

# Scottish Enterprise Annual Report and Accounts

For the year ended 31 March 2023

**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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## SECTION 1

# Performance Report

for the year ended 31 March 2023

## Section 1: Performance Report

# Overview

The purpose of this overview is to give a summary that provides sufficient information to understand Scottish Enterprise, our purpose, our business model, our strategy and objectives and how we have performed during the year.

## Chief Executive's Statement

### CEO Statement: 2022/23 performance



#### Adrian Gillespie

Chief Executive Officer  
Scottish Enterprise

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Despite well recognised global economic challenges, Scottish Enterprise performed extremely well over the last financial year as we aimed to help businesses innovate and scale to transform the economy.

In 2022/23, we successfully delivered all targets published in our Business Plan, exceeding the target ranges for four of our six measures (R&D, capital investment, real living wage jobs, and international sales) and achieving pleasing results in the other two measures: CO2 and growth funding.

For example, we provided further investment in critical innovation facilities such as the Medicines Manufacturing Innovation Centre, attracted key inward investment including satellite designer and manufacturer Mangata, launched our Low Carbon Manufacturing Challenge Fund and invested in the Energy Transition Zone, supporting the construction of Scotland's first Energy Incubator and Scale Up Hub in Aberdeen.

In total, we supported around 1,250 projects last year, across targeted sectors and a range of locations. They all contributed to our Business Plan measures and spanned the entire organisation, reflecting the hard work, expertise, and enthusiasm of everyone involved, including our many partners.

The impact of our performance has also been reflected in the findings of others. For example, our international performance has recently received external endorsement with the publication of the latest EY Attractiveness Survey, which showed that Scotland was yet again the top UK location for Foreign Direct Investment outside of London.

FDI projects in Scotland have enjoyed continuous growth for the fourth consecutive year, increasing by 3.3%, against a background of total UK projects declining by 6.4%. Scotland now also holds a record UK market share of 13.6% of inward investment projects attracted by the UK, and it's

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important to remember that these numbers translate to many thousands of high-quality, well-paid jobs.

We have also provided substantial trade support to companies across Scotland which we estimate will result in approximately £1.73bn of planned international sales over the next three years.

This includes helping Scottish exporters to successfully enter 300 international markets for the first time, as well as helping companies to introduce 330 new products and services in countries they already export to, such as the US, Germany, United Arab Emirates, France and Ireland.

2022 also set a new record for Scotland's equity risk capital market, with £953 million raised across 407 deals. This is a continuation of market growth now seen over several years, with a growing reputation for Scotland's innovative and high growth companies and their success in securing investment. Scottish Enterprise's contribution to the growth of the risk capital market is significant.

Scottish Enterprise funded the new Space Sustainability Roadmap for Scotland (a world first) which was launched in September 2022. This responded to the space sector's vision in recognising the importance of sustainable environmental practices and desire to position Scotland as a global leader in sustainable space.

As demonstrated by these highlights, over the last financial year, Scottish Enterprise's focus was on supporting three interdependent priorities: Innovation, International and Investment.

The area of overlap between these three priorities is where we can deliver the most transformative change for Scotland's economy, in doing so, supporting the ambitions of the Scottish Government's National Strategy for Economic Transformation.

This focus is applied to supporting the creation of new market opportunities in areas like low carbon energy (in particular, offshore wind and hydrogen), health and wellbeing, technology and data and advanced manufacturing.

We need to sustain and strengthen this focus in the years ahead and be more agile in our approach, to ensure that we secure the biggest opportunities that have a lasting impact on the economy.

Scottish Enterprise will continue to do everything we can – working with our partners – to support businesses to innovate and scale and deliver economic transformation.

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### Statement of Purpose and Activities

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

This Act defines Scottish Enterprise's key functions as:



#### Furthering the development of Scotland's economy

(including providing, maintaining and safeguarding employment)



#### Promoting Scotland's industrial efficiency and international competitiveness



#### 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.

### Business Model and Environment

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

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

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

Scottish Enterprise works closely with public sector partners in delivering for Scotland's economy.

On 1 March 2022, the Scottish Government launched a new strategy for Scotland: The [National Strategy for Economic Transformation](#) (NSET) with its refreshed vision to create a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, and that

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delivers prosperity for all Scotland's people and places. As a key delivery agent of that strategy, Scottish Enterprise will play a key role in the delivery of NSET over the next decade.

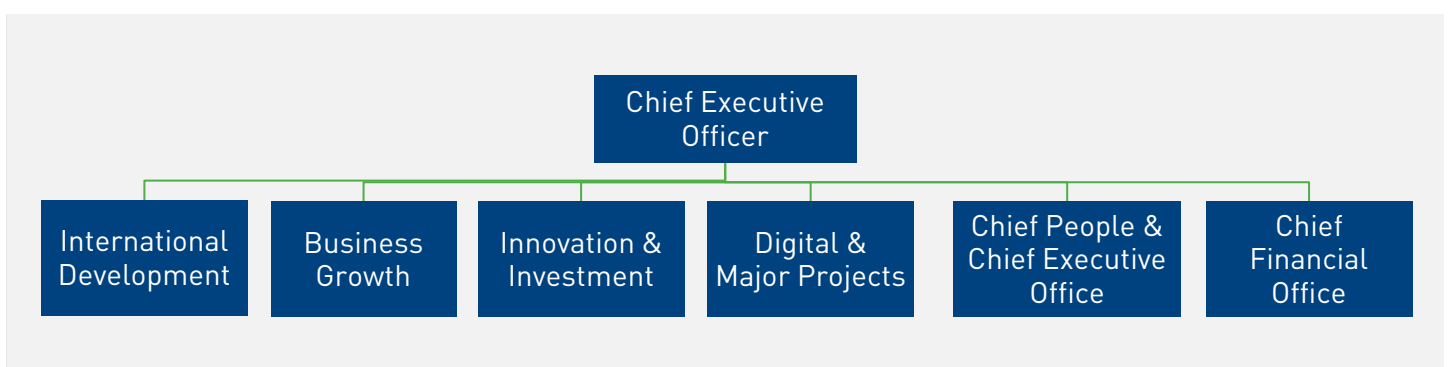
Scottish Enterprise also works with a wider range of partners at national, regional and local levels, for example, VisitScotland, Scottish National Investment Bank, Local Authorities, Business Gateway, City and Regional Partners and Community Planning Partnerships, to secure the alignment of strategies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

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

- inward investment and global trade support and development via Scottish Development International (operating in collaboration with Scottish Government and Highlands and Islands Enterprise) and including management of the network of overseas offices and field staff
- major grants programmes, including Regional Selective Assistance (RSA) and SMART: SCOTLAND grants
- the financial readiness service and commercial investment for the early stage investment market
- Co-operative Development Scotland which supports company growth through employee ownership and co-operative business models
- the Scottish Manufacturing Advisory Service
- Scotland Europa

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

During 2022/23, Scottish Enterprise's operations were delivered under the guidance of a Chief Executive and the Executive Leadership Team via the following organisational structure:



## International Development

Working with businesses to increase the value of Scottish exports by supporting and stimulating Scottish companies to sell more goods and services to international markets; working with others to attract new international capital and inward investment to strengthen Scotland's communities, company base and sectors.



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### Business Growth

Working with companies to encourage them to invest in growth plans and future opportunities, resulting in more resilient and ambitious businesses. Activities also include development of a more holistic business support system across partner agencies where access to insight, information, advice and funding is easy and joined up.

### Innovation & Investment

Working with both national and regional partners to deliver better outcomes for all of Scotland's communities; investing in infrastructure, assets and companies to develop a more dynamic and ambitious business community; and identifying and developing future economic opportunities for Scotland. This includes work on early stage growth and investment, working closely with the Scottish National Investment Bank (SNIB), our approach to entrepreneurship and high growth start ups and spin outs, our regional and place-making approach and our focus on future economic opportunities where Scotland has a competitive advantage.

### Digital & Major Projects

This division comprises Digital and Major Programme Management:

- **Digital** working on business technology enablement, focusing on the tools and support needed by Scottish Enterprise colleagues to do their jobs well and laying the foundations to deliver exemplar services for our customers and become a data-driven organisation.
- **Major Programme Management** working collaboratively across Scottish Enterprise and with a range of companies, Government departments, partners and stakeholders to develop and deliver major projects and programmes which drive economic growth across Scottish Enterprise priority areas.

### Chief People Officer (CPO) & Chief Executive Officer's (CEO) Office

This division comprises **People, Audit** and **Corporate Affairs and Marketing**:

- **People** focusing on employee-related matters of recruitment, employee relations, benefits and pensions, payroll, training and staff engagement/culture and providing the procurement, legal, facilities management functions, delivering health and safety and environmental management.
- **Audit** with responsibility for corporate governance, conducting independent appraisal of the financial and management activities of Scottish Enterprise, and giving independent assurance and advice to Scottish Enterprise's Audit Committees and Accountable Officer. The Scottish Enterprise Internal Audit team provides a shared service to five partner organisations: Scottish Enterprise, Skills Development Scotland, Scottish Funding Council, South of Scotland Enterprise and Clyde Gateway.
- **Marketing and Corporate Affairs** helping to promote and protect the reputation of Scottish Enterprise and delivering employee communications channels.

## Chief Financial Office

This division comprises **Finance** and **Strategy, Networks and Insights**:

- **Finance** with responsibility for ensuring strategic financial management and value for money are at the heart of the business and its decision-making process.
- **Strategy, Networks and Insights** working closely with key stakeholders and partners: to help shape the direction and priorities for Scottish Enterprise and economic development in Scotland; to build the insights and evidence base to inform activities and strategic priorities; and to evaluate Scottish Enterprise's impact.

## Strategy and Objectives

Scottish Enterprise launched, a new corporate plan internally during 2022, outlining our role in delivering the Scottish Government's National Strategy for Economic Transformation (NSET). Scottish Enterprise delayed production of an external corporate plan, pending publication of NSET delivery plans and the Scottish Government Innovation Strategy, outlining their asks of Agencies, in agreement with Scottish Government.

The internal plan set out a new purpose, ambitions and focused on actions to improve the international, innovation and investment performance of Scotland's business base. The Scottish economy needs more businesses with growth ambitions that are innovating, exporting, investing and adopting fair work and high-performance work practices to close the gap in relative performance between Scotland and other OECD countries. If more businesses can be encouraged to adopt the practices that evidence shows can increase productivity and create better jobs, collectively, we can achieve economic transformation in Scotland.

Internationalisation, innovation and investment are also the areas where Scottish Enterprise has expertise and capability and where we can deliver most value in supporting a transformation in the economy which delivers business competitiveness and growth alongside fair work outcomes and a successful transition to net zero.

These three ambitions are not distinct or separate from each other. They are inter-dependent, and our plan's purpose can only be successfully delivered if we work across these areas driving productivity and helping to achieve the NSET vision.

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## Scottish Enterprise's 2022/23 Corporate Plan – summary

The 2022/23 corporate plan set out our purpose:



Our purpose is to help businesses innovate and scale to transform the economy.

**In delivering this purpose, Scottish Enterprise has a specific role to play:**



**Unlocking Scotland's economic potential:**

Working closely with businesses and others to shape and develop future market opportunities and world-class solutions to global challenges.



**Increasing business productivity and competitiveness:**

Supporting ambitious businesses to be their best – more resilient to economic challenges, and able to take advantage of new opportunities to support future growth.



**Boosting business sustainability:**

Supporting companies to improve their business performance – both adapting to changes emerging from the transition to net zero and encouraging them to embed fair work practices, engaging workers to improve performance and remaining attractive to employees, customers and investors.

We will do this by delivering three interdependent ambitions:



### International



**Scottish Enterprise's ambition:** for Scotland to become a European location to start, scale and internationalise a business; as a magnet for talent and inward investment; and as a profitable place to invest capital in opportunities which will accelerate Scotland's transition to net zero.

### Innovation



**Scottish Enterprise's ambition:** improve Scotland's innovation performance and reputation, working with partners on an integrated approach to delivery, built around new market opportunities and the creation of innovation hubs across Scotland.

### Investment



**Scottish Enterprise's ambition:** increase the number of businesses, entrepreneurs and early-stage companies in Scotland that can grow to scale and have a significant impact on the economy.

**Innovation, international** and **investment** are not separate from each other. The "sweet spot" between Innovation, International and Investment will help to create new market opportunities in areas like low carbon energy, health and wellbeing, technology and data and advanced manufacturing.

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### Key Issues and Risks Affecting Scottish Enterprise

Scottish Enterprise operates a risk management policy that has been approved by the Audit and Risk Committee on behalf of the Scottish Enterprise Board. The policy notes that risk is inherent in the business of Scottish Enterprise and sets out the process by which risk is identified, escalated and reviewed appropriately. The Board defines Scottish Enterprise's risk appetite at a strategic level across seven categories of risk. Each business unit is responsible for identifying, assessing and reviewing risks on a regular basis, with risks recorded on risk registers at directorate, team and project levels.

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 within the organisation.

Scottish Enterprise's Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board. During 2022/23 a 'risk dashboard' was presented to each meeting to highlight the Top Risks across the Corporate Risk Register, along with heat maps showing movements in the most significant risks facing the organisation.

The Top Risks included in Scottish Enterprise's Corporate Risk Register at the end of the 2022/23 reporting period are included below:

- the impact of the current public sector budget environment on the level of Resource and Financial Transactions funding that Scottish Enterprise has available to deliver against its aspirations for economic growth;
- the risk of disruption to Scottish Enterprise's operations resulting from a cyber-crime incident;
- the impact on Scottish Enterprise's reputation as it moves to focus its people and financial resources on a smaller number of transformative priorities; and
- the risk that Scottish Enterprise's ambitions to be a digitally-enabled and data-driven economic development agency are not realised.

Further information on these principal risks and the associated mitigations is located in the Governance Statement within the Accountability Report.

### Performance Summary

Our purpose is set out in our Corporate Plan and the activities undertaken by Scottish Enterprise is aligned to our role in delivering this purpose and our three interdependent ambitions. This section of the report provides a detailed review of Scottish Enterprise's activity and performance against our key performance measures and ambitions.

Scottish Enterprise's 2022/23 corporate plan set out the important role Scottish Enterprise plays in Scotland's economic growth, and how Scottish Enterprise would get behind businesses.

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Scottish Enterprise successfully delivered all targets published in the 2022/23 business plan, exceeding the target ranges for four of our six outcome measures.

Significant achievements took place during the year, including further investment in critical innovation assets such as the Medicines Manufacturing Innovation Centre, attraction of key inward investment including Mangata, the launch of our Low Carbon Manufacturing Challenge Fund and investment in the Energy Transition Zone (ETZ) supporting construction of Scotland's first Energy Incubator and Scale Up Hub.

## Performance Analysis

To measure how our support meets our objectives of benefiting companies and the Scottish economy, we apply a comprehensive framework. We use performance measures to help monitor the contribution we make in terms of our economic impact focused on the longer-term goals of the Scottish Government and the [National Performance Framework](#) (NPF). We work closely with our partner agencies - Highlands and Islands Enterprise and South of Scotland Enterprise in particular - to further align our measurement approaches, and actively keep this under review.

### Scottish Enterprise contribution to the Scottish Government's National Performance Framework (NPF)

Of the 81 NPF indicators, 27 are particularly relevant to Scottish Enterprise activity:

- Scottish Enterprise Corporate Plan outcome measures align directly with 6 NPF Indicators (Economic participation; Employees on the living wage; Spend on R&D; International exporting; Carbon footprint; Greenhouse gas emissions)
- Scottish Enterprise activity also contributes to the performance of a further 21 NPF indicators.

Scottish Enterprise activity also contributes directly and indirectly to the Scottish Government's National Strategy for Economic Transformation measures of success.

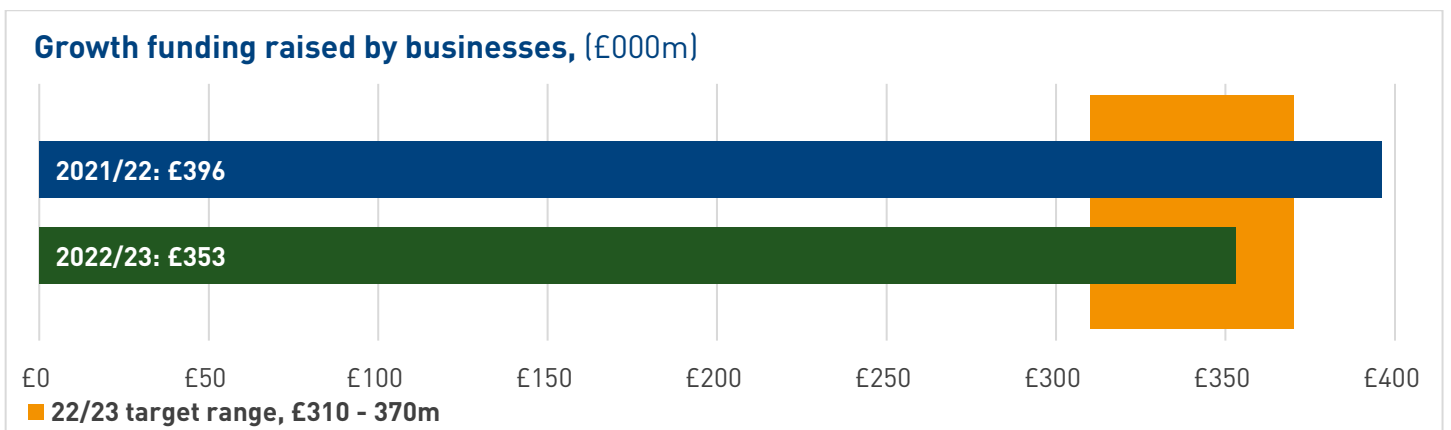
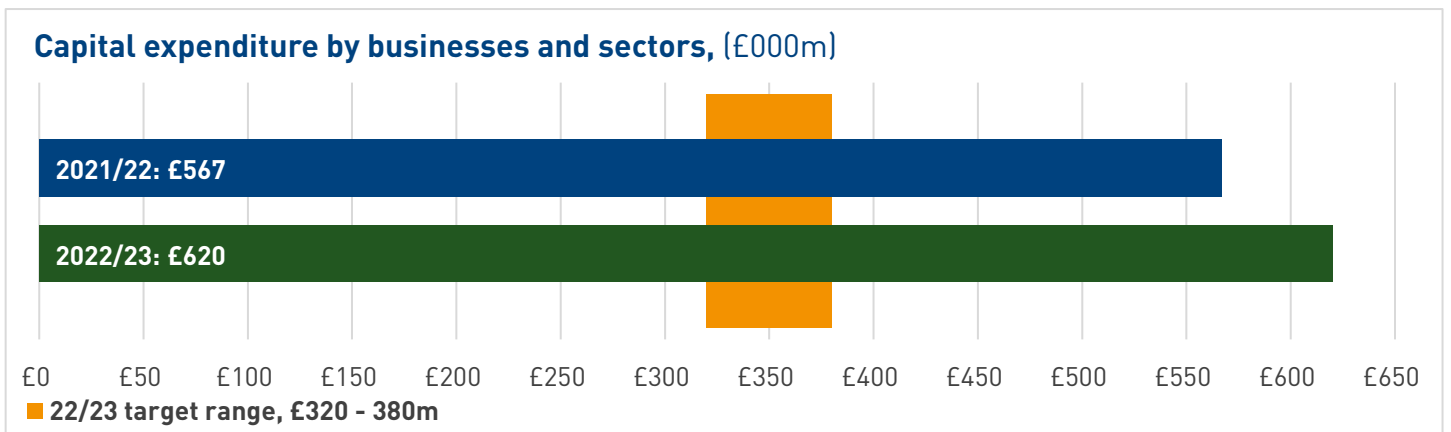
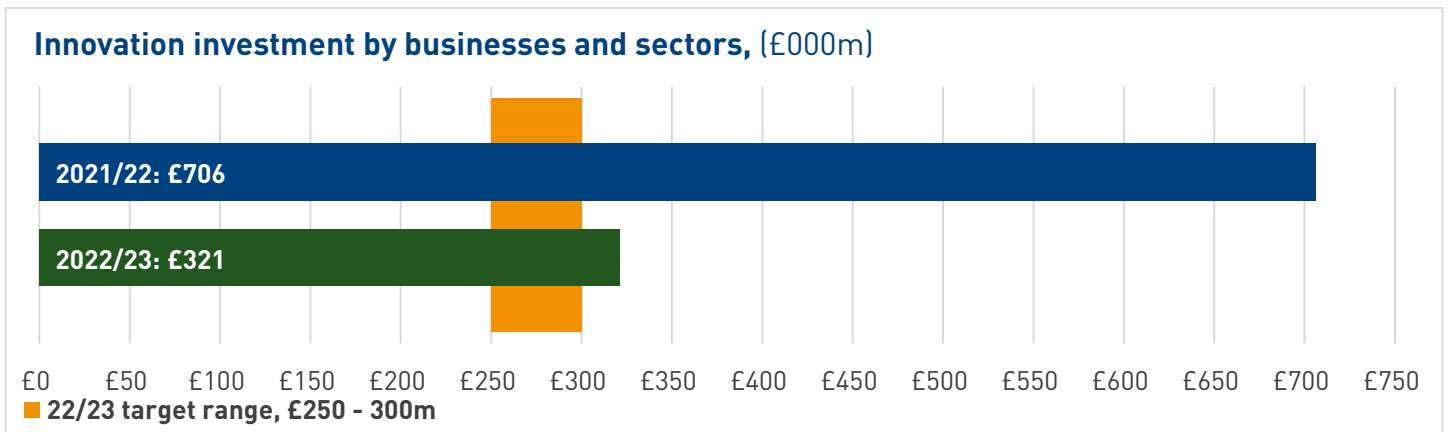
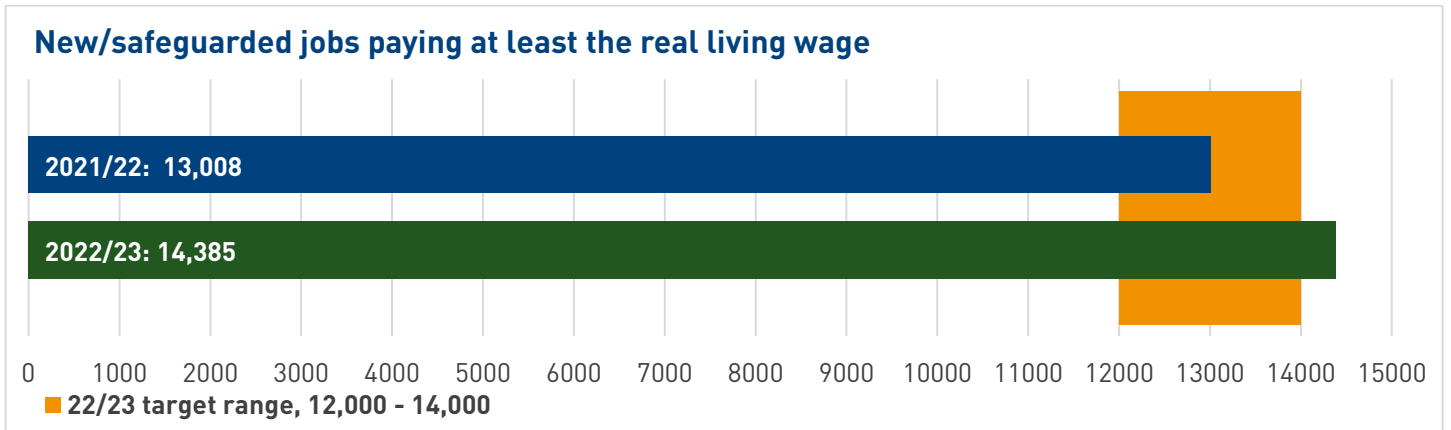
## Results Against Key Performance Measures

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

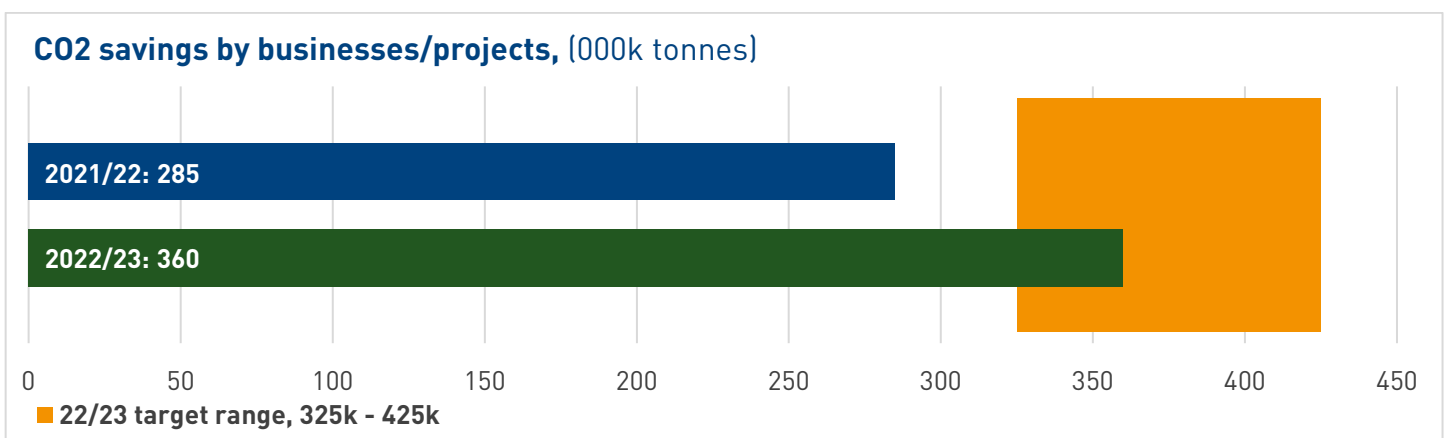
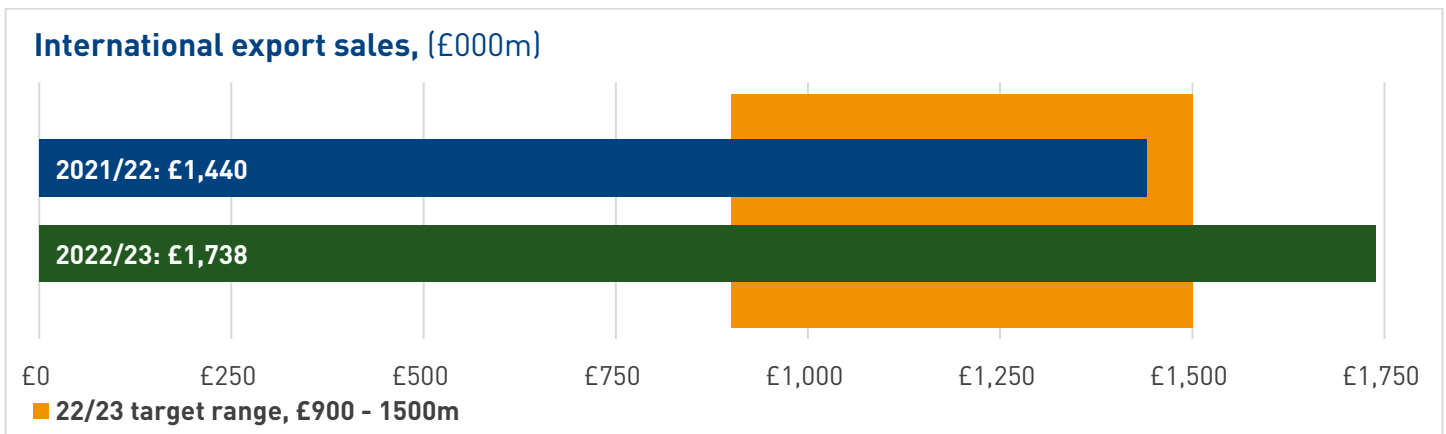
We also use the framework to monitor how inclusive our actions are by tracking a number of indicators aimed at giving us more insight into how far our activities reach in terms of people and place.

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The final outturn positions are indicated in the bar charts below.



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It should be noted that Scottish Enterprise's 2022/23 operating year continued to be influenced by a challenging operating environment. We recognised that there was an ongoing impact on businesses and their investment decisions as a result of the war in Ukraine and the cost of living crisis in particular.

Despite the ongoing challenging economic conditions, Scottish Enterprise exceeded **the target ranges for four of our six outcome measures**, with 1,250 **projects** contributing to these outcome measures. However, how we achieved some of our outcome measures is still reflective of the challenging operating environment:

- For our planned new/safeguarded jobs measure, 53% of the total involved the safeguarding of jobs, this represents a much higher proportion than we would see in the average year.
- Investment deals are taking up to 5 months longer to complete, which is challenging for companies.
- A small number of high-value projects have contributed significantly to several of the measures, including the Mangata project.



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### Other key achievements during 2022/23 included:

#### Innovation

- The Medicines Manufacturing Innovation Centre (MMIC) opened its doors officially during 2022/23 as a circa £88 million innovation centre at the Advanced Manufacturing Innovation District Scotland (AMIDS), supported by Scottish Enterprise, Innovate UK and the private sector. MMIC will bring world-leading science and technology expertise under one roof to help accelerate state-of-the-art solutions to some of the biggest challenges in medicines development and manufacturing. The Centre is forecast to generate £200 million in advanced technologies over the first 5 years and will deliver a tangible impact for businesses – creating over 100 high-value jobs, enabling private investment, and building next-generation manufacturing assets and expertise.
- The new Space Sustainability Roadmap for Scotland (a world first) was launched in September 2022, funded by Scottish Enterprise, against a backdrop of the space sector's vision in recognising the importance of sustainable environmental practices, positioning Scotland as a global leader in sustainable space. Demonstrating commitment to one of the work packages outlined in the Roadmap, Scottish Enterprise partnered with Scottish Government and The Data Lab to launch an innovation call looking for innovative projects with the potential to accelerate the transition to net zero utilising space technologies. £360,000 was awarded to 12 company projects which deliver space-data solutions supporting the transition to net zero. It is expected that successful feasibility studies will lead to further R&D investment projects by the winning companies.
- A second challenge call for Zero Emissions Heavy Duty Vehicles was completed recently via Transport Scotland and Scottish Enterprise through its Can-Do Innovation Challenge framework to support innovation in net zero transport. Twelve Scottish companies were successful in receiving a share of £534,000 to support the decarbonisation of heavy duty vehicles including boats, gritters and off-road excavators.
- Scottish Enterprise launched the £25 million Low Carbon Manufacturing Challenge Fund to support innovative proposals to reduce our carbon footprint in manufacturing. To date the programme has been successful with 12 company projects currently underway.
- In Green Heat, Scottish Enterprise launched a range of initiatives including Heatsource, a cluster builder service to raise awareness of opportunities through events, webinars and information. The £17.6 million Green Heat Innovation Support Programme made one its first awards of £210,000 to Howden Compressors, to support investment and innovation in their products. This year also saw the launch of the Green Heat Hub Grand Challenge, designed to create a hub of expertise in green heat manufacturing. The two successful consortia are developing business plans for an industry-led integrated Green Heat Hub support service to businesses scaling in green heat.
- The Scot2Ger project examined the German demand for zero-emission hydrogen and how it might be met by Scottish producers of green hydrogen. The study was led by a team of Scottish and German companies and co-funded by Scottish Power, Wood, Scottish Enterprise and South of Scotland Enterprise and also supported by Scottish Government and Highlands and Islands Enterprise. The initial demonstration-phase demand from Germany is likely to be more than 500MW before 2030, thus aligning the rapid scale up of production in Scotland and demand for use in German markets. The report builds on economic analysis from Scottish Enterprise around

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the potential of green hydrogen technology, infrastructure and assets to transform Scotland's energy sector last year.

- During the year, 37 RSA & R&D projects were awarded. A further 37 SMART grants were also awarded. Notable projects included:
  - RSA investment of up to £2.4 million in Nexus Packaging Limited. The company will enhance Scotland's circular economy and recycling capabilities through the establishment of a world-class blow moulding factory which will manufacture a range of plastic containers with recycled polymer. The project is expected to create up to 62 new jobs and safeguard 18 existing roles in Glasgow.
  - A £4 million R&D grant to Chemring Energetics UK Ltd towards a £40 million project to design, develop and construct a centre of excellence for the production of ejector seat propellant at its Ardeer site in North Ayrshire. The project will develop state of the art manufacturing processes that will lead to significant improvement in efficiency, throughput and CO<sub>2</sub> savings and will be the largest investment at the site since the 1940s. The project is creating and safeguarding jobs within one of the most socially deprived areas of Scotland.
  - RSA investment of up to £425,000 in Robert Cullen Limited. The company will extend its premises and invest in new machinery to increase capacity to provide bespoke packaging for clients that is a sustainable and viable alternative to single use plastic. The project is expected to create up to 34 new jobs and safeguard 20 existing roles in Glasgow.

## International

- EY's 2022 Attractiveness Survey confirmed, during the year, that Scotland was the most popular UK location outside London for inward investment in 2021, for the seventh successive year. New foreign direct investment (FDI) projects reached an all-time high of 122, a 14% increase over the previous year.
- The highly respected fDi Intelligence group named Scotland as the world leader for wind FDI projects in 2022. This is based on investment data captured by fDi Intelligence, which shows that foreign investors pledged \$54.8 billion to wind electric power projects in Scotland, an increase of 233% on the previous year. The \$54.8 billion is as much wind power FDI as the rest of the world combined.
- 8,519 planned real living wage jobs were generated by inward investment in 2022/23, with 86 inward investment projects in Scotland supported by Scottish Enterprise, 34 of which were investors locating in the country for the first time. The most predominant sectors for inward investment were in energy transition and software and IT. Notable projects included:
  - Mangata Networks chose Scotland as the location for its global research and development activities as well as satellite manufacturing, space systems and core network operations, following Scottish Enterprise support. Over the coming few years, up to 575 new jobs will be created as part of Mangata's state-of-the-art operations hub at the Prestwick International Aerospace Park in Ayrshire. This is a significant step towards achieving the ambition set out in Scotland's Space Strategy.

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- Marubeni Europower Limited opened its first office in Glasgow. Marubeni is part of the consortium for ScotWind's floating offshore wind project and they are at the heart of an ambitious hydrogen project in Glasgow city that aims to establish a Green Energy Hub. The investment in new premises will allow the company to drive forward its work to support Scotland's journey to net zero and follows a Memorandum of Understanding (MoU) which it signed with Scottish Enterprise last year during COP26.
- This year 469 innovative companies from across Scotland's consumer industries, science and technology and energy and low carbon transition sectors are forecasting additional export sales of £1.65 billion over the next three years, following support from Scottish Enterprise. This demonstrates the continued global demand for Scotland's innovative and premium products and services, across these key growth sectors for Scotland.
- There also continues to be growing global opportunities and successes for companies operating in Scotland's life sciences sector. Scottish Enterprise has provided a range of support to ProFactor Pharma Ltd, including £404,000 growth investment, allowing the company to scale up and internationalise. The company has now entered into an agreement with Bio Farma, Indonesia's largest pharmaceutical company and manufacturer of vaccines and other biological products. This means that ProFactor Pharma's new patented process to make low-cost treatment for Haemophilia A will be scaled up to industrial scale, with clinical trials being implemented in Southeast Asia and India - a market that is estimated to be worth \$1.36 billion.
- With the aim of driving more international sales for Scottish exporters, notable trade events delivered during the year included Seafood Expo Global in Barcelona where Scotland's globally renowned seafood sector was on display to thousands of industry professionals, Gulfood in Dubai showcasing Scotland's finest food and drink produce on the global stage and Wind Energy Hamburg where Scottish energy supply chain companies were supported to secure Global trade opportunities across the wind energy sector.
- GlobalScot is Scotland's prestigious international business network, with 1,200 GlobalScots in 64 countries. Consisting of entrepreneurs and business leaders, they are a critical part of the economic development ecosystem. The past year has seen increased engagement across the network, including establishment of focused sector advisory groups and a coaching board established, ensuring that many more companies can benefit from the network.

## Investment

- 2022 set a new record for Scotland's equity risk capital market, with £953 million raised across 407 deals. This placed Scotland as the next best performing market after the three regions that make up the Golden Triangle (London, South East and the East of England). This is a continuation of the market growth seen over several years, and the growing reputation of Scotland's innovative and high growth companies and their success in securing investment. Scottish Enterprise's contribution to the growth of the risk capital market is significant.
- During 2022/23 Scottish Enterprise transacted 138 deals totalling £58.0 million into 106 companies. Our investment activity leveraged £206 million of private sector investment - £83 million of this was international investment. Scottish Enterprise's investment focus is on the early stage of the market, but we are now seeing many companies in our portfolio securing larger

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investment rounds, and increasingly from international investors. 28 deals were for amounts between £2 million and £10 million and a further 2 were in deals above £10 million illustrating the growing pipeline of companies in Scottish Enterprise's investment portfolio with scaling potential.

- Income from Scottish Enterprise's investment activity in 2022/23 was £27.3 million with £15.1 million secured through trade exits. An excellent example was investee company Blackford Analysis, a leading strategic imaging Artificial Intelligence platform and solutions provider, acquired during the year by global life science company Bayer. Spun out from the University of Edinburgh in 2010, and still headquartered in the city, Blackford has a presence in the UK and US focused on providing healthcare providers with tailored tools and services to unlock the value of medical imaging Artificial Intelligence, driving efficiencies and improving patient outcomes. Following the acquisition, Blackford will remain headquartered in Scotland and continue to operate as an independent organisation on an arm's-length basis to preserve its entrepreneurial culture but providing it with access to Bayer's financial resources and global footprint.
- In 2022/23 the highest level of spinouts was supported by Scottish Enterprise's High Growth Spinout programme with 33 projects being supported, resulting in 6 new spinouts created in year, bringing the total to 16 over the last 3 years. Alumni Spinouts supported by Scottish Enterprise High Growth Spinout Programme raised £35.5 million investment this year.
- Scottish Enterprise worked in partnership with a range of entrepreneurial ecosystem partners which increased the diversity and reach of partner support to early stage entrepreneurs including funding to Scottish EDGE to support 14 Young EDGE category winners, Funding to Young Enterprise Scotland to support 66 young females on the FemaleBoss programme, supporting AccelerateHR business awards to 4 winners and a rising star category, funding to Mint Ventures to deliver a programme of investment roadshows (148 attendees) for potential female angel investors and female led businesses to grow and scale their businesses.
- Scottish Enterprise supported the Energy Transition Zone (ETZ) with commitment to fund £2 million to begin construction of Scotland's first Energy Incubator and Scale Up Hub (EISH). The EISH is the anchor facility for the ETZ Innovation Campus, one of five campus developments to the south of the new Aberdeen Harbour. ETZ is a 10-year, £215 million programme to build on the region's energy sector expertise and business base creating over 12,000 jobs. It includes a Floating Offshore Wind Innovation Centre in collaboration with the Offshore Renewable Energy Catapult and a new Green Hydrogen Test and Demonstration facility. Scottish Enterprise is working closely with ETZ across a number of these projects given their close alignment with our priorities.
- Following a long negotiation Scottish Enterprise acquired an operational recycling centre at Broomielaw, in Glasgow at the end of December 2022. Along with Scottish Enterprise's adjoining land assets, Scottish Enterprise is now the major landowner in Broomielaw, with real ambition to bring partners to the table to agree an innovation place-based masterplan. Our aspiration is to work with Glasgow City Council and adjacent private owners to deliver a new 24/7 vibrant, innovation focused mixed use quarter. The combined Scottish Enterprise and neighbouring Drum sites of 2 Ha (5 acres) could enable total development of up to 1.5m ft<sup>2</sup> and over 5000 jobs making a significant contribution towards Glasgow City Region economic growth.

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### Net zero

- Scottish Enterprise published an update to our [Net Zero Framework](#), recommitting our support to Scotland's economic transformation to net zero. This includes decarbonising the way we operate – reaching net zero by 2040 (Scope 1, 2 and 3 emissions – related to Scottish Enterprise's own emissions) – while also baselining and reducing the emissions from our operational support (Scope 3).
- Key achievements during 2022/23 have included:
  - An 80% reduction in Scope 1, 2 and 3<sup>1</sup> emissions in 2022 compared with the 2015/16 baseline
  - Introduction of a new approach aligning Scottish Enterprise business support funding to net zero outcomes. This new approach asks businesses to have a credible plan to reduce their operational emissions in place to reach net zero by 2045 at the latest, where they do not have a plan in place, we offer support to help them develop one.
  - Creation of a 'Leading in Net Zero' climate literacy training programme for Scottish Enterprise colleagues
  - Development of a model to baseline the carbon impact of Scottish Enterprise corporate plan outcomes for 2021/22
  - Development of a decarbonisation pathway for all the buildings in the Scottish Enterprise Investment Property Portfolio (IPP), creating a roadmap to evaluate how to deliver a practical, deliverable programme to net zero for the portfolio through to 2035. This also included a detailed biodiversity assessment of 3 Scottish Enterprise sites, to inform a biodiversity action plan for the portfolio.
  - Launch of the [Net Zero Accelerator](#) – a free, online tool to support businesses' net zero journeys. The tool supports organisations of all sizes to develop a practical, data-led, and people-focused road map towards becoming net zero.

### Future Developments

In the performance year 2023/24, Scottish Enterprise will launch a new three-year corporate plan 2023 – 2026 and a one-year operating plan setting out a transformational agenda with a long term focus on how we will respond to NSET and specifically the areas where we can make the greatest impact.

The plan will build on our 2022/23 internal corporate plan, strengthening our focus on international, investment and innovation through the adoption of a more focused, agile approach. Our purpose to help businesses innovate and scale to transform the economy remains the same.

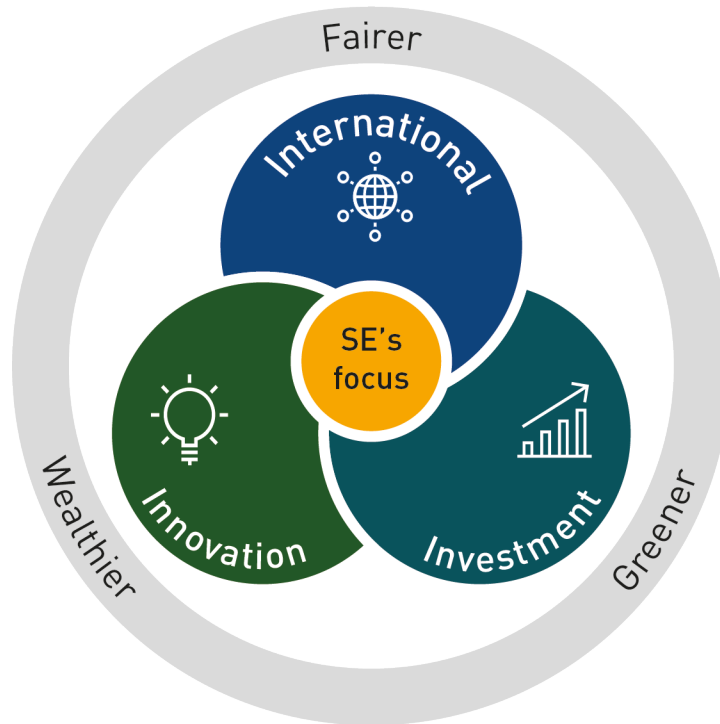
Delivering projects and services that lie in the 'sweet spot' between the international, investment and innovation will make the biggest, most lasting difference to the economy – that's where our focus will be.

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<sup>1</sup> Scope 3 – excludes emissions resulting from SE's operational support

Across our activities, we will target our support on companies committed to adopting fair work and net zero business practices.

## Our ambitions



## How we contribute to NSET

Scottish Enterprise's plan will demonstrate how our focused delivery through international, investment and innovation will make a strong contribution to NSET and related programme delivery plans, as well as to the international plans and the Scottish Government Innovation Strategy, along the lines set out below.

### NSET Programme of Action: Entrepreneurial People & Culture

#### SE priority:

Support businesses and entrepreneurs in Scotland with the ability to innovate and scale, driving economic transformation.

#### SE delivery focus:

- Work in a connected eco-system of techscalers, accelerators, incubators, HE and investors to share knowledge and stimulate innovation.
- Support innovative, high growth potential companies, offering business growth, financial readiness advice and investment support.
- Align and integrate support for companies and entrepreneurs, targeting investment on opportunities that will result in strong economic outcomes.

## Section 1: Performance Report

### NSET Programme of Action: New Market Opportunities

**SE priority:**

Help build and promote innovation assets and support systems in new market opportunity areas which play to Scotland's strengths.

**SE delivery focus:**

- Scale the impact of Scotland's innovation strengths into high growth industries of the future.
- Create an internationally competitive Green Energy sector in Scotland, targeting fast-growing green market opportunities.
- Support innovative and ambitious Scottish companies to scale and grow, targeting our effort in priority markets.
- Attract inward investment, building supply chains and strengthening the capital investment pipeline.

### NSET Programme of Action: Productive Businesses & Regions

**SE priority:**

Drive transformational innovation and capital investment, delivering a step change in the productivity performance of Scottish businesses.

**SE delivery focus:**

- Focus SE support on ambitious companies that want to innovate, internationalise and invest, providing specialist support and expertise.
- Improve demand and access to investment in business processes, capital equipment and automation technologies.
- Stimulate innovation in new processes and products, leading to capital investment.
- Support workplace innovation to identify new ways of organising work.

### NSET Programme of Action: Skilled Workforce

**SE priority:**

Work with partners to match skills needs with industry demand and opportunities in new markets.

**SE delivery focus:**

- Ensure that SE projections for growth in market opportunities are taken into account in skills planning in Scotland.
- Identify and articulate demand for skills as part of an integrated approach to business development and inward investment.
- Support companies with leadership, management and organisational development.

### NSET Programme of Action: Fairer & More Equal Society

#### SE priority:

Adopt a values-led approach, where net zero, fair work and equalities outcomes drive improved business performance as well as support a wellbeing economy.

#### SE delivery focus:

- Target support on companies adopting fair work and net zero business practices.
- Tackle disadvantage relating to groups (including gender, disability, race and age) in the activities that we deliver.

### NSET Programme of Action: A culture of Delivery

#### SE priority:

Ensure complementary offerings and streamlined support in a connected eco-system.

#### SE delivery focus:

- Enable companies to navigate and access available support easily.
- Measure progress and impact of SE support in response to NSET and National Performance Framework.
- Build and strengthen relationships across industry, academia and Team Scotland partners and use those relationships to help deliver more impactful activity.

## Net Zero Framework for Action

Scottish Enterprise has committed to updating the Net Zero Framework for Action on an annual basis until 2025. The 2023/24 Framework, reports on progress made and outlines a new plan for the year ahead. Our ambition continues to focus on net zero economic opportunities that also deliver benefits to the environment and wider society.

### Our 2023/24 priorities:

- i) Encourage even more companies on their net zero journey by continuing to embed our approach to offer funding only to companies who can already demonstrate or - with our support – are willing to adopt fairer, more sustainable business practices.
- ii) Continue to develop and signpost to appropriate tools and resources to help companies develop their own credible net zero action plans including the development of a Net Zero Academy programme.
- iii) Increase our focus to expand green energy market opportunities and stimulate new capital investment that will help accelerate Scotland's just transition to net zero, including green heat, hydrogen, decarbonising transport, offshore wind and other energy technologies.
- iv) Implement pilot projects within Scottish Enterprise's investment property portfolio to help map the pathway towards net zero. Strengthen the alignment and contribution of place-based innovation project activities alongside partners and businesses to help accelerate a just, nature-positive transition to net zero.



## Section 1: Performance Report

- v) Develop a *Values First* framework to clearly communicate the expectations we have of the companies and partners we work with in terms of their alignment with Scottish Enterprise's net zero, fair work and equalities, diversity and inclusion values, which deliver direct business benefits.
- vi) Continue to calibrate and evolve our model to baseline our carbon footprint across our operational support, using external input, helping to increase the carbon efficiency of Scottish Enterprise's operational delivery.
- vii) Quantify Scottish Enterprise's digital emissions and explore ways to reduce those emissions, as a result of the shift to utilising more online channels and remote working.
- viii) Deliver innovation and funding support to help businesses invest in net zero market opportunities and green jobs.

## Gaelic Language Plan

Scottish Enterprise's first edition Gaelic Language Plan for 2023 to 2028 was approved by Bòrd na Gàidhlig. Key to this plan is our ambition is to ensure all customers, stakeholders and staff have more opportunity to use Gaelic as they help Scotland reach its economic potential. Set out in the plan is a series of commitments where Scottish Enterprise will look to deliver progress under each of the following three areas:

- Increasing the use of Gaelic within our organisation and encouraging more people to use Gaelic, more often when they interact with us.
- Increasing the opportunity to learn Gaelic within our organisation.
- Promoting a positive image of Gaelic whenever we can as part of our day-to-day operations as an organisation.

## Financial Performance

The results for the year ended 31 March 2023 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

The Grant in Aid allocation is intended to cover capital and revenue expenditure (on an accruals basis) net of in-year income from sources such as European Union funding and from the use or disposal of Scottish Enterprise's property and investment assets. In addition, there are ring-fenced budget allocations for 'non-cash' costs, including depreciation, IFRS 16 re-classifications and expected credit losses and write-offs (ECLs). A further budget allocation for Annually Managed Expenditure is made by the Scottish Government to cover volatile costs such as impairments and valuation adjustments which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget.

## Section 1: Performance Report

Grant in Aid Budget Allocation:	Original Budget Allocation	Autumn Budget Revision	Spring Budget Revision	Final Budget Allocation
	£000	£000	£000	£000
Fiscal Resource	135,120	3,520	(1,059)	<b>137,581</b>
Fiscal Capital	80,000	13,745	(9,576)	<b>84,169</b>
Financial Transactions expenditure	61,610	(13,910)	7,894	<b>55,594</b>
Financial Transactions income	(25,510)	13,910	(1,410)	<b>(13,010)</b>
<b>Total Cash Budget (ii)</b>	<b>251,220</b>	<b>17,265</b>	<b>(4,151)</b>	<b>264,334</b>
Fiscal Resource – expected credit losses	-	-	16,857	<b>16,857</b>
Fiscal Resource - IFRS 16 adjustments (i)	-	-	(5,153)	<b>(5,153)</b>
Fiscal Capital - IFRS 16 adjustments (i)	-	-	112	<b>112</b>
<b>Total Fiscal Budget</b>	<b>251,220</b>	<b>17,265</b>	<b>7,665</b>	<b>276,150</b>
Ring fenced DEL (Non –cash costs including depreciation)	18,000	-	5,254	<b>23,254</b>
Annually managed expenditure	-	-	70,120	<b>70,120</b>
<b>Total Budget</b>	<b>269,220</b>	<b>17,265</b>	<b>83,039</b>	<b>369,524</b>

- i) This represents budget transfers to reflect re-classifications as a result of the implementation of IFRS 16 (Leases) from April 2022.
- ii) Cash draw down was £256,187k which is £8,147k lower than the final cash allocation. This is due to £7,275k of cash RDEL budget being re-directed towards the Expected Credit Losses charge. In addition, net cash transfers to Scottish Government were £872k lower than anticipated and we did not therefore draw down this balance of cash budget. These actions were agreed in advance with Scottish Government.

The original Budget for 2022/23 amounted to £269.220m, comprising a grant in aid provision of £251.220m and a non-cash allocation of £18.0m. During the year, Scottish Government confirmed additional net transfers of budget amounting to £100.304m. The largest Resource budget transfer was £16.857m to cover ECLs, the estimated future cash shortfall from financial instruments held at amortised cost, and financial assets that have been written off during the financial year. It was agreed that the charges associated with ECLs would be treated as an unfunded cost pressure at the start of the financial year. These costs would then be covered via an in-year budget allocation from the Scottish Government with Scottish Enterprise contributing towards the cost pressure via the

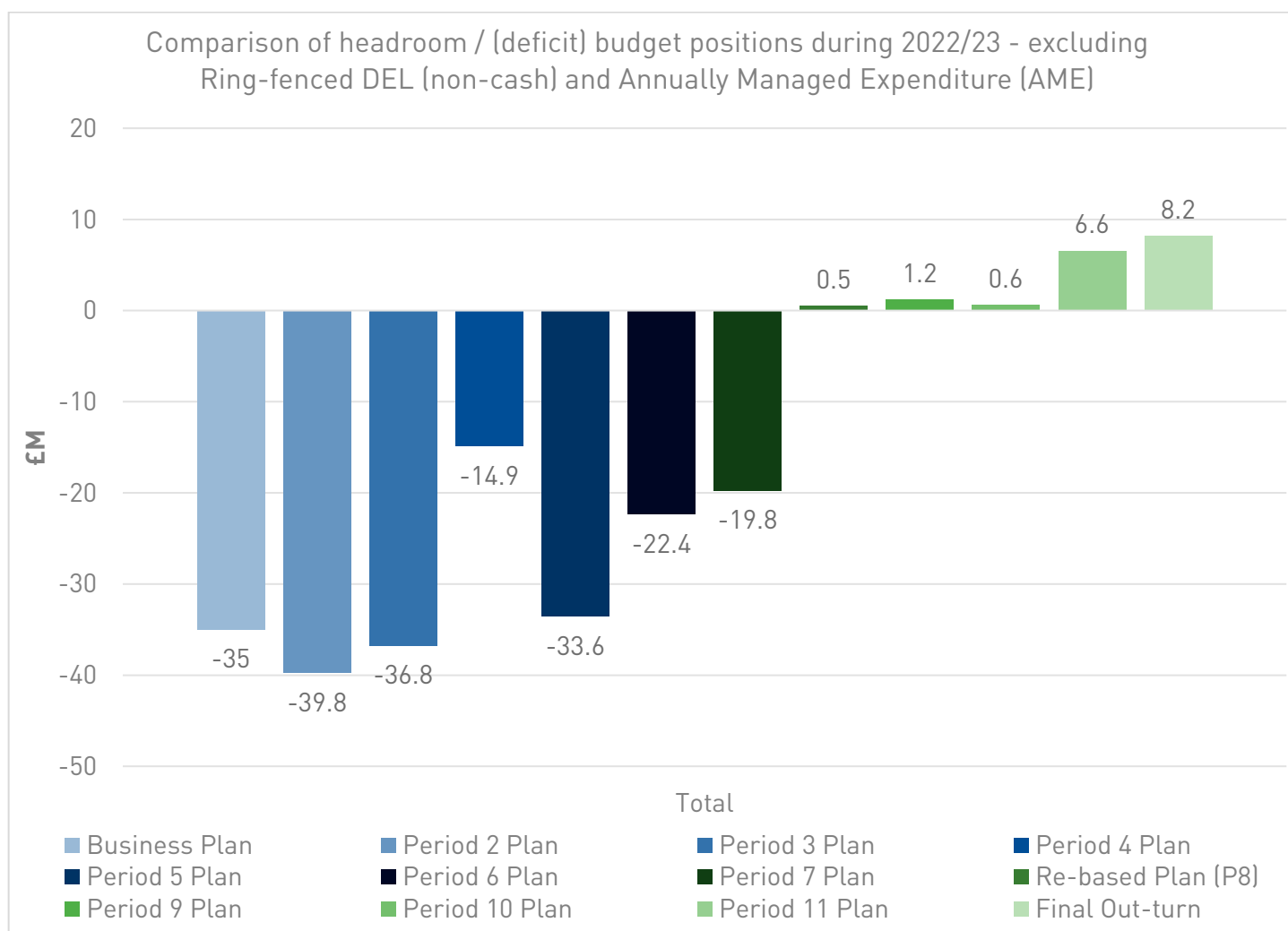
## Section 1: Performance Report

utilisation of any headroom that emerged against the core Resource budget. The Scottish Enterprise contribution was £7.275m and was added to the £16.857m budget transfer to fund the anticipated ECL charge of £24.132m. This brought the overall Resource budget broadly into balance following the Spring Budget Revision. The other notable Resource transfer was a reduction in budget of £2.702m which represented 2% of the original core base-line budget. This was to support Scottish Government's response to the cost of living crisis as set out in the Emergency Budget Review (EBR).

The largest single project related transfer during 2022/23 amounted to £9.352m towards the National Manufacturing Institute for Scotland and was primarily Capital (CDEL) in nature. CDEL budget of £10.477m was returned to Scottish Government during the Spring Budget Revision given the projected under-spend at that point which re-balanced the CDEL budget. The net Financial Transactions (FT) budget was increased by £6.484m during the Spring Budget Revision to reflect additional demand during the financial year which also re-balanced the FT budget. There were also a number of non-cash transfers made during the Spring Budget Revision. Firstly, £70.120m was allocated to cover anticipated costs designated as Annually Managed Expenditure. Secondly, budgets were reduced by £5.041m to capture the anticipated impact of re-classifications reflecting the adoption of accounting standard IFRS 16 (Leases). Finally, there was a transfer of £5.254m towards Ring Fenced non-cash costs. Consequently, the final approved Total Budget for 2022/23 amounted to £369.524m, comprising a cash budget of £264.334m and a non-cash allocation of £105.190m. Details of Scottish Enterprise's financial outturn against the budget allocated by the Scottish Government for 2022/23 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

Scottish Enterprise entered the 2022/23 financial year with a balanced core budget although there were a number of unfunded projects pressures at the start of the financial year. However, as highlighted earlier, there was no initial budget provision for ECLs and it was agreed that Scottish Government and Scottish Enterprise would work together during the financial year to ensure funding was ultimately in place. The estimated ECL pressure at the start of the financial year was £35.0m. The chart below shows how the budget position changed during the financial year. The Spring Budget Revision after the end of Period 8 was used to broadly re-balance the plan and crucially address the anticipated ECL pressures.

## Section 1: Performance Report



During the first quarter, there were still a relatively small value of unfunded pressures in the core Resource budget. However, we began to see a number of CDEL Infrastructure projects being removed from the plan primarily due to slippage in project timescales. The total CDEL decrease in expenditure in the first quarter was £15.4m but this did not have an impact on out-turn as the income we planned to generate from selling Listed Shares was also reduced. There were further reductions in expenditure across all budget headings in July with the largest of these in CDEL primarily reflecting a slower conversion of the pipeline of company grants into live projects than anticipated. The small remaining balance of Listed Shares income was removed from the plan but given the significant decrease in CDEL expenditure, there was now significant headroom on the CDEL budget. During August, the overall pressures increased primarily due to the reduction in Equity exit income forecasts of £18.6m. The exit market had been strong in previous financial years and the original exit target had been set accordingly. However, there had been a significant lack of exit activity and minimal deals in the pipeline and the forecast was subsequently reduced. As we moved towards the Spring Budget Revision at the end of November, there were further CDEL expenditure reductions again mainly arising from company grants creating head-room of £15.0m on the CDEL budget by the end of October.

As noted above, a number of budget transfers were agreed with Scottish Government as part of the Spring Budget Revision process which had a significant impact on the projected outturn position and

## Section 1: Performance Report

brought the budget back in to a broadly balanced position with £0.5m headroom remaining in the Resource budget. These key transfers were a return of CDEL budget of £10.477m, accessing additional FT budget of net £6.484m and the receipt of £16.857m towards ECLs. There were then some relatively minor movements in forecasts through to the end of February resulting in overall headroom of £6.6m.

Our expenditure profile was heavily backloaded with significant activity planned in March. By year end there were reductions in both expenditure and income which contributed to an overall net under-spend of £8.2m. The largest change was in the FT budget, where under-spend increased by £2.4m and reflected a number of planned deals failing to conclude by the end of March.

The Total Budget from Scottish Government for 2023/24 amounts to £264.200m including ring-fenced allocations towards ECLs of £20.500m and a DEL non-cash budget provision of £18.0m. This is net of £20.500m FT income budget to be generated by Scottish Enterprise in respect of anticipated returns based on financial asset investments originally funded from the FT monies. The gross cash expenditure allocation of £246.200m includes £225.700m of grant in aid funding augmented by the FT income of £20.500m. The Total Scottish Enterprise Budget is supplemented by business income generated and used to support business plan expenditure 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 processes. Although we have received an ECL budget of £20.500m, the Scottish Government has recognised that costs relating to past investments are difficult for Scottish Enterprise to manage and that this initial budget is short of our highest estimated costs. We have agreed to engage with the Scottish Government on ECL costs and forecasts against budget as the year progresses, including any difficulties and pressures in managing within this envelope. In addition, and in line with previous years, there will be an opportunity to secure budget from Scottish Government later in the year to cover costs that are charged to the Annually Managed Expenditure (AME) budget heading and any budget transfers in relation to IFRS 16 (Leases) will be managed through the in-year Budget revision process.

## Financial Position

Over the year 2022/23, there has been a decrease in net asset values of £97.6m to £579.9m (2022: £677.5m) as shown in Scottish Enterprise's Group Statement of Financial Position.

While we have continued our programme of planned asset sales and there has been an overall reduction in the valuation of the remaining land and property portfolio, this has been partially offset by the acquisition of property and the commencement of an asset under construction during the year. In addition, The Glasgow Science Centre Charitable Trust Limited has continued with the capital renewals programme in relation to its building. This is reflected in the total value of the land and property assets which have marginally decreased to £147.5m (2022: £148.0m), of which £3.8m (2022: £14.6m) is included as Assets Classified as Held for Sale.

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has increased to £505.5m (2022: £478.0m), of

which £12.4m (2022: £24.7m) is included in Current Assets. The increase in value reflects the on-going commitment to investment in early-stage Scottish companies.

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has decreased to £18.7m (2022: £111.0m). The scheme liabilities have decreased by £244.4m however assets have also decreased by £336.7m with the main drivers of the movement in the year being as follows:

- Financial assumptions gain due to increases in corporate bond yields and decreases to assumed future rates of inflation.
- Lower than expected asset returns.
- High levels of inflation that will lead to higher than expected pension increases and deferred revaluation in 2023, resulting in an experience loss on liabilities.

Due to the timing of funding received from Scottish Government cash balances have increased to £167.4m (2022: £151.2m). Grant in Aid requires to be drawn down before the end of the financial year, therefore the level of trade and other receivables and payables at 31 March can impact the level of cash balances held. Any cash drawn for 2022/23 that is unutilised will need to be adjusted against cash draw down in 2023/24. A significant proportion of cash held relates to Investment Fund balances where the cash is held to fund future investments.

Scottish Enterprise accesses Financial Transactions funding from the Scottish Government for investment in companies and for the provision of loans. The Financial Transactions funding is repayable to the Scottish Government over various terms of up to 17 years based initially on the estimated returns from the underlying investments made. During 2022/23, Scottish Enterprise drew down £57.4m of repayable Financial Transactions funds and repaid £14.0m to the Scottish Government following the sale of investments made by Scottish Enterprise with Financial Transactions money.

## Payment Policy

Scottish Enterprise has a stated service commitment to pay our suppliers within 30 days of receipt of agreed and valid invoice, or as provided for under the terms of an agreed contract. However, as advised by 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 2023, Scottish Enterprise paid 86% (2022: 83%) of suppliers' invoices within the revised standard. The average number of days to taken to pay valid invoices during the year was 6.9 days (2022: 8.2 days).

## Section 1: Performance Report

### Social Matters

#### Fraud or Corruption Claims

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

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

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

The National Fraud Initiative (NFI) is a counter-fraud exercise which matches sets of data between participating public bodies to identify potential areas for further investigation. The NFI occurs every two years and SE is again participating in the data matching exercises for 2022/23.

The Scottish Enterprise Speak Up (Whistleblowing) Policy sets out avenues for reporting any suspicions of fraud. This Policy outlines the available options for staff wishing to raise concerns:

- Line Manager
- Scottish Enterprise Director of Audit (including confidential contact)
- Independent third party (confidential whistleblowing hotline operating 24 hours a day, 7 days a week)
- A nominated non-Executive Board member

## Human Rights Due Diligence

Scottish Enterprise is committed to human rights. We have responded to Ministers' guidance on carrying out human rights due diligence and this is now required to be performed in addition to existing checks and considerations undertaken by Scottish Enterprise before engaging in an investment relationship with a customer. We have created a Human Rights Due Diligence procedure which supports this.

## Sanctions Policy

Scottish Enterprise has developed a Sanctions Policy and Guidelines in line with legal advice and advice from the UK and Scottish Governments. The purpose of the policy and guidelines is to help ensure that we are not supporting companies or individuals subject to legal sanctions and those companies that retain Russian or Belarussian trading or investment links where we believe they are able to divest themselves.

## Fairer Scotland Duty

We are implementing the Fairer Scotland Duty (the Duty) and have shared our practice with others. The Duty places a legal responsibility on named public bodies in Scotland, including Scottish Enterprise, to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions

We apply Fairer Scotland Duty assessments, supported by our equality champions, to strategic decisions considered by the Board. We have published nine assessments on [our website](#) in line with legislative requirements and a further four are under development. We supported the revised guidance on the Duty and attended updated training on this.

This builds on our equality obligations under the Equality Act 2010 and associated Scottish Specific Equality Duties. Further details are contained in our [Equality mainstreaming report](#).

## Corporate Social Responsibility

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

We have a strong employee-supported volunteering programme. Our volunteering policy reflects our commitment to an active role in the communities in which we live and work and the environment as well as the development of our people. We refreshed our volunteering policy last year to allow micro-volunteering for short periods of time (a minimum of one hour), previously volunteering leave would be taken in full or half days. This change was to encourage more people to use this paid volunteering leave to benefit their local communities



## Section 1: Performance Report

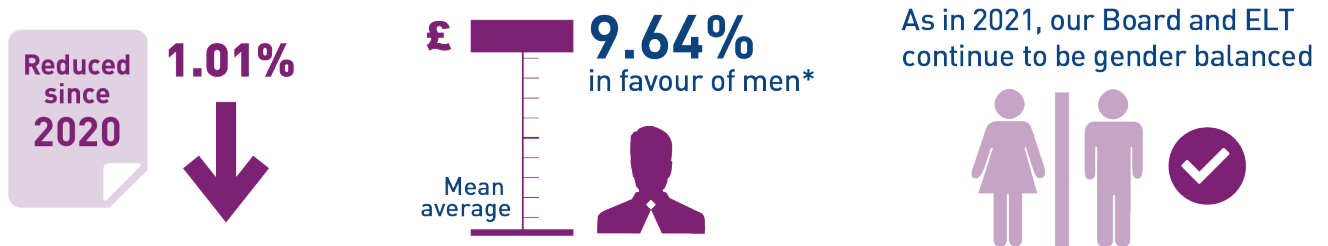
Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year (pro-rata for part-time staff). During 2022/23, volunteering opportunities were taken up by 56 colleagues totalling 519.5 hours. All volunteering was taken under our paid volunteering process, there was no unpaid volunteering taken/recorded.

## Equality and diversity

We're committed to equal opportunities as an employer and in the services we provide. Every two years we publish a report that sets out our commitment to equal opportunities and charts the progress and steps we're taking to address the needs of under-represented groups. During the year we published our [Equality Mainstreaming Report](#) outlining our progress with mainstreaming equality across the organisation, both as a service provider and as an employer. The graphic below delivers our key messages as an employer.

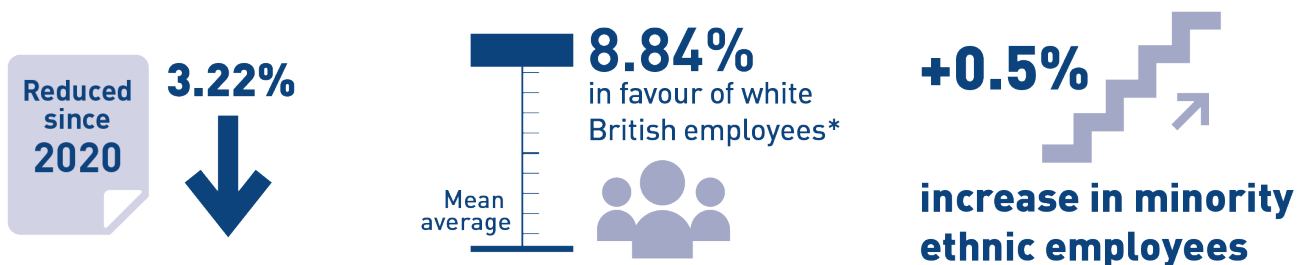
### Key highlights – HR/Employer

#### Gender pay gap



Using the mean average: 9.64% in favour of men which is better than at national level. This has reduced by 1.01% since our 2021 mainstreaming report.

#### Ethnicity pay gap



Using the mean average: 8.84% in favour of white British employees which is a decrease of 3.22% on 2021. The proportion of black/minority ethnic employees has increased by 0.5% since our 2021 report.

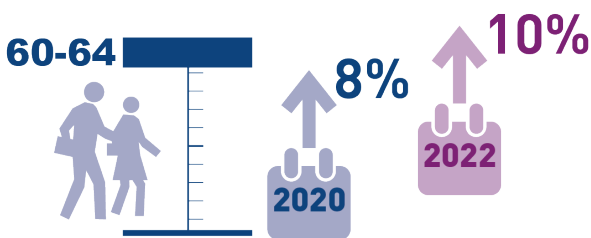
**Disability**



**LGBTQ+**



**Age**



The percentage of our workforce in the 60-64 category has increased from 8% in 2020 to 10% in 2022.

We have employed 8 Graduates since October 2020.

\*These statistics are correct as at 1 October 2022

**Environmental Matters**

Scottish Enterprise is fully committed to cutting greenhouse gas emissions and will achieve net zero emissions by 2040, five years ahead of legislative targets.

Our [net zero framework](#) outlines our approach to help tackle climate change and address biodiversity loss. It focuses on economic opportunities that deliver benefits to the environment and society. We are embedding a focus on net zero across everything we deliver as well as our internal operations. We've set a target to become a net zero organisation by 2040 and have agreed an interim target to achieve a 75% reduction in emissions by 2030 compared to a 2015/16 baseline, our next target review takes place in 2025.

**To achieve this we plan to reduce emissions from:**



**Travel**  
Driving and Flights



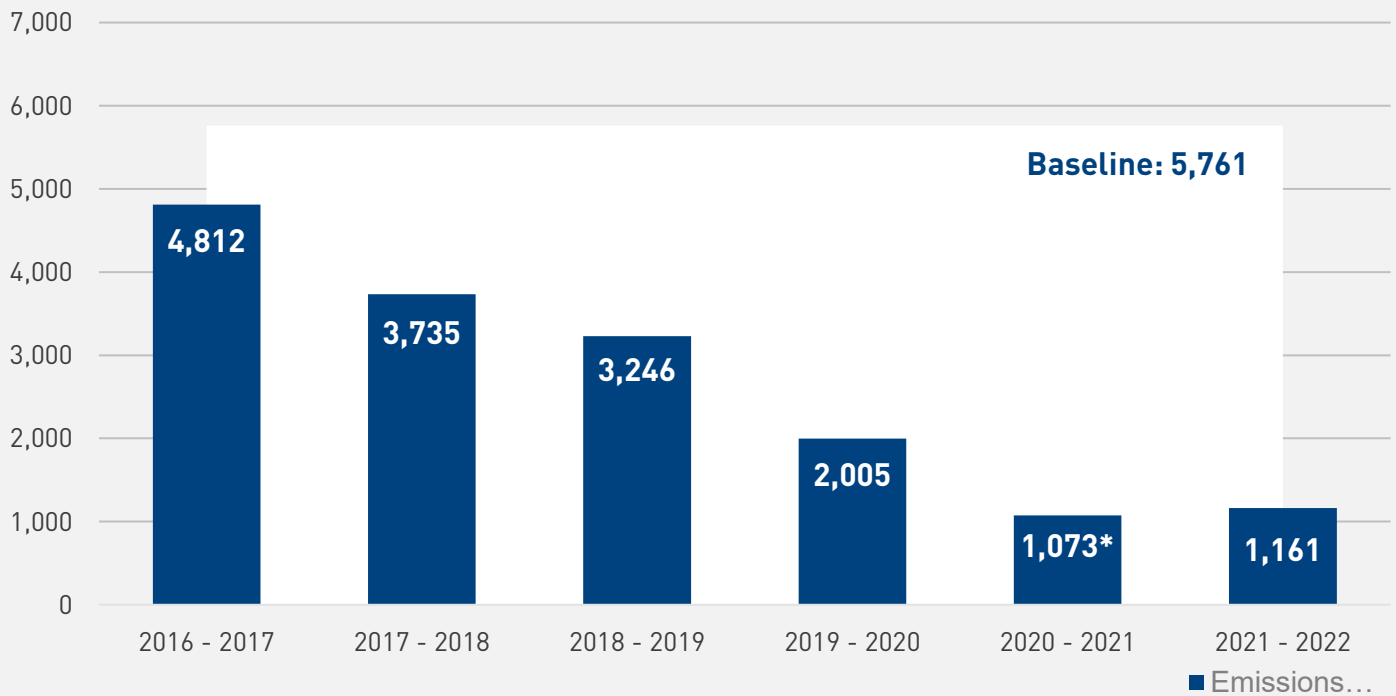
**Operational Offices**  
Gas and Electricity



**Property Portfolio**  
Gas and Electricity

## Section 1: Performance Report

The chart below illustrates our emission reduction over time.



**\*Note:** This period saw a significant decline in emissions due to the pandemic. We expect a rebound in subsequent years. However, the 1.25% planned annual reduction is still on target.

*Some emissions figures have been adjusted to include updated data.*

Our annual Climate Change Duties report is published online at [www.sustainablesotlandnetwork.org](http://www.sustainablesotlandnetwork.org), detailing our yearly carbon performance.

**Adrian Gillespie**  
**Accountable Officer**  
**28 July 2023**

SECTION 2

# Accountability Report

for the year ended 31 March 2023

Section 2: **Accountability Report****Corporate Governance Report****Directors' Report****The Board**

The members of the Scottish Enterprise Board, except for the Chief Executive, are appointed by the Scottish Ministers. The Board members who held office during the year were as follows:

Lord Robert Smith	Chair to 31 July 2022
Anne Glover	
Adrian Gillespie	Chief Executive
Willie Mackie	Interim Chair from 1 August 2022
Poonam Malik	
Peter McKellar	
Gavin Nicol	
Sue Paterson	
Karthik Subramanya	
Carmel Teusner	

**Executive Leadership Team**

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

Adrian Gillespie	Chief Executive	
Reuben Aitken	Managing Director, International	from 24 October 2022
Rhona Allison	Managing Director, Business Growth	
Douglas Colquhoun	Chief Financial Officer	
Neil Francis	Interim Managing Director, International Managing Director, Digital and Major Projects	to 23 October 2022 from 24 October 2022
Jane Martin	Managing Director, Innovation & Investment	
Carolyn Stewart	Chief People Officer	to 30 March 2023
Maria Bradshaw	Interim Chief People Officer	from 31 March 2023

## 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](#).

## Statement of Accountable Officer's Responsibilities

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

In preparing the accounts, the Accountable Officer is required to:

- observe the Accounts Direction issued by the Scottish Ministers (see page 167), including the relevant accounting disclosure requirements, and apply these accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that Scottish Enterprise will continue in operation.

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

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

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

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

Section 2: **Accountability Report**

**Governance Statement**

**Introduction**

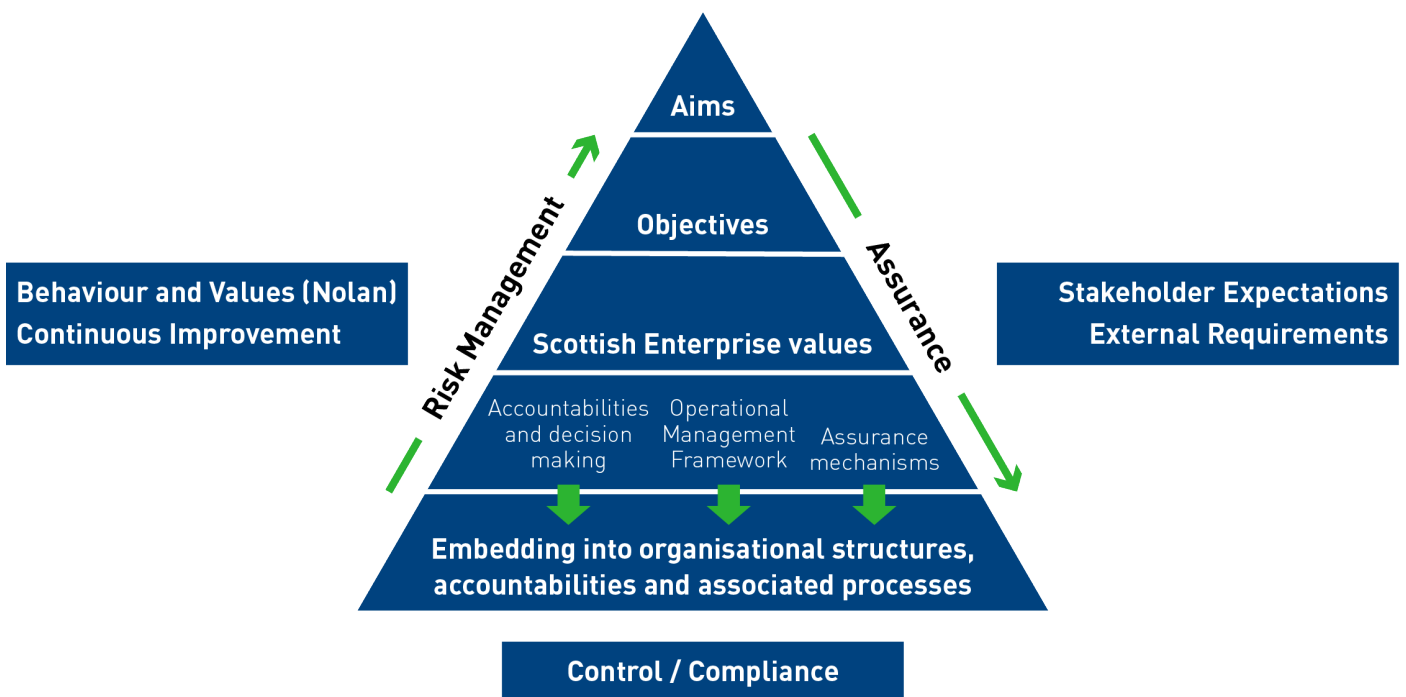
As Accountable Officer, I have responsibility for maintaining a Governance Framework which supports the achievement of the Scottish Enterprise Group’s policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance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

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

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

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

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 Scotland's Economic Strategy which sets out our strategic priorities. Scottish Enterprise's Strategic Framework 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 for employees is included in all the policies contained in our online Employee Handbook (available via our intranet). Our Code of Conduct, Dignity at Work and Diversity policies set out our expectations in relation to behaviours, conduct and values. The importance of how we achieve our goals is recognised within the internal employee performance management guidance, My Performance, which through coaching conversations ask employees to consider how their objectives align to our Corporate Plan. The objectives are set at a team and individual level, are agile (updated on an ongoing basis) and consider both what and how (linked to values) these are delivered.

## Accountabilities and Decision Making

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

## Scottish Enterprise Board and Sub-Committees

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

The Scottish Enterprise Board has established clear terms of reference and operating practices for itself and its Sub-Committees.

The Board meets bi-monthly and its Committee structure and terms of reference are regularly reviewed.



## Section 2: Accountability Report

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

As at 31 March 2023, the Board of Scottish Enterprise comprised the Interim Chair, seven non-executive members and the Chief Executive. The Board met in full seven times in the year. The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers.

It has general corporate responsibility for:

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

## Scottish Enterprise Board

Lord Smith stepped down as Chair on 31 July 2022 and Willie Mackie was appointed Interim Chair on 1 August 2022 initially until 31 January 2024, however, this has subsequently been extended to 31 March 2024.

Anne Glover and Gavin Nicol's tenures were extended from 1 March 2023 to 31 May 2023 to allow for the completion of a Board recruitment process. Following the successful conclusion of this recruitment process 3 new Board members, Gillian Murray, Raymond O'Hare and Richard Williams have been appointed from 1 June 2023 to 31 May 2026 and a further 2 new Board members, Stephen McArthur and Graham Soutar have been appointed from 1 January 2024 to 31 December 2026.

Section 2: **Accountability Report**

Membership and attendance at meetings of the Board during the year from 1 April 2022 to 31 March 2023 was as follows:

		Eligible to Attend	Attendance
Lord Robert Smith	Chair to 31 July 2022	3	2
Adrian Gillespie	Chief Executive	7	7
Anne Glover		7	5
Willie Mackie	Interim Chair from 1 August 2022	7	7
Poonam Malik		7	7
Peter McKellar		7	7
Gavin Nicol		7	4
Sue Paterson		7	7
Karthik Subramanya		7	6
Carmel Teusner		7	7

In addition, the Board met on seven occasions, out with scheduled Board meetings, to consider projects requiring urgent SE Board approval.

The Board was supported during the year by four Sub-Committees - Audit and Risk, Remuneration, Nominations and Governance, and Board Approvals.

The purpose and membership of each committee for the year to 31 March 2023 is summarised below.

## Audit and Risk Committee

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

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

## Section 2: **Accountability Report**

### Remuneration Committee

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

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

### Nominations and Governance Committee

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

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

### Board Approvals Committee

The Board Approvals Committee approves any decisions relating to the business of Scottish Enterprise which would otherwise be made by the Board, save for an identified and declared significant conflict by a Board member.

The committee is chaired by the Deputy Chair (currently Interim Chair), with membership consisting of all Non-Executive Directors and is convened immediately following a Board meeting.

There were no meetings of the Board Approvals Committee during 2022/23.

## Sub-Committee Membership and Attendance Record

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

	Audit and Risk	Remuneration	Nominations and Governance	Board Approvals
Anne Glover		2/2	1/1	
Willie Mackie, Interim Chair	2/2 C	1/1	1/1C	
Poonam Malik		1/2	1/1	
Peter McKellar	4/4	2/2		
Gavin Nicol		2/2 C	0/1	
Sue Paterson	3/4			
Lord Robert Smith		1/1		
Karthik Subramanya	4/4			
Carmel Teusner	4/4 Interim C			
Adrian Gillespie*	4/4	1/2	1/1	

**C** = Chair

\* While not a formal member of these committees, the CEO attends the meetings

## Scottish Enterprise Chief Executive

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

## Organisational Model

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

## Operational Management Framework

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

## Section 2: **Accountability Report**

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

### **Strategy and Planning**

The Scottish Government's National Strategy for Economic Transformation, along with opportunities and challenges in Scotland's economy, are 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 take a leading role.

### **Resource Management**

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

### **Performance Management**

The Scottish Enterprise Business Plan sets out Scottish Enterprise's priority outcomes, behind which is a fuller performance framework that is used to track and monitor not only what Scottish Enterprise delivers, but how we deliver it.

Analysis and insights from the performance framework allows Scottish Enterprise to better understand what works, and what has the greatest impact on Scotland's economy.

### **Budgetary Control**

Budgets are approved on an annual basis as part of the Business Planning process. The budgets are allocated to business areas to ensure clear accountability for the delivery of the budget. The Executive Leadership Team receives monthly reports on expenditure against budget together with a summary of the movement in the full year income and expenditure forecasts. This also includes proposed corrective action where necessary to ensure financial objectives are met.

## **Human Resources**

The Employee Handbook (available via our intranet) clearly sets out staff responsibilities and our expectations in relation to behaviours, conduct and values.

Scottish Enterprise places people at the centre of what it does. We have regular employee engagement surveys to inform how we can continue to be a progressive and engaging employer.

Alongside this, we are a Young Person's Guarantee employer and we have been recognised as an Investor in Young People (IYYP) since December 2014, with the further Award of a Gold level achieved in February 2022.

## **IT Services**

Enterprise Information Services (EIS) is a shared service which provides IT services to Scottish Enterprise, Skills Development Scotland, Highlands & Islands Enterprise and South of Scotland Enterprise. EIS provide network, end user computer, mobile, partnership wide security systems, service desk functionality, hosting and Cloud services as well as some key elements of Scottish Enterprise's Information Services estate. EIS is supported by contracts with suppliers delivering services under the current Supplier Integration and Management model. Yearly disaster recovery and business continuity tests are carried out in this area by EIS.

In addition to these shared IT services, Scottish Enterprise also develops and maintains IT services bespoke to Scottish Enterprise's needs, as well as procuring Software as a Service functionality for generic/core systems. To help deliver and maintain these IT services for Scottish Enterprise, our Digital and Data Strategy and principles have now been agreed. Furthermore, our Service Assurance processes, in step with EIS, will improve the controls and management of these systems and services specific to SE. Activity in relation to our disaster recovery and business continuity plans are a key focus of our Security Programme through 2023/4 and will be presented to SE's Audit and Risk committee in due course.

## **Data Protection & Information Governance**

The Data Protection and Information Governance Officer has overall responsibility for monitoring and ensuring overall organisational compliance with Data Protection legislation and wider organisational Information Governance. Statutory compliance includes reporting reportable data protection breaches to the Information Commissioner's Office (ICO) and other Supervisory Authorities across the EEA.

During 2022/23 Scottish Enterprise had no reportable data breaches made to the ICO.

## **Estate Management**

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

## Section 2: **Accountability Report**

SE's Accommodation Strategy seeks to right-size the number and capacity of our offices to reflect their current and anticipated future use. We are working with partners and Government to ensure that we maximise the potential for co-location with other public bodies and other organisations that share SE's strategic objectives.

### **Risk Management**

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

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

During 2022/23 a 'dashboard' presentation was presented to each meeting of the Board to highlight the Top Risks across our Corporate Risk Register. A Corporate Risk Register has been established to consider those risks that impact the organisation as a whole and are likely to affect the organisation's ability to achieve our strategic goals and objectives. The Register is reviewed and discussed by the Executive Leadership Team on a regular basis, including consideration of progress on agreed actions to manage the risks.

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

Alongside the guidance provided to all staff directly involved in risk, appropriate risk management training for all staff has been developed during 2022/23 and is due to be rolled out in 2023/24.

Scottish Enterprise's Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board.

Section 2: **Accountability Report**

At the end of the 2022/23 reporting period, the principal risks identified on the Risk Dashboards from the Corporate Risk Register related to:

Risk	Key Mitigations
<p>The risk of reduced funding availability for SE across its Resource (RDEL) and Financial Transactions budgets which could impact on SE's ability to deliver against its aspirations for economic growth.</p> <p>The outcome of the Scottish Government's Resource Spending Review and the associated impacts on SE's RDEL funding allocations may limit SE's ability to shape and deliver the national economic development programmes that are essential to Scotland's competitive advantage over the next decade.</p> <p>Continued uncertainty regarding the availability of Financial Transactions funding over the medium-term, could potentially result in a reduced capacity to maintain support for SE's current activities, including, the early-stage investment market.</p>	<ul style="list-style-type: none"> <li>● Development of a financial strategy to investigate all options around our future financial model.</li> <li>● An efficiency review is planned to identify areas where potential cost savings could be secured.</li> <li>● Regular engagement with the Scottish Government on the future availability of Financial Transactions funding (or an alternative at the UK level) and identification of the impacts on overall budgetary requirements.</li> </ul>
<p>There is a risk of very significant disruption to Scottish Enterprise's digital and data services as a result of a cyber-crime related incident. Such an incident could have significant operational, regulatory and/or reputational impact for Scottish Enterprise.</p>	<ul style="list-style-type: none"> <li>● Renewal of Scottish Enterprise's Cyber Essentials Plus accreditation during 2022/23.</li> <li>● Implementation of key information security policies.</li> <li>● Mandatory training on cyber and threat awareness, as well as regular phishing exercises.</li> <li>● Continued work with our shared services partner EIS on cyber security measures.</li> <li>● Oversight of key groups, including the Audit and Risk Committee.</li> <li>● Further improvement actions are planned for business continuity and disaster recovery testing for SE-managed systems.</li> </ul>



Section 2: **Accountability Report**

Risk	Key Mitigations
<p>There is a risk that Scottish Enterprise may suffer reputational damage as the organisation changes to focus on a smaller number of transformational priorities and seeks to optimise the impact of both its people and financial resources.</p> <p>This 'high' risk has recently been identified by Scottish Enterprise and recognises the potential reputational damage if current aspects of Scottish Enterprise's delivery are deprioritised or withdrawn.</p>	<ul style="list-style-type: none"> <li>● Regular, co-ordinated engagement and communication with all relevant stakeholders on Scottish Enterprise's direction of travel, the proposed changes and their implications. Key stakeholders include the Scottish Government and our staff.</li> <li>● A change programme office and portfolio board have been established to provide co-ordination of future changes and oversight of interdependencies. Lessons learned from previous changes implemented throughout Scottish Enterprise will be applied.</li> </ul>
<p>There is a risk that SE's ambition to be a digitally-enabled and data-driven economic development agency is not realised.</p>	<ul style="list-style-type: none"> <li>● Data Strategy and Digital Strategy, which are aligned with Scottish Enterprise's overall aims and ambitions.</li> <li>● Technical decision-making governance and controls to ensure decisions are consistent with the strategic technical direction, budget availability or any potential partnership opportunities.</li> <li>● Ongoing progress with digital implementation plan to help deliver new digital team structure, updated technical principles and defined deliverables to support the strategy.</li> <li>● Key executive leadership appointment of Managing Director for Digital and Major Projects in October 2022. Progress with recruitment of other key Digital and Data appointments.</li> </ul>

## Assurance

### Role of Scottish Enterprise Audit and Risk Committee

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

## Section 2: **Accountability Report**

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

### **Management Assurance Statements**

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

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

The Certificate of Assurance for 2022/23 has now been completed and submitted to Scottish Government in line with the above process. I can confirm that for the year ended 31 March 2023 and up to the authorised date of issue, there were no significant control weaknesses identified and the governance arrangements and systems of internal control have been in place and have operated effectively.

### **Internal Audit**

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

Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of the internal control environment.

For 2022/23, the conclusion of internal audit work carried out identifies an overall satisfactory level of assurance on Scottish Enterprise's framework of governance, risk management and management control. This opinion is based on in-depth reviews completed throughout the year, as well as consideration of other audit activity (e.g. advisory work, real-time audits, and other assurance sources). The audit reviews highlighted a positive assurance overall, with two review areas for key improvement. Recommendations have been agreed with management across all reviews to mitigate identified risks, with a follow up process in place to ensure that previous internal audit recommendations are fully implemented. The status of agreed actions has also been considered in reaching this opinion.

## Section 2: **Accountability Report**

An Internal Audit Shared Service has been established including Scottish Enterprise, Skills Development Scotland, Scottish Funding Council, South of Scotland Enterprise and Clyde Gateway, with Scottish Enterprise taking the lead in delivering internal audit services across each organisation. This arrangement demonstrates increased collaboration across Strategic Board partners.

### **External Audit**

The Auditor General for Scotland is responsible for auditing the Scottish Enterprise consolidated accounts. The Auditor General has appointed Audit Scotland to undertake the statutory audit of Scottish Enterprise. Scottish Enterprise subsidiaries are subject to external audit by Thomson Cooper Limited.

Audit Scotland reviewed Scottish Enterprise's control environment during 2022/23 and were able to conclude that the control environment was operating effectively.

## **Remuneration and Staff Report**

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the Executive Leadership Team and provides details of members' remuneration for the year ended 31 March 2023.

### **Scottish Enterprise Board**

Scottish Enterprise Board members, except for the Chief Executive, are appointed by the Scottish Ministers for a fixed period, normally three years. These non-executive members do not have contracts of service with Scottish Enterprise. The Scottish Government sets the level of remuneration for the Chair and informs Scottish Enterprise on an annual basis of any increase to be awarded.

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

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

Section 2: **Accountability Report****Board Members' Remuneration**

(the information from this section to the end of 'Exit Packages and Settlement Agreements' section on page 59 has been subject to audit).

Remuneration paid to the Chair and other non-executive board members who served during the year to 31 March 2023 was:

	Remuneration 2023	Remuneration 2022
	£	£
Lord Robert Smith, (Chair to 31 July 2022)	16,408	49,050
Anne Glover	13,408	13,350
Willie Mackie, (Interim Chair from 1 August 2022)	38,179	16,020
Poonam Malik	13,408	13,350
Peter McKellar	13,408	13,350
Gavin Nicol	13,408	13,350
Sue Paterson	13,408	13,350
Karthik Subramanya	13,408	13,350
Carmel Teusner	15,195	13,350

**Remuneration Committee**

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

The members of the Remuneration Committee who served during the year to 31 March 2023 are outlined in the Governance Statement.

**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.

## Section 2: **Accountability Report**

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

If an Executive Leadership Team member's employment with Scottish Enterprise is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service. This basis is identical to that applied for all other employees.

### **Executive Leadership Team Remuneration**

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

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

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

Basic salaries were set on 01 April 2022 following their annual review in line with the pay remit agreed with the Scottish Government. Salary levels are established after consideration of external market levels and internal comparisons as well as individual responsibilities. Salary payments are made every four weeks.

Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 20% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 68 for members who joined from 01 February 2022, 65 for staff members who joined between 01 December 2006 and 31 January 2022, or 60 for staff members who joined before 01 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.

Section 2: **Accountability Report**

Remuneration of the Executive Leadership Team members who served during the year to 31 March 2023 was:

	2023			2022		
	Salary (i) £000	Pension Benefits (iii) £000	Total £000	Salary (i) £000	Pension Benefits (iii) £000	Total £000
Adrian Gillespie (from 1 September 2021)	181	41	<b>222</b>	104	21	<b>125</b>
Jane Martin	137	18	<b>155</b>	136	32	<b>168</b>
Carolyn Stewart (to 30 March 2023)	137	15	<b>152</b>	136	32	<b>168</b>
Neil Francis	123	56	<b>179</b>	115	94	<b>209</b>
Douglas Colquhoun	126	47	<b>173</b>	121	90	<b>211</b>
Rhona Allison (from 30 March 2022)	117	45	<b>162</b>	1	-	<b>1</b>
Reuben Aitken (from 24 October 2022)	54	12	<b>66</b>	-	-	-
Maria Bradshaw (from 31 March 2023)	1	-	<b>1</b>	-	-	-

- i) In the interest of increased transparency, all salaries noted above have been disclosed to the nearest £1,000 rather than in bandings of £5,000 as required by the Financial Reporting Manual (FRM). Salary costs relate to the period that the individual held a role on the Executive Leadership Team. The full-time equivalent salaries payable to Reuben Aitken, Maria Bradshaw, and Carolyn Stewart for the period in which they served on the Executive Leadership Team were £123,081, £117,612, and £137,758 respectively.
- ii) In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment on 1 April 2022. Increases varied from 1.48% to 6.48% depending upon the position of the existing salary in the pay band. No Scottish Enterprise bonuses were paid or payable to any members of the Executive Leadership Team for 2022/23.
- iii) 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.

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Retirement benefits of the Executive Leadership Team members for the year to 31 March 2023 are as follows:

		Cash Equivalent Transfer Value (i)				
		Accrued Pension at normal retirement date as at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age	At 31 March 2023	At 31 March 2022	Increase in transfer value during year (net of members' contributions)
		£000	£000	£000	£000	£000
Adrian Gillespie (iii)	25 – 30 plus, lump sum of 80 - 85	0 - 2.5 plus, lump sum of 5.0 – 7.5	498	749	(263)	
Jane Martin	35 – 40 plus, lump sum of 110 - 115	0 - 2.5 plus, lump sum of 5.0 - 7.5	578	920	(351)	
Carolyn Stewart (ii)	45 – 50 plus, lump sum of 140 - 145	0 - 2.5 plus, lump sum of 5.0 - 7.5	756	1,171	(423)	
Neil Francis	40 – 45 plus, lump sum of 120 - 125	2.5 - 5.0 plus, lump sum of 10.0 – 12.5	774	1,034	(268)	
Douglas Colquhoun	50 – 55 plus, lump sum of 160 - 165	2.5 - 5.0 plus, lump sum of 10.0 – 12.5	1,003	1,400	(405)	
Rhona Allison	25 – 30 plus, lump sum of 75 - 80	2.5 - 5.0 plus, lump sum of 7.5 – 10.0	455	627	(179)	
Reuben Aitken (iv)	0 – 5 plus, lump sum of 0 - 5	0 - 2.5 plus, lump sum of 0 – 2.5	4	-	-	
Maria Bradshaw (iv)	20 – 25 plus, lump sum of 70 - 75	-	287	287	-	

- i) 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

Section 2: **Accountability Report**

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.

- ii) Carolyn Stewart ceased her role as company director on 30 March 2023. The figures in the table above reflect the value of the increase in these members' pension related benefits in the Scheme over the period 1 April 2022 to the dates that she ceased her role as company director.
- iii) Adrian Gillespie undertook the role of Chief Executive from 1 September 2021 however his service, pension, and lump sum include deferred benefits which were accrued from a previous period of service with Scottish Enterprise.
- iv) Reuben Aitken and Maria Bradshaw became directors on 24 October 2022 and 31 March 2023, respectively. The figures in the table above presented at 31 March 2022, are as at the respective dates that they became directors.

## Fair Pay Disclosure

The relationship between the remuneration of the highest paid member of the Executive Leadership Team and the employee on the 25th percentile, median and 75th percentile of pay and benefits of the employees of Scottish Enterprise for the financial year are as follows:

	2023			2022		
	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile
Annualised remuneration before pension benefits of the employee on the respective percentile of pay and benefits of the entity's employees for the financial year	44,588	51,572	56,429	42,588	49,572	55,512
<b>Remuneration ratio</b>	<b>4.1</b>	<b>3.6</b>	<b>3.2</b>	<b>4.2</b>	<b>3.6</b>	<b>3.2</b>

The remuneration ratio of SE's employees is based on the annualised full time equivalent salary (including any applicable allowances) of employees as at 31 March 2023. Compared to last year, the 25<sup>th</sup> percentile and median ratios have reduced slightly and the 75<sup>th</sup> percentile ratio is largely static.

The percentage change from the previous financial year for the highest paid member of the Executive Leadership Team was 1.8% (2021-22: 10%). The highest paid director is the CEO. This uplift was for the 2022-23 pay award. In 2021 a new CEO was appointed, and this is why in 2021/22 the percentage change from the previous year was higher than normal at 10%, reflecting the difference between the starting salary of the new CEO and the salary of the previous interim CEO.

The average percentage change from the previous financial year for employees of SE as a whole was 6% (2021-22: 4.3%). The average change reflects more than the annual pay award as it includes all pay increases, for example: annual pay award, promotional increases (which may be one or more



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grades higher), temporary promotions or grade adjustments. We have seen a significant amount of internal recruitment over the last 1-2 years and the inclusion of promotional pay uplifts raises the average % change.

Our annual pay award must meet the requirements of Scottish Government's public sector pay policy which sets the cost of living increase. In 2022-23 Scottish Government amended pay policy in August to give additional flexibility to employers to exceed policy's parameters given the economic climate. SE, in line with Scottish Government and other public sector partners, used the amended policy flexibility. In recent years, pay policy has focused on higher awards for lower paid employees and this applied in 2022-23 when pay award paid flat cash amounts with higher awards for lower paid staff.

Promotional pay increases are set within our pay guidelines and typically involve a move to the minimum of the promoted grade's salary band.

The median remuneration ratio trend over the last five years hasn't changed significantly in this period but there has been a small reduction from 3.779 in 2018-19 to 3.552 in 2022-23. Over the five years the trend has been down except for a small rise last year when a new CEO was appointed.

As well as UK employees the data set also includes:

- contractors
- agency staff; and
- directly employed overseas staff with salary converted to GBP.

Compared to last year, we have fewer overseas employees and contractors.

The overseas salaries are set in line with local markets and are typically higher than UK salaries. Contractor salaries are typically higher than employee salaries.

We believe the median pay ratio information is reflective overall of our pay, rewards and progression policy for employees. However, as noted above, the data set includes salaries which are not on our pay structure and this may affect some calculations slightly. Further checks on the data indicate minimal impact.

The full time equivalent remuneration paid to SE staff ranged from £23,279 - £183,512 (2022: £21,004 to £180,000).

## Staff Report

### Staff Costs

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

	2023	2022
	£	£
Remuneration (i) (ii)	167,108	174,827
Social security costs	12,100	11,922
Pension costs (iii)	9,493	12,429
	<b>188,701</b>	<b>199,178</b>

- i) Remuneration paid to non-executive board members is also detailed in the Remuneration Report above.
- ii) Scottish Enterprise's Chief Executive, Adrian Gillespie, was also a member of the board. The Chief Executive's 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 £36,900 (2022: £43,000) within the total retirement benefit liabilities at 31 March 2023, as assessed by Isio, Scottish Enterprise's advising actuaries.

Staff costs comprise:

	Permanent staff	Others	2023	2022
	£000	£000	£000	£000
Wages and salaries	57,145	-	57,145	54,359
Social security costs	6,566	-	6,566	5,898
Pension costs	25,283	-	25,283	27,378
Inward seconded and temporary staff costs	-	8,577	8,577	9,077
Severance costs and other exit packages	181	3	184	-
<b>Total staff costs before recoveries (i)</b>	<b>89,175</b>	<b>8,580</b>	<b>97,755</b>	<b>96,712</b>
Less: recoveries in respect of outward secondments	(205)		(205)	(268)
<b>Total net staff costs</b>	<b>88,970</b>	<b>8,580</b>	<b>97,550</b>	<b>96,444</b>

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- i) Total staff costs before recoveries includes expenditure on temporary staff costs of £3,711,511 (2022: £4,986,000) within operating expenditure of which £nil (2022: £778,468) has been capitalised as an intangible asset.

### Staff Numbers

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

	Permanent staff	Others	2023	2022
Executive Leadership Team	7	-	7	6
Operations	1,078	-	1,078	1,058
Operations - locally engaged overseas staff	48	-	48	58
Administration and support function	177	-	177	194
Inward Secondments and temporary staff (i)	-	101	101	112
	<b>1,310</b>	<b>101</b>	<b>1,411</b>	<b>1,428</b>

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

### Exit Packages and Settlement Agreements

There were no staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2023 (2022: 0). There were two (2022: 0) staff who left a subsidiary company due to the end of fixed term contracts who received redundancy payments at a cost of £3,218 (2022: £nil) and there was one (2022: 0) individual who left a subsidiary under voluntary severance at a cost of £63,924 (2022: £nil).

Exit package cost band	Compulsory Redundancies	Other Departures Agreed	Total 2023 No.	Total 2022 No.
< £10,000	2	-	2	-
£60,001 - £70,000	-	1	1	-

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There were two staff members who left or agreed to leave Scottish Enterprise under a Settlement Agreement in the year to 31 March 2023 (2022: 0) at a cost of £117,006 (2022: £nil).

Settlement Agreement cost band	Compulsory Redundancies	Other Departures Agreed	Total 2023 No.	Total 2022 No.
£20,001 - £30,000	-	1	1	-
£90,001 - £100,00	-	1	1	-

## Staff Composition

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

	Male	Female	2023 Total	Male	Female	2022 Total
Board (i)	5	4	9	5	4	9
Executive Leadership Team	4	3	7	3	3	6
Other employees	531	796	1,327	517	757	1,274
<b>Total</b>	<b>540</b>	<b>803</b>	<b>1,343</b>	<b>525</b>	<b>764</b>	<b>1,289</b>

- i) Adrian Gillespie, the Chief Executive Officer, is included as a member of the Executive Leadership Team in the table above. He is also a member of the Board.

## Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2023 was 8,220.5 (2022: 9,461) sick days out of a possible 266,466 (2022: 264,852) working days representing a lost time through sickness absence of 3.09% (2022: 3.57%).

## Staff Turnover

Staff turnover for Scottish Enterprise employees for the year end March 2023 was 6.27% (2022: 8.77%).

## Trade Union Facility Time

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

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

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There were 21 (2022: 16) staff members who were trade union officials during 2022/23:

Percentage of working hours spent on facility time	Union officials (No)
1 - 50%	21

The total cost of facility time amounted to 0.04% (2022: 0.03%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. 47% (2022: 33%) of the total paid facility time hours was spent on trade union activities.

## Staff Policies

As with previous years, our focus has been on supporting employees to deliver our key business priorities whilst recognising our changing business context which included a continued move to a 'hybrid' way of working. This was achieved by a continued strong approach to flexibility, wellbeing, engagement and recognition and work/life balance. We introduced our updated Everyday Flexibility policy, when our offices opened in February 2022, to provide the support and flexibility employees needed to flourish and be their best while meeting the needs of the business and our customers. This encouraged our employees to decide how, when and where they delivered their work in support of our Corporate Plan.

Each of the sections below set out our key activities, policies and programmes we focused on during the year.

### Engage & Recognise

How our employees feel about working at Scottish Enterprise is important to us and listening and acting on their feedback is a key part of that. We offer a wide range of opportunities to hear and engage employees so they can shape all aspects of how we work and what we do. We have used a range of methods to engage with our employees such as surveys and engagement groups.

We also benefit from having developed co-operative working relationships with our recognised trade unions and ensure they are engaged in business changes through our formal working groups such as our Joint Committee for Negotiation and Consultation (JCNC) and the Terms and Conditions Sub Group. We have a Health & Safety Committee which includes union representatives, employees and management. These committees meet quarterly. We also have regular informal meetings, for example regular scheduled meetings with our trade union and our CEO and bi-annual meetings with the union and our Chair.

We recognise that highly engaged organisations perform better, are more innovative and have high levels of staff motivation. A great example of how we have demonstrated the benefits of improving our employee experience through engaging with employees has been the updating of our Everyday Flexibility approach as noted above. Through engagement with our employees, we continued to build on the flexibility put in place during Covid, we formally introduced the approach when our offices reopened and, through a formal review, we recognised that this had enhanced the employee experience whilst allowing us to deliver and meet business needs. This approach allows us to adapt

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our working environment, where business need permits, to different employees and enhance our ability to create a more inclusive workforce.

We also recognise the importance of ensuring our employees feel appreciated and our Living the Values programme recognises individual and team contributions that demonstrate our values; Be Fair, Be Brave, Be our Best and Be the Difference. These awards recognise special achievements that bring our values to life, which are over and above our day-to-day activity and make a positive impact. Anyone can nominate a colleague for an individual award; team award nominations can be made by the people manager or the project manager responsible for the team. Our values are also embedded in our approach to performance management, My Performance, which considers both *what* people will deliver and *how* (linked to values) they will deliver. We have also co-developed with colleagues a set of behaviour statements to support our values and bring them to life.

## **Develop**

We develop talent through a comprehensive range of learning and development opportunities, ensuring these are designed to accommodate and support all learning needs and styles. We offer our employees a range of both face to face (in person) and online learning material and courses to ensure these are as accessible as possible, and the course content is based on a range of business needs and personal development areas.

Supporting our people managers and leaders continues to be a key component of our development offerings. Everyday Flexibility sessions for our Leaders and People Managers helped support them in our approach to flexible working. Building upon in-depth climate literacy course to equip our leaders, we have also developed climate literacy development for our customer facing and support staff, which supports our net zero agenda. We also delivered Diversity Inclusion training courses available to all employees to promote inclusion across Scottish Enterprise. Alongside this, colleagues are supported through our coaching and mentoring provision, and we ran refresher masterclasses and action learning sessions for our coaches.

We are committed to the Young Person's Guarantee and are an accredited Investors in Young People (IYYP) Gold employer. We want to attract a diverse workforce through our youth employment and development programmes. Our Foundation Apprenticeship programme provided work experience for pupils undertaking a vocational qualification. We offered mentoring support to young individuals via our Career Ready Programme, and we recruited a Modern Apprentice and graduates to roles across our business, via our Graduate Development Programme.

All of this activity is also supported by our Young Leaders Group (who provide insights and experiences from our young people) and our work with external agencies and groups who provide support to young people.

## **Retain**

We recognise that we all have an important part to play in making sure Scottish Enterprise is the kind of organisation we want it to be. We promote a culture which puts people and wellbeing at the centre of what we do – where people feel a sense of belonging and inclusion – a place where everyone is

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treated with dignity and respect, and where colleagues can speak up if they experience or see unacceptable behaviour. We continue to work towards being the best workplace that we can be, by offering an attractive employee experience, so that all of our people can flourish and be their best every day.

The focus on employee wellbeing continues to grow and embed. We have a Wellbeing Hub on the staff intranet which is well established and is well recognised as a 'one stop shop' for a broad range of support and information on a range of wellbeing areas including Financial Matters & Pension, Career, Mental Wellbeing, Your Voice, Physical, Work Life Balance. The Wellbeing Hub is a central source of support and guidance which is aligned with the changing needs of our employees as they work flexibly. Feedback from colleagues is key in ensuring that information, services, and support are targeted to areas where there is the greatest need.

One of the strands to our wellbeing strategy is to ensure we fully utilise the great resources available outside our organisation by raising awareness and signposting to national wellbeing campaigns and some internal initiatives (as referred to above). This has included World Menopause Day, World Mental Health Day, International Women's Day, National Walking Month, Volunteers Week, Carer's Week, World Blood Donor Day, awareness, and International Men's Day.

We continue to embed equality, diversity and inclusion throughout SE by promoting the business benefits that the work can bring such as greater innovation and improved staff recruitment and retention. We also comply with equality legislation which requires us to publish a report every two years outlining our progress with mainstreaming equality across the organisation. Our latest Equality Mainstreaming report was published in April 2023. We carried out detailed analysis of our pay data and the analysis found no evidence of systemic pay discrimination. Our gender pay gap continues to reduce, as does our ethnicity pay gap. We have Equality outcomes and will progress the actions in our equality action plan.

We continue to raise awareness of our work in equality, diversity, and inclusion with colleagues across the organisation and our equality champions' group remains pivotal in this. Champions meet frequently to build their knowledge of equality developments. Our dedicated intranet page is regularly updated to provide information and good practice which is easily accessible to all colleagues. Our recent awareness raising sessions have included diversity inclusion, neurodiverse talent, black history month, and international women's day events.

Our employee diversity networks, My Communities, launched in early 2020. This has 5 network groups which relate to all of the protected equality characteristics. Communities allow employees to be part of a collective, we can be stronger together, and gain support and knowledge. These groups work in 3 key areas- awareness raising, consultation forums and peer support. Employees do not need to identify with any of the characteristics to join, supporters are key to making a difference to others and are made to feel very welcome. The networks are as follows:

- **Disability Positive** – with a focus on creating an accessible and inclusive organisation

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- **Gender Balance** – with a focus on engaging people across the organisation to attract, develop and retain women at all levels, including reduction of the gender pay gap
- **PRIDE** – with the goal to support colleagues across the broad spectrum of diversity of sexuality & gender identity
- **Multi Cultural** – with a focus on creating an organisation which is inclusive of race, ethnicity, nationality and faith
- **Multi Generations** – recognising that different generations have diverse needs, values, priorities and perspectives

**Each community has its own chair and leadership ambassador.**

Leading on from this work we recognise that storytelling is one of the most effective ways to connect with others. The sharing of our stories not only gives us a greater perspective on our own path but helps us more completely understand the commonality between us. In recognition of this we introduced the Human Library a few years ago. The Human Library is very much like a regular library where people go to check out books. The only difference is that the books are all employees who have opted to share their experiences openly via an article accessible to all colleagues.

**Recruit**

Scottish Enterprise's recruitment policy details our selection processes which are fair, open, inclusive, and objective. All appointments are made on merit, and selection criteria will only include requirements that are relevant to the effective performance of the role. This policy relates to both new external and internal candidates. We know that by recruiting people from a range of backgrounds at all levels we will gain access to a wide variety of viewpoints, experiences and perspectives. During 2022 we started a review of our recruitment practices to improve our approach and the new approach will be launched in summer 2023. We are a Disability Confident employer and are committed to upholding the values of this award. The benefits from our updated approach to Everyday Flexibility, will continue to provide the ability to attract and retain a robust, diverse talent pool allowing us to stay competitive in today's hiring market.

**Health & Safety**

Our health, safety and wellbeing provision continued to be delivered in line with the organisation's core values, against the background of the relaxation of official Covid-19 guidance, the reopening of our office locations and the introduction of our 'Everyday Flexibility' workstyles. Additionally, our property strategy was reviewed to rationalise our workspace to reflect this.

Although the guidance on Covid-19 was relaxed during this period, we were still mindful that appropriate control measures were still required and implemented to help ensure colleague safety.

All of our office locations were re-opened, initially with restrictions on numbers, following a full review and consideration of control measures required. These included signage, additional cleaning, face coverings, sanitiser, ventilation and social distancing. Additionally, colleagues who were undertaking face to face visits with customers/colleagues were still subject to a specific risk



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assessment process to reflect the Covid guidance in place. As changes were made by the Scottish Government to the guidance, these were incorporated and adapted into use.

We continued to support the safety and wellbeing of colleagues who continued to work from home during this period, ensuring that all required assessments were completed and follow up action taken to provide equipment and training as was necessary to support a safe working environment. Where specific issues were identified, the SE Health and Safety Team would undertake one to one consultation to identify the issue and provide the appropriate equipment/support.

Our service delivery obligations were met during this year against the backdrop of pandemic guidance and controls being in place, returning to the office and operating under the Everyday Flexibility policy.

Wellbeing support continued during this period, which is available to colleagues, through a dedicated Wellbeing portal, as well as communicated through a series of events to support Mental Health Week and other initiatives throughout the year (such as Menopause awareness). Mental Health First Aiders continue to be available to provide support where required. Wellbeing matters are also a specific Health and Safety Objective which runs throughout the reporting year and progress monitored through the H&S Committee.

The SE Health, Safety and Wellbeing Committee continues to meet regularly, remaining active and engaged, and continuing to provide a link between operational activities and the Committee. Membership reflects the key operational areas of the organisation, taking into account any structural changes that have taken place during the year. Health and Safety Champions within the Committee are also in place which provide a focus on specific topic areas, such as accident reporting, travel and audits.

We continued to collaborate as and when required with our government partner agencies, particularly during the period when offices were re-opening and ensuring knowledge and experience from implementation was provided to the group to allow shared learning opportunities to be discussed. There was also opportunity to support other agencies with joint procurement exercises (Driving for Work with HIE) as well as providing information on how SE delivers its health, safety and wellbeing obligations under the Flexible Working model.

For the 7th consecutive year, we attained the Royal Society for the Prevention of Accidents (RoSPA) Gold H&S Achievement Award, resulting in us being awarded the RoSPA Gold Medal. We also received the results from our British Safety Council Five Star health and safety audit undertaken in March 2022, from which we were awarded 5-star certification.

## **Parliamentary Accountability and Audit Report**

### **Summary of Resource and Capital Outturn**

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

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Scottish Enterprise's net under-spend against its allocated budget for the year to 31 March 2023 was £8.2m.

£3.1m of the underspend relates to the Fiscal Capital element of the budget where there has been a general reduction in grant funding to companies and £4.0m of the underspend relates to Financial Transactions funding and reflected a number of planned new investments failing to conclude before the end of March. The remaining £1.1m of the underspend relates to the Fiscal Resource element of the budget relating a high volume of relatively small movements on core business activities.

Scottish Enterprise drew down net Grant in Aid funding of £256.2m against the 2022/23 Grant in Aid provision of £264.3m. Further details of Scottish Enterprise's cash budget allocation are provided in the Financial Performance section of the Performance Report.

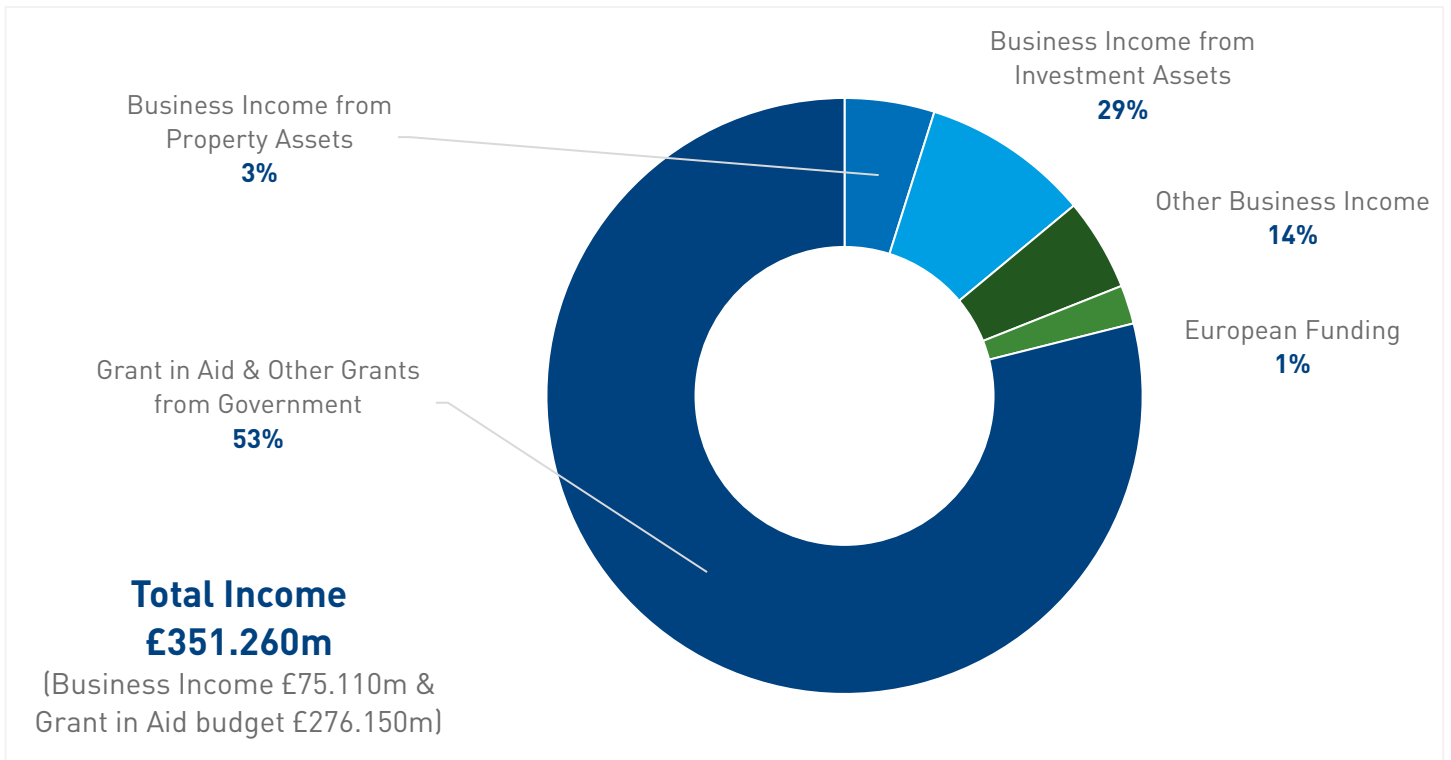
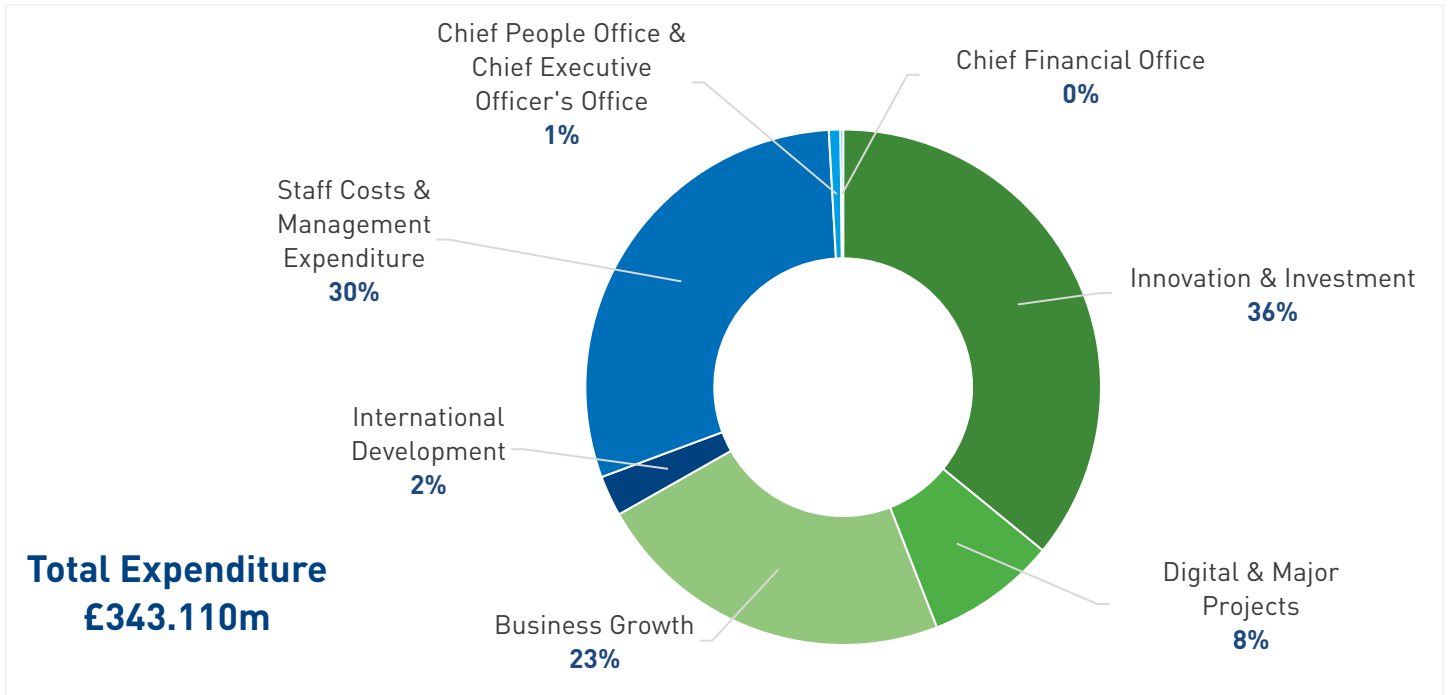
A payment of £2.7m was made to Scottish Government during the year representing the final amount due in respect of excess business income generated during 2021/22.

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

	Expenditure	Income	Outturn	Allocation	Variance
	£000	£000	£000	£000	£000
Fiscal Resource (i)	180,563	(32,366)	148,197	149,285	(1,088)
Fiscal Capital	109,977	(28,799)	81,178	84,281	(3,103)
Financial Transactions (ii)	52,570	(13,945)	38,625	42,584	(3,959)
<b>Total</b>	<b>343,110</b>	<b>(75,110)</b>	<b>268,000</b>	<b>276,150</b>	<b>(8,150)</b>
Non –cash costs including depreciation	12,070	-	12,070	23,254	(11,184)
Annually managed expenditure	(223)	-	(223)	70,120	(70,343)
<b>Total Budget</b>	<b>354,957</b>	<b>(75,110)</b>	<b>279,847</b>	<b>369,524</b>	<b>(89,677)</b>

- i) The Fiscal Resource budget includes a non-cash element in relation to expected credit losses (the estimated future cash shortfall from financial assets held at amortised cost, and financial assets that have been written off) and IFRS16 (budget reclassifications as a result of the implementation of the new leasing accounting standard).
- ii) Financial Transactions income represents returns from investments for which the original cost was met from the Financial Transactions budget, and which was repaid to the Scottish Government.

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

	<b>£000</b>
Net expenditure before taxation	227,458
Attributable to non-controlling interests in subsidiaries	(145)
Depreciation charge allocated to non-cash costs	(12,070)
Asset revaluation adjustments charged to annually managed expenditure	(1,228)
Net Investment impairments and fair value adjustments charged to annually managed expenditure	10,309
Net pension costs attributed to annually managed expenditure	(8,472)
Provision charged to annually managed expenditure	575
Scottish Government Grant income credited to reserves	(1,039)
Net expenditure attributed to Energy Investment Fund	(1,872)
Net expenditure attributed to the capital budget	(65,319)
<b>Fiscal Resource Outturn</b>	<b>148,197</b>

## Energy Investment Fund

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

Scottish Enterprise required £1.872m of new funding in the year. £1.003m of new Capital funding and £0.910m of new Financial Transactions funding to cover new investments resulting from capitalised interest during the year, less repayments of £0.041m as a result of returns from investments for which the original cost was met from the Financial Transactions.

In accordance with the governance letter any income generated is repayable to Scottish Government to the extent that it is not required to meet administration costs. The excess income column in the outturn table below represents the £3.980m repayment that was due to Scottish Government in respect of excess capital and resource income receipts for the year to March 2023.

A net payment of £2.108m was made to Scottish Government in April 2023.

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The 2022/23 outturn for this fund was:

	Expenditure	Income	Excess Income	Outturn
	£000	£000	£000	£000
Fiscal Resource	-	(2,441)	2,441	-
Fiscal Capital	1,003	(1,539)	1,539	1,003
Financial Transactions	910	(41)	-	869
	<b>1,913</b>	<b>(4,021)</b>	<b>3,980</b>	<b>(1,872)</b>

## Losses and Special Payments

	No of cases	£000
<b>Claims abandoned or waived</b>	<b>111</b>	<b>29,899</b>

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 2023, balances greater than £300,000 written off were as follows:

		£000
Anomalous Technologies Limited	The Company received funding through the Early Stage Growth Challenge Fund which enabled them to operate through COVID and develop its cloud-based technical computing platform. Despite obtaining some success in developing a market for its products, the company failed to generate sufficient revenue and a liquidator was appointed in December 2022.	<b>322</b>
ALH Developments Limited (previously The Art Lover's House Limited)	Long standing loan balance which has been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company, also known as ALH Developments Limited, was dissolved in 1999.	<b>544</b>
Avanticell Science Limited	A biotechnology company specialising in human cell-based analysis, the company received investment from SE and co-investors between 2007 and 2019. Trading underperformance led to the company being placed into liquidation in January 2020.	<b>353</b>
Beach Solutions Limited	A 2007 investment into a pre-revenue Plymouth based, software-publishing company, with a Scottish based subsidiary (VCX Software). The company went into administration in 2008 and was dissolved in 2010.	<b>503</b>
Biogelx Limited	SE first invested in Biogelx, a biotechnology company, in 2012 with the company progressing through proof-of-concept and the development of a fully commercial product. However, the company was unable to secure sufficient funding to allow it to continue to operate, and the company entered Voluntary Liquidation in September 2021.	<b>1,078</b>

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		<b>£000</b>
Boundary Technologies Limited	SE first invested in Boundary Technologies, a developer of smart wireless home security systems, in 2019. The Company struggled to gain commercial traction and efforts to secure further funding were unsuccessful, with a liquidator appointed in January 2023.	<b>3,321</b>
Cognitive Geology Limited	Cognitive Geology Ltd was founded in 2014, to develop, market and sell petroleum geo-science to oil companies. SE invested between 2016 and 2019 alongside several institutional investors. The company failed to achieve commercial milestones and, having exhausted all options entered into a Members Voluntary Liquidation with a liquidator appointed in October 2020 and the company dissolved in January 2023.	<b>522</b>
CollectivWorks Limited	CollectivWorks was founded in 2007 and was focused on social networking technology to support the growth of Scottish businesses on an international level. The Company entered into liquidation in May 2020 due to a lack of commercial traction and a failure to secure further funding.	<b>1,541</b>
Cytosystems Limited	<p>Cytosystems Limited was a clinical stage diagnostic company focussed on the development of technology for the diagnosis and prognosis of urological cancers including bladder and prostate cancer. SE invested in several investment rounds between 2008 and 2018.</p> <p>The company was unable to raise sufficient investment to move the technology forward and the company was placed into liquidation in August 2021.</p>	<b>1,481</b>
Enocell Limited	Enocell Limited was established in November 2011, developing “low cost” fuel cell modules for applications where end users have no access, or limited access, to the main power grid. The technology was not commercialised and efforts to provide further material funding failed, with the company entering into liquidation in February 2022.	<b>1,284</b>
F4G Development 5 LLP	An LLP incorporated in 2005 to develop computer games, with 3 principal members. SE joined in 2006. A 2014 application was made to strike the partnership off the Companies House register; the partnership was dissolved in 2015.	<b>452</b>
IP Technology Limited	Long standing investment balance which has been fully written down for a number of years. Investment in preference shares made in 1996 and fully impaired in March 1998.	<b>350</b>
Kite Power Systems Limited	KPS was funded alongside several international energy companies with the aim of commercialising the “at scale” generation of electricity from kites. The company failed to reach the technical milestones required in order to secure new funding from existing investors or attract a new investor, with a liquidator appointed in November 2020.	<b>2,450</b>

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		<b>£000</b>
Lux Assure Limited	Lux was an R&D focussed company with a core expertise in light-based detection which it deployed in pursuit of a number of markets including life science reagents, environmental monitoring and novel chemical technologies for the oil and gas industry. SE invested between 2003 and 2015. The company did not make sufficient commercial progress and was unable to raise sufficient funding to continue trading and entered into a Members Voluntary Liquidation in April 2020 and was dissolved in April 2023.	<b>1,950</b>
Mallzee Limited	Mallzee Limited was established in April 2011 and most recently, before the pandemic, provided a service to retailers which gathered and analysed information on appetite for a retailer's seasonal range, prior to its full production, based on preferences of Mallzee users. The company was unable to generate sufficient revenue and was not able to secure additional funding from its investor group. Subsequently a Voluntary Winding-up of the company was undertaken and the Mallzee Limited was dissolved in August 2022.	<b>1,365</b>
Network 90 Limited	Network 90 Ltd was incorporated in December 2010 and was a private, members-only networking site for the professional sports industry. The purpose of the platform was to provide professionals within the football industry with the opportunity to connect and develop their careers. With trading underperformance and an inability to secure further funding, the company entered liquidation in June 2021 and was dissolved in November 2022.	<b>366</b>
Obashi Holdings Limited	Obashi developed software which enabled organisations to map and manage their data flow. The company failed to generate significant revenues and to secure new investment and therefore liquidators were appointed in July 2022.	<b>781</b>
Pharma Imaging	Long standing investment balance which has been fully written down for a number of years. Investment in preference shares made in December 2003 and fully impaired in March 2006.	<b>750</b>
Pod Realisations Limited (previously Armadilla Limited)	The company received funding through the Early Stage Growth Challenge Fund which enabled them to operate through COVID and develop its product range. Despite obtaining some success in developing a market for its products, production challenges and an increased cost base resulted in failure and the appointment of administrators in December 2022.	<b>324</b>
Sustainably Limited	The company received funding through the Early Stage Growth Challenge Fund which enabled them to operate through COVID. Lack of sufficient new capital or income resulted in the appointment of a liquidator in February 2022.	<b>309</b>

Section 2: **Accountability Report**

		<b>£000</b>
Swipii Labs Limited	Swipii developed a payment card linking loyalty platform which enabled customers to receive a discount or loyalty benefit automatically when paying for goods and services via retailers using the Company's platform. The company did not recover from the impact of the pandemic on trading and was unable to secure further funding, with a liquidator appointed in November 2021.	<b>1,774</b>
Syntropharma Limited	Syntropharma was founded in 2005, aiming to develop two transdermal patented products. The company failed to achieve commercial sales and was unable to secure either further investment or a strategic partner to develop the product, with an administrator appointed in July 2020.	<b>1,166</b>
Team Rock Limited	Team Rock was a producer of hard rock magazines and media. The company experienced challenges in transitioning from media to digital and failed to secure additional funding, with an administrator appointed in December 2016 with the company dissolved in February 2023.	<b>2,279</b>
Vanilla Energy Limited	The company was established to develop fuel cell powered combined heat and power technology with the aim of developing and exploiting markets for small-scale Combined Heat and Power units. The company was unable to develop a cost-effective product and was unable to secure further investment, with a liquidator appointed in September 2016 and the company dissolved in January 2023.	<b>1,474</b>
Virginia Court Development Limited	A Glasgow registered property company incorporated in 1981 and dissolved in 2020. The last set of full, trading accounts was 2009, when the company sold its investment and development properties. The 2009 accounts showed a financial year trading loss of £1.4m.	<b>500</b>



## Section 2: **Accountability Report**

### **Gifts**

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. Scottish Enterprise has nothing to report for the year ended 31 March 2023 in respect of gifts.

### **Fees and charges**

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

### **Remote contingent liabilities**

Contingent liabilities that meet the disclosure requirements in IAS37 Provisions and Contingent Liabilities are included in Note 22 of the Notes to the Accounts. In addition, due to the complex nature of the business activities and extensive portfolio of assets of Scottish Enterprise, there are contingent liabilities for which IAS37 does not require disclosure because Scottish Enterprise considers the probability of any requirement to meet any future liabilities to be remote.

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

**Adrian Gillespie**  
**Accountable Officer**  
**28 July 2023**

## SECTION 3

# Independent Auditor's Report

to the Members of Scottish Enterprise, the Auditor General for Scotland and the Scottish Parliament

## Section 3: Independent Auditor's Report

# Reporting on the audit of the financial statements

## Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Enterprise and its group for the year ended 31 March 2023 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Scottish Enterprise Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Scottish Enterprise Statement of Financial Position, Group Statement of Cash Flows, Scottish Enterprise Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Scottish Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the body and its group as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

## Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be six years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern basis of accounting**

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the body and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the body and its group. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## **Responsibilities of the Accountable Officer for the financial statements**

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the body and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

## **Auditor's responsibilities for the audit of the financial statements**

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

## Section 3: Independent Auditor's Report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## Reporting on regularity of expenditure and income

### Opinion on regularity

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

## **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Reporting on other requirements**

### **Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report**

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

### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

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

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

## Section 3: **Independent Auditor's Report**

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

### **Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Pauline Gillen**  
**Audit Director**  
**Audit Scotland**  
**8 Nelson Mandela Place**  
**Glasgow**  
**G2 1BT**

**28 July 2023**

## SECTION 4

# Primary Financial Statements

for the year ended 31 March 2023



## Section 4: Primary Financial Statements

## Group Statement of Comprehensive Net Expenditure

	Notes	2023 £000	2022 £000
<b>Expenditure</b>			
Operating expenditure	1,3	168,037	200,469
Net management expenditure on staff costs	3	94,232	91,925
Other management expenditure	3	20,542	21,542
		<b>282,811</b>	<b>313,936</b>
<b>Income</b>			
Income from activities	2	(16,655)	(85,390)
Other Income	2	(24,739)	(62,806)
		<b>(41,394)</b>	<b>(148,196)</b>
<b>Net Operating Expenditure</b>		<b>241,417</b>	<b>165,740</b>
Share of profits in equity accounted investees	8	(1,770)	(3,111)
Income from investments	2	(130)	(118)
Interest receivable	2	(9,322)	(8,674)
Other finance income	2	(2,972)	(1,174)
Loss on derecognition of subsidiary		235	-
<b>Net Expenditure after interest</b>		<b>227,458</b>	<b>152,663</b>
Taxation	4	961	(7)
<b>Net Expenditure after taxation</b>		<b>228,419</b>	<b>152,656</b>
<b>Other Comprehensive Net Expenditure</b>			
Items that will not be reclassified to net expenditure:			
Net gains on revaluation of property, plant and equipment		(1,232)	(6,431)
Net remeasurement losses / (gains) recognised in retirement benefit scheme		83,836	(71,206)
Elimination of non-controlling interest on derecognition of subsidiary		234	-
<b>Total Comprehensive Net Expenditure for the year</b>		<b>311,257</b>	<b>75,019</b>
Attributable to:			
Taxpayers' Equity		310,878	75,109
Non-Controlling Interest		379	(90)
		<b>311,257</b>	<b>75,019</b>

The notes on pages 95 to 169 form part of these accounts.

## Section 4: Primary Financial Statements

## Scottish Enterprise Statement of Comprehensive Net Expenditure

		2023	2022
	Notes	£000	£000
<b>Expenditure</b>			
Operating expenditure	1,3	166,079	197,050
Net management expenditure on staff costs	3	85,199	83,908
Other management expenditure	3	19,872	21,271
		<b>271,150</b>	<b>302,229</b>
<b>Income</b>			
Income from activities	2	(16,340)	(84,899)
Other Income	2	(15,765)	(51,656)
		<b>(32,105)</b>	<b>(136,555)</b>
<b>Net Operating Expenditure</b>		<b>239,045</b>	<b>165,674</b>
Income from investments	2	(96)	(92)
Interest income	2	(9,299)	(8,673)
Other finance income	2	(3,026)	(1,174)
<b>Net Expenditure after interest</b>		<b>226,624</b>	<b>155,735</b>
Taxation	4	950	(9)
<b>Net Expenditure after taxation</b>		<b>227,574</b>	<b>155,726</b>
<b>Other Comprehensive Net Expenditure</b>			
Items that will not be reclassified to net expenditure:			
Net gains on revaluation of property, plant and equipment		(1,608)	(4,592)
Net remeasurement losses / (gains) recognised in retirement benefit scheme		83,836	(71,206)
<b>Total Comprehensive Net Expenditure for the year</b>		<b>309,802</b>	<b>79,928</b>

The notes on pages 95 to 169 form part of these accounts.

## Section 4: Primary Financial Statements

## Group Statement of Financial Position

		2023	2022
	Notes	£000	£000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	149,056	140,091
Right of use assets	6	8,486	-
Intangible assets	7	1,858	3,382
		<b>159,400</b>	<b>143,473</b>
Financial assets			
Investments in equity accounted investees	8	5,721	3,951
Other investments	9	493,058	453,312
<b>Total financial assets</b>		<b>498,779</b>	<b>457,263</b>
Retirement benefit scheme	11	18,676	110,984
Other non-current receivables	12	2,418	3,251
Lease receivables	13	654	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>679,927</b>	<b>714,971</b>
<b>CURRENT ASSETS</b>			
Other investments	9	12,422	24,722
Lease receivables	13	2,602	-
Assets classified as held for sale	14	3,801	14,592
Inventories	15	109	95
Income tax receivable		-	460
Trade and other receivables	16	18,727	19,541
Cash and cash equivalents	17	167,434	151,225
<b>TOTAL CURRENT ASSETS</b>		<b>205,095</b>	<b>210,635</b>
<b>TOTAL ASSETS</b>		<b>885,022</b>	<b>925,606</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	(96,815)	(97,630)
Income tax payable		(43)	-
Provisions	19	(171)	(501)
Lease liabilities	20	(4,933)	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>(101,962)</b>	<b>(98,131)</b>
<b>NON-CURRENT ASSETS PLUS NET CURRENT ASSETS</b>		<b>783,060</b>	<b>827,475</b>

## Section 4: Primary Financial Statements

		2023	2022
	Notes	£000	£000
<b>NON-CURRENT LIABILITIES</b>			
Other payables	18	(191,967)	(145,410)
Provisions	19	(4,368)	(4,612)
Lease liabilities	20	(6,843)	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(203,178)</b>	<b>(150,022)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>579,882</b>	<b>677,453</b>

<b>TAXPAYERS' EQUITY</b>			
General Reserve		523,320	613,844
Specific Reserve		1,637	1,420
Revaluation Reserve		54,107	60,992
Non-Controlling Interest		818	1,197
<b>TOTAL EQUITY</b>		<b>579,882</b>	<b>677,453</b>

The notes on pages 95 to 169 form part of these accounts.

The accountable officer authorised these financial statements for issue on 28 July 2023.

**Adrian Gillespie**  
**Accountable Officer**  
**28 July 2023**

## Section 4: Primary Financial Statements

## Scottish Enterprise Statement of Financial Position

		2023	2022
	Notes	£000	£000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	96,608	86,736
Right of use assets	6	6,948	-
Intangible assets	7	1,858	3,382
		<b>105,414</b>	<b>90,118</b>
Financial assets - Other investments	9	493,501	453,976
Retirement benefit scheme	11	18,676	110,984
Other non-current receivables	12	2,418	3,488
Lease receivables	13	654	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>620,663</b>	<b>658,566</b>
<b>CURRENT ASSETS</b>			
Other investments	9	12,422	24,722
Lease receivables	13	2,602	-
Assets classified as held for sale	14	3,801	14,592
Trade and other receivables	16	16,996	17,831
Income tax receivable		-	460
Cash and cash equivalents	17	163,399	145,671
<b>TOTAL CURRENT ASSETS</b>		<b>199,220</b>	<b>203,276</b>
<b>TOTAL ASSETS</b>		<b>819,883</b>	<b>861,842</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	(93,246)	(94,477)
Income tax payable		(32)	-
Provisions	19	(168)	(498)
Lease liabilities	20	(4,554)	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>(98,000)</b>	<b>(94,975)</b>
<b>NON-CURRENT ASSETS PLUS NET CURRENT ASSETS</b>		<b>721,883</b>	<b>766,867</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	18	(191,967)	(145,410)
Provisions	19	(4,320)	(4,401)
Lease liabilities	20	(5,695)	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(201,982)</b>	<b>(149,811)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>519,901</b>	<b>617,056</b>

## Section 4: Primary Financial Statements

		2023	2022
	Notes	£000	£000
<b>TAXPAYERS' EQUITY</b>			
General Reserve		505,261	598,016
Revaluation Reserve		14,640	19,040
<b>TOTAL EQUITY</b>		<b>519,901</b>	<b>617,056</b>

The notes on pages 95 to 169 form part of these accounts.

The accountable officer authorised these financial statements for issue on 28 July 2023.

**Adrian Gillespie**  
**Accountable Officer**  
**28 July 2023**

## Section 4: Primary Financial Statements

## Group Statement of Cash Flows

		2023	2022
	Notes	£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(227,458)	(152,663)
Adjustments for:			
Depreciation and assets written off		11,696	8,573
Increase in investment provision and write-off		1,609	13,736
Property revaluation deficit / (gain)		1,186	(1,915)
Intangible revaluation deficit		395	190
Investment revaluation deficit / (gain)		17,111	(35,024)
Interest receivable	2	(9,322)	(8,674)
Interest on lease liabilities		175	-
Interest on lease receivables		(44)	-
Exchange movement on lease liabilities		49	-
Dividends receivable	2	(130)	(118)
Retirement benefit scheme net charges		8,472	13,056
Share of profit in equity accounted investees	8	(1,770)	(3,111)
Elimination of non-controlling interest on derecognition of subsidiary		(234)	-
Surplus on disposal of property, plant and equipment	2	(1,088)	(1,786)
Surplus on disposal of investments and equity accounted investees	2	(8,441)	(39,214)
		<b>(207,794)</b>	<b>(206,950)</b>
Increase in inventories		(14)	(5)
Decrease in trade and other receivables		374	1,156
Decrease in lease receivables		2,622	-
Increase in trade payables		3,736	2,914
(Decrease) / increase in provision for future liabilities		(574)	160
Decrease in lease liabilities		(5,289)	-
		<b>(206,939)</b>	<b>(202,725)</b>
Income tax expense		(458)	(219)
<b>Net cash outflow from operating activities</b>		<b>(207,397)</b>	<b>(202,944)</b>

## Section 4: Primary Financial Statements

		2023	2022
	Notes	£000	£000
<b>Cash flows from investing activities</b>			
Proceeds of disposal of property, plant and equipment		10,392	3,918
Proceeds of disposal of financial assets and equity accounted investees		16,786	93,965
Repayments of other investments		9,380	26,563
Interest received		5,115	4,468
Dividends received		130	118
Purchase of property, plant and equipment		(16,096)	(7,283)
Purchase of current intangible assets		-	(1,080)
Purchase of financial assets		(58,495)	(74,915)
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(32,788)</b>	<b>45,754</b>
<b>Cash flows from financing activities</b>			
Grants from Scottish Government		212,941	216,017
Financial Transactions financing from Scottish Government net of repayments	18	43,453	(48,612)
<b>Net cash inflow from financing activities</b>		<b>256,394</b>	<b>167,405</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>16,209</b>	<b>10,215</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>151,225</b>	<b>141,010</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>167,434</b>	<b>151,225</b>

The notes on pages 95 to 169 form part of these accounts.



## Section 4: Primary Financial Statements

## Scottish Enterprise Statement of Cash Flows

		2023	2022
	Notes	£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(226,624)	(155,735)
Adjustments for:			
Depreciation and assets written off		5,462	2,319
Increase in investment provision and write-off		1,609	13,474
Property revaluation deficit / (gain)		3,158	(1,914)
Intangible revaluation deficit		395	190
Investment revaluation deficit / (gain)		17,030	(35,171)
Interest receivable	2	(9,299)	(8,673)
Interest on lease liabilities		121	-
Interest on lease receivables		(44)	-
Dividends receivable	2	(96)	(92)
Retirement benefit scheme net charges		8,472	13,056
Surplus on disposal of property, plant and equipment	2	(1,088)	(1,786)
Surplus on disposal of investments and equity accounted investees	2	(8,531)	(39,095)
		<b>(209,435)</b>	<b>(213,427)</b>
Decrease in trade and other receivables		719	2,347
Decrease in lease receivables		2,622	-
Increase in trade payables		3,233	2,379
(Decrease) / increase in provision for future liabilities		(411)	106
Decrease in lease liabilities		(4,708)	-
		<b>(207,980)</b>	<b>(208,595)</b>
Income tax expense		(458)	(217)
<b>Net cash outflow from operating activities</b>		<b>(208,438)</b>	<b>(208,812)</b>

## Section 4: Primary Financial Statements

		2023	2022
	Notes	£000	£000
<b>Cash flows from investing activities</b>			
Proceeds of disposal of property, plant and equipment		10,364	3,918
Proceeds of disposal of financial assets		16,711	93,334
Repayments of other investments		9,380	27,075
Interest received		5,092	4,467
Dividends received		96	92
Purchase of property, plant and equipment		(12,804)	(1,297)
Purchase of intangible assets		-	(1,080)
Purchase of financial assets		(58,028)	(74,415)
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(29,189)</b>	<b>52,094</b>
<b>Cash flows from financing activities</b>			
Grants from Scottish Government		211,902	214,771
Financial Transactions financing from Scottish Government net of repayments	18	43,453	(48,612)
<b>Net cash inflow from financing activities</b>		<b>255,355</b>	<b>166,159</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>17,728</b>	<b>9,441</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>17</b>	<b>145,671</b>	<b>136,230</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>17</b>	<b>163,399</b>	<b>145,671</b>

The notes on pages 95 to 169 form part of these accounts.

## Section 4: Primary Financial Statements

## Group Statement of Changes in Taxpayers' Equity

	General Reserve	Specific Reserve	Revaluation Reserve	Non-Controlling Interest	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>473,413</b>	<b>1,544</b>	<b>57,992</b>	<b>1,107</b>	<b>534,056</b>
Net expenditure during the year	(152,622)	(124)	-	90	<b>(152,656)</b>
Remeasurement gains in retirement benefit scheme	71,206	-	-	-	<b>71,206</b>
Net gains on revaluation of property, plant and equipment	-	-	6,431	-	<b>6,431</b>
Transfer between reserves	3,431	-	(3,431)	-	-
<b>Total recognised income and expense for year to 31 March 2022</b>	<b>(77,985)</b>	<b>(124)</b>	<b>3,000</b>	<b>90</b>	<b>(75,019)</b>
Grant in Aid from Scottish Government	240,835	-	-	-	<b>240,835</b>
Repayment of Financial Transactions funding waived	2,399	-	-	-	<b>2,399</b>
Repayment of Grant in Aid from other business income	(26,124)	-	-	-	<b>(26,124)</b>
Other grants from Scottish Government	1,306	-	-	-	<b>1,306</b>
	<b>218,416</b>	-	-	-	<b>218,416</b>
<b>Balance at 31 March 2022</b>	<b>613,844</b>	<b>1,420</b>	<b>60,992</b>	<b>1,197</b>	<b>677,453</b>

## Section 4: Primary Financial Statements

	General Reserve	Specific Reserve	Revaluation Reserve	Non-Controlling Interest	Total
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>613,844</b>	<b>1,420</b>	<b>60,992</b>	<b>1,197</b>	<b>677,453</b>
Net expenditure during the year	(228,491)	217	-	(145)	<b>(228,419)</b>
Remeasurement losses in retirement benefit scheme	(83,836)	-	-	-	<b>(83,836)</b>
Net gains on revaluation of property, plant and equipment	-	-	1,232	-	<b>1,232</b>
Elimination of non-controlling interest on derecognition of subsidiary	-	-	-	(234)	<b>(234)</b>
Transfer between reserves	8,117	-	(8,117)	-	-
<b>Total recognised income and expense for year to 31 March 2023</b>	<b>(304,210)</b>	<b>217</b>	<b>(6,885)</b>	<b>(379)</b>	<b>(311,257)</b>
Grant in Aid from Scottish Government	213,603	-	-	-	<b>213,603</b>
Repayment of Financial Transactions funding waived	745	-	-	-	<b>745</b>
Repayment of Grant in Aid from other business income	(2,704)	-	-	-	<b>(2,704)</b>
Other grants from Scottish Government	2,042	-	-	-	<b>2,042</b>
	<b>213,686</b>	-	-	-	<b>213,686</b>
Balance at 31 March 2023	523,320	1,637	54,107	818	579,882

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 £10,603m (2022: £10,389m). The grant in aid provision of £214m for 2022/2023 (2021/22: £241m) included £84m (2021/22: £112m) 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 £54m (2022: £61m) is £54m (2022: £61m) attributable to net unrealised surpluses on Land and Buildings.

## Section 4: Primary Financial Statements

## Scottish Enterprise Statement of Changes in Taxpayers' Equity

	General Reserve	Revaluation Reserve	Total
	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>464,663</b>	<b>15,151</b>	<b>479,814</b>
Net expenditure during the year	(155,726)	-	<b>(155,726)</b>
Remeasurement gains in retirement benefit scheme	71,206	-	<b>71,206</b>
Net gains on revaluation of property, plant and equipment	-	4,592	<b>4,592</b>
Transfer between reserves	703	(703)	-
<b>Total recognised income and expense for year to 31 March 2022</b>	<b>(83,817)</b>	<b>3,889</b>	<b>(79,928)</b>
Grant in Aid from Scottish Government	240,835	-	<b>240,835</b>
Repayment of Financial Transactions funding waived	2,399	-	<b>2,399</b>
Repayment of Grant in Aid from other business income	(26,124)	-	<b>(26,124)</b>
Other grants from Scottish Government	60	-	<b>60</b>
	<b>217,170</b>	<b>-</b>	<b>217,170</b>
<b>Balance at 31 March 2022</b>	<b>598,016</b>	<b>19,040</b>	<b>617,056</b>

## Section 4: Primary Financial Statements

	General Reserve	Revaluation Reserve	Total
	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>598,016</b>	<b>19,040</b>	<b>617,056</b>
Net expenditure during the year	(227,574)	-	<b>(227,574)</b>
Remeasurement losses in retirement benefit scheme	(83,836)	-	<b>(83,836)</b>
Net gains on revaluation of property, plant and equipment	-	1,608	<b>1,608</b>
Transfer between reserves	6,008	(6,008)	-
<b>Total recognised income and expense for year to 31 March 2023</b>	<b>(305,402)</b>	<b>(4,400)</b>	<b>(309,802)</b>
Grant in Aid from Scottish Government	213,603	-	<b>213,603</b>
Repayment of Financial Transactions funding waived	745	-	<b>745</b>
Repayment of Grant in Aid from other business income	(2,704)	-	<b>(2,704)</b>
Other grants from Scottish Government	1,003	-	<b>1,003</b>
	<b>212,647</b>	-	<b>212,647</b>
Balance at 31 March 2023	505,261	14,640	519,901

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 £10,603m (2022: £10,389m). The grant in aid provision of £214m for 2022/23 (2021/22: £241m) included £84m (2021/22: £112m) in respect of net capital expenditure.

Revaluation Reserve is the cumulative unrealised balance arising on revaluation adjustments to assets. Included within the Revaluation Reserve total of £15m (2022: £19m) is £15m (2022: £19m) attributable to net unrealised surpluses on Land and Buildings.

Section 5: **Statement of Accounting Policies**

SECTION 5

# Statement of Accounting Policies

## 1. Basis of Preparation

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

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

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

### Change in accounting policy and restatement

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

The preparation of accounts in conformity with the FReM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in "Critical accounting estimates and 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 Scheme (Note 11)
- Property, Plant and Equipment (Note 5)
- Right of Use Assets (Note 6)
- Financial Assets – Other Investments (Note 9)
- Assets Classified as Held for Sale (Note 14)

The Board and Accountable Officer have considered the Resource Budget for 2023/24, 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 2023/24 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 23.



## Section 5: Statement of Accounting Policies

# 2. Basis of Consolidation

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

## a) Subsidiaries

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

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

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

## b) Associates and jointly controlled entities

Associates are entities over which the Group has significant influence but not control. Companies whose business is compatible with the objectives of the Group, in which the holdings are intended to be retained as long-term investments and in which the Group has active management involvement are treated as associated undertakings.

Joint ventures are those entities over whose activities the Group has joint control of the arrangement and has rights to the net assets of the arrangement, established by contractual agreements and requiring unanimous consent for strategic financial and operational decisions.

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

The Group's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The Group accounts include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies of those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of

## Section 5: Statement of Accounting Policies

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.

Scottish Enterprise also receives Financial Transactions funding from the Scottish Government for the specific purpose of financing equity investments and the provision of loans. Financial Transactions funding is repayable over variable periods and is recognised as a current or long-term liability in accordance with the estimated repayment terms of the underlying financial assets, initially at the time each tranche of funding is drawn down from the Scottish Government and then reviewed on an annual basis thereafter. For equity investments, where it is difficult to predict the timing of an exit, indicative repayments timescales are set as 10 years. As cashflows cannot be estimated reliably The Financial Transactions liability detailed in Note 18 has not been discounted.

## 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 - Global Standards 2021 and The Royal Institution of Chartered Surveyors Valuation - Global Standards 2017 - UK National Supplement and specifically the basis valuation for IFRS. Details of valuation techniques used to determine fair value of land are given in Note 10.

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.

## Section 5: Statement of Accounting Policies

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, except for the Glasgow Science Centre, which due to the specialist nature of the building, is valued based on 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, based on their existing condition and use. Details of valuation techniques used to determine fair value of buildings are given in Note 10.

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

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

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

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

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

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight-line basis over their expected useful lives of up to a maximum of 50 years. Where an item of property has significant components, the

Section 5: **Statement of Accounting Policies**

components are depreciated separately, in accordance with their useful lives. The useful lives of property assets are determined in consultation with Montagu Evans LLP, Chartered Surveyors.

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

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

### **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 the assets in these categories have short useful lives, and the depreciation rates provide a realistic reflection of consumption and reduction in carrying value.

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

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

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

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

### **d) Subsequent expenditure**

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

### **e) Impairment**

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and are tested annually for impairment in the annual valuation process. Assets that are

## Section 5: Statement of Accounting Policies

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:

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

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

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

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

## Section 5: Statement of Accounting Policies

### a) Fair value

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

### b) Amortised cost

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

## Recognition and derecognition

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

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

## Measurement

### a) Fair value

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

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

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

If the market for a financial asset is not active, Scottish Enterprise establishes fair value from external market evidence. Details of valuation techniques used to determine fair value of financial assets held at fair value through profit or loss are given in Note 10.

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.

## Section 5: **Statement of Accounting Policies**

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

### **b) Amortised cost**

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost using the effective interest rate method less provision for impairment. Interest income from these financial assets is included in finance income. Details of valuation techniques used to determine fair value of financial assets held at amortised cost are given in Note 10.

### **Impairment**

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

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. Further details on how Scottish Enterprise determines expected credit losses associated with its debt instruments is disclosed below in “Critical accounting estimates and judgements”.

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

## **7. Intangible Assets**

### **a) Patents and other similar intellectual property rights**

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

### **b) Software Licences**

Software licences are stated at depreciated replacement cost. Amortisation is calculated on a straight-line basis over a period of three years.

Annual software licences are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

## c) Software Research and Development Costs

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

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

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

## 8. Assets Held by Local Enterprise Companies and Their Subsidiary Undertakings

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

## 9. Inventories

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

## 10. Income

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

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

Income is stated net of VAT where applicable.



## Section 5: Statement of Accounting Policies

### 11. European Funding

European funding is credited to the Statement of Comprehensive Net Expenditure based on 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

IFRS 16 “Leases” has been implemented from 1 April 2022; this introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions included below).

For government bodies reporting under the FReM, IFRS 16 has been brought into effect on 1 April 2022 and replaces IAS 17 (Leases).

In respect of lessees, IFRS 16 removes the distinction between operating and finance leases and introduces a single accounting model that requires a lessee to recognise (‘right of use’) assets and lease liabilities.

The definition of a lease has been updated under IFRS 16, there is more emphasis on being able to control the use of an asset identified in a contract. There are new requirements for variable lease payments such as the Retail Price Index (RPI)/Consumer Price Index (CPI) uplifts; and there is an accounting policy choice allowable to separate non lease components.

#### Implementation and Assumptions

Scottish Enterprise has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 “Leases” and IFRIC 4 “Determining whether an arrangement contains a lease”. The cumulative effect of adopting IFRS 16 is included as an adjustment to equity at the beginning of the current period. IAS 17 operating leases are included within the Statement of Financial Position as a lease liability and right of use asset for the first time. The calculation of the lease liability and right of use assets is included below.

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, the group has used the practical expedient detailed in IFRS 16(C3).1.

The definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Terms of Occupation (MOTO) agreements.

## Section 5: Statement of Accounting Policies

Where applicable the group will expand the definition of a lease to include arrangements with nil consideration. Peppercorn leases are examples of these, they are defined by HMT as lease payments significantly below market value. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability and the right of use asset are included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income in the Statement of Comprehensive Net Expenditure.

Scottish Enterprise has elected not to recognise right of use assets and lease liabilities for the following leases:

- intangible assets;
- non-lease components of contracts where applicable;
- low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment except vehicles which have been deemed to be not of low value); and
- leases with a lease term of 12 months or less.

### Previous treatment

In the comparative period, as a lessee Scottish Enterprise classified leases that transfer substantially all the risks and rewards of ownership as finance leases. The leased assets were measured at an amount equal to lower of the fair value and the present value of minimum lease payments. This fair value cap has been removed under IFRS 16.

Leases other than finance leases are classified as operating leases. Assets previously held as operating leases were not recognised in the Statement of Financial Position. Payments were recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

### Policy applicable from 1 April 2022

At inception of a contract, Scottish Enterprise assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The contract involves the use of an identified asset;
- The group has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- The group has the right to direct the use of the asset.

The policy is applied to contracts entered into, or changed, on or after 1 April 2022.

## Section 5: Statement of Accounting Policies

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of the relative standalone prices.

The group assesses whether it is reasonably certain to exercise break options or extension options at the lease commencement date. The group reassesses this if there are significant events or changes in circumstances that were not anticipated.

### As a lessee

#### Right of use assets

The group recognises a right of use asset and lease liability at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- A longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates; and;
- The fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property plant and equipment assets.

The group applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

#### Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury (HMT). The HMT discount rates were 0.95% for leases entered into prior to 31 December 2022, or 3.51% after 1 January 2023.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or

## Section 5: Statement of Accounting Policies

rate, if there is a change in the group's estimates of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the Statement of Comprehensive Net Expenditure if the carrying amount of the right of use asset is zero.

The group presents right of use assets that do not meet the definition of investment properties per IAS 40 as right of use assets on the Statement of Financial Position. The lease liabilities are included within Lease liabilities within current and non-current liabilities on the Statement of Financial Position.

The group applies IAS 21 The Effects of Changes in Foreign Exchange Rates, to leases denominated in a foreign currency. As they do for other monetary liabilities, the group remeasures the foreign currency-denominated lease liability using the exchange rate at each reporting date. Any changes to the lease liability due to exchange rate changes are recognised in the Statement of Comprehensive Net Expenditure. Because the right-of-use asset is a non-monetary asset measured at historical cost, it is not affected by changes in the exchange rate.

### As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

When the group is the intermediate lessor, it accounts for its interest in the head lease and the sub lease separately. If a head lease is a short-term lease to which the group applies the exemption above, then the sublease classifies as an operating lease. Otherwise, the sublease is classified with reference to the right-of-use asset arising from the head lease, rather than with reference to the underlying asset.

## Section 5: Statement of Accounting Policies

The group recognises lease payments under operating leases as income on a straight-line basis over the length of the lease terms.

The accounting policies applicable to the group as lessor are largely unchanged by IFRS 16 except for reviews of intermediate lessor arrangements.

### Impact on financial statements

On transition to IFRS 16, the group recognised an additional £11.14m of right of use assets, £5.84m of lease receivables and £16.98m of lease liabilities.

When measuring lease liabilities, the group discounted lease payments using rates within the range of 0.95% to 3.51%.

	GROUP	SCOTTISH ENTERPRISE
	£000	£000
Operating lease commitment at 31 March 2022	12,041	9,611
Discounted using discount rates	(370)	(326)
Finance Lease liabilities at 31 March 2022	-	-
Exemptions for		
– Short terms leases	(240)	(133)
– Leases of low value assets	-	-
– Intangible Assets	-	-
Extension and termination options reasonably certain to be exercised	(574)	(544)
Variable lease payments based on an index or a rate	-	-
Residual value guarantees	-	-
Advance payments	-	-
Excluding previously included non-lease components	-	-
Impacts of restatements for Operating lease and Finance Leases	-	-
Re-assessments for IFRS16	6,122	6,117
Lease liabilities recognised at 1 April 2022	<b>16,979</b>	<b>14,725</b>

## 14. Expenditure

Expenditure is accounted for on an accruals basis.

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

Goods and services expenditure is recognised in the period to which it relates.

## 15. Taxation

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

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

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

## 16. Employee Benefits

### a) Retirement benefits

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

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

The expected return on the plan's assets less the interest cost of the plans' obligations is recognised in the Statement of Comprehensive Net Expenditure as Other Finance Income or as Other Finance Charges where the interest cost exceeds the expected return on plan assets. The interest cost of the

## Section 5: **Statement of Accounting Policies**

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to taxpayers' funds in the Statement of Other Comprehensive Net Expenditure 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 significantly reduce 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 consider planned curtailments or settlements until the Group is committed to the curtailment or settlement with no realistic possibility of withdrawal.

### **b) Short term employee benefits**

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

## **17. Exchange Gains and Losses**

### **a) Functional and presentation currency**

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

### **b) Transactions and balances**

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

## 18. Cash and Cash Equivalents

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

## 19. 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.

## 20. Provisions

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

Where there are several 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.



## Section 5: Statement of Accounting Policies

# 21. Contingent Liabilities

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

# 22. Critical Accounting Estimates and Judgements

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

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

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

## a) Retirement benefit scheme

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 11, which includes a table setting out the potential sensitivity of change in assumptions of the retirement benefit obligation. A firm of

## Section 5: Statement of Accounting Policies

consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.

### **b) Fair value of land and buildings**

The Group commissions a valuation of land and buildings held for industrial and commercial use biannually which is carried out by a firm of professional valuers. Details of valuation techniques used to determine fair value of land and buildings, including information on key unobservable inputs and the relationship between unobservable inputs to fair value that have been applied, are given in Note 10.

The valuation report has been used to inform the measurement of assets in these financial statements, this is the best information available to the Group at 31 March 2023 and can be relied upon.

### **c) Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on external market conditions existing at the date of each Statement of Financial Position. The valuations are carried out internally and the group follows the International Private Equity and Venture Capital Valuation (“IPEV”) Guidance when determining fair value. Details of valuation techniques used to determine fair value of financial assets, including information on key unobservable inputs and the relationship between unobservable inputs to fair value that have been applied, are given in Note 10.

### **d) Impairment of financial assets at amortised cost**

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

## Section 5: Statement of Accounting Policies

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

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

## 23. Accounting Standards Issued not yet Adopted

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

### IFRS 17 Insurance Contracts

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts. This is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB's decision to defer the effective date. IFRS 17 redefines what constitutes an insurance contract broadly, bringing many more situations in scope. HM Treasury has agreed with the Financial Reporting Advisory Board (FRAB) to delay the implementation of IFRS 17 in central government by 2 years to 1 April 2025. IFRS 17 redefines what constitutes an insurance contract broadly, bringing many more situations in scope.

Guidance has yet to be issued to government departments on the interpretation of this standard. The group impact assessment exercise will be performed ahead of the implementation date.

SECTION 6

# Notes to the Accounts

## Section 6: Notes to the Accounts

## 1. Expenditure

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Operating Expenditure</b>	<b>168,037</b>	<b>200,469</b>	<b>166,079</b>	<b>197,050</b>
<b>Management Expenditure</b>	<b>114,774</b>	<b>113,467</b>	<b>105,071</b>	<b>105,179</b>
Expenditure noted above includes:				
Rentals under operating leases				
Buildings	437	2,501	322	2,275
Other	26	47	-	47
Foreign exchange losses / (gains)	(113)	(924)	(95)	(910)
Depreciation of property, plant and equipment	8,026	8,487	2,279	2,233
Depreciation of right of use assets	2,521	-	2,054	-
Amortisation of intangible assets	1,129	86	1,129	86
Auditors' remuneration				
<b>- audit of these accounts (i)</b>	<b>215</b>	<b>172</b>	<b>215</b>	<b>172</b>
Amounts paid to other auditors in respect of:				
- audit of subsidiary companies' accounts	31	39	-	-
- non-audit fees	-	-	-	-
	<b>31</b>	<b>39</b>	<b>-</b>	<b>-</b>

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

## 2. Income

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Income from Activities</b>				
Property Services				
Rents	6,785	5,750	6,404	5,403
Sundry property income	341	3,469	317	3,444
Surplus on disposal of property	1,088	1,786	1,088	1,786
Investment Management				
Surplus on disposal of investments and equity accounted investees	8,441	39,214	8,531	39,095
Surplus on valuation of Fair Value assets(i)	-	35,171	-	35,171
	<b>16,655</b>	<b>85,390</b>	<b>16,340</b>	<b>84,899</b>
<b>Other Income</b>				
European funding	7,394	5,774	7,394	5,774
Contributions and other fees	17,345	56,493	8,371	45,882
Grants from UK Government (ii)	-	539	-	-
	<b>24,739</b>	<b>62,806</b>	<b>15,765</b>	<b>51,656</b>
<b>Income from Investments</b>				
Dividends and other investment income	<b>130</b>	<b>118</b>	<b>96</b>	<b>92</b>
<b>Interest Income</b>				
Interest receivable	9,841	8,778	9,818	8,777
Interest calculated using the effective interest rate method	(519)	(104)	(519)	(104)
	<b>9,322</b>	<b>8,674</b>	<b>9,299</b>	<b>8,673</b>
<b>Other Finance Income</b>				
Interest charge on lease liabilities	(175)	-	(121)	-
Interest income on lease receivables	44	-	44	-
Net interest income on retirement benefit scheme assets	3,103	1,174	3,103	1,174
	<b>2,972</b>	<b>1,174</b>	<b>3,026</b>	<b>1,174</b>

- i) In 2022/23 there are £17,030,000 losses on valuation of Fair Value assets included within operating expenditure.
- ii) Grants from the UK Government in the year is in relation to funds received as part of the UK Government's Coronavirus Job Retention Scheme.

## Section 6: Notes to the Accounts

### 3. Segmental Reporting

All income and expenditure is attributable to the principal activity of Scottish Enterprise and relates to economic development activity.

Operating expenditure is reported and monitored by organisational directorate in the in-year reports of expenditure to the Chief Executive and Executive Leadership Team. During 2022/23 there has been some changes in the organisational directorate structure and accordingly the 2021/22 comparatives of operating expenditure have been updated to reflect these changes. Management expenditure, including staff costs, and income are not monitored by directorate.

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Operating Expenditure</b>				
International Development	8,558	7,919	11,420	10,345
Business Growth	77,760	71,278	77,083	70,269
Innovation & Investment	50,334	48,597	46,014	43,936
Digital & Major Projects	27,904	68,420	27,907	68,420
Chief People Office & Chief Executive Officer's Office	2,480	3,101	2,480	3,101
Chief Financial Office	1,001	1,154	1,175	979
<b>Total Segmental Expenditure</b>	<b>168,037</b>	<b>200,469</b>	<b>166,079</b>	<b>197,050</b>
<b>Management Expenditure</b>				
Management expenditure on staff costs (i)	94,232	91,925	85,199	83,908
Premises, ICT, business services and other management costs	20,542	21,542	19,872	21,271
<b>Total Management Expenditure</b>	<b>114,774</b>	<b>113,467</b>	<b>105,071</b>	<b>105,179</b>
<b>Income</b>	<b>(41,394)</b>	<b>(148,196)</b>	<b>(32,105)</b>	<b>(136,555)</b>
<b>Net Operating Expenditure</b>	<b>241,417</b>	<b>165,740</b>	<b>239,045</b>	<b>165,674</b>

## Section 6: Notes to the Accounts

i) Management expenditure on staff costs comprises:-

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Wages and salaries	57,334	54,558	49,524	47,590
Social security costs	6,566	5,898	5,811	5,229
Pension costs	25,283	27,378	24,907	27,035
Secondments and temporary staff costs	4,865	4,091	4,840	4,054
Severance costs	184	-	117	-
	<b>94,232</b>	<b>91,925</b>	<b>85,199</b>	<b>83,908</b>

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

## 4. Taxation

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
UK Corporation tax @ 19% (2022: 19%)	1,021	62	1,010	60
Corporation tax over provided in previous years	(60)	(69)	(60)	(69)
Share of equity accounted investees' tax	-	-	-	-
<b>Total current tax</b>	<b>961</b>	<b>(7)</b>	<b>950</b>	<b>(9)</b>

Factors affecting current tax charge:

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Net expenditure after interest	227,458	152,663	226,624	155,735
Current tax @ 19% (2022: 19%)	(43,217)	(29,006)	(43,059)	(29,590)
Effect of:				
Non-taxable income and disallowed expenditure	44,238	29,068	44,069	29,650
Tax over provided in previous years	(60)	(69)	(60)	(69)
<b>Current tax charge</b>	<b>961</b>	<b>(7)</b>	<b>950</b>	<b>(9)</b>



## Section 6: Notes to the Accounts

## 5. Property, Plant and Equipment

	GROUP								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>									
At 1 April 2022	60,772	72,603	-	18	15,377	8,265	4,254	13,984	<b>175,273</b>
Additions	8,660	2,754	2,464	-	529	1,040	-	34	<b>15,481</b>
Disposals	(832)	-	-	-	(357)	(464)	(341)	(1,053)	<b>(3,047)</b>
Transfer from/(to) Held for Sale	2,409	-	-	-	-	-	-	-	<b>2,409</b>
Derecognition of subsidiary	-	-	-	-	-	(98)	(79)	-	<b>(177)</b>
Reclassification	-	-	-	-	-	-	-	-	<b>-</b>
Revaluation	(2,721)	(2,378)	-	-	-	-	-	-	<b>(5,099)</b>
<b>At 31 March 2023</b>	<b>68,288</b>	<b>72,979</b>	<b>2,464</b>	<b>18</b>	<b>15,549</b>	<b>8,743</b>	<b>3,834</b>	<b>12,965</b>	<b>184,840</b>
<b>Depreciation</b>									
At 1 April 2022	-	-	-	18	12,055	7,760	4,166	11,183	<b>35,182</b>
Charge for year	-	5,263	-	-	1,213	605	59	886	<b>8,026</b>
Derecognition of subsidiary	-	-	-	-	-	(79)	(78)	-	<b>(157)</b>
Revaluation	-	(5,263)	-	-	-	-	-	-	<b>(5,263)</b>
Disposals	-	-	-	-	(357)	(464)	(325)	(858)	<b>(2,004)</b>
<b>At 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>12,911</b>	<b>7,822</b>	<b>3,822</b>	<b>11,211</b>	<b>35,784</b>
<b>Net book value</b>									
<b>At 31 March 2023</b>	<b>68,288</b>	<b>72,979</b>	<b>2,464</b>	<b>-</b>	<b>2,638</b>	<b>921</b>	<b>12</b>	<b>1,754</b>	<b>149,056</b>
<b>At 31 March 2022</b>	<b>60,772</b>	<b>72,603</b>	<b>-</b>	<b>-</b>	<b>3,322</b>	<b>505</b>	<b>88</b>	<b>2,801</b>	<b>140,091</b>
<b>Asset financing:</b>									
Owned	68,288	72,979	2,464	-	2,638	921	12	1,754	149,056
<b>At 31 March 2023</b>	<b>68,288</b>	<b>72,979</b>	<b>2,464</b>	<b>-</b>	<b>2,638</b>	<b>921</b>	<b>12</b>	<b>1,754</b>	<b>149,056</b>

Land and Buildings held for industrial and commercial use were valued at 31 March 2023 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £141m (2022: £133m).

Within Buildings are buildings that have been revalued by Montagu Evans LLP, Chartered Surveyors on the basis of depreciated replacement cost representing the gross replacement cost discounted for consumption of assets to date. The buildings are depreciated over a period of 50 years.

## Section 6: Notes to the Accounts

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

At 31 March 2023 the net carrying value of leased equipment was £Nil (2022: £Nil).

	GROUP								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>									
At 1 April 2021	61,071	69,079	550	18	13,392	7,561	4,186	13,897	<b>169,754</b>
Additions	743	3,960	19	-	1,985	719	89	101	<b>7,616</b>
Disposals	(853)	-	-	-	-	(15)	(21)	(14)	<b>(903)</b>
Transfer from/ (to) Held for Sale	(5,320)	-	-	-	-	-	-	-	<b>(5,320)</b>
Reclassification	-	569	(569)	-	-	-	-	-	<b>-</b>
Revaluation	5,131	(1,005)	-	-	-	-	-	-	<b>4,126</b>
<b>At 31 March 2022</b>	<b>60,772</b>	<b>72,603</b>	<b>-</b>	<b>18</b>	<b>15,377</b>	<b>8,265</b>	<b>4,254</b>	<b>13,984</b>	<b>175,273</b>
<b>Depreciation</b>									
At 1 April 2021	-	-	-	18	10,862	7,483	4,076	10,072	<b>32,511</b>
Charge for year	-	5,766	-	-	1,193	292	111	1,125	<b>8,487</b>
Revaluation	-	(5,766)	-	-	-	-	-	-	<b>(5,766)</b>
Disposals	-	-	-	-	-	(15)	(21)	(14)	<b>(50)</b>
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>12,055</b>	<b>7,760</b>	<b>4,166</b>	<b>11,183</b>	<b>35,182</b>
<b>Net book value</b>									
<b>At 31 March 2022</b>	<b>60,772</b>	<b>72,603</b>	<b>-</b>	<b>-</b>	<b>3,322</b>	<b>505</b>	<b>88</b>	<b>2,801</b>	<b>140,091</b>
<b>At 31 March 2021</b>	<b>61,071</b>	<b>69,079</b>	<b>550</b>	<b>-</b>	<b>2,530</b>	<b>78</b>	<b>110</b>	<b>3,825</b>	<b>137,243</b>
<b>Asset financing:</b>									
Owned	60,772	72,603	-	-	3,322	505	88	2,801	<b>140,091</b>
<b>At 31 March 2022</b>	<b>60,772</b>	<b>72,603</b>	<b>-</b>	<b>-</b>	<b>3,322</b>	<b>505</b>	<b>88</b>	<b>2,801</b>	<b>140,091</b>

## Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>									
At 1 April 2022	55,792	27,601	-	-	861	7,903	4,341	13,866	<b>110,364</b>
Additions	8,660	-	2,464	-	-	1,031	-	34	<b>12,189</b>
Disposals	(832)	-	-	-	(16)	(464)	(300)	(1,003)	<b>(2,615)</b>
Transfer from/(to) Held for Sale	2,409	-	-	-	-	-	-	-	<b>2,409</b>
Reclassification	-	-	-	-	-	-	-	-	<b>-</b>
Revaluation	(2,555)	370	-	-	-	-	-	-	<b>(2,185)</b>
<b>At 31 March 2023</b>	<b>63,474</b>	<b>27,971</b>	<b>2,464</b>	<b>-</b>	<b>845</b>	<b>8,470</b>	<b>4,041</b>	<b>12,897</b>	<b>120,162</b>
<b>Depreciation</b>									
At 1 April 2022	-	-	-	-	861	7,414	4,249	11,104	<b>23,628</b>
Charge for year	-	753	-	-	-	599	44	883	<b>2,279</b>
Disposals	-	-	-	-	(16)	(464)	(292)	(828)	<b>(1,600)</b>
Revaluation	-	(753)	-	-	-	-	-	-	<b>(753)</b>
<b>At 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>845</b>	<b>7,549</b>	<b>4,001</b>	<b>11,159</b>	<b>23,554</b>
<b>Net book value</b>									
<b>At 31 March 2023</b>	<b>63,474</b>	<b>27,971</b>	<b>2,464</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>40</b>	<b>1,738</b>	<b>96,608</b>
<b>At 31 March 2022</b>	<b>55,792</b>	<b>27,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489</b>	<b>92</b>	<b>2,762</b>	<b>86,736</b>
<b>Asset financing:</b>									
Owned	63,474	27,971	2,464	-	-	921	40	1,738	<b>96,608</b>
<b>At 31 March 2023</b>	<b>63,474</b>	<b>27,971</b>	<b>2,464</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>40</b>	<b>1,738</b>	<b>96,608</b>

Land and Buildings held for industrial and commercial use were valued at 31 March 2023 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £91m (2022: £83m).

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

## Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>									
At 1 April 2021	56,257	24,691	550	-	861	7,199	4,272	13,771	<b>107,601</b>
Additions	743	-	19	-	-	704	69	95	<b>1,630</b>
Disposals	(853)	-	-	-	-	-	-	-	<b>(853)</b>
Transfer from/(to) Held for Sale	(5,320)	-	-	-	-	-	-	-	<b>(5,320)</b>
Reclassification	-	569	(569)	-	-	-	-	-	<b>-</b>
Revaluation	4,965	2,341	-	-	-	-	-	-	<b>7,306</b>
<b>At 31 March 2022</b>	<b>55,792</b>	<b>27,601</b>	<b>-</b>	<b>-</b>	<b>861</b>	<b>7,903</b>	<b>4,341</b>	<b>13,866</b>	<b>110,364</b>
<b>Depreciation</b>									
At 1 April 2021	-	-	-	-	861	7,133	4,160	9,988	<b>22,142</b>
Charge for year	-	747	-	-	-	281	89	1,116	<b>2,233</b>
Disposals	-	-	-	-	-	-	-	-	<b>-</b>
Revaluation	-	(747)	-	-	-	-	-	-	<b>(747)</b>
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>861</b>	<b>7,414</b>	<b>4,249</b>	<b>11,104</b>	<b>23,628</b>
<b>Net book value</b>									
<b>At 31 March 2022</b>	<b>55,792</b>	<b>27,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489</b>	<b>92</b>	<b>2,762</b>	<b>86,736</b>
<b>At 31 March 2021</b>	<b>56,257</b>	<b>24,691</b>	<b>550</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>112</b>	<b>3,783</b>	<b>85,459</b>
<b>Asset financing:</b>									
Owned	55,792	27,601	-	-	-	489	92	2,762	<b>86,736</b>
<b>At 31 March 2022</b>	<b>55,792</b>	<b>27,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489</b>	<b>92</b>	<b>2,762</b>	<b>86,736</b>

## Section 6: Notes to the Accounts

## 6. Right of Use Assets

	GROUP			SCOTTISH ENTERPRISE		
	Property	Non-Property	Total	Property	Non-Property	Total
	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>						
At 1 April 2022	-	-	-	-	-	-
Transitioned to IFRS 16 on 1 April 2022	11,081	63	<b>11,144</b>	8,828	63	<b>8,891</b>
Additions	300	36	<b>336</b>	130	-	<b>130</b>
Disposals	-	-	-	-	-	-
Remeasurement	(473)	-	<b>(473)</b>	(19)	-	<b>(19)</b>
Impairment	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>10,908</b>	<b>99</b>	<b>11,007</b>	<b>8,939</b>	<b>63</b>	<b>9,002</b>
<b>Depreciation</b>						
At 1 April 2022	-	-	-	-	-	-
Charge for year	2,478	43	<b>2,521</b>	2,016	38	<b>2,054</b>
Remeasurement	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>2,478</b>	<b>43</b>	<b>2,521</b>	<b>2,016</b>	<b>38</b>	<b>2,054</b>
<b>Carrying Amount</b>						
<b>At 31 March 2023</b>	<b>8,430</b>	<b>56</b>	<b>8,486</b>	<b>6,923</b>	<b>25</b>	<b>6,948</b>
<b>At 31 March 2022</b>	-	-	-	-	-	-
<b>Asset financing:</b>						
Owned	-	-	-	-	-	-
Finance Leased	8,430	56	<b>8,486</b>	6,923	25	<b>6,948</b>
<b>At 31 March 2023</b>	<b>8,430</b>	<b>56</b>	<b>8,486</b>	<b>6,923</b>	<b>25</b>	<b>6,948</b>

This is a new note for 2022-23 as this is the first year of adoption of IFRS 16 - Leases within the Scottish Enterprise group. See Section 5 – Statement of Accounting Policies for more information on the adoption of this standard.

## 7. Intangible Assets

	GROUP				
	Development Costs	Software Development Under Construction	Patents and other rights	Software Licences	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2021	431	2,465	787	876	4,559
Additions	-	934	-	-	934
Disposals	-	-	(52)	-	(52)
Impairment	-	(190)	-	-	(190)
<b>As at 31 March 2022</b>	<b>431</b>	<b>3,209</b>	<b>735</b>	<b>876</b>	<b>5,251</b>
Disposals	-	-	(633)	(867)	(1,500)
Impairment	-	(395)	-	-	(395)
Reclassification	2,183	(2,183)	-	-	-
<b>As at 31 March 2023</b>	<b>2,614</b>	<b>631</b>	<b>102</b>	<b>9</b>	<b>3,356</b>
<b>Amortisation</b>					
At 1 April 2021	172	-	787	876	1,835
Charge for year	86	-	-	-	86
Disposals	-	-	(52)	-	(52)
<b>As at 31 March 2022</b>	<b>258</b>	<b>-</b>	<b>735</b>	<b>876</b>	<b>1,869</b>
Charge for year	1,129	-	-	-	1,129
Disposals	-	-	(633)	(867)	(1,500)
<b>As at 31 March 2023</b>	<b>1,387</b>	<b>-</b>	<b>102</b>	<b>9</b>	<b>1,498</b>
<b>Net book value</b>					
<b>At 31 March 2023</b>	<b>1,227</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>1,858</b>
<b>At 31 March 2022</b>	<b>173</b>	<b>3,209</b>	<b>-</b>	<b>-</b>	<b>3,382</b>
Non-Current Intangible Assets	1,227	631	-	-	1,858
Current Intangible Assets	-	-	-	-	-
<b>Total Intangible Assets at 31 March 2023</b>	<b>1,227</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>1,858</b>

## Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE				
	Development Costs	Software Development Under Construction	Patents and other rights	Software Licences	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2021	431	2,465	633	867	<b>4,396</b>
Additions	-	934	-	-	<b>934</b>
Impairment	-	(190)	-	-	<b>(190)</b>
<b>As at 31 March 2022</b>	<b>431</b>	<b>3,209</b>	<b>633</b>	<b>867</b>	<b>5,140</b>
Disposals	-	-	(633)	(867)	<b>(1,500)</b>
Impairment	-	(395)	-	-	<b>(395)</b>
Reclassification	2,183	(2,183)	-	-	-
<b>As at 31 March 2023</b>	<b>2,614</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>3,245</b>
<b>Amortisation</b>					
At 1 April 2021	172	-	633	867	<b>1,672</b>
Charge for year	86	-	-	-	<b>86</b>
<b>As at 31 March 2022</b>	<b>258</b>	<b>-</b>	<b>633</b>	<b>867</b>	<b>1,758</b>
Charge for year	1,129	-	-	-	<b>1,129</b>
Disposals	-	-	(633)	(867)	<b>(1,500)</b>
<b>As at 31 March 2023</b>	<b>1,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,387</b>
<b>Net book value</b>					
<b>At 31 March 2023</b>	<b>1,227</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>1,858</b>
<b>At 31 March 2022</b>	<b>173</b>	<b>3,209</b>	<b>-</b>	<b>-</b>	<b>3,382</b>
Non-Current Intangible Assets	1,227	631	-	-	<b>1,858</b>
Current Intangible Assets	-	-	-	-	-
<b>Total Intangible Assets at 31 March 2023</b>	<b>1,227</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>1,858</b>

## 8. Equity Accounted Investees

Scottish Enterprise's investment in Equity Accounted Investees comprises:

Limited by shares	Accounting period end	Nature of Business	% of Voting rights
Ravenscraig Limited	31 December	Property development	33.33
Michelin Scotland Innovation Parc Limited	31 March	Innovation Parc	33.33
EBQ3 Limited	31 May	Property development	33.33

Limited by guarantee	Accounting period end	Nature of Business	% of Membership
Design Dundee Limited	31 March	Advancement of cultural facility	20.00

Joint arrangement	Nature of Business	% Interest
Scottish Enterprise / Calachem Limited	Property development	60.00

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

	Current Assets	Non-current assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Revenue	Expenses	Profit / (Loss)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2021	67,363	3,499	<b>70,862</b>	(32,511)	(36,219)	<b>(68,730)</b>	8,803	(7,232)	1,571
At 31 March 2022	63,499	12,579	<b>76,078</b>	(29,524)	(35,990)	<b>(65,514)</b>	19,468	(11,207)	8,261
<b>At 31 March 2023</b>	<b>55,518</b>	<b>23,309</b>	<b>78,827</b>	<b>(22,962)</b>	<b>(41,115)</b>	<b>(64,077)</b>	<b>23,175</b>	<b>(18,988)</b>	<b>4,187</b>

Movements in carrying amount of investment in equity accounted investees:

	£000
Carrying amount at 1 April 2021	1,104
Share of profits	3,111
Disposal	(512)
Revaluation	248
<b>Carrying amount at 31 March 2022</b>	<b>3,951</b>



## Section 6: Notes to the Accounts

	£000
Carrying amount at 1 April 2022	3,951
Share of profits	1,770
Revaluation	-
Carrying amount at 31 March 2023	5,721

## 9. Financial Assets – Other Investments

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Non-Current Other Investments</b>				
Fair value through profit or loss	441,897	416,737	442,340	417,401
Amortised cost	82,712	67,094	82,712	67,094
Less: Loss allowance for investments at amortised cost	(31,551)	(30,519)	(31,551)	(30,519)
	<b>493,058</b>	<b>453,312</b>	<b>493,501</b>	<b>453,976</b>
<b>Current Other Investments</b>				
Amortised cost	13,873	26,278	13,873	26,278
Less: Loss allowance for investments at amortised cost	(1,451)	(1,556)	(1,451)	(1,556)
	<b>12,422</b>	<b>24,722</b>	<b>12,422</b>	<b>24,722</b>
<b>Total Other Investments</b>	<b>505,480</b>	<b>478,034</b>	<b>505,923</b>	<b>478,698</b>

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

### Listed Investments

Stock Exchange investments included in the above at 31 March 2023 are valued £38,031,525 (2022: £62,642,863) which includes unrealised surpluses on valuation of £11,331,039 (2022: £31,816,280). Income from listed investments in the year to 31 March 2023 was £102,417 (2022: £48,051).

Details of the initial cost of principal investments included above are disclosed in Note 26.

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
Glasgow Science Centre Limited (i)	Visitor attraction operator	100
Glasgow Science Centre (Trading) Limited (i)	Commercial operations management	100

## Section 6: Notes to the Accounts

<b>Subsidiary Undertakings</b>		
<b>Limited by shares</b>	<b>Nature of Business</b>	<b>% of Voting rights</b>
Loch Lomond Shores Management Company Limited	Property management	100
Scotland Europa Limited	Business services	100
SCTR Limited	Business incubator	100
SE Grampian Investments Limited (iv)	Dormant	100
GDA Investments Limited	Dormant	100
Scottish Investment Bank Limited	Dormant	100

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

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

- i) Glasgow Science Centre Limited and Glasgow Science Centre (Trading) Limited are subsidiary companies of Glasgow Science Centre Charitable Trust.
- ii) On 1 December 2022 a court order was issued for the winding up of This is Remarkable Limited under the provisions of the Insolvency Act 1986. The group consider the appointment of an insolvency practitioner, on the same date, to be a loss of control event under IFRS16 and also a loss of significant influence under IAS28. As such the assets and liabilities of This is Remarkable have been derecognised at the date that control was lost. No return is expected to be received by the group following the insolvency process and the remaining investment in This is Remarkable has been fully written down.
- iii) Ayrshire Development Fund Limited was dissolved on 31 January 2023 and SE Conference House Limited was dissolved on 7 March 2023.
- iv) On 31 March 2023 an application was made to Companies House to strike off SE Grampian Investments Limited and the company was subsequently dissolved on 27 June 2023.

## Section 6: Notes to the Accounts

**Local Enterprise Companies**

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

**10. Fair Value Measurements**

The following table sets out the assets and liabilities that are measured and recognised at fair value at 31 March 2023:

	GROUP			
	2023	2023	2023	2023
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Recurring fair value measurements</b>				
Financial assets – other investments	38,032	-	467,448	505,480
Land and property assets	-	-	143,731	143,731
<b>Non-recurring fair value measurements</b>				
Assets classified as held for sale	-	-	3,801	3,801
	<b>38,032</b>	<b>-</b>	<b>614,980</b>	<b>653,012</b>

	SCOTTISH ENTERPRISE			
	2023	2023	2023	2023
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Recurring fair value measurements</b>				
Financial assets – other investments	35,700	-	470,223	505,923
Land and property assets	-	-	93,908	93,908
<b>Non-recurring fair value measurements</b>				
Assets classified as held for sale	-	-	3,801	3,801
	<b>35,700</b>	<b>-</b>	<b>567,932</b>	<b>603,632</b>

## Fair value hierarchy

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

<b>LEVEL 1</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
<b>LEVEL 2</b>	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).
<b>LEVEL 3</b>	Inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

There have been no transfers between level 1, level 2 and level 3 recurring fair value measurements during the year.

## Valuation processes for level 3 fair values

All material financial assets are defined as level 3 instruments except for those listed on a recognised stock exchange. Fair values of financial assets are determined at the end of each financial year by suitably qualified professionals within Scottish Enterprise using recognised valuation techniques.

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

The following table sets out the reconciliation of the opening and closing balances for level 3 fair value measurements as at 31 March 2023:

	GROUP			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
At 1 April 2022	415,391	133,375	14,592	563,358
Acquisitions	62,570	13,878	-	76,448
Disposals	(15,962)	(832)	(8,264)	(25,058)
Transfers to Level 1	-	-	-	-
Transfers to/from held for sale	-	2,409	(2,409)	-
Depreciation	-	(5,263)	-	(5,263)
Impairment	(1,609)	(5,153)	(118)	(6,880)
Net losses recognised in Other Comprehensive Net Expenditure	-	1,232	-	1,232
Net gains recognised in Net Expenditure	7,058	4,085	-	11,143
<b>At 31 March 2023</b>	<b>467,448</b>	<b>143,731</b>	<b>3,801</b>	<b>614,980</b>

## Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
At 31 March 2022	418,391	83,393	14,592	516,376
Acquisitions	62,570	11,124	-	73,694
Disposals	(16,187)	(832)	(8,264)	(25,283)
Transfers to Level 1	-	-	-	-
Transfers to/from held for sale	-	2,409	(2,409)	-
Depreciation	-	(753)	-	(753)
Impairment	(1,609)	(7,353)	(118)	(8,910)
Net gains recognised in Other Comprehensive Net Expenditure	-	1,608	-	1,608
Net gains recognised in Net Expenditure	7,058	4,312	-	11,200
<b>At 31 March 2023</b>	<b>470,223</b>	<b>93,908</b>	<b>3,801</b>	<b>567,932</b>

The following table sets out the amount of unrealised gains or losses for the period included in net expenditure that is attributable to the changes in unrealised gains or loss relating to those level 3 assets and liabilities held at the end of the reporting period:

	GROUP			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
<b>Unrealised gains / (losses) recognised in net expenditure</b>	<b>5,449</b>	<b>(1,068)</b>	<b>(118)</b>	<b>4,263</b>

	SCOTTISH ENTERPRISE			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
<b>Unrealised gains/(losses) recognised in net expenditure</b>	<b>5,449</b>	<b>(3,041)</b>	<b>(118)</b>	<b>(2,290)</b>

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

### Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value

Scottish Enterprise holds a number of investments across a range of different instruments, including equity, preference shares and loans. Shares which have voting rights attached are treated as equity and will be valued on a fair value basis in line with international industry standards. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date.

Debt instruments that have been provided as a means of bridge funding to the next equity round, will be similarly valued on a fair value basis. Cost may be the best indicator of fair value, unless market or company specific conditions exist, which would indicate that fair value differs from cost.

Several valuation techniques may be considered for use in estimating fair value, with judgement applied when considering case-specific factors or terms of the investment which may impact fair value. Valuation techniques that will be considered, include price of recent investment, earnings multiple, turnover multiple, indicative offers and for listed companies available market prices. The key selection criteria for the valuation technique adopted is it should be appropriate given the nature, facts and circumstances of the investment.

**Financial assets – held at fair value through profit or loss:**

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

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

Multiplier	From 15.08 (before discount) to 34.06 (before discount)
Discount	50% to 55% (marketability 20%; liquidity 10%-20%; minority shareholding 10%-15% and Other 10%)

## Section 6: Notes to the Accounts

**Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value**

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

Revenue multiplier has ranged from 1.0x to 5.0x (mean 2.0x) turnover.

The valuation basis for the equity portfolio at the 31 March 2023 is as follows:

Valuation basis	% of equity portfolio
Price of recent investment	81.2
Turnover multiple	5.2
Earnings multiple	3.5
Asset valuation	0.7
Indicative offer price	0.2
Listed share price	9.2
<b>Total</b>	<b>100.0</b>

Fair value is based on amortised cost using the effective interest rate method derived from the anticipated cash flows from the investment over its estimated life.

**Financial assets – held at amortised cost**

For loans with interest at below market value, cash flows are discounted to measure fair value. Scottish Enterprise uses the higher of the of the rate intrinsic to the financial instrument and the nominal financial instrument discount rate set by HM Treasury of 1.9% (2022: 1.9%).

A provision for impairment is established if there is objective evidence that Scottish Enterprise will not be able to collect all amounts due according to the terms of the investment.

### Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value

#### Land

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

#### Buildings

Fair value of the buildings is derived by analysis of comparable sales transactions of properties offering similar characteristics to the assets under consideration. These are generally derived by adopting an income approach by constructing an envisaged cash flow reflecting the rental income stream, vacancy rates and irrecoverable expenditure associated with any period of vacancy prior to re-letting. The resultant valuations are cross checked where appropriate on a capital per square feet basis.

Within the portfolio, equivalent yields have typically been in the range 9.75% to 15% with rental voids generally between 6 and 12 months upon individual lease expires. Rental growth has been factored in on a unit by unit basis where evidence supports the contention.

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

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

Further information and analysis of financial assets is included in Note 23.

## 11. Retirement Benefit Scheme

Scottish Enterprise operates the Scottish Enterprise Pension & Life Assurance Scheme for staff which is a defined benefits scheme that provides benefits in the form of a guaranteed level of pension payable for life. The level of benefits provided depends upon the members' length of service and their final pensionable salary. The assets of the scheme are held separately from those of Scottish Enterprise, being invested by the Trustees of the scheme. There are ten Trustees in total, comprising an independent Chairman, five 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 2020 and the results of that valuation have been projected to 31 March 2023 by Isio, qualified independent actuaries. The next formal valuation will be carried out during 2023/24 based on data at 31 March 2023.



## Section 6: Notes to the Accounts

	2023	2022
	£000	£000
Present value of funded defined benefit obligations	(548,080)	(792,494)
Fair value of plan assets	566,756	903,478
<b>Recognised surplus in the scheme</b>	<b>18,676</b>	<b>110,984</b>

## Movements in the present value of defined benefit obligations

	2023	2022
	£000	£000
At 1 April	(792,494)	(835,350)
Current service cost	(23,829)	(25,997)
Past service cost	-	-
Interest cost	(20,684)	(16,473)
Remeasurements		
Effect of changes in demographic assumptions	-	19,771
Effect of changes in financial assumptions	285,731	42,047
Effect of experience adjustments	(20,856)	-
Benefits paid	24,368	23,813
Contributions by members	(316)	(305)
	<b>(548,080)</b>	<b>(792,494)</b>

The weighted average duration of the Scheme's defined benefit obligations is 19 years (2022: 20 years).

## Movements in the present value of defined benefit scheme assets

	2023	2022
	£000	£000
At 1 April	903,478	888,184
Expected return on plan assets	23,787	17,647
Remeasurements		
Return on plan assets, excluding interest income	(348,711)	9,388
Contributions by the employer (i)	13,372	12,817
Contributions by members (i)	316	305
Benefits paid by the plan	(24,368)	(23,813)
Administrative expenses	(1,118)	(1,050)
	<b>566,756</b>	<b>903,478</b>

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

During the year Scottish Enterprise paid contributions equivalent to 20% of pensionable salaries.

## The defined benefit obligation analysed by participant status

	2023	2022
	£000	£000
Active members	(223,595)	(360,026)
Vested deferred members	(85,695)	(135,789)
Retired members	(238,790)	(296,679)
	<b>(548,080)</b>	<b>(792,494)</b>

## Section 6: Notes to the Accounts

**Expense recognised in the Statement of comprehensive net expenditure**

	2023	2022
	£000	£000
Current service cost	23,829	25,997
Past service cost	-	-
Administrative expenses	1,118	1,050
Interest income on retirement benefit scheme assets	(23,787)	(17,647)
Interest on retirement benefit scheme obligations	20,684	16,473
<b>Total retirement benefit scheme expense</b>	<b>21,844</b>	<b>25,873</b>

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

	2023	2022
	£000	£000
Management Expenditure	24,947	27,047
Other Finance Income	(3,103)	(1,174)
	<b>21,844</b>	<b>25,873</b>

The total loss amount recognised in the Statement of other comprehensive net expenditure in respect of net remeasurement gains and losses is £76,182,000 (2022: £71,206,000 gain).

Cumulative remeasurement gains and losses recognised in the Statement of other comprehensive net expenditure since 1 April 2002 are net gains of £10,011,000 (2022: £86,193,000 gains).

The fair value and the expected rates of return on scheme assets at 31 March 2023 were as follows:

	2023	2022
	£000	£000
Equity instruments	100,747	165,803
Debt instruments	153,723	240,163
Investment funds	143,557	309,255
Real estate	85,952	103,177
Semi-liquid credit	42,370	57,902
Infrastructure equity	12,296	1,981
Cash or cash equivalents	28,111	25,197
<b>Total fair value of assets</b>	<b>566,756</b>	<b>903,478</b>

## Section 6: Notes to the Accounts

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:

	2023	2022
	% per annum	% per annum
Discount rate	4.65%	2.65%
Future salary increases	3.40%	4.45% until 2023 3.80% thereafter
Rate of increase in retirement benefits	2.65%	2.80%
Price inflation	2.95%	3.35%

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:

	2023	2022
	Years	Years
Male member, age 60, retiring today	26.5	26.5
Female member, age 60, retiring today	28.3	28.3
Male member, age 40, retiring in 20 years	27.3	27.3
Female member, age 40, retiring in 20 years	29.5	29.5

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.

## Section 6: Notes to the Accounts

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

	Change in assumption	Increase in assumption	Decrease in assumption
	%	£m	£m
Discount rate	0.50	(45.6)	47.9
Future salary increases	0.25	6.6	(6.4)
Inflation rate	0.25	23.2	(22.1)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £17.5m at 31 March 2023.

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 2024 Scottish Enterprise estimates that contributions of £13.8m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

## 12. Other Non-Current Receivables

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Assets held by Local Enterprise Companies and their subsidiary undertakings (i)	-	-	-	237
Subsidiary undertakings	-	-	-	-
Other receivables	2,418	3,251	2,418	3,251
	<b>2,418</b>	<b>3,251</b>	<b>2,418</b>	<b>3,488</b>

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

## 13. Lease Receivables

Total future lease payments receivable under leases are given in the table below:

Payments receivable for the following periods comprise:	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Property</b>				
Not later than one year	2,621	-	2,621	-
Later than one year and not later than five years	655	-	655	-
Later than five years	-	-	-	-
	<b>3,276</b>	<b>-</b>	<b>3,276</b>	<b>-</b>
Less interest element	(20)	-	(20)	-
<b>Total present value of payments receivable</b>	<b>3,256</b>	<b>-</b>	<b>3,256</b>	<b>-</b>
<b>Current</b>	<b>2,602</b>	<b>-</b>	<b>2,602</b>	<b>-</b>
<b>Non-current</b>	<b>654</b>	<b>-</b>	<b>654</b>	<b>-</b>

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. IAS 17 operating leases are included within our statement of financial position as a lease receivable for the first time. Refer to Accounting Policy 13. Leasing for further details.

Leases are discounted using the rate implicit in the lease. Where that rate cannot be readily determined, leases are discounted at the entity's incremental borrowing rate.

Where an entity has no borrowings (which is the case for all entities consolidated into the departmental group), HM Treasury issues discount rates to be used. These cover calendar years and were 0.95% for 2022 and 3.51% for 2023.

Amounts recognised in SoCNE	SoCNE line item disclosure	GROUP		SCOTTISH ENTERPRISE	
		2023	2022	2023	2022
		£000	£000	£000	£000
Interest on lease receivable – Finance Income (i)	Other finance income	44	-	44	-
<b>Total</b>		<b>44</b>	<b>-</b>	<b>44</b>	<b>-</b>

- i) IFRS 16 has been implemented within 2022-23, no changes to comparative data have been made which include IAS 17 finance leases only.

## Section 6: Notes to the Accounts

**a) Public Sector balances**

The full balance of lease receivables are due from Central Government.

**14. Assets Classified as Held for Sale**

<b>GROUP AND SCOTTISH ENTERPRISE</b>	
<b>Property, plant and equipment</b>	
	<b>£000</b>
At 1 April 2021	11,611
Transfers to assets held for sale	5,320
Impairment recognised on re-measurement	(1,547)
Disposals of non-current assets held for sale	(792)
<b>As at 31 March 2022</b>	<b>14,592</b>
At 1 April 2022	14,592
Transfers to/(from) assets held for sale	(2,409)
Impairment recognised on re-measurement	(118)
Disposals of non-current assets held for sale	(8,264)
<b>As at 31 March 2023</b>	<b>3,801</b>

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

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

**15. Inventories**

	<b>GROUP</b>		<b>SCOTTISH ENTERPRISE</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Finished Goods</b>	<b>109</b>	<b>95</b>	<b>-</b>	<b>-</b>

## 16. Trade and Other Receivables

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Other Subsidiary undertakings	-	-	151	144
Other receivables (i)	7,039	8,378	6,151	7,203
Prepayments	2,944	2,555	2,615	2,072
Accrued income	8,744	8,608	8,079	8,412
	<b>18,727</b>	<b>19,541</b>	<b>16,996</b>	<b>17,831</b>

i) Other receivables above are shown net of provisions for impairment as follows:

	GROUP			
	At 1 April 2021	Utilised during year	Movements in Provisions	At 31 March 2022
	£000	£000	£000	£000
Other receivables	5,544	(2,138)	(225)	3,181
	At 1 April 2022	Utilised during year	Movements in Provisions	At 31 March 2023
	£000	£000	£000	£000
Other receivables	3,181	(156)	2,403	5,428
	SCOTTISH ENTERPRISE			
	At 1 April 2021	Utilised during year	Movements in Provisions	At 31 March 2022
	£000	£000	£000	£000
Other receivables	5,365	(2,138)	(183)	3,044
	At 1 April 2022	Utilised during year	Movements in Provisions	At 31 March 2023
	£000	£000	£000	£000
Other receivables	3,044	(148)	2,319	5,215



## Section 6: Notes to the Accounts

## a) Public Sector balances

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Central Government	11,581	11,023	11,181	10,897
Local Authorities	1,120	170	1,017	170
NHS Bodies	-	-	-	-
Bodies External to Government	6,026	8,348	4,798	6,764
	<b>18,727</b>	<b>19,541</b>	<b>16,996</b>	<b>17,831</b>

## 17. Cash and Cash Equivalents

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Balance at 1 April	151,225	141,010	145,671	136,230
Net change in cash and cash equivalent balances	16,209	10,215	17,728	9,441
<b>Balance at 31 March</b>	<b>167,434</b>	<b>151,225</b>	<b>163,399</b>	<b>145,671</b>

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Scottish Enterprise	62,414	33,718	62,414	33,718
Investment Funds (i)	100,985	111,953	100,985	111,953
Other subsidiary undertakings	4,035	5,554	-	-
	<b>167,434</b>	<b>151,225</b>	<b>163,399</b>	<b>145,671</b>

The balances at 31 March were held at:

Commercial banks and cash in hand	167,434	151,225	163,399	145,671
	<b>167,434</b>	<b>151,225</b>	<b>163,399</b>	<b>145,671</b>

- i) The Investment Funds balance relates to bank accounts held to finance direct investment activity in association with private sector partners and which are part funded by the European Union. This relates to The Scottish Co-Investment Fund, The Scottish Loan Fund and The Scottish Venture Fund. The 2021/22 comparatives have been restated to include The Scottish Venture Fund.
- ii) At 31 March 2023, £Nil (2022: £Nil) was held in a fixed term deposit.

## 18. Trade and Other Payables

### a) Amounts falling due within one year

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Other taxation and social security	1,394	1,340	1,295	1,245
Other subsidiary undertakings	-	-	-	225
Trade payables	7,133	6,867	6,853	7,103
Other payables	3,270	1,374	3,074	1,268
Accrued charges	58,869	57,386	58,025	56,338
Prepaid revenue	3,751	4,287	1,601	1,922
Loans from Scottish Government (i)	22,398	26,376	22,398	26,376
	<b>96,815</b>	<b>97,630</b>	<b>93,246</b>	<b>94,477</b>

### b) Amounts falling due after more than one year

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Other payables and accrued charges	-	-	-	-
EU Funding for Investment Funds	953	953	953	953
Deferred income	53	182	53	182
Loans from Scottish Government (i)	190,961	144,275	190,961	144,275
	<b>191,967</b>	<b>145,410</b>	<b>191,967</b>	<b>145,410</b>

## Section 6: Notes to the Accounts

## i) Loans from Scottish Government

Scottish Government funding is partly allocated to Scottish Enterprise in the form of loans to finance equity investments and the provision of loan finance to Scottish businesses. These loans are repayable over a period of up to 17 years (2022: 18 years). Although no interest is payable on these loans, any receipts generated by Scottish Enterprise from the underlying investments may be retained by Scottish Enterprise, subject to the approval of the Scottish Government.

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Balance at 1 April	170,651	221,662	170,651	221,662
Loan funding received in year	57,439	3,686	57,439	3,686
Repayment waived by Scottish Government	(745)	(2,399)	(745)	(2,399)
Loan funding repaid in year	(13,986)	(52,298)	(13,986)	(52,298)
<b>Balance at 31 March</b>	<b>213,359</b>	<b>170,651</b>	<b>213,359</b>	<b>170,651</b>
Due within one year	22,398	26,376	22,398	26,376
Due after one year	190,961	144,275	190,961	144,275
	<b>213,359</b>	<b>170,651</b>	<b>213,359</b>	<b>170,651</b>

## c) Public Sector balances

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Central Government	28,841	30,477	28,737	30,295
Local Authorities	1,665	2,129	1,522	2,129
NHS Bodies	-	63	-	-
Bodies External to Government	66,309	64,961	62,987	62,053
	<b>96,815</b>	<b>97,630</b>	<b>93,246</b>	<b>94,477</b>

## Section 6: Notes to the Accounts

## 19. Provisions

	GROUP				
	Asset Repayment (iv)	Joint Developments (i) (ii)	Office Dilapidations & Repairs (iii)	Total	Total
	2023	2023	2023	2023	2022
	£000	£000	£000	£000	£000
Balance at 1 April	54	1,571	3,488	5,113	4,953
Provided in the year	-	888	112	1,000	380
Discount	-	(400)	(283)	(683)	(157)
Provisions not required written back	(3)	-	(360)	(363)	(3)
Provisions utilised in the year	-	(54)	(474)	(528)	(60)
<b>At 31 March</b>	<b>51</b>	<b>2,005</b>	<b>2,483</b>	<b>4,539</b>	<b>5,113</b>
Non-Current Provisions	48	2,005	2,315	4,368	4,612
Current Provisions	3	-	168	171	501
<b>Total Provisions at 31 March</b>	<b>51</b>	<b>2,005</b>	<b>2,483</b>	<b>4,539</b>	<b>5,113</b>

	SCOTTISH ENTERPRISE			
	Joint Developments (i) (ii)	Office Dilapidations & Repairs (iii)	Total	Total
	2023	2023	2023	2022
	£000	£000	£000	£000
Balance at 1 April	1,571	3,328	4,899	4,793
Provided in the year	888	112	1,000	323
Discount	(400)	(283)	(683)	(157)
Provisions not required written back	-	(200)	(200)	(3)
Provisions utilised in the year	(54)	(474)	(528)	(57)
<b>At 31 March</b>	<b>2,005</b>	<b>2,483</b>	<b>4,488</b>	<b>4,899</b>
Non-Current Provisions	2,005	2,315	4,320	4,401
Current Provisions	-	168	168	498
<b>Total Provisions at 31 March</b>	<b>2,005</b>	<b>2,483</b>	<b>4,488</b>	<b>4,899</b>

- i) Under a joint development agreement with Falkirk Council, provision is made for costs which may be met from future sale proceeds of the land owned by Scottish Enterprise. The assumption has been made that the balance will carry forward for a further 10 years from the balance sheet date.
- ii) Under a joint development agreement with South Ayrshire Council, provision is made for potential repayment of funding provided by South Ayrshire Council. The assumption has been made that the balance will carry forward for a further 2 years from the balance sheet date. These provisions have been discounted using the discount rates provided by HM Treasury (December 2022).
- iii) Provision has been made for dilapidations across Scottish Enterprise's occupational office accommodation. There are 6 offices with leases expiring between July 2023 and April 2031. An

## Section 6: Notes to the Accounts

assessment has been made for each office and they have been discounted using the discount rates provided by HM Treasury (December 2022).

- iv) Playpark equipment purchased at Loch Lomond Shores was funded from a proprietor's sinking fund. The equipment has been capitalised and a corresponding asset repayment provision recognised for the net book value of the equipment should it be disposed of by Scottish Enterprise within its 20-year expected life.

## 20. Lease Liabilities

Total future lease payments under leases are given in the table below:

Obligations for the following periods comprise:	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Property</b>				
Not later than one year	5,025	-	4,608	-
Later than one year and not later than five years	5,481	-	4,315	-
Later than five years	1,518	-	1,517	-
	<b>12,024</b>	<b>-</b>	<b>10,440</b>	<b>-</b>
Less interest element	(304)	-	(216)	-
<b>Present value of obligations</b>	<b>11,720</b>	<b>-</b>	<b>10,224</b>	<b>-</b>
<b>Non-Property</b>				
Not later than one year	33	-	26	-
Later than one year and not later than five years	24	-	-	-
Later than five years	-	-	-	-
	<b>57</b>	<b>-</b>	<b>26</b>	<b>-</b>
Less interest element	(1)	-	(1)	-
<b>Present value of obligations</b>	<b>56</b>	<b>-</b>	<b>25</b>	<b>-</b>
<b>Total present value of obligations</b>	<b>11,776</b>	<b>-</b>	<b>10,249</b>	<b>-</b>
<b>Current</b>	<b>4,933</b>	<b>-</b>	<b>4,554</b>	<b>-</b>
<b>Non-current</b>	<b>6,843</b>	<b>-</b>	<b>5,695</b>	<b>-</b>

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. IAS 17 operating leases are included within our statement of financial position as a lease liability and right of use asset for the first time. Refer to Accounting Policy 13. Leasing for further details.

Leases are discounted using the rate implicit in the lease. Where that rate cannot be readily determined, leases are discounted at the entity's incremental borrowing rate.

## Section 6: Notes to the Accounts

Where an entity has no borrowings (which is the case for all entities consolidated into the departmental group), HM Treasury issues discount rates to be used. These cover calendar years and were 0.95% for 2022 and 3.51% for 2023.

Amounts recognised in SoCNE	SoCNE line item disclosure	GROUP		SCOTTISH ENTERPRISE	
		2023	2022	2023	2022
		£000	£000	£000	£000
Interest on lease liabilities – Finance Cost (i)	Other finance income	175	-	121	-
Expenses relating to short term liabilities	Other management expenditure	453	-	322	-
<b>Total</b>		<b>628</b>	<b>-</b>	<b>443</b>	<b>-</b>

- i) IFRS 16 has been implemented within 2022-23, no changes to comparative data have been made which include IAS 17 finance leases only.

### a) Public Sector balances

Included within lease liabilities are balances due to other public sector organisations as follows:

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Central Government	35	-	35	-
Local Authorities	104	-	104	-
NHS Bodies	-	-	-	-
Bodies External to Government	11,637	-	10,110	-
	<b>11,776</b>	<b>-</b>	<b>10,249</b>	<b>-</b>

## Section 6: Notes to the Accounts

## 21. Commitments

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
Property, plant and equipment	419	1,252	53	-
Financial Assets	51,319	53,134	51,319	53,134

At 31 March 2023 Glasgow Science Centre Charitable Trust had contracted capital commitments for the creation of various new fixed assets of £365,596 (2022: £1,251,704).

Scottish Enterprise has an agreement with the European Investment Fund to invest £50,000,000 in the Scottish-European Growth Co-Investment Programme and also an agreement to invest £20,000,000 in Maven UK Regional Buyout Fund LP. The capital commitment at 31 March 2023 includes the balance of funds still to be invested.

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

## 22. Contingent Liabilities

### Group and Scottish Enterprise

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

	2023	2022
	£000	£000
Contingent liabilities arising from legal actions (i)	70	-
Other contingent liabilities (ii) (iii) (iv)	3,006	4,366

- i) Scottish Enterprise is defending a claim in respect of an employee relations matter.
- ii) Warranties given to purchasers of shares in invested companies create a contingent liability to return sales proceeds in the specified circumstances unique to each deal amounted to £2,806,000 (2022: £4,166,000). At 31 March 2023, funds placed in escrow accounts to cover these liabilities should they fall due, amounted to £2,527,000 (2022: £3,900,000).
- iii) Scottish Enterprise is currently in discussions with the owner of a property adjacent to a Scottish Enterprise owned site in respect of remedial works to resolve drainage issues. No formal claim or any admission of liability has been made, however, Scottish Enterprise have undertaken similar

works in the past at a neighbouring property. The estimated cost of the works required is £200,000 and a contingent liability has been recorded for this amount.

- iv) The carrying value of the remaining investments funded by Public Dividend Capital is £Nil (2022: £Nil). Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 9).
- v) Following the High Court rulings on 26 October 2018 and 20 November 2020 regarding the equalisation of Guaranteed Minimum Pension (GMP) benefit within the Lloyds pension scheme Scottish Enterprise will be required to equalise the benefits provided by the Scottish Enterprise Pension Scheme for the effect of unequal GMP for male and female members. Scottish Enterprise and its advisers have not yet undertaken a review to determine the full impact this will have on the liabilities of the scheme. Based on an assessment of schemes with similar characteristics to Scottish Enterprise's pension scheme, the potential increase in scheme liabilities has been estimated in the range of 0% to 1% of current scheme liabilities, which equates to a range of £0 to £5.5m.

## 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 and Risk Committee oversees how management monitors compliance with Scottish Enterprise's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by Scottish Enterprise.

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

### Liquidity risk

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



## Section 6: Notes to the Accounts

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

The table below details the contractual maturities of financial liabilities.

	GROUP			
For 2023	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities	11,776	11,776	4,933	6,843
Trade and other payables	282,631	282,631	91,670	190,961
	<b>294,407</b>	<b>294,407</b>	<b>96,603</b>	<b>197,804</b>

	SCOTTISH ENTERPRISE			
For 2023	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities	10,249	10,249	4,554	5,695
Trade and other payables	281,311	281,311	90,350	190,961
	<b>291,560</b>	<b>291,560</b>	<b>94,904</b>	<b>196,656</b>

	GROUP			
For 2022	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities	-	-	-	-
Trade and other payables	236,278	236,278	92,003	144,275
	<b>236,278</b>	<b>236,278</b>	<b>92,003</b>	<b>144,275</b>

	SCOTTISH ENTERPRISE			
For 2022	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities	-	-	-	-
Trade and other payables	235,360	235,360	91,085	144,275
	<b>235,360</b>	<b>235,360</b>	<b>91,085</b>	<b>144,275</b>

The Group and Scottish Enterprise has outstanding borrowings at 31 March 2023 of £213,359,000 (2022: £170,651,000).

## Credit risk

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

## Section 6: Notes to the Accounts

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

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

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

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

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

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Carrying amount</b>				
Financial assets – other investments				
Fair value through profit or loss assets	441,897	416,737	442,340	417,401
Amortised cost assets	63,583	61,297	63,583	61,297
Financial assets				
Trade and other receivables	18,201	20,237	16,648	18,866
Lease receivables	3,256	-	3,256	-
Cash and cash equivalents	167,434	151,225	163,399	145,671
	<b>694,371</b>	<b>649,496</b>	<b>689,226</b>	<b>643,235</b>

## Section 6: Notes to the Accounts

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

	GROUP			
	2023		2022	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	19,067	(1,540)	21,246	(1,622)
Past due 0 to 30 days	507	-	302	-
Past due 31 to 120 days	224	-	169	-
Past due more than 120 days	3,845	(3,902)	1,701	(1,559)
	<b>23,643</b>	<b>(5,442)</b>	<b>23,418</b>	<b>(3,181)</b>

	SCOTTISH ENTERPRISE			
	2023		2022	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	17,447	(1,453)	19,875	(1,622)
Past due 0 to 30 days	507	-	302	-
Past due 31 to 120 days	224	-	169	-
Past due more than 120 days	3,685	(3,662)	1,564	(1,422)
	<b>21,863</b>	<b>(5,215)</b>	<b>21,910</b>	<b>(3,044)</b>

Movements in impairment of trade and other receivables are shown in Note 16. 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.

## Section 6: Notes to the Accounts

## Interest rate risk

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

	GROUP		SCOTTISH ENTERPRISE	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Fixed rate instruments</b>				
Financial assets	116,049	111,208	116,049	111,208
Financial liabilities	-	-	-	-
	<b>116,049</b>	<b>111,208</b>	<b>116,049</b>	<b>111,208</b>
<b>Variable rate instruments</b>				
Cash and cash equivalents	167,434	151,225	163,399	145,671
	<b>167,434</b>	<b>151,225</b>	<b>163,399</b>	<b>145,671</b>

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:

	GROUP	SCOTTISH ENTERPRISE
	100 basis points change	100 basis points change
	£000	£000
Cash and cash equivalents		
31 March 2022	1,461	1,410
31 March 2023	1,593	1,545

## 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 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.

## Section 6: Notes to the Accounts

## 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			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Fair value through profit or loss assets	441,897	441,897	416,737	416,737
Financial assets held at amortised cost	63,583	63,583	61,297	61,297
Trade and other receivables	18,201	18,201	20,237	20,237
Lease receivables	3,256	3,256	-	-
Cash and cash equivalents	167,434	167,434	151,225	151,225
Trade and other payables	(282,631)	(282,631)	(236,278)	(236,278)
Lease liabilities	(11,776)	(11,776)	-	-
	<b>399,964</b>	<b>399,964</b>	<b>413,218</b>	<b>413,218</b>

	SCOTTISH ENTERPRISE			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Fair value through profit or loss assets	442,340	442,340	417,401	417,401
Financial assets held at amortised cost	63,583	63,583	61,297	61,297
Trade and other receivables	16,648	16,648	18,866	18,866
Lease receivables	3,256	3,256	-	-
Cash and cash equivalents	163,399	163,399	145,671	145,671
Trade and other payables	(281,311)	(281,311)	(235,360)	(235,360)
Lease liabilities	(10,249)	(10,249)	-	-
	<b>397,666</b>	<b>397,666</b>	<b>407,875</b>	<b>407,875</b>

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

## Fair value hierarchy

The fair value hierarchy for the Group and Scottish Enterprise financial assets and liabilities that are valued at fair value are as defined in Note 10 in respect financial assets.

All material Group and Scottish Enterprise financial assets and liabilities are defined as level 3 instruments, with the exception of Stock Exchange investments carried at fair value of £38,031,787 (2022: £62,642,863) at 31 March.

## Estimation of fair values

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

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

## 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 and its subsidiaries has had material transactions with the Scottish Government.

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

During the year, material transactions have taken place with:

Highlands and Islands Enterprise	NatureScot
Scottish Funding Council	Skills Development Scotland
South of Scotland Enterprise	

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

- i) Michelin Scotland Innovation Parc Limited received £757,089 of grant funding during the year and was paid £67,849 for the provision of office premises and £11,592 for the provision of event space.
- ii) Design Dundee Limited received £5,390 of grant funding during the year and was paid £15,000 towards the costs of a joint economic impact study.

## Section 6: Notes to the Accounts

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 11.

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. Board Members Interests

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

Willie Mackie is Chair of Centrestage Communities Limited, a company which Scottish Enterprise provided grant support to during the year of £5,355.

Poonam Malik is a member (via syndication) of EOS Advisory LLP, Equity Gap Limited, and Kelvin Capital, early-stage investment vehicles which invests in companies alongside Scottish Enterprise. During the year Scottish Enterprise paid a total of £86,108, £128,184 and £75,759 respectively in investment arrangement fees.

Glaxo Smith Kline plc, a company that Carmel Teusner held shares in, provided funding of £75,479 to Glasgow Science Centre Charitable Trust Limited in relation to the Bodyworks on Tour Outreach programme.

Anne Glover is Chair of Industrial Biotechnology Innovation Centre (IBioIC), during the year Scottish Enterprise provided grant support of £613,006 to the Innovation Centre via University of Strathclyde.

Johnson Matthey plc, a company that Carmel Teusner has shares in, paid Scottish Enterprise £900 for a project delivered by the Scottish Manufacturing and Advisory Service (SMAS). The company also received R&D grant funding of £715,000 during the year.

Poonam Malik is a director of Microplate DX Limited and during the year Scottish Enterprise provided grant support of £95,590.

The Offshore Renewable Energy Catapult (ORE) received £35,000 in grant funding from Scottish Enterprise. Anne Glover is a non-executive director of ORE.

Anne Glover is a board member of Scottish Power. Glasgow Science Centre Charitable Trust Limited received fees of £443,059 from Scottish Power Renewables for managing Whitelee Windfarm Visitor Centre on their behalf. Glasgow Science Centre Charitable Trust Limited also received grants during the year of £40,000 from Scottish Power and £20,000 from Scottish Power Foundation.

## Section 6: Notes to the Accounts

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

Organisation	Board Member	Position
Skills Development Scotland	Willie Mackie	Board member
	Poonam Malik	Board member
University of Dundee	Karthik Subramanya	Court member
University of Strathclyde	Anne Glover	Special Adviser to the Principal
	Poonam Malik	Head of Investments
	Gavin Nicol	Visiting Professor
University of the Highlands and Islands	Poonam Malik	Governor; Member of the University Court; Chair – Remuneration Committee

## 26. Schedules of Investments at 31 March 2023

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 8. 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

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>A F Clothing Limited</b> Design and sale of clothing products	29.25	333	115	-
<b>Actual Analytics Limited</b> Software for the analysis of animal behaviour	29.77	782	-	-
<b>Aridhia Informatics Limited</b> Biomedical informatics and analytics	22.69	748	1,369	-
<b>Arrayjet Limited</b> Microarray printers and services	26.03	1,560	-	-
<b>Aurum Biosciences Limited</b> Stroke therapy	26.64	702	-	-
<b>Biotangents Limited</b> Diagnostics for infectious diseases in livestock	29.38	1,901	-	-



## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Blazing Keep Limited</b> Parent of multimedia entertainment group	29.85	2,770	600	
<b>Bsolve Limited</b> Manufacture of fast dissolving films	27.97	2,788	250	-
<b>Calcivis Limited</b> Dental medical device co-visualise calcium loss	29.56	4,975	-	-
<b>Carbon Black System Limited</b> Design and production of wheelchairs	27.68	655	137	-
<b>Causeway Therapeutics Limited</b> Patented therapy for the treatment of tendinopathy	22.81	3,299	-	-
<b>Ceres Holographics Limited</b> Development of holographic technology	22.62	1,803	-	-
<b>ChangingDay Limited</b> Development of VR games for people with autism	20.94	350	-	-
<b>Chromacity Limited</b> Design and manufacture of advanced lasers	29.89	1,392	302	-
<b>Clear Surgical Limited</b> Producer of surgical devices	29.53	765	240	-
<b>Clyde Biosciences Limited</b> Cardiac drug screening product	22.71	708	490	-
<b>Conjunct Limited</b> Development of optical communication components	28.67	698	30	-
<b>Consolidated Craft Breweries Limited</b> Craft brewery	22.33	1,490	-	-
<b>Cumulus Oncology Limited</b> Oncology drug discovery	22.67	2,345	-	-
<b>Cytomos Limited</b> Development of real-time cell sensing devices	29.48	1,853	-	-
<b>DC Biosciences Limited</b> Proteomic services for biotech and pharma industries	29.50	284	-	-
<b>DestiNA Genomics Ltd</b> Nucleic acid testing and diagnostics assays solutions	20.22	314	-	-
<b>Drinkshare Holdings Limited</b> Technology-enabled e-commerce retailer	20.77	1,999	-	-
<b>DXCover Limited</b> Developing blood serum testing to detect cancer	25.58	3,800	-	-
<b>Earthbound Games Limited</b> Games company	29.89	400	-	-
<b>Edinburgh Alternative Finance Limited</b> Peer to peer lending platform	24.93	3,893	-	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Edinburgh Molecular Imaging Limited</b> Medical imaging reagents	20.27	1,430	1,103	-
<b>Energyflo Construction Technologies Limited</b> Clean technology specialists - construction	26.50	850	375	-
<b>Fios Genomics Limited</b> Statistical and bioinformatic analyses	20.54	536	-	-
<b>Fixed Phage Limited</b> Commercialisation of bacteriophages	24.05	1,861	-	-
<b>Formedix Limited</b> Software/consultancy services provider	20.26	298	-	-
<b>Gas Sensing Solutions Limited</b> High-speed low-cost precision gas sensor	28.98	1,686	-	-
<b>Global Surface Intelligence Limited</b> Geospatial analytics provider	24.74	1,373	-	-
<b>GlykoGen</b> Biotechnology company	28.71	351	-	-
<b>Greengage Agritech Limited</b> Development of precision agriculture systems	20.10	1,827	344	-
<b>ILC Therapeutics Limited</b> Early-stage biotechnology company	28.50	2,280	-	-
<b>Ingenious Audio Limited</b> Developer of 'Jack' a wi-fi guitar plug-in device	28.65	440	-	-
<b>Kibosh Limited</b> Plumbing components manufacturer	25.76	494	-	-
<b>Macomics Limited</b> Drug discovery	25.45	2,325	1,143	-
<b>MGB Biopharma Limited</b> Development of antibacterial drug	23.48	3,265	-	-
<b>MIME Technologies Limited</b> Managing information for medical emergencies	22.40	716	-	-
<b>My1Login Limited</b> Developer of internet-based applications	29.90	1,636	73	-
<b>NCTech Limited</b> Development and sale of 3D camera technology	24.61	5,500	7	-
<b>NeurocentRx Pharma Limited</b> Reformulation of existing drug agents for new uses	29.89	1,035	6	-
<b>New Wave Foods Limited</b> Seaweed derived food producer	24.14	1,300	-	-
<b>Objective Associates Limited</b> Seller of software solutions to online retailers	26.57	490	-	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Omideon Limited</b> Prevention and treatment of infectious diseases	26.36	472	-	-
<b>Orbital Marine Power Limited</b> Tidal energy technology developer	23.21	6,750	2,235	-
<b>Peacock Technology Limited</b> Automation technologies	20.41	1,403	97	-
<b>Pick Protection Limited</b> Personal security device	29.89	793	-	-
<b>Pneumagen (Holdings) Limited</b> Prevention and treatment of infectious diseases	27.98	2,855	2,125	-
<b>PowerPhotonic Limited</b> Development and sale of custom laser optics	26.42	1,664	-	-
<b>ProFactor Pharma Limited</b> Pharmaceutical development	25.17	1,199	-	-
<b>Pufferfish Limited</b> Spherical display systems for events and exhibitions	29.03	1,257	-	-
<b>QED Naval Ltd</b> Foundation platform for tidal turbines	20.11	903	-	-
<b>RAB Microfluidics Research and Development Company Limited</b> Microfluidic lab-on-a-chip technology	24.01	1,209	-	-
<b>Reactec Limited</b> Development of vibration control systems	25.45	1,141	-	-
<b>RICO Developments Limited</b> Online marketing and sales platform for leading consumer packaged goods brands	20.88	1,167	126	-
<b>Robotical Limited</b> Educational robots	21.02	664	-	-
<b>Saloca Limited</b> Software services provider of online booking system	28.50	1,078	240	-
<b>Share In Limited</b> Direct investment channel technology and solutions	23.16	480	-	-
<b>Sistemic Scotland Limited</b> MicroRNA profiling and analysis services	26.07	856	-	-
<b>Skylark Lasers Limited</b> Manufacture and sale of laser products	29.89	1,697	-	-
<b>Snapdragon Monitoring Limited</b> Monitoring software for IP protection	27.83	1,045	-	-
<b>Sofant Technologies Limited</b> Develops smart antennae for mobile communications	21.31	2,988	-	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Sonis Smart Security Limited</b> Wireless security systems	28.32	543	-	-
<b>Sustainable Marine Energy Limited</b> Tidal energy technology developer	25.80	2,724	-	-
<b>Symbiosis Holdings (Scotland) Limited</b> Pharmaceutical services contract manufacturer	27.89	1,077	-	-
<b>The Buffalo Farm Limited</b> Mozzarella farm	20.00	300	-	-
<b>Trojan Energy Limited</b> Electric vehicle charging solution	24.04	1,604	396	-
<b>Ubiquigent Limited</b> Developing products for life science research	27.24	450	-	-
<b>UWI Technology Limited</b> Smart label technology	25.58	1,250	-	-
<b>Verlume Holdings Limited</b> Developing innovative marine current turbine	24.31	3,188	-	-
<b>Vert Rotors UK Limited</b> Compressor technology	25.54	1,951	240	-
<b>Vicast Limited</b> Internet video software platform	22.18	1,105	-	-
<b>Total of items listed</b>		<b>116,113</b>	<b>12,043</b>	<b>-</b>

## b) Other investments greater than £1m and voting rights less than 20%

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>2-B Energy Holding BV</b> Offshore wind technology developer Registered in Netherlands	11.62	3,751	-	-
<b>3f Bio Limited</b> Innovative mycoprotein production technology/method	4.54	1,962	-	-
<b>Adaptix Limited</b> Design and production of medical imaging device	9.40	1,778	-	-
<b>Administrate Limited</b> Develop/supply business training software	19.08	4,645	-	-
<b>Advanced Microwave Technologies Limited</b> Microwave volumetric heating development and implementation	19.94	927	542	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Airlie Street Hall Limited</b> Power generation	-	-	1,474	-
<b>Allander Midco Limited</b> Manufacturer of windows, doors and curtain walls	-	-	1,434	-
<b>Amicus Resolutions Limited</b> AML software	17.05	1,507	-	-
<b>Arjowiggins Group Limited</b> New company following management buy out of Arjo Wiggins Ltd	-	12,000	-	-
<b>Atterley.com Holdings Limited</b> Online marketplace for independent boutiques	13.57	1,091	342	-
<b>Aveni Limited</b> AI, machine learning & natural language processing	15.23	1,187	-	-
<b>Binn Hill</b> (known as Our Community Energy) Renewable energy (wind farm)	-	-	1,141	-
<b>Bluebox Systems Group Limited</b> Aviation sector software design/developer	11.91	238	839	-
<b>Boomerang Commerce Inc</b> E-commerce data analytics tool	0.20	2,341	-	-
<b>Caldan Therapeutics Limited</b> Diabetes diagnostics	19.14	1,425	100	-
<b>CardioPrecision Limited</b> Medical device company in cardiovascular sector	11.07	1,031	-	-
<b>Casing Technologies Group Limited</b> Development of novel oil and gas drilling products	1.11	112	2,050	-
<b>Cellucomp Limited</b> Development of products from high tech composites	11.46	2,375	-	-
<b>Celtic Renewables Grangemouth plc</b> Low carbon biochemicals from whisky by-products	-	-	15,000	-
<b>Celtic Renewables Limited</b> Low carbon biochemicals from whisky by-products	7.78	2,359	2,600	-
<b>Censo Biotechnologies Limited</b> Stem cell technology company	6.74	1,853	-	-
<b>Clear 123 Limited</b> Food producers	-	-	2,051	-
<b>Cloudsoft Corporation Limited</b> Development of cloud computing software	6.86	2,388	-	-
<b>Critical Blue Limited</b> Providing flexible, automated embedded system design	11.21	2,100	150	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Cyacomb Limited</b> Developing next-generation digital forensic tools	16.84	1,459	500	-
<b>DYSIS Medical Limited</b> Designs, develops, manufactures and markets imaging	1.18	4,412	-	-
<b>European Investment Fund</b> Registered in Luxembourg	0.07	1,275	-	3,518
<b>Elasmogen Limited</b> Drug development focused inflammatory eye disease	13.43	2,149	-	-
<b>Encompass Corporation Group Holdings Limited</b> Technology company	4.61	3,490	-	-
<b>Enterobiotix Limited</b> Microbiome therapeutics	17.61	3,395	1,500	-
<b>Epipole Limited</b> Tackling causes of preventable blindness	18.51	1,291	-	-
<b>Fastball Holdings LLC</b> Online daily play fantasy sports games Quoted on LSE	1.87	16,670	-	-
<b>Freeflow Technologies Limited</b> E-bike electronic transmission systems	10.63	1,030	-	-
<b>Good.Loop Limited</b> Ethical advertising company	10.53	1,681	-	-
<b>Goodmark Medical International Limited</b> SaaS medical technology company	6.00	1,307	-	-
<b>Green Bioactives Limited</b> Biomanufacturing platform for plant natural products	16.14	1,078	-	-
<b>Heliex Power Limited</b> Manufacturer of energy efficiency product	11.60	3,690	175	-
<b>Innovid Corp</b> TV advertising attribution company Quoted on NYSE US	0.40	1,817	-	-
<b>Insignia Technologies Limited</b> Smart label technology	18.93	1,429	-	-
<b>Intelligent Growth Solutions Limited</b> Developed a unique vertical food growing system	8.98	5,446	-	-
<b>Invizius Limited</b> Technology addressing side effects of dialysis	16.10	2,200	-	-
<b>IoTech Systems Limited</b> Internet of Things (IoT) software company	10.62	2,306	-	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Isle of Harris Distillers Limited</b> Malt whisky distillery based on the Isle of Harris	17.79	1,500	-	-
<b>Joseph Robertson (Aberdeen) Limited</b> Manufacturer and wholesaler of fish products	-	-	1,200	-
<b>Kultralab Limited</b> Behavioural science and technology solution	15.91	1,377	-	-
<b>Kynos Therapeutics Limited</b> Drug discovery company	11.03	1,500	-	-
<b>Lamellar Biomedical Limited</b> Application of lamellosome memetics	19.99	3,330	-	-
<b>LendingCrowd Finance Limited</b> Fintech borrower in special purpose vehicle	-	-	3,672	-
<b>Liberty Steel Dalzell Limited</b> Production of steel products	-	-	7,000	-
<b>Liftango Group Limited</b> Technology for efficient and sustainable transport	3.10	500	1,250	-
<b>Lustre Skin Limited</b> Development of medical healthcare devices	4.78	2,974	-	-
<b>Mangata Networks Inc</b> Satellite communications Registered in the United States	3.81	2,298	-	-
<b>MedAnnex Limited</b> Development stage biotech company	8.14	1,320	-	-
<b>MeyGen Holdings Limited</b> Holding company relating to asset/portfolio management	16.55	12,100	-	-
<b>MeyGen plc</b> Development of tidal power generation project	-	-	9,308	-
<b>MiAlgae Limited</b> Produces high quality microalgal products	15.17	1,000	-	-
<b>Mironid Limited</b> Life sciences drug development	14.02	3,449	-	-
<b>Morrison Glasgow Distillers Limited</b> Distilling, rectifying and blending of spirits	17.20	2,513	-	-
<b>Morvolts Limited</b> Special purpose vehicle for Community Hydro	-	-	1,524	-
<b>Newmake Limited</b> New start distillery in central Edinburgh	15.15	1,933	-	-
<b>Novabiotics Limited</b> Design and development of anti-infectives	18.24	3,338	2,062	-

## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Novosound Limited</b> Thin film ultrasound technology	10.30	1,043	-	-
<b>NuCana plc</b> Oncology focussed biopharmaceutical company Quoted on NASDAQ US	3.60	1,670	-	-
<b>Ocutec Limited</b> Next generation contact lens development	1.02	1,603	352	-
<b>Osprey PIR Limited</b> Production of thin film infrared sensor components	0.16	3,067	-	-
<b>Outplay Entertainment Limited</b> Development & publication of social digital games	19.24	2,850	-	-
<b>Phlo Technologies Limited</b> Online pharmacy service	7.13	2,079	-	-
<b>PneumoWave Limited</b> Real time respiratory monitoring	16.06	1,940	-	-
<b>Project Falcon Topco Limited</b> Quorum cyber security	2.20	1,005	-	-
<b>Pure LiFi Limited</b> Development of data communication over light waves	10.08	4,451	-	-
<b>Qikserve Limited</b> Order and pay enterprise platform	16.56	2,849	-	-
<b>Query Click Limited</b> Digital marketing	11.37	1,500	-	-
<b>Raptor Data Limited</b> Signal processing technology oil and gas sector	15.15	2,058	263	-
<b>Ryboquin Limited</b> Development of cancer therapies	18.21	825	1,785	-
<b>Shot Scope Technologies Limited</b> Golf performance tracking products and data analysis	18.56	2,320	-	-
<b>Snappy Shopper Limited</b> E-commerce digital platform	7.29	1,244	-	-
<b>Speech Graphics Limited</b> Facial animation services	5.81	1,020	-	-
<b>Spire Global, Inc.</b> Satellite data analytics Quoted on NYSE US	5.60	9,175	-	-
<b>Stewart Energy Limited</b> Power generation	-	-	1,062	-
<b>Sunamp Limited</b> Design/manufacture hot water tanks	12.17	2,042	-	-



## Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
<b>Tantillus Synergy Limited</b> Food colourant production	18.94	3,000	477	-
<b>TC Biopharm Holdings plc</b> Drug discovery company focusing on T-cells Quoted on NASDAQ US	3.90	4,318	-	-
<b>The IDCO. Limited</b> Online digital identity and verification	6.86	1,476	-	-
<b>Travelnest Limited</b> Software for owners of holiday rentals	10.22	3,100	-	-
<b>Unity Software Inc.</b> Gaming development platform provider Registered in the United States Quoted on NYSE US	0.10	3,641	-	-
<b>Volo Holdings Limited</b> In-train entertainment systems	6.85	1,184	-	-
<b>Well-Safe Solutions Limited</b> Well plug and abandonment business	1.93	1,122	-	-
<b>Xergy Group Limited</b> Provides a cloud-based work management system	7.79	1,240	-	-
<b>Epidarex Capital II LP</b> Investment fund	-	-	2,864	59
<b>Maven UK Regional Buyout Fund LP</b> Investment fund	-	-	10,001	2,543
<b>Scottish-European Growth Co-Investment Programme</b> Investment fund	-	-	4,732	44,956
<b>Total of items listed</b>		<b>202,149</b>	<b>77,450</b>	<b>51,076</b>

## Section 6: Notes to the Accounts

	Number of companies	Shares £000	Loans £000	Commitment s £000
Total of items listed – Note 26a	75	116,113	12,043	-
Total of items listed – Note 26b	91	202,149	77,450	51,076
Other shares and loans	258	18,563	50,706	243
	<b>424</b>	<b>336,825</b>	<b>140,199</b>	<b>51,319</b>

	Total £000
Shares	336,825
Loans	140,199
	<b>477,024</b>

Capitalised interest	6,768
Cumulative unrealised net gains recognised in Net Expenditure	169,056
Cumulative impairments recognised in Net Expenditure	(147,368)
<b>Fair Value of shares and loans (Note 9)</b>	<b>505,480</b>

Section 7: **Accounts Direction**

SECTION 7

# Accounts Direction



Scottish Government  
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## 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

- I. The notes to the accounts shall include:
  - a. A schedule of all investments showing:
    1. 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

## Section 7: Accounts Direction

2. 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

3. 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 commitment