

SCOTTISH ENTERPRISE

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2014

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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STRATEGIC REPORT

for the year ended 31 March 2014

HISTORY AND STATUTORY BACKGROUND

Scottish Enterprise is an executive Non-Departmental Public Body of the Scottish Government, acting as a public agency with a statutory duty to undertake economic development for lowland Scotland. A separate agency, Highlands and Islands Enterprise, covers the Highlands and Islands. Scottish Enterprise was established under the Enterprise and New Towns (Scotland) Act 1990 for the purposes of furthering the development of Scotland's economy.

As a public agency, Scottish Enterprise's functions are defined by legislation, the [Enterprise and New Towns \(Scotland\) Act 1990](#). This defines Scottish Enterprise's key functions as:

- furthering the development of Scotland's economy and in that connection providing, maintaining and safeguarding employment;
- promoting Scotland's industrial efficiency and international competitiveness; and
- furthering improvement of the environment of Scotland.

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.

STRATEGY AND OBJECTIVES

The approach to achieving the Scottish Government's purpose is set out in the Government Economic Strategy, an update of which was published in October 2011. This strategy is the route map for all of the public sector in Scotland to meet the challenge of increasing economic growth through increasing productivity, participation and population, while ensuring growth is socially and regionally equitable and environmentally sustainable.

Scottish Enterprise makes a distinctive contribution to the goals of the Government Economic Strategy. Our 2013-16 Business Plan set out the contribution Scottish Enterprise would make to the National Outcomes and Purpose Targets of the National Performance Framework used to track progress against the Government's goals and targets and how Scottish Enterprise planned to stimulate investment and action through a balance of short, medium and long term activity focused on areas promising the biggest economic return for Scotland.

The rolling nature of Scottish Enterprise's business planning process builds continuity into operational activity while reflecting wider changes in the economy and new market opportunities.

Two key areas of work formed the core of the Scottish Enterprise Business Plan for 2013-16:

- **Support the development of more globally-competitive companies** by offering an integrated business support model where companies with ambitions to grow can access the right type of support at the right stage of their growth.
- **Support the development of Scotland's growth sectors** by supporting positive and transformational change in sectors and providing opportunities for Scotland in global markets.

To support this, the Business Plan also sets out to develop a more supportive business environment for companies and sectors in which they can thrive.

The Board of Scottish Enterprise identified five strategic priorities to guide resource allocation and to direct activity towards areas that can generate the greatest impact on Scotland's economy:

- **Renewable energy** – a significant transformational opportunity for Scotland which will play an essential role in supporting Scotland's transition to a low carbon economy. Scottish Enterprise sought to focus investment where there is clear market potential based on existing competitive advantage.
- **Growth companies** – support to companies in Scotland with the strongest growth ambitions by providing tailored assistance to companies to achieve scale, stimulate trade in overseas markets and help build competitiveness as a stimulus to growth in Scotland's sectors.
- **International trade and investment** – identifying and responding to significant global opportunities by supporting more companies to start exporting and help more experienced exporters to enter new overseas markets and grow their international sales. Within an increasingly competitive investment market, Scottish Enterprise also targets strategic inward investment which develops the competitiveness of Scotland's sectors and helps to create employment.

STRATEGIC REPORT (continued)

- **Innovation** – recognising that innovation is a key driver of productivity and competitiveness, work with partner organisations to stimulate innovation, knowledge transfer and commercialisation by companies and within sectors. This more integrated approach will focus on getting more new products and services into global markets.
- **Low carbon** – helping companies to improve resource efficiency and adopt new low carbon business models to increase productivity and growth and help identify new opportunities in low carbon in key sectors.

Scottish Enterprise focuses on industry sectors identified by the Government Economic Strategy as offering the opportunity to strengthen Scotland's competitive advantage through achieving critical mass and boosting productivity:

- **Energy** – renewables, oil and gas and clean technologies
- **Life Sciences** – stem cells, translational medicines
- **Enabling Technologies** – infomatics, advanced manufacturing and engineering
- **Tourism** – key destinations, golf, business tourism
- **Food and Drink** – whisky, premium products, food health innovation
- **Financial Services** – asset management, insurance, banking
- **Universities** – higher education institutes, research institutes
- **Creative Industries** – digital media, games

An important action during the last year has been, along with the Scottish Government, to increase the level of active engagement through the Industry Leadership Groups, involving active participation of companies, individuals and organisations that can play a major role in developing these sectors, collaborating on a shared agenda and acting as important catalysts for change and initiative.

We also have active engagement in a number of other important industries, including:

- Aerospace, Marine and Defence
- Chemical Sciences
- Construction
- Forestry & Timber
- Textiles

Scottish Enterprise's work in sectors is informed by the detailed industry strategies, developed by the Industry Leadership Groups, which set out priorities for supporting the long-term growth of Scotland's key sectors.

BUSINESS MODEL

As an economic development agency, Scottish Enterprise's overall objective is to make a significant contribution to achieving the Scottish Government's purpose of increasing Scotland's rate of sustainable economic growth.

Scottish Enterprise seeks to identify and exploit opportunities for Scotland's economic growth by supporting Scottish companies to compete, helping to build globally competitive sectors, attracting new investment and creating a world-class business environment.

The sponsor Directorate within the Scottish Government determines Scottish Enterprise's performance framework in the light of the Scottish Minister's wider strategic aims. Scottish Enterprise's objectives and key targets are agreed within its business planning process. Scottish Enterprise operates with its own independent Board reporting to the Enterprise Minister within the Scottish Government.

Scottish Enterprise also works closely with public sector partners, in particular Local Authorities, Skills Development Scotland, NHS Scotland, the Scottish Funding Council, VisitScotland and Highlands & Islands Enterprise, to secure the alignment of strategies and resources across the public sector behind growth opportunities.

Scottish Enterprise pursues this nationally through its role in the Scottish Government's Strategic Forum with other partners and locally via Community Planning Partnerships. We also seek to maintain effective engagement with industry through 15 Industry Leadership Groups and to inform our engagement with the different regions of Scotland through five Regional Advisory Boards.

Scottish Enterprise plays a leading role in the management of programme areas operating across all of Scotland (including the Highlands and Islands Enterprise area), these being:

- Inward investment and overseas market development via [Scottish Development International](#) (operating as a joint venture with Scottish Government and Highlands and Islands Enterprise); this includes management of the network of overseas offices and field staff;
- Major grants programmes, including [Regional Selective Assistance](#) (RSA), [R&D and SMART grants](#);
- the [Scottish Investment Bank](#);

STRATEGIC REPORT (continued)

- the [Scottish Manufacturing Advisory Service](#);
- [Scotland Europa](#); and
- [Co-operative Development Scotland](#).

BUSINESS REVIEW OF THE YEAR

Scottish Enterprise has successfully delivered all of our annual Business Plan measure targets for 2013-14. Seven of these thirteen business plan measures exceeded the top of their target range.

Scottish Enterprise has seven additional business plan measures which relate to longer term goals. We are currently on track to achieve five of these with the remaining two expected to take slightly longer to deliver than originally anticipated.

A full list of results against the Key Performance Indicators published in our 2013-16 Business Plan is set out in the section below.

Some of the best results were reported against issues growing in strategic importance, such as in International Trade and Investment, and in Innovation. We are on track to meet all of our targets in relation to Scotland's International Trade and Investment Strategy (2011-15). Despite a challenging competitive environment, we continue to attract significant results in terms of Foreign Direct Investment, most notably in Financial and Business Services. The push to support the success in increasing exports continues in the Oil and Gas, and Food and Drink sectors, particularly in emerging markets of Asia, Australia and Africa.

2013/14 saw sustained progress of Scotland's Food and Drink industry strategy which has now increased its turnover target from £12.5 billion to £16.5 billion by 2017.

Perhaps reflecting the improving conditions in the economy, some areas delivered a strong performance in the second half of the year, including efficiency and productivity support, turnover growth by account-managed firms and private-sector investment leveraged by the Scottish Investment Bank. A significant development in relation to the Life Sciences sector was the announcement of a first investment by the specialist fund run by Epidarex (formerly Rock Spring) - a £4m deal with BioQuarter spinout Edinburgh Molecular Imaging.

An important development in 2013/14 was the completion of a major evaluation of Scottish Enterprise's account management approach to supporting growth companies. The study was based on Scottish Enterprise's work with such companies between 2008 and 2012 and looked to gauge the effectiveness of the service and to estimate its impact on the economy. The results suggested a significant impact has been delivered with companies reporting that their turnover had increased by £1.45 billion as a result of Scottish Enterprise support. Multiplier effects through the supply chain and employee spending means this generated an additional £1.1 billion in Gross Value-Added for the Scottish economy, helping to create or safeguard 15,000 jobs and suggests a return to the economy of £5.30 for every £1 of Scottish Enterprise spend for the four year period.

The evaluation further suggests that Scottish Enterprise's support is delivering positive employment and turnover impacts for the vast majority (85%) of companies actively supported and that performance has significantly improved since the last evaluation in 2009, delivering significant additional economic impact in terms of GVA and employment over a period where the economic environment has been very challenging.

Under our Low Carbon priority, an award of funding of £7.5m under the POWERS programme for Samsung to prototype their 7 MW offshore wind turbine at Energy Park Fife to generate savings of almost 23,000 tonnes of CO₂ over the coming three years contributed to a strong performance on our CO₂ measure, despite the significant increase in target this year. The performance reflects the progress being made by our sustainability specialists and the Scottish Manufacturing Advisory Service (SMAS) in working with companies and includes the delivery of a number of sizeable company-related projects, including work with Samsung, Energen Biogas and brewers Innis & Gunn.

The out-turn on milestones in the Scottish Enterprise business plan is also positive with the achievement of important priorities such as targeted international trade promotion activities in the Oil and Gas and Food and Drink sectors and increasing activity by account-managed companies to achieve significant turnover growth in international markets.

2013/14 saw a significant programme of activity to capitalise on the key visitor and sporting events occurring in Scotland during 2014, including a series of workshops to help companies capitalise on the opportunities related to the Commonwealth Games in Glasgow, Scotland's Homecoming and the 2014 Ryder Cup at Gleneagles in Perthshire. 2014 also sees a landmark constitutional decision for Scotland. Whilst remaining politically neutral, this year we have provided Scottish and international companies with factual information relating to the referendum and we have taken full advantage of the attention this has brought internationally in our effort to secure Foreign Direct Investment.

Our emerging collaborative approach on Innovation has been reflected in our support for the establishment of a network of Innovation Centres, covering areas of significant competitive strength for Scotland and fostering the commercialisation of research and links between companies and higher education. Seven centres have now been established:

STRATEGIC REPORT (continued)

Aquaculture, Construction, Digital Health, Industrial Biotech, Oil and Gas, Sensors and Imaging, and Stratified Medicine. A significant related development is the establishment of Innovation Scotland, the new single knowledge exchange organisation for Scottish universities approved by the Scottish Funding Council and launched in October 2013.

The positive results for Scottish Enterprise's business plan for 2013/14 reflects an improving position in areas where operational activity has continued to be challenging, such as in the investment market. Much of this reflects the delivery of some deals of significant scale through the Scottish Investment Bank, Regional Selective Assistance and R&D grants. However, the challenging operating environment was reflected in some slowdown in activity in areas such as the Scottish Loan Fund and on POWERS R&D grants where stimulating a strong pipeline of future investment remains a particular challenge for the future.

Another important new area of work has been our evolving approach to entrepreneurship, including our support for the EDGE Competition targeting high-growth companies. Across the first 3 rounds of the competition over 700 companies have taken part, with 54 awards made, totalling £1.9m in value. By the end of 2013 the competition had led to the creation of 86 new jobs, generated an additional £2m turnover and resulted in companies securing £1.8m in external finance.

The one area where activity and investment have remained subdued has been in Offshore Renewables where developments in the energy and investment markets have continued to adversely affect progress over the last two years. This challenge has necessitated a re-examination of the rationale underlying our approach to the Offshore Wind and Marine sub-sectors in Renewables and to consideration of the likely economic impact, the need for sustained, large-scale public sector investment in the face of the long-term nature of the opportunities and the associated commercial risks that have affected sentiment among investors and utility companies.

RESULTS AGAINST KEY PERFORMANCE INDICATORS

Key

Milestone Progress

- ★ 'Achieved'
- 'Not yet due but on track to achieve'
- 'Good progress but not yet achieved'
- 'Not achieved'

Target Range Results

- ▲ 'Exceeded'
- ◀▶ 'Achieved'
- ▼ 'Not achieved'
- ◆ 'Target not yet due – on track'
- ◆ 'Target not yet due – not yet on track'

Priority 1: RENEWABLE ENERGY

During 2013/14, commercial investment prospects in Offshore Renewables were constrained by continued market and regulatory uncertainties, including the United Kingdom Energy Market Reform and conditions in the wider investment market. This has affected the achievement of our measures and milestone relating to commercial investment in offshore renewables and has constrained the progress of the Renewable Energy Investment Fund (REIF). The progress of the International Technology and Renewable Energy Zone (ITREZ) in Glasgow was reflected in the opening of the Inovo Building.

- Initiate significant actions to develop commercial manufacturing in Offshore Renewables, including the development of supply-chains and the attraction of significant private-sector investment to key locations ●
- Help secure significant new investment into the Scottish Renewables sector through the Renewable Energy Investment Fund ●
- Secure the first tenants into the SE *Inovo* Building, to encourage engagement between businesses and academia, as an important part of the International Technology and Renewable Energy Zone (ITREZ) in Glasgow ★

2012/13	Measure description	Result	2013/14
£93m	1.1 By 2016, achieve leverage of £300 million to £350 million of additional private investment into offshore renewable, including –	◆	£106m (cumulative to 2013/14)
£10m	£130 million to £150 million of additional private investment through NRIF	◆	£10m (cumulative to 2013/14)

STRATEGIC REPORT (continued)

Priority 2: **GROWTH COMPANIES**

All milestones and targets were achieved under this priority with five out of six ending in the top half or above the top of the target ranges. With the difficulties of the current investment climate the achievement of £93m leveraged investment through the Scottish Investment Bank represents a particular success. The positive results of our evaluation of account management are reflected in strong results delivered by our account-managed companies, both in the £1.3bn turnover growth for 2013/14 and the achievement of important milestones in terms of international growth and in the oil and gas sector.

- Secure a significant increase in activity by account-managed companies to achieve significant turnover growth in international markets ★
- Deliver a deeper engagement with companies in the Oil and Gas sector, including an increase in the number of companies from this sector in our account management portfolio ★
- Help deliver significant investment into Scottish life sciences companies through the new Scottish life sciences fund managed by Epidarex ★
- Launch a new drive to encourage tourism companies to grow by developing new customer experiences through increased use of market intelligence and taking advantage of Scotland's world-class tourism assets ★

2012/13	Measure description	Result	2013/14
£1.0bn	2.1 In 2013/14, £1 billion to £1.3 billion turnover growth achieved by account-managed firms	◀▶	£1.3bn
296	2.2 In 2013/14, help 250 to 350 account-managed companies develop their leadership and strategy	◀▶	311 companies
£60m	2.3 In 2013/14, achieve £70 million to £85 million of leveraged investment from the provision of growth finance through the Scottish Investment Bank	▲	£93m
460	2.4 In 2013/14, help 350-400 companies secure growth finance by improving their Financial Readiness	◀▶	379 companies
£216m	2.5 In 2013/14, deliver £250 million to £350 million of additional capital investment in planned projects supported by SE	◀▶	£267m
£86m	2.6 In 2013/14, help companies achieve significant improvements in productivity and efficiency worth between £70m-£85m over the next three years.	▲	£92m

STRATEGIC REPORT (continued)

Priority 3: INTERNATIONAL TRADE AND INVESTMENT

All milestones and targets were achieved under this priority, with significant Milestones achieved in relation to priority sectors, in both Trade and Investment. The outcomes on all of the measures were either in the top half or above the top of the target ranges. Despite an increasingly competitive environment Scotland continues to maintain its strong ranking in the listings for Foreign Direct Investment (FDI).

- Undertake significant Trade Promotion activities to drive outcomes on further export growth in oil and gas, with a particular focus on new markets, in Norway, Brazil, Canada and West Africa ★
- Initiate agreed actions with industry partners in the Food and Drink sector to deliver the step change in international export growth, deepening the impact of the Asia food and drink strategy and taking forward our strategies in the Americas, Europe and the Middle-East ★
- Develop growth in exports through e-Commerce to capitalise on global opportunities in Digital Connectivity ★
- Maintain Scotland's relatively strong globally competitive position on attracting high-value inward investment through a range of benchmarking and comparative analysis mechanisms ★
- Attract significant inward investment to support the growth strategies of Scotland's sectors ★

2012/13	Measure description	Result	2013/14
-	3.1 Over 2011-15, achieve a £1.2 billion to £1.7 billion increase in international sales from supported businesses	◆	£290m (cumulative estimate to 2013/14)
348	3.2 In 2013/14, 220 to 330 companies projecting significant turnover growth from exporting – including 150 to 210 projecting turnover growth of £1 million+	◀▶	320 companies
229		▲	228 companies
4,274	3.3 Over 2011-15, 8,000 to 10,000 companies assisted to develop their capacity for exporting through initiatives like <i>Smart Exporter</i>	◆	6,455 companies (cumulative to 2013/14)
14,533	3.4 Over 2011-2015, 25,000 to 35,000 planned jobs through the attraction of foreign investment – of which between 8,000 and 12,000 planned high value jobs	◆	21,979 jobs (cumulative to 2013/14)
3,945		◆	6,460 HVA jobs (cumulative to 2013/14)
7,139	3.5 In 2013/14, 5,000 to 9,000 planned jobs through the attraction of foreign investment – of which 1,800-2,500 are planned high value-added jobs	◀▶	7,446 jobs
2,145		▲	2,515 HVA jobs

STRATEGIC REPORT (continued)

<p>Priority 4: INNOVATION</p> <p>All targets and milestones achieved successfully under this priority with two out of three measures ending above their target ranges. The successful achievement of the milestones relating to collaboration with partners in terms of our approach to innovation and on major European funding programmes, along with Scottish Enterprise's contribution under the Digital Strategy and the EDGE programme, represent a strong foundation for future success with the potential to make a significant contribution to the achievement of the Scottish Government's ambitions to make Scotland a more innovative and entrepreneurial nation.</p> <ul style="list-style-type: none"> • Initiate a significant step change in our approach to innovation in collaboration with the Scottish Government, Scottish Funding Council, and Highlands and Islands Enterprise ★ • Initiate agreed action with industry partners and with Highlands and Islands Enterprise, the Scottish Funding Council and Scottish Government to maximise the contribution of the EU Horizon 2020 programmes to innovation and investment in R&D in Scotland ★ • Deliver new activity as Scottish Enterprise's contribution to Scotland's Digital Strategy – including demonstration projects in sectors and a new <i>Digital Excellence</i> programme involving our account-managed companies ★ • As part of our commitment to improve entrepreneurship in Scotland, deliver two further rounds of the Scottish EDGE Competition to support up to 30 companies to accelerate and achieve their growth potential ★ 			
2012/13	Measure description	Result	2013/14
£103m	4.1 In 2013/14, help companies achieve significant additional revenues from innovation, worth £70 million to £100 million over the next 3 years	▲	£205m
£134m	4.2 In 2013/14, secure £110 million to £150 million of additional commitments in R&D investment through Scottish Enterprise assisted projects	▲	£153m
5 companies	4.3 By 2015, generate 15-21 entrepreneurial companies capable of achieving £5 million turnover growth within five years of trading, or attracting £10 million investment	◆	12 companies (cumulative to 2013/14)
<p>Priority 5: LOW CARBON</p> <p>The success of the drive to embed the issue of Low Carbon across Scottish Enterprise's entire operations is reflected in the successful achievement of both the milestones and measure target range. A range of large initiatives is now under way in key areas including the Construction Innovation Centre, Smart Mobility and a Water Innovation Service. Our work with companies has included some major industry-level projects, including investments through the Scottish Investment Bank, the Renewable Energy Investment Fund and the Scottish Recycling Fund.</p> <ul style="list-style-type: none"> • Initiate actions to address significant market opportunities for Scotland in Clean Technology, the Low Carbon Built Environment and Low Carbon Transport ★ • Develop significant actions to help Scottish companies use Low Carbon as a major driver of Innovation, in terms of new products, processes and business models ★ 			
2012/13	Measure description	Result	2013/14
50,912 tonnes	5.1 In 2013/14, identify between 80,000 to 100,000 tonnes of CO ₂ savings arising from Scottish Enterprise projects and company support that improves efficiency	▲	127,065 tonnes

STRATEGIC REPORT (continued)

FINANCIAL PERFORMANCE

Financial Overview

The results for the year ended 31 March 2014 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 Resource Budget 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 'non-cash' costs, including depreciation. A further budget allocation for Annually Managed Expenditure is made by the Scottish Government to cover volatile costs such as provisions and write downs which by their nature are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget.

The approved Resource Budget for 2013/14, after in year adjustments, amounted to £271m, comprising a grant in aid provision of £249m and a non-cash allocation of £22m. During the year Scottish Enterprise was allocated £36m to cover costs designated as Annually Managed Expenditure.

The Resource Budget for 2014/15 amounts to £248m, including £220m of grant in aid and a ring fenced non-cash budget provision of £28m. 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.

Summary of Resource Outturn

Scottish Enterprise successfully 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 underspend of £1.002m against its funding provision for the year to 31 March 2014 is detailed as follows:

	<i>£000</i>	<i>£000</i>
Operational Delivery Costs		
Supporting Globally Competitive Businesses	110,522	
Supporting Globally Competitive Sectors	15,497	
Globally Competitive Business Environment	<u>73,329</u>	
		199,348
Support Costs		
Staff costs, including customer facing staff	57,397	
Marketing, research & stakeholder engagement	6,879	
Premises, information services and other support costs	<u>32,195</u>	
		<u>96,471</u>
		295,819
Less: Income		<u>46,420</u>
		249,399
Funded by		
Grant-in-Aid	248,930	
Net investment by the Scottish Co – Investment and Scottish Loan Funds	<u>1,471</u>	
		<u>250,401</u>
Net underspend		<u>1,002</u>

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

	<i>Outturn £000</i>	<i>Allocation £000</i>
Resource budget (see below)	151,615	164,655
Capital budget	<u>96,313</u>	<u>84,275</u>
	247,928	248,930
Non –cash costs including depreciation	<u>5,178</u>	<u>22,051</u>
Total resource budget	<u>253,106</u>	<u>270,981</u>
Annually managed expenditure	<u>28,205</u>	<u>35,950</u>

STRATEGIC REPORT (continued)

The Scottish Government gave prior approval to Scottish Enterprise to maximise net capital expenditure in 2013/14 by switching activity from resource to capital. Accordingly the excess of outturn over the capital budget is compensated by a similar shortfall of expenditure against the resource budget.

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

	£000
Net expenditure before taxation	244,982
Attributable to non-controlling interests in subsidiaries	(106)
Depreciation charge allocated to non cash costs	(5,831)
Asset revaluation adjustments charged to annually managed expenditure	(5,346)
Investment impairments charged to annually managed expenditure	(19,782)
Net pension costs attributed to annually managed expenditure	(2,304)
Provisions charged to annually managed expenditure	(450)
Net income attributed to ring fenced investment funds	6,223
Net expenditure attributed to the capital budget	<u>(65,771)</u>
Resource budget	<u>151,615</u>

FINANCIAL POSITION

Scottish Enterprise's Group Statement of Financial Position reflects a further increase in net asset values to £514.5m (2013: £463.2m).

Scottish Enterprise has continued to invest in its land and property portfolio and completed construction projects at sites in Annan, Dundee and the Inovo building in Glasgow and although there have also been reductions in year end valuations, the total value of the land and property assets within Property, Plant and Equipment and Assets held for sale has increased to £184.6m (2013: £183.5m).

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has increased marginally to £160.0m (2013: £159.3m).

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has increased to £76.6m (2013: £25.8m). The scheme assets have grown by £12m but scheme liabilities have reduced by £39m as a consequence of market conditions affecting the discount rate used to calculate future obligations and weaker assumptions about future salary growth.

Cash balances have increased to £110m (2013: £92m). The majority of cash held is to fund future investments by the Scottish Co-investment Fund and Scottish Loan Fund.

Trade and other payables (within one year) have also increased to £57.1m (2013: £43.6m). The pattern of expenditure towards the end of the financial year is reflected in higher levels of trade payables and accrued charges which will be funded from the higher than normal year end cash balances.

Payment Policy

Scottish Enterprise has a stated service commitment to pay its 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 2014, Scottish Enterprise paid 81% (2013: 85%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 8.3 days (2013: 6.9 days).

FUTURE DEVELOPMENTS

In developing its Business Plan Scottish Enterprise adopts a 'rolling' planning process with a medium-term focus. This process takes account of the changing economic context, the progress against our objectives, consultation with our partners and the strategic guidance received from Ministers. This changing process is reflected in Scottish Enterprise's [Business Plan](#) for 2014-17, which was published in April 2014.

Scottish Enterprise's plan is also shaped by our engagement with industry, and our consultation with our Regional Advisory Groups and Industry Leadership Groups.

The central theme of our 2014-17 Business Plan is one of *Building a More Internationally Competitive Scotland*, recognising that Scotland needs to engage and succeed on an international level to achieve strong and sustainable economic growth. This includes the following shifts in emphasis across our strategic priorities:

STRATEGIC REPORT (continued)

- **Growth companies** - more emphasis on building the international capacity of companies we support, including our approach to investment and high-impact entrepreneurship.
- **Innovation** – stimulate a significant improvement in Scotland's innovation performance by focusing on product development and market opportunities, particularly in international markets.
- **Internationalisation** – embed this across all our work as part of fostering a global mindset in Scotland. Notably, this will seek to help companies grow exports and attract significant investment by enhancing Scotland's global connections, as well as encouraging more companies to address opportunities in international markets.
- **Low carbon** – help build niche expertise and support Scottish companies and sectors to identify and access opportunities in international low carbon markets in areas such as energy and resource efficiency, and in the 'circular economy'.
- **Renewables** - build on the significant niche advantages Scotland has in offshore renewables by addressing the challenge of securing significant investment in the supporting infrastructure.

The focus on internationalisation includes building Scotland's international reputation, networks and connections and incorporating different concepts such as accessing and attracting global venture capital, securing talent, joint ventures and collaborations. Our plan will be underpinned by clarity on the niches we are targeting across our sectors and markets.

We will also seek to build Scotland's international competitiveness by developing an effective business environment, supporting property and infrastructure initiatives where they meet the needs of growth companies and sectors. This includes working with partners to deliver improvements in Scotland's connectivity – including the use of digital technology to drive competitive advantage.

We will work with a range of partners to support the events surrounding Scotland Welcomes the World in 2014, focusing on trade and investment, growth companies and sectors, and innovation. This will include a Scotland House Business Events programme in support of the Commonwealth Games in Glasgow.

PRINCIPAL RISKS AND UNCERTAINTIES

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. 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:-

- The effect of the response of Scottish Enterprise's target companies to the strengthening growth in the Scottish, United Kingdom and global economies;
- The effect of the costs and continuing market uncertainties on Scottish Enterprise's ability to deliver the full benefits of the opportunities in the renewable energy sector; and
- Scottish Enterprise's ability to attract and retain a highly motivated workforce in order to deliver its ambitious business plans.

The Board reviews on an annual basis the operation of the Risk Management Policy. 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 Board reviews risk at every alternate meeting and approves the Corporate Risk Register annually.

ENVIRONMENTAL MATTERS

The transition to a low carbon economy is core to the Scottish Government's Economic Strategy and is one of Scottish Enterprise's 5 business plan priorities. It is an important thread which underpins our delivery, both in terms of the opportunity to develop and supply low carbon products in growth markets, and the potential for companies to improve their own efficiencies and productivity by adopting low carbon business solutions.

Our ambition is to use Scotland's leadership in low carbon policy to adapt quicker than competitor economies, developing products, services and technologies that serve international markets and helping to transform the Scottish economy by supporting new sources of jobs and output growth.

In delivering our low carbon priority during 2013/14, we have achieved our target measure of 80-100,000 tonnes of CO₂ savings arising from Scottish Enterprise company support.

Our low carbon priority is set out in full in our Low Carbon Implementation Plan, which demonstrates our commitment to delivering the Scottish Government's Economic Strategy and summarises how we comply with the Public Sector Duty on climate change. It summarises our progress during 2013/14 and our deliverables for 2014/17, providing a comprehensive overview of the actions we are taking to help deliver sustainable, low carbon economic growth.

STRATEGIC REPORT (continued)

Internal Environmental Management

As part of our environmental management policy, we aim to reduce our internal CO₂ emissions by 42% by 2020 from a 2009/10 baseline. As part of this, we ensure that all buildings constructed or substantially refurbished, directly or through a supported project, are to a minimum of BREEAM 'excellent' standard (or equivalent) wherever reasonably possible. We also use our [sustainable procurement policy](#) to optimise the environmental benefits of procurement decisions by considering the whole lifecycle costs of goods, services and works. Finally, we promote our [Greener and Accessible Events](#) guide to event organisers and venue managers to reduce the environmental impact of conferences and seminars.

Our Direct Carbon Emissions

We report emissions from our operational offices and commercial property portfolio, including energy, water, waste and domestic and international travel. As a national and international organisation, customer relationships are at the heart of our work, and as a result, a significant amount of travel is often necessary. With an increasing international focus to our Business Plan, the amount of overseas travel by staff has risen in line with our expectations. We have however, reduced emissions from our offices by moving to smaller premises when leases expire and from adopting energy efficiency measures.

Further detail can be found in our '[annual sustainability report](#)', published for 2013/14 in line with Scottish Government guidance for public agencies.

We are also a participant with the CRC Energy Efficiency Scheme.

EMPLOYEES

During the 2013/14 reporting period we have continued our focus on an inclusive employee engagement programme designed to engender high levels of workplace engagement as a means to drive continuous improvement in our organisational performance. We recognise that highly engaged organisations perform better, are more innovative and have lower levels of absenteeism, making employee engagement critical in Scottish Enterprise's drive to create a world-class business environment for Scotland. As a "Best Companies" accredited "Ones to Watch" organisation in 2014, we recognise the importance of employee involvement and invite all colleagues to share their views and opinions through our engagement survey which is used to inform our employee engagement programme. In 2013, as a direct result of employee feedback, we introduced our employee recognition programme. In 2014, we will introduce an employee engagement forum, to provide an ongoing mechanism to receive feedback and input from a representative group of employees on a range of business topics affecting them.

A key component of our engagement programme continues to be leadership engagement and at Scottish Enterprise, colleagues are provided with up to 70 opportunities every year to engage directly with a member of the leadership group to discuss our business performance and the financial and economic factors affecting this. Through this engagement, the people of Scottish Enterprise directly contribute to the ongoing development of our business plan.

We are committed to creating and delivering high quality organisation wide communications, which are engaging and informative to ensure colleagues have a clear understanding of how they individually contribute to the delivery of our organisation's key business priorities. We also continue to develop strong 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).

As an accredited Gold IIP organisation, through our comprehensive people strategy, we develop and deliver programmes and services reflecting the needs of the organisation and our people to ensure that we continue to attract, retain and motivate talented people to deliver for Scotland. In particular, to ensure we have the necessary skills to deliver our objectives, we manage employee and industrial relations policies and issues; develop policies related to performance management and recruitment; and develop and manage learning and development programmes, including future career planning, structured people management academy and talent management. Where appropriate, our development programmes are externally accredited. In addition, we manage workforce planning by aligning headcount and skills requirements with the future business plan.

At Scottish Enterprise, we value and recognise individuals' contributions regardless of age, disability, ethnic origin, sex, marital and civil partnership status, religion/belief, sexual orientation, pregnancy/maternity or gender re-assignment and embrace a culture based on fair treatment. To reinforce the awareness of these programmes and related policies such as Dignity at Work and Diversity, we require all of our people to review and acknowledge changes online. We hold "Scottish Living Wage" and "Two Tick" standards for our employment practices and are recognised as an employer for supporting diversity, including Stonewall membership. We regularly review our equal opportunity data and identify actions, which will help drive improvements.

STRATEGIC REPORT (continued)

Employees by sex

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

	Male	Female	Total
Board (i)	9	3	12
Executive Leadership Team	3	4	7
Other employees	594	748	1,342

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

SOCIAL AND COMMUNITY MATTERS

In pursuit of sustainable economic growth, Scottish Enterprise contributes to the Scottish Government's strategic objectives for social and regional equity. Our focus is on those opportunities that promote both sustainable economic growth and equity. This work continues to be embedded in our mainstream operational activities as an intrinsic part of our approach to building globally competitive companies, sectors and business environment.

Reflecting the approach set out in the Government Economic Strategy, Scottish Enterprise recognises that differences in income, participation and growth across Scotland act as a drag on our economic performance and potential.

In response to this we have defined the following objective:

To maximise our contribution to the Government's cohesion target through an approach which will see Scottish Enterprise invest in activity and provide support which improves regional equity where it also increases our ability to significantly enhance Scotland's sustainable economic growth, productivity and participation.

We recognise there is a strong business case for this work which ensures Scottish Enterprise's focus on sustainable economic growth enables all areas to maximise their contribution. We carried out a number of activities which have helped to support this ambition over the last year including:

- The use of Regional Selective Assistance in stimulating investment and jobs in disadvantaged areas, while contributing to the review of the Assisted Area Map for 2014-20;
- Consideration of regional equity in project and sector planning, including the application of Community Benefit Clauses to infrastructure projects;
- Sharing our intelligence of economic opportunities with local and regional partners.

A joint approach with partners is particularly important in linking economic development and employability and this is a particular focus in our work in Community Planning partnerships.

2013/14 also saw a strong focus on helping to promote youth employment, where our focus was on working with growth companies and sectors to positively influence demand for employing young people.

We support the social economy alongside public and private stakeholders and partners to develop Social Enterprises and the Third Sector. Our focus is on the restructuring of the sector and working with growing social enterprises to increase traded income and reduce grant dependency. It is recognised that this generates significant benefits for communities and the Scottish economy. The Scottish Government is committed to developing the role of social enterprise in design and delivery of public services and to increasing the sector's contribution to the economy.

Key aspects of our work during 2013/14 included contributing to and supporting:

- National policy on, and delivery of, business and investment support;
- Research and development, including new approaches to data and evidence gathering and analysis, and future policy development;
- Development of support for international trade;
- Creation of links between third sector/social enterprise and the academic sector.

Equal Opportunities

We embed equality in the work of Scottish Enterprise by addressing the following objective:

Help to realise Scotland's full economic potential by mainstreaming equal opportunities within the organisation's policies and practices as an employer and service provider.

STRATEGIC REPORT (continued)

We believe that diversity benefits every colleague and business in the country and we ensure that our activities will be provided to individuals regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Our wish 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. 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 and HR policies. Scottish Enterprise also now serves on a working group for international business as part of the Human Rights Scottish National Action Plan (SNAP) development.

We are committed to complying with the Equality Act 2010 and an internal audit was carried out in 2013 which confirmed that we are adhering to the requirements of the legislation through giving due regard to eliminating discrimination, advancing equality of opportunity and fostering good relations between different groups.

In addition we comply with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and we have published our mainstreaming report in line with legislative requirements. This outlines our activity to date, presents equality outcomes for the coming four years, details work on procurement and provides workforce data including our gender pay gap and statement on equal pay. The report also outlines our strategy which will contribute to Scotland's ability to maximise economic growth through an equality focus. Our activity over the past year has concentrated on operationalising this strategy with a particular focus on women who are being disproportionately affected in the current economic climate. The report can be accessed here:

<http://www.scottish-enterprise.com/~media/SE/Resources/Documents/DEF/Equal-opportunities-biennial-report-and-strategy.pdf>

Corporate Social Responsibility

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 delivering sustainable procurement, our volunteering policy and our work with charities.

During 2013/14 our procurement activity has encouraged sustainable procurement including contracting with five supported businesses (third sector). We also include community and social benefit clauses in all relevant contracts to encourage our suppliers to provide training and job opportunities for the unemployed. Examples of the types of benefits our suppliers provide are:-

- Support for apprenticeship, training and work experience
- Graduate placements and opportunities for development within schools, universities and colleges
- Encouraging opportunities for SMEs in the supply chain and engaging with local communities.

In 2013, we recorded a 100% increase in the volunteering hours that colleagues undertook and in our engagement survey this year the Giving Something Back factor increased by 9% and our top scoring question in the survey this year was *"My organisation encourages charitable activities"* with 94% of colleagues agreeing with this statement.

We seek out opportunities with charity partners and colleagues bring forward their own good causes for support. This year we again supported National Volunteers Week in June and provided opportunities across the country so that our colleagues throughout Scotland had a chance to volunteer for a good cause near their own home base. Through payroll giving, our people manage and entirely support our staff charity fund which makes annual donations totalling over £10,000 to a range of charities and good causes nominated by colleagues across the world.

ACCOUNTS DIRECTION

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.

Lena C Wilson
Accountable Officer
26 June 2014

DIRECTORS' REPORT

for the year ended 31 March 2014

The Board

The members of the Scottish Enterprise Board, with the exception of the Chief Executive, are appointed by the Scottish Ministers.

The Board operates a number of Committees to scrutinise certain areas of activity in greater depth and make recommendations to the Board. These include an Audit Committee; a Remuneration Committee, the work of which is considered in the Remuneration Report; an Investment Committee which examines the progress of major initiatives; a Nominations and Governance Committee, which reviews the organisation's governance structure and leadership; an Urgent Approvals Committee; and an Economic Policy Committee which monitors Scottish economic performance.

The Board Members who held office during the year, and their respective committee memberships, were as follows:

		Audit	Investment	Economic Policy	Nominations / Governance	Remuneration	Urgent Approvals
Crawford Gillies	Chairman				C		C
Lena Wilson	Chief Executive		M	M	M		M
Melfort Campbell		M (i)					
Russel Griggs				M			
Jim McDonald			M				
John McGlynn			M	M			
Iain McLaren		C			M	M	M
Jeremy Peat			M	C			M
Grahame Smith		M		M			
Linda Urquhart			C		M	M	M
Graeme Waddell		M			M	C	
Gillian Watson			M				

C - Chair
M - Member

(i) Melfort Campbell became a member of the Audit Committee with effect from 1 June 2013

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:

Lena Wilson	Chief Executive
Adrian Gillespie (i)	Managing Director Operations – Company Growth, Innovation and Infrastructure
Linda Hanna (ii)	Senior Director Strategy and Economics
Paul Lewis	Managing Director Operations – Sectors and Commercialisation
Anne MacColl	Managing Director Operations - Scottish Development International
Linda McDowall	Business Networks and Communications Executive Director
Jim McFarlane (i)	Managing Director Operations – Company Growth, Innovation and Infrastructure
Iain Scott	Chief Financial Officer
Carolyn Stewart	People Services Executive Director
Julian Taylor (ii)	Strategy and Economics Executive Director

(i) Adrian Gillespie was appointed to the Executive Leadership Team on 1 April 2013. Jim McFarlane retired from the Executive Leadership Team on 13 May 2013.

(ii) Linda Hanna was appointed as a temporary member of the Executive Leadership Team on 17 June 2013 and Julian Taylor temporarily stood down from the Executive Leadership Team on 3 July 2013 in order to take up a position as Executive Director Asia Pacific.

DIRECTORS' REPORT (continued)

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 Conduct for Board Members is published on our website, together with the Board Members' Register of Interests.

Strategic Report

In accordance with section 414(c) (11) of the Companies Act 2006, Scottish Enterprise has chosen to include several matters in the Strategic Report which would otherwise be included in the Directors' Report.

These matters are:-

- The review of the business and performance against key performance indicators;
- Future developments; and
- Information about environmental matters, the organisation's employees and social and community issues.

Funding

The Scottish Government is the primary source of funding for Scottish Enterprise. The initial Grant in Aid allocated to Scottish Enterprise for 2014/15 is £220m and together with anticipated in year budget revisions and funds generated by Scottish Enterprise from the use or sale of assets, European income and other partner contributions will fund the organisation's business plan for the year.

Financial Instruments

Scottish Enterprise has exposure to liquidity, credit and market risks from its use of financial instruments. The extent of these risks are set out in Note 23 to the accounts.

Employee Pension Liabilities

Reference is made in the Statement of Accounting Policies (15(a)) and in Note 5 to the accounts to the operation and performance of the Scottish Enterprise Pension and Life Assurance Scheme. The Remuneration Report contains specific disclosures relating to senior management.

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2014 was 6,476 (2013: 5,422) sick days out of a possible 230,497(2013: 225,348) working days representing a lost time through sickness absence of 2.81% (2013: 2.41%).

Data Loss

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

Statement as to disclosure of information to the auditor

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

Auditors

The accounts of Scottish Enterprise are audited by auditors appointed by the Auditor General for Scotland and the Auditor General appointed Audit Scotland to be the auditors of Scottish Enterprise. Fees payable for audit services provided by the appointed auditors for the year ended 31 March 2014 were £151,800 (2013: £151,800). There were no fees payable to Audit Scotland for non-audit services in the year ended 31 March 2014.

Lena C Wilson
Accountable Officer
26 June 2014

REMUNERATION REPORT

for the year ended 31 March 2014

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the senior management team, the Executive Leadership Team, and provides details of members' remuneration for the year ended 31 March 2014.

Scottish Enterprise Board

Scottish Enterprise Board Members, with the exception of the Chief Executive, are appointed by the Scottish Ministers for a fixed period, normally three years. With the exception of the Chief Executive, these members do not have contracts of service with Scottish Enterprise.

The Chairman was appointed in February 2009 for an initial period of three years and four months. In April 2012, the Scottish Government announced that the Chairman had been re-appointed for a further term which will run until 30 June 2015. The Scottish Government sets the level of remuneration for the Chairman 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 on the basis of 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 based on levels of responsibility taking into account the number of committees in which they participate. 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. Outwith this, remuneration will be amended if the level of responsibility and time commitment changes.

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, Lena Wilson, 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. For 2013/14 there was no bonus scheme operated in Scottish Enterprise.

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.

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 Chairman 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 Chairman 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 2014 were:-

Graeme Waddell (Chair)
Iain McLaren
Linda Urquhart (appointed 1 April 2013)

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.

REMUNERATION REPORT (continued)

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 are reviewed annually on 1 July with the exception of the Chief Executive whose salary is reviewed on 1 April. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. Annual reviews are conducted in line with the pay remit agreed with the Scottish Government. Salary payments are made every four weeks.

The Chief Executive has a contractual entitlement to receive an annual performance bonus of up to 10% of basic salary, however this is suspended due to current public sector pay policy.

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 60, or 65 for staff who joined on or after 1 December 2006. 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.

The auditors are required to report on the information contained in the following section of this report.

Remuneration

Remuneration paid to the Chairman and other non-executive board members who served during the year to 31 March 2014 was:-

		2014			2013		
		<i>Fee</i>	<i>Travel</i>	<i>Total</i>	<i>Fee</i>	<i>Travel</i>	<i>Total</i>
		£	£	£	£	£	£
Crawford Gillies	Chairman	38,721	-	38,721	38,721	-	38,721
Melfort Campbell (a)		12,581	1,819	14,400	3,145	-	3,145
Russel Griggs		12,581	1,200	13,781	12,581	1,200	13,781
Jim McDonald		12,581	-	12,581	12,581	-	12,581
John McGlynn		12,581	-	12,581	12,581	-	12,581
Iain McLaren (b)		15,098	-	15,098	15,098	-	15,098
Jeremy Peat (b)		15,098	-	15,098	15,098	-	15,098
Grahame Smith		12,581	-	12,581	12,581	-	12,581
Linda Urquhart (b)		15,098	-	15,098	15,098	-	15,098
Graeme Waddell (b)		15,098	-	15,098	15,098	-	15,098
Gillian Watson (a)		12,581	417	12,998	3,145	-	3,145

(a) The 2014 Travel allowance figures for Melfort Campbell and Gillian Watson include a proportion in respect of the period from the date of their appointment on 1 January 2013 to 31 March 2013.

(b) Fees include sums payable to reflect the additional time commitment from those members holding the chairmanship positions on the board committees.

REMUNERATION REPORT (continued)

Remuneration of the Chief Executive, Lena Wilson, and other Executive Leadership Team members who served during the year to 31 March 2014 was:-

	2014					2013				
	Salary £000	Bonus £000	Other benefits £000	Pension benefits(vi) £000	Total £000	Salary £000	Bonus £000	Other benefits £000	Pension benefits(vi) £000	Total £000
Lena Wilson (i)	203	-	-	36	239	200	-	-	-	200
Adrian Gillespie (ii)	110	-	-	17	127	-	-	-	-	-
Linda Hanna (iii)	70	-	-	12	82	-	-	-	-	-
Paul Lewis	127	-	-	8	135	127	-	-	-	127
Anne MacColl (iv)	112	-	2	24	138	106	-	-	24	130
Linda McDowall	119	-	-	18	137	118	-	-	-	118
Jim McFarlane (ii)	16	-	-	6	22	138	-	-	-	138
Iain Scott	124	-	-	18	142	123	-	-	-	123
Carolyn Stewart	115	-	-	22	133	113	-	-	7	120
Julian Taylor (iii)	27	-	-	5	32	103	-	-	4	107

- (i) In accordance with the Scottish Government's announcement on the performance bonuses payable to senior public sector staff, no bonuses are payable to the Chief Executive for the year 2013/14.
- (ii) Adrian Gillespie was appointed to the Executive Leadership Team on 1 April 2013 and on 13 May 2013 Jim McFarlane retired from his position on the Executive Leadership Team.
- (iii) Linda Hanna was appointed as a temporary member of the Executive Leadership Team on 17 June 2013. On 3 July 2013, Julian Taylor temporarily stood down from the Executive Leadership Team for the duration of his appointment as Executive Director Asia Pacific based in Shanghai, China. Linda Hanna's role on the Executive Leadership Team will end when Julian Taylor resumes his duties in the United Kingdom.
- (iv) As previously reported, at the time Anne MacColl's duties in Scotland became non-incident and her earnings consequently became liable to tax in the United Kingdom as well as in France, Scottish Enterprise agreed to settle a tax liability on her behalf. During 2013/14 Scottish Enterprise settled £2,433 in respect of tax payable in the United Kingdom in respect of earlier years.
- (v) In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment with effect from 1 July 2013. Increases varied from 1.25% to 2% depending upon the position of the existing salary in the pay band.
- (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. In the event that the calculation of the pension benefit results in a negative value the result is expressed as zero, represented by a dash in the table above.

REMUNERATION REPORT (continued)

(vii) Retirement benefits of the Executive Leadership Team members for the year to 31 March 2014 are as follows:-

	<i>Accrued Pension at age 60 as at 31 March 2014 and related lump sum £000</i>	<i>Change in pension net of inflation and related lump sum at age 60 £000</i>	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2014 £000</i>	<i>At 31 March 2013 £000</i>	<i>Increase/ (decrease) net of members' contributions £000</i>
Lena Wilson	60 – 65 plus lump sum of 180 - 195	0 – 2.5 plus lump sum of 10.0 – 12.5	1,397	1,316	69
Adrian Gillespie (b)	15 – 20 plus lump sum of 45 - 60	0 – 2.5 plus lump sum of 2.5 – 5.0	333	-	3
Linda Hanna (b)	25 – 30 plus lump sum of 75 - 90	0 – 2.5 plus lump sum of 2.5 – 5.0	535	-	2
Paul Lewis	40 - 45 plus lump sum of 120 - 135	0 – 2.5 plus lump sum of 2.5 – 5.0	1,011	971	32
Anne MacColl	10 - 15 plus lump sum of 30 - 45	0 – 2.5 plus lump sum of 2.5 – 5.0	272	235	30
Linda McDowall	40 - 45 plus lump sum of 120 - 135	0 – 2.5 plus lump sum of 5.0 – 7.5	1,209	1,138	64
Jim McFarlane (c)	55 - 60 plus lump sum of 165 - 180	0 – 2.5 plus lump sum of 0 – 2.5	1,788	1,717	70
Iain Scott	35 - 40 plus lump sum of 105 - 120	0 – 2.5 plus lump sum of 5 – 7.5	817	773	37
Carolyn Stewart	25 - 30 plus lump sum of 75 - 90	0 – 2.5 plus lump sum of 5 – 7.5	517	481	28
Julian Taylor (d)	25 - 30 plus lump sum of 75 - 90	0 – 2.5 plus lump sum of 0 – 2.5	645	629	14

(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.

- (b) The net increase in the cash equivalent transfer values attributable to Adrian Gillespie and Linda Hanna reflect the increases over the period from which they were appointed to the Executive Leadership Team to 31 March 2014.
- (c) Jim McFarlane's accrued pension, associated lump sum and cash equivalent transfer value are all stated as at the date of his retirement from the Executive Leadership Team on 13 May 2013.
- (d) Julian Taylor's accrued pension, associated lump sum and cash equivalent transfer value are all stated as at the date he temporarily stood down from the Executive Leadership Team in order to take up an overseas posting.

REMUNERATION REPORT (continued)**Median Pay Multiples**

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:-.

	2014	2013
	£	£
Annualised remuneration before pension benefits of the highest paid member of the Executive Leadership Team	203,000	200,000
Median remuneration of Scottish Enterprise's employees	38,162	37,555
Remuneration ratio	<u>5.3</u>	<u>5.3</u>

The median remuneration of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2014.

Including severance payments, no employee (2013: 1 employee) received remuneration in excess of the highest paid member of the Executive Leadership Team.

Graeme Waddell
Remuneration Committee Chair
26 June 2014

Lena C Wilson
Accountable Officer
26 June 2014

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

for the year ended 31 March 2014

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, 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;
- 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. Her relevant responsibilities as Accountable Officer, including her responsibility for the propriety, regularity and value for money of the public finances for which she is answerable, and for the keeping of proper records, are set out in the Scottish Enterprise Management Statement and in the Memorandum to Accountable Officers of Other Public Bodies published by the Scottish Government.

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

Lena C Wilson
Accountable Officer
26 June 2014

GOVERNANCE STATEMENT

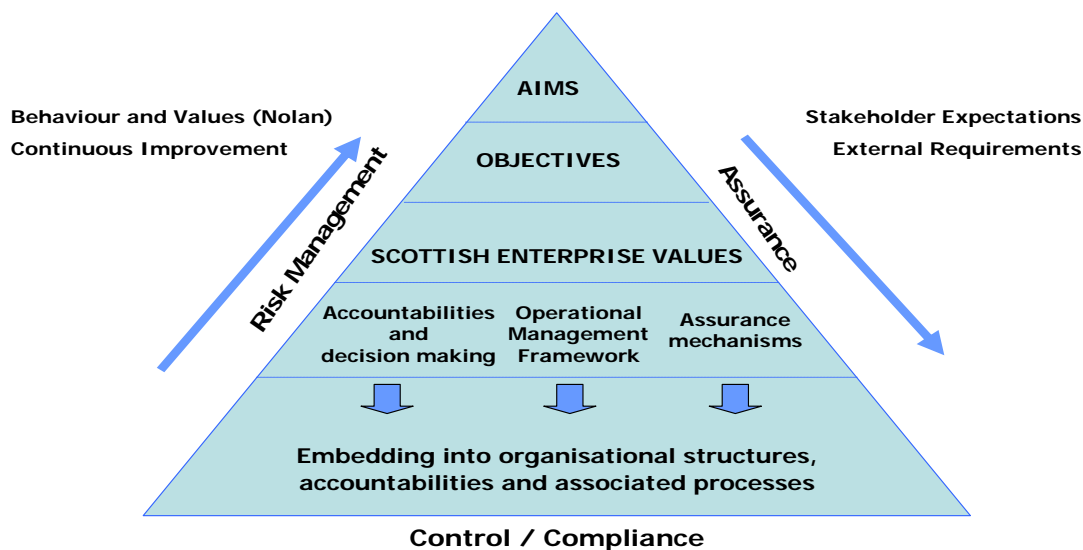
for the year ended 31 March 2014

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. 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.

Scottish Enterprise Governance Framework

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



Aims and Objectives

Scottish Enterprise operates within the parameters of the Enterprise and New Towns (Scotland) Act 1990, which defines our purpose, and the Government Economic Strategy which sets out our strategic priorities. Each year, Scottish Enterprise publishes a rolling three year Business Plan which 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.

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. Scottish Enterprise values people who are "co-operative; driven by results; expert in their field; forward thinking and inspiring with every individual." The importance of how Scottish Enterprise achieves its goals is recognised within the 'i-review' staff performance system through the introduction of a set of five corporate behavioural statements, which are closely linked to Scottish Enterprise's values and against which staff's performance is measured.

Accountabilities and Decision Making

Scottish Enterprise complies with the Scottish Public Finance Manual and the Management Statement, which devolves powers to the Scottish Enterprise Board and the Scottish Enterprise Chief Executive.

Scottish Enterprise Board

The Scottish Enterprise Board is directly accountable to Scottish Ministers and through them to the Scottish Parliament. The Board is responsible for Scottish Enterprise's performance and for ensuring it delivers Scottish Ministers' policies and priorities. The Scottish Enterprise Board has established clear terms of reference and operating practices for itself and its

GOVERNANCE STATEMENT (continued)

six sub-Committees: Economic Policy; Nominations and Governance; Remuneration; Investment; Urgent Approvals and Audit. The Board meets monthly and has introduced agenda items with greater focus on feedback from Committees and further strategic discussions. The Board and its Committee's structure and terms of reference are regularly reviewed. The Board formally assesses its performance, including an assessment of its own effectiveness, on an annual basis. This includes consideration of members' attendance during the year.

Scottish Enterprise Chief Executive

As the Accountable Officer, 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

Sectoral priorities and strategies are the key drivers of Scottish Enterprise's Operations. In developing Scottish Enterprise strategies and the Scottish Enterprise Business Plan, there is a clear framework in which Scottish Enterprise Board members and the Executive Leadership Team (ELT) take a leading role.

Resource Management

The Scottish Enterprise Project Lifecycle incorporates a strong, constructive, independent challenge to increase the quality of the project 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.

Performance Management

The Scottish Enterprise Business Plan sets out Scottish Enterprise 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 five main budget headings, which are aligned with the Business Plan. These headings are further analysed into business areas where there is clear accountability for the budget. The ELT and the Scottish Enterprise Board receive 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 maintained accreditation in Investors in People, which improves performance and achieves objectives through the management and development of staff.

Risk Management

The Scottish Enterprise Board has approved a risk management policy, which sets out Scottish Enterprise's approach, and is subject to annual review. In accordance with the policy, the Board determines risk tolerance, and obtains assurance from management that risks are being managed accordingly.

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 its strategic goals and objectives. The register is reviewed and discussed by the ELT 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 monitoring the risk and ensuring that any identified mitigating actions are implemented.

GOVERNANCE STATEMENT (continued)

The Scottish Enterprise Board is made aware of and regularly reviews the key risks for the organisation. The Scottish Enterprise Board approves the Corporate Risk Register and formally discusses risk every two months at Scottish Enterprise Board meetings.

The Audit Committee is responsible for reviewing the effectiveness of the entire approach to risk management within the organisation. It receives reports on a six monthly basis, and may also consider risk management on a more frequent basis if either the Chairman of the Audit Committee or the ELT considers this necessary.

Assurance

Role of Scottish Enterprise Audit Committee

The Scottish Enterprise Board has established an Audit Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit Committee seeks assurances from a number of 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 Committee adds to the value of assurances through challenge and has confidence in their reliability. The Audit Committee prepares 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 ELT members and the major trading subsidiaries are required to sign a Certificate of Assurance for their areas of responsibility and accountability. In order to assist with this sign-off they will review their internal control arrangements supported by the completion of an Internal Control Checklist. During the year, in order to enhance assurances further in relation to information technology and related processes, an independent ISAE 3402 compliance audit of our outsourced ICT Managed Services provision was completed. An unqualified report covering the year to 31 March 2013 was issued, identifying no control weaknesses of a significant nature.

I have confirmed for 2013/14 that controls have been, and are, working well within Scottish Enterprise. There are no significant matters arising which would require to be raised.

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 Committee.

For 2013/14 the overall conclusion of internal audit work carried out identifies a good level of assurance in the areas reviewed. A number of audit issues were highlighted during the year which were reported to the ELT and Audit Committee. All issues were addressed through an action plan and appropriate action has been taken to mitigate any losses and prevent future occurrence.

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 KPMG.

The external auditors have given unqualified audit opinions on the accounts for the year ended 31 March 2014 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

Lena C Wilson
Accountable Officer
26 June 2014

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

I have audited the financial statements of Scottish Enterprise for the year ended 31 March 2014 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, the Group Statement of Financial Position, the Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Taxpayers' Equity, the Statement of Changes in Taxpayers' Equity and the related notes. 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 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 body's affairs as at 31 March 2014 and of its 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 2013/14 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.

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.

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA
Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

June 2014

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2014

	Notes	2014 £000	Restated 2013 £000
Expenditure			
Operating expenditure	3	204,156	182,836
Net management expenditure on staff costs	3	60,802	58,808
Other management expenditure, incl. depreciation	3	31,461	30,359
		<u>296,419</u>	<u>272,003</u>
Income			
Income from activities	2	(17,593)	(17,457)
Other Income	2	(28,643)	(34,042)
		<u>(46,236)</u>	<u>(51,499)</u>
Net Operating Expenditure		250,183	220,504
Share of (profits) / losses in equity accounted investees	9	(404)	309
Income from investments	2	(111)	(298)
Interest receivable	2	(3,586)	(4,503)
Other finance income	2	(1,100)	(3,040)
Net Expenditure after interest		244,982	212,972
Taxation	6	(233)	91
Net Expenditure after taxation		<u>244,749</u>	<u>213,063</u>
Appropriations	10	-	379
Net Expenditure		<u>244,749</u>	<u>213,442</u>
<u>Other Comprehensive Expenditure/ (Income)</u>			
Items that will not be reclassified to net expenditure:			
Net losses on revaluation of property, plant and equipment		4,808	3,991
Net (gains) / losses on revaluation of property, plant and equipment held by Equity Accounted Investee		(862)	41
Net actuarial (gains) / losses recognised in retirement benefit scheme		(53,115)	31,993
Items that may be reclassified to net expenditure:			
Net losses / (gains) in fair value of available for sale assets		12	(8,302)
Reclassification to net expenditure in the year		2,014	4,505
Other Comprehensive Net (Income) / Expenditure for the year		<u>(47,143)</u>	<u>32,228</u>
Total Comprehensive Net Expenditure for the year		<u>197,606</u>	<u>245,670</u>
Attributable to:			
Taxpayers' Equity		197,500	245,756
Non-Controlling Interest		106	(86)
		<u>197,606</u>	<u>245,670</u>

The notes on pages 34 to 80 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 £000	Restated 2013 £000	Restated 2012 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	188,013	193,414	189,898
Intangible assets	8	14	-	-
		<u>188,027</u>	<u>193,414</u>	<u>189,898</u>
Financial assets				
Investments in equity accounted investees	9	11,766	8,746	7,670
Other investments	10	153,325	151,719	134,487
Total financial assets		<u>165,091</u>	<u>160,465</u>	<u>142,157</u>
Retirement benefit scheme	5	76,610	25,799	58,516
Other non-current receivables	12	2,776	3,315	3,586
TOTAL NON-CURRENT ASSETS		<u>432,504</u>	<u>382,993</u>	<u>394,157</u>
CURRENT ASSETS				
Other investments	10	6,663	7,555	4,788
Assets classified as held for sale	13	5,050	2,350	4,305
Inventories	14	86	115	101
Income tax receivable		280	1	68
Trade and other receivables	15	22,764	24,799	22,181
Cash and cash equivalents	16	109,757	92,119	92,506
TOTAL CURRENT ASSETS		<u>144,600</u>	<u>126,939</u>	<u>123,949</u>
TOTAL ASSETS		<u>577,104</u>	<u>509,932</u>	<u>518,106</u>
CURRENT LIABILITIES				
Trade and other payables	17	(57,091)	(43,636)	(39,589)
Income tax payable		(22)	(95)	(24)
Provisions	18	(452)	(7)	(43)
TOTAL CURRENT LIABILITIES		<u>(57,565)</u>	<u>(43,738)</u>	<u>(39,656)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>519,539</u>	<u>466,194</u>	<u>478,450</u>
NON-CURRENT LIABILITIES				
Other payables	17	(5,010)	(2,989)	(4,966)
TOTAL NON-CURRENT LIABILITIES		<u>(5,010)</u>	<u>(2,989)</u>	<u>(4,966)</u>
ASSETS LESS LIABILITIES		<u>514,529</u>	<u>463,205</u>	<u>473,484</u>
TAXPAYERS' EQUITY				
General Reserve		440,292	381,533	390,764
Specific Reserve		1,077	1,705	1,618
Revaluation Reserve		71,756	78,457	79,678
Non-Controlling Interest		1,404	1,510	1,424
TOTAL EQUITY		<u>514,529</u>	<u>463,205</u>	<u>473,484</u>

The notes on pages 34 to 80 form part of these accounts.

The accountable officer authorised these financial statements for issue on 26 June 2014.

Lena C Wilson
Accountable Officer
26 June 2014

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 £000	2013 £000	2012 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	146,345	148,751	143,767
Intangible assets	8	14	-	-
		<u>146,359</u>	<u>148,751</u>	<u>143,767</u>
Financial assets				
Other investments	10	165,280	161,762	142,668
Retirement benefit scheme	5	76,610	25,799	58,516
Other non-current receivables	12	18,035	18,726	19,985
TOTAL NON-CURRENT ASSETS		<u>406,284</u>	<u>355,038</u>	<u>364,936</u>
CURRENT ASSETS				
Other investments	10	6,411	7,303	4,216
Assets classified as held for sale	13	5,050	2,350	4,305
Trade and other receivables	15	20,293	22,658	20,112
Income tax receivable		-	-	-
Cash and cash equivalents	16	101,950	84,481	84,867
TOTAL CURRENT ASSETS		<u>133,704</u>	<u>116,792</u>	<u>113,500</u>
TOTAL ASSETS		<u>539,988</u>	<u>471,830</u>	<u>478,436</u>
CURRENT LIABILITIES				
Trade and other payables	17	(56,691)	(42,630)	(37,759)
Provisions	18	(452)	(7)	(43)
TOTAL CURRENT LIABILITIES		<u>(57,143)</u>	<u>(42,637)</u>	<u>(37,802)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>482,845</u>	<u>429,193</u>	<u>440,634</u>
NON-CURRENT LIABILITIES				
Other payables	17	(5,010)	(2,989)	(4,966)
TOTAL NON-CURRENT LIABILITIES		<u>(5,010)</u>	<u>(2,989)</u>	<u>(4,966)</u>
ASSETS LESS LIABILITIES		<u>477,835</u>	<u>426,204</u>	<u>435,668</u>
TAXPAYERS' EQUITY				
General Reserve		425,764	367,800	377,607
Revaluation Reserve		52,071	58,404	58,061
TOTAL EQUITY		<u>477,835</u>	<u>426,204</u>	<u>435,668</u>

The notes on pages 34 to 80 form part of these accounts.

The accountable officer authorised these financial statements for issue on 26 June 2014.

Lena C Wilson
Accountable Officer
26 June 2014

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	<i>Notes</i>	<i>2014</i> <i>£000</i>	<i>Restated</i> <i>2013</i> <i>£000</i>
Cash flows from operating activities			
Net expenditure after interest		(244,982)	(212,972)
Adjustments for:			
Depreciation and assets written off		1,943	1,522
Increase in investment provision and write off		19,777	11,152
Property revaluation deficit		9,234	6,192
Investment revaluation surplus		(13)	(7)
Interest receivable	2	(3,586)	(4,503)
Dividends received	2	(111)	(298)
Retirement benefit scheme net charges		2,304	724
Share of (profit)/loss in equity accounted investees	9	(404)	309
Surplus on disposal of property, plant and equipment	2	(226)	(370)
Surplus on disposal of investments	2	(4,679)	(5,123)
		<u>(220,743)</u>	<u>(203,374)</u>
Decrease/(Increase) in inventories		29	(14)
Decrease/(Increase) in trade and other receivables		2,626	(1,129)
Increase in trade payables		15,889	3,728
Increase/(Decrease) in provision for future liabilities		445	(36)
		<u>(201,754)</u>	<u>(200,825)</u>
Income tax expense		(119)	47
Appropriations paid		(413)	-
Net cash outflow from operating activities		<u>(202,286)</u>	<u>(200,778)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		671	3,156
Proceeds of disposal of financial assets		7,527	8,824
Repayments of other investments		9,950	5,621
Interest received		3,113	1,915
Dividends received		111	298
Purchase of property, plant and equipment		(13,722)	(18,789)
Purchase of intangible assets		(21)	-
Purchase of financial assets		(36,635)	(36,025)
Net cash outflow from investing activities		<u>(29,006)</u>	<u>(35,000)</u>
Cash flows from financing activities			
Grants from Scottish Government		248,930	235,391
Net cash inflow from financing activities		<u>248,930</u>	<u>235,391</u>
Net increase/(decrease) in cash and cash equivalents in the period		17,638	(387)
Cash and cash equivalents at the beginning of the period	16	92,119	92,506
Cash and cash equivalents at the end of the period	16	<u>109,757</u>	<u>92,119</u>

The notes on pages 34 to 80 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2014

	<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>
Restated Balance at 1 April 2012	390,764	1,618	79,678	1,424	473,484
Net expenditure during the year	(213,615)	87	-	86	(213,442)
Actuarial gains in retirement benefit scheme	(31,993)	-	-	-	(31,993)
Surpluses on revaluation of investments	-	-	3,797	-	3,797
Deficits on revaluation of property, plant & equipment held by Equity Accounted Investees (Note 9)	-	-	(41)	-	(41)
Surpluses / (deficits) on revaluation of property, plant and equipment	986	-	(4,977)	-	(3,991)
Total recognised income and expense for year to 31 March 2013	(244,535)	87	(1,221)	86	(245,670)
Grant in Aid from Scottish Government	235,391	-	-	-	235,391
Restated Balance at 31 March 2013	<u>381,533</u>	<u>1,705</u>	<u>78,457</u>	<u>1,510</u>	<u>463,205</u>
Net expenditure during the year	(244,015)	(628)	-	(106)	(244,749)
Actuarial losses in retirement benefit scheme	53,115	-	-	-	53,115
Surpluses on revaluation of investments	-	-	(2,026)	-	(2,026)
Deficits on revaluation of property, plant & equipment held by Equity Accounted Investees (Note 9)	-	-	862	-	862
Surpluses / (deficits) on revaluation of property, plant and equipment	729	-	(5,537)	-	(4,808)
Total recognised income and expense for year to 31 March 2014	(190,171)	(628)	(6,701)	(106)	(197,606)
Grant in Aid from Scottish Government	248,930	-	-	-	248,930
At 31 March 2014	<u>440,292</u>	<u>1,077</u>	<u>71,756</u>	<u>1,404</u>	<u>514,529</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 £8,564m (2013: £8,315m). The grant in aid provision of £249m for 2013/14 included £84m 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 £72m (2013: £78m) is £41m (2013: £45m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2014

	<i>General Reserve</i> £000	<i>Revaluation Reserve</i> £000	<i>Total</i> £000
Restated Balance at 1 April 2012	377,607	58,061	435,668
Net expenditure during the year	(213,532)	-	(213,532)
Actuarial losses in retirement benefit scheme	(31,993)	-	(31,993)
Surpluses on revaluation of investments	-	3,798	3,798
Surpluses / (deficits) on revaluation of property, plant and equipment	327	(3,455)	(3,128)
Total recognised income and expense for year to 31 March 2013	<u>(245,198)</u>	<u>343</u>	<u>(244,855)</u>
Grant in Aid from Scottish Government	235,391	-	235,391
Restated Balance at 31 March 2013	<u>367,800</u>	<u>58,404</u>	<u>426,204</u>
Net expenditure during the year	(244,156)	-	(244,156)
Actuarial gains in retirement benefit scheme	53,115	-	53,115
Surpluses / (deficits) on revaluation of investments	-	(1,924)	(1,924)
Surpluses / (deficits) on revaluation of property, plant and equipment	75	(4,409)	(4,334)
Total recognised income and expense for year to 31 March 2014	<u>(190,966)</u>	<u>(6,333)</u>	<u>(197,299)</u>
Grant in Aid from Scottish Government	248,930	-	248,930
Balance at 31 March 2014	<u>425,764</u>	<u>52,071</u>	<u>477,835</u>

Included within the Revaluation Reserve total of £52m (2013: £58m) is £22m (2013: £26m) attributable to net unrealised surpluses on Land and Buildings.

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 £8,564m (2013: £8,315m). The grant in aid provision of £249m for 2013/14 included £84m in respect of net capital expenditure.

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 (FRoM) issued by HM Treasury and the Companies Act 2006 applicable to entities reporting under IFRS. The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FRoM 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. Assets transferred to other public sector organisations under the Machinery of Government regulations are accounted for using merger accounting provisions and as a consequence the balances and the transactions relating to these assets have been eliminated from these financial statements and from the corresponding amounts. The provisions in IAS 19 (as revised in 2011) have now been adopted in full. As a consequence of the adoption of this standard, changes in the composition of the net expense have been made to these financial statements and to the corresponding amounts. In prior years the surplus/loss on disposal of available for sale financial assets had been measured based on the current carrying value of the assets including any impairment or revaluation. The release of revaluation on disposal was treated as a movement in reserves and included as part of the net gains in fair value of available for sale assets shown in the Statement of Other Comprehensive Expenditure. Under IAS 39 Financial Instruments: Recognition and Measurement at the time a financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. From the year 31 March 2014 upon disposal of financial assets previous revaluations through Other Comprehensive Expenditure will be reclassified from to Net Expenditure. Scottish Enterprise has adjusted comparative amounts for the prior period to include the reclassification adjustment. In prior years where the carrying value of a financial asset held at amortised cost has reduced due to potential non-recoverability, the reduction in carrying value has been reversed against interest receivable to the extent of any previously recognised amortisation. Thereafter any further reduction was included as an impairment against operating expenditure. Under IAS 39 Financial Instruments: Recognition and Measurement, an impairment loss is measured as the difference between the assets carrying value and the present value of estimated future cash flows. Consequently the comparative amounts are restated to include the reversal of previous amortisation as an impairment rather than a reversal of interest receivable. This adjustment results in an increase in Interest receivable which is offset in full by an increase in Operating expenditure therefore resulting in no net change to Total Comprehensive Net Expenditure. Details of prior period adjustments are given in Note 25.

The preparation of accounts in conformity with the FRoM 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 5)
- Land and property (Note 7)
- Financial assets (Note 10)
- Assets classified as held for sale (Note 13)

The Board and Accountable Officer have considered the Resource Budget for 2014/15, 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 2014/15 are given in the Management Commentary. Details of the liquidity position are given in Note 23.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

No Statement of Comprehensive Net Expenditure is presented for Scottish Enterprise as permitted by s408 of the Companies Act 2006 and with the approval of the Scottish Ministers.

(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, established by contractual agreements and requiring unanimous consent for strategic financial and operational decisions.

Investments in associates 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.

(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.

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 2012 (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.

STATEMENT OF ACCOUNTING POLICIES (continued)

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.

(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. 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.

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.

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.

When depreciation has been charged to the Statement of Comprehensive Net Expenditure based on a revalued amount an amount equivalent to the excess depreciation over that which would have been charged on the cost of the asset, is transferred from Revaluation Reserve to the General Reserve.

(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.

STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

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: loans and receivables, available for sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the Statement of Financial Position which are classified as non-current assets. Loans and receivables comprise trade and other receivables, investments in loan receivables and cash and cash equivalents.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. 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. Available for sale financial assets comprise investments in ordinary shares, investments in preference shares which are not classified as held-to-maturity and convertible and other loans for which there is no fixed or determinable repayment terms.

(c) *Held-to-maturity assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and maturities where Scottish Enterprise has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months after the date of each Statement of Financial Position, which are classified as current assets. Held-to-maturity financial assets comprise investments in mandatorily redeemable preference shares.

STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition and measurement

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.

(a) *Loans and receivables*

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that Scottish Enterprise will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are initially recognised and subsequently carried at fair value except in situations where fair value cannot be reliably measured.

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.

In the case of an investment in an early stage business, the inability to estimate future earnings or cashflows and the difficulty of estimating the probability and financial impact of success of its discovery or development activities can lead to the conclusion fair value cannot be reliably measured in the absence of a recent investment in the business. In these circumstances the investment is carried at cost less provision for impairment.

Increases in the fair value of financial assets classified as available for sale are recognised in the Revaluation Reserve. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in Revaluation Reserve are included in the Statement of Comprehensive Net Expenditure.

At the date of each Statement of Financial Position Scottish Enterprise assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the estimated fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current estimated fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Net Expenditure is recognised in the Statement of Comprehensive Net Expenditure.

(c) *Held-to-maturity assets*

Held-to-maturity assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in the same way as loans and receivables.

STATEMENT OF ACCOUNTING POLICIES (continued)

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.

8. Assets held by Local Enterprise Companies

Under the terms of the operating contract with the Local Enterprise Companies 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.

On 29 March 2012, the Local Enterprise Companies agreed to transfer their property interests and their interest in specified shares and loans to Scottish Enterprise for no consideration. During 2012/13 three Local Enterprise Companies transferred their remaining interest in shares and loans to Scottish Enterprise, also for no consideration.

A small number of financial assets are retained by one of the Local Enterprise Companies pending resolution of outstanding financial or legal matters and the net book value of these investments remains as a balance ultimately due to Scottish Enterprise on realisation.

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

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. 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.

15. 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 plans' obligations represents the increase in obligations arising from unwinding of the discount due to the passage of time.

Actuarial 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.

STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

16. 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 the 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.

17. 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.

18. Financial Liabilities

Classification

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.

19. 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)

20. 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.

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 obligations

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.

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 5.

(b) 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 market conditions existing at the date of each Statement of Financial Position.

(c) Held-to-maturity investments

The Group follows the IAS 39 *Financial Instruments: recognition and measurement* guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would then be measured at fair value not amortised cost.

(d) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset 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)

21. Accounting standards issued not yet adopted

There are a number of new accounting standards 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 and the anticipated impact on the consolidated accounts are as follows:

- IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IAS 27 – Separate Financial Statements
IAS 28 – Investments in Associated and Joint Ventures
These standards will be adopted in the FReM with effect from 2014/15. The adoption of these standards affects the consolidation and reporting of subsidiaries, associated and joint ventures. The impact on the consolidated accounts has not been determined.
- IFRS 13 – Fair Value Measurement
The standard will be adopted in the FReM with effect from 2014/15. The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the consolidated accounts has not been determined.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

	2014 £000	<i>Restated</i> 2013 £000
Operating Expenditure	<u>204,156</u>	<u>182,836</u>
Management Expenditure	<u>92,263</u>	<u>89,167</u>
Expenditure noted above includes:		
Rentals under operating leases		
Buildings	4,391	4,893
Other	54	120
Foreign exchange (gains) / losses	(4)	(5)
Depreciation	5,823	5,353
Amortisation of intangible assets	7	-
Auditors' remuneration		
- audit of these accounts (i)	<u>152</u>	<u>152</u>
Amounts paid to other auditors in respect of:		
- audit of subsidiary companies' accounts	48	65
- non-audit fees	<u>19</u>	<u>112</u>
	<u>67</u>	<u>177</u>

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

2. INCOME

	2014 £000	<i>Restated</i> 2013 £000
Income from Activities		
Property Services:		
Rents	8,717	7,753
Sundry property income	3,971	4,211
Surplus on disposal of property	226	370
Investment Management:		
Surplus on disposal of investments and equity accounted investees	<u>4,679</u>	<u>5,123</u>
	<u>17,593</u>	<u>17,457</u>
Other Income		
European Funding	11,147	14,072
Contributions and other fees	<u>17,496</u>	<u>19,970</u>
	<u>28,643</u>	<u>34,042</u>
Income from Investments		
Dividends and other investment income	<u>111</u>	<u>298</u>
Interest Receivable	<u>3,586</u>	<u>4,503</u>
Other Finance Income		
Net interest income on retirement benefit scheme assets	<u>1,100</u>	<u>3,040</u>

NOTES TO THE ACCOUNTS (continued)

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

	2014 £000	<i>Restated</i> 2013 £000
Operating Expenditure		
Supporting Globally Competitive Businesses		
Account Management & Specialist Advisory Services	16,535	18,263
Innovation and R&D Support	23,131	16,129
Enterprise Support Programme	4,556	5,761
Internationalisation	17,075	18,620
Commercialisation	8,041	8,387
Regional Selective Assistance and SMART Support	40,887	36,736
Supporting Globally Competitive Sectors		
Industry Sector Project Support	15,495	13,751
Globally Competitive Business Environment		
Business Infrastructure Projects	41,211	36,131
Equity Investment & Loans	21,546	13,438
Property Portfolio Operational Costs	8,800	8,125
Marketing, Research and Stakeholder Engagement		
Marketing & Research – Domestic	2,748	2,641
Marketing & Research – Overseas	4,131	4,854
Total Segmental Expenditure	<u>204,156</u>	<u>182,836</u>
Management Expenditure		
Management expenditure on staff costs	60,802	58,808
Premises, ICT, business services and other management costs	31,461	30,359
	<u>92,263</u>	<u>89,167</u>
Income	(46,236)	(51,499)
Net Operating Expenditure	<u>250,183</u>	<u>220,504</u>

4. PEOPLE COSTS AND NUMBERS

	2014 £	2013 £
(a) Non-executive board members		
Remuneration (i)	178,035	166,363
Pension and social security costs	26,582	26,358
	<u>204,617</u>	<u>192,721</u>
Chairman's remuneration	<u>38,721</u>	<u>38,721</u>

- (i) Remuneration paid to non-executive board members is detailed in the Remuneration Report.
- (ii) Scottish Enterprise's Chief Executive, Lena Wilson, is also a member of the board. Her 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 £154,000 (2013: £162,000) within the total retirement benefit liabilities at 31 March 2014, as assessed by Mercer Limited, Scottish Enterprise's advising actuaries.

NOTES TO THE ACCOUNTS (continued)

- (iv) 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.

Company	Board Member	Position	£	Description
Ateeda Limited	Crawford Gillies	Shareholder	127,013	Grant funding
Appshare Limited	Crawford Gillies	Shareholder	83,825	Loan
			27,580	Grant funding
Conjunct Limited	Crawford Gillies	Shareholder	121,500	Loan
			14,891	Grant funding
Ciqua Limited	Crawford Gillies	Shareholder	191,053	Loan
			48,924	Grant Funding
Calcivis Limited	Crawford Gillies	Shareholder	388,688	Equity Investment
			13,902	Grant funding
Design LED Products Limited	Crawford Gillies	Shareholder	61,866	Grant funding
Mitie Group plc	Crawford Gillies	Director	1,029,575	Cleaning, maintenance and FM services
Mled Limited	Crawford Gillies	Shareholder	172,864	Equity Investment
			52,993	Grant funding
Powerphotonic Limited	Crawford Gillies	Shareholder	208,811	Equity investment
			89,494	Grant funding
Pufferfish Limited	Crawford Gillies	Shareholder	3,175	Product support
Pyreos Limited	Crawford Gillies	Shareholder	300,000	Equity investment
			15,863	Grant funding
Standard Life plc	Crawford Gillies	Director	1,858,375	Office Rental and Insurance
Touch EMAS Limited	Crawford Gillies	Shareholder	250,000	Loan
Traak Systems Limited	Crawford Gillies	Shareholder	25,992	Equity investment
Vascular Flow Technologies Limited	Crawford Gillies	Shareholder	13,963	Grant funding
University of Strathclyde	Jim McDonald	Principal and Vice Chancellor	9,263,967	Grant funding
			76,244	Joint project costs and course fees
Offshore Renewable Energy Catapult	Jim McDonald	Non-executive director	129,140	Grant funding
Business & Enterprise Group	Russel Griggs	Director	99,081	Project support and conference delivery.
Institute of Occupational Medicine	Russel Griggs	Chairman	12,517	Grant funding
PureLiFi Limited	Russel Griggs	Director	697,327	Grant funding
Edinburgh Airport Limited	Linda Urquhart	Director	7,368	Grant funding
Morton Fraser LLP	Linda Urquhart	Chairman	49,812	Legal fees
The Royal Zoological Society of Edinburgh	Jeremy Peat	Chair of Trustees	85,917	Grant funding

NOTES TO THE ACCOUNTS (continued)

Company	Board Member	Position	£	Description
David Hume Institute	Jeremy Peat	Director	600	Subscription and sponsorship
Giltech Limited	Gillian Watson	Shareholder	200,000 18,614	Loan Grant funding
The Industry Technology Facilitator Limited	Melfort Campbell	Director	600	Conference attendance

- (v) Scottish Enterprise transacted with the following organisations in which a board member has a non-financial interest:

Organisation	Board Member	Position
Skills Development Scotland	Graeme Waddell	Non executive director
Glasgow Caledonian University	Graeme Waddell	Member, Business Advisory Board
Visit Scotland	Russel Griggs	Board Member
Dumfries & Galloway College	Russel Griggs	Chair
University of Strathclyde	Gillian Watson	Member, Commercialisation and Innovation Board
The Royal Edinburgh Military Tattoo Limited	Gillian Watson	Director
The Royal Edinburgh Military Tattoo Limited	Lena Wilson	Ambassador
Heriot Watt University	Iain McLaren	Member of Court
Glasgow Airport	John McGlynn	Ambassador
Oil & Gas UK	Melfort Campbell	Member, Contractors Council
Scottish Council for Development and Industry	Grahame Smith	Director
Confederation of British Industry	Linda Urquhart	Board member

(b) Staff costs comprise:

	<i>Permanent staff</i> £000	<i>Others</i> £000	<i>2014</i> £000	<i>Restated 2013</i> £000
Wages and salaries	47,907	-	47,907	46,278
Social security costs	4,074	-	4,074	3,865
Pension costs	10,695	-	10,695	10,721
Inward seconded and temporary staff costs	-	479	479	570
Travel and subsistence	2,526	-	2,526	2,391
Less: recoveries in respect of outward secondments	(1,079)	-	(1,079)	(726)
	64,123	479	64,602	63,099
Severance costs	267	-	267	561
Total staff costs	64,390	479	64,869	63,660

(c) Staff costs are included in the Statement of comprehensive net expenditure as follows:-

	<i>2014</i> £000	<i>Restated 2013</i> £000
Operating expenditure	5,146	5,578
Management expenditure on staff costs	60,802	58,808
Other Income	(1,079)	(726)
	64,869	63,660

NOTES TO THE ACCOUNTS (continued)**(d) Severance costs**

The number of staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2014 amounted to 2 (2013: 3), at a total cost of £257,099 (2013: £539,908). This comprises payments to individuals of £94,499 (2013: £284,108) for compensation for loss of office and pay in lieu of notice and payments to the Scottish Enterprise Pension & Life Assurance Scheme of £162,600 (2013: £255,800) which are based on actuarial calculations in relation to future pension benefits. In addition to the staff leaving under voluntary severance there were a further 3 (2013: 3) individuals who left a subsidiary company at a cost of £9,746 (2013: £21,202).

<i>Exit package cost band</i>	<i>Compulsory redundancies No.</i>	<i>Other departures agreed No.</i>	<i>Total 2014 No.</i>	<i>Total 2013 No.</i>
< £10,000	-	3	3	2
£10,000 - £25,000	-	-	-	1
£25,000 - £50,000	-	-	-	-
£50,000 - £75,000	-	1	1	-
£75,000 - £100,000	-	-	-	1
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	1	1	1
£200,000 - £250,000	-	-	-	-
£250,000 - £300,000	-	-	-	1
	-	5	5	6

The total cost of exit packages in the year to 31 March 2014 amounted to £266,845 (2013: £561,110).

(e) Average number of persons employed calculated on a full time equivalent basis

	<i>Permanent staff No.</i>	<i>Others No.</i>	<i>2014 No.</i>	<i>Restated 2013 No.</i>
Executive Leadership Team	8	-	8	8
Operations	1,002	-	1,002	968
Administration and support function	304	-	304	297
Inward Secondments and temporary staff	-	16	16	17
	1,314	16	1,330	1,290

Inward secondments have been restated to include those in overseas field offices.

5. 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 managed 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 2011 and the results of that valuation have been projected to 31 March 2014 by Mercer Limited, qualified independent actuaries. The next formal valuation will be carried out during 2014/15 based on data at 31 March 2014.

	<i>2014 £000</i>	<i>2013 £000</i>
Present value of funded defined benefit obligations	(484,150)	(522,919)
Fair value of plan assets	560,760	548,718
Recognised surplus in the scheme	76,610	25,799

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

	2014	<i>Restated</i> 2013
	£000	£000
At 1 April	(522,919)	(427,337)
Current service cost	(9,637)	(8,893)
Past service cost	(414)	(128)
Interest cost	(21,838)	(20,607)
Actuarial gains / (losses)	59,039	(77,823)
Benefits paid	13,998	14,121
Contributions by members	(2,379)	(2,252)
	<u>(484,150)</u>	<u>(522,919)</u>

Movements in the present value of defined benefit scheme assets

	2014	<i>Restated</i> 2013
	£000	£000
At 1 April	548,718	485,853
Expected return on plan assets	22,938	23,647
Actuarial (losses) / gains	(5,924)	45,830
Contributions by the employer	7,551	6,884
Contributions by members	2,379	2,252
Benefits paid by the plan	(13,998)	(14,121)
Administrative expenses	(904)	(1,627)
	<u>560,760</u>	<u>548,718</u>

The defined benefit obligation analysed by participant status

	2014	2013
	£000	£000
Active members	(157,902)	(175,179)
Vested deferred members	(130,551)	(138,017)
Retired members	(195,697)	(209,723)
	<u>(484,150)</u>	<u>(522,919)</u>

Expense recognised in the Statement of comprehensive net expenditure

	2014	<i>Restated</i> 2013
	£000	£000
Current service cost	9,637	8,893
Past service cost	414	128
Administrative expenses	904	1,627
Interest income on retirement benefit scheme assets	(22,938)	(23,647)
Interest on retirement benefit scheme obligations	21,838	20,607
Total retirement benefit scheme expense	<u>9,855</u>	<u>7,608</u>

NOTES TO THE ACCOUNTS (continued)

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

	<i>2014</i>	<i>Restated</i>
	<i>2013</i>	
	<i>£000</i>	<i>2013</i>
		<i>£000</i>
Management Expenditure	10,955	10,648
Other Finance Income	(1,100)	(3,040)
	<u>9,855</u>	<u>7,608</u>

The total gain amount recognised in the statement of other comprehensive income in respect of net actuarial gains and losses is £53,115,000 (2013: £31,993,000 (loss)).

Cumulative actuarial gains and losses recognised in the statement of other comprehensive income since 1 April 2002 are net gains of £16,036,000 (2012: £37,079,000 (losses))

The fair value and the expected rates of return on scheme assets at 31 March 2014, were as follows:

	<i>2014</i>	<i>Restated</i>
	<i>2013</i>	
	<i>£000</i>	<i>2013</i>
		<i>£000</i>
Equity instruments	143,069	271,639
Debt instruments	282,287	130,196
Diversified growth fund	103,967	97,724
Real estate	29,380	47,796
Cash or cash equivalents	2,057	1,363
Total fair value of assets	<u>560,760</u>	<u>548,718</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:-

	<i>2014</i>	<i>2013</i>
	<i>% per</i>	<i>% per</i>
	<i>annum</i>	<i>annum</i>
Discount rate	4.50%	4.20%
Future salary increases	2.40%	3.40%
Rate of increase in retirement benefits	2.40%	2.50%
Price inflation	2.40%	2.50%

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:-

	<i>2014</i>	<i>2013</i>
	<i>Years</i>	<i>Years</i>
Retiring today (age 65)	28.9	28.7
Retiring in 25 years	30.9	30.7

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	0.10	(9.6)	9.9
Inflation rate	0.10	10.0	(9.7)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £9.7m at 31 March 2014.

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 2015, Scottish Enterprise estimates that contributions of £8.1m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

6. TAXATION

	<i>2014 £000</i>	<i>Restated 2013 £000</i>
UK Corporation tax @ 23% (2013: 24%)	5	97
Corporation tax under/(over) provided in previous years	(238)	(6)
	<u>(233)</u>	<u>91</u>
Share of equity accounted investees' tax	-	-
Total current tax	<u>(233)</u>	<u>91</u>
Factors affecting current tax charge:		
	<i>2014 £000</i>	<i>Restated 2013 £000</i>
Net expenditure after interest	244,982	212,972
Current tax @ 23% (2013: 24%)	(56,346)	(51,113)
Effect of:		
Non-taxable income and disallowed expenditure	56,351	51,210
Capital allowances	-	-
Tax under/(over) provided in previous years	(238)	(6)
Current tax charge	<u>(233)</u>	<u>91</u>

NOTES TO THE ACCOUNTS (continued)**7. PROPERTY, PLANT AND EQUIPMENT****GROUP**

	<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 2013	104,689	76,447	5,849	160	20,058	4,154	3,368	5,215	219,940
Reclassification	-	11,555	(11,555)	-	(682)	682	-	-	-
Additions	3,842	166	5,706	-	817	810	263	2,118	13,722
Disposals	(170)	(125)	-	-	(6,657)	(14)	-	-	(6,966)
Transfer from to Held for Sale	(2,575)	(975)	-	-	-	-	-	-	(3,550)
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(7,627)	(5,715)	-	-	-	-	-	-	(13,342)
At 31 March 2014	<u>98,159</u>	<u>81,353</u>	<u>-</u>	<u>160</u>	<u>13,536</u>	<u>5,632</u>	<u>3,631</u>	<u>7,333</u>	<u>209,804</u>
Depreciation									
At 1 April 2013	-	-	-	114	18,211	4,095	2,916	1,190	26,526
Reclassification	-	-	-	-	(682)	682	-	-	-
Charge for year	-	3,887	-	22	958	54	336	566	5,823
Revaluation	-	(3,887)	-	-	-	-	-	-	(3,887)
Disposals	-	-	-	-	(6,657)	(14)	-	-	(6,671)
Written Off	-	-	-	-	-	-	-	-	-
At 31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>11,830</u>	<u>4,817</u>	<u>3,252</u>	<u>1,756</u>	<u>21,791</u>
Net book value									
At 31 March 2014	<u>98,159</u>	<u>81,353</u>	<u>-</u>	<u>24</u>	<u>1,706</u>	<u>815</u>	<u>379</u>	<u>5,577</u>	<u>188,013</u>
At 31 March 2013	<u>104,689</u>	<u>76,447</u>	<u>5,849</u>	<u>46</u>	<u>1,847</u>	<u>59</u>	<u>452</u>	<u>4,025</u>	<u>193,414</u>
Asset financing									
Owned	<u>98,159</u>	<u>81,353</u>	<u>-</u>	<u>24</u>	<u>1,706</u>	<u>815</u>	<u>379</u>	<u>5,577</u>	<u>188,013</u>
Net book value									
At 31 March 2014	<u>98,159</u>	<u>81,353</u>	<u>-</u>	<u>24</u>	<u>1,706</u>	<u>815</u>	<u>379</u>	<u>5,577</u>	<u>188,013</u>

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2013: £Nil).

Land & Buildings held for industrial and commercial use were valued at 31 March 2014 by GVA James Barr, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2012 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £180m (2013: £181m).

Within Buildings is a building that has been revalued by GVA James Barr, Chartered Surveyors on the basis of depreciated replacement cost representing the gross replacement cost discounted for consumption of assets to date. The building is depreciated over a period of 25 years.

At 31 March 2014 the net carrying value of leased equipment was £Nil (2013: £Nil).

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

	<i>Land</i> £000	<i>Buildings</i> £000	<i>Assets Under Construction</i> £000	<i>Transport Equipment</i> £000	<i>Plant and Equipment</i> £000	<i>Information Technology</i> £000	<i>Furniture & Fittings</i> £000	<i>Leasehold Improvement</i> £000	<i>Total</i> £000
Cost and valuation									
At 1 April 2012	104,726	83,742	295	167	20,230	4,151	3,259	613	217,183
Reclassification	-	(2,801)	-	-	-	-	-	2,801	-
Additions	6,745	692	5,554	30	1,781	21	128	1,801	16,752
Disposals	(650)	(1,210)	-	(37)	(1,953)	(18)	(19)	-	(3,887)
Transfer from/(to)									
Held for Sale	(725)	650	-	-	-	-	-	-	(75)
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(5,407)	(4,626)	-	-	-	-	-	-	(10,033)
At 31 March 2013	104,689	76,447	5,849	160	20,058	4,154	3,368	5,215	219,940
Depreciation									
At 1 April 2012	-	332	-	106	19,862	4,022	2,545	418	27,285
Reclassification	-	(280)	-	-	-	-	-	280	-
Charge for year	-	4,039	-	40	302	90	390	492	5,353
Revaluation	-	(3,831)	-	-	-	-	-	-	(3,831)
Disposals	-	(260)	-	(32)	(1,953)	(17)	(19)	-	(2,281)
Written Off	-	-	-	-	-	-	-	-	-
At 31 March 2013	-	-	-	114	18,211	4,095	2,916	1,190	26,526
Net book value									
At 31 March 2013	104,689	76,447	5,849	46	1,847	59	452	4,025	193,414
At 31 March 2012	104,726	83,410	295	61	368	129	714	195	189,898
Asset financing									
Owned	104,689	76,447	5,849	46	1,847	59	452	4,025	193,414
Net book value									
At 31 March 2013	104,689	76,447	5,849	46	1,847	59	452	4,025	193,414

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 2013	100,198	38,347	5,849	79	1,486	3,257	3,169	4,622	157,007
Additions	3,842	165	5,706	-	-	786	189	2,097	12,785
Disposals	(170)	(125)	-	-	-	-	-	-	(295)
Transfer from/(to)									
Held for Sale	(2,575)	(975)	-	-	-	-	-	-	(3,550)
Reclassification	-	11,555	(11,555)	-	(682)	682	-	-	-
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(7,627)	(2,839)	-	-	-	-	-	-	(10,466)
At 31 March 2014	93,668	46,128	-	79	804	4,725	3,358	6,719	155,481
Depreciation									
At 1 April 2013	-	-	-	63	1,486	3,218	2,742	747	8,256
Charge for year	-	1,132	-	11	-	40	296	533	2,012
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	(1,132)	-	-	-	-	-	-	(1,132)
Reclassification	-	-	-	-	(682)	682	-	-	-
Written off	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	-	-	74	804	3,940	3,038	1,280	9,136
Net book value									
At 31 March 2014	93,668	46,128	-	5	-	785	320	5,439	146,345
At 31 March 2013	100,198	38,347	5,849	16	-	39	427	3,875	148,751
Asset financing									
Owned	93,668	46,128	-	5	-	785	320	5,439	146,345
Net book value									
At 31 March 2014	93,668	46,128	-	5	-	785	320	5,439	146,345

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2013: £Nil).

Land & Buildings held for industrial and commercial use were valued at 31 March 2014 by GVA James Barr, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2012 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £140m (2013: £139m).

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 2012	100,235	42,752	295	100	1,486	3,257	3,053	44	151,222
Additions	6,745	663	5,554	-	-	-	116	1,777	14,855
Disposals	(650)	(1,210)	-	(21)	-	-	-	-	(1,881)
Transfer from/(to)									
Held for Sale	(725)	650	-	-	-	-	-	-	(75)
Reclassification	-	(2,801)	-	-	-	-	-	2,801	-
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(5,407)	(1,707)	-	-	-	-	-	-	(7,114)
At 31 March 2013	100,198	38,347	5,849	79	1,486	3,257	3,169	4,622	157,007
Depreciation									
At 1 April 2012	-	332	-	59	1,486	3,178	2,395	5	7,455
Charge for year	-	1,282	-	20	-	40	347	462	2,151
Disposals	-	(260)	-	(16)	-	-	-	-	(276)
Revaluation	-	(1,074)	-	-	-	-	-	-	(1,074)
Reclassification	-	(280)	-	-	-	-	-	280	-
Written off	-	-	-	-	-	-	-	-	-
At 31 March 2013	-	-	-	63	1,486	3,218	2,742	747	8,256
Net book value									
At 31 March 2013	100,198	38,347	5,849	16	-	39	427	3,875	148,751
At 31 March 2012	100,235	42,420	295	41	-	79	658	39	143,767
Asset financing									
Owned	100,198	38,347	5,849	16	-	39	427	3,875	148,751
Net book value									
At 31 March 2013	100,198	38,347	5,849	16	-	39	427	3,875	148,751

NOTES TO THE ACCOUNTS (continued)**8. INTANGIBLE ASSETS**

Intangible assets comprise patents & other intellectual property rights and software licences.

GROUP

	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>Total £000</i>
Cost			
At 1 April 2012	925	855	1,780
Additions	-	-	-
As at 31 March 2013	<u>925</u>	<u>855</u>	<u>1,780</u>
At 1 April 2013	925	855	1,780
Additions	-	21	21
As at 31 March 2014	<u>925</u>	<u>876</u>	<u>1,801</u>
Amortisation			
At 1 April 2012	925	855	1,780
Charge for year	-	-	-
As at 31 March 2013	<u>925</u>	<u>855</u>	<u>1,780</u>
At 1 April 2013	925	855	1,780
Charge for year	-	7	7
As at 31 March 2014	<u>925</u>	<u>862</u>	<u>1,787</u>
Net book value at 31 March 2014	<u>-</u>	<u>14</u>	<u>14</u>
Net book value at 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 1 April 2012	<u>-</u>	<u>-</u>	<u>-</u>

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	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>Total £000</i>
Cost			
At 1 April 2012	633	846	1,479
Additions	-	-	-
As at 31 March 2013	<u>633</u>	<u>846</u>	<u>1,479</u>
At 1 April 2013	633	846	1,479
Additions	-	21	21
As at 31 March 2014	<u>633</u>	<u>867</u>	<u>1,500</u>
Amortisation			
At 1 April 2012	633	846	1,479
Charge for year	-	-	-
As at 31 March 2013	<u>633</u>	<u>846</u>	<u>1,479</u>
At 1 April 2013	633	846	1,479
Charge for year	-	7	7
As at 31 March 2014	<u>633</u>	<u>853</u>	<u>1,486</u>
Net book value at 31 March 2014	<u>-</u>	<u>14</u>	<u>14</u>
Net book value at 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 1 April 2012	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)

9. 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	31 December	Property development	33.33
The Kelvin Institute (dissolved) (i)	30 June	Commercialisation of research	28.70
Ravenscraig Limited	31 December	Property development	33.33
AMCET Limited	31 July	Promoting technology commercialisation	26.00
SESMOS Limited	31 March	Commercialisation of technology	50.00
Limited by guarantee	Accounting period end	Nature of Business	% of Membership
Design Dundee Limited	31 March	Advancement of cultural facility	20.00
Scottish Health Innovations Limited (ii)	31 March	Commercialisation of intellectual assets	50.00
Headstart Capital Fund	31 March	Investment Fund	50.00
7 Stanes Mountain Biking Community Interest Company	31 March	Promotion of tourist activity	50.00
Limited Partnership	Accounting period end	Nature of Business	% Interest
Aberdeen Science Parks LP	31 October	Property management and development	80.00
Joint arrangement		Nature of Business	% Interest
Scottish Enterprise / Calachem Limited		Property development	60.00

- (i) The liquidation of The Kelvin Institute was completed and the company was dissolved on 23 August 2013.
- (ii) Scottish Enterprise's interest in Scottish Health Innovations Limited was transferred to NHS Scotland under Machinery of Government regulations on 10 December 2013.

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

	<i>Current Assets</i>	<i>Non current assets</i>	<i>Total Assets</i>	<i>Current Liabilities</i>	<i>Non Current Liabilities</i>	<i>Total Liabilities</i>	<i>Revenue</i>	<i>Expenses</i>	<i>Profit / (Loss)</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>
Restated									
At 1 April 2012	52,318	4,309	56,627	(5,711)	(51,251)	(56,962)	1,142	(2,624)	(1,482)
Restated									
At 31 March 2013	51,781	6,551	58,332	(6,219)	(53,033)	(59,252)	2,996	(4,877)	(1,881)
At 31 March 2014	52,785	8,136	60,921	(5,302)	(52,760)	(58,062)	4,933	(5,416)	(483)

Movements in carrying amount of investment in equity accounted investees:

	<i>£000</i>
Restated Carrying amount at 1 April 2012	7,670
Acquisition	1,426
Share of net losses	(309)
Share of deficit on revaluation	(41)
Restated Carrying amount at 31 March 2013	<u>8,746</u>
Restated Carrying amount at 1 April 2013	8,746
Acquisition	2,629
Impairment	(875)
Share of net profits	404
Share of surplus on revaluation	862
Carrying amount at 31 March 2014	<u>11,766</u>

Scottish Enterprise resigned from Scottish Health Innovations Limited on 10 December 2013 and the interest was transferred to NHS Scotland. The transfer was approved under the Machinery of Government regulations and as a consequence the carrying value of the financial asset in the Group Statement of Financial Position of £46,000 at 1 April 2012 has been eliminated from the comparative figures in these financial statements.

NOTES TO THE ACCOUNTS (continued)**10. FINANCIAL ASSETS – OTHER INVESTMENTS**

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-Current Other Investments						
Available for sale financial assets	128,918	129,635	107,633	141,422	139,872	116,055
Held to Maturity Investments	2,188	2,247	3,565	2,188	2,247	3,565
Loans and other receivables	22,219	19,837	23,289	21,670	19,643	23,048
	<u>153,325</u>	<u>151,719</u>	<u>134,487</u>	<u>165,280</u>	<u>161,762</u>	<u>142,668</u>
Current Other Investments						
Held to Maturity Investments	-	184	330	-	184	330
Loans and other receivables	6,663	7,371	4,458	6,411	7,119	3,886
	<u>6,663</u>	<u>7,555</u>	<u>4,788</u>	<u>6,411</u>	<u>7,303</u>	<u>4,216</u>
Total Other Investments	<u>159,988</u>	<u>159,274</u>	<u>139,275</u>	<u>171,691</u>	<u>169,065</u>	<u>146,884</u>

The above financial assets have been funded as follows:

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Grant in Aid	159,967	159,061	138,404	171,670	168,852	146,013
Voted Loans	19	211	234	19	211	234
Public Dividend Capital	2	2	637	2	2	637
	<u>159,988</u>	<u>159,274</u>	<u>139,275</u>	<u>171,691</u>	<u>169,065</u>	<u>146,884</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 (2013: £378,726).

Listed Investments

Stock Exchange investments included in the above at 31 March 2014 are valued £3,389,130 (2013: £4,304,574) which includes unrealised surpluses on valuation of £698,098 (2013: £956,594). Income from listed investments in the year to 31 March 2014 was £54,740 (2013: £85,824).

The schedule of main invested companies is given in Note 26.

NOTES TO THE ACCOUNTS (continued)

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
Co-operative Development Scotland Limited	Assisting new and emerging co-operative businesses	100
Glasgow Science Centre Limited (i)	Visitor attraction operator	100
Glasgow Science Centre (Trading) Limited (i)	Commercial operations management	100
Katalyst Projects (2005) Limited	Property development	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
Enterprise Services Scotland Limited	Dormant	100
GDA Investments Limited	Dormant	100
Scottish Investment Bank Limited	Dormant	100
Scottish Development Finance Limited	Dormant	100
Scottish Development Overseas 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
Investors in People Scotland	Training & skills accreditation	50(S)
Scottish Intellectual Asset Management Limited	Commercialisation of intellectual assets	50(S)
Scottish Stem Cell Network Limited (ii)	Promotion and development of stem cell science in Scotland	100
SEBSED Limited	Loan fund	100
SET Development Fund Limited	Local economic development	100
Euroinfocentre Limited	Dormant	100
The Loch Lomond Trust	Dormant	100
Traction Test Facility Limited (in liquidation)	Dormant	100

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.
- (ii) Scottish Stem Cell Network Limited ceased trading on 31 January 2013.

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
 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)

NOTES TO THE ACCOUNTS (continued)**11. REVALUATIONS TO FAIR VALUE AND IMPAIRMENTS**

Revaluations to fair value and impairment charges for year comprise:-

GROUP

	<i>Statement of comprehensive net expenditure</i>	<i>Revaluation reserve</i>	<i>Total</i>	<i>Restated Total</i>
	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revaluations to fair value				
Property, plant and equipment	-	153	153	433
Equity accounted investees	-	862	862	(41)
Financial assets	11	(2,026)	(2,015)	3,804
	<u>11</u>	<u>(1,011)</u>	<u>(1,000)</u>	<u>4,196</u>
Impairments				
Property plant and equipment	4,696	4,961	9,657	6,634
Assets classified as held for sale	700	-	700	150
Equity accounted investees	875	-	875	-
Financial assets	18,902	-	18,902	11,152
	<u>25,173</u>	<u>4,961</u>	<u>30,134</u>	<u>17,936</u>

SCOTTISH ENTERPRISE

	<i>Statement of comprehensive net expenditure</i>	<i>Revaluation reserve</i>	<i>Total</i>	<i>Restated Total</i>
	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revaluations to fair value				
Property, plant and equipment	-	153	153	433
Financial assets	11	(1,924)	(1,913)	3,805
	<u>11</u>	<u>(1,771)</u>	<u>(1,760)</u>	<u>4,238</u>
Impairments				
Property plant and equipment	4,999	4,486	9,485	6,473
Assets classified as held for sale	700	-	700	150
Financial assets	20,349	-	20,349	10,861
	<u>26,048</u>	<u>4,486</u>	<u>30,534</u>	<u>17,484</u>

NOTES TO THE ACCOUNTS (continued)**12. OTHER NON-CURRENT RECEIVABLES**

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Assets and investments held by Local Enterprise Companies	-	-	-	9,182	9,259	10,341
Subsidiary undertakings	-	-	-	6,152	6,152	6,152
Other receivables	2,776	3,315	3,586	2,701	3,315	3,492
	<u>2,776</u>	<u>3,315</u>	<u>3,586</u>	<u>18,035</u>	<u>18,726</u>	<u>19,985</u>

Assets and investments held by Local Enterprise Companies

Under the terms of the operating contract with the Local Enterprise Companies 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.

The sums due from these assets are attributable to the following:

	2014	2013	Scottish Enterprise
	£000	£000	2012
			£000
Land	6,093	6,738	7,300
Investments	3,089	2,521	3,041
	<u>9,182</u>	<u>9,259</u>	<u>10,341</u>

Scottish Enterprise holds a floating charge over the assets of each Local Enterprise Company.

On 29 March 2012, the Local Enterprise Companies agreed to transfer their property interests and their interest in specified shares and loans to Scottish Enterprise for no consideration. During 2012/13 three Local Enterprise Companies transferred their remaining interest in shares and loans to Scottish Enterprise, also for no consideration. A small number of financial assets are retained by one of the Local Enterprise Companies pending resolution of outstanding financial or legal matters and the net book value of these investments remains as a balance ultimately due to Scottish Enterprise on realisation.

The balance noted above in respect of land represents the balance of the initial capital funding provided to the Glasgow Science Centre which is amortised over the remaining economic life of the property.

NOTES TO THE ACCOUNTS (continued)

13. ASSETS CLASSIFIED AS HELD FOR SALE

GROUP AND SCOTTISH ENTERPRISE

	<i>Property, plant and equipment</i> £000	<i>Total</i> £000
At 1 April 2012	4,305	4,305
Transfers to assets held for sale	75	75
Impairment recognised on re-measurement	(150)	(150)
Disposals of non-current assets held for sale	(1,880)	(1,880)
As at 31 March 2013	<u>2,350</u>	<u>2,350</u>
At 1 April 2013	2,350	2,350
Transfers to assets held for sale	3,550	3,550
Impairment recognised on re-measurement	(700)	(700)
Disposals of non-current assets held for sale	(150)	(150)
As at 31 March 2014	<u>5,050</u>	<u>5,050</u>

Land and buildings deemed to be available for sale and where the sale is anticipated to complete within one year are included as current assets. Despite difficult market conditions the assets are being actively marketed with a view to completion of the sales in the coming year.

The gross value of assets no longer classified for sale and reclassified as land and buildings (Note 7), at 31 March 2014 is £100,000 (2013: £1,510,000). These assets are no longer held for sale due to a combination of current economic conditions and changing strategic priorities.

14. INVENTORIES

	<i>2014</i> £000	<i>2013</i> £000	<i>Group</i> <i>2012</i> £000	<i>2014</i> £000	<i>2013</i> £000	<i>Scottish</i> <i>Enterprise</i> <i>2012</i> £000
Finished Goods	86	115	101	-	-	-

NOTES TO THE ACCOUNTS (continued)**15. TRADE AND OTHER RECEIVABLES**

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Local Enterprise Companies	-	-	-	-	-	180
Other Subsidiary undertakings	-	-	-	41	7	4
Other receivables	10,684	13,751	13,745	9,256	12,687	12,719
Prepayments	2,766	2,581	2,295	2,498	2,502	2,243
Accrued income	9,314	8,467	6,141	8,498	7,462	4,966
	<u>22,764</u>	<u>24,799</u>	<u>22,181</u>	<u>20,293</u>	<u>22,658</u>	<u>20,112</u>

(i) Provisions for impairments

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

GROUP

	At	Utilised during	Movements in	At
	1 April 2012	year	Provisions	31 March 2013
	£000	£000	£000	£000
Other receivables	<u>3,195</u>	<u>(650)</u>	<u>576</u>	<u>3,121</u>

	At	Utilised during	Movements in	At
	1 April 2013	year	Provisions	31 March 2014
	£000	£000	£000	£000
Other receivables	<u>3,121</u>	<u>(132)</u>	<u>600</u>	<u>3,589</u>

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	At	Utilised during	Movements in	At
	1 April 2012	year	Provisions	31 March 2013
	£000	£000	£000	£000
Other receivables	<u>3,193</u>	<u>(648)</u>	<u>573</u>	<u>3,118</u>

	At	Utilised during	Movements in	At
	1 April 2013	year	Provisions	31 March 2014
	£000	£000	£000	£000
Other receivables	<u>3,118</u>	<u>(132)</u>	<u>574</u>	<u>3,560</u>

(ii) Public Sector balances

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

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Central Government	4,043	2,177	3,484	3,707	2,152	3,172
Local Authorities	205	184	198	177	159	186
	<u>4,248</u>	<u>2,361</u>	<u>3,682</u>	<u>3,884</u>	<u>2,311</u>	<u>3,358</u>

NOTES TO THE ACCOUNTS (continued)**16. CASH AND CASH EQUIVALENTS**

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Balance at 1 April	92,119	92,506	101,970	84,481	84,867	88,424
Net change in cash and cash equivalent balances	17,638	(387)	(9,464)	17,469	(386)	(3,557)
	<u>109,757</u>	<u>92,119</u>	<u>92,506</u>	<u>101,950</u>	<u>84,481</u>	<u>84,867</u>

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Scottish Enterprise	42,693	28,778	24,301	42,693	28,778	24,301
Investment Funds	59,257	55,703	60,566	59,257	55,703	60,566
Local Enterprise Companies	-	-	182	-	-	-
Other subsidiary undertakings	7,807	7,638	7,457	-	-	-
	<u>109,757</u>	<u>92,119</u>	<u>92,506</u>	<u>101,950</u>	<u>84,481</u>	<u>84,867</u>

The balances at 31 March were held at:

Commercial banks and cash in hand	<u>109,757</u>	<u>92,119</u>	<u>92,506</u>	<u>101,950</u>	<u>84,481</u>	<u>84,867</u>
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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.

17. TRADE AND OTHER PAYABLES**Amounts falling due within one year**

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Other taxation and social security	1,173	1,244	1,181	1,033	957	1,137
Other subsidiary undertakings	-	-	-	2,355	2,119	1,261
Trade payables	14,593	10,238	15,770	14,222	9,778	15,346
Other payables	1,614	295	266	1,569	237	215
Accrued charges	29,023	21,833	12,817	28,196	20,556	11,634
Prepaid revenue	5,223	3,237	3,487	3,851	2,194	2,098
EU Funding for Investment Funds	5,465	6,376	6,034	5,465	6,376	6,034
Treasury appropriations	-	413	34	-	413	34
	<u>57,091</u>	<u>43,636</u>	<u>39,589</u>	<u>56,691</u>	<u>42,630</u>	<u>37,759</u>

NOTES TO THE ACCOUNTS (continued)**Amounts falling due after more than one year**

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Other payables and accrued charges	1,145	1,601	1,601	1,145	1,601	1,601
Deferred income	2,960	1,388	1,464	2,960	1,388	1,464
EU Funding for Investment Funds	905	-	1,901	905	-	1,901
	<u>5,010</u>	<u>2,989</u>	<u>4,966</u>	<u>5,010</u>	<u>2,989</u>	<u>4,966</u>

(i) Public Sector balances

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

	2014	2013	Group	2014	2013	Scottish Enterprise
	£000	£000	2012	£000	£000	2012
			£000			£000
Central Government	3,746	3,661	4,611	3,446	3,199	4,377
Local Authorities	1,470	1,534	2,850	1,449	1,534	2,850
	<u>5,216</u>	<u>5,195</u>	<u>7,461</u>	<u>4,895</u>	<u>4,733</u>	<u>7,227</u>

18. PROVISIONS**GROUP AND SCOTTISH ENTERPRISE**

	Business Infrastructure Costs(i)	Support costs for leavers (ii)	Total
		£000	£000
Balance at 1 April 2012	-	43	43
Provided in the year	-	7	7
Provisions not required written back	-	(38)	(38)
Provisions utilised in the year	-	(5)	(5)
Balance at 1 April 2013	-	<u>7</u>	<u>7</u>
Provided in the year	450	-	450
Provisions not required written back	-	(5)	(5)
Provisions utilised in the year	-	-	-
Balance at 31 March 2014	<u>450</u>	<u>2</u>	<u>452</u>

- (i) A provision is recognised for a contribution towards the costs of road infrastructure incurred by Dumfries & Galloway Council which will be met from the sale proceeds of adjacent land owned by Scottish Enterprise or on the 7th anniversary of completion of the works if any balance remains outstanding at that time.
- (ii) A provision is recognised for the cost of support services which may be called upon by those staff who have left under the voluntary severance scheme operated by Scottish Enterprise.

NOTES TO THE ACCOUNTS (continued)**19. CAPITAL COMMITMENTS****GROUP AND SCOTTISH ENTERPRISE**

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

	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
Financial Assets	<u>49,484</u>	<u>52,182</u>

Scottish Enterprise has an agreement to invest £55,000,000 in the Scottish Loan Fund LP. The capital commitment at 31 March 2014 includes the balance of funds still to be invested.

During the year Scottish Enterprise entered into an agreement to invest £5,000,000 in Epidarex Capital II, LP (formerly Rock Spring Ventures EU, LP). The capital commitment at 31 March 2014 includes the balance of funds still to be invested.

20. CONTINGENT LIABILITIES**GROUP AND SCOTTISH ENTERPRISE**

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

	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
Contingent liabilities arising from legal actions	-	-
Other contingent liabilities (i) (ii) (iii)	<u>287</u>	<u>137</u>

- (i) Since 31 March 2010, Scottish Enterprise has provided a guarantee of up to £135,000 (2013: £135,000) to Social Investment Scotland in respect of a loan provided to Glencraft (Aberdeen) Limited. This guarantee remains in place and will continue until 31 March 2015.
- (ii) The carrying value of the remaining investments funded by Public Dividend Capital is £2,000. Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 10).
- (iii) Scottish Enterprise is in dispute with a contractor over a claim for additional contract costs, a contingent liability for £150,000 has been made pending completion of negotiations to reach a settlement.

NOTES TO THE ACCOUNTS (continued)**21. COMMITMENTS****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.

	2014	Restated 2013	Group Restated 2012	2014	Restated 2013	Scottish Enterprise Restated 2012
	£000	£000	£000	£000	£000	£000
Obligations under operating leases comprise:						
Land and buildings:						
within one year	5,656	5,826	6,528	4,659	5,130	5,580
after one year but not more than five years	13,639	17,236	19,849	11,247	15,066	17,560
After more than five years	11,012	13,099	14,778	11,012	13,099	14,752
	<u>30,307</u>	<u>36,161</u>	<u>41,155</u>	<u>26,918</u>	<u>33,295</u>	<u>37,892</u>
Other:						
within one year	71	22	24	56	-	-
after one year but not more than five years	201	23	19	195	-	-
After more than five years	-	-	-	-	-	-
	<u>272</u>	<u>45</u>	<u>43</u>	<u>251</u>	<u>-</u>	<u>-</u>

Prior year figures have been restated to include commitments under non-cancellable ground leases and an arrangement for the part occupation of office accommodation.

FINANCIAL COMMITMENTS

The Group and Scottish Enterprise has no financial commitments.

22. SUMMARY OF LOSSES AND AMOUNTS WRITTEN OFF

	No. of cases	£000
Claims abandoned or waived	<u>75</u>	<u>13,103</u>

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 2014, balances in excess of £250,000 written off were as follows:-

			2014 £000
Amoebics Limited	Ordinary Shares	Company Dissolved	272
Axeon Limited	Ordinary Shares	Company Dissolved	815
B1 Medical Limited	Ordinary Shares	Company Dissolved	1,027
Denfotex Technologies Limited	Ordinary & Pref Shares	Company Dissolved	307
Enigmatec Corporation Limited	Ordinary Shares	Company Dissolved	2,000
Immunosolv Limited	Ordinary Shares & Loans	Company Dissolved	261
MMIC Solutions Limited	Ordinary Shares	Company Dissolved	1,036
Mobile Sports Limited	Ordinary Shares	Company Dissolved	511
NX Vision Limited	Ordinary Shares & Loans	Company Dissolved	713
PWB Health Limited	Ordinary Shares	Company Dissolved	1,147
Shaw Water Engineering Limited	Ordinary Shares & Loans	Company Dissolved	265
Talent Nation plc	Ordinary Shares	Company Dissolved	1,000
VL Realisations Limited	Ordinary Shares	Company Dissolved	420
Deep Life Limited	RSA Grant	Company in Liquidation	338
Anderson Precision Gearing Limited	RSA Grant	Company in Liquidation	825

NOTES TO THE ACCOUNTS (continued)

23. 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 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. Scottish Enterprise has no debt or borrowing facility with any external party,

Liquidity is managed by the use of 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

	2014	2014	2014	2014
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	46,375	46,375	45,230	1,145
	<u>46,375</u>	<u>46,375</u>	<u>45,230</u>	<u>1,145</u>

SCOTTISH ENTERPRISE

	2014	2014	2014	2014
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	45,132	45,132	43,987	1,145
	<u>45,132</u>	<u>45,132</u>	<u>43,987</u>	<u>1,145</u>

GROUP

	2013	2013	2013	2013
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	33,967	33,967	32,366	1,601
	<u>33,967</u>	<u>33,967</u>	<u>32,366</u>	<u>1,601</u>

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

	2013	2013	2013	2013
	<i>Carrying Amount</i>	<i>Contractual Cashflows</i>	<i>Within one year</i>	<i>After more than one year</i>
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	32,172	32,172	30,571	1,601
	<u>32,172</u>	<u>32,172</u>	<u>30,571</u>	<u>1,601</u>

GROUP

	2012	2012	2012	2012
	<i>Carrying Amount</i>	<i>Contractual Cashflows</i>	<i>Within one year</i>	<i>After more than one year</i>
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	30,454	30,454	28,853	1,601
	<u>30,454</u>	<u>30,454</u>	<u>28,853</u>	<u>1,601</u>

SCOTTISH ENTERPRISE

	2012	2012	2012	2012
	<i>Carrying Amount</i>	<i>Contractual Cashflows</i>	<i>Within one year</i>	<i>After more than one year</i>
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	28,830	28,830	27,229	1,601
	<u>28,830</u>	<u>28,830</u>	<u>27,229</u>	<u>1,601</u>

The Group and Scottish Enterprise have no outstanding borrowings at 31 March 2014 (2012, 2013: £nil).

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 available for sale to their fair value and provides, where appropriate, for impairment of assets held to maturity, loans and other materials.

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.

NOTES TO THE ACCOUNTS (continued)

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:-

GROUP	<i>2014 Carrying Amount £000</i>	<i>2013 Carrying Amount £000</i>	<i>2012 Carrying Amount £000</i>
Financial assets – other investments			
Assets available for sale	128,918	129,635	107,633
Held to maturity assets	2,188	2,431	3,895
Loans and other receivables	28,882	27,208	27,747
Financial assets			
Trade and other receivables	22,774	25,533	23,472
Cash and cash equivalents	109,757	92,119	92,506
	292,519	276,926	255,253

SCOTTISH ENTERPRISE	<i>2014 Carrying Amount £000</i>	<i>2013 Carrying Amount £000</i>	<i>2012 Carrying Amount £000</i>
Financial assets – other investments			
Assets available for sale	141,422	139,872	116,055
Held to maturity assets	2,188	2,431	3,895
Loans and other receivables	28,081	26,762	26,934
Financial assets			
Trade and other receivables	20,455	23,464	21,177
Cash and cash equivalents	101,950	84,481	84,867
	294,096	277,010	252,928

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

GROUP	<i>2014</i>		<i>2013</i>		<i>2012</i>	
	<i>Gross £000</i>	<i>Impairment £000</i>	<i>Gross £000</i>	<i>Impairment £000</i>	<i>Gross £000</i>	<i>Impairment £000</i>
Not past due	15,609	(74)	16,545	-	14,621	-
Past due 0 to 30 days	2,269	-	1,572	-	2,319	-
Past due 31 to 120 days	3,661	-	5,852	-	1,182	-
Past due more than 120 days	4,824	(3,515)	4,685	(3,121)	8,545	(3,195)
	26,363	(3,589)	28,654	(3,121)	26,667	(3,195)

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

	2014	2014	2013	2013	2012	2012
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000	£000	£000
Not past due	13,290	(74)	14,476	-	12,326	-
Past due 0 to 30 days	2,269	-	1,572	-	2,319	-
Past due 31 to 120 days	3,661	-	5,852	-	1,181	-
Past due more than 120 days	4,795	(3,486)	4,682	(3,118)	8,544	(3,193)
	<u>24,015</u>	<u>(3,560)</u>	<u>26,582</u>	<u>(3,118)</u>	<u>24,370</u>	<u>(3,193)</u>

Movements in impairment of trade and other receivables is shown in Note 15. 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:-

	2014	2013	2012
	Carrying	Carrying	Carrying
	Amount	Amount	Amount
	£000	£000	£000
GROUP			
Fixed rate instruments			
Financial assets	50,629	50,472	40,709
Financial liabilities	-	-	-
	<u>50,629</u>	<u>50,472</u>	<u>40,709</u>
Variable rate instruments			
Cash and cash equivalents	109,757	92,119	92,506
	<u>109,757</u>	<u>92,119</u>	<u>92,506</u>
SCOTTISH ENTERPRISE			
Fixed rate instruments			
Financial assets	50,216	49,846	39,950
	<u>50,216</u>	<u>49,846</u>	<u>39,950</u>
Variable rate instruments			
Cash and cash equivalents	101,950	84,481	84,867
	<u>101,950</u>	<u>84,481</u>	<u>84,867</u>

NOTES TO THE ACCOUNTS (continued)

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:

	<i>Group</i> 100 basis points change £000	<i>Scottish</i> <i>Enterprise</i> 100 basis points change £000
Cash and cash equivalents		
31 March 2012	972	866
31 March 2013	923	847
31 March 2014	1,009	932

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>2014</i> <i>Carrying</i> <i>Amount</i> £000	<i>2014</i> <i>Fair</i> <i>Value</i> £000	<i>2013</i> <i>Carrying</i> <i>Amount</i> £000	<i>2013</i> <i>Fair</i> <i>Value</i> £000	<i>2012</i> <i>Carrying</i> <i>Amount</i> £000	<i>2012</i> <i>Fair</i> <i>Value</i> £000
Financial assets available for sale (i)	128,918	128,918	129,635	129,635	107,633	107,633
Financial assets held to maturity	2,188	2,188	2,431	2,431	3,895	3,895
Loans and other receivables	28,882	28,882	27,208	27,208	27,747	27,747
Trade and other receivables	22,774	22,774	25,533	25,533	23,472	23,472
Cash and cash equivalents	109,757	109,757	92,119	92,119	92,506	92,506
Trade and other payables	(46,375)	(46,375)	(33,967)	(33,967)	(30,454)	(30,454)
	<u>246,144</u>	<u>246,144</u>	<u>242,959</u>	<u>242,959</u>	<u>224,799</u>	<u>224,799</u>

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE	<i>2014 Carrying Amount £000</i>	<i>2014 Fair Value £000</i>	<i>2013 Carrying Amount £000</i>	<i>2013 Fair Value £000</i>	<i>2012 Carrying Amount £000</i>	<i>2012 Fair Value £000</i>
Financial assets available for sale (i)	141,422	141,422	139,872	139,872	116,055	116,055
Financial assets held to maturity	2,188	2,188	2,431	2,431	3,895	3,895
Loans and other receivables	28,081	28,081	26,762	26,762	26,934	26,934
Trade and other receivables	20,455	20,455	23,464	23,464	21,177	21,177
Cash and cash equivalents	101,950	101,950	84,481	84,481	84,867	84,867
Trade and other payables	(45,132)	(45,132)	(32,172)	(32,172)	(28,830)	(28,830)
	<u>248,964</u>	<u>248,964</u>	<u>244,838</u>	<u>244,838</u>	<u>224,098</u>	<u>224,098</u>

(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

Group and Scottish Enterprise financial assets and liabilities 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).

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 £3,389,130 (2013: £4,304,574) at 31 March.

Estimation of fair values

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

Financial assets available for sale	The fair value is based on market value, where this exists, or the last known purchase price
Assets held to maturity	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Loans and other receivables	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

NOTES TO THE ACCOUNTS (continued)

24. 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 a number of material transactions with other Government Departments, central and local government bodies and other non-departmental bodies.

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

Aberdeen City Council	Aberdeenshire Council	Angus Council
Audit Scotland	Dumfries & Galloway Council	Dundee City Council
East Ayrshire Council	Edinburgh City Council	Fife Council
Foreign & Commonwealth Office	Glasgow City Council	Highlands and Islands Enterprise
North Lanarkshire Council	Renfrewshire Council	Skills Development Scotland Limited
South Ayrshire Council	Stirling Council	Visit Scotland

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 5. 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.

25. PRIOR PERIOD ADJUSTMENT

This note explains how any changes in Accounting Policies have affected the reported financial position, financial performance and cash flows of the Group and Scottish Enterprise.

The nature of each adjustment is explained at the end of this note.

GROUP

	<i>Audited Accounts</i> £000	<i>Transfer of Financial Asset under Machinery of Government</i> £000	<i>IAS 19 (Revised) Pension Adjustment</i> £000	<i>Reclassification from Other Comprehensive Expenditure</i> £000	<i>Reallocation of Impairment Adjustment</i> £000	<i>Restated Balance</i> £000
2012/13 Group Statement of Comprehensive Net Expenditure						
Operating Expenditure	181,673	-	-	-	1,163	182,836
Staff costs	56,553	-	2,255	-	-	58,808
Income from activities	(12,952)	-	-	(4,505)	-	(17,457)
Share of losses in equity accounted investees	324	(15)	-	-	-	309
Interest receivable	(3,340)	-	-	-	(1,163)	(4,503)
Other finance income	(6,698)	-	3,658	-	-	(3,040)
Net Expenditure	212,049	(15)	5,913	(4,505)	-	213,442
Actuarial losses in retirement benefit scheme	37,906	-	(5,913)	-	-	31,993
Reclassification to net expenditure	-	-	-	4,505	-	4,505
Total Comprehensive Net Expenditure	245,685	(15)	-	-	-	245,670
Group Statement of Financial Position at 31 March 2012						
Financial assets – Investments in equity accounted investees	7,716	(46)	-	-	-	7,670
General Reserve	390,810	(46)	-	-	-	390,764
Group Statement of Financial Position at 31 March 2013						
Financial assets – Investments in equity accounted investees	8,777	(31)	-	-	-	8,746
General Reserve	381,564	(31)	-	-	-	381,533

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

	<i>Audited</i> <i>Accounts</i> <i>£000</i>	<i>IAS 19</i> <i>(Revised)</i> <i>Pension</i> <i>Adjustment</i> <i>£000</i>	<i>Reclassification</i> <i>from Other</i> <i>Comprehensive</i> <i>Expenditure</i> <i>£000</i>	<i>Reallocation of</i> <i>Impairment</i> <i>Adjustment</i> <i>£000</i>	<i>Restated</i> <i>Balance</i> <i>£000</i>
2012/13 Statement of Comprehensive Net Expenditure					
Operating Expenditure	174,088	-	-	1,163	175,251
Staff costs	53,897	2,255	-	-	56,152
Income from activities	(11,911)	-	(4,232)	-	(16,143)
Interest receivable	(3,293)	-	-	(1,163)	(4,456)
Other finance income	(6,698)	3,658	-	-	(3,040)
Net Expenditure	211,851	5,913	(4,232)	-	213,532
Actuarial losses in retirement benefit scheme	37,906	(5,913)	-	-	31,993
Reclassification to net expenditure	-	-	4,232	-	4,505
Total Comprehensive Net Expenditure	244,855	-	-	-	244,855

The adjustments are explained below:

Transfer of financial asset to another public sector body

With effect from 10 December 2013 and for no consideration Scottish Enterprise resigned from Scottish Health Innovations Limited and assigned its full interest to NHS Scotland. Transfers of functions from one part of the public sector to another in the UK (known as Machinery of Government Changes or MoGs) are accounted for using merger accounting, as applied by the Government Financial Reporting Manual. Under merger accounting, the transferor and transferee account for the function as if the transferee had always undertaken it. As such, Scottish Enterprise has adjusted comparative amounts disclosed for each prior period to remove this financial asset. This transfer results in a decrease in equity accounted investees and a decrease in the general reserve.

IAS 19 (Revised) Employee Benefits

The provisions in IAS 19 (as revised in 2011) have now been adopted in full. As a consequence of the adoption of this standard changes in the composition of the net expense have been recognised in the Statement of Comprehensive Net Expenditure. Service costs, included within staff costs, have been amended because of the treatment of interest on the service costs and the incorporation of administrative costs not associated with the management of the plan assets. Other finance income has been amended to reflect the net interest income, based on the net defined benefit asset and the discount rate measured at the beginning of the financial year, which replaces the previous basis of calculation under IAS 19. There are no changes to the value of the defined benefit scheme net asset as a consequence of the adoption of IAS 19 Revised.

Reclassification from Other Comprehensive Expenditure

In prior years the surplus/loss on disposal of available for sale financial assets has been measured based on the current carrying value of the assets including any impairment or revaluation. The release of revaluation on disposal was treated as a movement in reserves and included as part of the net gains in fair value of available for sale assets shown in the Statement of Other Comprehensive Expenditure. Under IAS 39 Financial Instruments: Recognition and Measurement at the time a financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. As such, Scottish Enterprise has adjusted the comparative amounts for the prior period to include the reclassification adjustment. This reclassification results in an increase in Income from Activities which is offset in full by the inclusion of the Reclassification to Net Expenditure in the Other Comprehensive Expenditure Statement therefore resulting in no net change to Total Comprehensive Net Expenditure.

Reallocation of Impairment Adjustment

In prior years where the carrying value of a financial asset held at amortised cost has reduced due to potential non-recoverability, the reduction in carrying value has been reversed against interest receivable to the extent of any previously recognised amortisation. Thereafter any further reduction was included as an impairment against operating expenditure. Under IAS 39 Financial Instruments: Recognition and Measurement, an impairment loss is measured as the difference between the assets carrying value and the present value of estimated future cash flows. Consequently the comparative amounts are restated to include the reversal of previous amortisation as an impairment rather than a reversal of interest receivable. This adjustment results in an increase in Interest receivable which is offset in full by an increase in Operating expenditure therefore resulting in no net change to Total Comprehensive Net Expenditure.

NOTES TO THE ACCOUNTS (continued)**26. SCHEDULES OF INVESTMENTS AT 31 MARCH 2014**

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 9. 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>
Actual Analytics Limited <i>Software solutions for the analysis of animal behaviour</i>	26.03	559	-
Advanced Microwave Technologies Ltd <i>Microwave volumetric heating – varied applications</i>	29.94	458	504
Airborne Energy Limited <i>Development of wind turbines for small-scale use</i>	25.43	304	-
Ambicare Health Limited <i>Development of medical healthcare devices</i>	27.17	2,247	168
Antoxis Limited <i>Biotechnology</i>	24.64	373	-
AppShare Limited <i>Webconferencing software</i>	28.97	567	84
Apsu Environmental Limited <i>Water treatment and waste recycling</i>	29.99	119	-
Arrayjet Limited <i>Inkjet printheads to make biological arrays</i>	27.02	1,295	70
Ateeda Limited <i>Development of semiconductor test solutions</i>	23.53	902	-
Avanticell Science Limited <i>Cell-based analysis</i>	26.70	203	-
Bibliographic Data Services Limited <i>Information on book publication</i>	20.00	25	-
Biofilm Limited <i>Manufacture of fast dissolving films</i>	27.52	2,396	-
Biopta Limited <i>CRO business providing tests on human tissue</i>	29.83	800	-
BlipFoto Limited <i>Social Networking platform based on photo journals</i>	29.43	430	-
Bloxx Limited <i>Web, email and media filtering technology provider</i>	27.98	944 100(P)	-
Calcivis Limited <i>Dental device – determine the activity of lesions</i>	22.96	654	-
Calnex Solutions Limited <i>Design and development of test instrumentation</i>	27.37	575	-
Carbon Black System Ltd <i>Design and production of wheelchairs</i>	21.19	200	-
Centeo Biosciences Limited <i>Scientific instrument company</i>	25.33	584	103
CiQual Limited <i>Software solutions</i>	26.21	967	617
Cloudsoft Corporation Limited <i>Development of cloud computing software</i>	29.15	1,248	-
Conjunct Limited <i>Optical communications</i>	21.33	489	122

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Cosneta Ltd <i>IT Interactive solutions provider</i>	24.24	80	-
Critical Blue Limited <i>Software design</i>	26.57	1,800	-
Cyberhawk Innovations Limited <i>Aerial visual inspection and surveying</i>	25.74	608	-
Cytosystems Limited <i>Diagnostic medical technology</i>	26.54	989	91
DEM Solutions Limited <i>Engineering software and consultancy provider</i>	20.81	600	-
Design Led Products Limited <i>Light guide technology</i>	25.90	756	-
Dimensional Imaging Limited <i>Facial capture technology</i>	23.07	261	26
Eaglewood Systems Limited <i>Development & supply of business management software</i>	29.88	550	-
Energyflo Construction Technologies Limited <i>Clean technology specialists – construction</i>	26.50	850	375
Exterity Limited <i>Multi user TV provider</i>	23.66	749	-
Factonomy Ltd <i>Software products</i>	29.80	889	115
Fanduel Limited <i>Prediction market website</i>	20.86	2,311	-
Fios Genomics Limited <i>Semiconductor design</i>	22.51	333	-
Fixed Phage Limited <i>Commercialisation of bacteriophages</i>	28.74	338 30(P)	-
GamesAnalytics Limited <i>Data mining / analytics services to games industry</i>	20.07	511	-
Gas Sensing Solutions Ltd <i>High speed low cost precision gas sensor</i>	28.38	1,000	250
Helixion Limited <i>Mobile security software solutions</i>	20.63	200	-
Ice Factor International Ltd <i>Leisure and recreation centre operator/franchisor</i>	29.83	445	75
iCs2 Limited <i>Manufacture of electrical cables</i>	23.29	103	-
Ingenious Audio Limited <i>Developing a wi-fi guitar/amplifier plug-in device</i>	22.35	210	-
Isle of Harris Distillers Limited <i>Start up malt whisky distillery</i>	20.98	1,500	-
Kiltr Limited <i>Business social networking and media platform</i>	27.66	908	-
Larosco Limited <i>Online marketing software</i>	28.35	521	-
Leading Software Limited <i>Software development company</i>	22.09	622	50
Loch Duart Limited <i>Sustainable salmon farming</i>	28.90	2,250	-
Logan Energy Limited <i>Hydrogen fuel cell consultancy and installation</i>	27.01	375	-
LUX Assure Limited <i>Monitor technology difficult to detect chemicals</i>	24.80	1,417	-
Metaforic Limited <i>IT anti-tamper products</i>	26.56	3,108	130

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
MGB Biopharma Limited <i>Development of antibacterial drug</i>	27.39	1,212	-
mLED Limited <i>Photonics / optogenetics</i>	20.30	398	-
Mode Diagnostics Limited <i>Developer of medical diagnostic products</i>	26.04	718	-
Mullin Ink Jet Media Limited <i>Niche producer of specialist paper</i>	29.07	10 90 (P)	-
Nandi Proteins Limited <i>Food protein technology developer</i>	22.78	464	-
Ncimb Limited <i>Microbiology and chemical analysis company</i>	21.23	252	-
NetThings Limited <i>Developer of energy consumption in house displays</i>	29.84	1,213	-
NGentec Ltd <i>Wind turbine design and manufacturing</i>	28.28	1,260	500
Objective Associates Limited <i>Online software product</i>	21.40	250	-
Ocutec Limited <i>Medical Technology Devices – Ophthalmology</i>	26.36	1,003	-
Opinurate Ltd <i>Developing and marketing CRM software</i>	27.00	324	-
Outplay Entertainment Limited <i>Development & publication of social digital games</i>	27.90	2,250	-
Pufferfish Limited <i>Environments and display systems</i>	29.43	369	-
Reactec Limited <i>Development of vibration control solutions</i>	26.00	678	-
ReAqua Systems Limited <i>Designing and producing grey water recycling units</i>	26.20	200	1,813
Reisswolf Scotland Limited <i>Document security business</i>	29.91	200	-
Sentient Medical Limited <i>Development and manufacture of medical equipment</i>	27.90	235	-
Sigma Offshore Limited <i>Engineers – offshore oil and gas industry</i>	20.83	739 1,473 (P)	150
Sistemic Scotland Limited <i>Biotech SistemRNA drug discovery technology</i>	28.73	290	-
Smarter Grid Solutions Limited <i>Software which increases capacity of existing grid</i>	29.78	850	-
Spaceright Europe Limited <i>Schools furniture and teaching boards</i>	28.97	396	200
Sphinx Medical Limited <i>Commercialisation prosthetic anal sphincter (PAS)</i>	29.96	402	-
Symbiosis Pharmaceutical Services Limited <i>Pharmaceutical services contract manufacturer</i>	30.43	1,295	-
Syntropharma Limited <i>Pharmaceutical company – Generic clinical compounds</i>	29.89	1,166	-
Touch Emas Limited <i>Manufacturer of medical and orthopaedic equipment</i>	28.35	2,376	250
Traak Systems Limited <i>RFID & sensor network technology</i>	29.67	264	-
Treegreen Limited <i>Manufacturer of electronic energy saving devices</i>	20.00	74	-
Ubiquigent Ltd <i>Developing products for life research</i>	29.41	250	-
Viopti Ltd <i>Contact lens accessories</i>	21.03	364	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Visible Ink Television Limited <i>TV production company</i>	21.37	100	-
Vueklar Cardiovascular Limited <i>Medical equipment</i>	22.22	220	-
Waveblade Limited <i>Development & marketing of marine engineering tools</i>	27.57	537	-
XI Engineering Consultants Ltd <i>Engineering consultancy</i>	26.71	108	-
XstalBio Ltd <i>Involved in drug formulation</i>	25.00	225	-
Total of items listed		63,008	5,693

B. Other investments greater than £1m and voting rights less than 20%

	% of Voting rights	Shares £000	Loans £000
AccuNostics Ltd <i>Technology for blood glucose monitoring</i>	19.46	1 500(P)	500
Aquamarine Power Limited <i>Developer of wave and tidal energy devices</i>	11.59	3,011 5,989(P)	2,000
Aquapharm Bio-Discovery Ltd <i>Marine biotechnology</i>	5.61	498	581
ARC Ventures (UK) Limited <i>Engineering services – tidal energy market</i>	-	-	1,500
BigDNA Ltd <i>Life sciences company</i>	19.39	1,750	-
Cellucomp Limited <i>Development and manufacture of composite materials</i>	18.13	1,107	-
Compound Semiconductor Technologies Global Limited <i>Opto-electronic devices designer/development</i>	7.07	1,503	-
Cxr Biosciences Limited <i>Bio-pharmaceutical company</i>	16.21	1,395	-
Cyclacel Pharmaceuticals Inc. <i>Clinical research cancer drugs Registered in USA & quoted on NASDAQ</i>	0.37	5,000	-
DYSIS Medical Limited <i>Medical device company</i>	12.42	2,000 529(P)	-
Gas2 Ltd <i>Developer of technology to convert natural gas to oil</i>	-	-	1,400
GC Holdings Inc <i>Design & sale of advanced fibre optical components</i>	7.39	2,000	-
Green Highland Renewables Ltd <i>Small run of river hydro schemes & consultancy</i>	19.22	1,425	175
IE CHP (UK & Eire) Limited <i>Fuel cell powered combined heat & power systems</i>	7.49	1,012	-
Lamellar Biomedical Limited <i>Health care products – R&D and commercial</i>	17.92	1,374	-
Netidme Limited <i>Software identity verification</i>	19.98	1,272	120
Novabiotics Limited <i>Biotech co-dev platform of novel antimicrobials</i>	12.39	1,373	1,424
NuCana Biomed Limited <i>Biopharmaceutical company</i>	9.52	2,000	-
Pangeo Subsea Scotland Limited <i>Energy</i>	12.09	489 635(P)	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Pelamis Wave Power Limited <i>Generation of renewable energy from ocean waves</i>	13.19	3,466	7,153
Prismtech Group Limited <i>Supply of computer middleware platform solutions</i>	8.36	1,500	-
Pyreos Limited <i>Microelectronics – infra red developers</i>	16.60	1,600 954(P)	-
Sumerian Europe Limited <i>Provision of IT analytics & information management</i>	13.38	1,467	-
The One Place Capital Limited <i>Web based provision of financial advice to consumer</i>	16.40	1,123	-
TPP Global Development Limited <i>Drug development company</i>	10.21	2,000	-
Twig Rights Limited <i>Digital media company producing short films</i>	6.77	425	575
Vascular Flow Technologies Limited <i>Development of vascular devices</i>	8.05	1,802	-
Verisim Limited <i>Developer of training simulation software</i>	16.09	1,220	50
Volo TV & Media Limited <i>In-train entertainment systems</i>	10.97	1,181	123
Scottish Loan Fund Lp <i>Investment Fund</i>	-	-	10,157
City of Edinburgh Council <i>Development of visitor attraction conference facility</i>	-	-	5,915
Glasgow Harbour Limited <i>Property development</i>	-	-	2,040
Total of items listed		51,601	33,713
		Shares £000	Loans £000
Total of items listed – Note 26A		63,008	5,693
Total of items listed – Note 26B		51,601	33,713
		114,609	39,406
Other shares and loans			57,328
Total cost of shares and loans before revaluations or provisions			211,343
			<i>No. of Companies</i>
Total number of companies			525

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 (FReM) 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:
 - I) 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
 - 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