

SCOTTISH ENTERPRISE

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2019

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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Laid before the Scottish Parliament by the Scottish Ministers under section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.

August 2019

SG/2019/121

PERFORMANCE REPORT

for the year ended 31 March 2019

OVERVIEW

STATEMENT OF PURPOSE AND ACTIVITIES

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

This Act defines Scottish Enterprise's key functions as:

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

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

BUSINESS MODEL AND ENVIRONMENT

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

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

Scottish Enterprise's objectives and key targets are agreed within its strategic planning process. Scottish Enterprise operates with its own independent Board reporting to the Cabinet Secretary for Finance, Economy and Fair Work within the Scottish Government.

Scottish Enterprise works closely with public sector partners in delivering for Scotland's economy. During 2018/19, the Enterprise & Skills Strategic Board tasked the enterprise and skills agencies (Scottish Enterprise, Highlands & Islands Enterprise, Skills Development Scotland, the Scottish Funding Council and the emerging South of Scotland Enterprise agency) with collectively helping Scotland move towards the top quartile of OECD countries for productivity, equality, wellbeing and sustainability. The publication of their Strategic Plan set out how a joint agency approach will help towards achieving a shared ambition for Scotland.

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

Future Skills Needs: Building a more demand-led skills system that better responds to the current and future skills needs of employers and individuals.

Business Creation and Growth: Creating a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity, and provide a new structure of support for business scale-up.

PERFORMANCE REPORT (continued)

Business Models and Workplace Innovation: Harnessing the full potential of progressive business models, workplace innovation and fair work to enhance productivity, equality, wellbeing and sustainability.

Exporting: Increasing export growth by increasing the number of exporters, including greater reach at regional level, and the value of exports.

Identified within the Strategic Plan, Scottish Enterprise has a specific role to play in:

Developing a single business portal.

Promoting progressive business models and innovative work practices.

Delivering with partners a national exporting service, using Scotland is Now branding.

Using our data and digital capability to align agency offers and enhance services to customers.

Encouraging and enabling a shift to a more demand led skills system that better responds to the current and future skills needs of individuals and supports companies to grow, innovate and export.

The enterprise and skills agencies are ambitious for Scotland. To achieve our shared vision and outcomes will require our collective efforts and resources. Partnership working has long underpinned our work and values as an organisation, however, we know that to achieve our vision and that of the Strategic Board, new ways of cross-agency working and deeper, more meaningful collaboration will be not just desirable, but necessary. This approach will see us working with the people who are best placed to achieve our shared outcomes. We are already committed to cross-agency methods of working, including:

- Supporting business adoption of innovative workplace practices.
- Developing a single business portal.
- Scoping the next phase of funding and development of the Innovation Centres.
- Delivering the Prepare for Brexit campaign.

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

Some Scottish Enterprise activities operate across all of Scotland, including the Highlands and Islands Enterprise area and the geography to be covered by the South of Scotland Enterprise agency, these being:

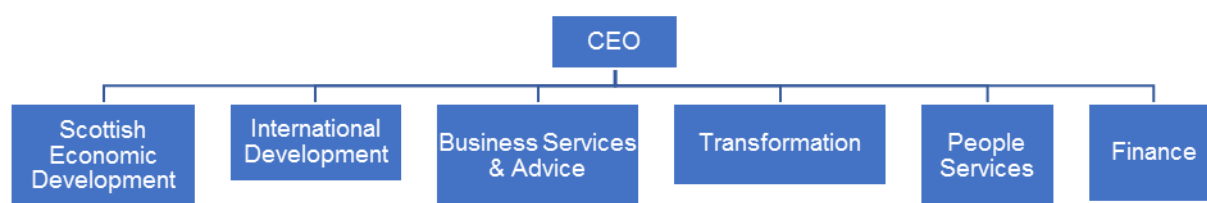
- Inward investment and overseas market development via Scottish Development International (operating as a joint venture with Scottish Government and Highlands and Islands Enterprise) and including management of the network of overseas offices and field staff;
- Major grants programmes, including Regional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

PERFORMANCE REPORT (continued)

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

During 2018/19, Scottish Enterprise introduced a new leadership structure to reflect a refocused purpose. It signalled the beginning on an ongoing change programme which continues into 2019/20.

Operations in 2018/19 were delivered under the guidance of the Chief Executive and the Executive Leadership Team, via the current business unit structure:



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

International Development. Building Scotland’s reputation and reach in strategically important markets through Scottish Development International (SDI), SDI aims to increase the value of Scottish exports and stimulate Scottish companies to sell more goods and services to international markets; and works with others to attract new international investment to strengthen Scotland’s communities, company base and sectors. In response to Scottish Government trade policy priorities, Scottish Development International delivers expert advice about markets, sectors and how to trade, by providing insight and intelligence, investment and connections at home and in priority markets across the globe.

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

PERFORMANCE REPORT (continued)

Supporting these operational directorates are:

- **Transformation** which includes the Strategy and Economics function, building the evidence base to inform activities and strategic priorities, and evaluating Scottish Enterprise's impact; corporate marketing and communications; and, 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.
- **People Services** focusing on employee related matters of recruitment, benefits, training and engagement and providing the facilities management function, delivering health and safety and environmental management.
- **Finance**, with responsibility for corporate governance and ensuring strategic financial management and value for money are at the heart of the business and its decision-making process.

STRATEGY AND OBJECTIVES

Scottish Enterprise's 2018/19 Business Plan was set within the context of Scotland's overall economic agenda. The direction and guidance set out in the Scottish Government's [Economic Strategy](#) (March 2015), along with publications launched later in the year - the [Economic Action Plan](#) and the [Enterprise and Skills Strategic Board's Strategic Plan](#) - provided the overarching framework for Scottish Enterprise's activity throughout 2018/19.

Anticipating the launch of the Strategic Plan in October 2018, and the Strategic Board's desire to align Enterprise and Skills Agencies' future corporate plans from 2019/20, Scottish Enterprise's 2018/19 Business Plan represented a one-year period, focusing on:

- **More international trade and investment for Scotland:**
 - Delivering up to 8,000 jobs from Foreign Direct Investment - focusing on jobs that pay the living wage and support fair work
 - A single cross agency approach to attract investment and promote Scotland as a place to work, visit, study and do business - ScotlandisNow
 - Reaching and engaging with even more companies encouraging them to trade internationally, working with partners to ensure all businesses have access to support and advice
- **Accelerating business growth:**
 - Increasing innovation, investment and exporting in company base
 - Forming delivery partnerships and flex how we deliver regionally
 - Supporting companies with considerable growth ambition and potential to grow more quickly
 - Stimulating up to £400million in new business R&D which will help Scottish companies accelerate their growth and diversify into new sectors and markets
 - Supporting companies to develop fair and more productive business practices

PERFORMANCE REPORT (continued)

- **Realising major economic opportunities:**
Emerging opportunities where Scotland can compete globally and become a world leader. Opportunities centre on adoption of new technology and ways of working that are applicable to many sectors and regions across Scotland:
 - High Value Manufacturing: to put Scottish manufacturing at the forefront of Industry 4.0 adoption and transform manufacturing capability in our key sectors
 - Digital Economy: to grow and maintain a thriving digital economy (top quartile) and be a global leader in data driven innovation
 - Low Carbon transition: to fully realise the long term, sustainable economic potential of world-leading low carbon innovation

- **Supporting a more effective economic development system for Scotland:**
 - Engaging with partners to share our expertise in project management
 - Working with partners to ensure business support is accessible to all through increased automation and online applications which will simplify and expedite access to business support in areas like grants and funding
 - Working with key partners and agencies to co-ordinate a joint improvement programme to deliver a streamlined system of business support
 - Working with regional partnerships to understand and promote the full extent of Scotland's assets, including development of a national asset register

KEY ISSUES AND RISKS AFFECTING SCOTTISH ENTERPRISE

Scottish Enterprise operates a Board approved risk management policy. The policy notes that risk is inherent in the business of Scottish Enterprise and sets out the process by which risk is identified, escalated and reviewed appropriately. The Board defines Scottish Enterprise's risk appetite at a strategic level. Each business unit is responsible for identifying areas of risk. Risks that have potentially significant impact at an organisation wide level are recorded on the Corporate Risk Register, which is owned by the Executive Leadership Team. The items on this are a combination of the strategic risks identified by senior management and risks escalated from business units, including: -

- Potential impacts on the economy arising from Brexit due to the uncertainty surrounding how the UK might exit from the European Union and the trading relationship that would apply thereafter.
- Failure to achieve the levels of collaboration identified by the Scottish Government's review of the Enterprise and Skills agencies required to deliver a more efficient and impactful economic development system.
- Failure to deliver our longer term Strategic and Corporate Plan ambitions for increased resilience and restructuring within the Scottish economy arising from the impact of budget settlements flowing from Governmental Spending Reviews and the potential reduction in the scale of other funding which Scottish Enterprise can attract in the future.
- The potential for significant interference to operations or the loss of sensitive data arising from the threat of cyber attacks to Scottish Enterprise's systems.

The Board reviews the operation of the Risk Management Policy on an annual basis. The Board ensures that the policy is supporting the effective and efficient operation of the organisation and that it helps the business respond to business risks and implement

PERFORMANCE REPORT (continued)

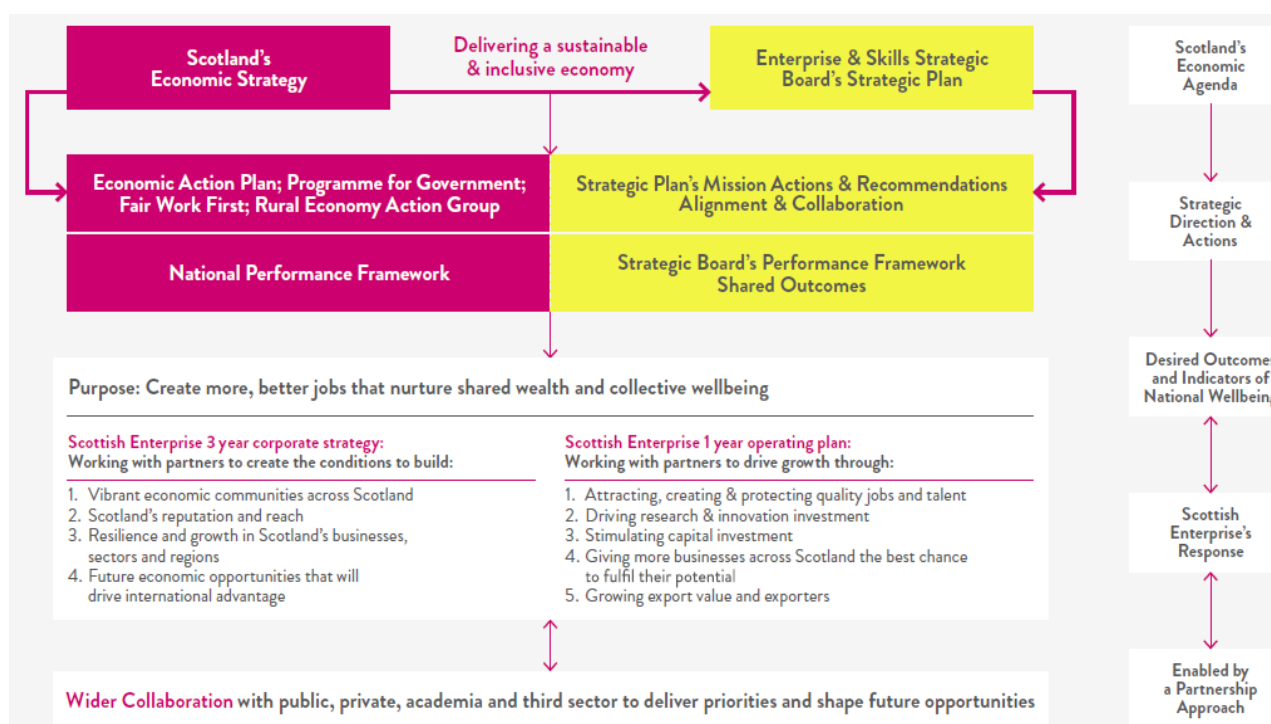
adequate controls. The Audit and Risk Committee reviews risk regularly and the Board approves the Corporate Risk Register annually.

FUTURE DEVELOPMENTS

Scottish Enterprise launches a new Strategic Framework in 2019/20 which sets out our ambitions for the future of Scotland’s economy and how we will transform the way we work – including how we work with others – to achieve our ambitions. The Framework includes: a new vision, purpose and values; detailed three-year Corporate Strategy (2019/2022); and one-year Operating Plan (2019/20), including how we will measure progress against our objectives.

To ensure the Framework delivers effectively, we have worked closely with our agency partners to develop a shared understanding of the environment in which we operate and the shared outcomes we are pursuing as laid out in Scotland’s Economic Strategy and the Enterprise & Skills Strategic Board’s Strategic Plan.

Responding the Scotland’s Economic Agenda:



Delivery of the Strategic Framework will be underpinned by strengthened collaboration and partnership: locally, regionally, nationally and internationally. Economic partnerships are vital to achieving our ambitions and fundamental to maximising our regional opportunities. We will continue to actively contribute in a wide range of partnerships and collaborations. These range from community planning and growth deal partnerships to national partnerships with Highlands and Islands Enterprise and the new South of Scotland Enterprise agency – delivering stronger outcomes for all of Scotland.

To achieve a lasting, positive impact on Scotland’s economy there are major shifts we need to make to address long-term challenges and prepare for future opportunities –

PERFORMANCE REPORT (continued)

building a foundation for steady, long lasting growth for all. The 3-year corporate strategy focuses on 4 key ambitions:

- **Ambition one: *building vibrant economic communities across Scotland, spreading increased wealth and wellbeing***: working with partners to invest in infrastructure, assets and companies as a means of creating good jobs with value in thriving places where people want to live and work.
- **Ambition two: *building Scotland's reputation and reach in strategically important markets***: bringing together assets, networks, campaigns and support in targeted geographical areas that leverage the Brand Scotland platform and our global networks.
- **Ambition three: *building resilience and growth in Scotland's businesses, sectors and regions***: treating the root causes of business distress and leveraging data, insight and good judgement to forensically target the right growth opportunities.
- **Ambition four: *building future economic opportunities that will drive our international advantage***: securing long-term, patient investment into enterprise 'missions' that will address long-term barriers to growth.

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

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

PERFORMANCE REPORT (continued)

The ambitious plans set out in the Strategic Framework include:

- A stronger focus on creating and protecting quality jobs which give people opportunity, security, fulfilment and respect, and nurtures shared wealth and collective wellbeing.
- Making job-related grants contingent on fair work practices, including job security and payment of the real living wage.
- Stronger partnerships working to target more investment in the places where it can make a significant difference to communities and reduce geographical economic inequalities.
- New measures to raise the growth ambition of all businesses and boost entrepreneurial spirit across all parts of society.
- Redesigning our approach to business support and relationship management so that there are no barriers to any business – regardless of size, sector or location – accessing information, advice and funding when they need it and in a way that best suits them.
- Building on the initial success of Brand Scotland to strengthen Scotland's international reputation for exports and inward investment, and to open up Scotland to a new generation of talent and global innovators who want to work with us to address big future economic opportunities and challenges.
- Dedicated resources to proactively identify and manage businesses in distress so that we can intervene earlier with partners to mitigate the impact of economic shocks.
- Stronger partnerships and new ways of working to achieve shared outcomes with the Strategic Board and our partner agencies.

Specifically, during 2019/20, we will:

- Create or safeguard up to 10,500 jobs paying at least the real living wage.
- Enable up to £350 million of R&D investment in research and development and up to £200 million of capital investment.
- Help businesses to raise growth funding of up to £255 million.
- Support international exports worth up to £1.5 billion.

A new leadership structure will be finalised in 2019/20 to ensure we are in the best shape to deliver the ambitious plans set out in the Strategic Framework. The new structure will support delivery of the Framework by being more streamlined and is designed to empower colleagues and support more collaboration across the organisation. New governance arrangements will sit alongside the leadership structure including a new Portfolio & Programme Board to help manage and steer the organisation through business change initiatives. The significance of these changes is recognised and are actively being managed through SE's Corporate Risk Register.

PERFORMANCE SUMMARY

Scottish Enterprise's 2018/19 Business Plan set out the actions we would take to help improve Scotland's productivity and help build a globally competitive and inclusive economy.

Scottish Enterprise successfully delivered 5 of the 6 targets published in the 2018/19 Business Plan, with 4 of those exceeding the target range. One target was not met.

PERFORMANCE REPORT (continued)

Overall, these achievements demonstrate a strong performance in challenging economic times. A complex global economy and uncertainty surrounding Brexit have continued to have an impact on business confidence throughout the year.

PERFORMANCE ANALYSIS

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

Our Business Plan target ranges are informed by a range of evidence, including performance of the measures at the macro-economy level, the pipeline of activities and projects that can contribute to the targets, past performance and experience, evidence of expected outcomes of activities, for example from evaluations, and the likely resources available to deliver support. These factors, as well as anticipated efficiency gains in delivering support, allow us to set stretching, evidence-based target ranges. We set target ranges to reflect that there are a number of potential risks and uncertainties that could impact on our performance measures, including changes in the external economic environment that could influence the scale and timing of outcomes achieved. An assessment of the risks and uncertainties identified by Scottish Enterprise is discussed on page 6 above.

RESULTS AGAINST KEY PERFORMANCE MEASURES

Reflecting on the recommendations from the Enterprise and Skills Review we have been working with partners during 2018/19 to establish a new comprehensive measurement framework that will capture data and evidence across the wider economic development arena in future years. This includes working proactively with our partner Highlands and Islands Enterprise to identify how we best align our measurement and reporting.

In the interim, for 2018/19, we applied a simplified measurement framework, aligned to Scotland's National Performance Framework, and reflecting the drivers of productivity and inclusive, sustainable economy factors set out in the Enterprise and Skills Review.

Measure Description 2018/19	Result	2018/19
£350m - £400m planned R&D investment	◀▶	£384m
£300m - £350m planned turnover from innovation	▲	£479m
£275m - £325m growth funding raised by supported companies	▼	£225m
£150m - £200m planned business and sector capital asset investment	▲	£570m
6,500 - 8,000 inward investment jobs paying at least the real living wage	▲	9,489
£1.25bn - £1.5bn planned international exports	▲	£1.56bn

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

PERFORMANCE REPORT (continued)

Scottish Enterprise successfully delivered 5 of the 6 published targets for 2018/19, with 4 of those exceeding the target range. Only one has not been met:

- **Growth funding raised by supported companies** fell short of the target range. A number of programmes contribute to this Measure, including anticipated funding raised via the Scottish European Growth Co-Investment Programme (SEGCP), announced by Scottish Government in June 2017. The programme focuses on companies looking for equity investment above £2 million. Take up from companies was slower than expected for most of 2018/19, despite promotional activity. Dedicated Scottish Investment Bank resources were put in place to focus on more demand stimulation activity across Scottish Enterprise to raise awareness of the funding opportunity and identify pipeline projects. Interaction and engagement with investors was positive throughout the year and this together with the additional work to raise awareness resulted in projects coming forward, but not early enough in the year to contribute to the Growth Funding measure at the anticipated scale. For information, SEGCP delivered £6.12m of equity investment to the first cohort of companies to come through the process towards the end of the 2018/19 financial year, facilitating investment rounds totalling £16.26m.

Key achievements during 2018/19 included:

More international trade and investment for Scotland

- 108 Foreign Direct Investment (FDI) projects attracted to Scotland, resulting in 9,489 jobs paying at least the Real Living Wage. Most notable was Barclay's announcement to create up to 2,500 new jobs at a new campus in Glasgow, which will provide a state-of-the-art workplace for the bank's functions, technology and operations teams, further strengthening Scotland's financial services sector.
- Scottish Enterprise's strategic relationship with the Japanese Nippon Foundation proved very successful during 2018/19 with Scotland and Japan investing in collaborative R&D projects, aimed at helping both countries capitalise on opportunities in the growing subsea technologies sector.

Accelerating business growth

- Unlocking Ambition, the entrepreneurial acceleration programme successfully launched during 2018 to support entrepreneurs and the contribution they can make to the Scottish economy.
- With additional funding from the Scottish Government, our programme of support for new business research and development in 2018/19 was our largest ever leveraging close to £400m additional R&D in Scotland. Our investment has helped more companies in Scotland accelerate their growth and diversify into new sectors and markets both at home and overseas, delivering on our international aspirations. Our investment has also helped to create more R&D jobs in Scotland, furthering the development of a thriving economy and more better jobs.

Realising major economic opportunities

- Scottish Enterprise and our work with industry partners contributed significantly to bringing the UK Medicines Manufacturing Innovation Centre (MMIC), to Scotland. The centre will offer pharma companies a unique service to develop and adopt novel manufacturing techniques to adapt into their own manufacturing processes.

PERFORMANCE REPORT (continued)

- As one of the most important elements of the Scottish Government's Manufacturing Action Plan, Scottish Enterprise continued to provide support to the development of the National Manufacturing Institute for Scotland (NMIS).

Supporting a more effective economic development system for Scotland

- With stakeholders and partners, supporting the establishment of the Scottish National Investment Bank (SNIB) and the South of Scotland Enterprise agency.
 - SNIB. Scottish Enterprise colleagues have been heavily involved in developing the Implementation Plan which was approved by Parliament. The intention is for the Bank to provide debt or equity financing across all stages of the capital lifecycle requirement for companies, but the detail of this is still to be worked through. Until this and other operational elements are detailed, the working relationship between SNIB and Scottish Enterprise cannot be fully determined. Scottish Enterprise continues to support the establishment of SNIB and is working closely with the Advisory Group to identify possible Missions for the Bank. Initial possible Missions include transitioning to a low carbon economy; responding to demographic change; and promoting inclusive growth through place-making and regeneration. The transition of the financing activities and ancillary services of the Scottish Investment Bank to the new Bank is anticipated to formally take place in the second half of 2020. Significant work will be undertaken prior to this date to ensure a smooth transition and we will work jointly with the SNIB Programme team to deliver this.
 - South of Scotland Enterprise agency: Scottish Enterprise is working collaboratively with partners to support the creation of the new agency and Scottish Enterprise's transition team work closely with Scottish Government's Project Board to help inform areas of activity, including:
 - those functions best delivered by a new agency, those best delivered via a shared service arrangement with another partner, and those best delivered directly by a national partner;
 - the design and development of key functions required on day one of the new agency and those which may be adopted beyond that date;
 - understanding what this means in terms of Scottish Enterprise's organisational needs any implications for our own employees' roles and operational responsibilities and what this may mean going forward;
 - ensuring regular communications with partners, staff and, in time, customers as to what this change may mean.
- In support of the Year of the Young Person 2018, Scottish Enterprise hosted a number of activities across the year to enhance our engagement with young people, including a 'Chairman's Challenge' bringing around 60 participants together to develop solutions to tackle real-life economic challenges.
- The Brexit Response Steering Group coordinated delivery across Scottish Enterprise, Highlands & Islands Enterprise, Skills Development Scotland and Scottish Funding Council, working closely with Scottish Government officials, Business Gateway, Scottish Cities Alliance and other public bodies (e.g. VisitScotland, Transport Scotland). This included the successful launch of the Prepare for Brexit website.

PERFORMANCE REPORT (continued)

FINANCIAL PERFORMANCE

Financial Overview

The results for the year ended 31 March 2019 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

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

The approved Resource Budget for 2018/19, after in year adjustments, amounted to £251.9m, comprising a grant in aid provision of £243.6m and a non-cash allocation of £8.3m. During the year Scottish Enterprise was also allocated £35.0m to cover costs designated as Annually Managed Expenditure. Details of Scottish Enterprise's financial outturn against the budget allocated by the Scottish Government for 2018/19 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

The Resource Budget for 2019/20 amounts to £252.65m, including £244.35m of grant in aid and a ring fenced non-cash budget provision of £8.3m. As noted previously, the Resource Budget is supplemented by income generated and applied against expenditure incurred during the year. In addition, further transfers of budget from the Scottish Government are anticipated through the normal operation of the Scottish Government's Budget revision process.

Financial Position

Over the year 2018/19 there has been a decrease in net asset values to £538.8m (2018: £616.3m) as shown in Scottish Enterprise's Group Statement of Financial Position.

Scottish Enterprise has continued its programme of planned asset sales from its land and property portfolio and this is reflected in the total value of the land and property assets which decreased to £169.1m (2018: £173.9m), of which £13.9m (2018: £6.0m) is included as Assets Classified as Held for Sale.

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has decreased to £319.9m (2018: £322.3m). The net reduction in asset values is a product of the fair value assessments of several key equity holdings.

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has decreased to £62.9m (2018: £91.9m). The scheme assets have

PERFORMANCE REPORT (continued)

grown by £30.7m, but scheme liabilities have increased by £59.7m primarily due to market conditions affecting the discount rate used to calculate future obligations and by assumptions about the outlook for higher long-term inflation rates and salary growth.

Trade and other receivables (within one year) have decreased to £20.8m (2018: £37.8m) as accrued European Regional Development Fund (ERDF) income has been realised and cash balances have increased to £120m (2018: £93.9m) as debts and previously accrued income have been recovered by Scottish Enterprise. A significant proportion of cash held in the Scottish Co-investment Fund and Scottish Loan Fund is to fund future investments.

Scottish Enterprise accesses Financial Transactions funding from the Scottish Government for investment in companies and for the provision of loans. The Financial Transactions funding is repayable to the Scottish Government over various terms of up to 14 years based initially on the estimated returns from the underlying investments made. During 2018/19 Scottish Enterprise drew down £40.2m of repayable Financial Transactions funds and repaid £1.5m to the Scottish Government following the sale of investments made by Scottish Enterprise with Financial Transactions money. Following the failure of one of the investments made by Scottish Enterprise, the Scottish Government agreed to waive the associated repayment obligation of £3m.

Payment Policy

Scottish Enterprise has a stated service commitment to pay its suppliers within 30 days of receipt of agreed and valid invoices, or as provided for under the terms of an agreed contract. However, as advised by the Scottish Government in November 2008, Scottish Enterprise implemented a revised payment policy of 10 working days for all suppliers. In the year ended 31 March 2019, Scottish Enterprise paid 76% (2018: 81%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 9.8 days (2018: 7.9 days).

SOCIAL MATTERS

Scottish Enterprise has well developed policies and procedures to address anti-corruption and anti-bribery matters. All Scottish Enterprise staff are required at all times 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. 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. The policy is designed to support Scottish Enterprise's values and ensure that staff can raise concerns without fear of suffering retribution and ensures there is a transparent and confidential process for dealing with concerns.

Scottish Enterprise is committed to human rights. We have responded to Ministers' guidance on carrying out human rights due diligence and this is now required to be performed in addition to existing checks and considerations undertaken by Scottish Enterprise before engaging in a business relationship with a customer. The newly created Human Rights Due Diligence procedure applies to every customer engagement. We also continue to support the Scottish Government with the development of a Human Rights and

PERFORMANCE REPORT (continued)

Business Action Plan. This will focus on support for businesses to effectively carry out their human rights obligations.

We are implementing the Fairer Scotland Duty (FSD) and have shared our practice with others. The Duty asks listed public authorities and agencies, including Scottish Enterprise, to do more to tackle inequalities caused by socio-economic disadvantage, reflecting the greater focus on wellbeing, human rights and inclusive growth in the Government's purpose. We are now applying FSD assessments, undertaken by a group of equality champions, to new approvals considered by the Board. This builds on our equality obligations under the Equality Act 2010 and associated Scottish Specific Equality Duties.

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

We have a strong employee supported volunteering programme. Our volunteering policy reflects our commitment to an active role in the communities in which we live and work and the environment as well as the development of our people. This year we supported National Volunteers' Week in June through organised beach cleans across the country so that our colleagues throughout Scotland had a chance to volunteer for a good cause near their home base. Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year (pro-rata for part time staff). During 2018/19, volunteering opportunities were taken up by 127 colleagues totalling 1017.50 hours.

ENVIRONMENTAL MATTERS

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

Our Annual Climate Change Duties Report is published on www.keepsotlandbeautiful.org, detailing our sustainability targets and performance. We are full participants in the Carbon Reduction Commitment Energy Efficiency Scheme and submit our annual report accordingly. Progress towards our sustainability targets are regularly reviewed by our Executive Leadership Team and our Environmental Management System has recently been re-accredited to the ISO14001:2015 standard. Scottish Enterprise has met its carbon reduction target of 42% by 2020 this year (baseline year 2009/10).

Stephen Dunlop
Accountable Officer
28 June 2019

ACCOUNTABILITY REPORT

for the year ended 31 March 2019

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:

Bob Keiller	Chair, to 31 December 2018
Stephen Dunlop (i)	Chief Executive, from 21 May 2018
Paul Lewis (i)	Interim Chief Executive, to 20 May 2018
Willie Mackie	Deputy Chair from 7 November 2018 and Acting Chair from 1 January 2019
Melfort Campbell	
Stuart Fancey	to 31 December 2018
Anne Glover	
Poonam Malik	from 1 October 2018
Gavin Nicol	
Sue Paterson	from 1 October 2018
Karthik Subramanya	from 1 October 2018
Carmel Teusner	

- (i) On 21 May 2018, Stephen Dunlop was appointed into the role of Chief Executive and Paul Lewis returned to his former role as Managing Director, Scottish Development International and Scottish Enterprise International Operations.

Executive Leadership Team

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

Stephen Dunlop	Chief Executive	from 21 May 2018
Paul Lewis	Interim Chief Executive (to 20 May 2018) and thereafter, Managing Director, Scottish Development International and International Economic Development	
Linda Hanna	Managing Director, Scottish Economic Development	
Jane Martin	Managing Director, Business Services and Advice	
Iain Scott	Chief Financial Officer	
Charles Smith	Chief Transformation Officer	from 30 July 2018
Carolyn Stewart	Chief People Officer	

ACCOUNTABILITY REPORT (continued)

As part of the arrangements put in place following the departure of the previous Chief Executive, the Executive Leadership Team also included the following members who acted in an interim capacity:

Rhona Allison	Interim Managing Director, of Operations (Growth Companies, Innovation and Infrastructure)	to 11 September 2018
Neil Francis	Interim Managing Director, Scottish Development International and Scottish Enterprise International Operations	to 11 September 2018

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.

Data Loss

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

Estate Management

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

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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

In preparing the accounts, Scottish Enterprise is required to:

- observe the Accounts Direction issued by the Scottish Ministers (see page 120), 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;

ACCOUNTABILITY REPORT (continued)

- 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.

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:

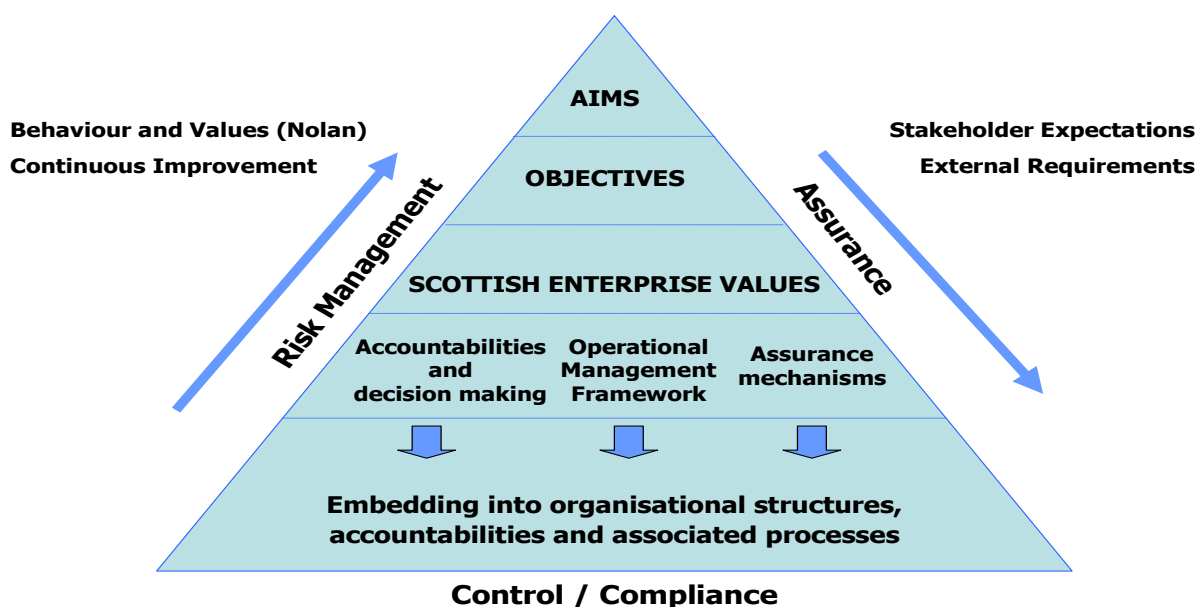
- Best Value, including the concepts of corporate governance and continuous improvement;
- Planning, performance management and monitoring;
- Advising the Board;
- Managing risk and resources; and
- Accounting for Scottish Enterprise's activities.

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.

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise Governance Framework

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



Aims and Objectives

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

Scottish Enterprise Values

Scottish Enterprise Board

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

Management and Staff

Guidance to staff is included in the Staff Handbook and in other key policies such as the Code of Conduct and Equal Opportunities. The importance of how Scottish Enterprise achieves its goals is recognised within the internal staff performance system through four sets of behaviours, which are based on emotional and social intelligence – self awareness, self management, social awareness and relationship management - against which staff's performance is measured.

ACCOUNTABILITY REPORT (continued)

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's structure and terms of reference are regularly reviewed. No self assessment of the Board's performance was undertaken during 2018/19 given the appointment of 3 new Board members, the appointment of a Deputy Chair in November 2018 and the resignation of the Chair in December 2018 and subsequent appointment of an acting Chair. A self assessment of the Board's performance will be carried out in 2019/20. Members' attendance during the year was however considered. The performance of the Chair of the Board is appraised annually by the Scottish Government.

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

As at 31 March 2019, the Board of Scottish Enterprise comprised the Acting Chair, 7 non-executive members and the Chief Executive. The Board met in full 6 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 its 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 its 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.

ACCOUNTABILITY REPORT (continued)

Membership and attendance at meetings of the Board during the year was as follows:

		Eligible to attend	Attendance
Bob Keiller	Chair, to 31 December 2018	5	5
Stephen Dunlop	Chief Executive, from 21 May 2018	5	5
Paul Lewis	Interim Chief Executive, to 20 May 2018	1	1
Melfort Campbell		6	6
Stuart Fancey	to 31 December 2018	5	5
Anne Glover		6	4
Willie Mackie	Deputy Chair from 7 November 2018 and Acting Chair from 1 January 2019	6	4
Poonam Malik	from 1 October 2018	3	2
Gavin Nicol		6	5
Sue Paterson	from 1 October 2018	3	3
Karthik Subramanya	from 1 October 2018	3	3
Carmel Teusner		6	6

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

The purpose and membership of each committee for the year to 31 March 2019 is summarised below.

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 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 3 members. At least one member of the Committee shall have recent and relevant financial experience. All new members undertake formal induction covering the role of the Audit and Risk Committee, 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.

Remuneration Committee

The Remuneration Committee determines and agrees the framework or broad policy for the remuneration of the organisation's Chief Executive, Chair, the 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 3 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.

ACCOUNTABILITY REPORT (continued)

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 advising the Chair when filling the position of Chief Executive, on appointments to the Executive Leadership Team and advising the Board for appointment of members to the Board Committees. The Committee also keeps under review the organisation's governance structure, including an annual Board effectiveness review.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than 3 members. The Scottish Enterprise Chair chairs the Committee and the Committee meets at least twice a year.

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 / Governance
Bob Keiller, Chair to 31 December 2018		2/2	2/2 C
Melfort Campbell	4/4	2/2 C	2/2
Anne Glover		2/2	2/2
Willie Mackie, Deputy Chair	3/3 C	2/2	2/2
Gavin Nicol		2/2	2/2
Carmel Teusner	4/4 C		

C – Committee Chair

On 1 January 2019, Carmel Teusner became the acting Chair of the Audit and Risk Committee. On 14 January 2019, Poonam Malik was appointed to both the Remuneration Committee and the Nominations and Governance Committee. Also, on 14 January 2019, Sue Paterson and Karthik Subramanya were appointed to the Audit and Risk Committee.

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. During the year there were two Chief Executives who also performed the role of Accountable Officer and following my appointment I received an appropriate handover from the interim Chief Executive.

ACCOUNTABILITY REPORT (continued)

Organisational Model

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

Operational Management Framework

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

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

Strategy and Planning

The Scottish Government's economic agenda, along with opportunities and challenges in Scotland's economy are the key drivers of Scottish Enterprise's operations. In developing Scottish Enterprise strategies and the Scottish Enterprise 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 its resources are being deployed to maximise the benefits to the Scottish economy. Underpinning that objective is Scottish Enterprise's Project Lifecycle which incorporates a strong, constructive, independent challenge to increase the quality of the projects and programmes which Scottish Enterprise delivers and to ensure that they are driven by industry priorities. The Project Lifecycle also provides a best practice framework for the appraisal, approval and implementation of projects which provides assurance that Scottish Enterprise's resources are being used effectively and efficiently.

Performance Management

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

Budgetary Control

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

ACCOUNTABILITY REPORT (continued)

Human Resources

The Staff Handbook clearly sets out staff responsibilities and the behaviours expected. Scottish Enterprise has maintained accreditation at “Gold Employer” level in Investors in People and Investors in Young People, which improves performance and achieves objectives through the management and development of staff.

IT Services

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

Risk Management

The Scottish Enterprise Board has approved a risk management policy, the operation of which it reviews on an annual basis to ensure it is supporting 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.

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

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

Scottish Enterprise’s Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board. The Scottish Enterprise Board approves the Corporate Risk Register annually as part of its annual report on risk management. Risk management arrangements have been assessed as operating effectively. The process continues to evolve and based on internal audit reviews during 2018/19, further work is still required to fully embed a risk management culture in the day to day activities of the organisation. The key risks identified and considered during the year are also outlined on page 6.

Matters arising / being taken forward

- **Contract Management:** The business continues to build upon the positive internal audit of March 2018 with structural changes and more efficient processes improving performance in this area.
- **Health & Safety:** Improvements to reporting processes have enabled greater accuracy and ability to manage activities in this area.

ACCOUNTABILITY REPORT (continued)

- Cyber Security: EIS and its partners have not achieved Cyber Essentials Plus during the year but continue to work towards achieving certification.

Assurance

Role of Scottish Enterprise Audit and Risk Committee

The Scottish Enterprise Board has established an Audit and Risk Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit and Risk Committee seeks assurances from several sources mainly via management, internal audit and external audit. This assurance draws attention to the aspects of risk management, governance and internal control that are functioning effectively and those that require attention/improvement. The Audit and Risk Committee critically reviews and challenges this assurance and gives its opinion on its comprehensiveness, reliability and integrity in an annual report which is considered by the Scottish Enterprise Board.

Management Assurance Statements

As Accountable Officer, I am required to provide a Certificate of Assurance to the Scottish Government on an annual basis. To enable the signing of this Statement, I require assurances on the maintenance and review of internal control systems throughout the organisation. All Scottish Enterprise Executive Leadership Team members and the major trading subsidiaries are required to sign a Certificate of Assurance for their areas of responsibility and accountability. To assist with this sign-off they will review their internal control arrangements supported by the completion of an Internal Control Checklist. To enhance assurances further in relation to information technology and related processes, EIS are also required to provide a Certificate of Assurance. In addition, an independent review of general IT controls of the outsourced ICT Managed Services provision was completed. A report covering the year to 31 March 2019 was issued and no significant control issues were identified. During the year there were no significant lapses of data security that were required to be reported to the Information Commissioner.

I have confirmed for 2018/19 that controls have been, and are, working well within Scottish Enterprise. There are no further significant matters arising which would require to be raised.

Internal Audit

Internal Audit provides independent assurance on the adequacy and effectiveness of the whole system of controls, financial management and others, which have been established to manage Scottish Enterprise business in a proper manner and ensure accountability for public funds. This assurance is mainly based on an extensive risk based programme of audits, which is approved by the Audit 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 2018/19 the conclusion of internal audit work carried out identifies an overall good level of assurance on Scottish Enterprise's framework of governance, risk management and management control.

ACCOUNTABILITY REPORT (continued)

External Audit

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

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 2019.

Scottish Enterprise Board

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

Bob Keiller's term of office as Chair expired on 31 December 2018 and Willie Mackie, the Deputy Chair, became the acting Chair with effect from 1 January 2019. The Scottish Government is currently in the process of recruiting a successor. 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. Outwith this, remuneration will be amended if the level of responsibility and time commitment changes.

ACCOUNTABILITY REPORT (continued)**Board Members' Remuneration** (the information on pages 27 to 34 has been subject to audit).

Remuneration paid to the Chair and other non-executive board members who served during the year to 31 March 2019 was: -

	2019			2018		
	Fee	Travel Allowance	Total Remuneration	Fee	Travel Allowance	Total Remuneration
	£	£	£	£	£	£
Bob Keiller, Chair (a)	31,005	-	31,005	40,872	-	40,872
Melfort Campbell	13,080	2,065	15,145	12,900	2,065	14,965
Stuart Fancey (b)	-	-	-	-	-	-
Anne Glover	13,080	-	13,080	12,900	2,254	15,154
Willie Mackie, Deputy Chair (d)	22,107	596	22,703	15,480	596	16,076
Poonam Malik (c)	6,540	-	6,540	-	-	-
Gavin Nicol	13,080	-	13,080	12,900	-	12,900
Sue Paterson (c)	6,540	-	6,540	-	-	-
Karthik Subramanya (c)	6,540	-	6,540	-	-	-
Carmel Teusner	13,080	2,730	15,810	12,900	2,730	15,630

(a) Bob Keiller's term of office as chair ended on 31 December 2018.

(b) Stuart Fancey was co-opted on to the Board until 31 December 2018 and waived his entitlement to a board fee. His fees for 2018/19 would have been £9,810 (2018: £12,900).

(c) Poonam Malik, Sue Paterson and Karthik Subramanya joined the board on 1 October 2018.

(d) Fees include sums payable to reflect the additional time commitment from holding additional responsibilities including the chair positions on the board committees.

Remuneration Committee

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

The members of the Remuneration Committee who served during the year to 31 March 2019 are outlined in the Governance Statement.

ACCOUNTABILITY REPORT (continued)

Executive Leadership Team

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

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

If an Executive Leadership Team member's employment with Scottish Enterprise is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service. This basis is identical to that applied for all other employees. During the year, Scottish Enterprise carried out a major restructuring of its leadership and the way in which it organises itself to deliver its strategic objectives. As part of the restructuring, 2 members of the Executive Leadership Team, Paul Lewis and Iain Scott, accepted the offer of voluntary severance and will leave the organisation during 2019/20. Payments made under the severance arrangements will form part of their respective remuneration figures in the Annual Report for the year to 31 March 2020.

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.

Except for the Chief Executive whose salary was set on his appointment on 21 May 2018, basic salaries were set on 1 April 2018 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.

Except for Charles Smith, Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 18% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 65, or 60 for staff members who joined before 1

ACCOUNTABILITY REPORT (continued)

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.

Remuneration of the Executive Leadership Team members who served during the year to 31 March 2019 was: -

	2019				2018			
	<i>Salary</i>	<i>Other</i>	<i>Pension</i>	<i>Total</i>	<i>Salary</i>	<i>Other</i>	<i>Pension</i>	<i>Total</i>
	<i>(i)</i>		<i>(v)</i>		<i>(i)</i>		<i>(v)</i>	
	£000	£000	£000	£000	£000	£000	£000	£000
Stephen Dunlop from 21 May 2018	145	-	32	177	-	-	-	-
Rhona Allison to 11 September 2018	50	-	30	80	34	-	25	59
Neil Francis to 11 September 2018	47	-	10	57	43	-	48	91
Linda Hanna	127	-	51	178	121	-	61	182
Paul Lewis (ii)	136	-	42	178	143	-	162	305
Jane Martin	127	-	43	170	121	-	48	169
Iain Scott	132	-	15	147	129	-	39	168
Charles Smith (iii)	83	4	24	111	-	-	-	-
Carolyn Stewart	132	-	24	156	128	-	58	186

- (i) All salaries noted above relate to the period that the individual held a role on the Executive Leadership Team. The full time equivalent salary of Stephen Dunlop was £168,000. The full time equivalent salaries payable to both Rhona Allison and Neil Francis for the period in which they served on the Executive Leadership Team were £112,700. Charles Smith's full time equivalent salary is £124,284.
- (ii) Paul Lewis received a temporary increase in salary while acting as Interim Chief Executive which is reflected above in his salary and accrued pension benefits. His annualised full time equivalent salary of £131,046 was increased to £160,000 for the period in which he served as the interim Chief Executive.
- (iii) Charles Smith's secondment from Visit Scotland commenced on 30 July 2018 and has a review date of 26 July 2019. The salary and other benefits noted above represent his actual remuneration package for the period in which he was seconded to Scottish Enterprise. The total cost to Scottish Enterprise of his remuneration package, comprised of salary, a car allowance, pension contributions and associated employer's national insurance contributions, amounted to £114,027.

ACCOUNTABILITY REPORT (continued)

- (iv) 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 2018. Increases varied from 4.32% to 1.24% depending upon the position of the existing salary in the pay band. In addition, the salary reported above for Paul Lewis, Iain Scott and Carolyn Stewart includes a non-consolidated cost of living payment awarded because each of them is at the top of their salary band. No bonuses were paid or payable to any members of the Executive Leadership Team for 2018/19.
- (v) 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.
- (vi) Retirement benefits of the Executive Leadership Team members for the year to 31 March 2019 are as follows:-

	<i>Accrued Pension at normal retirement date as at 31 March 2019 and related lump sum £000</i>	<i>Change in pension net of inflation and related lump sum at normal retirement date £000</i>	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2019 £000</i>	<i>At 31 March 2018 £000</i>	<i>Increase net of members' contributions £000</i>
Stephen Dunlop	0 - 5 plus lump sum of 5 - 10	0 - 2.5 plus lump sum of 5 - 7.5	49	-	40
Rhona Allison (b)	15 - 20 plus lump sum of 50 - 55	0 - 2.5 plus lump sum of 2.5 - 5.0	556	494	59
Neil Francis (b)	25 - 30 plus lump sum of 85 - 90	0 - 2.5 plus lump sum of 0 - 2.5	921	874	45
Linda Hanna	40 - 45 plus lump sum of 130 - 135	2.5 - 5.0 plus lump sum of 7.5 - 10.0	1,407	1,241	158
Paul Lewis	55 - 60 plus lump sum of 175 - 180	0 - 2.5 plus lump sum of 5.0 - 7.5	1,945	1,757	180
Jane Martin	25 - 30 plus lump sum of 85 - 90	0 - 2.5 plus lump sum of 5.0 - 7.5	888	762	118

ACCOUNTABILITY REPORT (continued)

	<i>Accrued Pension at normal retirement date as at 31 March 2019 and related lump sum £000</i>	<i>Change in pension net of inflation and related lump sum at normal retirement date £000</i>	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2019 £000</i>	<i>At 31 March 2018 £000</i>	<i>Increase net of members' contributions £000</i>
Iain Scott	45 - 50 plus lump sum of 135 - 140	0 - 2.5 plus lump sum of 2.5 - 5.0	1,490	1,366	116
Carolyn Stewart	35 - 40 plus lump sum of 110 - 115	0 - 2.5 plus lump sum of 2.5 - 5.0	1,202	1,081	113

- (a) The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and include benefits related to service transferred in from previous employment. It represents a payment which would be made by a retirement benefit scheme to secure benefits in another scheme or arrangement should a member leave the scheme and choose to transfer the benefits they have accrued in this and any former scheme.

Annual changes in the cash equivalent transfer value are determined by market conditions. The increase in cash equivalent transfer values is attributable to the routine application of factors which impact on the calculation of retirement benefits, including the reduction in long term interest rates which in turn increases the cost of securing the benefits accrued by scheme members over their total period of service and effect of the passage of time in terms of both additional service and on the time available to generate investment returns prior to retirement. The exceptionally low level of current long term interest rates cause the cash equivalent transfer values to be unusually high and these would reduce substantially if interest rates were to return to historic levels.

- (b) Cash equivalent transfer values and the subsequent increases in value noted in the table above for Neil Francis and Rhona Allison are calculated to 11 September 2018 as they served on the Executive Leadership Team for only part of the financial year.

ACCOUNTABILITY REPORT (continued)

- (vii) Charles Smith is a member of the British Tourist Boards' Pension Scheme which provides its members with a different pension benefit structure on retirement than the Scottish Enterprise Pension and Life Assurance Scheme. One key difference is that the British Tourist Board's Pension Scheme does not offer a cash lump sum to members on retirement. Charles Smith's retirement benefits for the period of his secondment to Scottish Enterprise from 30 July 2018 to 31 March 2019 were as follows:

	<i>Accrued Pension at normal retirement date as at 31 March 2019</i> £000	<i>Change in pension net of inflation at normal retirement date</i> £000	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2019</i> £000	<i>At 30 July 2018</i> £000	<i>Increase net of members' contributions</i> £000
Charles Smith	5 - 10	0 – 2.5	182	131	44

Fair Pay Disclosure

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

	<i>2019</i>	<i>2018</i>
	£	£
Annualised remuneration before pension benefits of the highest paid member of the Executive Leadership Team	168,000	160,000
Median remuneration of Scottish Enterprise's employees	44,460	43,097
Remuneration ratio	<u>3.8</u>	<u>3.7</u>

The median remuneration of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2019.

The full time equivalent remuneration paid to Scottish Enterprise staff ranged from £17,450 to £195,247 (2018: £16,700 to £217,149).

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

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

	2019 £	2018 £
Remuneration (i) (ii)	130,443	115,598
Social security costs	9,573	9,196
Pension costs (iii)	12,784	12,381
	<u>152,800</u>	<u>137,175</u>

- (i) Remuneration paid to non-executive board members is also detailed in the Remuneration Report above.
- (ii) Scottish Enterprise's Chief Executive, Stephen Dunlop, and the Interim Chief Executive, Paul Lewis, were also members of the board. Their remuneration is not included above but details are provided in the Remuneration Report.
- (iii) Scottish Enterprise is required to meet the retirement benefits due to past Chairmen of Scottish Development Agency and Scottish Enterprise who are not members of the Scottish Enterprise Pension & Life Assurance Scheme. Provision has been made in these accounts for £103,000 (2018: £109,700) within the total retirement benefit liabilities at 31 March 2019, as assessed by KPMG LLP, Scottish Enterprise's advising actuaries.

Staff costs comprise:

	<i>Permanent staff</i> £000	<i>Others</i> £000	2019 £000	2018 £000
Wages and salaries	54,699	-	54,699	53,197
Social security costs	5,687	-	5,687	5,588
Pension costs	20,254	-	20,254	21,066
Inward seconded and temporary staff costs	-	4,814	4,814	2,709
Severance costs and other exit packages	1,172	-	1,172	14
Total staff costs before recoveries (i)	<u>81,812</u>	<u>4,814</u>	<u>86,626</u>	<u>82,574</u>
Less: recoveries in respect of outward secondments	(487)	-	(487)	(326)
Total net staff costs	<u>81,325</u>	<u>4,814</u>	<u>86,139</u>	<u>82,248</u>

- (i) Total staff costs before recoveries includes expenditure on temporary staff costs of £1,477,000 (2018: £1,514,000) within operating expenditure and expenditure of £17,000 (2018: £15,000) within other management costs in Note 3.

ACCOUNTABILITY REPORT (continued)**Staff Numbers**

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

	<i>Permanent staff No.</i>	<i>Others No.</i>	<i>2019 No.</i>	<i>2018 No.</i>
Executive Leadership Team	7	-	7	7
Operations	1,111	-	1,111	986
Operations – locally engaged overseas staff	63	-	63	80
Administration and support function	202	-	202	290
Inward Secondments and temporary staff (i)	-	93	93	46
	<u>1,383</u>	<u>93</u>	<u>1,476</u>	<u>1,409</u>

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

Exit Packages and Settlement Agreements

In 2018/19, Scottish Enterprise carried out an extensive re-organisation of its leadership team and 14 members of staff (2018: 2) accepted the offer of voluntary severance and agreed to leave Scottish Enterprise during 2019/20. The severance costs of £1,172,465 (2018: £13,694) are included in these accounts.

<i>Exit package cost band</i>	<i>Other departures agreed No.</i>	<i>Total 2019 No.</i>	<i>Total 2018 No.</i>
< £10,000	-	-	2
£30,001 - £40,000	-	1	-
£40,001 - £50,000	-	1	-
£60,001 - £70,000	-	1	-
£70,001 - £80,000	-	1	-
£80,001 - £90,000	-	-	-
£90,001 - £100,000	-	10	-

There were no compulsory redundancies (2018: none).

No members of staff left under a Settlement Agreement (2018: 1).

<i>Settlement Agreement cost band</i>	<i>Other departures agreed No.</i>	<i>Total 2019 No.</i>	<i>Total 2018 No.</i>
£25,000 to £50,000	-	-	<u>1</u>

ACCOUNTABILITY REPORT (continued)

Staff Composition

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

	Male	Female	2019 Total	Male	Female	2018 Total
Board (i)	4	4	8	5	2	7
Executive Leadership Team	4	3	7	3	4	7
Other employees	589	792	1,381	601	792	1,393
Total	597	799	1,396	609	798	1,407

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

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2019 was 10,055 (2018: 8,917) sick days out of a possible 232,694 (2018: 239,121) working days representing a lost time through sickness absence of 4.32% (2018: 3.73%).

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 work place representatives to enable them to carry out union activities and duties. As an organisation, we derive benefits from allowing paid facility time.

There were 14 (2018: 13) staff members who were trade union officials during 2018/19.

<i>Percentage of working hours spent on facility time</i>	<i>Union officials No.</i>
1 – 50%	<u>14</u>

The total cost of facility time amounted to 0.04% (2018: 0.06%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. 43% (2018: 28%) of the total paid facility time hours was spent on trade union activities.

Staff Policies

We develop and deliver programmes and services to ensure that we recruit, develop, engage and retain talented people, to deliver our business plan for Scotland. Each of the sections below set out our key activities during 2018/19.

ACCOUNTABILITY REPORT (continued)

Recruit

Scottish Enterprise's recruitment policy ensures that selection processes are fair, open and objective. All appointments are made on merit, and selection criteria will only include requirements that are relevant to the effective performance of the role. This policy relates to both new external candidates and those who are promoted during their career with Scottish Enterprise. We know that by recruiting people from a range of backgrounds at all levels we will gain access to a wide variety of viewpoints, experiences and perspectives. We are a disability confident employer and are committed to upholding the values of this award.

We introduced some new features which complement our recruitment policy:

- Made updates to our offering with the introduction of the strapline 'Happy to talk Flexible Working', which allows all applicants to request flexible working from day one. This encourages a more diverse group of applicants including those who require flexibility due to their disability.
- Successfully rolled-out Unconscious Bias training. We did this on a phased basis starting with people managers and this year we rolled it out to all employees.
- Continued to develop our Equal Opportunities Champions and, as part of their ongoing continuous professional development (CPD), they attended an equality awareness session and a one-day workshop on Deaf Awareness.
- Introduced an on-line course on Deaf Awareness through our learning platform SE Academy to all employees.

Scottish Enterprise participated in the Scottish Government's disability consultation, the aim of this to increase the number of disabled people in the workforce via suitable recruitment and retention methods. The results of this consultation will lead work in this area in the next financial year.

Engage

We have continued our focus on delivering an inclusive employee engagement programme for Scottish Enterprise as we recognise that highly engaged organisations perform better, are more innovative and have lower levels of absenteeism. During 2018/19, this programme included Chief Executive sessions, townhall meetings and the completion of the Best Companies survey for all staff. In addition, to support the development of a new strategic framework, we also engaged with over 50% of our staff (and key stakeholders and customers) to develop new values, vision and purpose, which align with our strategic direction.

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

Develop

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

ACCOUNTABILITY REPORT (continued)

development offering. This programme ensures that our people managers understand what is expected of them and focuses on areas such as the people manager's role in employee well-being, recognising the impact that mental health issues can have on individuals and the role that a manager can play in managing mental health in their teams.

One of our people managers has said, "As a people manager, I thought the discussions around mental health in the workplace and how we can support employees was really useful and impactful." To complement this training, Mental Health Awareness Training is now available to staff on our on-line learning platform and we have offered a workshop on Mindfulness to employees.

As an accredited Investors in People (IIP) Gold and Investors in Young People (IIYP) Gold employer, attracting a diverse workforce includes a focus on youth employment and development through our structured programmes, for example, modern apprenticeships, enterprise apprenticeships and graduates. We not only seek to support the young people within our own organisation, but we also support Scotland's future workforce by working closely with those agencies who provide support to young people.

This activity includes support for the Foundation Apprenticeship programme where we provide work experience for pupils undertaking a vocational qualification and mentoring support to young individuals via such programmes as Career Ready and MCR pathways programme. We also delivered a dynamic two-day youth engagement programme which consisted of the delivery of the Chairman's Challenge where 100 young people from across Scotland came together to consider an economic issue that Scotland is facing and provide their views on how the issue could be resolved.

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

Retain

We have introduced a mediation approach at Scottish Enterprise that promotes early resolution to workplace problems. Our aim is to develop an approach where everyone is clear how they can raise and discuss areas of conflict and provide a supportive environment where these can be resolved in a constructive and effective way. We invited employees and people managers to take part in focus groups that enabled us to capture their ideas, address any barriers and provide an opportunity to share how resolution works and supports making Scottish Enterprise a great place to work.

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. It is about us promoting a positive, open and fair culture - a place where everyone is treated with dignity and respect, and where colleagues can speak up if they experience or see unacceptable behaviour. We are

ACCOUNTABILITY REPORT (continued)

partnering with other Scottish public-sector employers through the Mediation Partnership Team. Joining this team will allow us to bring in external mediation expertise and provide our 15 accredited mediators with access to a network of qualified and experienced mentors as well as providing an opportunity for Scottish Enterprise's mentors to work with partners on mediation cases. In addition, joining this partnership allows us to provide independent accredited mediators to support individuals and teams through conflict resolution.

In 2018 we introduced our statement of support for carers and achieved engaged accreditation as a Carer Positive Employer. We actively support our carer employees to balance work and caring responsibilities with our statement of support which brings together our policies, guidance and support options. Supporting our employees who are carers can help deliver real business benefits, for example, reducing turnover and absence levels and increasing loyalty and commitment.

We published our equality mainstreaming report in April 2019. We carried out detailed analysis of our pay data and the analysis found no evidence of systemic pay discrimination. Our gender pay gap continues to reduce. However, our analysis identifies themes around occupational segregation, which reinforces previous analysis from last year's equal pay review. We have identified the actions we need to take to improve and have updated our equality action plan.

Health & Safety

At the heart of everything we do, is our drive to foster an ever-increasing vibrant health and safety culture within Scottish Enterprise.

In pursuit of this, and to provide us with a clear sense of where we were on our journey, an independent in-depth review of our health and safety arrangements was carried out. This resulted in Scottish Enterprise being awarded five-star certification, along with the identification of areas for us to build on.

From this foundation, we have renewed our approach and adoption to have the greatest impact in our overriding goal of continuing to enhance the culture of health and safety across the organisation and embedding the mindset of working safely to achieve a zero harm approach.

We launched a programme of Mental Health First Aider training during this year to several key individuals. This training provided us with an enhancement to our existing mental health and wellbeing arrangements, ensuring flexibility in our approach and providing an alternate support mechanism for colleagues who simply wish to talk to someone. This programme ties in with our overall strategy of mental health and wellbeing, ensuring communication routes are open and effective, issues can be identified proactively and creating a culture where there is no stigma attached.

Completed targeted and tailored staff travel training and Display Screen Equipment (DSE) programmes in line with our policies, ensuring that our colleagues have the information and knowledge to be able to work safely and pre-empt injury or illness arising from our work activities. Our policies relating to these two areas were updated to ensure every staff

ACCOUNTABILITY REPORT (continued)

member undertakes relevant training every two years, ensuring an element of refresher training is in place at an appropriate frequency.

Mitigating individual driving risk was also strengthened by a change in policy, ensuring that all colleagues are expected to become approved drivers unless operational or other factors dictate this is not required. This shift has meant a greater level of awareness of driving for work requirements, as well as general compliance with policy. Our new driver check provider has provided individual control over information and visibility of status, improving interactions from colleagues with the process.

We have deepened our governance arrangements, providing the Board and our Executive Leadership Team with a greater level of strategic insight on health and safety matters. The streamlining of our reporting ensures there is a higher impact and focus on the areas that need to be communicated at all levels.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

Summary of Resource and Capital Outturn

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

Scottish Enterprise's net under-spend against its allocated budget for the year to 31 March 2019 was £0.3m which increased to £1.9m with the inclusion of income attributable to the sale of investments made from Financial Transactions funding and which was subsequently returned to the Scottish Government.

Scottish Enterprise invested £1.0m of Financial Transactions funding drawn down in the previous financial year in 2018/19 and consequently drew down Grant in Aid of £242.6m, including £41.0m of Financial Transactions funding, against the 2018/19 Grant in Aid provision of £243.6m.

ACCOUNTABILITY REPORT (continued)

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

	<i>Expenditure</i> £000	<i>Income</i> £000	<i>Outturn</i> £000	<i>Allocation</i> £000	<i>Variance</i> £000
Resource budget (see below)	176,514	(33,524)	142,990	143,069	(79)
Capital budget	106,120	(47,858)	58,262	58,508	(246)
Financial Transactions expenditure	42,030	-	42,030	42,030	-
Financial Transactions income (a)	-	(1,538)	(1,538)	-	(1,538)
	<u>324,664</u>	<u>(82,920)</u>	<u>241,744</u>	<u>243,607</u>	<u>(1,863)</u>
Non –cash costs including depreciation	6,692	-	6,692	8,300	(1,608)
Total resource budget	<u>331,356</u>	<u>(82,920)</u>	<u>248,436</u>	<u>251,907</u>	<u>(3,471)</u>
Annually managed expenditure	<u>46,376</u>	-	<u>46,376</u>	<u>35,000</u>	<u>11,376</u>

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

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

	£000
Net expenditure before taxation	258,743
Attributable to non-controlling interests in subsidiaries	(38)
Depreciation charge allocated to non-cash costs	(6,691)
Asset revaluation adjustments charged to annually managed expenditure	(1,597)
Investment impairments and fair value adjustments charged to annually managed expenditure	(34,662)
Net pension costs attributed to annually managed expenditure	(6,078)
Provisions charged to annually managed expenditure	(3,614)
Scottish Government Grant income credited to reserves	(1,259)
Net expenditure attributed to the capital budget	<u>(61,814)</u>
Resource budget	<u>142,990</u>

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise also manages and delivers the Energy Investment Fund for the Scottish Government. The 2018/19 outturn for this fund was: -

	<i>Expenditure</i> £000	<i>Income</i> £000	<i>Outturn</i> £000
Resource budget	754	(754)	-
Capital budget	2,821	(4,802)	(1,981)
	<u>3,575</u>	<u>(5,556)</u>	<u>(1,981)</u>

Losses and Special Payments

	<i>No. of</i> <i>cases</i>	<i>£000</i>
Claims abandoned or waived	<u>46</u>	<u>12,353</u>

Due to the high- risk nature of many of its investments, there are occasions when Scottish Enterprise is required to write off balances which are no longer recoverable. In the year to 31 March 2019, balances greater than £250,000 written off were as follows: -

		£000
Appshare Limited	Investments made alongside private sector investors over a period of 7 years were made to support development and commercialisation of the company's technology. Ultimately the company could not build on its early successes and was eventually dissolved after it ceased to trade.	714
Burntisland Fabrications Limited	As part of a deal to continue the company's operations under new ownership, Scottish Enterprise cancelled debts accrued from the company's tenancy at Fife Energy Park, Methil. A new lease of the land and property occupied by the company at the site was agreed between Scottish Enterprise and the new owners.	1,452
Galloway Group Limited	Galloway Group was an established company based in Dundee working in the fields of ducting and related building services. Unable to secure sufficient profitable contracts, the company went into administration in August 2016. Following conclusion of the administration process the company was dissolved in October 2018.	788

ACCOUNTABILITY REPORT (continued)

		£000
Havelock Europa PLC	Scottish Enterprise provided a £3m loan to the company as part of a wider funding package put in place to stabilise the business and allow a turnaround plan to be implemented. Subsequent trading difficulties and slower than expected impact of the turnaround plan led to increasing creditor and cash pressures and the company was placed into administration with the assets subsequently sold via a pre-pack administration. A newco, Havelock International was established and job numbers were retained as part of the acquisition. Scottish Enterprise's loan and accrued interest was written off as part of the administration.	3,187
MDL 2016 Limited	Investments were made over a five-year period in the development of the company's health diagnostic product. The company was unable to manufacture and sell the product on a profitable basis and ceased trading leading eventually to its dissolution.	940
Natural Neutraceuticals Limited	Scottish Enterprise invested in this health and diet food company over a five-year period. Difficult market conditions and a combination of cash generation problems and high fixed overheads eventually forced the directors to cease trading and the company was dissolved.	314
Opinurate Limited	The company obtained investment from Scottish Enterprise and private sector partners to develop its software product. The company could not sustain early successes and in the absence of commercial traction ran out of funds and was unable to secure follow on investment. The company was formally dissolved.	324
Red Fox Media Limited	Having received investment of £543,000 over a period of three years, this web-based advertising solutions company was unable to generate sufficient cash flows to sustain its business and was duly placed into administration. The sale of the business did not realise any value and the investment made by Scottish Enterprise was written off along with unpaid interest.	563

ACCOUNTABILITY REPORT (continued)

		£000
Taragenyx Limited	Scottish Enterprise invested in this biomedical development company, but the technology could not be developed into a sufficiently commercial proposition to attract the additional funding it required, and it was consequently wound up.	512
Taragenyx Limited	In addition to the investment in the shares of the company, grant funding of £166,000 was also provided to support the development of the company's processes. Because of the passage of time between the conclusion of the grant funded projects and the failure of the company an assessment of value provided by the grant concluded that a total of £52,000 should be written off.	52
Tentel Limited	Scottish Enterprise made an equity investment alongside private investors into this provider of telecom and broadband services. Following on-going cashflow problems the company was placed in Administration and although a small dividend was paid to creditors the process did not provide a return to shareholders.	878
Viopti Limited	Scottish Enterprise first invested in the company in 2012. Despite early successes the company was unable to sell its products in the volumes required to make it a viable business and follow on funding was not forthcoming. The directors mothballed the business and it was subsequently formally dissolved.	364

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 2019 in respect of gifts.

Fees and charges

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

Remote contingent liabilities

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

ACCOUNTABILITY REPORT (continued)

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

Stephen Dunlop
Accountable Officer
28 June 2019

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Enterprise and its group for the year ended 31 March 2019 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 and Scottish Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers of the state of the affairs of the body and its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 May 2017. The period of total uninterrupted appointment is two 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

28 June 2019

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Expenditure			
Operating expenditure	1,3	197,637	177,104
Net management expenditure on staff costs	3	85,285	81,182
Other management expenditure	3	30,350	24,565
		<u>313,272</u>	<u>282,851</u>
Income			
Income from activities	2	(16,791)	(23,785)
Other Income	2	(29,855)	(27,164)
		<u>(46,646)</u>	<u>(50,949)</u>
Net Operating Expenditure		266,626	231,902
Share of profits in equity accounted investees	7	(142)	-
Income from investments	2	(174)	(274)
Interest receivable	2	(4,945)	(5,461)
Other finance income	2	(2,622)	(1,184)
		<u>258,743</u>	<u>224,983</u>
Net Expenditure after interest		258,743	224,983
Taxation	4	425	467
		<u>259,168</u>	<u>225,450</u>
Net Expenditure after taxation		259,168	225,450
<u>Other Comprehensive Net Expenditure</u>			
Items that will not be reclassified to net expenditure:			
Net gains on revaluation of property, plant and equipment		(2,207)	(5,130)
Net losses on revaluation of property, plant and equipment held by Equity Accounted Investee		-	-
Net remeasurement losses/(gains) recognised in retirement benefit scheme		22,988	(59,604)
Items that may be reclassified to net expenditure:			
Net gains in fair value of available for sale assets		-	(26,973)
Reclassification to net expenditure in the year		-	133
		<u>279,949</u>	<u>133,876</u>
Total Comprehensive Net Expenditure for the year		<u>279,949</u>	<u>133,876</u>
Attributable to:			
Taxpayers' Equity		279,911	133,708
Non-Controlling Interest		38	168
		<u>279,949</u>	<u>133,876</u>

The notes on pages 57 to 119 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Expenditure			
Operating expenditure	1,3	191,805	173,071
Net management expenditure on staff costs	3	77,983	74,014
Other management expenditure	3	30,003	23,941
		<u>299,791</u>	<u>271,026</u>
Income			
Income from activities	2	(16,134)	(22,383)
Other Income	2	(20,819)	(18,904)
		<u>(36,953)</u>	<u>(41,287)</u>
Net Operating Expenditure		262,838	229,739
Income from investments	2	(132)	(220)
Interest income	2	(4,937)	(5,457)
Other finance income	2	(2,622)	(1,184)
Net Expenditure after interest		255,147	222,878
Taxation	4	425	464
Net Expenditure after taxation		<u>255,572</u>	<u>223,342</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net gains on revaluation of property, plant and equipment		(1,580)	(4,622)
Net remeasurement losses/(gains) recognised in retirement benefit scheme		22,988	(59,604)
Items that may be reclassified to net expenditure:			
Net gains in fair value of available for sale assets		-	(26,960)
Reclassification to net expenditure in the year		-	-
Total Comprehensive Net Expenditure for the year		<u>276,980</u>	<u>132,156</u>

The notes on pages 57 to 119 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Notes	2019 £000	2018 £000
NON-CURRENT ASSETS			
Property, plant and equipment	5	164,030	178,449
Intangible assets	6	-	-
		<u>164,030</u>	<u>178,449</u>
Financial assets			
Investments in equity accounted investees	7	1,001	1,409
Other investments	8	314,138	314,226
Total financial assets		<u>315,139</u>	<u>315,635</u>
Retirement benefit scheme	10	62,872	91,938
Other non-current receivables	11	578	2,237
		<u>542,619</u>	<u>588,259</u>
TOTAL NON-CURRENT ASSETS			
CURRENT ASSETS			
Intangible assets	6	81	104
Other investments	8	5,736	8,073
Assets classified as held for sale	12	13,900	5,980
Inventories	13	112	115
Income tax receivable		-	49
Trade and other receivables	14	20,816	37,742
Cash and cash equivalents	15	119,571	93,872
TOTAL CURRENT ASSETS		<u>160,216</u>	<u>145,935</u>
TOTAL ASSETS		<u>702,835</u>	<u>734,194</u>
CURRENT LIABILITIES			
Trade and other payables	16	(67,882)	(56,751)
Income tax payable		(182)	(257)
Provisions	17	(6,046)	(2,432)
TOTAL CURRENT LIABILITIES		<u>(74,110)</u>	<u>(59,440)</u>
		<u>628,725</u>	<u>674,754</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS			
NON-CURRENT LIABILITIES			
Other payables	16	(89,963)	(58,434)
TOTAL NON-CURRENT LIABILITIES		<u>(89,963)</u>	<u>(58,434)</u>
		<u>538,762</u>	<u>616,320</u>
ASSETS LESS LIABILITIES			
TAXPAYERS' EQUITY			
General Reserve		473,141	448,645
Specific Reserve		1,066	672
Revaluation Reserve		63,487	165,897
Non-Controlling Interest		1,068	1,106
TOTAL EQUITY		<u>538,762</u>	<u>616,320</u>

The notes on pages 57 to 119 form part of these accounts.

The accountable officer authorised these financial statements for issue on 28 June 2019.

Stephen Dunlop
Accountable Officer
28 June 2019

SCOTTISH ENTERPRISE STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Notes	2019 £000	2018 £000
NON-CURRENT ASSETS			
Property, plant and equipment	5	113,771	125,835
Intangible assets	6	-	-
		<u>113,771</u>	<u>125,835</u>
Financial assets			
Other investments	8	315,879	316,371
Retirement benefit scheme	10	62,872	91,938
Other non-current receivables	11	2,997	5,372
TOTAL NON-CURRENT ASSETS		<u>495,519</u>	<u>539,516</u>
CURRENT ASSETS			
Intangible assets	6	81	104
Other investments	8	5,736	8,073
Assets classified as held for sale	12	13,900	5,980
Trade and other receivables	14	18,686	35,724
Income tax receivable		-	-
Cash and cash equivalents	15	115,994	90,395
TOTAL CURRENT ASSETS		<u>154,397</u>	<u>140,276</u>
TOTAL ASSETS		<u>649,916</u>	<u>679,792</u>
CURRENT LIABILITIES			
Trade and other payables	16	(66,090)	(55,236)
Income tax payable		(182)	(257)
Provisions	17	(5,886)	(2,222)
TOTAL CURRENT LIABILITIES		<u>(72,158)</u>	<u>(57,715)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>577,758</u>	<u>622,077</u>
NON-CURRENT LIABILITIES			
Other payables	16	(89,963)	(58,434)
TOTAL NON-CURRENT LIABILITIES		<u>(89,963)</u>	<u>(58,434)</u>
ASSETS LESS LIABILITIES		<u>487,795</u>	<u>563,643</u>
TAXPAYERS' EQUITY			
General Reserve		465,277	439,578
Revaluation Reserve		22,518	124,065
TOTAL EQUITY		<u>487,795</u>	<u>563,643</u>

The notes on pages 57 to 119 form part of these accounts.

The accountable officer authorised these financial statements for issue on 28 June 2019.

Stephen Dunlop
Accountable Officer
28 June 2019

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Net expenditure after interest		(258,743)	(224,983)
Adjustments for:			
Depreciation and assets written off		6,691	4,098
Increase in investment provision and write off		2,952	19,848
Property revaluation deficit		1,597	2,921
Investment revaluation deficit/(surplus)		31,712	(38)
Interest receivable	2	(4,945)	(5,461)
Dividends received	2	(174)	(274)
Retirement benefit scheme net charges		6,078	7,806
Share of profit in equity accounted investees	7	(142)	-
Surplus on disposal of property, plant and equipment	2	(1,872)	(2,291)
Surplus on disposal of investments and equity accounted investees	2	(3,680)	(8,192)
		<u>(220,526)</u>	<u>(206,566)</u>
Decrease / (increase) inventories		3	(4)
Decrease in trade and other receivables		17,440	6,464
Increase in trade payables		5,363	3,255
Increase / (decrease) in provision for future liabilities		3,614	(195)
		<u>(194,106)</u>	<u>(197,046)</u>
Income tax expense		<u>(451)</u>	<u>(454)</u>
Net cash outflow from operating activities		<u>(194,557)</u>	<u>(197,500)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		8,712	32,073
Proceeds of disposal of financial assets and equity accounted investees		20,922	10,661
Repayments of other investments		12,605	7,357
Interest received		2,497	2,326
Dividends received		174	274
Purchase of property, plant and equipment		(4,386)	(7,181)
Purchase of current intangible assets		(81)	(104)
Purchase of financial assets		(61,687)	(44,141)
Net cash inflow / (outflow) from investing activities		<u>(21,244)</u>	<u>1,265</u>
Cash flows from financing activities			
Grants from Scottish Government		202,836	177,133
Financial Transactions financing from Scottish Government net of repayments	16	<u>38,664</u>	<u>38,261</u>
Net cash inflow from financing activities		<u>241,500</u>	<u>215,394</u>
Net increase in cash and cash equivalents in the period		25,699	19,159
Cash and cash equivalents at the beginning of the period	15	93,872	74,713
Cash and cash equivalents at the end of the period	15	<u>119,571</u>	<u>93,872</u>

The notes on pages 57 to 119 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Net expenditure after interest		(255,147)	(222,878)
Adjustments for:			
Depreciation and assets written off		2,845	2,493
Increase in investment provision and write off		2,950	19,853
Property revaluation deficit		1,840	3,086
Investment revaluation deficit		31,762	95
Interest receivable	2	(4,937)	(5,457)
Dividends receivable	2	(132)	(220)
Retirement benefit scheme net charges		6,078	7,806
Surplus on disposal of property, plant and equipment	2	(1,872)	(1,716)
Surplus on disposal of investments and equity accounted investees	2	(3,637)	(8,044)
		<u>(220,250)</u>	<u>(204,982)</u>
Decrease in trade and other receivables		18,268	13,277
Increase in trade payables		5,086	2,341
Increase / (decrease) in provision for future liabilities		3,664	(405)
		<u>(193,232)</u>	<u>(189,769)</u>
Income tax expense		(500)	(414)
Net cash outflow from operating activities		<u>(193,732)</u>	<u>(190,183)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		8,705	27,073
Proceeds of disposal of financial assets		20,655	9,872
Repayments of other investments		12,605	7,598
Interest received		2,489	2,322
Dividends received		132	220
Purchase of property, plant and equipment		(3,758)	(6,768)
Purchase of current intangible assets		(81)	(104)
Purchase of financial assets		(61,657)	(43,984)
Net cash outflow from investing activities		<u>(20,910)</u>	<u>(3,771)</u>
Cash flows from financing activities			
Grants from Scottish Government		201,577	175,805
Financial Transactions financing from Scottish Government net of repayments	16	38,664	38,261
Net cash inflow from financing activities		<u>240,241</u>	<u>214,066</u>
Net increase in cash and cash equivalents in the period		25,599	20,112
Cash and cash equivalents at the beginning of the period	15	90,395	70,283
Cash and cash equivalents at the end of the period	15	<u>115,994</u>	<u>90,395</u>

The notes on pages 57 to 119 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2019

	<i>General Reserve £000</i>	<i>Specific Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Non- Controlling Interest £000</i>	<i>Total £000</i>
Balance at 1 April 2017	438,290	979	132,791	1,274	573,334
Net expenditure during the year	(224,975)	(307)	-	(168)	(225,450)
Remeasurement gains in retirement benefit scheme	59,604	-	-	-	59,604
Surpluses on revaluation of investments	-	-	26,840	-	26,840
Net surpluses on revaluation of property, plant and equipment	-	-	5,130	-	5,130
Transfer between reserves	(1,136)	-	1,136	-	-
Total recognised income and expense for year to 31 March 2018	(166,507)	(307)	33,106	(168)	(133,876)
Grant in Aid from Scottish Government	173,034	-	-	-	173,034
Other grants from Scottish Government	3,828	-	-	-	3,828
	<u>176,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,862</u>
Balance at 31 March 2018	448,645	672	165,897	1,106	616,320
Change in accounting policy (Note 24)	99,298	773	(103,516)	-	(3,445)
Restated balance at 1 April 2018	<u>547,943</u>	<u>1,445</u>	<u>62,381</u>	<u>1,106</u>	<u>612,875</u>
Net expenditure during the year	(258,751)	(379)	-	(38)	(259,168)
Remeasurement losses in retirement benefit scheme	(22,988)	-	-	-	(22,988)
Net surpluses on revaluation of property, plant and equipment	-	-	2,207	-	2,207
Transfer between reserves	1,101	-	(1,101)	-	-
Total recognised income and expense for year to 31 March 2019	(280,638)	(379)	1,106	(38)	(279,949)
Grant in Aid from Scottish Government	201,577	-	-	-	201,577
Repayment of Financial Transactions funding waived	3,000	-	-	-	3,000
Other grants from Scottish Government	1,259	-	-	-	1,259
	<u>205,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,836</u>
At 31 March 2019	<u>473,141</u>	<u>1,066</u>	<u>63,487</u>	<u>1,068</u>	<u>538,762</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £9,535m (2018: £9,333m). The grant in aid provision of £202m for 2018/19 (2017/18: £173m) included £59m (2017/18: £31m) 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 £63m (2018: £166m) is £63m (2018: £62m) attributable to net unrealised surpluses on Land and Buildings.

SCOTTISH ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2019

	<i>General Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Total £000</i>
Balance at 1 April 2017	427,102	93,163	520,265
Net expenditure during the year	(223,342)	-	(223,342)
Remeasurement gains in retirement benefit scheme	59,604	-	59,604
Surpluses on revaluation of investments	-	26,960	26,960
Net surpluses on revaluation of property, plant and equipment	-	4,622	4,622
Transfer between reserves	680	(680)	-
Total recognised income and expense for year to 31 March 2018	<u>(163,058)</u>	<u>30,902</u>	<u>(132,156)</u>
Grant in Aid from Scottish Government	173,034	-	173,034
Other grants from Scottish Government	2,500	-	2,500
	<u>175,534</u>	<u>-</u>	<u>175,534</u>
Balance at 31 March 2018	439,578	124,065	563,643
Change in accounting policy (Note 24)	99,298	(102,743)	(3,445)
Restated balance at 1 April 2018	<u>538,876</u>	<u>21,322</u>	<u>560,198</u>
Net expenditure during the year	(255,572)	-	(255,572)
Remeasurement losses in retirement benefit scheme	(22,988)	-	(22,988)
Net surpluses on revaluation of property, plant and equipment	-	1,580	1,580
Transfer between reserves	384	(384)	-
Total recognised income and expense for year to 31 March 2019	<u>(278,176)</u>	<u>1,196</u>	<u>(276,980)</u>
Grant in Aid from Scottish Government	201,577	-	201,577
Repayment of Financial Transactions funding waived	3,000	-	3,000
Other grants from Scottish Government	-	-	-
	<u>204,577</u>	<u>-</u>	<u>204,577</u>
Balance at 31 March 2019	<u>465,277</u>	<u>22,518</u>	<u>487,795</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £9,535m (2018: £9,333m). The grant in aid provision of £202m for 2018/19 (2017/18: £173m) included £59m (2017/18: £31m) 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 £23m (2018: £124m) is £23m (2018: £21m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

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

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

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

Change in accounting policy and restatement

The accounting policies have, unless otherwise stated, been applied consistently for all periods presented in the Group and Scottish Enterprise accounts. The group has applied the following standards for the first time in the accounting period commencing 1 April 2018:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

The group has to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. This is disclosed in Note 24. The adoption of IFRS 15 has not had any impact on the amounts recognised in the prior period and is not expected to affect the current or future periods.

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

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

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

The Board and Accountable Officer have considered the Resource Budget for 2019/20, comprising the availability of Grant in Aid and 'non-cash' budget provision, and consider that Scottish Enterprise has adequate resources to continue in

STATEMENT OF ACCOUNTING POLICIES (continued)

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 2019/20 are given in the Performance Report. Details of the liquidity position are given in Note 21.

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

STATEMENT OF ACCOUNTING POLICIES (continued)

equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(c) *Other*

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

3. Funding

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

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

4. Property, plant and equipment

(a) *Land*

Land held for or under development, or for the Group's own use, is held at fair value and is valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2017 (Red Book) and specifically the basis valuation for IFRS.

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

Land is not depreciated.

(b) *Property*

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

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

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

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

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

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

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

(d) *Subsequent expenditure*

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

(e) *Impairment*

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

Impairment losses in respect of land, property, plant and equipment are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential

STATEMENT OF ACCOUNTING POLICIES (continued)

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 assetsClassification

From 1 April 2018 Scottish Enterprise classifies its financial assets in the following categories:

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

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

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

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

(a) Fair value

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

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

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

Recognition and derecognition

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

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

Measurement*(a) Fair value*

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Amortised cost

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

Impairment

From 1 April 2018, Scottish Enterprise assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

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

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

Accounting policies applied until 31 March 2018

Scottish Enterprise has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until 31 March 2018, Scottish Enterprise classified its financial assets in the following categories:

- Loans and receivables;
- Available-for-sale financial assets; and
- Held-to-maturity assets.

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its investments at initial recognition.

STATEMENT OF ACCOUNTING POLICIES (continued)Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9.

Subsequent to initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest rate method, less provision for impairment.

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

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

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

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

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

(b) Software Licences

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

(c) Carbon Reduction Commitment (CRC) Scheme Allowances

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

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.

11. European funding

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

12. Dividend income

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

STATEMENT OF ACCOUNTING POLICIES (continued)**13. Leasing**

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

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

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

14. Grants

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

15. Taxation

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities,

STATEMENT OF ACCOUNTING POLICIES (continued)

using tax rates enacted or substantively enacted at the date of the Statement of Financial Position. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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

16. Employee benefits*(a) Retirement benefits*

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

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

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

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

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

A settlement is an early settlement of all or part of the plan obligation. A curtailment occurs when the Group is demonstrably committed to reduce significantly the number of employees in the plan or amends the terms of the plan so that the benefits of future services are reduced or eliminated. Measurement of the obligation does not take into

STATEMENT OF ACCOUNTING POLICIES (continued)

account planned curtailments or settlements until the Group is committed to the curtailment or settlement with no realistic possibility of withdrawal.

(b) Short term employee benefits

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

17. Exchange Gains and Losses

(a) Functional and presentation currency

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

(b) Transactions and balances

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

18. Cash and cash equivalents

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

19. Financial 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.

STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition and measurement

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

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

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

20. Provisions

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

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

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

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

(a) Retirement benefit obligations

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

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

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

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

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on external market conditions existing at the date of each Statement of Financial Position.

(c) 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.

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

STATEMENT OF ACCOUNTING POLICIES (continued)

- 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.

(d) European Income

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

23. Accounting standards issued not yet adopted

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

- IFRS 16 – Leases
Subject to EU adoption and Exposure Draft process this standard will be included in the FReM with effect from 2020/21. The standard replaces IAS 17 - Leases and largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting. The impact on the consolidated accounts has not been determined.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating Expenditure	<u>197,637</u>	<u>177,104</u>	<u>191,805</u>	<u>173,071</u>
Management Expenditure	<u>115,635</u>	<u>105,747</u>	<u>107,986</u>	<u>97,955</u>
Expenditure noted above includes:				
Rentals under operating leases				
Buildings	3,416	4,355	2,761	3,480
Other	49	83	49	83
Foreign exchange losses/ (gains)	24	173	50	130
Depreciation	6,691	4,098	2,845	2,493
Amortisation of intangible assets	-	-	-	-
Auditors' remuneration				
- audit of these accounts (i)	<u>163</u>	<u>159</u>	<u>163</u>	<u>159</u>
Amounts paid to other auditors in respect of:				
- audit of subsidiary companies' accounts	32	32	-	-
- non-audit fees	<u>2</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>34</u>	<u>35</u>	<u>-</u>	<u>-</u>

- (i) The auditors of Scottish Enterprise, appointed by the Auditor General for Scotland, are Audit Scotland. In addition to the fee noted above, during the year Scottish Enterprise accepted an additional fee of £5,000 from Audit Scotland in respect of the 2017/18 audit.

2. INCOME

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income from Activities				
Property Services				
Rents	8,227	10,267	7,662	9,608
Sundry property income	3,012	3,035	2,963	3,015
Surplus / (loss) on disposal of property	1,872	2,291	1,872	1,716
Investment Management				
Surplus on disposal of investments and equity accounted investees	<u>3,680</u>	<u>8,192</u>	<u>3,637</u>	<u>8,044</u>
	<u>16,791</u>	<u>23,785</u>	<u>16,134</u>	<u>22,383</u>
Other Income				
European funding	6,596	7,647	6,596	7,647
Contributions and other fees	<u>23,259</u>	<u>19,517</u>	<u>14,223</u>	<u>11,257</u>
	<u>29,855</u>	<u>27,164</u>	<u>20,819</u>	<u>18,904</u>

NOTES TO THE ACCOUNTS (continued)

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income from Investments				
Dividends and other investment income	<u>174</u>	<u>274</u>	<u>132</u>	<u>220</u>
Interest Income				
Interest receivable	4,416	5,362	4,408	5,358
Interest calculated using the effective interest rate method	<u>529</u>	<u>99</u>	<u>529</u>	<u>99</u>
	<u>4,945</u>	<u>5,461</u>	<u>4,937</u>	<u>5,457</u>
Other Finance Income				
Net interest income on retirement benefit scheme assets	<u>2,622</u>	<u>1,184</u>	<u>2,622</u>	<u>1,184</u>

3. SEGMENTAL REPORTING

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

For 2018/19 Scottish Enterprise's strategic themes and priorities were restructured and in year reports of expenditure to the Scottish Enterprise Board and Executive Leadership Team were amended to reflect the new structure. Accordingly, the 2017/18 expenditure below has been revised into the current themes and priorities.

NOTES TO THE ACCOUNTS (continued)

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating Expenditure				
International Scotland				
International Market Development Services	10,363	16,041	12,010	17,656
Inward Investment Support Programmes	9,940	11,533	9,940	11,533
R&D Support for Inward Investment Marketing and Research	17,175	4,892	17,175	4,892
International Networking and Marketing	7,219	3,119	6,890	2,606
Overseas Premises and Facilities Management Costs	3,832	3,927	3,832	3,927
Accelerating Business Growth				
Innovation, Efficiency and Commercialisation	15,401	21,490	15,101	21,124
R&D Support	18,924	19,951	18,949	19,951
Equity Investment and Loans	34,800	17,004	34,787	16,992
Growth Support Programmes	12,202	17,265	12,202	17,265
Entrepreneurship, Leadership and Workforce Development	7,915	7,518	6,589	6,290
Major Economic Opportunities				
Major Opportunity and Sectoral Projects	18,020	11,596	18,020	11,596
Improved Physical Environment	35,743	35,355	30,207	31,826
Renewable Energy Investment Fund	1,808	4,116	1,808	4,116
Service Development and Transformation				
Digital Service Delivery Development	2,655	2,333	2,655	2,333
Marketing, Research & Stakeholder Engagement	1,640	964	1,640	964
Total Segmental Expenditure	<u>197,637</u>	<u>177,104</u>	<u>191,805</u>	<u>173,071</u>
Management Expenditure				
Management expenditure on staff costs (i)	85,285	81,182	77,983	74,014
Premises, ICT, business services and other management costs	30,350	24,565	30,003	23,941
	<u>115,635</u>	<u>105,747</u>	<u>107,986</u>	<u>97,955</u>
Income	<u>(46,646)</u>	<u>(50,949)</u>	<u>(36,953)</u>	<u>(41,287)</u>
Net Operating Expenditure	<u>266,626</u>	<u>231,902</u>	<u>262,838</u>	<u>229,739</u>

NOTES TO THE ACCOUNTS (continued)

(i) Management expenditure on staff costs comprises:-

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	54,851	53,325	48,493	47,009
Social security costs	5,687	5,597	5,068	4,975
Pension costs	20,254	21,066	20,019	20,860
Secondments and temporary staff costs	3,321	1,180	3,231	1,156
Severance costs	1,172	14	1,172	14
	<u>85,285</u>	<u>81,182</u>	<u>77,983</u>	<u>74,014</u>

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

4. TAXATION

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK Corporation tax @ 19% (2018: 19%)	724	671	724	671
Corporation tax (over)/ under provided in previous years	<u>(299)</u>	<u>(204)</u>	<u>(299)</u>	<u>(207)</u>
	425	467	425	464
Share of equity accounted investees' tax	-	-	-	-
Total current tax	<u>425</u>	<u>467</u>	<u>425</u>	<u>464</u>

Factors affecting current tax charge:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net expenditure after interest	<u>258,743</u>	<u>224,983</u>	<u>255,147</u>	<u>222,878</u>
Current tax @ 19% (2018: 19%)	<u>(49,161)</u>	<u>(42,747)</u>	<u>(48,478)</u>	<u>(42,347)</u>
Effect of:				
Non-taxable income and disallowed expenditure	49,885	43,418	49,202	43,018
Tax (over)/ under provided in previous years	<u>(299)</u>	<u>(204)</u>	<u>(299)</u>	<u>(207)</u>
Current tax charge	<u>425</u>	<u>467</u>	<u>425</u>	<u>464</u>

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2018: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2019 by Ryden LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2017 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £155m (2018: £168m).

Within Buildings are buildings that have been revalued by Ryden 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 periods of 26 and 45 years.

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

At 31 March 2019 the net carrying value of leased equipment was £Nil (2018: £Nil).

NOTES TO THE ACCOUNTS (continued)

GROUP

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2017	96,550	90,780	-	98	15,697	5,959	4,045	13,837	226,966
Additions	3,386	12	2,411	-	287	22	219	376	6,713
Disposals	(165)	(4,425)	-	(18)	(934)	(30)	(75)	(172)	(5,819)
Transfer from/(to)									
Held for Sale	(2,604)	(18,006)	-	-	-	-	-	-	(20,610)
Reclassification	70	(70)	-	-	-	-	-	-	-
Revaluation	2,733	(312)	(1,161)	-	-	-	-	-	1,260
At 31 March 2018	99,970	67,979	1,250	80	15,050	5,951	4,189	14,041	208,510
Depreciation									
At 1 April 2017	-	-	-	65	13,395	5,803	3,725	5,259	28,247
Charge for year	-	1,194	-	9	1,235	102	190	1,368	4,098
Revaluation	-	(1,194)	-	-	-	-	-	-	(1,194)
Disposals	-	-	-	(18)	(934)	(30)	(75)	(33)	(1,090)
At 31 March 2018	-	-	-	56	13,696	5,875	3,840	6,594	30,061
Net book value									
At 31 March 2018	99,970	67,979	1,250	24	1,354	76	349	7,447	178,449
At 31 March 2017	96,550	90,780	-	33	2,302	156	320	8,578	198,719
Asset financing									
Owned	99,970	67,979	1,250	24	1,354	76	349	7,447	178,449
Net book value									
At 31 March 2018	99,970	67,979	1,250	24	1,354	76	349	7,447	178,449

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

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2018: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2019 by Ryden LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2017 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £106m (2018: £117m).

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

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

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2017	91,411	40,898	-	52	861	5,395	3,846	13,074	155,537
Additions	3,386	12	2,411	-	-	-	137	354	6,300
Disposals	(165)	-	-	(18)	-	-	-	(172)	(355)
Transfer from/(to)									
Held for Sale	(2,604)	(18,006)	-	-	-	-	-	-	(20,610)
Reclassification	70	(70)	-	-	-	-	-	-	-
Revaluation	2,733	(701)	(1,161)	-	-	-	-	-	871
At 31 March 2018	94,831	22,133	1,250	34	861	5,395	3,983	13,256	141,743
Depreciation									
At 1 April 2017	-	-	-	40	847	5,272	3,552	4,665	14,376
Charge for year	-	910	-	4	14	83	157	1,325	2,493
Disposals	-	-	-	(18)	-	-	-	(33)	(51)
Revaluation	-	(910)	-	-	-	-	-	-	(910)
At 31 March 2018	-	-	-	26	861	5,355	3,709	5,957	15,908
Net book value									
At 31 March 2018	94,831	22,133	1,250	8	-	40	274	7,299	125,835
At 31 March 2017	91,411	40,898	-	12	14	123	294	8,409	141,161
Asset financing									
Owned	94,831	22,133	1,250	8	-	40	274	7,299	125,835
Net book value									
At 31 March 2018	94,831	22,133	1,250	8	-	40	274	7,299	125,835

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

	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>CRC Allowances £000</i>	<i>Total £000</i>
Cost				
At 1 April 2017	987	876	95	1,958
Additions	-	-	104	104
Disposals	(200)	-	(95)	(295)
As at 31 March 2018	<u>787</u>	<u>876</u>	<u>104</u>	<u>1,767</u>
Additions	-	-	81	81
Disposals	(-)	-	(104)	(104)
As at 31 March 2019	<u>787</u>	<u>876</u>	<u>81</u>	<u>1,744</u>
Amortisation				
At 1 April 2017	987	876	-	1,863
Charge for year	-	-	-	-
Disposals	(200)	-	-	(200)
As at 31 March 2018	<u>787</u>	<u>876</u>	<u>-</u>	<u>1,663</u>
Charge for year	-	-	-	-
Disposals	(-)	-	-	(-)
As at 31 March 2019	<u>787</u>	<u>876</u>	<u>-</u>	<u>1,663</u>
Net book value				
At 31 March 2019	<u>-</u>	<u>-</u>	<u>81</u>	<u>81</u>
At 31 March 2018	<u>-</u>	<u>-</u>	<u>104</u>	<u>104</u>
At 1 April 2017	<u>-</u>	<u>-</u>	<u>95</u>	<u>95</u>
Non-Current Intangible Assets	-	-	-	-
Current Intangible Assets	-	-	81	81
Total Intangible Assets at 31 March 2019	<u>-</u>	<u>-</u>	<u>81</u>	<u>81</u>

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

	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>CRC Allowances £000</i>	<i>Total £000</i>
Cost				
At 1 April 2017	633	867	95	1,595
Additions	-	-	104	104
Disposals	-	-	(95)	(95)
As at 31 March 2018	633	867	104	1,604
Additions	-	-	81	81
Disposals	-	-	(104)	(104)
As at 31 March 2019	633	867	81	1,581
Amortisation				
At 1 April 2017	633	867	-	1,500
Charge for year	-	-	-	-
As at 31 March 2018	633	867	-	1,500
Charge for year	-	-	-	-
As at 31 March 2019	633	867	-	1,500
Net book value				
At 31 March 2019	-	-	81	81
At 31 March 2018	-	-	104	104
At 1 April 2017	-	-	95	95
Non-Current Intangible Assets	-	-	-	-
Current Intangible Assets	-	-	81	81
Total Intangible Assets at 31 March 2019	-	-	81	81

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

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

Limited by shares	Accounting period end	Nature of Business	% of Voting rights
Discovery Quay Developments Limited	31 December	Property development	33.33
Ravenscraig Limited	31 December	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
Headstart Capital Fund	30 September	Investment Fund	50.00
Joint arrangement		Nature of Business	% Interest
Scottish Enterprise / Calachem Limited		Property development	60.00

- (i) During 2018/19 Discovery Quay Developments Limited was placed into members voluntary liquidation with a view to winding the company up. A final dividend was received by Scottish Enterprise in December 2018.

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

	<i>Current Assets</i> £000	<i>Non current assets</i> £000	<i>Total Assets</i> £000	<i>Current Liabilities</i> £000	<i>Non Current Liabilities</i> £000	<i>Total Liabilities</i> £000	<i>Revenue</i> £000	<i>Expenses</i> £000	<i>Profit / (Loss)</i> £000
At 1 April 2017	52,277	1,150	53,427	(10,073)	(56,093)	(66,166)	5,549	(8,512)	(2,963)
At 31 March 2018	50,987	946	51,933	(9,099)	(56,839)	(65,938)	195	(1,253)	(1,058)
At 31 March 2019	50,430	1,114	51,544	(8,431)	(57,662)	(66,093)	7,076	(7,620)	(544)

Movements in carrying amount of investment in equity accounted investees:

	<i>£000</i>
Carrying amount at 1 April 2017	1,617
Disposal	(241)
Revaluation	33
Carrying amount at 31 March 2018	<u>1,409</u>
Carrying amount at 1 April 2018	1,409
Share of profits	142
Disposal	(535)
Impairment	(15)
Carrying amount at 31 March 2019	<u>1,001</u>

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-Current Other Investments				
Available for sale financial assets	-	269,706	-	269,150
Held to Maturity Investments	-	10	-	10
Loans and other receivables	-	44,510	-	47,211
Fair value through profit or loss	266,495	-	268,236	-
Amortised cost	51,298	-	51,298	-
Less: Loss allowance for investments at amortised cost	(3,655)	-	(3,655)	-
	<u>314,138</u>	<u>314,226</u>	<u>315,879</u>	<u>316,371</u>
Current Other Investments				
Held to Maturity Investments	-	-	-	-
Loans and other receivables	-	8,073	-	8,073
Amortised cost	7,087	-	7,087	-
Less: Loss allowance for investments at amortised cost	(1,351)	-	(1,351)	-
	<u>5,736</u>	<u>8,073</u>	<u>5,736</u>	<u>8,073</u>
Total Other Investments	<u>319,874</u>	<u>322,299</u>	<u>321,615</u>	<u>324,444</u>

Details of the impact of the change in accounting policy following the adoption of IFRS 9, Financial Instruments, are provided in Note 24.

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

The above financial assets have been funded as follows:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Grant in Aid	319,874	322,299	321,615	324,444
Public Dividend Capital	-	-	-	-
	<u>319,874</u>	<u>322,299</u>	<u>321,615</u>	<u>324,444</u>

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

NOTES TO THE ACCOUNTS (continued)

Amounts received during the financial year and payable to the Treasury are disclosed as appropriations in the Statement of comprehensive net expenditure and amounted to £Nil (2018: £Nil).

Listed Investments

Stock Exchange investments included in the above at 31 March 2019 are valued £28,263,021 (2018: £34,416,437) which includes unrealised surpluses on valuation of £24,481,838 (2018: £29,668,065). Income from listed investments in the year to 31 March 2019 was £58,995 (2018: £56,254).

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

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

Subsidiary Undertakings

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

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

NOTES TO THE ACCOUNTS (continued)

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.

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)

NOTES TO THE ACCOUNTS (continued)**9. FAIR VALUE MEASUREMENTS**

The following table sets out the assets and liabilities that are measured and recognised at fair value at 31 March 2019:

GROUP	<i>2019</i> <i>Level 1</i> <i>£000</i>	<i>2019</i> <i>Level 2</i> <i>£000</i>	<i>2019</i> <i>Level 3</i> <i>£000</i>	<i>2019</i> <i>Total</i> <i>£000</i>
Recurring fair value measurements				
Financial assets	28,263	-	291,611	319,874
Land and property assets	-	-	155,471	155,471
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	13,900	13,900
	<u>28,263</u>	<u>-</u>	<u>460,982</u>	<u>489,245</u>
SCOTTISH ENTERPRISE				
	<i>2019</i> <i>Level 1</i> <i>£000</i>	<i>2019</i> <i>Level 2</i> <i>£000</i>	<i>2019</i> <i>Level 3</i> <i>£000</i>	<i>2019</i> <i>Total</i> <i>£000</i>
Recurring fair value measurements				
Financial assets	25,624	-	295,991	321,615
Land and property assets	-	-	106,434	106,434
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	13,900	13,900
	<u>25,624</u>	<u>-</u>	<u>416,325</u>	<u>441,949</u>

Fair value hierarchy

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

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

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

Valuation processes for level 3 fair values

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

NOTES TO THE ACCOUNTS (continued)

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 2019:

GROUP

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
At 1 April 2018	287,883	169,199	5,980	463,062
Change in accounting policy	(3,445)	-	-	(3,445)
	284,438	169,199	5,980	459,617
Acquisitions	63,413	3,572	-	66,985
Disposals	(23,169)	(600)	(5,830)	(29,599)
Transfers to/from held for sale	-	(13,870)	13,870	-
Depreciation	-	(3,560)	-	(3,560)
Impairment	(2,950)	(3,089)	(120)	(6,159)
Net gains recognised in Other Comprehensive Net Expenditure	-	2,207	-	2,207
Net (losses)/gains recognised in Net Expenditure	(30,121)	1,612	-	(28,509)
At 31 March 2019	291,611	155,471	13,900	460,982

SCOTTISH ENTERPRISE

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
At 31 March 2018	292,798	118,214	5,980	416,992
Change in accounting policy	(3,445)	-	-	(3,445)
Revised at 1 April 2018	289,353	118,214	5,980	413,547
Acquisitions	63,413	3,572	-	66,985
Disposals	(23,687)	(600)	(5,830)	(30,117)
Transfers to/from held for sale	-	(13,870)	13,870	-
Depreciation	-	(742)	-	(742)
Impairment	(2,950)	(3,959)	(120)	(7,029)
Net gains recognised in Other Comprehensive Net Expenditure	-	1,580	-	1,580
Net (losses)/gains recognised in Net Expenditure	(30,138)	2,239	-	(27,899)
At 31 March 2019	295,991	106,434	13,900	416,325

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

GROUP

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
Unrealised losses recognised in net expenditure	(33,071)	(1,505)	(120)	(34,696)

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

	<i>Financial assets £000</i>	<i>Land & property assets £000</i>	<i>Assets classified as held for sale £000</i>	<i>Total £000</i>
Unrealised losses recognised in net expenditure	(33,088)	(1,720)	(120)	(34,928)

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

Item	Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value
Financial assets – held at fair value through profit or loss:	<p>Fair value is determined by application of the most appropriate valuation methodology for an investee company based on the nature, facts and circumstances of the investment. In the absence of an active market for the unquoted investments in seed, start up and early stage companies held by Scottish Enterprise, 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. Scottish Enterprise will take account of the circumstances of the funding round and any subsequent events which may impact on that valuation.</p> <p>Where the investee company is an 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.</p> <p>Multiplier From 5.90 (before discount) to 26.75 (before discount) Discount 50% (marketability 20%; liquidity 20% & minority shareholding 10%)</p> <p>The higher the multiplier, the higher the fair value. The higher the discount factor applied to the multiplier, the lower the fair value.</p>
Financial assets - held at amortised cost	<p>Fair value is based on amortised cost using the effective interest rate method derived from the anticipated cash flows from the investment over its estimated life. A provision for impairment is established if there is objective evidence that Scottish Enterprise will not be able to collect all amounts due according to the terms of the investment.</p>

NOTES TO THE ACCOUNTS (continued)

Land	<p>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.</p>
Buildings	<p>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.</p> <p>Within the portfolio, equivalent yields have typically been in the range 7.962% to 20.00% with rental voids generally between 12 and 24 months upon individual lease expires. Rental growth has been factored in on a unit by unit basis where evidence supports the contention.</p> <p>The higher the yield, the longer the vacancy period and the lower any rental growth prospects, then the lower the fair value will be.</p> <p>The lower the yield, the shorter the vacancy period and the greater the rental growth prospects, then the higher the fair value will be.</p>

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

10. RETIREMENT BENEFIT SCHEME

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

NOTES TO THE ACCOUNTS (continued)

A full actuarial valuation of the Scottish Enterprise Pension & Life Assurance Scheme was carried out using membership data at 31 March 2017 and the results of that valuation have been projected to 31 March 2019 by KPMG LLP, qualified independent actuaries. The next formal valuation will be carried out during 2020/21 based on data at 31 March 2020.

	2019 £000	2018 £000
Present value of funded defined benefit obligations	(760,035)	(700,316)
Fair value of plan assets	822,907	792,254
Recognised surplus in the scheme	<u>62,872</u>	<u>91,938</u>

Movements in the present value of defined benefit obligations

	2019 £000	2018 £000
At 1 April	(700,316)	(745,425)
Current service cost	(18,777)	(19,745)
Past service cost	-	-
Interest cost	(18,592)	(19,032)
Remeasurements		
- Effect of changes in demographic assumptions	13,141	13,144
- Effect of changes in financial assumptions	(58,640)	20,781
- Effect of experience adjustments	-	23,160
Benefits paid	23,470	26,861
Contributions by members	(321)	(60)
	<u>(760,035)</u>	<u>(700,316)</u>

The weighted average duration of the Scheme's defined benefit obligations is 22 years (2018: 23 years).

Movements in the present value of defined benefit scheme assets

	2019 £000	2018 £000
At 1 April	792,254	785,565
Expected return on plan assets	21,214	20,216
Remeasurements		
- Return on plan assets, excluding interest income	22,511	2,519
Contributions by the employer (i)	11,324	11,867
Contributions by members (i)	321	60
Benefits paid by the plan	(23,470)	(26,861)
Administrative expenses	(1,247)	(1,112)
	<u>822,907</u>	<u>792,254</u>

NOTES TO THE ACCOUNTS (continued)

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

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

The defined benefit obligation analysed by participant status

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Active members	(320,883)	(278,546)
Vested deferred members	(153,447)	(139,512)
Retired members	(285,705)	(282,258)
	<u>(760,035)</u>	<u>(700,316)</u>

Expense recognised in the Statement of comprehensive net expenditure

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Current service cost	18,777	19,745
Past service cost	-	-
Administrative expenses	1,247	1,112
Interest income on retirement benefit scheme assets	(21,214)	(20,216)
Interest on retirement benefit scheme obligations	18,592	19,032
Total retirement benefit scheme expense	<u>17,402</u>	<u>19,673</u>

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

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Management Expenditure	20,024	20,857
Other Finance Income	(2,622)	(1,184)
	<u>17,402</u>	<u>19,673</u>

The total loss amount recognised in the Statement of other comprehensive net expenditure in respect of net remeasurement gains and losses is £22,988,000 (2018: £59,604,000 gain).

Cumulative remeasurement gains and losses recognised in the Statement of other comprehensive net expenditure since 1 April 2002 are net gains of £10,978,000 (2018: £33,966,000 gains)

NOTES TO THE ACCOUNTS (continued)

The fair value and the expected rates of return on scheme assets at 31 March 2019 were as follows:

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Equity instruments	180,497	193,700
Debt instruments	233,471	373,601
Investment funds	265,727	187,654
Real estate	80,727	36,461
Semi-liquid credit	60,071	-
Cash or cash equivalents	2,414	838
Total fair value of assets	<u>822,907</u>	<u>792,254</u>

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

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

	<i>2019</i>	<i>2018</i>
	<i>% per annum</i>	<i>% per annum</i>
Discount rate	2.40%	2.70%
Future salary increases	2.15%	2.00%
Rate of increase in retirement benefits	2.15%	2.10%
Price inflation	3.15%	3.00%

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

	<i>2019</i>	<i>2018</i>
	<i>Years</i>	<i>Years</i>
Male member, age 60, retiring today	27.0	27.7
Female member, age 60, retiring today	28.7	29.4
Male member, age 40, retiring in 20 years	28.1	29.0
Female member, age 40, retiring in 20 years	30.5	31.3

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.

NOTES TO THE ACCOUNTS (continued)

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

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

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

	<i>Change in assumption %</i>	<i>Increase in assumption £m</i>	<i>Decrease in assumption £m</i>
Discount rate	0.25	(37.4)	40.3
Inflation rate	0.25	40.4	(37.7)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £18.7m at 31 March 2019.

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 2020, Scottish Enterprise estimates that contributions of £11.8m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Assets held by Local Enterprise Companies and their subsidiary undertakings (i)	-	-	2,419	3,135
Subsidiary undertakings (ii)	-	-	-	-
Other receivables	578	2,237	578	2,237
	<u>578</u>	<u>2,237</u>	<u>2,997</u>	<u>5,372</u>

- (i) Assets held by Local Enterprise Companies and their subsidiary undertakings represents the balance of the initial capital funding provided by SE Glasgow to the Glasgow Science Centre and which is amortised over the remaining economic life of the property.
- (ii) In February 2018, the respective interests in Conference House, Edinburgh of Scottish Enterprise and its subsidiary company, SE Conference House Limited were sold. SE Conference House Limited subsequently settled its liability to Scottish Enterprise by repaying the initial funding it received to acquire its interest in the property.

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

	<i>Property, plant and equipment</i>
	<i>£000</i>
At 1 April 2017	4,740
Transfers to assets held for sale	20,610
Impairment recognised on re-measurement	(245)
Disposals of non-current assets held for sale	<u>(19,125)</u>
As at 31 March 2018	<u>5,980</u>
At 1 April 2018	5,980
Transfers to assets held for sale	13,870
Impairment recognised on re-measurement	(120)
Disposals of non-current assets held for sale	<u>(5,830)</u>
As at 31 March 2019	<u>13,900</u>

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

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

NOTES TO THE ACCOUNTS (continued)

13. INVENTORIES

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finished Goods	112	115	-	-

14. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other Subsidiary undertakings	-	-	114	105
Other receivables (i)	11,154	11,119	9,948	10,283
Prepayments	2,379	2,418	2,135	2,145
Accrued income	7,283	24,205	6,489	23,191
	<u>20,816</u>	<u>37,742</u>	<u>18,686</u>	<u>35,724</u>

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

GROUP

	<i>At 1 April 2017 £000</i>	<i>Utilised during year £000</i>	<i>Movements in Provisions £000</i>	<i>At 31 March 2018 £000</i>
Other receivables	4,720	(1,261)	2,272	5,731

	<i>At 1 April 2018 £000</i>	<i>Utilised during year £000</i>	<i>Movements in Provisions £000</i>	<i>At 31 March 2019 £000</i>
Other receivables	5,731	(1,907)	1,889	5,713

SCOTTISH ENTERPRISE

	<i>At 1 April 2017 £000</i>	<i>Utilised during year £000</i>	<i>Movements in Provisions £000</i>	<i>At 31 March 2018 £000</i>
Other receivables	4,234	(1,261)	2,551	5,524

	<i>At 1 April 2018 £000</i>	<i>Utilised during year £000</i>	<i>Movements in Provisions £000</i>	<i>At 31 March 2019 £000</i>
Other receivables	5,524	(1,871)	1,928	5,581

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

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Central Government	11,227	27,966	10,900	27,524
Local Authorities	1,165	991	1,013	937
NHS Bodies	1	9	-	-
Bodies External to Government	8,423	8,776	6,773	7,263
	<u>20,816</u>	<u>37,742</u>	<u>18,686</u>	<u>35,724</u>

15. CASH AND CASH EQUIVALENTS

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	93,872	74,713	90,395	70,283
Net change in cash and cash equivalent balances	25,699	19,159	25,599	20,112
Balance at 31 March	<u>119,571</u>	<u>93,872</u>	<u>115,994</u>	<u>90,395</u>

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Scottish Enterprise	46,445	25,673	46,445	25,673
Investment Funds (i)	69,549	64,722	69,549	64,722
Other subsidiary undertakings	3,577	3,477	-	-
	<u>119,571</u>	<u>93,872</u>	<u>115,994</u>	<u>90,395</u>

The balances at 31 March were held at:

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Commercial banks and cash in hand	119,571	93,872	115,994	90,395
Short term investments (ii)	-	-	-	-
	<u>119,571</u>	<u>93,872</u>	<u>115,994</u>	<u>90,395</u>

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

(ii) At 31 March 2019, £Nil (2018: £Nil) was held in a fixed term deposit.

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other taxation and social security	1,454	3,253	1,220	3,095
Other subsidiary undertakings	-	-	1,622	1,438
Trade payables	21,723	12,053	21,036	11,397
Other payables	694	303	668	191
Accrued charges	35,884	36,188	35,003	35,282
Prepaid revenue	2,781	3,046	1,195	1,925
Loans from Scottish Government	4,393	955	4,393	955
EU Funding for Investment Funds	953	953	953	953
	<u>67,882</u>	<u>56,751</u>	<u>66,090</u>	<u>55,236</u>

Amounts falling due after more than one year

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other payables and accrued charges	304	425	304	425
Deferred income	926	1,502	926	1,502
Loans from Scottish Government (i)	88,733	56,507	88,733	56,507
	<u>89,963</u>	<u>58,434</u>	<u>89,963</u>	<u>58,434</u>

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

Scottish Government funding is partly allocated to Scottish Enterprise in the form of loans to finance equity investments and the provision of loan finance to Scottish businesses. These loans are repayable over a period of up to 14 years (2018: 16 years). Although no interest is payable on these loans, any receipts generated by Scottish Enterprise from the underlying investments may be retained by Scottish Enterprise, subject to the approval of the Scottish Government.

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	57,462	19,201	57,462	19,201
Loan funding received in year	40,202	38,261	40,202	38,261
Repayment waived by Scottish Government	(3,000)	-	(3,000)	-
Loan funding repaid in year	(1,538)	-	(1,538)	-
Balance at 31 March	<u>93,126</u>	<u>57,462</u>	<u>93,126</u>	<u>57,462</u>
Due within one year	4,393	955	4,393	955
Due after one year	88,733	56,507	88,733	56,507
	<u>93,126</u>	<u>57,462</u>	<u>93,126</u>	<u>57,462</u>

(ii) Public Sector balances

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Central Government	12,476	8,478	11,872	8,006
Local Authorities	5,245	1,043	5,189	988
NHS Bodies	-	140	-	140
Bodies External to Government	50,161	47,090	49,029	46,102
	<u>67,882</u>	<u>56,751</u>	<u>66,090</u>	<u>55,236</u>

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

	<i>Joint Development</i>	<i>Office Dilapidations & Repairs</i>	<i>Total</i>	<i>Total</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	1,692	740	2,432	2,627
Provided in the year (ii)	-	4,025	4,025	740
Discount	(135)	(226)	(361)	-
Provisions not required written back	-	-	-	(119)
Provisions utilised in the year	-	(50)	(50)	(816)
At 31 March	<u>1,557</u>	<u>4,489</u>	<u>6,046</u>	<u>2,432</u>

SCOTTISH ENTERPRISE

	<i>Joint Development</i>	<i>Office Dilapidations & Repairs</i>	<i>Total</i>	<i>Total</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	1,692	530	2,222	2,627
Provided in the year (ii)	-	4,025	4,025	530
Discount	(135)	(226)	(361)	-
Provisions not required written back	-	-	-	(119)
Provisions utilised in the year	-	-	-	(816)
At 31 March	<u>1,557</u>	<u>4,329</u>	<u>5,886</u>	<u>2,222</u>

- (i) Under a joint development agreement with Falkirk Council, provision is made for costs which may be met from future sale proceeds of the land owned by Scottish Enterprise.
- (ii) Provision has been made for dilapidation claims by the landlords of property leased by Scottish Enterprise and by a subsidiary company for repairs and contract remediation work. During the year a dilapidations liability analysis was carried out across Scottish Enterprise's occupational office accommodation and an additional provision was made in year as a consequence of that assessment.

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

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

	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
Property, plant and equipment	-	-
Financial Assets	<u>67,259</u>	<u>60,390</u>

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

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

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

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

	<i>2019</i> <i>£000</i>	<i>Restated</i> <i>2018</i> <i>£000</i>
Contingent liabilities arising from legal actions (i)	-	223
Other contingent liabilities (ii) (iii) (iv)	<u>112</u>	<u>1,019</u>

- (i) Scottish Enterprise defended a claim in respect of an employee relations matter in a foreign jurisdiction. Following appeal, the court found in favour of the claimant and the matter was settled at a cost to Scottish Enterprise of €70,922. The matter is now closed.
- (ii) In March 2010, Scottish Enterprise provided a guarantee to Social Investment Scotland in respect of 90% of a loan provided to Glencraft (Aberdeen) Limited up to £135,000. The loan has been repaid in full and the guarantee expired at 31 December 2018 without being called. The potential liability at March 2019 is therefore Nil (2018: £26,000).

NOTES TO THE ACCOUNTS (continued)

- (iii) Following the closure of Scottish Enterprise's office in Russia during 2017/18 and in accordance with Russian legal requirements, Scottish Enterprise recorded a contingent liability for redundancy costs. The liability was settled during the financial year 2018/19 and potential liability is now Nil (2018: £14,000).
- (iv) Warranties given to purchasers of shares in invested companies create a contingent liability to return sales proceeds in the specified circumstances unique to each deal. At 31 March 2019, funds placed in escrow accounts to cover these liabilities should they fall due, amounted to £112,000 (2018: £979,000). The contingent liabilities noted above at March 2018 have been restated and now include the contingent liability arising from these warranties.
- (v) The carrying value of the remaining investments funded by Public Dividend Capital is £Nil (2018: £Nil). Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 8).
- (vi) An inspection programme had been commissioned by Scottish Enterprise to test the external cladding on buildings within its tenanted property estate. The report concluded that while some minor action was required, the cladding on Scottish Enterprise's property did not present a significant fire risk. The recommended actions were carried out in full.
- (vii) Scottish Enterprise will be required to equalise the benefits provided by the Scottish Enterprise Pension Scheme for the effect of unequal Guaranteed Minimum Pensions for male and female members. Scottish Enterprise and its advisers are considering the method for achieving equalisation and, in line with Government guidance, actuaries are expected to reflect the expected increase in scheme liabilities in valuations from 2020. Based on an assessment of schemes with similar characteristics to Scottish Enterprise's pension scheme, the potential increase in scheme liabilities has been estimated in the range of 0% to 1% of current scheme liabilities, which equates to a range of £0 to £7.6m.

NOTES TO THE ACCOUNTS (continued)**20. COMMITMENTS UNDER LEASES****OPERATING LEASES**

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under operating leases comprise:				
Land and buildings:				
within one year	3,080	3,538	2,278	2,728
after one year but not more than five years	11,136	11,197	8,671	8,706
after more than five years	6,386	9,253	5,162	7,554
	<u>20,602</u>	<u>23,988</u>	<u>16,111</u>	<u>18,988</u>
Other:				
within one year	63	53	38	28
after one year but not more than five years	154	33	144	-
after more than five years	-	-	-	-
	<u>217</u>	<u>86</u>	<u>182</u>	<u>28</u>

21. FINANCIAL INSTRUMENTS

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

Liquidity risk
Credit risk
Market risk

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

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

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

NOTES TO THE ACCOUNTS (continued)**Liquidity risk**

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

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

The table below details the contractual maturities of financial liabilities.

GROUP

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

SCOTTISH ENTERPRISE

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

GROUP

	2018	2018	2018	2018
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	106,431	106,431	49,499	56,932
	<u>106,431</u>	<u>106,431</u>	<u>49,499</u>	<u>56,932</u>

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

	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>
	<i>Carrying</i>	<i>Contractual</i>	<i>Within one</i>	<i>After more</i>
	<i>Amount</i>	<i>Cashflows</i>	<i>year</i>	<i>than one</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>year</i>
				<i>£000</i>
Financial liabilities				
Trade and other payables	104,757	104,757	47,825	56,932
	<u>104,757</u>	<u>104,757</u>	<u>47,825</u>	<u>56,932</u>

The Group and Scottish Enterprise has outstanding borrowings at 31 March 2019 of £93,126,000 (2018 £57,462,000).

Credit risk

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

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

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

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

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

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

NOTES TO THE ACCOUNTS (continued)

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Carrying amount				
Financial assets – other investments				
Assets available for sale	-	269,706	-	269,150
Held to maturity assets	-	10	-	10
Loans and other receivables	-	52,583	-	55,284
Fair value through profit or loss assets	266,495	-	268,236	-
Amortised cost assets	53,379	-	53,379	-
Financial assets				
Trade and other receivables	19,015	37,561	17,015	35,711
Cash and cash equivalents	119,571	93,872	115,994	90,395
	<u>458,460</u>	<u>453,732</u>	<u>454,624</u>	<u>450,550</u>

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

GROUP

	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not past due	19,533	(3,127)	32,341	(1,258)
Past due 0 to 30 days	1,353	-	573	-
Past due 31 to 120 days	1,241	-	940	(120)
Past due more than 120 days	2,601	(2,586)	9,438	(4,353)
	<u>24,728</u>	<u>(5,713)</u>	<u>43,292</u>	<u>(5,731)</u>

SCOTTISH ENTERPRISE

	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not past due	17,533	(3,127)	30,491	(1,258)
Past due 0 to 30 days	1,353	-	573	-
Past due 31 to 120 days	1,241	-	940	(120)
Past due more than 120 days	2,469	(2,454)	9,231	(4,146)
	<u>22,596</u>	<u>(5,581)</u>	<u>41,235</u>	<u>(5,524)</u>

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

NOTES TO THE ACCOUNTS (continued)**Market risk**

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

Interest rate risk

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

	<i>Group</i>		<i>Scottish Enterprise</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed rate instruments				
Financial assets	83,297	79,100	83,297	79,100
Financial liabilities	-	-	-	-
	<u>83,297</u>	<u>79,100</u>	<u>83,297</u>	<u>79,100</u>
Variable rate instruments				
Cash and cash equivalents	119,571	93,872	115,994	90,395
	<u>119,571</u>	<u>93,872</u>	<u>115,994</u>	<u>90,395</u>

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

	<i>Group</i>	<i>Scottish Enterprise</i>
	<i>100 basis points change</i>	<i>100 basis points change</i>
	<i>£000</i>	<i>£000</i>
Cash and cash equivalents		
31 March 2018	1,001	803
31 March 2019	1,067	1,032

Currency risk

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

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

NOTES TO THE ACCOUNTS (continued)**Fair values**

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

GROUP	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial assets available for sale (i)	-	-	269,706	269,706
Financial assets held to maturity	-	-	10	10
Loans and other receivables	-	-	52,583	52,583
Fair value through profit or loss assets	266,495	266,495	-	-
Financial assets held at amortised cost	53,379	53,379	-	-
Trade and other receivables	19,015	19,015	37,561	37,561
Cash and cash equivalents	119,571	119,571	93,872	93,872
Trade and other payables	(151,731)	(151,731)	(106,431)	(106,431)
	<u>306,729</u>	<u>306,729</u>	<u>347,301</u>	<u>347,301</u>

SCOTTISH ENTERPRISE	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial assets available for sale (i)	-	-	269,150	269,150
Financial assets held to maturity	-	-	10	10
Loans and other receivables	-	-	55,284	55,284
Fair value through profit or loss assets	268,236	268,236	-	-
Financial assets held at amortised cost	53,379	53,379	-	-
Trade and other receivables	17,015	17,015	35,711	35,711
Cash and cash equivalents	115,994	115,994	90,395	90,395
Trade and other payables	(150,137)	(150,137)	(104,757)	(104,757)
	<u>304,487</u>	<u>304,487</u>	<u>345,793</u>	<u>345,793</u>

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

Fair value hierarchy

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

All material Group and Scottish Enterprise financial assets and liabilities are defined as level 3 instruments, with the exception of Stock Exchange investments carried at fair value of £28,263,021 (2018: £34,416,437) at 31 March.

NOTES TO THE ACCOUNTS (continued)

Estimation of fair values

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

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

22. RELATED PARTY TRANSACTIONS

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

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

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

Creative Scotland	Highlands and Islands Enterprise	Scottish Funding Council
Skills Development Scotland	Visit Scotland	Zero Waste Scotland
Intellectual Property Office	Foreign and Commonwealth Office	

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

- (i) Ravenscraig Limited received financial contributions of £326,461 in support of strategic masterplanning costs. At 31 March 2019, there was outstanding debt of £1,408,039 for which a full impairment allowance has been recognised.
- (ii) Design Dundee Limited received £68,733 in grant funding during the year.

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

NOTES TO THE ACCOUNTS (continued)

23. BOARD MEMBERS INTERESTS

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

Stephen Dunlop was a director of Entrepreneurial Scotland Limited until 14 December 2018. During the year Scottish Enterprise paid £15,636 to Entrepreneurial Scotland Limited for its annual corporate membership, attendance at an awards dinner and conference and support for website solution.

Anne Glover is an adviser to the Novo Nordisk Foundation and during the year, the Glasgow Science Centre hosted a conference for the Foundation for which it was paid £3,688.

Anne Glover is an adviser to the European Space Agency project, MELiSSA. Glasgow Science Centre hosted an event for the Agency for which it received £7,753.

Poonam Malik is a member of Equity Gap Limited, an early stage investment vehicle which invests in companies along side Scottish Enterprise. During the year Scottish Enterprise paid Equity Gap Limited a total of £115,651 in investment arrangement fees.

Poonam Malik is an investor and adviser for Investing Women Angels Limited. Scottish Enterprise paid £12,000 to sponsor a conference and award winners trade mission run by Investing Women Angels Limited.

Poonam Malik is an advisory board member of Wallet Services (Scotland) Limited. Scottish Enterprise has supported the company with grant payments totalling £95,819.

The Offshore Renewable Energy Catapult (ORE) received an IIP Assessment from This is Remarkable Limited for which it paid £2,731. Anne Glover is a non-executive director of ORE.

Gavin Nicol is a director of The Wise Group. During 2018/19 Scottish Enterprise provided the Wise Group with grant funding of £8,000.

Melfort Campbell is a board member of The Oil and Gas Technology Centre Limited which was supported with £50,000 of grant funding from Scottish Enterprise during 2018/19.

NOTES TO THE ACCOUNTS (continued)

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

Organisation	Board Member	Position
Ayrshire College	Willie Mackie	Regional chair
Creative Scotland	Karthik Subramanya	Board member
Heriot Watt University	Sue Paterson	Governor
Investing Women Limited	Poonam Malik	Mentor, advisor and trainer
Pale Blue Dot	Sue Paterson	Associate
Royal Society of Edinburgh	Anne Glover	President
Skills Development Scotland Limited	Willie Mackie	Board Member
University of the Highlands and Islands	Poonam Malik	Governor of the University Court and non-executive director
University of Strathclyde	Melfort Campbell	Visiting Professor
	Anne Glover	Special Adviser to the Principle
	Gavin Nicol	Visiting Professor

24. CHANGES IN ACCOUNTING POLICIES

This note explains how any changes in accounting policies have affected the reported financial position of Scottish Enterprise.

The adoption of IFRS 9, Financial Instruments, from 1 April 2018 resulted in adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in paragraphs 7.2.15 and 7.2.26 of IFRS 9, comparative figures have not been restated. The adjustments arising from the new accounting policies are therefore not reflected in the balance sheet as at 31 March 2018 but are recognised in the opening balance sheet on 1 April 2018. The following tables show the adjustments recognised for each individual line items. The nature of each adjustment is explained at the end of this note.

GROUP

	<i>31 March 2018</i>	<i>Classification and Measurement (i)</i>	<i>Impairment (ii)</i>	<i>1 April 2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Statement of Financial Position				
Non-current assets				
Financial Assets – Other investments	314,226	-	(2,866)	311,360
Current Assets				
Other investments	8,073	-	(579)	7,494
Total Assets	734,194	-	(3,445)	730,749
Taxpayers' Equity				
General Reserve	448,645	102,743	(3,445)	547,943
Specific Reserve	672	773	-	1,445
Revaluation Reserve	165,897	(103,516)	-	62,381
Non-Controlling Interest	1,106	-	-	1,106
	616,320	-	(3,445)	612,875

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

	<i>31 March 2018 £000</i>	<i>Classification and Measurement(i) £000</i>	<i>Impairment (ii) £000</i>	<i>1 April 2018 £000</i>
Statement of Financial Position				
Non-current assets				
Financial Assets – Other investments	316,371	-	(2,866)	313,505
Current Assets				
Other investments	8,073	-	(579)	7,494
Total Assets	<u>679,792</u>	<u>-</u>	<u>(3,445)</u>	<u>676,347</u>
Taxpayers' Equity				
General Reserve	439,578	102,743	(3,445)	538,876
Revaluation Reserve	124,065	(102,743)	-	21,322
	<u>563,643</u>	<u>-</u>	<u>(3,445)</u>	<u>560,198</u>

(i) Classification and Measurement

On 1 April 2018, management have assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate IFRS 9 categories. This has had the effect of reclassifying investments previously classified as loans and receivables and held-to-maturity as financial assets at amortised cost; this had no impact on the measurement. Investments previously classified as available-for-sale were reclassified as financial assets at fair value through profit and loss; this has resulted in valuation movement previously recorded in the revaluation reserve being transferred to the General Reserve.

(ii) Impairment

Financial assets at amortised cost are subject to IFRS 9's new expected credit loss model and therefore applying the expected credit loss risk model resulted in the recognition of a loss allowance on 1 April 2018.

NOTES TO THE ACCOUNTS (continued)**25. SCHEDULES OF INVESTMENTS AT 31 MARCH 2019**

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

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

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

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

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
71 Brewing Limited <i>New craft lager brewery to be established in Dundee</i>	21.93	304	-	-
A F Clothing Limited <i>Designer and retailer of outdoor and active lifestyle clothing</i>	25.78	246	-	-
Actual Analytics Limited <i>Leading provider of behavioural analysis solutions for scientific studies</i>	27.34	630	-	-
Administrate Limited <i>Development and supply of business training software</i>	21.59	2,129	-	-
Advanced Microwave Technologies Limited <i>Microwave volumetric heating development and implementation</i>	22.29	755	542	-
Alfacyte Limited <i>Drug discovery – immunoregulatory platform</i>	28.92	393	-	-
Ambicare Health Limited <i>Development of medical healthcare devices</i>	23.10	2,834	-	-
Apsu Environmental Limited <i>Water treatment and waste recycling</i>	29.99	119	-	-
Aptus Systems Limited <i>Online catering management software</i>	27.04	864	-	-
Aridhia Informatics Limited <i>Biomedical informatics and analytics</i>	22.69	748	1,070	-
Arrayjet Limited <i>Microarray printers and services</i>	26.03	1,560	-	-
Aurum Biosciences Limited <i>Stroke therapy</i>	21.97	441	-	-
Avanticell Science Limited <i>Cell assay products and services</i>	26.70	203	150	-
Biofilm Holdings Limited <i>Manufacture of fast dissolving films</i>	22.51	2,788 354(P)	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Blackford Analysis Limited <i>Software to improve medical imaging</i>	25.96	1,052	-	-
Calcvivis Limited <i>Dental medical device co-visualise calcium loss</i>	29.16	3,310	-	-
Caldan Therapeutics Limited <i>Diabetes diagnostics</i>	29.99	1,425	-	-
Calnex Solutions Limited <i>Synchronisation testing software provider</i>	26.23	575	-	-
Carbon Black System Limited <i>Design and production of wheelchairs</i>	28.95	655	137	-
Causeway Therapeutics Limited <i>Patented therapy for the treatment of tendinopathy</i>	27.14	1,000	-	-
Cellucomp Limited <i>Development of products from high tech composites</i>	22.71	2,307	700	-
Censo Biotechnologies Limited <i>Stem cell technology company</i>	23.68	545	-	-
Ceres Holographics Limited <i>Development of holographic technology</i>	25.58	1,303	-	-
Chromacity Limited <i>Design and manufacture of advanced lasers</i>	24.00	514	500	-
Clear Surgical Limited <i>Producer of surgical devices</i>	27.20	665	-	-
Cloudsoft Corporation Limited <i>Development of cloud computing software</i>	29.83	2,388	-	-
Clyde Biosciences Limited <i>Cardiac drug screening product</i>	22.71	708	250	-
Conjunct Limited <i>Development of optical communication components</i>	29.81	698	30	-
Consolidated Craft Breweries Limited <i>Craft brewery</i>	22.65	509	-	-
Critical Blue Limited <i>Providing flexible, automated embedded systems design</i>	25.96	1,800	300	-
Cyan Forensics Limited <i>Developing next-generation digital forensic tools</i>	22.40	469	-	-
Cytomos Limited <i>Development of real-time cell sensing devices</i>	26.77	832	-	-
DC Biosciences Limited <i>Bioscience and drug discovery research tools</i>	28.23	248	-	-
DeltaDNA Limited <i>Data mining/analytics services to games industry</i>	25.71	1,816	-	-
DEM Solutions Limited <i>Particulate analysis software and consultancy provider</i>	21.18	717	-	-
Design Led Products Limited <i>Developer of proprietary light-guide technology</i>	24.49	3,469	-	-
DestiNA Genomics Ltd <i>Chemical nucleic acid testing</i>	20.22	314	-	-
Dukosi Limited <i>Battery management system development</i>	29.97	2,386	-	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting Rights	Shares £000	Loans £000	Commitments £000
EC-OG Holdings Limited <i>Developing innovative marine current turbine</i>	20.00	500	750	-
Edinburgh Molecular Imaging Limited <i>Medical imaging reagents</i>	21.75	1,430	146	-
Energyflo Construction Technologies Limited <i>Clean technology specialists - construction</i>	26.50	850	375	-
Enocell Limited <i>Fuel cell technology</i>	24.91	983	-	-
Exterity Limited <i>IPTV networks provider</i>	23.66	749	-	-
Fios Genomics Limited <i>Statistical and bioinformatic analyses</i>	22.82	536	-	-
Fixed Phage Limited <i>Commercialisation of bacteriophages</i>	28.74	895	-	-
Formedix Limited <i>Software/consultancy services provider</i>	20.26	298	-	-
Gas Sensing Solutions Limited <i>High speed low cost precision gas sensor</i>	28.98	1,150	350	-
Global Surface Intelligence Limited <i>Carbon land use data services</i>	29.06	961	-	-
Greengage Lighting Limited <i>Development of precision agriculture systems</i>	20.10	1,827	-	-
Ingenious Audio Limited <i>Developer of a wi-fi guitar plug-in device</i>	27.47	365	-	-
Kite Power Systems Limited <i>Generation of electricity from airborne kites</i>	29.84	2,000	250	-
MGB Biopharma Limited <i>Development of antibacterial drug</i>	25.75	3,007	-	-
Mironid Limited <i>Life sciences drug development</i>	22.34	1,697	-	-
My1Login Limited <i>Developer of internet based applications</i>	29.12	997	73	-
NeurocentRx Pharma Limited <i>Reformulates existing drug agents for new uses</i>	29.90	466	-	-
Objective Associates Limited <i>Seller of software solutions to online retailers</i>	26.57	490	-	-
Orbital Marine Tidal Power Limited <i>Tidal energy technology developer</i>	26.86	6,299	235	-
Outplay Entertainment Limited <i>Development and publication of social digital games</i>	20.13	2,850	-	-
Pick Protection Limited <i>Personal security device</i>	27.42	330	-	-
Pneumagen Limited <i>Prevention and treatment of infectious diseases</i>	25.45	1,010	-	-
PowerPhotonic Limited <i>Development and sale of custom laser optics</i>	27.15	1,664	-	-
Pufferfish Limited <i>Spherical display systems for events and exhibitions</i>	29.12	837	168	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting Rights	Shares £000	Loans £000	Commitments £000
QED Naval Ltd <i>Foundation platform for tidal turbines</i>	27.96	588	-	-
Qikserve Limited <i>Development of smartphone applications for payments</i>	21.04	2,099	-	-
Reactec Limited <i>Development of vibration control solutions</i>	23.08	838	-	-
Relitect Limited <i>Developing a diagnostic and monitoring tool</i>	26.55	950	-	-
Saloca Limited <i>Software developer of online booking software</i>	28.90	704	-	-
SAW Dx Limited <i>Clinical diagnostic company</i>	22.90	375	-	-
Sharein Limited <i>Technology tools and solutions in crowdfunding</i>	21.50	280	-	-
Shot Scope Technologies Limited <i>Golf related technology and data collection system</i>	21.15	2,085	-	-
SIRAKOSS Limited <i>Developer of bone graft substitute</i>	20.97	886	613	-
Sistemic Scotland Limited <i>SistemRNA drug discovery technology</i>	28.33	605	-	-
Skoogmusic Limited <i>Developing and designing musical instruments</i>	27.32	683	166	-
Smarter Grid Solutions Limited <i>Software which increases capacity of existing grid</i>	28.91	2,016	346	-
Snapdragon Monitoring Limited <i>Monitoring software for IP protection</i>	29.88	724	-	-
Sofant Technologies Limited <i>Development of smart antennae for mobile communications</i>	26.20	1,151	-	-
Spaceright Europe Limited <i>Supplier of equipment to the education sector</i>	20.37	396	30	-
Sustainable Marine Energy Limited <i>Tidal energy technology developer</i>	25.80	2,724	-	-
Symbiosis Pharmaceutical Services Limited <i>Pharmaceutical services contract manufacturer</i>	29.50	1,385	-	-
Symphonic Software Limited <i>IT governance and access rights solution provider</i>	22.09	823	-	-
Syntropharma Limited <i>Pharmaceutical company focussed on transdermal technology</i>	26.56	1,166	-	-
TC BioPharm Limited <i>Drug discovery company focussing on T-cells</i>	22.53	2,815	-	-
Ubiquigent Limited <i>Developing products for life science research</i>	29.12	450	-	-
UWI Technology Limited <i>Development of elapsed time smart label</i>	21.21	1,141	-	-
Vert Rotors UK Limited <i>Compressor Technology</i>	26.73	1,493	-	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Vicast Limited <i>Internet video software platform</i>	29.41	1,105	26	-
Total of items listed		106,098	7,207	-

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

	<i>% of Voting Rights</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
2-B Energy BV <i>Offshore wind technology developer Registered in Netherlands</i>	12.49	3,160	440	-
Adaptix Limited <i>Design and production of medical imaging device</i>	11.29	1,450	-	-
Airlie Street Hall Limited <i>Power generation</i>	-	-	1,689	-
Allander Midco Limited <i>Manufacturing of windows, doors and curtain walls</i>	-	-	1,434	-
Anacail Limited <i>Ozone technology for the food and medical sectors</i>	16.44	809	250	250
Berwickshire Community Renewables LLP <i>Power generation</i>	-	-	1,593	-
BigDNA Limited <i>Developer of small molecule cancer therapies</i>	19.39	1,847	-	-
Blazing Keep Limited <i>Parent of multimedia entertainment group</i>	9.94	250	2,000	-
Casing Technologies Group Limited <i>Development of novel oil and gas drilling products</i>	1.11	112	1,250	-
Celtic Renewables Limited <i>Energy from whisky by-product</i>	2.94	250	825	-
CiQual Limited <i>Software solutions to telecommunications industry</i>	19.71	1,956	-	-
Cogbooks Limited <i>Adaptive learning software for education market</i>	12.93	313	887	-
Collectiveworks Limited <i>Business social networking and media platform</i>	11.85	1,264	173	-
Curo Compensation Limited <i>Compensation review software product</i>	15.06	1,200	60	-
Cyclacel Pharmaceuticals Inc. <i>Clinical research cancer drugs Registered in USA and quoted on NASDAQ</i>	0.18	5,000	-	-
Cytosystems Limited <i>Development of diagnostic cancer tests</i>	13.24	1,119	197	-
DYSIS Medical Limited <i>Designs, develops, manufactures and market imaging systems</i>	3.51	4,412	-	-
EAL Lending Limited <i>Commercial loan funding (Lending Crowd)</i>	-	-	2,750	-
Edinburgh Alternative Finance Limited <i>Peer to peer lending platform</i>	10.01	1,427	-	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting Rights	Shares £000	Loans £000	Commitments £000
European Investment Fund <i>European Investment Fund Registered in Luxembourg</i>	0.11	1,275	-	3,446
Encompass Corporation Pty Limited <i>Technology company Registered in Australia</i>	7.28	2,890	-	-
Fastball Holdings LLC <i>Online daily play fantasy sports games</i>	2.03	5,859	-	-
Fyne Energy Limited <i>Power generation</i>	-	-	2,820	-
Garth Wind Limited <i>Community renewable wind project</i>	-	-	1,590	-
Heliex Power Limited <i>Manufacturer of energy efficiency product</i>	11.85	2,583	-	-
Isle of Harris Distillers Limited <i>Malt whisky distillery based on the Isle of Harris</i>	18.40	1,500	-	-
Lamellar Biomedical Limited <i>Application of lamellosome memetics</i>	19.99	3,330	-	-
LendingCrowd Finance Limited <i>Fintech borrower in SPV</i>	-	-	2,000	-
Liberty Steel Dalzell Limited <i>Production of steel products</i>	-	-	7,000	-
Loch Duart Limited <i>Sustainable salmon farming</i>	17.40	2,400	-	-
Mallzee Limited <i>Software services provider of retail analytics/insights</i>	13.16	1,173	-	-
MeyGen Holdings Limited <i>Holding company for the MeyGen tidal projects</i>	16.55	12,100	-	-
MeyGen Limited <i>Development of tidal power generation project</i>	-	-	7,500	-
Morrison Glasgow Distillers Limited <i>Distilling, rectifying and blending spirits</i>	17.11	2,000	-	-
MP1 Limited <i>SPV company to develop, own and operate wind farm</i>	-	-	1,750	-
NCTech Limited <i>Development and sale of 3D camera technology</i>	17.27	2,360	7	-
Newmake Limited <i>New start distillery in central Edinburgh</i>	15.68	1,500	-	-
Nova Innovation Limited <i>Tidal turbine developer</i>	-	-	1,010	-
Novabiotics Limited <i>Design and development of anti-infectives</i>	18.26	3,338	391	-
NuCana plc <i>Oncology focussed biopharmaceutical company Quoted on NASDAQ</i>	6.04	1,733	-	-
Ocutec Limited <i>Next generation contact lens development</i>	6.25	1,603	352	-
PB Community Energy CIC <i>SPV entity to develop, own and operate wind farm</i>	-	-	1,750	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting Rights	Shares £000	Loans £000	Commitments £000
Point & Sandwich Power Limited <i>Power generation</i>	-	-	1,951	-
Pure LiFi Limited <i>Development of data communication over light waves</i>	6.52	1,207	-	-
Pyreos Limited <i>Production of thin film infrared sensor components</i>	0.27	3,067	-	-
Raptor Oil Limited <i>Signal processing technology oil and gas sector</i>	8.52	1,200	-	-
Ryboquin Company Limited <i>Development of cancer therapies</i>	17.28	825	1,520	-
Sympromics Limited <i>Creation of manmade synthetic promoters</i>	14.38	1,750	-	-
The One Place Capital Limited <i>Web based provision of financial advice to consumer</i>	14.40	1,772	-	-
TV Squared Limited <i>TV advertising attribution company</i>	5.20	1,411	-	-
Twig Rights Limited <i>Digital media company producing short films</i>	5.39	1,625	174	-
Volo Holdings Limited <i>In-train entertainment systems</i>	6.85	1,184	157	-
Epidarex Capital II LP <i>Investment Fund</i>	-	-	4,260	740
Maven UK Regional Buyout Fund LP <i>Investment Fund</i>	-	-	7,580	12,420
Scottish Loan Fund LP <i>Investment Fund</i>	-	-	5,663	1,844
Shackleton Secondaries 3 LP <i>Investment Fund</i>	-	-	1,396	-
Total of items listed		85,596	63,878	18,700
	<i>Number of companies</i>	<i>Shares £000</i>	<i>Loans £000</i>	<i>Commitments £000</i>
Total of items listed – Note 25A	86	106,098	7,207	-
Total of items listed – Note 25B	56	85,596	63,878	18,700
Other shares and loans	369	60,393	14,488	48,559
	511	252,087	85,573	67,259
			Total £000	
Shares			252,087	
Loans			85,573	
Initial cost of shares and loans before revaluations or provisions			337,660	
Capitalised interest			10,461	
Cumulative unrealised net gains recognised in Net Expenditure			89,186	
Cumulative impairments recognised in Net Expenditure			(117,433)	
Fair Value of shares and loans (Note 8)			319,874	

ACCOUNTS DIRECTION



SCOTTISH ENTERPRISE

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

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

ACCOUNTS DIRECTION (continued)

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