

Scottish Enterprise Annual Report and Accounts

For the year ended 31 March 2022

Enterprise and New Towns (Scotland) Act 1990

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

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SECTION 1

Performance Report

for the year ended 31 March 2022

Section 1: Performance Report

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



Furthering improvement of the environment of Scotland

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

Business Model and Environment

On 1 March 2022, the Scottish Government launched a new strategy for Scotland: [The National Strategy for Economic Transformation \(NSET\)](#) with its refreshed vision to create a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland's people and places. As a key delivery agent of that strategy, Scottish Enterprise will play a key role in the delivery of NSET over the next decade.

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

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

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

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

To ensure the successful implementation of NSET, the Enterprise and Skills Strategic Board (ESSB) will transition into the NSET Delivery Board. It will build on the work undertaken to date by the ESSB driving a step-change in the way enterprise and skills agencies collaborate and align their products and services to enhance, and make it easier, for users to access support.

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

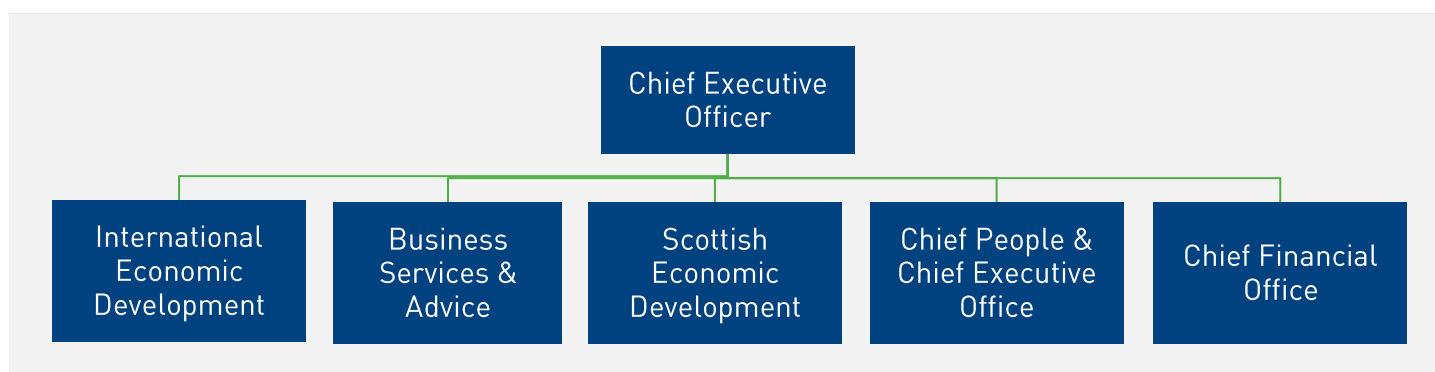
Some Scottish Enterprise activities operate across all of Scotland, including the Highlands and Islands and South of Scotland Enterprise areas, these being:

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

Whether at an international, national, 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 2021/22, Scottish Enterprise's operations were delivered under the guidance of a Chief Executive (note an interim Chief Executive was in post until 1 September 2021) and the Executive Leadership Team via the following organisational structure:

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International Economic Development

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

Business Services and Advice

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

Scottish Economic Development

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

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

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

- **People** focusing on employee-related matters of recruitment, employee relations, benefits and pensions, payroll, training and staff engagement/culture and providing the procurement, legal, facilities management functions, delivering health and safety and environmental management.
- **Audit** with responsibility for corporate governance, conducting independent appraisal of the financial and management activities of Scottish Enterprise, and giving independent assurance and

advice to Scottish Enterprise's Audit Committees and Accountable Officer. The Scottish Enterprise Internal Audit team provides a shared service to five partner organisations: Scottish Enterprise, Skills Development Scotland, Scottish Funding Council, South of Scotland Enterprise and Clyde Gateway.

- **Marketing and Corporate Affairs** helping to promote and protect the reputation of Scottish Enterprise and delivering employee communications channels.
- **Strategy, Networks and Insights** working closely with key stakeholders and partners: to help shape the direction and priorities for Scottish Enterprise and economic development in Scotland; to build the insights and evidence base to inform activities and strategic priorities; and to evaluate Scottish Enterprise's impact.

Chief Financial Office

This division comprises **Finance** and **Digital Delivery and IT Team (DDIT)**:

- **Finance** with responsibility for ensuring strategic financial management and value for money are at the heart of the business and its decision-making process.
- **DDIT** working on business technology enablement, focusing on the tools and support needed by Scottish Enterprise colleagues to do their jobs well and laying the foundations to deliver exemplar services for our customers and become a data-driven organisation.

Strategy and Objectives

Scottish Enterprise launched a 3-year [Strategic Framework](#) in 2019/20 which set out our ambitions for the future of Scotland's economy. The Framework included: a new vision, purpose and values and a detailed three-year Corporate Strategy (2019-2022). The 2021/22 financial year represented the third and final year of the strategic framework.

The framework was set within the context of Scotland's overall economic agenda at the time. The direction and guidance set out in the Scottish Government's [Economic Strategy](#) (March 2015), the [Economic Action Plan](#) and the [Enterprise and Skills Strategic Board's Strategic Plan](#) together provided a clear ask from the Scottish Government to help deliver its purpose and long-term aspirations for Scotland's economy.

The 2021/22 business plan set out the important role Scottish Enterprise plays in Scotland's economic recovery and growth, especially to support a green recovery based on good jobs, fair work and vibrant regions.

It built on the strategic approach set out by the Scottish Government in its response to the [Advisory Group on Economic Recovery report](#), the [Enterprise and Skills Strategic Board's Labour Market subgroup](#) and the [Logan Review](#).

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There was a strong focus on delivering outcomes aligned to Jobs, Net Zero and Place, recognising the growing importance of social and environmental values as well as economic outcomes. Helping to build an economy that creates good, sustainable jobs, that is supportive of Scotland's drive towards net zero and that ensures more people from more places can benefit from growth. This values-based approach to growing the economy was central to our plan.

The 2021/22 business plan described how Scottish Enterprise would get behind businesses and places, guided by four strategic ambitions:



Building vibrant economic communities across Scotland, spreading increased wealth and wellbeing

Scotland's economic needs and opportunities vary from region-to-region, so we will work with regional partners to support regions and their businesses adapt to and take advantage of economic opportunities.



Building Scotland's reputation and reach in strategically important markets

Scotland's international competitiveness is central to economic recovery. The Scottish Government has set out its priority areas in the [Inward Investment Plan](#), [A Trading Nation](#), [A Vision for Trade](#) and the [Global Capital Investment Plan](#). We have a significant role to play in delivering the priorities set out in these plans, helping deliver our ambitions around jobs, net zero and place.



Building resilience and growth in Scotland's businesses, sectors and region

We will provide effective support to more businesses by simplifying our service delivery working alongside partners. We will focus on the broader economic objectives we want to achieve, around creating and retaining good jobs, the shift to net zero and benefiting places across Scotland. To help us do this our delivery model needs to be more flexible, ensuring we can respond to different economic circumstances, opportunities and threats, regionally, nationally and internationally.



Building future economic opportunities that will drive our international advantage

Alongside supporting resilience and growth, it is also critical that we look towards Scotland's long-term success. This requires a focus on future economic opportunities where Scotland has a competitive advantage, stimulating investment in a green, innovation-led recovery: net zero, enhanced health and wellbeing, the accelerated use of digital and advanced manufacturing.

Along with what we would deliver, Scottish Enterprise's 2021/22 business plan set out how we would deliver, highlighting the changes we would make to respond to emerging Covid-19 trends, including changes to customer behaviours and the move to more flexible ways of working.

Scottish Enterprise's 2021/22 Business Plan – summary

SE Strategic purpose:	Create more, better jobs that nurture shared wealth and collective wellbeing					
With a focus on:	Jobs: new, good, green		Net Zero: transition to net zero economy		Place: regional growth; national place-making	
	Building vibrant economic communities		Building Scotland's reputation and reach		Building resilience and growth in businesses, sectors and regions	
By delivering:	Support and deliver business resilience, recovery, growth and help build the future economy					
	<ul style="list-style-type: none"> Support business resilience, exports and development opportunities Invest in projects that support regional economic recovery Encourage early-stage growth and investment 		<ul style="list-style-type: none"> Invest in strategic sites that impact both on places and Scotland's reputation and economy Target capital investment/inward investment that align to opportunities 		<ul style="list-style-type: none"> Deliver seven National Programmes linked to economic opportunities Support businesses in their transition to net zero 	
Resulting in:	7,600-10,500 planned jobs paying at least the real living wage, including green jobs. £310m-£425m planned R&D investment by businesses/projects.		£310m-£360m planned capital investment by businesses/projects. £190m - £230m growth funding raised by businesses.		£0.8bn - £1.1bn planned international exports. 200k - 240k tonnes estimated CO2 savings by businesses/projects.	
Supported by:	SE's people Using our expertise, skills and networks to support businesses; managing and supporting talent; maintaining a motivated and flexible workforce.		Business Engagement Engaging with businesses, one-to-one, on specific challenges and opportunities and early-stage investment support		Insights and reputation Using data and insights, and targeted comms and marketing to enhance customer experience and increase advocacy	
	Digital delivery More customers accessing more services online; self help tools; targeted funding calls.		Innovative funding models Identifying opportunities to make the most of other sources and methods of funding to support more businesses and projects			
Key stakeholders:	Collaboration with partners and stakeholders					
	Scottish Government	Public bodies	Industry & Business	Academia & research institutes	International Partners & Networks	Media & influencers

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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 within the organisation. Scottish Enterprise's Audit and Risk Committee review the Corporate Risk Register regularly on behalf of the Board. During 2021/22 a 'risk dashboard' was presented to each meeting to highlight the Top 5 risks across the Corporate Risk Register. Risks identified on the Risk Dashboard from the Corporate Risk Register include:

- The potential impact of the outcome of the Scottish Government's Resource Spending Review which will shape Resource budgets over the medium term. This could impact on SE's ability to help shape and deliver the National Programmes that will be essential to Scotland's competitive advantage over the next decade.
- Uncertainty regarding the availability of Financial Transactions funding over the medium term, potentially resulting in a reduced capacity to maintain support to the early stage investment market.
- The risk of Scottish Enterprise's ambition to be a digitally enabled and data driven economic development agency not being realised.
- There is a risk of mis-alignment between Scottish Enterprise and the Scottish National Investment Bank resulting in customers and markets being unclear on the respective roles of the bodies and resulting in the sub-optimal delivery of investment activities in support of the Scottish economy.
- The risks of the Covid-19 and Brexit along with other factors, including inflation and rising input costs, having an impact on global trade and investment flows.

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

Performance Summary

Scottish Enterprise's 2021/22 business plan set out the important role Scottish Enterprise plays in Scotland's economic recovery and growth, and how Scottish Enterprise would get behind businesses and places.

Scottish Enterprise successfully delivered all targets published in the 2021/22 business plan, exceeding the target ranges for all six of our outcome measures.

Fourteen out of the eighteen milestones set out in our plan for 2021/22 have also been met. Four were not fully achieved in year, however, significant progress was made with all milestones.

Other significant achievements took place during the year, including the launch of our first Green Jobs Call; further investment in significant innovation assets including the National Manufacturing Institute Scotland, and Michelin Scotland Innovation Parc; attraction of inward investment; celebrating the 20th anniversary of GlobalScot Network; and being recognised as the UK's number one investor in university spinouts.

Performance Analysis

To measure how our support meets our objectives of 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 the Scottish Government and the [National Performance Framework](#) (NPF).

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

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

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

Results Against Key Performance Measures

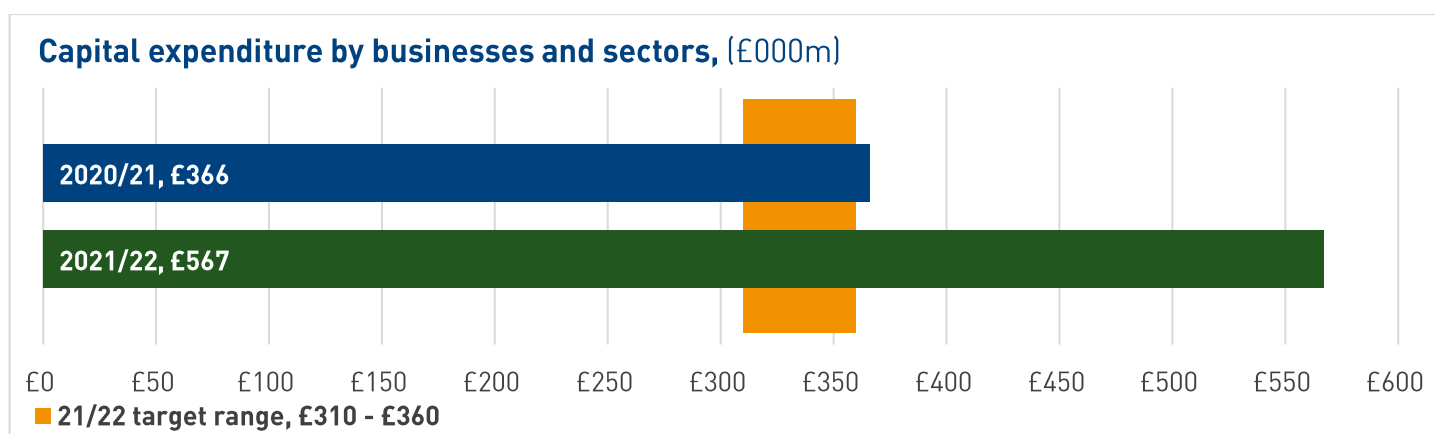
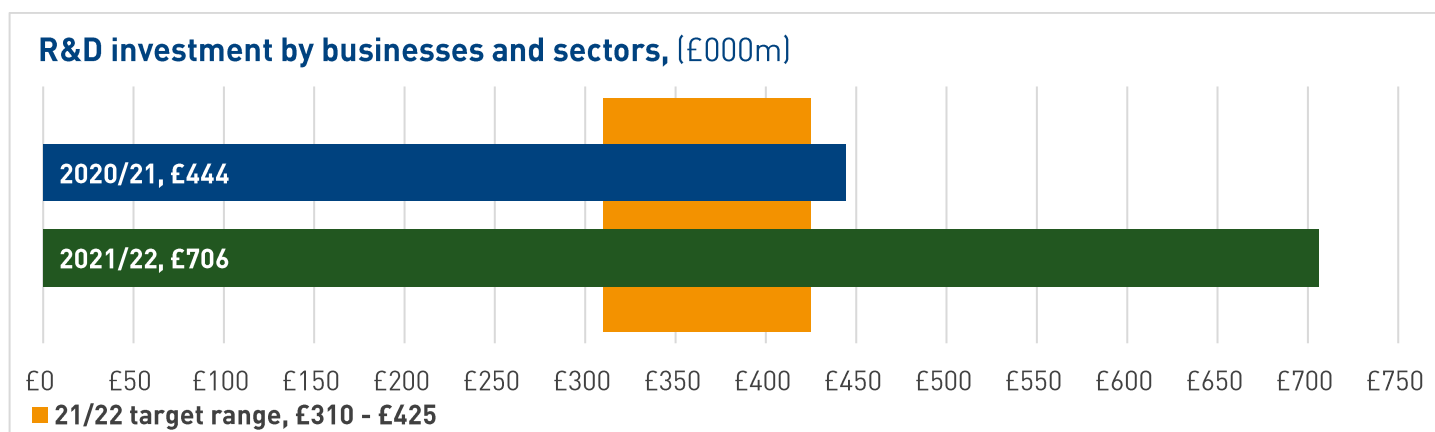
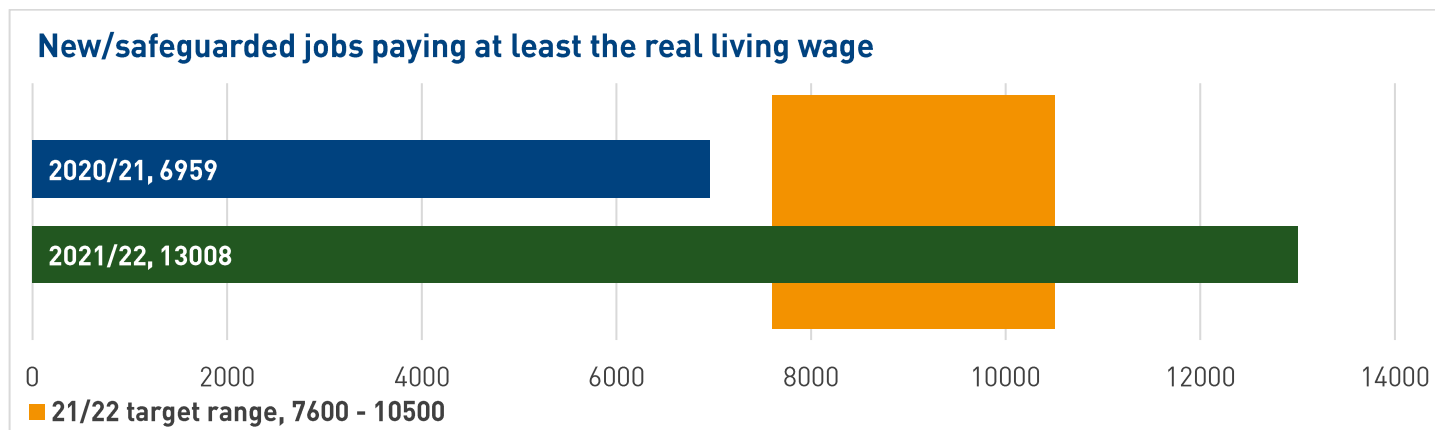
The indicators in our performance framework align to both Scotland's [National Performance Framework](#) and the [Strategic Board's performance framework](#), allowing the enterprise and skills agencies to demonstrate Scotland's progress towards achieving higher levels of productivity, equality, wellbeing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

We work closely with our partner agencies - Highlands and Islands Enterprise and South of Scotland Enterprise in particular - to further align our measurement approaches, and actively keep this under review.

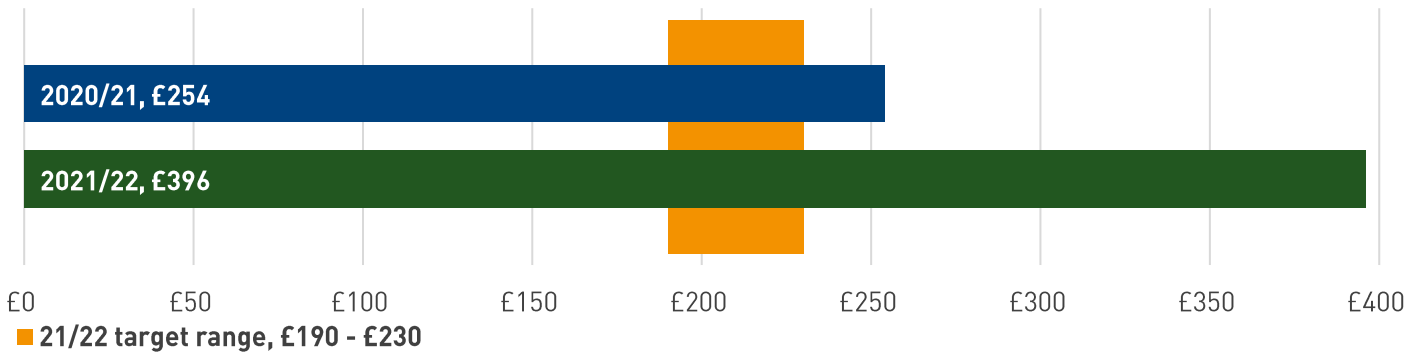
Behind the primary outcomes set out below is a fuller performance framework which management teams use internally, to track and monitor not only what we deliver but how we deliver. Analysis and insights from the performance framework allows us to better understand what works and what has the greatest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

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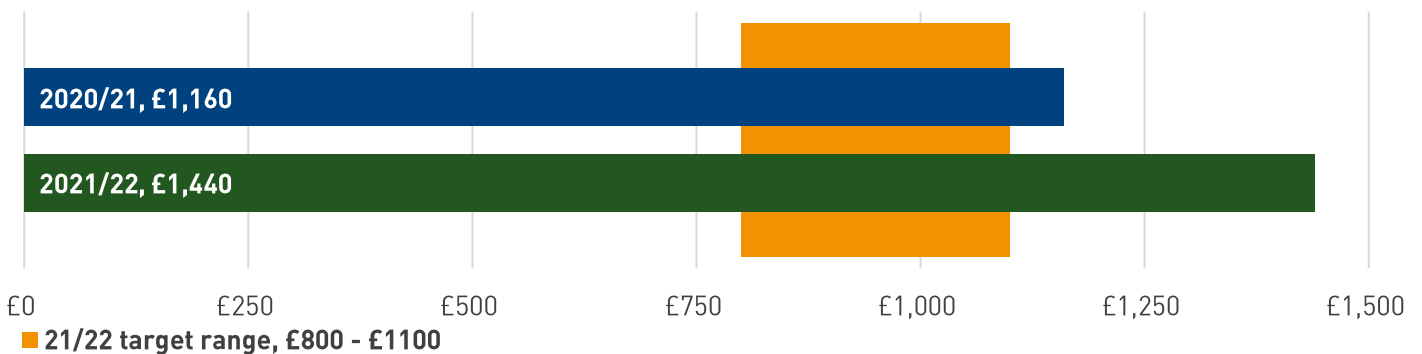
We also use the framework to monitor how inclusive our actions are by tracking a number of indicators aimed at giving us more insight into how far our activities reach in terms of people and place.



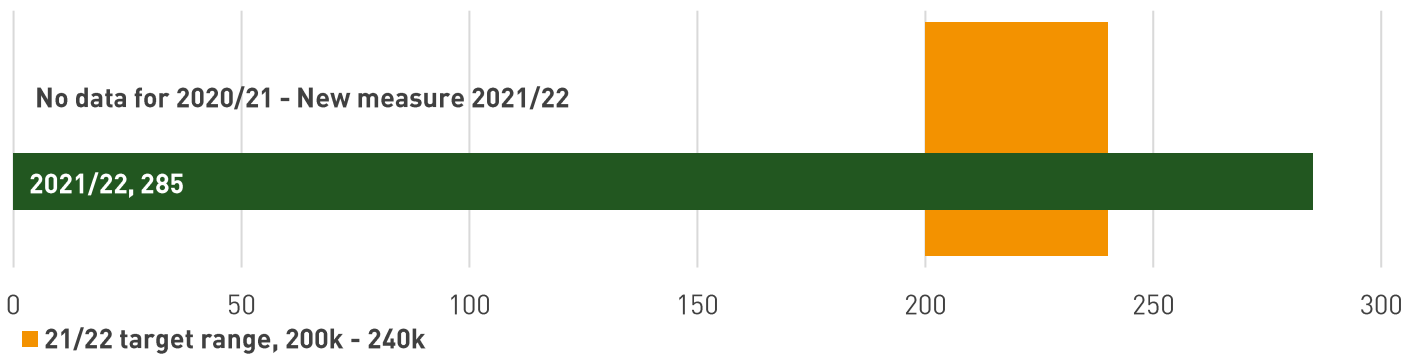
Growth funding raised by businesses, (£000m)



International export sales, (£000m)



CO2 savings by businesses/projects, (000k tonnes)



It should be noted that Scottish Enterprise's 2020/21 operating year was significantly influenced by the Covid-19 crisis. In agreement with the Scottish Government, we did not publish an annual operating plan or performance measures, focusing our resources on responding to the pandemic.

No target ranges were set for 2020/21 due to the uncertainty surrounding Covid-19 and its impact on businesses and the economy. We continued to track our 2020/21 performance measures internally, as a source of insight into the impact of Covid-19 on business investment decisions and on the progress of projects and funding already committed by Scottish Enterprise. The final outturn positions are indicated in the bar charts above.

At the time of setting our target ranges for 2021/22, we recognised that there was a continuing impact on businesses and their investment decisions as a result of both the ongoing Covid-19

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pandemic and the UK's new trading relationship with the European Union, particularly for internationally focused businesses. The target ranges were set with these factors in mind.

Despite the challenging economic conditions, Scottish Enterprise exceeded **the target ranges for all six of our outcome measures**. With over **700 projects** contributing to these outcome measures, this was an exceptional performance. However, the nature of how we achieved some of our outcome measures is still very reflective of the challenging operating environment:

- For our planned new/ safeguarded jobs measure 45% of the total involved the safeguarding of jobs, this represents a much higher proportion that we would see in the average year.
- Several large projects have contributed significantly to some measures including the Valneva project which emerged during the course of the year and secured the company's vaccine manufacturing facility in Scotland.
- For our Growth Funding measure many delayed larger funding rounds were completed this year after being affected by challenges during 2021.

Results Against Key Milestones

Milestones represent significant achievements that contributed to the delivery of the business plan. Fourteen out of the eighteen milestones set out in our plan for 2021/22 have been met. Four were not fully achieved in year, however, significant progress was made with all milestones.


MILESTONE	UPDATE	STATUS
QUARTER 1		
Deliver the first in a series of Green Jobs calls to deliver £21m of support to companies transitioning to a net zero future	Green jobs call launched in May 2021. Over 220 applications were received of which 43 were approved committing £10.7m of spend. It is forecast that 568 new green jobs will be created and 182 safeguarded.	
Proactively engage high growth Early Stage Growth companies to make them aware of the support available to fuel their ambition	Detailed engagement plans were developed on Scottish Enterprise's integrated funding and non-funding support to early stage businesses. Engagement took place via social media, press releases, attendance at events and key stakeholder discussions.	
Accelerate proposals for the Prestwick International Aerospace Project delivered by the Ayrshire Growth Deal, working alongside regional partners to position Ayrshire as one of the UK's leading centres of Aerospace and Space activity	Progress has been made, however there is more to be done to accelerate proposals as envisaged. Scottish Enterprise provided financial support and technical expertise to South Ayrshire Council to bring forward an updated masterplan and to undertake site investigations to support future developments. Through our international arm, we are looking to secure a significant foreign direct investment for the site. Stakeholder engagement has taken place and dialogue is underway with Scottish Government around the potential establishment of a more formal partnership arrangement to progress proposals.	

MILESTONE	UPDATE	STATUS
Work with regional partners to accelerate the Clyde Mission, driving sustainable and inclusive growth for the city, region and Scotland	Scottish Enterprise has led on and provided financial input towards (i) Glasgow City Council Clyde Rover Flood Model; (ii) Maritime Opportunities report; (iii) Green Action Trust Vacant & Derelict Land Phase1 report; (iv) Clyde Mission Data Gathering project; and (v) Green action Trust for Phase2 feasibility for small Vacant & Derelict Land sites. Senior leadership is provided to the Clyde Mission Board.	
Engage key stakeholders and partners on the development and delivery of the National Programmes	Comprehensive programme of engagement, including with Team Scotland partners. Ongoing engagement with Team Scotland partners, industry and academia now part of business-as-usual activity.	
Progress the creation of an Energy Transition Zone in Aberdeen, with partners, capitalising on new energy transition opportunities through sustainable low/zero carbon energy resources	Energy Transition Zone Ltd is now fully incorporated with Scottish Enterprise representation on the Board. The Energy Transition Zone was formally launched by the First Minister during February 2022, alongside announcement of the Floating Offshore Wind Innovation Centre. Detailed proposition development is underway with a range of stakeholders on Hydrogen Test and Demonstration and a possible Clean Energy Business Incubation & Scale Up facility.	
Develop plans to deliver against the Scottish Government's Manufacturing Recovery Plan and the Global Capital Investment Plan	Execution plan developed to support delivery of Scottish Enterprise's contribution to delivery of Global Capital Investment Plan. The Manufacturing Recovery Plan finished at the end of 2021 and work on manufacturing has now transitioned back to the Making Scotland's Future programme led by Scottish Government and supported by Scottish Enterprise.	
QUARTER 2		
Develop regional inward investment prospectuses working with regional partners and embed in our inward investment activity	Completed for all Scottish Enterprise regions and shared with Regional Partners.	
Launch a customer experience framework for how we deliver support, set targets and measures on being easy to do business with	Pilot was launched in November gathering insights from customers across the digital and enquiry journeys. Improvement plan developed that will measure progress towards improving the customer experience making Scottish Enterprise easier for the customer to do business with.	
Launch our first regional calls to stimulate action that targets key sectors and opportunities aligned to regional assets and challenges	Two regional funds launched - Ayrshire, targeting food and drink manufacturers fund and Glasgow City Region "Low Carbon R&D Fund". Both were co-developed with local government.	

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MILESTONE	UPDATE	STATUS
Implement Vision for Trade's direction to cease trade support for fossil fuel goods and services activities in support of Scotland's net zero emissions ambition	Plan now in place following collaboration with Scottish Government to agree exemptions and timescales for implementation. Following a review of renewables there will be an increased focus on Climate Tech and Green Tech opportunities in support of Scotland's net zero emissions ambition.	
Complete youth recruitment with young people hired	Youth recruitment now a rolling programme based on strategic need and dependent upon available budget. The programme now includes Foundation Apprenticeships, Career Ready interns as well as Graduates.	
QUARTER 3		
Incentivise businesses to transition to net zero by setting out sustainable practices we expect in return for our support	Significant progress has been made during 2021/22 in scoping out our approach to conditional funding around Net Zero and Fair Work First, including customer research, staff awareness/training and changes to systems and processes. Full implementation of the approach will now take place in 2022/23.	
Review our Net Zero Framework for Action to identify the new and accelerated actions as a legacy of COP26	Annual review of Net Zero Framework for Action incorporates COP26 legacy recommendations. Is due to be launched in early 2022/23.	
Develop a new Entrepreneurship Strategy, in consultation with the Scottish Government, for implementation in 2022/23	The National Strategy for Economic Transformation will now drive development of a joined-up strategy. Clarity on the respective roles for Scottish Government and Scottish Enterprise, as well as other market players will be key.	
Review the deeper regional collaboration approach in Ayrshire, Glasgow and Clyde and the North East to capture lessons learned and understand how this supports activity in other regions	A learning review was undertaken. A new model of regional working has now been introduced across Scottish Enterprise to ensure that the varying needs and opportunities of each Region can be reflected within our service offering.	
QUARTER 4		
Deliver regional business support plans in three target areas (Ayrshire, Glasgow and Clyde and the North East)	Discussions have taken place with local government at CEO, Scottish Local Authorities' Economic Development group and official levels on these with pilot work underway. Delivery is now likely to be part of the National Strategy for Economic Transformation.	
Apply Fair Work First criteria to all business and project funding	Recording a company's commitment to Fair Work First now mandatory for all financial projects, where a grant/financial support is made directly to a business. We await further guidance from Scottish Government with regards the Bute House Agreement for Real Living Wage paid to all employees being a condition of grant from day one.	

 Milestone met

 Milestone not fully met

Other key achievements during 2021/22 included:

Building resilience and growth in businesses, sectors and regions

- Scottish Enterprise launched its first **Green Jobs Call**, part of the Scottish Government's £100 million Green Jobs Fund, to undertake innovative projects and create jobs that support low carbon products and services. £10.7 million was approved for 43 projects involving total capital investment of £61.6 million, with more than 750 green jobs to be created and safeguarded by the projects.
- Scottish Enterprise, together with partners, and, in conjunction with the Scottish Government and the Fair Work Convention led the development and introduction of the **Fair Work Employer Tool** to help employers understand and fully embed the dimensions of Fair Work. To date over 900 businesses have accessed the tool to support them on their Fair Work journey.
- Scottish Enterprise delivered two further top up payments to the **Scottish Wedding Industry Fund** during 2021/22 to support businesses impacted by Covid-19 restrictions. A total of £4.2 million in grant was delivered to 2,269 companies in the first top up payment and 2,182 companies in the second top up.
- Through **Scottish Enterprise's Small Grant Fund** we have supported 50 projects, created 400 jobs and safeguarded 193. This has generated £12.9 million of new capital investment, £37 million of planned international sales and £355.8 million of planned sales from innovation for the Scottish economy.
- The first ever **Unlocking Ambition** community showcase was held in Glasgow to celebrate the achievements of alumni from our flagship business growth and leadership programmes. The event also marked the graduation of the third cohort who now join the wider alumni peer support community. Third cohort graduates are comprised of 36 entrepreneurs from 30 companies. They have forecast £24.4 million of investment and the safeguarding/creation of 552 jobs over the next three years.
- During the year, 24 **Large R&D** projects were awarded. Notable projects included:
 - R&D investment by Scottish Enterprise of up to £20 million in Valneva Scotland. The company will develop and manufacture their Covid-19 vaccine at its Livingston facility, ensuring one of the largest and most advanced vaccine manufacturing sites in the world is now firmly anchored in Scotland.
 - Capital investment and R&D funding package for Royal DSM. The company will manufacture its ground-breaking feed additive, Bovaer, which results in a 30% or more reduction in methane produced by cattle. This move is expected to grow the 300 strong workforce in Ayrshire by approximately 10% as well as securing the site's long-term future.

Building vibrant economic communities

- Key investment in **strategic innovation assets** included:
 - The **Spirit AeroSystems' Aerospace Innovation Centre** (AIC) opened, exploring new, more efficient approaches to the design and manufacture of aerostructures such as wings, using lightweight composite material technology to reduce flight emissions and lower costs. The

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£28 million facility was supported with a £4.8 million research and development infrastructure grant from Scottish Enterprise.

- The **National Manufacturing Institute Scotland** (NMIS) and the world's largest aerospace company Boeing officially opened a new research and development (R&D) facility in Westway Park in Renfrew within the Advanced Manufacturing Innovation District Scotland. The new NMIS facility incorporates the Metallics Research Centre with Boeing, which will see the delivery of Boeing's £11.8 million R&D programme in collaboration with the University of Strathclyde's Advanced Forming Research Centre (AFRC), part of the NMIS Group. Aiming to reduce materials waste and identify opportunities to improve safety, productivity, and the environmental impact of its aircraft, technical teams from Boeing and NMIS are exploring novel manufacturing technologies for metallic components. Part funded by Scottish Enterprise, the programme is the first initiative within the Boeing Scotland Alliance, which is exploring opportunities to work together in Scotland, with the aim of doubling Boeing's supply chain and creating 200 new quality jobs in the next five years.
- The ongoing investment into the **Michelin Scotland Innovation Parc** – the ambitious joint venture between Michelin, Dundee City Council and Scottish Enterprise to support innovation in low carbon sustainable mobility. Investment will support the further creation of the Parc's Innovation Campus and Skills Academy. Due to open later in 2022, the Academy will provide dedicated training to current and future employees of companies located at the Parc, inspiring and supporting a new generation of engineers, technicians and operators to design and manufacture for the sustainable mobility and decarbonisation sectors. The Innovation Campus, consisting of an Innovation Hub and Innovation Labs, provides an exciting and varied environment for industry, academia and government to collaborate, innovate and progress the just transition to net zero.

Building Scotland's reputation and reach

- During the year, it was confirmed that Scotland was the most popular UK location outside London for **inward investment** in 2020, for the sixth successive year, in EY's 2021 Attractiveness Survey.
- In 2021/22, 7,641 planned real living wage jobs had been generated by inward investment, with 113 inward investment projects in Scotland supported, 39 of which were investors locating in the country for the first time. The most predominant sectors for inward investment were Software and IT and energy transition.
- Through Scottish Development International (SDI), Scottish Enterprise has delivered **trade events**, both virtual and in person, with the aim of driving more international sales for Scotland. Notable events include Expo Dubai, where SDI working with partners delivered a programme of events, demonstrating why Scotland is a world-leading destination, not only for business and investment, but also for education, culture and tourism. SDI supported companies from the climate and net zero, space and digital healthcare sectors to showcase their innovative technologies at the event and engage with key buyers and stakeholders.
- There has been considerable and significant success for Scottish companies leveraging opportunities in the HSE (Health Service Executive – equivalent to the NHS) in Ireland. Led by the Scottish Development International **trade** team in Dublin, the project has capitalised on government to government connections and wider collaboration. Under the auspices of the

Scotland-Ireland bilateral partnership, the Scottish Enterprise team worked with the HSE and various partners in Ireland to scope out the ecosystem and identify demand for Scottish technology solutions. Two companies are now actively working with HSE, with potential for significant future **international sales** to Ireland and beyond and the HSE relationship continues to build.

- **GlobalScot** celebrated its 20th anniversary, as Scotland's prestigious international business network. Consisting of entrepreneurs, business leaders and community figureheads, GlobalScots are a vital component of Scotland's international network, providing Scottish companies with critical market insights and highlighting opportunities in Scotland to potential investors. During the year, GlobalScot broke through the 1,000 barrier in terms of network members. GlobalScots can now be found in 62 countries, ranging from Mexico to Thailand.

Building future economic opportunities

- During the year Scottish Enterprise invested in 108 **early-stage high growth potential businesses**. £56.6 million was invested and private sector leverage of £213 million was unlocked from our activity.
- 2021/22 was a record year for **income generation** from Scottish Enterprise's **early-stage investment** activity, with £106.6 million generated which will be used for further economic development activity.
- Scottish Enterprise was recognised as the UK's number one **investor in university spinouts** by the Royal Academy of Engineering. Scottish Enterprise participated in the largest number of **equity deals** for spinout companies between 2011 and 2021 with 232 deals.
- In 2021/22 we took further steps to firmly position Scottish businesses to take advantage of **future market opportunities**, by coalescing multi-disciplinary teams around seven national programmes: Decarbonising Heat, Digital Scale-Up Level-Up, Future Healthcare Manufacturing, Health for Wealth, Hydrogen Economy, Scotland in Space and Zero Emissions Heavy Duty Vehicles, with a collective ambition of delivering 50,000 jobs over 5 years:
 - This year saw early successes from our partnership with Transport Scotland, delivering £1.8 million through our CAN DO innovation challenge support, maximising opportunities for Scottish companies in the decarbonisation of transport. £720,000 was awarded to 14 companies in the Zero-Emissions Heavy Duty Vehicle Challenge.
 - Within the Digital Scale-up Level-up (DSL) programme, we identified opportunities for companies within the Just Transition to Net Zero, where digital ClimateTech solutions will be needed to address Future Energy Supply, Mobility and Transportation, Buildings, Industrial Decarbonisation, Agriculture, Land use and Food. The research will underpin our activities in the year ahead, towards the twin objectives of achieving Net Zero and growing the Scottish digital technology supply chain.
 - The completion of the Hydrogen Production Sites report, detailing the next steps to establish large-scale production in Scotland, was a significant milestone towards our ambition to be a nation with Hydrogen expertise and action, driving investment and export opportunities.

Section 1: Performance Report

Net zero

- Scottish Enterprise published our first **Net Zero Framework for Action**, outlining our approach to help tackle climate change and address biodiversity loss. It focuses on economic opportunities that deliver benefits to the environment and society.
- The **UN Climate Change Conference, 26th Conference of Parties** (COP26) was hosted by the UK in Glasgow from 1 - 12 November 2021. Scottish Enterprise worked across the public and private sector in Scotland and beyond, to develop a programme of activity to showcase, promote and engage businesses towards our net zero future, prior to and during the conference. Scottish Enterprise successfully:
 - Organised and delivered 24 events at Scotland's Climate Ambition Zone located at The Lighthouse attracting 1,140 in-person and 1,773 virtual delegates.
 - 94 companies showcased their net zero credentials via an online virtual exhibition.
 - 75% of delegate companies increased their awareness of Growth Market Opportunities in the Transition to Net Zero in Scotland and 49%, considering signing up to the United Nations Race to Zero Campaign.
 - Scotland's Green Innovation and Investment Showcase provided an insight into Scotland's investment and innovation ecosystem and showcased some of Scotland's most exciting growth companies leading the way in green innovation as we seek to accelerate investment into net-zero opportunities with the Mayor of London and First Minister delivering plenary talks.
- Scotland's leading role in tackling the global climate emergency and its commitment to net zero has been underlined by international companies choosing to develop their innovative, low-carbon projects here with enterprise agency support. These include the Scottish Enterprise supported project with Mitsubishi Electric Air Conditioning Systems Europe Ltd contributed significantly to our CO2 savings target in 2021/22. The company is investing £15.3 million in its Livingston manufacturing facility, to develop the next generation of heat pumps, creating and protecting almost 400 jobs.

Future Developments

In the performance year 2022/23, Scottish Enterprise will launch a new corporate plan which will begin to set out our role in delivering the Scottish Government's National Strategy for Economic Transformation.

[The National Strategy for Economic Transformation](#), seeks to build a long-term sense of optimism - working towards a bold, collective vision for Scotland's economy by 2032. The strategy focuses on five policy programmes which have the greatest potential to transform the economy. They are designed to stimulate entrepreneurship; open new markets; increase productivity; develop the skills Scotland needs for the decade ahead; and ensure fairer and more equal economic opportunities.

Scottish Government's Vision, Ambition and Programmes of Action for Scotland's Economy by 2032

Vision	A Wellbeing Economy: Thriving across economic, social and environmental dimensions.				
Ambition	Fairer Ensuring that work pays for everyone through better wages and fair work, reducing poverty and improving life chances.	Wealthier Driving an increase in productivity by building an internationally competitive economy founded on entrepreneurship and innovation.	Greener Demonstrating global leadership in delivering a just transition to a net zero, nature-positive economy, and rebuilding natural capital.		
Programmes of Action	Entrepreneurial People and Culture	New Market Opportunities	Productive Businesses and Regions	Skilled Workforce	A Fairer and More Equal Society
	A Culture of Delivery				

Source: [Supporting documents - Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](#)

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

The Scottish Government's ambition for Scotland, to create an economy that is fairer, wealthier and greener, is shared by Scottish Enterprise. More productive employment, increasing the overall productivity and competitiveness of businesses and grasping fast-growing international market

Section 1: Performance Report

opportunities presented by the transition to net zero are all critical for growing companies, attracting talent and investment and ensuring Scotland's future economy is resilient and fit for purpose.

In responding to NSET's vision and strategic priorities, Scottish Enterprise will focus on those areas where we can deliver most value for the economy.

During 2022 the Scottish Government will finalise detailed plans for the successful delivery of NSET. These plans will set out how the programmes will be taken forward, demonstrating collaborative working across the ecosystem and with business. Scottish Enterprise will play a full role in delivering NSET priorities and will reflect this appropriately in future operating and corporate plans.



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

Our focus

Unlocking Scotland's potential	working closely with businesses, investors, universities, entrepreneurs and our partner agencies, we have a unique opportunity to shape and develop world-class solutions to global challenges, using the experience, innovation, know-how and natural assets we have here in Scotland and overseas.
Seizing opportunities	we will invest in business growth, helping to build future markets and develop capabilities in global opportunity areas, such as low carbon energy, health and wellbeing, technology and data and advanced manufacturing. By doing this, we can deliver long term prosperity for Scotland's businesses and people, as well as ensuring Scotland benefits from the huge changes and disruption taking place in the global economy.
Increasing competitiveness	we will support ambitious businesses to be in the best possible position to take advantage of these opportunities, helping them to be more resilient to economic shocks and supporting future growth, working with them to adopt more innovation, to invest more and to internationalise. These are the areas which will enhance their long-term competitiveness and productivity.
Boosting business sustainability	we will support companies to improve their business performance, helping them adapt to changes emerging from the transition to net zero and development of a climate resilient Scotland. Targeting fast-growing green market opportunities, decarbonising supply chains, and adopting new, low carbon technologies all deliver improved productivity and business sustainability. We will also work with companies to encourage them to actively embed fair work , engaging workers to improve performance and remain attractive to employees, customers and investors.

Our ambitions



Internationalisation, innovation and investment are our areas of greatest opportunity and challenge, where Scottish Enterprise can make the biggest difference. These are also the areas where we have expertise and capability and where we can most usefully support a transformation in the economy which delivers business competitiveness and growth alongside fair work outcomes and a successful transition to net zero.

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

SE's ambitions:

- Innovation:** To improve Scotland's innovation performance and reputation, making Scotland the leading innovation nation in the UK – by getting behind or creating partnerships to deliver an integrated approach to delivery built around economic opportunities and the creation of innovative places across Scotland
- International:** For Scotland to be viewed as a leading European location to start, scale and internationalise a business; as a magnet for talent to work in Scotland's most ambitious companies; and as a profitable and successful place to invest capital in opportunities which will accelerate Scotland's transition to net zero
- Investment:** To significantly increase the number of businesses, entrepreneurs and early-stage companies in Scotland who have the ability to grow to a scale where they have a major impact on the economy, nationally or regionally

Net Zero Framework for Action

Scottish Enterprise published its first net zero framework in 2021 and will update it on an annual basis. The [net zero framework 2022/23](#), reports on the progress made and outlines a new plan for the year ahead. To ensure we continue to deliver, we have reset our strategic ambition and simplified our approach to focus on five key areas of deliverable action. We want to ensure that our progress is transparent, accountable, quantifiable, and easily accessible. Our ambition focuses on net zero economic opportunities that also deliver benefits to the environment and society. Within our plan, we are embedding a focus on net zero to support Scotland's economic growth and business competitiveness, including decarbonising our own internal operations by becoming a net zero development agency (Scope 1 and 2 emissions) by 2040.

Section 1: Performance Report

Financial Performance

The results for the year ended 31 March 2022 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

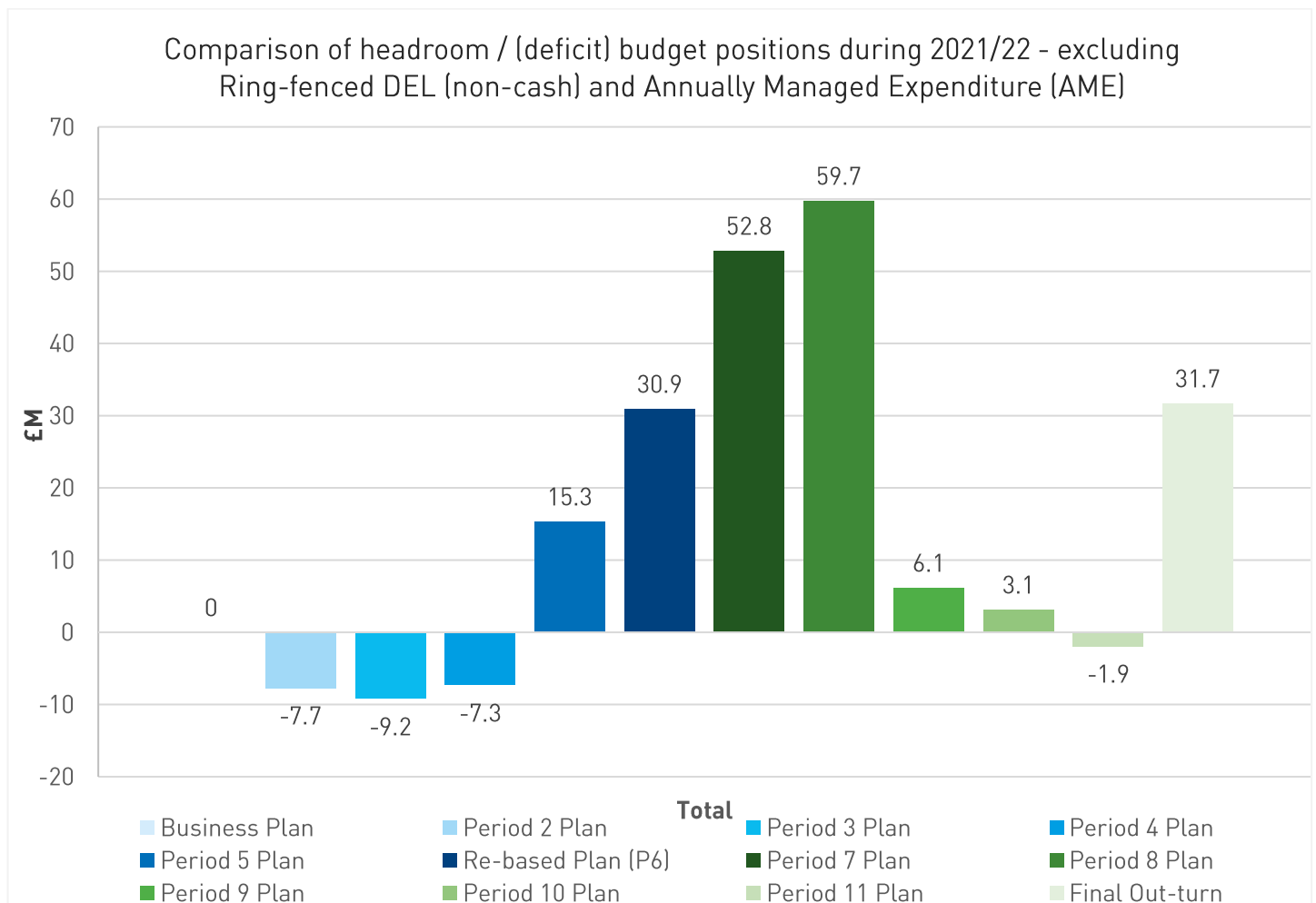
The Grant in Aid allocation is intended to cover capital and revenue expenditure (on an accruals basis) net of in-year income from sources such as European Union funding and from the use or disposal of Scottish Enterprise's property and investment assets. In addition, there are ring-fenced budget allocations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

Grant in Aid Budget Allocation:	Original Budget Allocation	Autumn Budget Revision	Spring Budget Revision	Final Budget Allocation
	£000	£000	£000	£000
Fiscal Resource	135,120	9,908	(16,009)	129,019
Fiscal Capital	72,200	25,736	13,880	111,816
Financial Transactions expenditure	48,800	-	(21,671)	27,129
Financial Transactions income	(27,300)	-	(24,038)	(51,338)
Total Cash Budget	228,820	35,644	(47,838)	216,626
Fiscal Resource – expected credit losses	-	-	30,000	30,000
Total Fiscal Budget	228,820	35,644	(17,838)	246,626
Ring fenced DEL (Non –cash costs including depreciation)	8,300	-	-	8,300
Annually managed expenditure	-	-	42,000	42,000
Total Budget	237,120	35,644	24,162	296,926

The original Budget for 2021/22 amounted to £237.120m, comprising a grant in aid provision of £228.820m and a non-cash allocation of £8.3m. During the year Scottish Government confirmed additional net transfers of budget amounting to £59.806m. The largest Resource budget transfer was £30.0m to cover expected credit losses, the estimated future cash shortfall from financial instruments held at amortised cost, and financial assets that have been written off during the financial year. It was agreed that the charges associated with expected credit losses and write-offs would be treated as an unfunded cost pressure at the start of the financial year. These costs would then be covered via an in-year budget allocation from the Scottish Government with Scottish Enterprise contributing towards the cost pressure via the utilisation of any headroom that emerged against the core Resource budget. The return of Resource budget of £16.009m via the Spring Budget Revision process primarily reflected the Scottish Enterprise contribution towards the expected credit loss and write-off pressure.

The largest single project related transfer during 2021/22 amounted to £38.321m towards the National Manufacturing Institute for Scotland. The Financial Transactions budgets were adjusted during the Spring Budget Revision to reflect the revised forecasts for the financial year. Income from Financial Transactions funded assets had increased during the year primarily as a result of the significant returns secured from a number of equity exits. The scale of these returns would have allowed all planned equity and loan expenditure to be fully funded from the income and significantly reduced the requirement for an expenditure budget allocation from the Scottish Government. The impact of the changes on the Financial Transactions budget resulted in net income of £24.209m which could be used to repay an element of the liability with Scottish Government which arises from the drawdown and utilisation of Financial Transactions monies. A non-cash transfer of £42.0m was also made to cover anticipated costs designated as Annually Managed Expenditure. Consequently, the final approved Total Budget for 2021/22 amounted to £296.926m, comprising a grant in aid provision of £216.626m and a non-cash allocation of £80.3m. Details of Scottish Enterprise's financial outturn against the budget allocated by the Scottish Government for 2021/22 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

Scottish Enterprise entered the 2021/22 financial year with a balanced budget although there were a number of unfunded pressures at the start of the financial year. The table below shows the volatility of the budget position through the financial year.



Section 1: Performance Report

During the early part of the financial year, the unfunded pressures remained although these eased as we moved towards the midway point of the financial year. We also saw a combination of slippage in funded projects, the re-phasing of a large Inward Investment project into 2022/23 and a material increase in our Financial Transactions income all of which contributed to our projected under-spend of £30.9m at the half-year stage. The projected under-spend increased through October and November due to a number of key factors. Firstly, we incorporated the expected credit losses and write-off pressure of £30.0m into our forecasts in advance of discussions with Scottish Government to secure the budget required to address this pressure. In addition, there was a further unexpected increase in business income largely due to a significant entitlement arising from the sale of a business which Scottish Enterprise had grant funded many years previously. In addition, we experienced a further increase in anticipated Financial Transactions income. On the expenditure side of the budget, there was also a large decrease in planned expenditure on an R&D grant project following the conclusion of the contractual terms with most of the grant support moving into future years.

Given the significant increase in business income anticipated by the end of November, the original income target agreed with Scottish Government had been exceeded and the projected under-spend of £59.7m was after accounting for a return of £33.5m Capital income to the Scottish Government. During December, a number of budget transfers were agreed with Scottish Government as part of the Spring Budget Revision process which had a significant impact on the projected outturn position and brought the budget back in to balance. Firstly, we reached an agreement with Scottish Government that rather than return baseline Capital budget, we would return additional Business income over and above levels we required to fund our expenditure plans which reset the Capital plan into a balanced position. This approach helped mitigate any risk that the forecast income might not be achieved. As noted above, we also reset our Financial Transactions budgets to align with income and expenditure plans which re-balanced the Financial Transactions budget which would have allowed Scottish Enterprise to repay £24.2m of our outstanding Financial Transactions liability. Our Resource budget position was also re-balanced following a net budget adjustment which covered our expected credit losses and write-off pressure of £30.0m. The impact of these adjustments together with relatively small changes in overall forecasts resulted in the return to a broadly balanced plan with a marginal under-spend projection by the end of the third quarter of the financial year.

This position continued during the final quarter until March where several factors increased the final underspend to £31.7m (£16.2m Financial Transactions and £15.5m Resource). Firstly, it was agreed with the Scottish Government, that as part of their own outturn budget management arrangements, that our core equity investment and loan activities which had been planned to be funded by the Financial Transactions budget would instead be funded through the utilisation of capital income instead. This was the main factor behind the under-spend on the Financial Transactions budget of £16.2m. The resultant excess income was used to increase the repayment of Financial Transactions liabilities with Scottish Government to £40.4m. The transfer of activities to Capital had no impact on the Capital outturn position, which remained balanced, as it served to reduce the value of excess capital income to be repaid to the Scottish Government. The final repayment of excess Capital income for 2021/22 amounted to £28.8m. The final under-spend against the Resource element of the budget

totalled to £15.5m. This underspend resulted from a number of factors including an under-spend on core business activities of £6.4m, the final charges for expected credit losses and write-offs being £2.8m lower than anticipated and a profitable contribution of £2.6m from a subsidiary towards the group position. In addition, to ensure a consistent approach across public sector bodies, there was a budgeting adjustment relating to the treatment of £3.7m of Capitalised Interest. The adjustment had a neutral impact on the overall budget but increased the under-spend on the Resource budget and reduced the repayment of excess capital income to the Scottish Government.

The Total Budget for 2022/23 amounts to £269.220m including a ring-fenced DEL non-cash budget provision of £18.0m. This is net of a £25.510m Financial Transactions income budget to be generated by Scottish Enterprise in respect of anticipated returns based on financial asset investments originally funded from the Financial Transactions monies. The gross cash expenditure allocation of £276.730m includes £251.220m of grant in aid funding augmented by the Financial Transactions income of £25.510m. The Total Budget is supplemented by business income generated and used to support business plan expenditure during the year. In addition, further transfers of budget from the Scottish Government are anticipated through the normal operation of the Scottish Government's Budget Revision processes. At this stage, there is no budget in place to meet the estimated expected credit losses and write-off charges of £30.0m for 2022/23. In line with the practice adopted in 2021/22, the charges arising from expected credit losses and write-offs will be treated as an in-year cost pressure by the Scottish Government. In addition, and in line with previous years, there will be an opportunity to secure budget from Scottish Government later in the year to cover costs that are charged to the Annually Managed Expenditure (AME) budget heading.

Financial Position

Over the year 2021/22, there has been an increase in net asset values to £677.5m (2021: £534.0m) as shown in Scottish Enterprise's Group Statement of Financial Position.

Non-current assets have increased to £715.0m (2021: £639.7m).

While we have continued our programme of planned asset sales, this has been offset by upward valuation increases in the remaining land and property portfolio. In addition, The Glasgow Science Centre Charitable Trust Limited has undertaken various capital renewals in relation to its building. This is reflected in the total value of the land and property assets which increased to £148.0m (2021: £141.8m), of which £14.6m (2021: £11.6m) is included as Assets Classified as Held for Sale.

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has increased to £478.0m (2021: £460.6m), of which £24.7m (2021: £15.4m) is included in Current Assets. The significant increase in value reflects the on-going commitment to investment in early-stage Scottish companies and combined with an uplift in the fair value assessments of several key equity holdings.

Section 1: Performance Report

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has increased to £111.0m (2021: £52.8m). The scheme liabilities have decreased by £42.9m and assets increased by £15.3m with the main drivers of the movement in the year being as follows:

- Financial assumptions gain due to increases in corporate bond yields, partially offset by increases to assumed future rates of inflation.
- Demographic assumptions gain due to changes in the future mortality assumption.
- Greater than expected asset returns over the period.

Trade and other receivables (within one year) have decreased to £19.5m (2021: £21.9m) primarily because of previously deferred payments in respect of European funding being received in the year. Cash balances have increased to £151.2m (2020: £141.0m) due to timing of payments which is also reflected in the Trade and other payables (within one year) which have increased to £97.6m (2021: £75.7m). 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 18 years based initially on the estimated returns from the underlying investments made. During 2021/22, Scottish Enterprise drew down £3.7m of repayable Financial Transactions funds and repaid £52.3m to the Scottish Government following the sale of investments made by Scottish Enterprise with Financial Transactions money.

Payment Policy

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

In the year ended 31 March 2022, Scottish Enterprise paid 83% (2021: 85%) of suppliers' invoices within the revised standard. The average number of days to taken to pay valid invoices during the year was 8.2 days (2021: 7.8 days).

Social Matters

Fraud or Corruption Claims

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

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

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

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

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

Human Rights Due Diligence

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

Fairer Scotland Duty

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 Fair Work in the Government's purpose. We are now applying FSD assessments, supported by a group of equality champions, to new approvals considered by the Board. We have published eight assessments [on our website](#) in line with legislative requirements and several others are under development. We supported the revised guidance on the Duty and attended updated training on this. This builds on our equality obligations under the Equality Act 2010 and associated

Section 1: Performance Report

Scottish Specific Equality Duties. We are working with the Government on their current review of the Duties. Further details are contained in our [Equality mainstreaming report](#).

Corporate Social Responsibility

We have created a comprehensive Corporate Social Responsibility strategy to support our organisation's goals and values and to ensure we are a good corporate citizen and play an active part in our communities across Scotland. Key elements of this strategy include 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 refreshed our volunteering policy to allow micro-volunteering for short periods of time, previously volunteering leave would be taken in full or half days.

Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year (pro-rata for part-time staff). During 2021/22, volunteering opportunities were taken up by 38 colleagues totalling 481.5 hours. This figure continued to be impacted by Covid-19 restrictions and to mitigate this, colleagues were also encouraged to use flexible working to volunteer locally.

Environmental Matters

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

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

To achieve this we plan to reduce emissions, from:



Travel
Driving and Flights

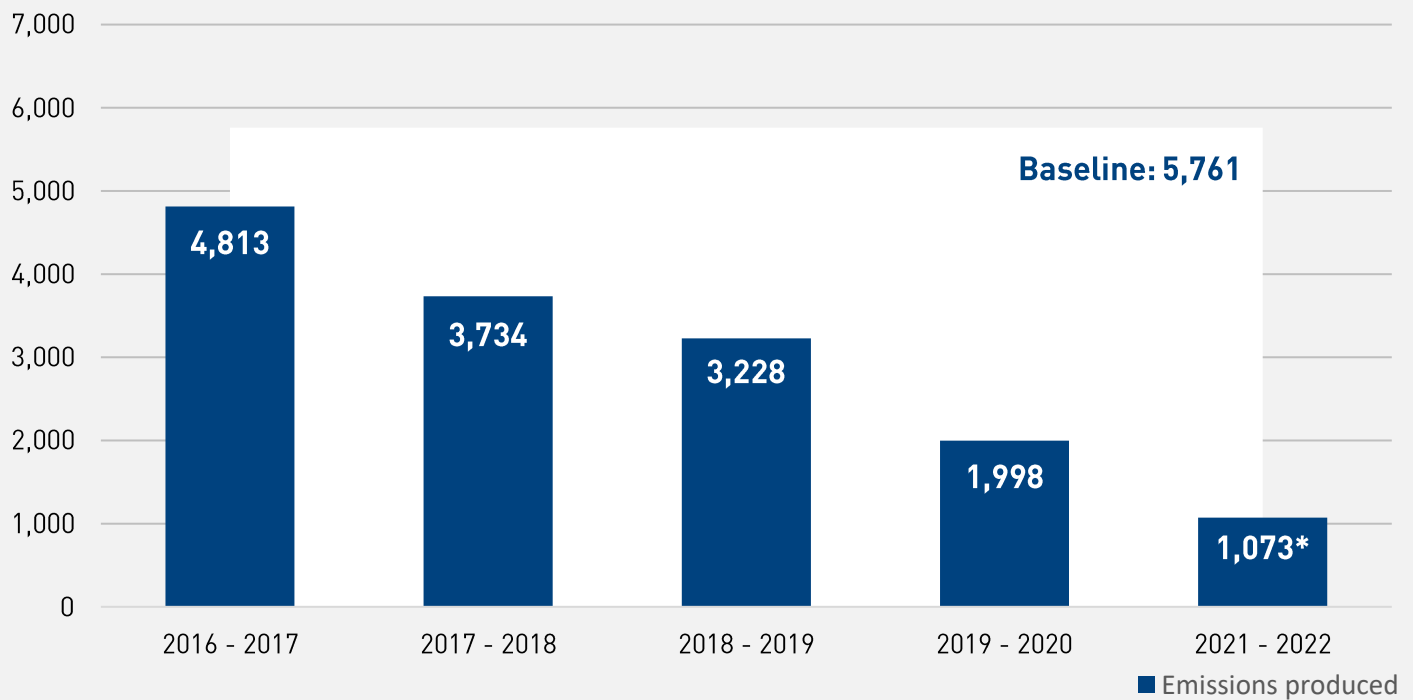


Operational Offices
Gas and Electricity



Property Portfolio
Gas and Electricity

The chart below illustrates our emission reduction over time.



***Note:** reduction achieved during pandemic with restrictions on travel, we expect there to be an increase in emissions in 2022-23 as our offices reopen and we begin new ways of working.

Our annual Climate Change Duties report is published online at www.sustainablesotlandnetwork.org, detailing our yearly carbon performance. We exceeded our carbon reduction target of 42% by 2020, achieving a 65% reduction.

Scottish Enterprise's Environmental Management System (EMS) is certified to ISO 14001:2015 Standard.

Adrian Gillespie
Accountable Officer
29 July 2022

Section 2: **Accountability Report**

SECTION 2

Accountability Report

for the year ended 31 March 2022

Corporate Governance Report

Directors' Report

The Board

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

Lord Robert Smith	Chair
Anne Glover	
Adrian Gillespie	Chief Executive from 1 September 2021
Linda Hanna	Interim Chief Executive to 31 August 2021
Willie Mackie	
Poonam Malik	
Peter McKellar	
Gavin Nicol	
Sue Paterson	
Karthik Subramanya	
Carmel Teusner	

Executive Leadership Team

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

Adrian Gillespie	Chief Executive	from 1 September 2021
Linda Hanna	Interim Chief Executive; Managing Director, Innovation & Investment	to 31 August 2021; to 30 March 2022
Douglas Colquhoun	Chief Financial Officer	
Neil Francis	Interim Managing Director, International	
Jane Martin	Managing Director, Business Growth; Managing Director, Innovation & Investment	to 29 March 2022; from 30 March 2022
Kerry Sharp	Interim Managing Director, Scottish Economic Development	to 31 August 2021
Carolyn Stewart	Chief People Officer	
Rhona Allison	Interim Managing Director, Business Growth	from 30 March 2022

Section 2: **Accountability Report**

Register of Board Members' Interests

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

Statement of Accountable Officer's Responsibilities

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

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

- observe the Accounts Direction issued by the Scottish Ministers (see page 160), including the relevant accounting disclosure requirements, and apply these accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that Scottish Enterprise will continue in operation.

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

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

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

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

Governance Statement

Introduction

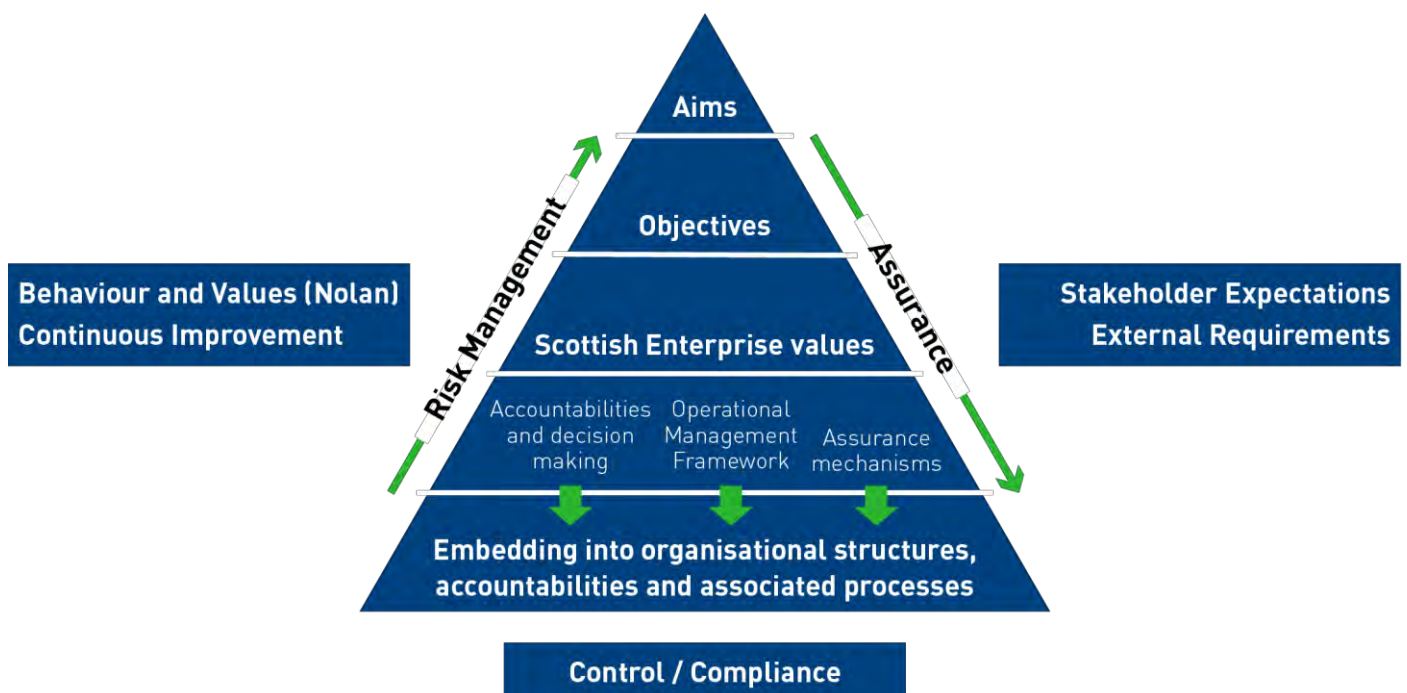
As Accountable Officer, I have responsibility for maintaining a Governance Framework which supports the achievement of the Scottish Enterprise Group's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance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

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

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

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

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



Section 2: **Accountability Report**

Aims and Objectives

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

Scottish Enterprise Values

Scottish Enterprise Board

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

Management and Staff

Guidance for employees is included in all the policies contained in our online Employee Handbook and our Code of Conduct, Dignity at Work and Diversity policies set out our expectations in relation to behaviours, conduct and values. The importance of how we achieve our goals is recognised within the internal employee performance management guidance, My Performance, which through coaching conversations ask employees to consider how their objectives align to our Business Plan. The objectives are set at a team and individual level, are agile (updated on an ongoing basis) and consider both what and how (linked to values) these are delivered.

Accountabilities and Decision Making

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

Scottish Enterprise Board and Sub-Committees

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

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

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

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

As at 31 March 2022, the Board of Scottish Enterprise comprised the Chair, eight non-executive members and the Chief Executive (from 15 October 2020 until 31 August 2021 an interim Chief Executive had been in place). The Board met in full seven times in the year. The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers.

It has general corporate responsibility for:

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

Scottish Enterprise Board

Linda Hanna stepped down as Interim Chief Executive on 31 August 2021 and Adrian Gillespie was appointed Chief Executive on 01 September 2021. Sue Paterson, Poonam Malik and Karthik Subramanya were re-appointed as Board members from 01 October 2021 to 30 September 2024 and Willie Mackie and Carmel Teusner were re-appointed from 01 January 2022 to 31 December 2023.

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Membership and attendance at meetings of the Board during the year from 01 April 2021 to 31 March 2022 was as follows:

		Eligible to Attend	Attendance
Lord Robert Smith	Chair from 1 August 2019	7	6
Adrian Gillespie	Chief Executive from 01 September 2021	3	3
Linda Hanna	Interim Chief Executive from 15 October 2020 to 31 August 2021	4	4
Anne Glover		7	6
Willie Mackie		7	7
Poonam Malik		7	7
Gavin Nicol		7	5
Sue Paterson		7	7
Karthik Subramanya		7	6
Carmel Teusner		7	7
Peter McKellar		7	7

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

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

The purpose and membership of each committee for the year to 31 March 2022 is summarised below.

Audit and Risk Committee

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

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

Remuneration Committee

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

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

Nominations and Governance Committee

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

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

Board Approvals Committee

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

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

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Sub-Committee Membership and Attendance Record

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

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

C = Chair

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

Scottish Enterprise Chief Executive

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

Organisational Model

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

Operational Management Framework

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

These form an essential part of the overall system of internal control which is in place. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of

those risks and to manage them efficiently, effectively and economically. These span Scottish Enterprise's entire range of activities and include:

Strategy and Planning

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

Resource Management

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

Performance Management

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

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

Budgetary Control

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

Human Resources

The Employee Handbook clearly sets out staff responsibilities and our expectations in relation to behaviours, conduct and values.

Scottish Enterprise has been recognised as an Investors in People employer since 2009. Our latest re-assessment took place in May 2021 and we achieved Silver accreditation.

Scottish Enterprise were recognised as an Investor in Young People (IIYP) in December 2014, with the further Award of a Gold level added in September 2015 under the 2nd Generation IIYP process.

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Scottish Enterprise have retained the Gold standard at each assessment thereafter including our most recent assessment in February 2022.

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

IT Services

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

In addition to these shared IT services, Scottish Enterprise also develops and maintains IT services bespoke to Scottish Enterprise's needs, as well as procuring Software as a Service functionality for generic/core systems. To help deliver and maintain these IT services for Scottish Enterprise, the ongoing development of our Digital and Data Strategy and principles and Service Assurance processes in step with EIS will improve the controls and management of these systems and services specific to SE. Activity in relation to our disaster recovery and business continuity plans in this area are progressing through 2022 and will be presented to SE's Audit and Risk committee in due course.

Data Protection & Information Governance

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

During 2021/22 Scottish Enterprise had no reportable data breaches made to the ICO.

Estate Management

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

ELT considered a refreshed Accommodation Strategy in April 2021. This Strategy reflects SE's Future Ways of Working project and seeks to right-size the number and capacity of our offices to reflect their anticipated future use. We are working with partners and Government to ensure that we maximise the potential for co-location and make best use of existing public sector assets.

Risk Management

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

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

During 2021/22 a 'dashboard' presentation was presented to each meeting of the Board to highlight the Top 5 risks across our Corporate Risk Register. A Corporate Risk Register has been established to consider those risks that impact the organisation as a whole and are likely to affect the organisation's ability to achieve our strategic goals and objectives. The Register is reviewed and discussed by the Executive Leadership Team on a regular basis, including consideration of progress on agreed actions to manage the risks.

Management teams are responsible for maintaining a system of risk management and internal control, consistent with corporate risk arrangements, and it is 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. Alongside the guidance provided to all staff directly involved in risk, appropriate risk management training for all staff will be arranged during 2022/23.

Scottish Enterprise's Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board. Covid-19 risks are now managed as part of Scottish Enterprise's business as usual risk management policies and procedures.

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During the reporting period 2021/22 the risks identified on the Risk Dashboard (Top 5 risks) from the Corporate Risk Register related to:

Risk	Key Mitigations
<p>The risk of reduced Resource DEL budgets following the Scottish Government Resource Spending Review in 2022 which will shape budget availability in the medium term. Resource budgets tend to be under significant pressure and there is a risk that any reduction would impact on SE's ability to help shape and deliver the National Programmes that will be essential to Scotland's competitive advantage over the next decade.</p> <p>There is a risk of an overspend position in future years if appropriate budget cover is not provided for Expected Credit Losses (ECLs) and Write-offs.</p>	<ul style="list-style-type: none"> • This risk may require updated post May re spending review and the ECL/Write Offs The Resource DEL (RDEL) spending review (SR) outcome is expected in May 2022 and will shape the RDEL budget availability in the medium-term with a potential multi-annual budget settlement. • There will be regular liaison with SG colleagues through the SR and a compelling case for investment in SE will be made. • For 22/23, we are expecting ECL/Write Offs of c£35m and SG have confirmed that these are treated as cost pressures and are not covered by the original 22/23 RDEL settlement. Discussions will need to be entered into through 22/23 to ensure there is no risk of us having to pull back on legal commitments to fund ECL/Write Off pressures.
<p>Uncertainty regarding the availability of Financial Transactions (FT) funding over the medium term, potentially resulting in a reduced capacity to maintain support for SE's current activities, including, but not limited to the early stage investment market.</p>	<ul style="list-style-type: none"> • For the financial year 22/23, the SG FT budget settlement coupled with our expectations for Growth Investment income, including sell down of part of our listed share portfolio has enabled us to plan to provide adequate support to the early stage investment market. • However, since there has been no multi-year settlement for FT, medium/longer-term actions are still necessary and we will continue to engage with the Scottish Government on the availability of Financial Transactions funding (or an alternative at the UK level) and identify the impact on overall budgetary requirements. • In addition, SE will need to consider other external funding sources throughout 22/23 and onwards.
<p>There is a risk that SE's ambition to be a digitally enabled and data driven economic development agency are not realised, are delivered in a sub-optimal way, or take a substantially longer time to deliver.</p>	<ul style="list-style-type: none"> • The existing Data and Digital Strategy is currently being refreshed and will be supplemented by an implementation plan that will support the delivery of the 3 Year Business Plan.
<p>There is a risk of mis-alignment between SE and the Scottish National Investment Bank resulting in customers and markets being unclear on the respective roles of the bodies and resulting in the sub-optimal delivery of investment activities in support of the Scottish economy.</p>	<ul style="list-style-type: none"> • Ongoing discussions at senior and operational levels have resulted in an agreed operating model that clarifies the respective role for each body. • Opportunities for joint working and collaboration have been identified and are being actively pursued. • Marketing and communications activities to reinforce SE's role and the support available to the early stage investment market will be delivered to mitigate market confusion risk.

Risk	Key Mitigations
<p>Covid-19 and Brexit along with other factors including inflation and rising input costs are having a significant impact on global trade and investment, and there is a risk that the objectives we have set through Scottish Government's Global Capital and Inward Investment and A Trading Nation will not be met.</p>	<ul style="list-style-type: none"> SE will focus on helping exporting companies recover from the dual crises of Covid-19 and EU Exit, finding alternative routes to markets, and alternative markets wherever possible.

Assurance

Role of Scottish Enterprise Audit and Risk Committee

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

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

Management Assurance Statements

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

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

The Certificate of Assurance for 2021/22 has now been completed and submitted to Scottish Government in line with the above process. I can confirm that for the year ended 31 March 2022 and up to the authorised date of issue, there were no significant control weaknesses identified and the governance arrangements and systems of internal control have been in place and have operated effectively.

Internal Audit

Internal Audit provides independent assurance on the adequacy and effectiveness of the whole system of controls, financial management and others which have been established to manage

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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 2021/22, the conclusion of internal audit work carried out identifies an overall satisfactory level of assurance on Scottish Enterprise's framework of governance, risk management and management control.

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

External Audit

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

Audit Scotland reviewed Scottish Enterprise's control environment during 2021/22 and were able to provide reasonable assurance that the control environment was operating effectively.

Remuneration and Staff Report

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the Executive Leadership Team and provides details of members' remuneration for the year ended 31 March 2022.

Scottish Enterprise Board

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

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

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

Board Members' Remuneration

(the information from this section to the end of 'Exit Packages and Settlement Agreements' section on page 54 has been subject to audit).

Remuneration paid to the Chair and other non-executive board members who served during the year to 31 March 2022 was:

	2022			2021		
	Fee	Travel Allowance	Total Remuneration	Fee	Travel Allowance	Total Remuneration
	£	£	£	£	£	£
Lord Robert Smith, - Chair (iii)	49,050	-	49,050	39,419	-	39,419
Melfort Campbell (i), (iii)	-	-	-	6,630	688	7,318
Anne Glover (iii)	13,350	-	13,350	9,945	-	9,945
Willie Mackie, - Deputy Chair	16,020	-	16,020	15,912	199	16,111
Poonam Malik	13,350	-	13,350	13,260	46	13,306
Gavin Nicol	13,350	-	13,350	13,260	-	13,260
Sue Paterson	13,350	-	13,350	13,260	381	13,641
Karthik Subramanya	13,350	-	13,350	13,260	-	13,260
Carmel Teusner	13,350	-	13,350	13,260	910	14,170
Peter McKellar (ii)	13,350	-	13,350	1,615	-	1,615

- i) Melfort Campbell left 31 December 2020 after the end of term of his reappointment.
- ii) Peter McKellar commenced his role as board member 15 February 2021.
- iii) Robert Smith, Melfort Campbell & Anne Glover opted to waive their remuneration for the months of May, June & July 2020.
- iv) Travel payments stopped as of 01 August 2020.

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

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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 2022 are outlined in the Governance Statement.

Executive Leadership Team

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

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

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

Executive Leadership Team Remuneration

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

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

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

Basic salaries were set on 01 April 2021 following their annual review in line with the pay remit agreed with the Scottish Government. Salary levels are established after consideration of external market levels and internal comparisons as well as individual responsibilities. Salary payments are made every four weeks.

Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 20% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 68 for members who joined

from 01 February 2022, 65 for staff members who joined between 01 December 2006 and 31 January 2022, or 60 for staff members who joined before 01 December 2006.

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

Remuneration of the Executive Leadership Team members who served during the year to 31 March 2022 was:

	2022				2021			
	Salary (i)	Other	Pension Benefits (iii)	Total	Salary (i)	Other	Pension Benefits (iii)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Adrian Gillespie (from 1 September 2021)	104	-	21	125	-	-	-	-
Linda Hanna (to 30 March 2022)	134	-	124	258	148	-	143	291
Jane Martin	136	-	32	168	135	-	29	164
Carolyn Stewart	136	-	32	168	135	-	29	164
Kerry Sharp (from 2 November 2020 to 31 August 2021)	48	-	39	82	47	-	37	84
Neil Francis (from 16 November 2020)	115	-	94	209	43	-	8	51
Douglas Colquhoun (from 27 April 2020)	121	-	90	211	107	-	143	250
Rhona Allison (from 30 March 2022)	1	-	-	1	-	-	-	-

- i) All salaries noted above relate to the period that the individual held a role on the Executive Leadership Team. The full-time equivalent salaries payable to Adrian Gillespie, Kerry Sharp, and Rhona Allison for the period in which they served on the Executive Leadership Team were £180,000, £115,300, and £115,300 respectively. Linda Hanna was on the Executive Leadership Team firstly as Interim Chief Executive from 01 April 2021 to 31 August 2021 before resuming her role of Managing Director from 1 September 2021 to 30 March 2022.
- ii) In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment on 1 April 2021. Increases varied from 0.59% to 5.48% depending upon the position of the existing salary in the pay band. No Scottish Enterprise bonuses were paid or payable to any members of the Executive Leadership Team for 2021/22.
- iii) The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.

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Retirement benefits of the Executive Leadership Team members for the year to 31 March 2022 are as follows:

	Accrued Pension at normal retirement date as at 31 March 2022 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value (i)		
			At 31 March 2022	At 31 March 2021	Increase in transfer value during year (net of members' contributions)
	£000	£000	£000	£000	£000
Adrian Gillespie	25 – 30 plus, lump sum of 75 - 80	0 - 2.5 plus, lump sum of 2.5 – 5.0	749	748	(5)
Linda Hanna	60 – 65 plus, lump sum of 180 - 185	5.0 - 7.5 plus, lump sum of 17.5 – 20.0	1,755	1,365	384
Jane Martin	35 – 40 plus, lump sum of 105 - 110	0 - 2.5 plus, lump sum of 5.0 - 7.5	920	776	136
Carolyn Stewart	40 – 45 plus, lump sum of 130 - 135	0 - 2.5 plus, lump sum of 5.0 - 7.5	1,171	1,003	160
Kerry Sharp	20 – 25 plus, lump sum of 60 - 65	0 - 2.5 plus, lump sum of 5.0 - 7.5	576	429	144
Neil Francis	35 – 40 plus, lump sum of 105 - 110	2.5 - 5.0 plus, lump sum of 12.5 - 15.0	1,034	827	200
Douglas Colquhoun	50 – 55 plus, lump sum of 150 - 155	2.5 - 5.0 plus, lump sum of 12.5 - 15.0	1,400	1,171	221
Rhona Allison	20 – 25 plus, lump sum of 65 - 70	-	627	627	-

- i) The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and include benefits related to service transferred in from previous employment. It represents a payment which would be made by a retirement benefit scheme to secure benefits in another scheme or arrangement should a member leave the scheme and choose to transfer the benefits they have accrued in this and any former scheme. Annual changes in the cash equivalent transfer value are determined by market conditions.
- ii) Kerry Sharp and Linda Hanna ceased their roles as company directors on 31 August 2021 and 30 March 2022. The figures in the table above reflect the value of the increase in these members'

pension related benefits in the Scheme over the period 1 April 2021 to the dates that they ceased their role as Company Directors.

- iii) Adrian Gillespie undertook the role of Chief Executive from 1 September 2021 however his service, pension, and lump sum include deferred benefits which were accrued from a previous period of service with Scottish Enterprise.

Fair Pay Disclosure

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

	2022			2021		
	25 th percentile	Median	75 th percentile	25 th percentile	Median	75 th percentile
Annualised remuneration before pension benefits of the employee on the respective percentile of pay and benefits of the entity's employees for the financial year	42,588	49,572	55,512	42,897	48,772	53,581
Remuneration ratio	4.2	3.6	3.2	3.8	3.4	3.1

The remuneration ratio of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2022.

The percentage change from the previous financial year in respect of the highest paid member of the Executive Leadership Team was 10% (2021: -4.95%). The highest paid director is the CEO.

In 2020 we appointed an interim CEO while we recruited a permanent replacement. This is why in 2020/21 the change from the previous year showed a drop. In 2021 we appointed our new CEO and the % change in remuneration reflects the difference between the starting salary and the salary of the interim CEO.

The average percentage change from the previous financial year in respect of the employees of Scottish Enterprise taken as a whole was 4.3% (2021: 5.3%). The average change reflects more than just the annual pay award as it includes all pay increases for example: annual pay award, promotional increases (which may be for one or more grades higher), temporary promotions or grade adjustments. The inclusion of promotional pay uplifts raises the average % change.

Our annual pay award must meet the requirements of Scottish Government's public sector pay policy which sets the cost of living increase. Promotional pay increases are set within our pay guidelines and typically involve a move to the minimum of the promoted grade's salary band. In recent years, pay policy has focused on higher pay awards for lower paid employees.

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The median remuneration ratio trend over the last five years hasn't changed significantly in this period (3.713 in 2017/18 compared to 3.631 in 2021/22). The small increase in 2021/22 coincides with the appointment of the new CEO. The ratio is higher for all percentiles in 21/22 compared to 20/21. This is due to the higher salary of the CEO following permanent appointment in September 2021.

As well as UK employees the data set also includes:

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

The overseas salaries are set in line with local markets and are typically higher than UK salaries. Contractor salaries are typically higher than employee salaries. The inclusion of both of these categories will raise the average salary figures slightly in the 75th percentile category.

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

The full-time equivalent remuneration paid to Scottish Enterprise staff ranged from £21,004 to £180,000 (2021: £20,590 to £266,760).

Staff Report

Staff Costs

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

	2022	2021
	£	£
Remuneration (i) (ii)	174,827	158,288
Social security costs	11,922	10,690
Pension costs (iii)	12,429	13,300
	199,178	182,278

- Remuneration paid to non-executive board members is also detailed in the Remuneration Report above.
- Scottish Enterprise's Chief Executive, Adrian Gillespie and Linda Hanna for their respective periods, were also members of the board. Their remuneration is not included above but details are provided in the Remuneration Report.
- 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 £43,000 (2021:

£79,500) within the total retirement benefit liabilities at 31 March 2022, as assessed by Isio, Scottish Enterprise's advising actuaries.

Staff costs comprise:

	Permanent staff	Others	2022	2021
	£000	£000	£000	£000
Wages and salaries	54,359	-	54,359	58,006
Social security costs	5,898	-	5,898	5,995
Pension costs	27,378	-	27,378	20,126
Inward seconded and temporary staff costs	-	9,077	9,077	8,833
Severance costs and other exit packages	-	-	-	15
Total staff costs before recoveries (i)	87,635	9,077	96,712	92,975
Less: recoveries in respect of outward secondments	(268)		(268)	(315)
Total net staff costs	87,367	9,077	96,444	92,660

- i) Total staff costs before recoveries includes expenditure on temporary staff costs of £4,986,000 (2021: £3,820,000) within operating expenditure of which £778,468 has been capitalised as an intangible asset.

Staff Numbers

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

	Permanent staff	Others	2022	2021
Executive Leadership Team	6	-	6	6
Operations	1,058	-	1,058	1,104
Operations - locally engaged overseas staff	58	-	58	59
Administration and support function	194	-	194	197
Inward Secondments and temporary staff (i)	-	112	112	108
	1,316	112	1,428	1,474

- 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.

Section 2: **Accountability Report**

Exit Packages and Settlement Agreements

There were no staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2022 (2021: 0). In addition to staff leaving under voluntary severance, there were no staff who left any subsidiary companies (2021: 3) at any cost (2021: £15,000).

Exit package cost band	Compulsory Redundancies	Other Departures Agreed	Total 2022	Total 2021
< £10,000	-	-	-	3
£10,001 - £20,000	-	-	-	-
£20,001 - £30,000	-	-	-	-
£30,001 - £40,000	-	-	-	-
£40,001 - £50,000	-	-	-	-

No members of staff left under a Settlement Agreement (2021: none).

Staff Composition

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

	Male	Female	2022 Total	Male	Female	2021 Total
Board (i)	5	4	9	4	4	8
Executive Leadership Team	3	3	6	2	4	6
Other employees	517	757	1,274	549	778	1,327
Total	525	764	1,289	555	786	1,341

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

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2022 was 9,461 (2021: 7,209) sick days out of a possible 264,852 (2021: 280,427) working days representing a lost time through sickness absence of 3.57% (2021: 2.57%).

Staff Turnover

Staff turnover for Scottish Enterprise employees for the year end March 2022 was 8.77% (2021: 5.63%).

Trade Union Facility Time

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

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

There were 16 (2021: 16) staff members who were trade union officials during 2021/22:

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

The total cost of facility time amounted to 0.03% (2021: 0.03%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. 33% (2021: 46%) of the total paid facility time hours was spent on trade union activities.

Staff Policies

Throughout the Covid-19 pandemic, our focus was on supporting employees to deliver our key business priorities whilst recognising the very difficult circumstances in which we were all working. This was achieved by a strong approach to wellbeing, engagement and recognition and the holistic employee experience. A significant feature of our support to employees was our approach to flexibility, ensuring all employees were empowered to manage their time to that they had the ability to balance their personal needs in relation to supporting childcare, eldercare or selfcare and work. We followed Scottish Government guidance throughout the pandemic and our offices remained closed and we continued with full remote working throughout 2021 and into early 2022. Our employees were supported throughout, ensuring they had the necessary tools to allow them to continue to work remotely for this sustained period.

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

Engage & Recognise

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

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

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We recognise that highly engaged organisations perform better, are more innovative and have high levels of staff motivation. A great example of how we have demonstrated the benefits of improving our employee experience through engaging with employees has been the introduction of Everyday Flexibility (our approach to providing a flexible working environment). Through the engagement with employees, we recognised that the increased flexibility put in place during Covid-19 had enhanced the employee experience whilst allowing us to deliver and meet business needs. This new approach allows us to create a flexible work environment where work is an activity, not a set place or defined hours. One where employees feel empowered to decide how, when and where they deliver their work, in support of Scottish Enterprise's Operating Plan. We see this new approach as allowing us to adapt our working environment to different types of employees and their lifestyle and enhance our ability to create a more inclusive workforce.

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

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. Due to remote working, we have amplified and developed our online learning material and courses and ultimately making them more accessible.

Supporting our people managers and leaders continues to be a key component of our development offerings. Everyday Flexibility sessions for our Leaders and People Managers helped support them in our new approach to flexible working. We also delivered an in-depth climate literacy course to equip our leaders with the key skills and knowledge to drive forward our net zero agenda. Alongside this, colleagues are supported through our coaching and mentoring provision and we ran refresher masterclasses and action learning sessions for our coaches.

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

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

Retain

We recognise that we all have an important part to play in making sure Scottish Enterprise is the kind of organisation we want it to be. We promote a culture which puts people and wellbeing at the centre of what we do – where people feel a sense of belonging and inclusion - a place where everyone is treated with dignity and respect, and where colleagues can speak up if they experience or see unacceptable behaviour. We continue to work towards being the best workplace that we can be, by offering an attractive employee experience, so that all of our people can flourish and be their best every day.

The focus on employee wellbeing continues to grow and embed. We have a Wellbeing Hub on the staff intranet which is well established and is well recognised as a 'one stop shop' for a broad range of support and information on a range of wellbeing areas including Financial Matters & Pension, Career, Mental Wellbeing, Your Voice, Physical, Work Life Balance. The Wellbeing Hub has been a central source of support, guidance and engagement throughout the Covid-19 pandemic and now moving into a wellbeing offering that is aligned with the new people strategy and the changing needs of our employees. We proactively engage employees seeking their feedback and encouraging and supporting them in taking a lead on wellbeing activity. Feedback from colleagues is key in ensuring that information, services and support are targeted to areas where there is the greatest need. An example of this is the programme of activity delivered on the menopause. Our programmes will flex as required to ensure they remain relevant and responsive to the needs of our employees.

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

We continue to embed equality throughout SE by promoting the business benefits that the work can bring such as greater innovation, expanded market share and improved staff recruitment and retention. We also need to comply with equality legislation which requires us to publish a report every two years outlining our progress with mainstreaming equality across the organisation. Our equality mainstreaming report was published in April 2021. 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, and we reported on our race pay gap for the first time. We have set new Equality outcomes and will progress the actions in our equality action plan, in preparation for the submission of the next equality mainstreaming report in 2023.

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

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

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

Each community has its own chair and leadership ambassador.

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

Recruit

Scottish Enterprise's recruitment policy details our selection processes which 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 SE. 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. The benefits from our new approach, Everyday Flexibility, will provide the ability to attract and retain a robust, diverse talent pool allowing us to stay competitive in today's hiring market.

Health & Safety

Delivery of our health, safety and wellbeing provision in line with the organisation's core values continued to be adapted to meet the challenges of providing continuity of service against the backdrop of the ongoing Covid-19 pandemic. This not only had to consider the protection measures implemented by the Scottish Government but also in those countries/territories overseas that SE supports.

Our focus remained ensuring the safety and wellbeing of colleagues whilst working from home, whilst providing essential business services and support to the wider economy.

Our formal Pandemic Plan remained in place for the majority of the reporting period, ensuring that critical functions were considered, supported and adapted to the changing Covid-19 protection guidance. As Scottish Government protection measures reduced and we looked towards re-opening our Scottish offices, the plan was suspended with a view to reactivation of all/parts of it as and when may be required.

Colleague safety whilst working from home continued to be the priority work area for the H&S Team as the need to do so, whilst still temporary, had become longer term. To support this, colleagues completed a refreshed Display Screen Equipment Training and Assessment module to cover their home environment and where additional support was required (e.g. additional equipment, advice), this was provided on a case-by-case basis. This approach provided colleagues with the equipment and information needed to be able to work safely and comfortably from home whilst taking steps to reduce the risk of colleagues developing work-related health conditions.

During the period that the offices were closed, we were also able to support those colleagues who may have been struggling with working from home for the extended period by facilitating limited office-based working. We continued to promote our Wellbeing support available to colleagues, through a dedicated Wellbeing portal, as well as our Mental Health First Aiders providing remote support where required. Face to face wellbeing visits and meetings were also available for those that needed them.

In line with the reduction in Covid-19 restrictions by the Scottish Government, we re-opened our Scottish offices at the end of February 2022. Prior to this, we ensured that a "Full Return to Office" Covid-19 assessment was completed for each office, the relevant control measures and supporting processes were in place and that supporting guidance for colleagues on their return was provided (through the development and cascade of the Office Reopening Handbook). The offices were reopened with limitations in occupancy, social distancing measures in place and a requirement to continue to wear face coverings. A full programme of ongoing sanitising cleaning was also introduced and continues.

Our service delivery obligations were still facilitated during this year against the backdrop of the pandemic and the restrictions in place. To support this, the Client/Colleague risk assessment process continued to be adapted and cascaded to our colleagues in line with the current guidance and reduction in measures required. This approach allowed flexibility for colleagues to return to a more flexible approach in delivering their operational requirements and support the wider Scottish economy.

Our Health, Safety and Wellbeing Committee continues to meet regularly, with them having been kept up to date with the measures taken to address health, safety and wellbeing during this period. This included awareness of the potential impact of the Scottish Government guidance as it changed during the year and providing ongoing strategic oversight and governance across these matters. The

Section 2: **Accountability Report**

Committee remains active and engaged and continues to embed the links created between the Committee and the wider organisation.

We continued taking an active part in ensuring regular collaboration and best practice sharing with our government partner agencies through the Partnership Network meetings. During the year, the forum has focussed on the collective response to the Covid-19 pandemic and the sharing of best practice to help align the agencies. This was undertaken under the backdrop of a relaxation of restrictions within Scotland and the move to re-open our offices for colleagues. Involvement in the forum continues to allow Scottish Enterprise to benchmark our activities and approach against those with similar risks.

For the 6th consecutive year, we attained the Royal Society for the Prevention of Accidents (RoSPA) Gold H&S Achievement Award, resulting in us being awarded the RoSPA Gold Medal. We were also subject to a British Safety Council Five Star audit at the end of March, which looked at our delivery of H&S against their management system specification- with details of the outcome due in April 2022.

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 2022 was £31.7m.

£16.2m of this underspend relates to Financial Transactions funding. Significant capital income returns, beyond original expectations, were generated during the year. With the agreement of Scottish Government some of this income was utilised to support Scottish Enterprises planned early-stage investment activity. As a result, no new Financial Transaction funding was required and £40.4m of capital income generated from investments originally funded from Financial Transactions was repaid to Scottish Government reducing the overall Financial Transactions liability recorded on the statement of financial position.

The remaining £15.5m of the underspend relates to the Fiscal Resource element of the budget. This underspend resulted from a number of factors including an underspend on core business activities of £6.4m, the final charges for expected credit losses and write-offs, net of capitalised interest, being £6.5m lower than anticipated and a profitable contribution of £2.6m from a subsidiary towards the group position.

Additionally, the excess income column in the outturn table overleaf represents a £28.8m repayment due to Scottish Government in respect of excess business income generated in the year to 31 March 2022. £26.1m was repaid to Scottish Government before the end of the financial year and the balance will be repaid during 2022/23.

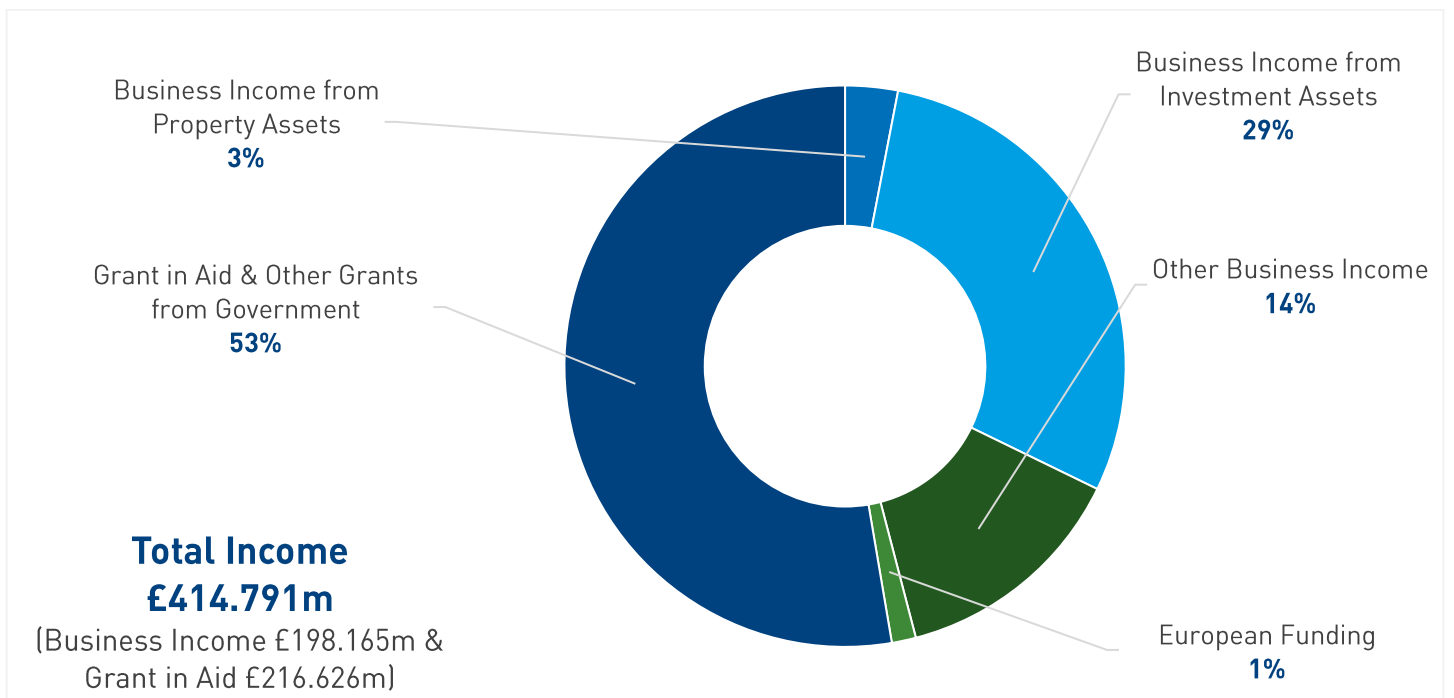
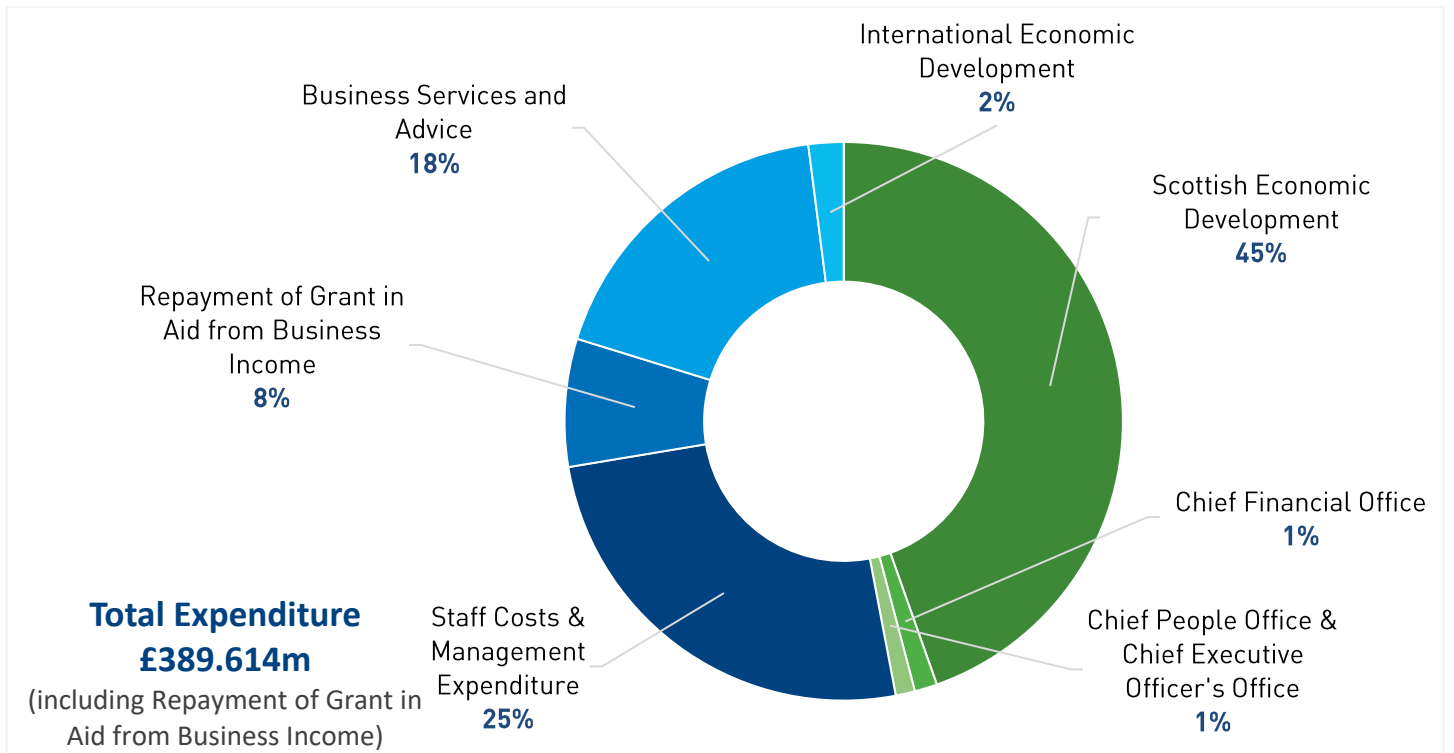
Scottish Enterprise drew down Grant in Aid of £240.8m and made Financial Transaction repayments of £40.4m. Therefore, a net amount of funding of £200.4m against the 2021/22 Grant in Aid provision of £216.6m.

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

	Expenditure	Income	Excess Income	Outturn	Allocation	Variance
	£000	£000	£000	£000	£000	£000
Fiscal Resource	149,614	(29,607)	-	120,007	129,019	(9,012)
Fiscal Capital	211,172	(128,184)	28,828	111,816	111,816	-
Financial Transactions expenditure	-	-	-	-	27,129	(27,129)
Financial Transactions income (i)	-	(40,374)	-	(40,374)	(51,338)	10,964
Total Cash Fiscal Budget	360,786	(198,165)	28,828	191,449	216,626	(25,177)
Fiscal Resource – expected credit losses (ii)	27,183	(3,684)	-	23,499	30,000	(6,501)
Total Fiscal Budget	387,969	(201,849)	28,828	214,948	246,626	(31,678)
Non –cash costs including depreciation	8,764	-	-	8,764	8,300	464
Annually managed expenditure (iii)	(37,556)	-	-	(37,556)	42,000	(79,556)
Total Budget	359,177	(201,849)	28,828	186,156	296,926	(110,770)

- i) 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.
- ii) The charge for expected credit losses - the estimated future cash shortfall from financial assets held at amortised cost, and financial assets that have been written off - is a non-cash cost which under the HMT change in budget treatment now scores as fiscal resource.
- iii) Annually managed expenditure outturn position for 2021/22 is a net income amount, this is primarily due to an increase in value of Fair Value assets resulting in a surplus on valuation.

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

	£000
Net expenditure before taxation	152,663
Attributable to non-controlling interests in subsidiaries	90
Depreciation charge allocated to non-cash costs	(8,764)
Asset revaluation adjustments charged to annually managed expenditure	1,783
Net Investment impairments and fair value adjustments charged to annually managed expenditure	48,982
Net pension costs attributed to annually managed expenditure	(13,056)
Provision charged to annually managed expenditure	(160)
Scottish Government Grant income credited to reserves	(1,305)
Net Income attributed to Energy Investment Fund	137
Net expenditure attributed to the capital budget	(36,864)
Fiscal Resource Outturn	143,506

Energy Investment Fund

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

Scottish Enterprise drew down £3.7m of new Financial Transactions funding to cover new investments and made repayments of £3.8m as a result of returns from investments for which the original cost was met from the Financial Transactions.

In accordance with the governance letter any income generated is repayable to Scottish Government to the extent that it is not required to meet administration costs. The excess income column in the outturn table below represents the £4.6m repayment that was made to Scottish Government in March 2022 in respect of excess capital and resource income receipts.

The 2021/22 outturn for this fund was:

	Expenditure	Income	Excess Income	Outturn
	£000	£000	£000	£000
Fiscal Resource	600	(2,167)	1,567	-
Fiscal Capital	575	(3,654)	3,079	-
Financial Transactions expenditure	3,686	-	-	3,686
Financial Transactions income	-	(3,823)	-	(3,823)
	4,861	(9,644)	4,646	(137)

Section 2: **Accountability Report****Losses and Special Payments**

	No of cases	£000
Claims abandoned or waived	150	19,895

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 2022, balances greater than £250,000 written off were as follows:

		£000
Albanet Limited	Albanet developed software to monitor IT networks and has now been dissolved. Scottish Enterprise initially invested £100,000 in Albanet in 2004 via the Business Growth Fund, with subsequent Scottish Co Investment Fund investment of £300,473.37 alongside the private funding in 2005. This resulted in a 17% shareholding.	400
Altamira Colour Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified (Gazette) as insolvent and identifies a 2016 compulsory strike off. Last Accounts submitted 1999. The principal activity of the company was the supply of dyeing and finishing services to the textiles industry.	600
Antoxis Limited	Antoxis was a preclinical drug discovery company whose Kromics technology platform was developed for the treatment of conditions involving oxidative stress and mitochondrial dysfunctions. SE Invested £373,173.44 via Scottish Co Investment Fund in 2007. The initial focus was upon Parkinson's Disease and ischaemic stroke treatments. However, despite shareholder support and the considerable efforts of the Board to successfully secure a major commercial deal to take on the exploitation of the Company's technologies, no such deal was secured, and as such, the Company's Board had no choice but to eventually move to wind the Company up. The Company undertook a Voluntary Strike Off process as, with no outstanding creditors, it did not require the appointment of a liquidator.	373
Belwood Nurseries Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified as insolvent. A review of the Gazette confirmed that the estate of the proprietor was sequestrated by the sheriff at Perth on Friday 21st June 2002 and Accountant in Bankruptcy, were appointed by the Court to act as Interim Trustee on the sequestrated estate.	316
Burntisland Fabrications Limited	Property debt arrears, company entered administration in December 2021 and Scottish Enterprise cancelled debts accrued from the company's tenancy at Fife Energy Park, Methil. A new company has taken on the site at Methil in Fife and a new lease of the property was agreed between Scottish Enterprise and the new company in February 2022.	1,061

		£000
Camcal Limited (CCL Realisations)	Camcal received direct investment of £750,000 from Scottish Enterprise in 2004 in addition to an equity investment, through the Scottish Co-investment Fund of £50,000 and Business Growth Fund of £50,000 in 2005. These investments were made on a fully commercial basis alongside private sector partners, based on renewable energy market forecasts available at the time of investment. Unfortunately, as early entrants into the renewables sector, the market did not progress as quickly as expected and the company was subsequently dissolved. No cash was distributed to unsecured creditors/shareholders.	850
Cellucomp Limited	CelluComp is a Scottish based industrial technology company, which develops cellulose-based materials and has created a patented material called Curran which can be used as an additive in several end markets. SE has invested £3,006,554 via Business Growth Fund, SSF, Portfolio Fund and Scottish Venture Fund. Despite some early success in the paints and coatings sector and with its demonstration plant, the Company has found it difficult to move forward and scale the business. A "niche" market has remained elusive, and the costs/funding associated with the next stage of plant to prove that the technology can scale, has been impossible to raise. The company is undergoing a restructure to allow the Company more time to secure a Licensing / Joint Venture Agreement with SE's Convertible Loan Note converting to equity, leading to a write-off. This agreement could unlock significant value allowing CelluComp to move forward to raise further investment through strategic partnerships.	931
Clairemont Electronics	Long standing loan balances that have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified as insolvent. A notice in the Gazette confirms insolvency in June 2005.	500
Clear Returns Limited	Established in 2012 Clear Returns developed a suite of software products and analytical tools aimed at tackling the growing problem of retailer's profits being reduced from online returns. Between 2014 and 2017, SE invested £540,670.77 in the Company, alongside funding from angel investor syndicates Angels Academie and Angels Den. The funding was to support the development and commercialisation of the Company's technology however, despite putting all the right building blocks in place, the Company struggled to make any meaningful sales. Loss of investors' confidence meant that the Company could not raise sufficient funds to continue to trade. After a failed attempt to sell the Company, the directors appointed Administrators on 5th June 2018 and initial feedback was that a return to shareholders is unlikely.	541
CM Realisations Limited	Prescribed property debt arrears, company dissolved in 2014. Lease assignation in full and final settlement as part of a deal to continue the company's operations, Scottish Enterprise cancelled debts accrued from the company's tenancy at Strathclyde Business Park. A new lease of the property occupied by the company at the site was agreed between Scottish Enterprise and the new company.	314
Creos International Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified (Gazette) as insolvent. This electoral manufacturing company was dissolved in 1999. The last set of accounts were recorded in 1999.	291

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		£000
Dream Technology Limited	Dream Technology produced innovative products for new-born babies, including automatic pram and cradle rockers. Scottish Enterprise invested £75,000 from the Scottish Co investment fund in 2005 matching our private sector partner on a fully commercial basis, resulting in a 5% shareholding. A further £250,000 Convertible Loan Note was provided in 2007. Sales did not materialise as expected and a further funding round was unsuccessful. As a result, a liquidator was appointed, and the company dissolved.	325
Ectopharma Limited	Ectopharma Limited was established in 2004 and was a 'virtual' pharmaceutical company developing therapeutic pesticides for specific healthcare and veterinary markets, for conditions such as the treatment of human head lice. SE invested a total of £257,150.13 in ordinary and ordinary 'A' shares in four investment rounds over the period from 2005 to 2008. Although the Company achieved initial success with the licencing of its product Hedrin Treat & Go in the UK and Europe, sales did not increase as originally anticipated. The company faced increased competition in the market which significantly impacted the level of demand and pricing the Company could achieve. Proceeds from the sale of IP were used to repay the majority of the Company's debt. The Board then sought to realise value for the remaining IP however this was unsuccessful. The Company has been effectively dormant since 2017. A compulsory striking off notice was submitted to Company's House on 6 April 2021 and the Company was dissolved on 22 June 2021.	257
Electroconnect Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified (Gazette) as insolvent. Review of Companies House records confirms that company and its parent company have been dissolved in 2006.	250
ExpressOn Biosystems Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified as dissolved at Company's House. A review of media (The Gazette, The Herald) confirms that ExpressOn BioSystems was liquidated in 2006. The Scottish Enterprise-backed company, based at the Roslin Biocentre in Midlothian, was undertaking pioneering research into "blocking" defective human genes. The firm was developing the technology targeted for use by global pharmaceutical firms. In late-2002 ExpressOn secured second-round funding of £675,000 from a range of stakeholders, including Scottish Enterprise, the Edinburgh Technology Fund, Yorkshire Fund Managers and Generics Asset Management.	300
Ferguson Marine Engineering Limited	The company was awarded RSA grant funding of £1,047k in September 2015. In a series of amendments to the offer between March 2016 and November 2018 the amount of grant offered increased to £1,639k. However, the company did not obtain the additional funding it needed from investors to complete the project and project costs continued to increase and timescales continued to be pushed out. The project had encountered a series of delays and only the first two grant instalments totalling £600k were paid. The company went into administration in August 2019 and the shipyard was nationalised. In July 2021 a cheque was received from the administrators being the first and final dividend payable to Scottish Enterprise of £63k. The remaining amount of grant of £537k is now being written off.	537

Section 2: Accountability Report

		£000
Gaia Wind Limited	SE invested £375,000 in Gaia Wind, a manufacturer of small (11kw) onshore wind turbines, between March 2015 and September 2017 to grow the business in the UK and internationally. Changes in UK subsidy support for onshore wind impacted sales in the UK, with similar impacts in Denmark and Germany, so the company had to seek export opportunities in other markets like Japan. Sales delays in Japan heavily impacted the company resulting in cash flow issues and lack of appetite from shareholders to continue to support. A provision liquidator was appointed to the company in March 2018, a process which recovered SE £115,238.29 of its original investment. Following conclusion of the liquidation process SE will now write-off the balance of its investment.	266
Geddes & Grosset Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified as dissolved at Company's House. The New Lanark-based book-packager and publisher became dormant in 2010 and was struck off the register 2018.	275
Gelfer Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified as dissolved at Company's House. Based at Bridgeton, this Glasgow based hat retailer supplied high street retailers. Established in 1921, the company became insolvent in 2000.	250
Heliex Power Limited	Heliex Power is involved in the manufacture and sale of technology which recovers energy from steam and uses it to generate electricity. SE first invested £1,999,998 in 2016 via the Scottish Venture Fund providing working capital to increase sales. This was followed by £333,333 via REIF and £1,500,531 via EIF. The company was badly affected by Covid-19 resulting in reduced sales. A restructure took place resulting in SE's CLN being converted to equity, leading to a write-off. This enabled a new strategic investor to come on board and support the company's growth ambitions going forward.	371
Inverclyde Council	The Board of Scottish Enterprise Renfrewshire approved the transfer of the SE owned land at East India Harbour, Greenock to Inverclyde Council in 1995, for the price of £95,000. The agreement included a clawback clause which would only be triggered if a change of planning consent to a higher value use was ever granted. Planning consent for residential use was granted in 2006. Consequently, under the agreement, after land valuations SE was entitled to clawback of around £731,000. The site was never developed, and the planning permission has lapsed as there was no development interest. SE has written off the debt.	731
Lindon Engineering Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified (Gazette) as insolvent. A search of official records (The Gazette) confirms that this company went into liquidation in 2002.	252

Section 2: **Accountability Report**

		£000
MTK IP Limited	The company was awarded RSA grant funding of £2,900k in September 2016 with £2,343k of this being paid out over the period October 2016 to December 2019. In October 2020 the company took the decision to close their Edinburgh office which was in breach of the terms and conditions of the grant offer. Recovery of the grant was considered; however, the grantee company entered a creditors voluntary liquidation in November 2021 and the financial position of the parent company is such that the company is insolvent. Scottish Enterprise has therefore assessed the extent to which the grants awarded had achieved their original purpose and have written off the balance which was deemed not to have secured the required value for money.	944
Particle Analytics Limited	SE first invested £443,240.80 in Particle Analytics in 2017 via Scottish Co Investment Fund to support the development of innovative technology aimed at providing significant cost savings to the oil and gas market. Further SE investment of £199,938.06 via Scottish Venture fund and £196,000 via ESGCF was provided between 2018 and 2020. The company also received grant funding of £49,000 as part of the ESGCF package and a 2016 SMART grant of £118,927. Unforeseen technical challenges delayed the market launch of the product and allowed other providers to deliver a similar solution to the market. Following an unsuccessful search to find a new home for the technology, the Directors have taken the decision to enter into a Members Voluntary Liquidation (MVL). There are still funds from a loan which have not been spent by the Company, therefore the value of the write-off processed in the current year has been reduced by the amount of the anticipated funds to be returned to Scottish Enterprise following the completion of the MVL process.	847
Petrodata Limited	Petrodata was involved in the development and production of data recording equipment for the oil drilling industry. The Company suffered from lack of sales and given the poor trading performance and no prospect of further funding steps were taken to appoint a liquidator and have the Company wound up. Scottish Enterprise invested £100,000 via the Business Growth Fund in 2003 and a £250,000 loan via the Scottish Co investment fund in 2003 (£175,000) and 2005 (£75,000) alongside private sector investors. £31,892.67 of the Business Growth Fund loan was recovered.	318
SAW Dx Limited	Established in 2017, Saw DX was a spin-out from Glasgow University which aimed to commercialise high sensitivity impedance spectroscopy technology. SE invested a total of £375,000 alongside IP Group in 2017 and although the Company was successful in raising significant grant monies, there was still a high level of risk around its technology, and it just proved too difficult to attract the further private sector investment required for the Company to move forward. This was exacerbated by the onset of the Coronavirus pandemic and the uncertainty that caused in the investment marketplace. This was at a critical time for the Company as it had a very limited cash runway and with no prospect of raising further funds, the management team had to take the difficult decision to wind the Company up.	374

		£000
Sharktower AI Limited	<p>Sharktower AI Limited is an Edinburgh based project management consultancy business. The predecessor company to Sharktower was called Mudano and, in October 2017, it accepted an offer of R&D grant support for £2.6m. The total grant support paid out is £2.2m. Scottish Enterprise also held a minority shareholding of c.11% in Sharktower.</p> <p>Sharktower was recently acquired by an English based company, operating in complementary areas of project management at a larger scale and with a UK wide client base compared to that of Sharktower historically. The acquirer 's intention is to continue with the Sharktower business and technology and indeed grow this business as part of its wider offering, however, they were not willing to accept any potential 'clawback' clauses associated with the terms of the previous R&D grant award. The two founders/owners of Sharktower were also unable to accept liability for the full amount of the potential grant claw back, however, in order to secure the acquisition, they have accepted personal liability for £500k.</p> <p>Scottish Enterprise therefore agreed to limits its future clawback rights to £500k as this settlement retains Sharktower in Scotland, maintains jobs and allows for future investment and job growth and allowed SE to receive a financial return on its equity.</p>	1,700
Smith & Telford	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been identified dissolved at Company's House. Also known as Douglas of Scotland, this manufacturer of knitted and crocheted hosiery was dissolved in 2012.	251
The Duncan Group Scotland Limited	Long standing loan balances which have been fully written down for a number of years. Review of all data, internal and external, has confirmed that this company has been dissolved at Company's House. A security broking and fund management firm based in Aberdeen; the company was dissolved in October 2012	275

Section 2: **Accountability Report**

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. Scottish Enterprise has nothing to report for the year ended 31 March 2022 in respect of gifts.

Fees and charges

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

Remote contingent liabilities

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

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



Adrian Gillespie
Accountable Officer
29 July 2022

SECTION 3

Independent Auditor's Report

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

Section 3: Independent Auditor's Report

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Enterprise for the year ended 31 March 2022 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Scottish Enterprise Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Scottish Enterprise Statement of Financial Position, Group Statement of Cash Flows, Scottish Enterprise Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Scottish Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 body's affairs as at 31 March 2022 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 18 March 2022. The period of total uninterrupted appointment is four months. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Section 3: Independent Auditor's Report

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited 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.

Other information

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

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

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

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

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

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

Section 3: Independent Auditor's Report

Matters on which I 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.

Pauline Gillen

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

29 July 2022

SECTION 4

Primary Financial Statements

for the year ended 31 March 2022

Section 4: Primary Financial Statements

Group Statement of Comprehensive Net Expenditure

	Notes	2022 £000	2021 £000
Expenditure			
Operating expenditure	1,3	200,469	365,170
Net management expenditure on staff costs	3	91,925	89,338
Other management expenditure	3	21,542	24,332
		313,936	478,840
Income			
Income from activities	2	(85,390)	(123,974)
Other Income	2	(62,806)	(19,868)
		(148,196)	(143,842)
Net Operating Expenditure		165,740	334,998
Share of profits in equity accounted investees	7	(3,111)	(482)
Income from investments	2	(118)	(42)
Interest receivable	2	(8,674)	(6,069)
Other finance income	2	(1,174)	(1,921)
Net Expenditure after interest		152,663	326,484
Taxation	4	(7)	38
Net Expenditure after taxation		152,656	326,522
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net (gains) on revaluation of property, plant and equipment		(6,431)	(3,483)
Net remeasurement (gains) / losses recognised in retirement benefit scheme		(71,206)	23,279
Total Comprehensive Net Expenditure for the year		75,019	346,318
Attributable to:			
Taxpayers' Equity		75,109	346,440
Non-Controlling Interest		(90)	(122)
		75,019	346,318

The notes on pages 93 to 159 form part of these accounts.

Scottish Enterprise Statement of Comprehensive Net Expenditure

		2022	2021
	Notes	£000	£000
Expenditure			
Operating expenditure	1,3	197,050	361,698
Net management expenditure on staff costs	3	83,908	80,778
Other management expenditure	3	21,271	24,163
		302,229	466,639
Income			
Income from activities	2	(84,899)	(123,040)
Other Income	2	(51,656)	(12,557)
		(136,555)	(135,597)
Net Operating Expenditure		165,674	331,042
Income from investments	2	(92)	(8)
Interest income	2	(8,673)	(6,067)
Other finance income	2	(1,174)	(1,921)
Net Expenditure after interest		155,735	323,046
Taxation	4	(9)	38
Net Expenditure after taxation		155,726	323,084
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net (gains) on revaluation of property, plant and equipment		(4,592)	(1,889)
Net remeasurement (gains)/losses recognised in retirement benefit scheme		(71,206)	23,279
Total Comprehensive Net Expenditure for the year		79,928	344,474

The notes on pages 93 to 159 form part of these accounts.

Section 4: Primary Financial Statements

Group Statement of Financial Position

		2022	2021
	Notes	£000	£000
NON-CURRENT ASSETS			
Property, plant and equipment	5	140,091	137,243
Intangible assets	6	3,382	2,724
		143,473	139,967
Financial assets			
Investments in equity accounted investees	7	3,951	1,104
Other investments	8	453,312	445,255
Total financial assets		457,263	446,359
Retirement benefit scheme	10	110,984	52,834
Other non-current receivables	11	3,251	589
TOTAL NON-CURRENT ASSETS		714,971	639,749
CURRENT ASSETS			
Other investments	8	24,722	15,344
Assets classified as held for sale	12	14,592	11,611
Inventories	13	95	90
Income tax receivable		460	234
Trade and other receivables	14	19,541	21,921
Cash and cash equivalents	15	151,225	141,010
TOTAL CURRENT ASSETS		210,635	190,210
TOTAL ASSETS		925,606	829,959
CURRENT LIABILITIES			
Trade and other payables	16	(97,630)	(75,689)
Provisions	17	(501)	-
TOTAL CURRENT LIABILITIES		(98,131)	(75,689)
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		827,475	754,270
NON-CURRENT LIABILITIES			
Other payables	16	(145,410)	(215,261)
Provisions	17	(4,612)	(4,953)
TOTAL NON-CURRENT LIABILITIES		(150,022)	(220,214)
ASSETS LESS LIABILITIES		677,453	534,056

Section 4: Primary Financial Statements

		2022	2021
	Notes	£000	£000
TAXPAYERS' EQUITY			
General Reserve		613,844	473,413
Specific Reserve		1,420	1,544
Revaluation Reserve		60,992	57,992
Non-Controlling Interest		1,197	1,107
TOTAL EQUITY		677,453	534,056

The notes on pages 93 to 159 form part of these accounts.

The accountable officer authorised these financial statements for issue on 29 July 2022.



Adrian Gillespie
Accountable Officer
29 July 2022

Section 4: Primary Financial Statements

Scottish Enterprise Statement of Financial Position

		2022	2021
	Notes	£000	£000
NON-CURRENT ASSETS			
Property, plant and equipment	5	86,736	85,459
Intangible assets	6	3,382	2,724
		90,118	88,183
Financial assets			
Other investments	8	453,976	446,275
Retirement benefit scheme	10	110,984	52,834
Other non-current receivables	11	3,488	1,639
TOTAL NON-CURRENT ASSETS		658,566	588,931
CURRENT ASSETS			
Other investments	8	24,722	15,344
Assets classified as held for sale	12	14,592	11,611
Trade and other receivables	14	17,831	20,589
Income tax receivable		460	234
Cash and cash equivalents	15	145,671	136,230
TOTAL CURRENT ASSETS		203,276	184,008
TOTAL ASSETS		861,842	772,939
CURRENT LIABILITIES			
Trade and other payables	16	(94,477)	(73,072)
Provisions	17	(498)	-
TOTAL CURRENT LIABILITIES		(94,975)	(73,072)
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		766,867	699,867
NON-CURRENT LIABILITIES			
Other payables	16	(145,410)	(215,260)
Provisions	17	(4,401)	(4,793)
TOTAL NON-CURRENT LIABILITIES		(149,811)	(220,053)
ASSETS LESS LIABILITIES		617,056	479,814

Section 4: Primary Financial Statements

		2022	2021
	Notes	£000	£000
TAXPAYERS' EQUITY			
General Reserve		598,016	464,663
Revaluation Reserve		19,040	15,151
TOTAL EQUITY		617,056	479,814

The notes on pages 93 to 159 form part of these accounts.

The accountable officer authorised these financial statements for issue on 29 July 2022.



Adrian Gillespie
Accountable Officer
29 July 2022

Section 4: Primary Financial Statements

Group Statement of Cash Flows

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Net expenditure after interest		(152,663)	(326,484)
Adjustments for:			
Depreciation and assets written off		8,573	7,424
Increase in investment provision and write-off		13,736	6,978
Property revaluation (gain) / deficit		(1,915)	372
Intangible revaluation deficit		190	612
Investment revaluation gain		(35,024)	(51,613)
Interest receivable	2	(8,674)	(6,069)
Dividends receivable	2	(118)	(42)
Retirement benefit scheme net charges		13,056	5,769
Share of profit in equity accounted investees	7	(3,111)	(482)
Surplus on disposal of property, plant and equipment	2	(1,786)	(362)
Surplus on disposal of investments and equity accounted investees	2	(39,214)	(62,998)
		(206,950)	(426,895)
(Increase) / decrease in inventories		(5)	15
Decrease / (Increase) in trade and other receivables		1,156	(521)
Increase in trade payables		2,914	21,020
Increase / (decrease) in provision for future liabilities		160	(203)
		(202,725)	(406,584)
Income tax expense		(219)	(572)
Net cash outflow from operating activities		(202,944)	(407,156)
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		3,918	13,866
Proceeds of disposal of financial assets and equity accounted investees		93,965	87,548
Repayments of other investments		26,563	8,807
Interest received		4,468	2,197
Dividends received		118	42
Purchase of property, plant and equipment		(7,283)	(2,677)
Purchase of current intangible assets		(1,080)	(1,365)
Purchase of financial assets		(74,915)	(121,325)
Net cash inflow / (outflow) from investing activities		45,754	(12,907)

Section 4: Primary Financial Statements

		2022	2021
	Notes	£000	£000
Cash flows from financing activities			
Grants from Scottish Government		216,017	407,160
Financial Transactions financing from Scottish Government net of repayments	16	(48,612)	51,758
Net cash inflow from financing activities		167,405	458,918
Net increase / (decrease) in cash and cash equivalents in the period		10,215	38,855
Cash and cash equivalents at the beginning of the period	15	141,010	102,155
Cash and cash equivalents at the end of the period	15	151,225	141,010

The notes on pages 93 to 159 form part of these accounts.

Section 4: Primary Financial Statements

Scottish Enterprise Statement of Cash Flows

		2022	2021
	Notes	£000	£000
Cash flows from operating activities			
Net expenditure after interest		(155,735)	(323,046)
Adjustments for:			
Depreciation and assets written off		2,319	2,895
Increase in investment provision and write-off		13,474	6,978
Property revaluation (gain) / deficit		(1,914)	399
Intangible revaluation deficit		190	612
Investment revaluation gain		(35,171)	(51,267)
Interest receivable	2	(8,673)	(6,067)
Dividends receivable	2	(92)	(8)
Retirement benefit scheme net charges		13,056	5,769
Surplus on disposal of property, plant and equipment	2	(1,786)	(362)
Surplus on disposal of investments and equity accounted investees	2	(39,095)	(62,431)
		(213,427)	(426,528)
Decrease / (increase) in trade and other receivables		2,347	(515)
Increase in trade payables		2,379	19,654
Increase / (decrease) in provision for future liabilities		106	(203)
		(208,595)	(407,592)
Income tax expense		(217)	(572)
Net cash outflow from operating activities		(208,812)	(408,164)
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		3,918	13,856
Proceeds of disposal of financial assets		93,334	85,702
Repayments of other investments		27,075	8,807
Interest received		4,467	2,194
Dividends received		92	8
Purchase of property, plant and equipment		(1,297)	(768)
Purchase of intangible assets		(1,080)	(1,365)
Purchase of financial assets		(74,415)	(120,179)
Net cash inflow / (outflow) from investing activities		52,094	(11,745)

Section 4: Primary Financial Statements

		2022	2021
	Notes	£000	£000
Cash flows from financing activities			
Grants from Scottish Government		214,771	404,991
Financial Transactions financing from Scottish Government net of repayments	16	(48,612)	51,758
Net cash inflow from financing activities		166,159	456,749
Net increase/ (decrease) in cash and cash equivalents in the period		9,441	36,840
Cash and cash equivalents at the beginning of the period	15	136,230	99,390
Cash and cash equivalents at the end of the period	15	145,671	136,230

The notes on pages 93 to 159 form part of these accounts.

Section 4: Primary Financial Statements

Group Statement of Changes in Taxpayers' Equity

	General Reserve	Specific Reserve	Revaluation Reserve	Non-Controlling Interest	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2020	413,689	981	57,129	985	472,784
Net expenditure during the year	(327,207)	563	-	122	(326,522)
Remeasurement losses in retirement benefit scheme	(23,279)	-	-	-	(23,279)
Net gains on revaluation of property, plant and equipment	-	-	3,483	-	3,483
Transfer between reserves	2,620	-	(2,620)	-	-
Total recognised income and expense for year to 31 March 2021	(347,866)	563	863	122	(346,318)
Grant in Aid from Scottish Government	413,007	-	-	-	413,007
Repayment of Financial Transactions funding waived	430	-	-	-	430
Repayment of Grant in Aid from other business income	(8,026)	-	-	-	(8,026)
Other grants from Scottish Government	2,179	-	-	-	2,179
	407,590	-	-	-	407,590
Balance at 31 March 2021	473,413	1,544	57,992	1,107	534,056
Net expenditure during the year	(152,622)	(124)	-	90	(152,656)
Remeasurement gains in retirement benefit scheme	71,206	-	-	-	71,206
Net gains on revaluation of property, plant and equipment	-	-	6,431	-	6,431
Transfer between reserves	3,431	-	(3,431)	-	-
Total recognised income and expense for year to 31 March 2022	(77,985)	(124)	3,000	90	(75,019)
Grant in Aid from Scottish Government	240,835	-	-	-	240,835
Repayment of Financial Transactions funding waived	2,399	-	-	-	2,399
Repayment of Grant in Aid from other business income	(26,124)	-	-	-	(26,124)
Other grants from Scottish Government	1,306	-	-	-	1,306
	218,416	-	-	-	218,416
Balance at 31 March 2022	613,844	1,420	60,992	1,197	677,453

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £10,385m (2021: £10,148m). The grant in aid provision of £241m for 2021/2022 (2020/21: £413m) included £112m (2020/21: £98m) 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 £61m (2021: £58m) is £61m (2021: £58m) attributable to net unrealised surpluses on Land and Buildings.

Section 4: Primary Financial Statements

Scottish Enterprise Statement of Changes in Taxpayers' Equity

	General Reserve	Revaluation Reserve	Total
	£000	£000	£000
Balance at 1 April 2020	404,565	14,302	418,867
Net expenditure during the year	(323,084)	-	(323,084)
Remeasurement losses in retirement benefit scheme	(23,279)	-	(23,279)
Net gains on revaluation of property, plant and equipment	-	1,889	1,889
Transfer between reserves	1,040	(1,040)	-
Total recognised income and expense for year to 31 March 2021	(345,323)	849	(344,474)
Grant in Aid from Scottish Government	413,007	-	413,007
Repayment of Financial Transactions funding waived	430	-	430
Repayment of Grant in Aid from other business income	(8,026)	-	(8,026)
Other grants from Scottish Government	10	-	10
	405,421	-	405,421
Balance at 31 March 2021	464,663	15,151	479,814
Net expenditure during the year	(155,726)	-	(155,726)
Remeasurement gains in retirement benefit scheme	71,206	-	71,206
Net gains on revaluation of property, plant and equipment	-	4,592	4,592
Transfer between reserves	703	(703)	-
Total recognised income and expense for year to 31 March 2022	(83,817)	3,889	(79,928)
Grant in Aid from Scottish Government	240,835	-	240,835
Repayment of Financial Transactions funding waived	2,399	-	2,399
Repayment of Grant in Aid from other business income	(26,124)	-	(26,124)
Other grants from Scottish Government	60	-	60
	217,170	-	217,170
Balance at 31 March 2022	598,016	19,040	617,056

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £10,389m (2021: £10,148m). The grant in aid provision of £241m for 2021/22 (2020/21: £413m) included £112m (2020/21: £98m) 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 £19m (2021: £15m) is £19m (2021: £15m) attributable to net unrealised surpluses on Land and Buildings.

Section 5: **Statement of Accounting Policies**

SECTION 5

Statement of Accounting Policies

1. Basis of Preparation

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

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

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

Change in accounting policy and restatement

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

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

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

- Retirement Benefit Scheme (Note 10)
- Property, Plant and Equipment (Note 5)
- Financial Assets – Other Investments (Note 8)
- Assets Classified as Held for Sale (Note 12)

The Board and Accountable Officer have considered the Resource Budget for 2022/23, comprising the availability of Grant in Aid and 'non-cash' budget provision, and consider that Scottish Enterprise has adequate resources to continue in operational existence for the foreseeable future. The accounts are therefore prepared on a going concern basis. Further details of Scottish Enterprise's Resource Budget for 2022/23 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 21.

Section 5: Statement of Accounting Policies

2. Basis of Consolidation

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

a) Subsidiaries

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

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

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

b) Associates and jointly controlled entities

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

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

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

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

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

further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

c) Other

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

3. Funding

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

Scottish Enterprise also receives Financial Transactions funding from the Scottish Government for the specific purpose of financing equity investments and the provision of loans. Financial Transactions funding is repayable over variable periods and is recognised as a current or long-term liability in accordance with the estimated repayment terms of the underlying financial assets, initially at the time each tranche of funding is drawn down from the Scottish Government and then reviewed on an annual basis thereafter. For equity investments, where it is difficult to predict the timing of an exit, indicative repayments timescales are set as 10 years. As cashflows cannot be estimated reliably The Financial Transactions liability detailed in Note 16 has not been discounted.

4. Property, Plant and Equipment

a) Land

Land held for or under development, or for the Group's own use, is held at fair value and is valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation - Global Standards 2021 and The Royal Institution of Chartered Surveyors Valuation - Global Standards 2017 - UK National Supplement and specifically the basis valuation for IFRS. Details of valuation techniques used to determine fair value of land are given in Note 9.

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

Section 5: Statement of Accounting Policies

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

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

Land is not depreciated.

b) Property

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

Buildings are held at fair value and are valued annually in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors, based on their existing condition and use. Details of valuation techniques used to determine fair value of buildings are given in Note 9.

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

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

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

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

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

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

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

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

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

c) Non property assets

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

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

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

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

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

d) Subsequent expenditure

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

e) Impairment

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

Section 5: Statement of Accounting Policies

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

5. Non-Current Assets Held for Sale

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

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

Non-current assets held for sale are not depreciated.

6. Financial Assets

Classification

Scottish Enterprise classifies its financial assets in the following categories:

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

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

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

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

a) Fair value

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

b) Amortised cost

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

Recognition and derecognition

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

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

Measurement

a) Fair value

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

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

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

If the market for a financial asset is not active, Scottish Enterprise establishes fair value from external market evidence. Details of valuation techniques used to determine fair value of financial assets held at fair value through profit or loss are given in Note 9.

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

Section 5: Statement of Accounting Policies

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 income or expenditure in the net expenditure statement. Dividends from such investments continue to be recognised in profit or loss as income in the year in which it is receivable.

b) Amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost using the effective interest rate method less provision for impairment. Interest income from these financial assets is included in finance income. Details of valuation techniques used to determine fair value of financial assets held at amortised cost are given in Note 9.

Impairment

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

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

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

7. Intangible Assets

a) Patents and other similar intellectual property rights

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

b) Software Licences

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

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

c) Software Research and Development Costs

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

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

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

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

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

9. Inventories

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

10. Income

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

Section 5: Statement of Accounting Policies

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 based on amounts receivable in respect of expenditure incurred in the accounting period on approved projects.

12. Dividend Income

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

13. Leasing

Where Scottish Enterprise bears substantially all 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 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. Expenditure

Expenditure is accounted for on an accruals basis.

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

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

15. Taxation

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

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

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

16. Employee Benefits

a) Retirement benefits

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

The asset recognised in the Statement of Financial Position in respect of a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the date of the

Section 5: Statement of Accounting Policies

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 Net Expenditure in the period in which they arise.

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

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

b) Short term employee benefits

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

17. Exchange Gains and Losses

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional

currency'). The Group accounts are presented in Pounds Sterling, which is Scottish Enterprise's functional and the Group's presentation currency.

b) Transactions and balances

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

18. Cash and Cash Equivalents

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

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.

Section 5: Statement of Accounting Policies

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

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

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.

This accounting period has experienced the ongoing impact of Covid-19 coronavirus, which has affected businesses and financial markets generally in the UK and the rest of the world, meaning that there continues to be an unprecedented set of circumstances on which to base a judgement.

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

a) Retirement benefit scheme

Due to timing a small proportion of scheme assets are normally based on a lagged valuation. The group have reviewed available information on market conditions between the valuation date and the reporting date and consider the year end valuation report provided by the actuary to be the best information available to the Group at 31 March 2022 and can be relied upon.

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

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

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, which includes a table setting out the potential sensitivity of change in assumptions of the retirement benefit obligation. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.

b) Fair value of land and buildings

The Group commissions a valuation of land and buildings held for industrial and commercial use biannually which is carried out by a firm of professional valuers. Details of valuation techniques used to determine fair value of land and buildings, including information on key unobservable inputs and the relationship between unobservable inputs to fair value that have been applied, are given in Note 9.

The valuation report has been used to inform the measurement of assets in these financial statements, this is the best information available to the Group at 31 March 2022 and can be relied upon.

c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on external market conditions existing at the date of each Statement of Financial Position. The valuations are carried out internally and the group follows the International Private Equity and Venture Capital Valuation ("IPEV") Guidance when determining fair value. Details of valuation techniques used to determine fair value of financial assets, including information on key unobservable inputs and the relationship between unobservable inputs to fair value that have been applied, are given in Note 9.

Section 5: Statement of Accounting Policies

d) Impairment of financial assets at amortised cost

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

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

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

e) European Income

The Group operates a series of programmes which attract financial support from the European Union. Funding is claimed in arrears at the intervention rate agreed at the start of the programmes and based upon the costs incurred to deliver the programmes and the successful delivery of strategic operation outcomes. Claims submitted during the financial year are recognised as income in the financial year they are presented. At the end of each financial year an assessment is made of the eligibility of the expenditure incurred and for which the Group will be able to secure the evidence standards required to make a claim for European funding in the future. Based upon 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.

There are two areas, Business Competitiveness Operation and Innovation Operation, where based on past experience, there is significant proportion of expenditure that is ineligible for EU funding. For both areas, significant discounting is applied when estimating the level of income to be accrued resulting in percentages of 10% and 3.4% respectively being applied to gross expenditure to arrive at the income figure which is accrued in the financial statements.

These percentages take account of the 40% rate at which ERDF income can be claimed and are consistent with the prior year and are considered reasonable for 2021/22. An increase in each of the percentages by 1% would result in an increase of 2021/22 income of c£5k.

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 2022/23. 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. If IFRS 16 had been adopted the effect would have been to increase leased assets and financial liabilities by £25.5m as at 31 March 2022. In addition, expenditure would have been reduced by £2.275m and depreciation charges would have increased by £7.2m.

SECTION 6

Notes to the Accounts

1. Expenditure

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Operating Expenditure	200,469	365,170	197,050	361,698
Management Expenditure	113,467	113,670	105,179	104,941
Expenditure noted above includes:				
Rentals under operating leases				
Buildings	2,501	2,897	2,275	2,652
Other	47	46	47	46
Foreign exchange losses / (gains)	(924)	903	(910)	864
Depreciation	8,487	7,338	2,233	2,809
Amortisation of intangible assets	86	86	86	86
Auditors' remuneration				
- audit of these accounts (i)	172	169	172	169
Amounts paid to other auditors in respect of:				
- audit of subsidiary companies' accounts	39	37	-	-
- non-audit fees	-	-	-	-
	39	37	-	-

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

Section 6: Notes to the Accounts

2. Income

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Income from Activities				
Property Services				
Rents	5,750	5,850	5,403	5,502
Sundry property income	3,469	3,497	3,444	3,478
Surplus on disposal of property	1,786	362	1,786	362
Investment Management				
Surplus on disposal of investments and equity accounted investees	39,214	62,998	39,095	62,431
Surplus on valuation of Fair Value assets	35,171	51,267	35,171	51,267
	85,390	123,974	84,899	123,040
Other Income				
European funding	5,774	4,221	5,774	4,221
Contributions and other fees	56,493	13,613	45,882	8,336
Grants from UK Government (i)	539	2,034	-	-
	62,806	19,868	51,656	12,557
Income from Investments				
Dividends and other investment income	118	42	92	8
Interest Income				
Interest receivable	8,778	2,676	8,777	2,674
Interest calculated using the effective interest rate method	(104)	3,393	(104)	3,393
	8,674	6,069	8,673	6,067
Other Finance Income				
Net interest income on retirement benefit scheme assets	1,174	1,921	1,174	1,921

- i) Grants from the UK Government in the year is in relation to funds received as part of the UK Government's Coronavirus Job Retention Scheme.

3. Segmental Reporting

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

During 2021/22 the in-year reports of expenditure to the Chief Executive and Executive Leadership Team were updated and operating expenditure was reported and monitored by organisational directorate rather than strategic theme. Management expenditure, including staff costs, and income are not monitored by strategic theme or directorate. Accordingly, the 2020/21 comparatives of operating expenditure has been revised into organisational directorate.

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Operating Expenditure				
Business Services and Advice				
Covid-19 Grant Support Funding				
Pivotal Enterprise Resilience Find/Hardship Fund	-	145,423	-	145,423
Hotel Support Programme	554	8,854	554	8,854
Wedding & Civil Partnership Industries Fund	4,240	21,855	4,240	21,855
Ski Centre & Ski School Fund	-	3,168	-	3,168
Other Business Services and Advice	66,073	88,079	65,064	87,149
Scottish Economic Development				
Covid-19 Grant Support Funding				
Early-Stage Support	-	2,954	-	2,954
Early-Stage Growth Challenge Fund	-	4,858	-	4,858
Other Scottish Economic Development	112,935	73,527	108,274	68,901
International Economic Development	7,918	7,057	10,344	9,245
Chief Financial Office	4,408	3,218	4,408	3,218
Chief People Office & Chief Executive Officer's Office	4,341	6,177	4,166	6,073
Total Segmental Expenditure	200,469	365,170	197,050	361,698

Section 6: Notes to the Accounts

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Management Expenditure				
Management expenditure on staff costs (i)	91,925	89,338	83,908	80,778
Premises, ICT, business services and other management costs	21,542	21,877	21,271	21,708
Machinery of Government transfer of non-current assets to South of Scotland Enterprise Agency	-	2,455	-	2,455
Total Management Expenditure	113,467	113,670	105,179	104,941
Income	(148,196)	(143,842)	(136,555)	(135,597)
Net Operating Expenditure	165,740	334,998	165,674	331,042

i) Management expenditure on staff costs comprises:-

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Wages and salaries	54,558	58,189	47,590	50,750
Social security costs	5,898	5,995	5,229	5,291
Pension costs	27,378	20,126	27,035	19,759
Secondments and temporary staff costs	4,091	5,013	4,054	4,978
Severance costs	-	15	-	-
	91,925	89,338	83,908	80,778

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

4. Taxation

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
UK Corporation tax @ 19% (2021: 19%)	62	69	60	69
Corporation tax over provided in previous years	(69)	(31)	(69)	(31)
Share of equity accounted investees' tax	-	-	-	-
Total current tax	(7)	38	(9)	38

Factors affecting current tax charge:

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Net expenditure after interest	152,663	326,484	155,735	323,046
Current tax @ 19% (2021: 19%)	(29,006)	(62,032)	(29,590)	(61,379)
Effect of:				
Non-taxable income and disallowed expenditure	29,068	62,101	29,650	61,448
Tax over provided in previous years	(69)	(31)	(69)	(31)
Current tax charge	(7)	38	(9)	38

Section 6: Notes to the Accounts

5. Property, Plant and Equipment

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2021: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2022 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £133m (2021: £130m).

Section 6: Notes to the Accounts

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

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

At 31 March 2022 the net carrying value of leased equipment was £Nil (2021: £Nil).

	GROUP								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost and valuation									
At 1 April 2020	75,499	70,006	500	51	16,580	7,502	4,263	13,437	187,838
Additions	526	678	77	-	1,232	62	15	485	3,075
Disposals	(3,632)	(1,425)	-	(33)	(4,313)	(3)	(92)	(25)	(9,523)
Transfer from/ (to) Held for Sale	(10,336)	-	-	-	-	-	-	-	(10,336)
Reclassification	(1,400)	1,507	-	-	(107)	-	-	-	-
Revaluation	414	(1,687)	(27)	-	-	-	-	-	(1,300)
At 31 March 2021	61,071	69,079	550	18	13,392	7,561	4,186	13,897	169,754
Depreciation									
At 1 April 2020	-	-	-	51	14,372	6,873	4,033	8,709	34,038
Charge for year	-	4,409	-	-	803	613	128	1,385	7,338
Revaluation	-	(4,409)	-	-	-	-	-	-	(4,409)
Disposals	-	-	-	(33)	(4,313)	(3)	(85)	(22)	(4,456)
At 31 March 2021	-	-	-	18	10,862	7,483	4,076	10,072	32,511
Net book value									
At 31 March 2021	61,071	69,079	550	-	2,530	78	110	3,825	137,243
At 31 March 2020	75,499	70,006	500	-	2,208	629	230	4,728	153,800
Asset financing									
Owned	61,071	69,079	550	-	2,530	78	110	3,825	137,243
Net book value									
At 31 March 2021	61,071	69,079	550	-	2,530	78	110	3,825	137,243

Section 6: Notes to the Accounts

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2021: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2022 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £83m (2021: £81m).

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

Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE								
	Land	Buildings	Assets Under Construction	Transport Equipment	Plant and Equipment	Information Technology	Furniture & Fittings	Leasehold Improvement	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost and valuation									
At 1 April 2020	70,362	24,661	500	17	861	7,137	4,257	13,286	121,081
Additions	526	-	77	-	-	62	15	485	1,165
Disposals	(3,632)	(1,425)	-	(17)	-	-	-	-	(5,074)
Transfer from/(to) Held for Sale	(10,336)	-	-	-	-	-	-	-	(10,336)
Reclassification	(1,400)	1,400	-	-	-	-	-	-	-
Revaluation	737	55	(27)	-	-	-	-	-	765
At 31 March 2021	56,257	24,691	550	-	861	7,199	4,272	13,771	107,601
Depreciation									
At 1 April 2020	-	-	-	17	861	6,532	4,054	8,611	20,075
Charge for year	-	725	-	-	-	601	106	1,377	2,809
Disposals	-	-	-	(17)	-	-	-	-	(17)
Revaluation	-	(725)	-	-	-	-	-	-	(725)
At 31 March 2021	-	-	-	-	861	7,133	4,160	9,988	22,142
Net book value									
At 31 March 2021	56,257	24,691	550	-	-	66	112	3,783	85,459
At 31 March 2020	70,362	24,661	500	-	-	605	203	4,675	101,006
Asset financing									
Owned	56,257	24,691	550	-	-	66	112	3,783	85,459
Net book value									
At 31 March 2021	56,257	24,691	550	-	-	66	112	3,783	85,459

Section 6: Notes to the Accounts

6. Intangible Assets

	GROUP				
	Development Costs	Software Development Under Construction	Patents and other rights	Software Licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	431	1,566	787	876	3,660
Additions	-	1,511	-	-	1,511
Impairment	-	(612)	-	-	(612)
As at 31 March 2021	431	2,465	787	876	4,559
Additions	-	934	-	-	934
Disposals	-	-	(52)	-	(52)
Impairment	-	(190)	-	-	(190)
As at 31 March 2022	431	3,209	735	876	5,251
Amortisation					
At 1 April 2020	86	-	787	876	1,749
Charge for year	86	-	-	-	86
As at 31 March 2021	172	-	787	876	1,835
Charge for year	86	-	-	-	86
Disposals	-	-	(52)	-	(52)
As at 31 March 2022	258	-	735	876	1,869
Net book value					
At 31 March 2022	173	3,209	-	-	3,382
At 31 March 2021	259	2,465	-	-	2,724
At 1 April 2020	345	1,566	-	-	1,911
Non-Current Intangible Assets	173	3,209	-	-	3,382
Current Intangible Assets	-	-	-	-	-
Total Intangible Assets at 31 March 2022	173	3,209	-	-	3,382

Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE				
	Development Costs	Software Development Under Construction	Patents and other rights	Software Licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	431	1,566	633	867	3,497
Additions	-	1,511	-	-	1,511
Disposals	-	(612)	-	-	(612)
As at 31 March 2021	431	2,465	633	867	4,396
Additions	-	934	-	-	934
Impairment	-	(190)	-	-	(190)
As at 31 March 2022	431	3,209	633	867	5,140
Amortisation					
At 1 April 2020	86	-	633	867	1,586
Charge for year	86	-	-	-	86
As at 31 March 2021	172	-	633	867	1,672
Charge for year	86	-	-	-	86
As at 31 March 2022	258	-	633	867	1,758
Net book value					
At 31 March 2022	173	3,209	-	-	3,382
At 31 March 2021	259	2,465	-	-	2,724
At 1 April 2020	345	1,566	-	-	1,911
Non-Current Intangible Assets	173	3,209	-	-	3,382
Current Intangible Assets	-	-	-	-	-
Total Intangible Assets at 31 March 2022	173	3,209	-	-	3,382

Section 6: Notes to the Accounts

7. Equity Accounted Investees

Scottish Enterprise's investment in Equity Accounted Investees comprises:

Limited by shares	Accounting period end	Nature of Business	% of Voting rights
Ravenscraig Limited	31 December	Property development	33.33
Michelin Scotland Innovation Parc Limited	31 March	Innovation Parc	33.33
EBQ3 Limited	31 May	Property development	33.33
Limited by guarantee	Accounting period end	Nature of Business	% of Membership
Design Dundee Limited	31 March	Advancement of cultural facility	20.00
Joint arrangement		Nature of Business	% Interest
Scottish Enterprise / Calachem Limited		Property development	60.00

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

	Current Assets	Non-current assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Revenue	Expenses	Profit / (Loss)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2020	53,637	1,055	54,692	(18,940)	(35,204)	(54,144)	9,044	(9,930)	(886)
At 31 March 2021	67,363	3,499	70,862	(32,511)	(36,219)	(68,730)	8,803	(7,232)	1,571
At 31 March 2022	63,499	12,579	76,078	(29,524)	(35,990)	(65,514)	19,468	(11,207)	8,261

Movements in carrying amount of investment in equity accounted investees:

	£000
Carrying amount at 1 April 2020	622
Share of profits	482
Disposal	-
Impairment	-
Carrying amount at 31 March 2021	1,104
Carrying amount at 1 April 2021	1,104
Share of profits	3,111
Disposal	(512)
Revaluation	248
Carrying amount at 31 March 2022	3,951

8. Financial Assets – Other Investments

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Non-Current Other Investments				
Fair value through profit or loss	416,737	377,198	417,401	378,218
Amortised cost	67,094	85,480	67,094	85,480
Less: Loss allowance for investments at amortised cost	(30,519)	(17,423)	(30,519)	(17,423)
	453,312	445,255	453,976	446,275
Current Other Investments				
Amortised cost	26,278	16,569	26,278	16,569
Less: Loss allowance for investments at amortised cost	(1,556)	(1,225)	(1,556)	(1,225)
	24,722	15,344	24,722	15,344
Total Other Investments	478,034	460,599	478,698	461,619

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

The above financial assets have been funded as follows:

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Grant in Aid	478,034	460,599	478,698	461,619
Public Dividend Capital	-	-	-	-
	478,034	460,599	478,698	461,619

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

Amounts received during the financial year and payable to the Treasury are disclosed as appropriations in the Statement of comprehensive net expenditure and amounted to £Nil (2021: £Nil).

Listed Investments

Stock Exchange investments included in the above at 31 March 2022 are valued £62,642,863 (2021: £69,240,241) which includes unrealised surpluses on valuation of £31,816,280 (2021: £27,990,446). Income from listed investments in the year to 31 March 2022 was £48,051 (2021: £34,370).

Details of the initial cost of principal investments included above are disclosed in Note 24.

Section 6: Notes to the Accounts

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 (ii)	Dormant	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 (ii)	Dormant	100
SE Grampian Investments 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) (iii)	Training & skills accreditation	50(S)
Scottish Intellectual Asset Management Limited	Dormant	50(S)

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

- i) Glasgow Science Centre Limited and Glasgow Science Centre (Trading) Limited are subsidiary companies of Glasgow Science Centre Charitable Trust.
- ii) On 30 March 2022 an application was made to Companies House to strike the company off the register for both Ayrshire Development Fund Limited and SE Conference House Limited.
- iii) At the time of signing the Group accounts the financial statements for This is Remarkable Limited have not been finalised and therefore the consolidation is based on the draft accounts to 31 March 2022. This is the best information available to the Group and the risk of misstatement is not considered to be material.
- iv) Tay Euro Fund Limited and Co-operative Development Scotland Limited were dissolved on 22 March 2022.

Local Enterprise Companies
Scottish Enterprise Ayrshire (dormant)
Scottish Enterprise Borders (dormant)
Scottish Enterprise Dumfries & Galloway (dormant)
Scottish Enterprise Dunbartonshire (dormant)

Local Enterprise Companies

Scottish Enterprise Edinburgh & Lothian (dormant)

Scottish Enterprise Fife (dormant)

Scottish Enterprise Forth Valley (dormant)

Scottish Enterprise Glasgow (dormant)

Scottish Enterprise Grampian (dormant)

Scottish Enterprise Lanarkshire (dormant)

Scottish Enterprise Renfrewshire (dormant)

Scottish Enterprise Tayside (dormant)

9. Fair Value Measurements

The following table sets out the assets and liabilities that are measured and recognised at fair value at 31 March 2022:

	GROUP			
	2022	2022	2022	2022
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Recurring fair value measurements				
Financial assets	62,643	-	415,391	478,034
Land and property assets	-	-	133,375	133,375
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	14,592	14,592
	62,643	-	563,358	626,001

	SCOTTISH ENTERPRISE			
	2022	2022	2022	2022
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Recurring fair value measurements				
Financial assets	60,307	-	418,391	478,698
Land and property assets	-	-	83,393	83,393
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	14,592	14,592
	60,307	-	516,376	576,683

Section 6: Notes to the Accounts

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 except for those listed on a recognised stock exchange. Fair values of financial assets are determined every six months by suitably qualified professionals within Scottish Enterprise using recognised valuation techniques.

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

The following table sets out the reconciliation of the opening and closing balances for level 3 fair value measurements as at 31 March 2022:

	GROUP			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
At 1 April 2021	391,359	130,700	11,611	533,670
Acquisitions	63,364	4,720	-	68,084
Disposals	(53,731)	(853)	(792)	(55,376)
Transfers to Level 1	(13,493)	-	-	(13,493)
Transfers to/from held for sale	-	(5,320)	5,320	-
Depreciation	-	(5,766)	-	(5,766)
Impairment	(13,471)	1,385	(1,547)	(13,633)
Net gains recognised in Other Comprehensive Net Expenditure	-	6,432	-	6,432
Net gains recognised in Net Expenditure	41,363	2,077	-	43,440
At 31 March 2022	415,391	133,375	14,592	563,358

Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
At 31 March 2021	394,825	81,498	11,611	487,934
Acquisitions	63,364	761	-	64,125
Disposals	(54,443)	(853)	(792)	(56,088)
Transfers to Level 1	(13,493)	-	-	(13,493)
Transfers to/from held for sale	-	(5,320)	5,320	-
Depreciation	-	(747)	-	(747)
Impairment	(13,473)	(455)	(1,547)	(15,475)
Net gains recognised in Other Comprehensive Net Expenditure	-	4,592	-	4,592
Net gains recognised in Net Expenditure	41,611	3,917	-	45,528
At 31 March 2022	418,391	83,393	14,592	516,376

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

	GROUP			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
Unrealised gains / (losses) recognised in net expenditure	27,892	3,462	(1,547)	29,807

	SCOTTISH ENTERPRISE			
	Financial assets	Land & property assets	Assets classified as held for sale	Total
	£000	£000	£000	£000
Unrealised gains/(losses) recognised in net expenditure	28,138	3,462	(1,547)	30,053

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:

Section 6: Notes to the Accounts

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

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

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

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

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

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

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

Multiplier	From 35.41 (before discount) to 71.43 (before discount)
Discount	50% to 80% (marketability 20%; liquidity 20%; minority shareholding 10% to 15% and Other 25%)

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

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

Revenue multiplier has ranged from 1.0x to 4.3x (mean 2.1x) turnover.

Financial assets – held at amortised cost

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

For loans with interest at below market value, cash flows are discounted to measure fair value. Scottish Enterprise uses the higher of the of the rate intrinsic to the financial instrument and the nominal financial instrument discount rate set by HM Treasury of 1.9% (2021: 3.7%).

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

Land

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

Buildings

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

Within the portfolio, equivalent yields have typically been in the range 7.5% to 20% with rental voids generally between 18 and 24 months upon individual lease expires. Rental growth has been factored in on a unit by unit basis where evidence supports the contention.

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

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

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

Section 6: Notes to the Accounts

10. Retirement Benefit Scheme

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

A full actuarial valuation of the Scottish Enterprise Pension & Life Assurance Scheme was carried out using membership data at 31 March 2020 and the results of that valuation have been projected to 31 March 2022 by Isio, qualified independent actuaries. The next formal valuation will be carried out during 2023/24 based on data at 31 March 2023.

	2022	2021
	£000	£000
Present value of funded defined benefit obligations	(792,494)	(835,350)
Fair value of plan assets	903,478	888,184
Recognised surplus in the scheme	110,984	52,834

Movements in the present value of defined benefit obligations

	2022	2021
	£000	£000
At 1 April	(835,350)	(717,340)
Current service cost	(25,997)	(18,607)
Past service cost	-	-
Interest cost	(16,473)	(15,505)
Remeasurements		
Effect of changes in demographic assumptions	19,771	22,069
Effect of changes in financial assumptions	42,047	(232,918)
Effect of experience adjustments	-	101,700
Benefits paid	23,813	25,575
Contributions by members	(305)	(324)
	(792,494)	(835,350)

The weighted average duration of the Scheme's defined benefit obligations is 20 years (2021: 21 years).

Movements in the present value of defined benefit scheme assets

	2022	2021
	£000	£000
At 1 April	888,184	799,222
Expected return on plan assets	17,647	17,426
Remeasurements		
Return on plan assets, excluding interest income	9,388	85,870
Contributions by the employer (i)	12,817	12,087
Contributions by members (i)	305	324
Benefits paid by the plan	(23,813)	(25,575)
Administrative expenses	(1,050)	(1,170)
	903,478	888,184

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

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

The defined benefit obligation analysed by participant status

	2022	2021
	£000	£000
Active members	(360,026)	(365,838)
Vested deferred members	(135,789)	(147,942)
Retired members	(296,679)	(321,570)
	(792,494)	(835,350)

Section 6: Notes to the Accounts

Expense recognised in the Statement of comprehensive net expenditure

	2022	2021
	£000	£000
Current service cost	25,997	18,607
Past service cost	-	-
Administrative expenses	1,050	1,170
Interest income on retirement benefit scheme assets	(17,647)	(17,426)
Interest on retirement benefit scheme obligations	16,473	15,505
Total retirement benefit scheme expense	25,873	17,856

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

	2022	2021
	£000	£000
Management Expenditure	27,047	19,777
Other Finance Income	(1,174)	(1,921)
	25,873	17,856

The total gain amount recognised in the Statement of other comprehensive net expenditure in respect of net remeasurement gains and losses is £71,206,000 (2021: £23,279,000 loss).

Cumulative remeasurement gains and losses recognised in the Statement of other comprehensive net expenditure since 1 April 2002 are net gains of £86,193,000 (2021: £14,987,000 gains).

The fair value and the expected rates of return on scheme assets at 31 March 2022 were as follows:

	2022	2021
	£000	£000
Equity instruments	165,803	195,912
Debt instruments	240,163	240,372
Investment funds	309,255	298,335
Real estate	103,177	91,269
Semi-liquid credit	57,902	59,152
Infrastructure equity	1,981	-
Cash or cash equivalents	25,197	3,144
Total fair value of assets	903,478	888,184

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:

	2022	2021
	% per annum	% per annum
Discount rate	2.65%	2.00%
Future salary increases	4.45% until 2023 3.80% thereafter	4.10% until 2023 3.45% thereafter
Rate of increase in retirement benefits	2.80%	2.45%
Price inflation	3.35%	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:

	2022	2021
	Years	Years
Male member, age 60, retiring today	26.5	26.9
Female member, age 60, retiring today	28.3	28.6
Male member, age 40, retiring in 20 years	27.3	27.7
Female member, age 40, retiring in 20 years	29.5	29.8

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

- **Volatility:** The scheme obligations are calculated using a discount rate set with reference to corporate bond yields and if scheme assets underperform this yield a deficit will be created. The Trustees have agreed an underlying investment strategy to reduce the proportion of scheme assets invested in the equity portfolio and to re-invest into bonds with a maturity profile which matches the scheme obligations.
- **Inflation rate:** The majority of the scheme obligations are linked to inflation, consequently higher levels of inflation in the future will lead to higher liabilities.
- **Life expectancy:** The majority of the scheme obligations are to provide benefits for the life of the member therefore increasing life expectancy of members will result in an increase in scheme liabilities.

Section 6: Notes to the Accounts

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

	Change in assumption	Increase in assumption	Decrease in assumption
	%	£m	£m
Discount rate	0.25	(38.6)	40.6
Future salary increases	0.25	10.5	(10.6)
Inflation rate	0.25	39.4	(37.4)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £28.5m at 31 March 2022.

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 2023 Scottish Enterprise estimates that contributions of £13.4m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

11. Other Non-Current Receivables

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Assets held by Local Enterprise Companies and their subsidiary undertakings (i)	-	-	237	1,050
Subsidiary undertakings	-	-	-	-
Other receivables	3,251	589	3,251	589
	3,251	589	3,488	1,639

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

12. Assets Classified as Held for Sale

	GROUP AND SCOTTISH ENTERPRISE	
	Property, plant and equipment	
	£000	
At 1 April 2020	3,350	
Transfers to assets held for sale	10,336	
Impairment recognised on re-measurement	-	
Disposals of non-current assets held for sale	(2,075)	
As at 31 March 2021	11,611	
At 1 April 2021	11,611	
Transfers to assets held for sale	5,320	
Impairment recognised on re-measurement	(1,547)	
Disposals of non-current assets held for sale	(792)	
As at 31 March 2022	14,592	

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.

13. Inventories

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Finished Goods	95	90	-	-

Section 6: Notes to the Accounts

14. Trade and Other Receivables

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Other Subsidiary undertakings	-	-	144	133
Other receivables (i)	8,378	11,012	7,203	10,375
Prepayments	2,555	2,503	2,072	2,073
Accrued income	8,608	8,406	8,412	8,008
	19,541	21,921	17,831	20,589

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

	GROUP			
	At 1 April 2020	Utilised during year	Movements in Provisions	At 31 March 2021
	£000	£000	£000	£000
Other receivables	4,814	(775)	1,505	5,544
	At 1 April 2021	Utilised during year	Movements in Provisions	At 31 March 2022
	£000	£000	£000	£000
Other receivables	5,544	(2,138)	(225)	3,181
	SCOTTISH ENTERPRISE			
	At 1 April 2020	Utilised during year	Movements in Provisions	At 31 March 2021
	£000	£000	£000	£000
Other receivables	4,600	(775)	1,540	5,365
	At 1 April 2021	Utilised during year	Movements in Provisions	At 31 March 2022
	£000	£000	£000	£000
Other receivables	5,365	(2,138)	(183)	3,044

a) Public Sector balances

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Central Government	11,023	11,253	10,897	11,057
Local Authorities	170	1,756	170	1,733
NHS Bodies	-	-	-	-
Bodies External to Government	8,348	8,912	6,764	7,799
	19,541	21,921	17,831	20,589

15. Cash and Cash Equivalents

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Balance at 1 April	141,010	102,155	136,230	99,390
Net change in cash and cash equivalent balances	10,215	38,855	9,441	36,840
Balance at 31 March	151,225	141,010	145,671	136,230

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Scottish Enterprise	64,879	49,465	64,879	49,465
Investment Funds (i)	80,792	86,765	80,792	86,765
Other subsidiary undertakings	5,554	4,780	-	-
	151,225	141,010	145,671	136,230

The balances at 31 March were held at:

Commercial banks and cash in hand	151,225	141,010	145,671	136,230
	151,225	141,010	145,671	136,230

- 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 2022, £Nil (2021: £Nil) was held in a fixed term deposit.

Section 6: Notes to the Accounts

16. Trade and Other Payables

a) Amounts falling due within one year

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Other taxation and social security	1,340	1,390	1,245	1,235
Other subsidiary undertakings	-	-	225	1,979
Trade payables	6,867	6,681	7,103	6,089
Other payables	1,374	618	1,268	495
Accrued charges	57,386	54,880	56,338	54,123
Prepaid revenue	4,287	4,333	1,922	1,364
Loans from Scottish Government (i)	26,376	7,787	26,376	7,787
	97,630	75,689	94,477	73,072

b) Amounts falling due after more than one year

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Other payables and accrued charges	-	122	-	122
EU Funding for Investment Funds	953	953	953	953
Deferred income	182	311	182	310
Loans from Scottish Government (i)	144,275	213,875	144,275	213,875
	145,410	215,261	145,410	215,260

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 18 years (2021: 21 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.

Section 6: Notes to the Accounts

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Balance at 1 April	221,662	170,334	221,662	170,334
Loan funding received in year	3,686	55,408	3,686	55,408
Repayment waived by Scottish Government	(2,399)	(430)	(2,399)	(430)
Loan funding repaid in year	(52,298)	(3,650)	(52,298)	(3,650)
Balance at 31 March	170,651	221,662	170,651	221,662
Due within one year	26,376	7,787	26,376	7,787
Due after one year	144,275	213,875	144,275	213,875
	170,651	221,662	170,651	221,662

c) Public Sector balances

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Central Government	30,477	12,031	30,295	11,219
Local Authorities	2,129	2,281	2,129	2,134
NHS Bodies	63	-	-	-
Bodies External to Government	64,961	61,377	62,053	59,719
	97,630	75,689	94,477	73,072

Section 6: Notes to the Accounts

17. Provisions

	GROUP				
	Asset Repayment	Joint Development	Office Dilapidations & Repairs	Total	Total
	2022	2022	2022	2022	2021
	£000	£000	£000	£000	£000
Balance at 1 April	-	1,652	3,301	4,953	5,156
Provided in the year	57	-	323	380	-
Discount	-	(81)	(76)	(157)	210
Provisions not required written back	-	-	(3)	(3)	-
Provisions utilised in the year	(3)	-	(57)	(60)	(413)
At 31 March	54	1,571	3,488	5,113	4,953
Non-Current Provisions	51	1,571	2,990	4,612	4,953
Current Provisions	3	-	498	501	-
Total Provisions at 31 March	54	1,571	3,488	5,113	4,953

	SCOTTISH ENTERPRISE			
	Joint Development	Office Dilapidations & Repairs	Total	Total
	2022	2022	2022	2021
	£000	£000	£000	£000
Balance at 1 April	1,652	3,141	4,793	4,996
Provided in the year	-	323	323	-
Discount	(81)	(76)	(157)	210
Provisions not required written back	-	(3)	(3)	-
Provisions utilised in the year	-	(57)	(57)	(413)
At 31 March	1,571	3,328	4,899	4,793
Non-Current Provisions	1,571	2,830	4,401	4,793
Current Provisions	-	498	498	-
Total Provisions at 31 March	1,571	3,328	4,899	4,793

- i) Under a joint development agreement with Falkirk Council, provision is made for costs which may be met from future sale proceeds of the land owned by Scottish Enterprise. The assumption has been made that the balance will carry forward for a further 10 years from the balance sheet date. The provision has been discounted using the discount rates provided by HM Treasury (December 2021).
- ii) Provision has been made for dilapidations across Scottish Enterprise's occupational office accommodation. There are 13 offices with leases expiring between April 2022 and April 2031. An

assessment has been made for each office and they have been discounted using the discount rates provided by HM Treasury (December 2021).

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

18. Commitments

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Property, plant and equipment	1,252	2,446	-	-
Financial Assets	53,134	57,992	53,134	57,992

At 31 March 2022 Glasgow Science Centre Charitable Trust had contracted capital commitments for the creation of various new fixed assets of £1,251,704 (2021: £2,446,172).

Scottish Enterprise has an agreement with the European Investment Fund to invest £50,000,000 in the Scottish-European Growth Co-Investment Programme and also an agreement to invest £20,000,000 in Maven UK Regional Buyout Fund LP. The capital commitment at 31 March 2022 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:

	2022	2021
	£000	£000
Other contingent liabilities (i) (ii) (iii)	4,366	2,026

- i) Warranties given to purchasers of shares in invested companies create a contingent liability to return sales proceeds in the specified circumstances unique to each deal amounted to £4,166,000

Section 6: Notes to the Accounts

(2021: £2,026,000). At 31 March 2022, funds placed in escrow accounts to cover these liabilities should they fall due, amounted to £3,900,000 (2021: £2,026,000).

- ii) Scottish Enterprise is currently in discussions with the owner of a property adjacent to a Scottish Enterprise owned site in respect of remedial works to resolve drainage issues. No formal claim or any admission of liability has been made, however, Scottish Enterprise have undertaken similar works in the past at a neighbouring property. The estimated cost of the works required is £200,000 and a contingent liability has been recorded for this amount.
- iii) The carrying value of the remaining investments funded by Public Dividend Capital is £Nil (2021: £Nil). Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 8).
- iv) Following the High Court rulings on 26 October 2018 and 20 November 2020 regarding the equalisation of Guaranteed Minimum Pension (GMP) benefit within the Lloyds pension scheme Scottish Enterprise will be required to equalise the benefits provided by the Scottish Enterprise Pension Scheme for the effect of unequal GMP for male and female members. Scottish Enterprise and its advisers have not yet undertaken a review to determine the full impact this will have on the liabilities of the scheme. Based on an assessment of schemes with similar characteristics to Scottish Enterprise's pension scheme, the potential increase in scheme liabilities has been estimated in the range of 0% to 1% of current scheme liabilities, which equates to a range of £0 to £7.9m.

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.

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Obligations under operating leases comprise:				
Land and buildings:				
within one year	2,851	3,158	2,180	2,445
after one year but not more than five years	7,154	9,290	5,454	6,978
after more than five years	1,913	2,605	1,913	2,505
	11,918	15,053	9,547	11,928
Other:				
within one year	65	67	38	38
after one year but not more than five years	58	111	26	64
after more than five years	-	-	-	-
	123	178	64	102

21. Financial Instruments

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



Liquidity risk



Credit risk



Market risk

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

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

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

Liquidity risk

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

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

The table below details the contractual maturities of financial liabilities.

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

Section 6: Notes to the Accounts

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

	GROUP			
For 2021	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	283,891	283,891	69,894	213,997
	283,891	283,891	69,894	213,997

	SCOTTISH ENTERPRISE			
For 2021	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	282,489	282,489	68,493	213,996
	282,489	282,489	68,493	213,996

The Group and Scottish Enterprise has outstanding borrowings at 31 March 2022 of £170,651,000 (2021: £221,662,000).

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 to mitigate the credit risk Scottish Enterprise will have from any

single counterparty. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

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

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

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Carrying amount				
Financial assets – other investments				
Fair value through profit or loss assets	416,737	377,198	417,401	378,218
Amortised cost assets	61,297	83,401	61,297	83,401
Financial assets				
Trade and other receivables	20,237	20,007	18,866	18,972
Cash and cash equivalents	151,225	141,010	145,671	136,230
	649,496	621,616	643,235	616,821

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

	GROUP			
	2022		2021	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	21,246	(1,622)	20,459	(1,649)
Past due 0 to 30 days	302	-	397	-
Past due 31 to 120 days	169	-	649	-
Past due more than 120 days	1,701	(1,559)	4,046	(3,895)
	23,418	(3,181)	25,551	(5,544)

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	SCOTTISH ENTERPRISE			
	2022		2021	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	19,875	(1,622)	19,425	(1,649)
Past due 0 to 30 days	302	-	397	-
Past due 31 to 120 days	169	-	649	-
Past due more than 120 days	1,564	(1,422)	3,865	(3,715)
	21,910	(3,044)	24,336	(5,364)

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

Market risk

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

Interest rate risk

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

	GROUP		SCOTTISH ENTERPRISE	
	2022	2021	2022	2021
	£000	£000	£000	£000
Fixed rate instruments				
Financial assets	111,208	138,639	111,208	138,639
Financial liabilities	-	-	-	-
	111,208	138,639	111,208	138,639
Variable rate instruments				
Cash and cash equivalents	151,225	141,010	145,671	136,230
	151,225	141,010	145,671	136,230

Interest receivable by the Group and Scottish Enterprise from cash and cash equivalents is subject to variation based on movements in the Bank of England base rate and associated interest rates.

Assuming that all other variables remain constant a change of 100 basis points in interest rates at the reporting date would have increased/decreased net operating costs as follows:

	GROUP	SCOTTISH ENTERPRISE
	100 basis points change	100 basis points change
	£000	£000
Cash and cash equivalents		
31 March 2021	1,216	1,178
31 March 2022	1,461	1,410

Currency risk

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

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

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			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Fair value through profit or loss assets	416,737	416,737	377,198	377,198
Financial assets held at amortised cost	61,297	61,297	83,401	83,401
Trade and other receivables	20,237	20,237	20,007	20,007
Cash and cash equivalents	151,225	151,225	141,010	141,010
Trade and other payables	(236,278)	(236,278)	(283,891)	(283,891)
	413,218	413,218	337,725	337,725

Section 6: Notes to the Accounts

	SCOTTISH ENTERPRISE			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Fair value through profit or loss assets	417,401	417,401	378,218	378,218
Financial assets held at amortised cost	61,297	61,297	83,401	83,401
Trade and other receivables	18,866	18,866	18,972	18,972
Cash and cash equivalents	145,671	145,671	136,230	136,230
Trade and other payables	(235,360)	(235,360)	(282,489)	(282,489)
	407,875	407,875	334,332	334,332

- 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 £62,642,863 (2021: £69,240,241) at 31 March.

Estimation of fair values

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

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

22. Related Party Transactions

Scottish Enterprise is a non-departmental public body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year Scottish Enterprise and its subsidiaries has had material transactions with the Scottish Government.

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

During the year, material transactions have taken place with:

• Creative Scotland	• NatureScot
• Scottish Canals	• Scottish Funding Council
• Skills Development Scotland	• South of Scotland Enterprise

Scottish Enterprise provided Michelin Scotland Innovation Parc Limited, an associated undertaking, £2,974,000 of grant funding during the year and paid £46,804 for the provision of office premises.

Scottish Enterprise provided Pitlochry Festival Theatre, of which Jane Martin is a non-executive director, £75,103 of grant funding during the year. The balance due at 31 March 2022 was £30,104. All transactions are conducted at arm's length.

The Scottish Enterprise Pension & Life Assurance Scheme is also regarded as a related party. Full details of the Scheme and employer contributions made are included in Note 10.

Scottish Enterprise also considers members of the Board and the Executive Leadership Team to be related parties but none of the members or other related parties had any transactions with Scottish Enterprise.

23. Board Members Interests

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

Poonam Malik is a member (via syndication) of EOS Advisory LLP, EOS Syndicate Management Limited, Equity Gap Limited, and Kelvin Capital, early stage investment vehicles which invests in companies alongside Scottish Enterprise. During the year Scottish Enterprise paid a total of £7,428, £17,100, £94,311 and £114,491 respectively in investment arrangement fees.

Poonam Malik is a director of FirstImpact Business Limited, Scottish Enterprise paid £600 for Impact Economy Advisors Training.

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Anne Glover is Chair of Industrial Biotechnology Innovation Centre (IBiolC), during the year Scottish Enterprise provided grant support of £557,728 to the Innovation Centre via University of Strathclyde.

Poonam Malik is an investor and advisor for Investing Women Angels Limited and during the year Scottish Enterprise provided grant support of £56,241.

Johnson Matthey plc, a company that Carmel Teusner has shares in, paid Scottish Enterprise £900 for a project delivered by the Scottish Manufacturing and Advisory Service (SMAS).

The Offshore Renewable Energy Catapult (ORE) received £60,000 in grant funding from Scottish Enterprise. Anne Glover is a non-executive director of ORE.

Anne Glover is a board member of Scottish Power. Glasgow Science Centre Charitable Trust Limited received fees of £315,201 from Scottish Power for managing Whitelee Windfarm Visitor Centre on their behalf. Glasgow Science Centre Charitable Trust Limited also received £20,000 sponsorship income to fund an Electric Detectives programme and in addition Scottish Power contracted services of £48,925 from Glasgow Science centre Charitable Trust Limited to deliver a Renewables Challenge and Lets Talk About Energy programme.

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
Boeing Scotland Alliance Steering Group	Linda Hanna	Member
Heriot Watt University	Sue Paterson	Governor
Pale Blue Dot	Sue Paterson	Associate
Skills Development Scotland	Willie Mackie	Board member
	Poonam Malik	Board member
University of Strathclyde	Anne Glover	Special Adviser to the Principal
	Poonam Malik	Head of Investments
	Gavin Nicol	Visiting Professor
	Lord Robert Smith	Chancellor
University of the Highlands and Islands	Poonam Malik	Governor; Member of the University Court; Chair – Remuneration Committee

24. Schedules of Investments at 31 March 2022

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

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
71 Brewing Limited Independent craft lager brewery established in Dundee	20.39	304	-	-
A F Clothing Limited Designer and retailer of outdoor and active lifestyle clothing	29.25	333	-	-
Actual Analytics Limited Software for the analysis of animal behaviour	28.64	707	-	-
Aridhia Informatics Limited Biomedical informatics and analytics	22.69	748	1,558	-
Arrayjet Limited Microarray printers and services	26.03	1,560	-	-
Aurum Biosciences Limited Stroke therapy	26.64	702	-	-
Avanticell Science Limited Cell assay products and services	26.70	203	150	-
Biotangents Limited Diagnostics for infectious diseases in livestock	26.17	1,380	-	-
Blackford Analysis Limited Software to improve medical imaging	26.32	3,240	-	-
Boundary Technologies Limited Smart home alarm systems	27.38	3,261	-	-
Bsolve Limited Manufacture of fast dissolving films	27.97	2,788	250	-
Calcivis Limited Dental medical device co-visualise calcium loss	28.91	4,475	-	-
Carbon Black System Limited Design and production of wheelchairs	27.68	655	137	-
Causeway Therapeutics Limited Patented therapy for the treatment of tendinopathy	24.08	1,000	720	-

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	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
Cellucomp Limited Development of products from high tech composites	20.12	2,375	-	-
Ceres Holographics Limited Development of holographic technology	22.75	1,803	-	-
Chromacity Limited Design and manufacture of advanced lasers	29.89	1,114	302	-
Clear Surgical Limited Producer of surgical devices	29.53	765	240	-
Clyde Biosciences Limited Cardiac drug screening product	22.71	708	490	-
Conjunct Limited Development of optical communication components	28.67	698	30	-
Consolidated Craft Breweries Limited Craft brewery	27.64	1,136	-	-
Cumulus Oncology Limited Oncology Drug Discovery	22.67	2,345	-	-
Cytomos Limited Development of real-time cell sensing devices	29.90	1,374	-	-
DC Biosciences Limited Proteomic services for biotech and pharma industries	29.50	284	-	-
DestiNA Genomics Ltd Nucleic acid testing and diagnostics assays solutions	20.22	314	-	-
DXCover Limited Developing blood serum testing to detect cancer	24.76	1,800	-	-
Earthbound Games Limited Games company	29.89	400	-	-
Edinburgh Molecular Imaging Limited Medical imaging reagents	20.48	1,430	603	-
Energyflo Construction Technologies Limited Clean technology specialists - construction	26.50	850	375	-
Enocell Limited Fuel cell technology	24.00	983	235	-
Fios Genomics Limited Statistical and bioinformatic analyses	20.54	536	-	-
Fixed Phage Limited Commercialisation of bacteriophages	22.36	1,486	-	-
Formedix Limited Software/consultancy services provider	20.26	298	-	-
Gas Sensing Solutions Limited High speed low cost precision gas sensor	28.98	1,150	350	-
Global Surface Intelligence Limited Geospatial analytics provider	29.90	1,116	240	-
GlykoGen Biotechnology company	24.71	292	-	-
Good.Loop Limited Ethical advertising company	20.23	1,681	-	-

Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
Greengage Agritech Limited Development of precision agriculture systems	20.10	1,827	344	-
ILC Therapeutics Limited Early stage biotechnology company	23.74	1,280	-	-
Ingenious Audio Limited Developer of 'Jack' a wi-fi guitar plug-in device	28.65	440	-	-
Kibosh Limited Plumbing components manufacturer	25.76	494	-	-
Kite Power Systems Limited Generation of electricity from airborne kites	29.84	2,000	500	-
Lux Assure Limited Solutions provider difficult to detect chemicals	24.33	1,977	-	-
Macomics Limited Drug discovery	25.78	2,325	-	-
MGB Biopharma Limited Development of antibacterial drug	23.48	3,265	-	-
My1Login Limited Developer of internet based applications	29.67	1,427	73	-
NCTech Limited Development and sale of 3D camera technology	23.07	4,750	7	-
NeurocentRx Pharma Limited Reformulation of existing drug agents for new uses	29.89	1,040	-	-
New Wave Foods Limited Seaweed derived food producer	22.51	1,100	-	-
Objective Associates Limited Seller of software solutions to online retailers	26.57	490	-	-
Omideon Limited Prevention and treatment of infectious diseases	26.05	421	-	-
Orbital Marine Power Limited Tidal energy technology developer	23.21	6,750	2,235	-
Outplay Entertainment Limited Development and publication of social digital games	23.72	2,850	-	-
Particle Analytics Limited Simulation software for handling particles	28.50	643	196	-
Pick Protection Limited Personal security device	29.03	628	-	-
Pneumagen (Holdings) Limited Prevention and treatment of infectious diseases	27.98	2,855	1,200	-
PowerPhotonic Limited Development and sale of custom laser optics	27.15	1,664	-	-
ProFactor Pharma Limited Pharmaceutical development	23.33	996	-	-
Pufferfish Limited Spherical display systems for events and exhibitions	28.71	837	168	-
QED Naval Ltd Foundation platform for tidal turbines	20.13	588	-	-

Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
RAB Microfluidics Research and Development Company Limited Microfluidic lab-on-a-chip technology	23.54	1,155	-	-
Reactec Limited Development of vibration control systems	25.45	1,141	-	-
RICO Developments Limited Online marketing and sales platform	20.08	1,167	-	-
Robotical Limited Educational robots	21.02	664	-	-
Saloca Limited Software services provider of online booking system	28.66	1,078	240	-
Share In Limited Direct investment channel technology and solutions	23.16	480	-	-
Sistemic Scotland Limited MicroRNA profiling and analysis services	27.67	743	-	-
Snapdragon Monitoring Limited Monitoring software for IP protection	27.83	1,045	-	-
Sonis Smart Security Limited Wireless security systems	25.72	433	-	-
Sustainable Marine Energy Limited Tidal energy technology developer	25.80	2,724	-	-
Swipii Labs Limited Card-linking loyalty platform for businesses	22.42	1,719	-	-
Symbiosis Holdings (Scotland) Limited Pharmaceutical services contract manufacturer	27.89	1,077	-	-
Syntropharma Limited Pharmaceutical company focussed on transdermal technology	25.95	1,166	-	-
The Buffalo Farm Limited Mozzarella farm	20.00	300	-	-
Trojan Energy Limited Electric vehicle charging solution	24.04	1,604	-	-
Ubiquigent Limited Developing products for life science research	27.27	450	-	-
Uniklasers Ltd Manufacture and sale of laser products	27.66	1,448	-	-
UWI Technology Limited Smart label technology	25.58	1,250	-	-
Verlume Holdings Limited Developing innovative marine current turbine	29.90	2,521	250	-
Vert Rotors UK Limited Compressor Technology	25.54	1,951	240	-
Vicast Limited Internet video software platform	22.18	1,105	-	-
Total of items listed		112,162	11,133	-

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

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
2-B Energy Holding BV Offshore wind technology developer Registered in Netherlands	11.62	3,751	-	-
3f Bio Limited Innovative mycoprotein production technology/method	4.95	1,449	-	-
Adaptix Limited Design and production of medical imaging device	9.75	1,778	-	-
Administrate Limited Development and supply of business training software	17.22	3,945	-	-
Advanced Microwave Technologies Limited Microwave volumetric heating development and implementation	19.94	927	542	-
Airlie Street Hall Limited Power generation	-	-	1,573	-
Allander Midco Limited Manufacturer of windows, doors and curtain walls	-	-	1,434	-
Amicus Resolutions Limited Developers of anti-money laundering, identity and compliance software	17.05	1,507	-	-
Arjowiggins Group Limited New company following management buy out of Arjo Wiggins Ltd	16.60	-	12,000	-
Atterley.com Holdings Limited Online marketplace for independent boutiques	14.10	1,091	-	-
Binn Hill (known as Our Community Energy) Renewable energy wind farm	-	-	1,182	-
Blazing Keep Limited Parent of multimedia entertainment group	11.53	390	2,000	-
Caldan Therapeutics Limited Diabetes diagnostics	19.33	1,425	100	-
Casing Technologies Group Limited Development of novel oil and gas drilling products	1.11	112	2,050	-
Celtic Renewables Grangemouth plc Low carbon biochemicals from whisky by-products	-	-	11,000	-
Celtic Renewables Limited Low carbon biochemicals from whisky by-products	9.03	2,359	600	-
Censo Biotechnologies Limited Stem cell technology company	6.69	1,775	-	-
Clear 123 Limited Food producers	-	-	1,334	-
Cloudsoft Corporation Limited Development of cloud computing software	6.92	2,388	-	-
Collectivworks Limited Next generation non-intrusive Wi-Fi marketing solution	11.85	1,264	173	-

Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
Critical Blue Limited Providing flexible, automated embedded system design	11.21	2,100	150	-
Cyacomb Limited Developing next-generation digital forensic tools	16.84	1,459	-	-
Cytosystems Limited Development of diagnostic cancer tests	13.24	1,119	197	-
Drinkshare Holdings Limited Technology enabled e-commerce retailer	14.27	1,499	-	-
DYSIS Medical Limited Computer aided colposcope with innovative cervical mapping	1.45	4,412	-	-
E Fundamentals (Group) Limited E-commerce data analytics tool	6.92	850	1,040	-
Edinburgh Alternative Finance Limited Peer to peer lending platform	19.99	2,975	522	-
European Investment Fund Registered in Luxembourg	0.07	1,275	-	3,369
Elasmogen Limited Drug development focused inflammatory eye disease	12.32	925	220	-
Encompass Corporation Group Holdings Limited Technology company	5.31	3,490	-	-
Enterobiotix Limited Microbiome therapeutics	17.61	3,395	-	-
Fastball Holdings LLC Online daily play fantasy sports games Quoted on LSE	1.88	16,670	-	-
Freeflow Technologies Limited E-bike electronic transmission systems	10.63	1,030	-	-
Heliex Power Limited Manufacturer of energy efficiency product	13.70	3,348	175	-
Innovid Corp TV advertising attribution company Quoted on NYSE US	0.43	1,817	-	-
Insignia Technologies Limited Smart label technology	19.61	1,429	-	-
Intelligent Growth Solutions Limited Developed a unique vertical food growing system	8.97	4,373	-	-
Invizius Limited Technology addressing side effects of dialysis	15.28	1,500	-	-
IoTech Systems Limited Internet of Things (IoT) software company	9.97	1,637	166	-
Isle of Harris Distillers Limited Malt whisky distillery based on the Isle of Harris	18.24	1,500	-	-
Kynos Therapeutics Limited Drug discovery company	11.09	1,500	-	-

Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
Lamellar Biomedical Limited Application of lamellosome memetics	19.99	3,330	-	-
LendingCrowd Finance Limited Fintech borrower in Special Purpose Vehicle	-	-	3,672	-
Liberty Steel Dalzell Limited Production of steel products	-	-	7,000	-
Lustre Skin Limited Development of medical healthcare devices	6.97	2,974	-	-
Mallzee Limited Software services provider of retail insights	14.64	1,365	-	-
Mangata Networks Inc Satellite communications Registered in the United States	3.81	2,298	-	-
MedAnnex Limited Development stage biotech company	8.31	1,320	-	-
MeyGen Holdings Limited Holding company relating to asset/portfolio management	16.55	12,100	-	-
MeyGen plc Development of tidal power generation project	-	-	9,308	-
Mironid Limited Life Sciences drug development	16.70	2,553	800	-
Morrison Glasgow Distillers Limited New build whisky distillery and visitor centre	17.20	2,513	-	-
Morvolts Limited Special Purpose Vehicle for Community Hydro	-	-	1,524	-
Newmake Limited New start distillery in central Edinburgh	15.68	1,500	433	-
Novabiotics Limited Design and development of anti-infectives	18.24	3,338	1,224	-
NuCana plc Oncology focussed biopharmaceutical company Quoted on NASDAQ US	3.60	1,670	-	-
Ocutec Limited Contact lens development and manufacture	1.18	1,603	352	-
Osprey PIR Limited Production of thin film infrared sensor components	0.20	3,067	-	-
Project Falcon Topco Limited Quorum cyber security	2.75	1,005	-	-
Pure LiFi Limited Developer of technology that uses light to transmit data	10.23	4,197	240	-
Qikserve Limited Order and pay enterprise platform	16.56	2,849	-	-
Query Click Limited Digital marketing	11.37	1,500	-	-
Raptor Data Limited Signal processing technology oil and gas sector	15.15	2,058	263	-

Section 6: Notes to the Accounts

	Voting Rights	Shares	Loans	Commitments
	%	£000	£000	£000
Ryboquin Company Limited Development of cancer therapies	17.28	825	1,785	-
Shot Scope Technologies Limited Golf performance tracking products and data analysis	19.18	2,320	-	-
Snappy Shopper Limited E-commerce digital platform	7.60	1,146	-	-
Sofant Technologies Limited Develops smart antennae for mobile communications	19.60	1,593	-	-
Speech Graphics Limited Facial animation services	5.81	1,020	-	-
Spire Global, Inc. Satellite data analytics Quoted on NYSE US	5.75	9,175	-	-
Stewart Energy Limited Power generation	-	-	1,171	-
Sunamp Limited Designs and manufactures space saving thermal storage for hot water and heating	12.17	2,042	-	-
Tantillus Synergy Limited Food colourant production	5.57	1,500	-	-
TC Biopharm Holdings plc Drug discovery company focusing on T-cells Quoted on NASDAQ US	15.80	4,318	-	-
The IDC0. Limited Online digital identity and verification	9.79	1,476	-	-
Travelnest Limited Software for owners of holiday rentals	11.40	3,100	-	-
Unity Software Inc. Gaming development platform provider Registered in the United States Quoted on NYSE US	0.08	3,641	-	-
Volo Holdings Limited In-train entertainment systems	6.85	1,184	-	-
Well-Safe Solutions Limited Well plug and abandonment business	3.63	1,122	-	-
Xergy Group Limited Provides a cloud-based work management system	7.79	1,240	-	-
Epidarex Capital II LP Investment Fund	-	-	3,545	25
Maven UK Regional Buyout Fund LP Investment Fund	-	-	10,766	3,532
Scottish-European Growth Co-Investment Programme Investment Fund	-	-	4,681	45,072
Shackleton Secondaries 3 LP Investment Fund	-	-	85	-
Total of items listed		169,406	83,307	51,998

Section 6: Notes to the Accounts

	Number of companies	Shares	Loans	Commitments
		£000	£000	£000
Total of items listed – Note 24a	81	112,162	11,133	-
Total of items listed – Note 24b	83	169,406	83,307	51,998
Other shares and loans	323	37,827	32,095	1,136
	487	319,395	126,535	53,134

	Total
	£000
Shares	319,395
Loans	126,535
	445,930
Capitalised interest	16,401
Cumulative unrealised net gains recognised in Net Expenditure	164,619
Cumulative impairments recognised in Net Expenditure	(148,916)
Fair Value of shares and loans (Note 8)	478,034

Section 7: **Accounts Direction**

SECTION 7

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

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

Section 7: Accounts Direction

2. In respect of companies in which Scottish Enterprise Network holds less than 20% of the voting rights but where the total investment (including loans) is in excess of £1,000,000:

- Name of company
- Nature of its business
- Percentage of voting rights held
- Amount invested in shares (distinguishing between ordinary and preference shares)
- Amount of loan given to each company
- Any other commitments in respect of each company

3. In respect of all other investments by Scottish Enterprise:

- Total number of companies involved
- Total amount invested
- Total amount of loans given
- Total amount of any other commitment