in a fixed term deposit.

NOTES TO THE ACCOUNTS (continued)**16. TRADE AND OTHER PAYABLES****Amounts falling due within one year**

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other taxation and social security	1,428	1,454	1,318	1,220
Other subsidiary undertakings	-	-	1,981	1,622
Trade payables	10,751	21,723	9,820	21,036
Other payables	1,353	694	1,257	668
Accrued charges	29,260	35,884	28,469	35,003
Prepaid revenue	2,998	2,781	1,693	1,195
Loans from Scottish Government	1,883	4,393	1,883	4,393
EU Funding for Investment Funds	-	953	-	953
	<u>47,673</u>	<u>67,882</u>	<u>46,421</u>	<u>66,090</u>

Amounts falling due after more than one year

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other payables and accrued charges	182	304	182	304
EU Funding for Investment Funds	953	-	953	-
Deferred income	799	926	799	926
Loans from Scottish Government (i)	168,451	88,733	168,451	88,733
	<u>170,385</u>	<u>89,963</u>	<u>170,385</u>	<u>89,963</u>

NOTES TO THE ACCOUNTS (continued)**(i) Loans from Scottish Government**

Scottish Government funding is partly allocated to Scottish Enterprise in the form of loans to finance equity investments and the provision of loan finance to Scottish businesses. These loans are repayable over a period of up to 19 years (2019: 14 years). Although no interest is payable on these loans, any receipts generated by Scottish Enterprise from the underlying investments may be retained by Scottish Enterprise, subject to the approval of the Scottish Government.

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	93,126	57,462	93,126	57,462
Loan funding received in year	83,855	40,202	83,855	40,202
Repayment waived by Scottish Government	-	(3,000)	-	(3,000)
Loan funding repaid in year	(6,647)	(1,538)	(6,647)	(1,538)
Balance at 31 March	<u>170,334</u>	<u>93,126</u>	<u>170,334</u>	<u>93,126</u>
Due within one year	1,883	4,393	1,883	4,393
Due after one year	168,451	88,733	168,451	88,733
	<u>170,334</u>	<u>93,126</u>	<u>170,334</u>	<u>93,126</u>

(ii) Public Sector balances

Included within trade and other payables falling due within one year are balances due to other public sector organisations as follows:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Central Government	6,561	12,476	6,509	11,872
Local Authorities	1,069	5,245	1,024	5,189
NHS Bodies	7	-	-	-
Bodies External to Government	40,989	50,161	39,841	49,029
	<u>48,626</u>	<u>67,882</u>	<u>47,374</u>	<u>66,090</u>

NOTES TO THE ACCOUNTS (continued)**17. PROVISIONS****GROUP**

	<i>Joint Development</i>	<i>Office Dilapidations & Repairs</i>	<i>Total</i>	<i>Restated Total</i>
	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	1,557	4,489	6,046	2,432
Provided in the year	-	-	-	4,025
Discount	2	(71)	(69)	(361)
Provisions not required written back	-	(412)	(412)	-
Provisions utilised in the year	(27)	(382)	(409)	(50)
At 31 March	<u>1,532</u>	<u>3,624</u>	<u>5,156</u>	<u>6,046</u>
Non-Current Provisions	1,532	3,624	5,156	5,252
Current Provisions	-	-	-	794
Total Provisions at 31 March	<u>1,532</u>	<u>3,624</u>	<u>5,156</u>	<u>6,046</u>

SCOTTISH ENTERPRISE

	<i>Joint Development</i>	<i>Office Dilapidations & Repairs</i>	<i>Total</i>	<i>Restated Total</i>
	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	1,557	4,329	5,886	2,222
Provided in the year	-	-	-	4,025
Discount	2	(71)	(69)	(361)
Provisions not required written back	-	(412)	(412)	-
Provisions utilised in the year	(27)	(382)	(409)	-
At 31 March	<u>1,532</u>	<u>3,464</u>	<u>4,996</u>	<u>5,886</u>
Non-Current Provisions	1,532	3,464	4,996	5,092
Current Provisions	-	-	-	794
Total Provisions at 31 March	<u>1,532</u>	<u>3,464</u>	<u>4,996</u>	<u>5,886</u>

- (i) Under a joint development agreement with Falkirk Council, provision is made for costs which may be met from future sale proceeds of the land owned by Scottish Enterprise. The assumption has been made that the balance will carry forward for a further 10 years from the balance sheet date. The provision has been discounted using the discount rates provided by HM Treasury (December 2019).
- (ii) Provision has been made for dilapidations across Scottish Enterprise's occupational office accommodation. There are 12 offices with leases expiring between December 2020 and April 2031. An assessment has been made for each office and they have been discounted using the discount rates provided by HM Treasury (December 2019).

Restatement

Provisions have been restated for 2019 to show a split between current and non-current liabilities with no change in the overall value.

NOTES TO THE ACCOUNTS (continued)**18. COMMITMENTS****GROUP AND SCOTTISH ENTERPRISE**

Contracted capital commitments at 31 March for which no provision has been made:

	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Property, plant and equipment	-	-
Financial Assets	<u>66,153</u>	<u>67,259</u>

Scottish Enterprise has an agreement with the European Investment Fund to invest £50,000,000 in the Scottish-European Growth Co-Investment Programme. During the year to 31 March 2019 Scottish Enterprise entered into an agreement to invest £20,000,000 in Maven UK Regional Buyout Fund LP. The capital commitment at 31 March 2020 includes the balance of funds still to be invested.

Scottish Enterprise operates several large grant programmes and has made financial commitments which extend over more than one year. The extent to which these commitments will be called upon in the future is uncertain and dependent upon the successful completion of the supported projects by the recipients of the offers of grant and will be met from Scottish Enterprise's annual funding allocation from the Scottish Government.

19. CONTINGENT LIABILITIES**(i) GROUP AND SCOTTISH ENTERPRISE**

Contingent liabilities existing at 31 March for which no provision has been made:

	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Other contingent liabilities (i) (ii) (iii)	<u>2,233</u>	<u>112</u>

- (i) Warranties given to purchasers of shares in invested companies create a contingent liability to return sales proceeds in the specified circumstances unique to each deal. At 31 March 2020, funds placed in escrow accounts to cover these liabilities should they fall due, amounted to £2,233,000 (2019: £112,000).
- (ii) The carrying value of the remaining investments funded by Public Dividend Capital is £Nil (2019: £Nil). Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 8).

NOTES TO THE ACCOUNTS (continued)

- (iii) Scottish Enterprise will be required to equalise the benefits provided by the Scottish Enterprise Pension Scheme for the effect of unequal Guaranteed Minimum Pensions for male and female members. Scottish Enterprise and its advisers are considering the method for achieving equalisation and, in line with Government guidance, actuaries are expected to reflect the expected increase in scheme liabilities in valuations from 2020. Based on an assessment of schemes with similar characteristics to Scottish Enterprise's pension scheme, the potential increase in scheme liabilities has been estimated in the range of 0% to 1% of current scheme liabilities, which equates to a range of £0 to £7m.

(ii) SUPPORT FOR GROUP COMPANIES

Two of Scottish Enterprise's major trading subsidiaries, Glasgow Science Centre Charitable Trust Limited and This is Remarkable Limited have been significantly affected by the impact of the COVID-19 pandemic, with sources of income restricted or in some cases reduced to nil. As part of the overall response to COVID-19 discussions are ongoing with Scottish Government for the provision of additional funding support for these companies in order to address any cashflow issues that may arise. However, if required, in the absence of additional funding from Scottish Government being available, then Scottish Enterprise has confirmed it will provide the necessary support to enable the companies to continue to operate as a going concern.

20. COMMITMENTS UNDER LEASES**OPERATING LEASES**

The total of future minimum lease payments under non-cancellable operating leases are noted in the table below, analysed according to the period in which the lease expires.

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under operating leases comprise:				
Land and buildings:				
within one year	3,162	3,080	2,371	2,278
after one year but not more than five years	9,747	11,136	7,292	8,671
after more than five years	4,443	6,386	3,733	5,162
	<u>17,352</u>	<u>20,602</u>	<u>13,396</u>	<u>16,111</u>
Other:				
within one year	67	63	38	38
after one year but not more than five years	153	154	105	144
after more than five years	-	-	-	-
	<u>220</u>	<u>217</u>	<u>143</u>	<u>182</u>

NOTES TO THE ACCOUNTS (continued)**21. FINANCIAL INSTRUMENTS**

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

Liquidity risk
Credit risk
Market risk

This note presents information about the Group and Scottish Enterprise's exposure to each of the above risks. Further quantitative disclosures are included throughout these accounts.

The Executive Leadership Team has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee oversees how management monitors compliance with Scottish Enterprise's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by Scottish Enterprise.

The Group and Scottish Enterprise have no derivative financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that Scottish Enterprise will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. Scottish Enterprise's primary source of liquidity is the Grant in Aid provision from the Scottish Government. Other than the Scottish Government, Scottish Enterprise has no debt or borrowing facility with any external party.

Liquidity is managed through the annual business plan process and the monitoring of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

GROUP

	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2020</i>
	<i>Carrying</i>	<i>Contractual</i>	<i>Within one</i>	<i>After more</i>
	<i>Amount</i>	<i>Cashflows</i>	<i>year</i>	<i>than one</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>year</i>
				<i>£000</i>
Financial liabilities				
Trade and other payables	211,880	211,880	43,247	168,633
	<u>211,880</u>	<u>211,880</u>	<u>43,247</u>	<u>168,633</u>

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	2020	2020	2020	2020
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	210,062	210,062	41,429	168,633
	<u>210,062</u>	<u>210,062</u>	<u>41,429</u>	<u>168,633</u>

GROUP

	2019	2019	2019	2019
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	151,731	151,731	62,694	89,037
	<u>151,731</u>	<u>151,731</u>	<u>62,694</u>	<u>89,037</u>

SCOTTISH ENTERPRISE

	2019	2019	2019	2019
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	150,137	150,137	61,100	89,037
	<u>150,137</u>	<u>150,137</u>	<u>61,100</u>	<u>89,037</u>

The Group and Scottish Enterprise has outstanding borrowings at 31 March 2020 of £170,334,000 (2019 £93,126,000).

Credit risk

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

Credit risk arising from the Group and Scottish Enterprise's normal operations, including holding non-current financial assets (other investments) is controlled by individual business unit and companies operating in accordance with policies and procedures.

In pursuit of economic growth targets, Scottish Enterprise makes investments in a variety of companies, in part using funds provided by the European Union through the Scottish Co-Investment Fund. Management monitors the performance of all investments and regularly revalues assets held at fair value through profit or loss and provides, where appropriate, for impairment of assets held at amortised cost.

NOTES TO THE ACCOUNTS (continued)

Scottish Enterprise carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk Scottish Enterprise will have from any single counterparty. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

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

Scottish Enterprise's exposure to credit risk is likely to have increased in the current economic climate, but management do not consider this to have had a significant impact as the risk is spread across a large number of receivables.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The maximum exposure to credit risk at 31 March was:-

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Carrying amount				
Financial assets – other investments				
Fair value through profit or loss assets	240,383	266,495	241,616	268,236
Amortised cost assets	76,996	53,379	76,996	53,379
Financial assets				
Trade and other receivables	26,171	19,015	24,527	17,015
Cash and cash equivalents	102,155	119,571	99,390	115,994
	<u>445,705</u>	<u>458,460</u>	<u>442,529</u>	<u>454,624</u>

The ageing of trade and other receivables at 31 March was:-

GROUP

	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not past due	20,397	(1,484)	19,533	(3,127)
Past due 0 to 30 days	515	-	1,353	-
Past due 31 to 120 days	684	-	1,241	-
Past due more than 120 days	9,365	(3,306)	2,601	(2,586)
	<u>30,961</u>	<u>(4,790)</u>	<u>24,728</u>	<u>(5,713)</u>

NOTES TO THE ACCOUNTS (continued)**SCOTTISH ENTERPRISE**

	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not past due	18,753	(1,484)	17,533	(3,127)
Past due 0 to 30 days	515	-	1,353	-
Past due 31 to 120 days	684	-	1,241	-
Past due more than 120 days	9,175	(3,116)	2,469	(2,454)
	<u>29,127</u>	<u>(4,600)</u>	<u>22,596</u>	<u>(5,581)</u>

Movements in impairment of trade and other receivables are shown in Note 14. Impairment provisions are used to record impairment losses unless the Group and Scottish Enterprise is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off directly against the financial asset.

Market risk

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

Interest rate risk

At the date of the Statement of Financial Position the market risk of Scottish Enterprise's interest bearing financial instruments was:-

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed rate instruments				
Financial assets	106,712	83,297	106,712	83,297
Financial liabilities	-	-	-	-
	<u>106,712</u>	<u>83,297</u>	<u>106,712</u>	<u>83,297</u>
Variable rate instruments				
Cash and cash equivalents	102,155	119,571	99,390	115,994
	<u>102,155</u>	<u>119,571</u>	<u>99,390</u>	<u>115,994</u>

Interest receivable by the Group and Scottish Enterprise from cash and cash equivalents is subject to variation based on movements in the Bank of England base rate and associated interest rates. Assuming that all other variables remain constant a change of 100 basis points in interest rates at the reporting date would have increased/decreased net operating costs as follows:

NOTES TO THE ACCOUNTS (continued)

	<i>Group 100 basis points change</i>	<i>Scottish Enterprise 100 basis points change</i>
	<i>£000</i>	<i>£000</i>
Cash and cash equivalents		
31 March 2019	1,067	1,032
31 March 2020	980	1,077

Currency risk

Scottish Enterprise is exposed to currency risk on transactions and balances that are denominated in currencies other than Sterling. Whenever practical, Scottish Enterprise enters into agreements in its functional currency in order to minimise currency risks.

Scottish Enterprise is exposed to currency risks from its activities conducted overseas, but does not enter into any hedge arrangements and does not consider currency risk to be material.

Fair values

The fair values, together with the carrying amounts of financial assets and liabilities in the Statement of Financial Position, are as follows:-

GROUP	<i>2020 Carrying Amount £000</i>	<i>2020 Fair Value £000</i>	<i>2019 Carrying Amount £000</i>	<i>2019 Fair Value £000</i>
	Fair value through profit or loss assets	240,383	240,383	266,495
Financial assets held at amortised cost	76,996	76,996	53,379	53,379
Trade and other receivables	26,171	26,171	19,015	19,015
Cash and cash equivalents	102,155	102,155	119,571	119,571
Trade and other payables	(211,880)	(211,880)	(151,731)	(151,731)
	<u>233,825</u>	<u>233,825</u>	<u>306,729</u>	<u>306,729</u>

SCOTTISH ENTERPRISE	<i>2020 Carrying Amount £000</i>	<i>2020 Fair Value £000</i>	<i>2019 Carrying Amount £000</i>	<i>2019 Fair Value £000</i>
	Fair value through profit or loss assets	241,616	241,616	268,236
Financial assets held at amortised cost	76,996	76,996	53,379	53,379
Trade and other receivables	24,527	24,527	17,015	17,015
Cash and cash equivalents	99,390	99,390	115,994	115,994
Trade and other payables	(210,062)	(210,062)	(150,137)	(150,137)
	<u>232,467</u>	<u>232,467</u>	<u>304,487</u>	<u>304,487</u>

NOTES TO THE ACCOUNTS (continued)

- (i) Financial assets available for sale are not being actively marketed and there is no expectation that completed sales will occur within one year.

Fair value hierarchy

The fair value hierarchy for the Group and Scottish Enterprise financial assets and liabilities that are valued at fair value are as defined in Note 9 in respect financial assets

All material Group and Scottish Enterprise financial assets and liabilities are defined as level 3 instruments, with the exception of Stock Exchange investments carried at fair value of £11,281,250 (2019: £28,263,021) at 31 March.

Estimation of fair values

The following methods and assumptions were used to estimates fair values:-

Financial assets held at fair value through profit or loss	The fair value is based on market value, where this exists, or the last known purchase price
Financial assets held at amortised cost	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Trade and other receivables	The fair value is deemed to be the same as book value, less any provision for impairment
Cash and cash equivalents	The fair value is deemed to be the same as book value
Trade and other payables	The fair value is deemed to be the same as book value
Other borrowings	The fair value is deemed to be equal to the net present value of future lease payments

22. RELATED PARTY TRANSACTIONS

Scottish Enterprise is a non-departmental public body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year Scottish Enterprise has had material transactions with the Scottish Government and for other entities for which the Scottish Government is regarded as the parent body.

In addition, Scottish Enterprise has had material transactions with other Government Departments, central government bodies and other non-departmental bodies.

During the year, material transactions have taken place with: -

Foreign & Commonwealth Office	Highlands and Islands Enterprise	Intellectual Property Office
Ministry of Defence	Scottish Environment Protection Agency	Scottish Fire and Rescue Service
Scottish Funding Council	Scottish Natural Heritage	Skills Development Scotland
Visit Scotland	Zero Waste Scotland	

NOTES TO THE ACCOUNTS (continued)

Scottish Enterprise has had transactions with two further entities that are associated undertakings and therefore related parties.

- (i) Design Dundee Limited received £133,551 in grant funding during the year and £17,010 for the provision of a workshop.
- (ii) Michelin Scotland Innovation Parc Limited received £4,499,500 in grant funding during the year.

The Scottish Enterprise Pension & Life Assurance Scheme is also regarded as a related party. Full details of the Scheme and employer contributions made are included in Note 10. Scottish Enterprise also considers members of the Board and the Executive Leadership Team to be related parties but none of the members or other related parties had any transactions with Scottish Enterprise.

23. BOARD MEMBERS INTERESTS

During the year the following transactions were conducted between Scottish Enterprise and businesses in which Scottish Enterprise board members had declared an interest. All transactions involving companies or organisations in which a member may have an interest are conducted at arms length and in accordance with normal project and programme rules.

Poonam Malik is a member of Equity Gap Limited, an early stage investment vehicle which invests in companies along side Scottish Enterprise. During the year Scottish Enterprise paid Equity Gap Limited a total of £131,746 in investment arrangement fees.

Poonam Malik is a director of First Impact Business Limited, Scottish Enterprise paid £13,200 for the delivery of a workshop.

Poonam Malik is also a director of First Port for Social Entrepreneurs Scotland Limited and Scottish Enterprise paid £44,500 for the design and planning of Masterclass.

Lord Smith is the chairman of Forth Ports Limited. During 2019/20 Scottish Enterprise provided Forth Ports Limited with grant funding of £23,349.

Melfort Campbell is a shareholder in Imes Group Holdings, Scottish Enterprise provided grant funding of £1,333 in the year towards an international growth project.

Poonam Malik is an investor and advisor for Investing Women Angels Limited and during the year Scottish Enterprise provided grant support of £10,000.

The Offshore Renewable Energy Catapult (ORE) received IIP Assessments from This is Remarkable Limited for which it paid £8,289. Anne Glover is a non-executive director of ORE.

Melfort Campbell is a director of The Oil and Gas Technology Centre which received funding of £624 from Scottish Enterprise towards an event.

NOTES TO THE ACCOUNTS (continued)

Anne Glover is a non-executive director of Scottish Power Energy Networks Group which paid €8,300 membership fees to Scotland Europa during 2019/20.

Poonam Malik is an advisory board member of Wallet Services (Scotland) Limited. Scottish Enterprise has supported the company with grant payments totalling £13,242.

During 2019/20 The Wise Group received grant support of £18,600 from Scottish Enterprise. Gavin Nicol is a non-executive director of The Wise Group.

Scottish Enterprise transacted with the following public bodies, academic institutes and other organisations in which a board member has a non-financial interest:

Organisation	Board Member	Position
Ayrshire College	Willie Mackie	Regional Chair
College Development Network	Willie Mackie	Board member
Creative Scotland	Karthik Subramanya	Board member
Heriot Watt University	Sue Paterson	Governor
National Sub Sea Research Initiative	Melfort Campbell	Director
RGU Foundation	Melfort Campbell	Director
Royal Society of Edinburgh	Anne Glover	President
Skills Development Scotland	Poonam Malik	Board member
	Willie Mackie	Board member
University of Strathclyde	Melfort Campbell	Visiting Professor
	Anne Glover	Special Adviser to the Principle
	Gavin Nicol	Visiting Professor
University of the Highlands and Islands	Poonam Malik	Governor; Member of the University Court

24. EVENTS AFTER THE REPORTING PERIOD

A key recommendation of the Government's Enterprise and Skills Review was the establishment of the new South of Scotland Enterprise Agency. The South of Scotland Enterprise Act 2019 was passed by the Scottish Parliament which provided a structure and legal framework for the new agency which ultimately assumed its functions on 1 April 2020.

Subsequent to the balance sheet date Scottish Enterprise transferred assets, located in South of Scotland area, from its property portfolio to the new agency. The transfer was carried out in accordance with Machinery of Government regulations and took place on 1 June 2020. At 31 March these assets were included in land and buildings, note 5, at a value of £1.03m for land and £1.42m for buildings.

NOTES TO THE ACCOUNTS (continued)**25. SCHEDULES OF INVESTMENTS AT 31 MARCH 2020**

Disclosure of all Scottish Enterprise's investments, particularly in small businesses, would create a schedule of excessive length. This schedule discloses all investments where Scottish Enterprise holds 20% or more of the voting rights, and where the total investment is in excess of £100,000; and all other investments in excess of £1m, but excludes equity accounted investees which are disclosed in Note 7. Investment amounts are stated at cost before revaluations or provisions.

All companies are incorporated in the United Kingdom unless otherwise stated.

Shares described are ordinary shares, unless indicated by "(P)", where they are preference shares.

A. Investments greater than £100,000 and voting rights 20% or more

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
71 Brewing Limited <i>Independent craft lager brewery to be established in Dundee</i>	20.39	304	-	-
A F Clothing Limited <i>Designer and retailer of outdoor and active lifestyle clothing</i>	29.25	333	-	-
Actual Analytics Limited <i>Software for the analysis of animal behaviour</i>	28.64	707	-	-
Advanced Microwave Technologies Limited <i>Microwave volumetric heating development and implementation</i>	24.36	927	542	-
Ambicare Health Limited <i>Development of medical healthcare devices</i>	23.10	2,834	-	-
Aptus Systems Limited <i>Online catering management software</i>	27.04	864	-	-
Aridhia Informatics Limited <i>Biomedical informatics and analytics</i>	22.69	748	1,255	-
Arrayjet Limited <i>Microarray printers and services</i>	26.03	1,560	-	-
Aurum Biosciences Limited <i>Stroke therapy</i>	21.97	441	-	-
Avanticell Science Limited <i>Cell assay products and services</i>	26.70	203	150	-
Biofilm Holdings Limited <i>Manufacture of fast dissolving films</i>	27.97	2,788	250	-
Blackford Analysis Limited <i>Software to improve medical imaging</i>	23.15	1,500	-	-
Calcivis Limited <i>Dental medical device co-visualise calcium loss</i>	27.61	3,500	-	-
Calnex Solutions Limited <i>Synchronisation testing software provider</i>	26.23	575	-	-
Carbon Black System Limited <i>Design and production of wheelchairs</i>	27.68	655	137	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Causeway Therapeutics Limited <i>Patented therapy for the treatment of tendinopathy</i>	27.14	1,000	-	-
Cellucomp Limited <i>Development of products from high tech composites</i>	22.71	2,307	700	-
Censo Biotechnologies Limited <i>Stem cell technology company</i>	29.80	1,060	-	-
Ceres Holographics Limited <i>Development of holographic technology</i>	25.58	1,303	-	-
Chromacity Limited <i>Design and manufacture of advanced lasers</i>	24.00	514	444	-
Clear Surgical Limited <i>Producer of surgical devices</i>	27.21	665	-	-
Clyde Biosciences Limited <i>Cardiac drug screening product</i>	22.71	708	250	-
Conjunct Limited <i>Development of optical communication components</i>	29.81	698	30	-
Consolidated Craft Breweries Limited <i>Craft brewery</i>	25.01	879	-	-
Critical Blue Limited <i>Providing flexible, automated embedded systems design</i>	25.96	1,800	300	-
Cuantec Limited <i>Food packaging from marine sourced materials</i>	23.94	382	-	-
Cyan Forensics Limited <i>Developing next-generation digital forensic tools</i>	20.31	719	-	-
Cytomos Limited <i>Development of real-time cell sensing devices</i>	26.77	832	-	-
DC Biosciences Limited <i>Bioscience and drug discovery research tools</i>	29.50	284	-	-
Design Led Products Limited <i>Developer of proprietary light-guide technology</i>	24.49	3,469	-	-
DestiNA Genomics Ltd <i>Chemical nucleic acid testing</i>	20.22	314	-	-
Edinburgh Molecular Imaging Limited <i>Medical imaging reagents</i>	21.75	1,430	603	-
Energyflo Construction Technologies Limited <i>Clean technology specialists - construction</i>	26.50	850	375	-
Enocell Limited <i>Fuel cell technology</i>	24.00	983	-	-
Exterity Limited <i>IPTV networks provider</i>	23.66	749	-	-
Fios Genomics Limited <i>Statistical and bioinformatic analyses</i>	22.82	536	-	-
Fixed Phage Limited <i>Commercialisation of bacteriophages</i>	28.74	895	-	-
Formedix Limited <i>Software/consultancy services provider</i>	20.26	298	-	-
Gas Sensing Solutions Limited <i>High speed low cost precision gas sensor</i>	28.98	1,150	350	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Global Surface Intelligence Limited <i>Geospatial analytics provider</i>	29.90	1,116	-	-
GlykoGen <i>Biotechnology company</i>	20.00	200	-	-
Greengage Lighting Limited <i>Development of precision agriculture systems</i>	20.10	1,827	138	-
ILC Therapeutics Limited <i>Drug discovery immunoregulatory platform</i>	29.89	528	-	-
Ingenious Audio Limited <i>Developer of a wi-fi guitar plug-in device</i>	28.65	440	-	-
Invizius Limited <i>Technology addressing side effects of dialysis</i>	20.77	1,000	-	-
Kibosh Limited <i>Plumbing components manufacturer</i>	22.81	390	-	-
Kite Power Systems Limited <i>Generation of electricity from airborne kites</i>	29.84	2,000	500	-
Lux Assure Limited <i>Solutions provider difficult to detect chemicals</i>	24.33	1,977	-	-
Macomics Limited <i>Drug discovery</i>	20.67	612	-	-
MGB Biopharma Limited <i>Development of antibacterial drug</i>	28.65	3,231	-	-
My1Login Limited <i>Developer of internet based identity management applications</i>	29.90	1,265	73	-
NCTech Limited <i>Development and sale of 3D camera technology</i>	21.68	3,410	7	-
NeurocentRx Pharma Limited <i>Reformulates existing drug agents for new uses</i>	29.90	466	-	-
Objective Associates Limited <i>Seller of software solutions to online retailers</i>	26.57	490	-	-
Orbital Marine Tidal Power Limited <i>Tidal energy technology developer</i>	27.30	6,300	2,235	-
Outplay Entertainment Limited <i>Development and publication of social digital games</i>	22.00	2,850	-	-
Particle Analytics Limited <i>Simulation software for handling particles</i>	28.50	643	-	-
Pick Protection Limited <i>Personal security device</i>	29.03	628	-	-
Pneumagen Limited <i>Prevention and treatment of infectious diseases</i>	25.45	1,010	-	-
PowerPhotonic Limited <i>Development and sale of custom laser optics</i>	27.15	1,664	-	-
Pufferfish Limited <i>Spherical display systems for events and exhibitions</i>	29.12	837	168	-
QED Naval Ltd <i>Foundation platform for tidal turbines</i>	25.42	588	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Reactec Limited <i>Development of vibration control solutions</i>	23.08	838	-	-
Relitect Limited <i>Developing a diagnostic and monitoring tool</i>	26.55	950	-	-
RICO Developments Limited <i>Online marketing and sales platform</i>	21.76	897	-	-
Saloca Limited <i>Software developer of online booking software</i>	29.90	1,078	-	-
SAW Dx Limited <i>Clinical diagnostic company</i>	22.90	375	-	-
Share In Limited <i>Technology tools and solutions in crowdfunding</i>	21.50	280	-	-
Shot Scope Technologies Limited <i>Golf related technology and data collection system</i>	20.39	2,085	-	-
SIRAKOSS Limited <i>Developer of bone graft substitute</i>	20.97	886	613	-
Sistemic Scotland Limited <i>SistemRNA drug discovery technology</i>	27.81	743	-	-
Skoogmusic Limited <i>Developing and designing musical instruments</i>	27.32	683	208	-
Smarter Grid Solutions Limited <i>Software which increases capacity of existing grid</i>	28.91	2,016	346	-
Snapdragon Monitoring Limited <i>Monitoring software for IP protection</i>	29.86	755	-	-
Sofant Technologies Limited <i>Development of smart antennae for mobile communications</i>	23.19	1,151	-	-
Sustainable Marine Energy Limited <i>Tidal energy technology developer</i>	25.80	2,724	-	-
Symbiosis Pharmaceutical Services Limited <i>Pharmaceutical services contract manufacturer</i>	28.91	1,357	-	-
Symphonic Software Limited <i>IT governance and access rights solution provider</i>	21.61	823	-	-
Syntropharma Limited <i>Pharmaceutical company focussed on transdermal technology</i>	25.95	1,166	-	-
TC BioPharm Limited <i>Drug discovery company focussing on T-cells</i>	21.53	2,815	-	-
Ubiquigent Limited <i>Developing products for life science research</i>	29.12	450	-	-
UWI Technology Limited <i>Development of elapsed time smart label</i>	22.47	1,207	-	-
Vert Rotors UK Limited <i>Compressor Technology</i>	29.99	1,728	-	-
Vicast Limited <i>Internet video software platform</i>	29.41	1,105	26	-
Total of items listed		<u>101,348</u>	<u>9,700</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)**B. Other investments greater than £1m and voting rights less than 20%**

	% of Voting Rights	Shares £000	Loans £000	Commitments £000
2-B Energy BV <i>Offshore wind technology developer Registered in Netherlands</i>	12.49	3,160	440	-
Adaptix Limited <i>Design and production of medical imaging device</i>	10.93	1,450	-	-
Administrate Limited <i>Development and supply of business training software</i>	19.91	2,788	-	-
Airlie Street Hall Limited <i>Power generation</i>	-	-	1,613	-
Allander Midco Limited <i>Manufacturing of windows, doors and curtain walls</i>	-	-	1,434	-
Anacail Limited <i>Ozone technology for the food and medical sectors</i>	16.44	809	500	-
Bin Hill (known as Our Community Energy) <i>Renewable energy wind farm</i>	-	-	1,262	-
Blazing Keep Limited <i>Parent of multimedia entertainment group</i>	9.94	250	2,000	-
Boundary Technologies Limited <i>Smart home alarm systems</i>	15.63	1,098	-	-
Caldan Therapeutics Limited <i>Diabetes diagnostics</i>	18.09	1,425	-	-
Casing Technologies Group Limited <i>Development of novel oil and gas drilling products</i>	1.11	112	1,250	-
Celtic Renewables Grangemouth plc <i>Low carbon biochemicals from whisky by-products</i>	-	-	6,605	4,395
Celtic Renewables Limited <i>Low carbon biochemicals from whisky by-products</i>	9.16	1,519	-	-
CiQual Limited <i>Software solutions to telecommunications industry</i>	19.71	1,956	-	-
Cloudsoft Corporation Limited <i>Development of cloud computing software</i>	6.92	2,388	-	-
Collectiveworks Limited <i>Next generation non-intrusive Wi-Fi marketing solution</i>	11.85	1,264	173	-
Creative Papers Holdings Limited <i>MBO newco of Arjo Wiggins Fine Papers Ltd</i>	-	-	6,900	-
Curo Compensation Limited <i>Compensation review software product</i>	15.06	1,200	60	-
Current Health Limited <i>Continuous patient monitoring</i>	13.80	2,688	-	-
Cyclacel Pharmaceuticals Inc. <i>Clinical research cancer drugs Registered in USA and quoted on NASDAQ</i>	0.03	5,000	-	-
Cytosystems Limited <i>Development of diagnostic cancer tests</i>	13.24	1,119	197	-
Drinkshare Holdings Limited <i>Technology enabled e-commerce retailer</i>	14.27	1,149	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
DYSIS Medical Limited <i>Manufacture of next generation colposcope with advanced cervical scan</i>	2.32	4,412	-	-
EAL Lending Limited <i>Peer to peer lending platform</i>	-	-	1,688	-
East Coast Oil & Gas Holdings Limited <i>Developing innovative marine current turbine</i>	16.07	500	1,000	-
Edinburgh Alternative Finance Limited <i>Peer to peer lending platform</i>	19.99	2,757	-	-
European Investment Fund <i>European Investment Fund Registered in Luxembourg</i>	0.11	1,275	-	3,556
Encompass Corporation Pty Limited <i>Technology company Registered in Australia</i>	6.78	2,890	-	-
Enterobiotix Limited <i>Stool collection and production platform</i>	18.03	2,133	-	-
Fastball Holdings LLC <i>Online daily play fantasy sports games</i>	2.03	5,859	-	-
Fyne Energy Limited <i>Power generation</i>	-	-	2,820	-
Heliex Power Limited <i>Manufacturer of energy efficiency product</i>	11.85	2,583	-	-
Insignia Technologies Limited <i>Sensing technology developer</i>	17.97	1,159	-	-
Intelligent Growth Solutions Limited <i>Development of a unique vertical food growing system</i>	10.39	2,000	-	-
IoTech Systems Limited <i>IOT software company</i>	9.97	1,637	-	-
Isle of Harris Distillers Limited <i>Malt whisky distillery based on the Isle of Harris</i>	18.40	1,500	-	-
KCK Gokyo Limited <i>Consideration received – part of exit – Dukosi Ltd</i>	-	-	3,314	-
Lamellar Biomedical Limited <i>Application of lamellosome memetics</i>	19.99	3,330	-	-
LendingCrowd Finance Limited <i>Fintech borrower in SPV</i>	-	-	3,672	-
Liberty Steel Dalzell Limited <i>Production of steel products</i>	-	-	7,000	-
Mallzee Limited <i>Software services provider of retail analytics/insights</i>	13.78	1,284	-	-
MeyGen Holdings Limited <i>Holding company for the MeyGen tidal projects</i>	16.55	12,100	-	-
MeyGen Limited <i>Development of tidal power generation project</i>	-	-	7,101	-
Mironid Limited <i>Life Sciences drug development</i>	18.10	2,153	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Money Dashboard Limited <i>Web based provision of Financial Advice to Consumer</i>	16.05	2,772	-	-
Morrison Glasgow Distillers Limited <i>Distilling, rectifying and blending spirits</i>	17.11	2,000	-	-
Newmake Limited <i>Distillery</i>	15.68	1,500	-	-
Nova Innovation Limited <i>Tidal turbine developer</i>	-	-	1,094	-
Novabiotics Limited <i>Design and development of anti-infectives</i>	18.26	3,338	724	-
NuCana plc <i>Oncology focussed biopharmaceutical company Quoted on NASDAQ</i>	5.78	1,670	-	-
Ocutec Limited <i>Next generation contact lens development</i>	3.13	1,603	352	-
Pure LiFi Limited <i>Development of high performance wireless light communication technology for 5G and beyond</i>	10.65	4,197	-	-
Pyreos Limited <i>Production of thin film infrared sensor components</i>	0.18	3,067	-	-
Qikserve Limited <i>Multi-channel self-service order and payment solutions for hospitality</i>	17.73	2,849	-	-
Raptor Oil Limited <i>Signal processing technology oil and gas sector</i>	8.52	1,200	400	-
RHA Technologies Limited <i>Innovative audio technology company</i>	-	-	1,388	-
Ryboquin Company Limited <i>Development of cancer therapies</i>	17.28	825	1,600	-
Spire Global UK Limited <i>Satellite data analytics</i>	-	-	8,000	-
Stewart Energy Limited <i>Power generation</i>	-	-	1,369	-
Sunamp Limited <i>Manufacture of thermal energy storage solutions (heat batteries)</i>	10.44	1,342	-	-
The IDCO. Limited <i>Online digital identity and verification</i>	11.71	1,300	-	-
Travelnest Limited <i>Software for owners of holiday rentals</i>	10.23	2,000	-	-
TV Squared Limited <i>TV advertising attribution company</i>	5.18	1,630	160	-
Twig Rights Limited <i>Digital media company producing short films</i>	5.39	1,625	174	-
Unity Software Inc <i>Gaming development platform provider</i>	0.18	2,905	-	-
Volo Holdings Limited <i>In-train entertainment systems</i>	6.85	1,184	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Well-Safe Solutions Limited <i>Well plug and abandonment business</i>	4.51	1,122	-	-
Epidarex Capital II LP <i>Investment Fund</i>	-	-	4,746	254
Maven UK Regional Buyout Fund LP <i>Investment Fund</i>	-	-	7,900	12,100
Scottish-European Growth Co-Investment Programme <i>Investment Fund</i>	-	-	4,296	45,605
Scottish Loan Fund LP <i>Investment Fund</i>	-	-	3,352	243
Shackleton Secondaries 3 LP <i>Investment Fund</i>	-	-	1,396	-
Total of items listed		<u>115,076</u>	<u>85,980</u>	<u>66,153</u>

	<i>Number of companies</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Total of items listed – Note 25A	82	101,348	9,700	-
Total of items listed – Note 25B	71	115,076	85,980	66,153
Other shares and loans	368	54,152	17,264	-
	<u>521</u>	<u>270,576</u>	<u>112,944</u>	<u>66,153</u>

	Total £000
Shares	270,576
Loans	112,944
Initial cost of shares and loans before revaluations or provisions	<u>383,520</u>
Capitalised interest	11,621
Cumulative unrealised net gains recognised in Net Expenditure	69,635
Cumulative impairments recognised in Net Expenditure	(147,397)
Fair Value of shares and loans (Note 8)	<u>317,379</u>

ACCOUNTS DIRECTION



SCOTTISH ENTERPRISE

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2010, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year. Additional disclosure requirements are set out in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 14 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The notes to the accounts shall include:
 - 1.1 A schedule of all investments showing:
 - l) In respect of companies in which Scottish Enterprise holds 20% or more of the voting rights and where the total investment (including loans) is in excess of £100,000:
 - Name of company
 - Nature of its business
 - Percentage of voting rights held
 - Amount invested in shares (distinguishing between ordinary and preference shares)
 - Amount of loan given to each company
 - Any other commitments in respect of each company

ACCOUNTS DIRECTION (continued)

- II) In respect of companies in which Scottish Enterprise Network holds less than 20% of the voting rights but where the total investment (including loans) is in excess of £1,000,000:
- Name of company
 - Nature of its business
 - Percentage of voting rights held
 - Amount invested in shares (distinguishing between ordinary and preference shares)
 - Amount of loan given to each company
 - Any other commitments in respect of each company
- III) In respect of all other investments by Scottish Enterprise:
- Total number of companies involved
 - Total amount invested
 - Total amount of loans given
 - Total amount of any other commitments