

SCOTTISH ENTERPRISE

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2015

Enterprise and New Towns (Scotland) Act 1990

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

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STRATEGIC REPORT

for the year ended 31 March 2015

HISTORY AND STATUTORY BACKGROUND

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

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

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

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

STRATEGY AND OBJECTIVES

The approach to achieving the Scottish Government's purpose is set out in the Government Economic Strategy, originally launched in 2007, up-dated in 2011 and relaunched as *Scotland's Economic Strategy* in February 2015. This strategy is the route map for all of the public sector in Scotland to meet the challenge of increasing economic growth through increasing productivity, participation and population, while ensuring growth is socially and regionally equitable and environmentally sustainable.

Scottish Enterprise makes a distinctive contribution to the goals of the Economic Strategy. Our 2014-17 Business Plan set out the contribution Scottish Enterprise would make to the National Outcomes and Purpose Targets of the National Performance Framework used to track progress against the Government's goals and targets and how Scottish Enterprise planned to stimulate investment and action through a balance of short, medium and long term activity focused on areas promising the biggest economic return for Scotland.

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

The Scottish Enterprise Business Plan for 2014-17 was built around a strong, central theme in recognition that Scotland needs to engage and succeed on an international level to achieve strong and sustainable economic growth: **Helping to Build a more Internationally Competitive Scotland.**

An internationally competitive Scotland depends on a complex inter-play of factors such as how innovative, active and effective Scottish companies, people and institutions are. It also depends on how well we understand and adopt the best international knowledge, know-how and work practices and how attuned we are to shifting to more distant markets where there are clear growth opportunities. Above all, it is about growth ambition and how deeply embedded an international mind-set is within Scotland.

As our efforts shift from dealing with the consequences of the global economic downturn to seeking out new opportunities for future growth, our focus shifts to helping Scotland make more of its competitive advantages such as its international reputation, its people and institutional assets and the strong cohort of internationally minded companies we have. This includes:

- Encouraging more companies to engage in activities we know lead to international growth such as innovation, leadership development, and international collaboration.
- Working with sectors, universities and businesses that are already internationally successful to target new markets and new opportunities.
- Working with partners in local authorities and agencies to build a business environment that nurtures Scottish companies, sectors and their workforces to compete more effectively internationally.

Taking a deeper "Team Scotland" approach, with a broad range of partners from industry, academia and the public sector, through appropriate actions we aim to transform Scotland's economy into a dynamic and flexible place to do business.

STRATEGIC REPORT (continued)

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

- **Growth companies** – providing tailored assistance to companies to achieve scale, stimulate trade in overseas markets and help build competitiveness as a stimulus to growth in Scotland's sectors. This includes the provision of investment finance and support for capital expenditure as well as support for efficiency improvement.
- **Innovation** – as innovation is a key driver of productivity and competitiveness we work with companies and within sectors helping them become more innovative through research and development, new products and services, new business models and fresh ideas – recognising that innovation is more successful if it is focused on international markets.
- **Internationalisation** – identifying and responding to global opportunities by supporting more companies to start exporting and help more experienced exporters to enter new overseas markets and grow their international sales. We also target strategic inward investment which develops the competitiveness of Scotland's sectors and helps to create employment.
- **Low carbon** – assisting companies to exploit the emerging range of opportunities for growth in low carbon products, technologies and services. We are also helping companies to improve resource efficiency and adopt new low carbon business models to increase productivity and growth.
- **Renewables** – addressing the long-term potential for Scotland to become a major player in global markets, particularly in offshore renewables. We support industry to reduce the cost of renewable energy and help the access to finance for investment, including developing Scotland's port and harbour infrastructure.

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

- **Energy** – renewables, oil and gas and low carbon technologies
- **Food and Drink** – whisky, premium products
- **Life Sciences** – regenerative medicine and stratified medicine, pharma services
- **Enabling Technologies** – infomatics, advanced manufacturing and engineering, aerospace
- **Tourism** – key destinations, golf, business tourism
- **Financial and Business Services** – asset management, insurance, business process operations
- **Universities** – higher education institutes, research institutes
- **Creative Industries** – digital media, games

Along with the Scottish Government, we have sought to increase the level of engagement through the Industry Leadership Groups, involving active participation of companies, individuals and organisations that can play a major role in developing these sectors, collaborating on a shared agenda and acting as catalysts for change. We also have active engagement in a number of other important industries, including:

- Chemical Sciences
- Construction
- Forestry and Timber
- Textiles

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

BUSINESS MODEL

As an economic development agency, Scottish Enterprise's overall objective is to make a significant contribution to achieving the Scottish Government's purpose of increasing Scotland's rate of sustainable economic growth. Scottish Enterprise seeks to identify and exploit opportunities for Scotland's economic growth by supporting Scottish companies to compete, helping to build globally competitive sectors, attracting new investment and creating a world-class business environment.

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

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

STRATEGIC REPORT (continued)

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

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

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

BUSINESS REVIEW OF THE YEAR

Scottish Enterprise has successfully delivered all of its business plan measure targets for 2014/15. Nine of our sixteen business plan measures completed the year above their target range with a further four in the top half of their target ranges and three in the lower half.

This successful outcome to our 2014/15 business plan included record results for planned jobs attracted through inward investment, capital investment leveraged, CO₂ savings forecast by Scottish Enterprise projects and support to companies. While this successful outcome on our plan has occurred against a modest improvement in economic conditions we have faced continuing challenges over the course of the year in terms of international trade and in accessing investment finance.

Seven of the eight Milestones set for our 2014/15 business plan have been achieved. This includes reaching some milestones against key strategic priorities such as progressing our increased ambition on innovation and targeting specific opportunities in international markets and also included actions to secure the legacy of Scotland Welcomes the World in 2014 and building on the worldwide success of events like the Commonwealth Games and the Ryder Cup.

We have also seen some significant elements of our longer-term strategy put in place including:

- the establishment of the ScotExporter programme to help Scottish companies develop the capability to succeed in international markets,
- the roll-out of a national Digital Vouchers scheme to support innovation in companies as part of Scotland's Digital Strategy, and
- our support for the establishment of eight new Innovation Centres, funded by the Scottish Funding Council, to encourage business growth that takes advantage of Scotland's world-class strengths in research within our universities and driving changes in relation to some of Scotland's major sector opportunities in areas such as advanced manufacturing, big data, stratified medicine and industrial biotechnology.

A notable area of exception was Offshore Renewables where the difficulties faced by that sector in global markets meant that the ambitious milestone we had set on the progress of major infrastructure investments, demonstration projects and supply-chain developments was not achieved. In the wave sector some major companies in the sector failed to attract commercial investment to support technology development and attracting infrastructure investment into offshore wind proved challenging during 2014/15. However there were some signs of progress in relation to renewable energy. We levered £65m of investment through the Renewable Energy Investment Fund (REIF), including a significant investment in the tidal sector, and we are also seeing progress in relation to the International Technology & Renewable Energy Zone (ITREZ) in Glasgow which has attracted significant commercial interest.

The success with REIF reflected a wider success in relation to investment including record levels of investment funds levered by the Scottish Investment Bank.

The Scottish Government published Scotland's Economic Strategy in February 2015. The new priorities set out in the strategy were recognised by Scottish Enterprise in its activities during the final part of the financial year and in establishing the Business Plan for 2015-18.

STRATEGIC REPORT (continued)

RESULTS AGAINST KEY PERFORMANCE INDICATORS

Key

Milestone Progress

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

Target Range Results

- ▲ 'Exceeded'
- ▶▶ 'Achieved'
- ▼ 'Not achieved'

BUSINESS PLAN MILESTONES

Introduce a plan of action to increase the number of companies building their capacity to Internationalise.	★	Two key programmes introduced: <i>ScotExporter</i> and the <i>High Growth Markets</i> Unit. An action plan is in place targeting non-exporters with ambition to build their capacity to internationalise.
Develop actions arising from <i>Scotland Welcomes the World</i> to maximise the impact the legacy has on building Scotland's longer-term international competitiveness.	★	Programme of follow up activity under way including opportunities in exporting and attracting visitors and commercial business leads generated from last year's sporting events.
Implement specific actions across our sectors to realise identified opportunities in targeted international markets.	★	Specific actions implemented across sectors including the appointment of food and drink specialists in priority markets and the delivery of a software initiative in Europe identifying prospective targets for inward investment.
With our partners develop an ambitious action plan to generate a transformational improvement in how <i>People and Talent</i> drives Scotland's international competitiveness.	★	Specific actions have been taken with partners in support of the Government's <i>Invest in Youth</i> programme; a new action programme has been rolled out including new Leadership for Growth and Leadership Essentials Programmes.
Introduce a programme that will significantly increase the number of companies using innovation to grow – including achieving success in international markets.	★	The new range of innovation support programmes is now fully operational including 350 new companies being given Innovation support and <i>'Deeper Engagement'</i> with 30-35 companies
Initiate a programme to encourage increased innovation in relation to Scotland's Digital Strategy.	★	Digital Vouchers Scheme rolled out across Scotland. The new Data Lab Innovation Centre is now operational and a programme in Tourism is under way following a successful pilot.
Secure commitments to major infrastructure, demonstration projects and supply chain developments that help realise Scotland's competitive advantage in Offshore Renewables.	●	Commitment to the first tidal array, Meygen, has been secured. However, after the difficulties experienced by some leading companies there is little prospect of a major new commercial investment in wave sector and there have been delays to supply-chain investment in offshore wind in current market conditions.
Working with universities, Highlands and Islands Enterprise and the Scottish Funding Council, support the network of Innovation Centres to deliver a significant improvement in Scotland's innovation performance.	★	All eight innovation centres are engaging with business users in areas of priority for action through competition processes. Baselining exercise completed for three Centres, with a further three underway. Major R&D approval concluded in relation to sensor and imaging technology.

STRATEGIC REPORT (continued)

MEASURES

Priority 1: GROWTH COMPANIES

- Strong results sustained through our account management service for companies with growth potential with a number of important improvements introduced that are designed to increase the impact of our support.
- A strong sequence of deals in the second half of 2014/15 delivered good results in relation to investment through the Scottish Investment Bank (SIB).
- To help Scottish companies secure investment outwith Scotland actions have been taken to engage in investment networks in London and North America. We have carried out benchmarking analysis to identify investors, intermediaries, deal structures and investee companies.
- Record results delivered for capital expenditure and jobs in projects supported through Regional Selective Assistance, representing an important contribution to the economies of the more disadvantaged assisted areas of Scotland.

2013/14	Measure Description	Result	2014/15
£1.3bn	1.1 Achieve £1.2bn – £1.4bn turnover growth by account-managed firms	◀▶	£1.3bn
£93m	1.2 Achieve £70m – £85m of leveraged investment from the provision of growth finance via Scottish Investment Bank	▲	£99m
379	1.3 Provide Financial Readiness support to 400 – 500 businesses with growth and export potential	◀▶	410
£267m	1.4 Deliver £150m – £275m of additional capital investment in planned projects supported by Scottish Enterprise	▲	£409m
£92m	1.5 Help companies achieve £80m – £100m of improvements in efficiency and productivity	▲	£107m

Priority 2: INNOVATION

- Our stronger focus on Innovation has yielded strong results for 2014/15. The key measure of *increased revenues from innovation* has finished well above the target range thanks to an exceptional R&D project delivered by Falkirk bus-maker Alexander Dennis which has generated orders expected to deliver additional revenues of £300m over the next three years.
- Other aspects of our innovation programme have been successfully implemented, with 350 companies receiving Innovation support with positive support from local authorities, Business Gateway, Interface, and UK IPO. 30-35 companies participated in our Deeper Engagement programme targeting established innovators.
- On our customer-led programme working with larger companies to stimulate innovation with SMEs in their supply-chains memoranda were signed with Norwegian oil major Statoil and Scottish manufacturer Devro.
- Under our Skills for Growth agenda, Informatics Ventures 3 was launched, as a partnership between Edinburgh University and Scottish Enterprise to help create spinout companies and encourage knowledge exchange from academic informatics research throughout Scotland.

2013/14	Measure Description	Result	2014/15
£205m	2.1 Help companies achieve additional revenues from innovation worth £150m – £200m over the next three years	▲	£658m
7	2.2 Support the creation of 7 – 10 new high growth potential entrepreneurial companies with significant international ambition	◀▶	7
£153m	2.3 Secure an additional £120m – £150m of additional commitments in R&D investment through Scottish Enterprise assisted projects	◀▶	£149m

STRATEGIC REPORT (continued)

Priority 3: INTERNATIONALISATION

- Overall trade performance showed progress over the course of the year with a strengthening pipeline of future projects.
- Significant work has been undertaken to examine our approach to new investment both to increase the contribution inward investment makes to the economy and to maintain our lead position in an increasingly competitive market.
- Work has been completed on building the capacity and capability within Scotland to take advantage of opportunities in key international markets, with a priority focus on Asia – with dedicated strategies in the Food and Drink, Technology and Engineering and Life Sciences sectors.
- We have now completed the implementation of two major components of our internationalisation strategy with the opening of the High Growth Market Unit focusing on China, India and the Middle East and the launch of the new ScotExporter programme which provides specialist advice and support to companies to increase their knowledge, capacity and capability to internationalise.

2013/14	Measure Description	Result	2014/15
320	3.1 Help 250 – 350 companies achieve significant turnover growth from exporting....	◀▶	339
228	3.1.1 ...including 180 – 230 projecting turnover growth of £1m+	◀▶	200
2,181	3.2 Help 1,600 – 2,000 companies develop their capacity for internationalisation	▲	2,540
7,446	3.3 Deliver 5,000 – 9,000 planned jobs though the attraction of inward investment –....	▲	9,659
2,515	3.3.1 ...of which between 1,800 – 2,500 are planned High Value-Added Jobs	▲	3,192

Priority 4: LOW CARBON

- Our Low Carbon measure was boosted by a major Biomass investment in Fife with CO₂ savings of 291,700 tonnes delivered by the end of 2014/15.
- We have increased the number of account managed companies working to realise opportunities in low carbon.
- The Biorefinery Roadmap for Scotland was launched in February setting out actions to contribute towards increasing turnover in industrial biotechnology from £189m in 2012 to £900m by 2025.

2013/14	Measure Description	Result	2014/15
127,065t	4.1 Identify 80,000 – 100,000 tonnes of CO ₂ savings arising from SE company support	▲	133,342t
-	4.2 Identify 80,000 – 100,000 tonnes of CO ₂ savings arising from large scale, innovation-led projects	▲	391,700t

Priority 5: RENEWABLES

- On offshore wind, 2014/15 has proved to be very challenging to attract full-scale turbine manufacturing. Scottish Enterprise's immediate focus is promoting Scotland as the best location in the UK for turbine-blade manufacturing.
- The difficult investment market conditions have also affected our strategy to attract significant investment in infrastructure in key Scottish port sites.
- Our ambitions in relation to Wave Energy were adversely affected by the difficulties experienced by two of Scotland's key companies, Pelamis and Aquamarine. The focus has now shifted to Wave Energy Scotland to address a range of technology priorities.
- Progress has been made in relation to Tidal Energy with a significant investment made in the Meygen tidal demonstration project. Progress in other areas of renewable energy is demonstrated by the successful achievement of the leverage target on the Renewable Energy Investment Fund (REIF).

2013/14	Measure Description	Result	2014/15
-	5.1 Through the Renewable Energy Investment Fund (REIF), lever £50m – £70m into Renewable Energy	◀▶	£65m

STRATEGIC REPORT (continued)**FINANCIAL PERFORMANCE****Financial Overview**

The results for the year ended 31 March 2015 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

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

The approved Resource Budget for 2014/15, after in year adjustments, amounted to £239.014m, comprising a grant in aid provision of £207.921m, a non-cash allocation of £26.093m and approval from Scottish Government to release up to £5m of cash reserves brought forward for capital expenditure purposes. During the year Scottish Enterprise was also allocated £38.940m to cover costs designated as Annually Managed Expenditure.

The Resource Budget for 2015/16 amounts to £256.230m, including £229.207m of grant in aid and a ring fenced non-cash budget provision of £27.023m. As noted previously, the Resource Budget is supplemented by income generated and applied against expenditure incurred during the year. In addition, further transfers of budget from the Scottish Government are anticipated through the normal operation of the Scottish Government's Budget revision process.

Summary of Resource Outturn

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

Scottish Enterprise's net under-spend of £0.944m against its funding provision for the year to 31 March 2015 is detailed as follows:

	<i>£000</i>	<i>£000</i>
Operational Delivery Costs		
Growth Companies	87,348	
Internationalisation	18,835	
Innovation	27,324	
Renewable Energy	38,164	
Sectoral Priorities	13,228	
Business Infrastructure and Connectivity	36,022	
	<hr/>	220,921
Support Costs		
Staff costs, including customer facing staff	59,173	
Marketing, research & stakeholder engagement	2,375	
Premises, information services and other support costs	34,266	
	<hr/>	95,814
		<hr/>
		316,735
Less: Income		<hr/>
		104,758
		<hr/>
		211,977
Funded by		
Grant-in Aid	207,921	
Release of cash reserves	5,000	
	<hr/>	212,921
Net under-spend		<hr/>
		944

STRATEGIC REPORT (continued)

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

	<i>Outturn</i> £000	<i>Allocation</i> £000
Resource budget (see below)	150,872	151,026
Capital budget	61,105	61,895
	<u>211,977</u>	<u>212,921</u>
Non –cash costs including depreciation	6,535	26,093
Total resource budget	<u>218,512</u>	<u>239,014</u>
Annually managed expenditure	<u>32,998</u>	<u>38,940</u>

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

	<i>£000</i>
Net expenditure before taxation	220,907
Attributable to non-controlling interests in subsidiaries	5
Depreciation charge allocated to non cash costs	(6,797)
Asset revaluation adjustments charged to annually managed expenditure	(237)
Investment impairments charged to annually managed expenditure	(34,925)
Net pension costs attributed to annually managed expenditure	2,488
Provisions released to annually managed expenditure	450
Scottish Government Grant income credited to reserves	(25,818)
Net expenditure attributed to the capital budget	<u>(5,201)</u>
Resource budget	<u>150,872</u>

FINANCIAL POSITION

Scottish Enterprise's Group Statement of Financial Position reflects a further increase in net asset values to £548.5m (2014: £514.5m).

Scottish Enterprise has continued to invest in its land and property including work at Edinburgh Bio-quarter and Glasgow's Pacific Quay. The total value of the land and property assets within Property, Plant and Equipment and Assets held for sale has increased to £189.2m (2014: £184.6m).

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has increased to £229.6m (2014: £160.0m). The significant uplift in value is a reflection of the success of two investee companies in particular in addition to the continuing investment made in Scottish companies.

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has decreased to £47.5m (2014: £76.6m). The scheme assets have grown by £92m, but scheme liabilities have also increased by £121m primarily as a consequence of market conditions affecting the discount rate used to calculate future obligations offset by assumptions about future inflation rates.

Cash balances have decreased to £98m (2014: £110m). The majority of cash held is to fund future investments by the Scottish Co-investment Fund and Scottish Loan Fund.

Trade and other payables (within one year) have also decreased to £48.4m (2014: £57.1m) which is a consequence of the timing of expenditure commitments in Scottish Enterprise's programmes and projects.

Payment Policy

Scottish Enterprise has a stated service commitment to pay its suppliers within 30 days of receipt of agreed and valid invoices, or as provided for under the terms of an agreed contract. However, as advised by the Scottish Government in November 2008, Scottish Enterprise implemented a revised payment policy of 10 working days for all suppliers. In the year ended 31 March 2015, Scottish Enterprise paid 81% (2014: 81%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 7.6 days (2014: 8.3 days).

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

In developing its Business Plan Scottish Enterprise adopts a 'rolling' planning process with a medium-term focus. This process takes account of the changing economic context, the progress against our objectives, consultation with our partners and the strategic guidance received from Ministers. This changing process is reflected in Scottish Enterprise's [Business Plan](#) for 2015-18, which was published in April 2015.

Scottish Enterprise's plan is also shaped by our engagement with industry and our consultation with our Regional Advisory Groups and Industry Leadership Groups. This evolving plan reflects the scale of ambition informed by the evidence, our own capabilities and skills, our delivery approach and our current resources and priorities and includes greater recognition of the inter-dependence of priorities across our business plan.

Scottish Enterprise's new Business Plan was defined against the new priorities set out in [Scotland's Economic Strategy](#), published in February 2015, reflecting the priorities and actions set out in the Scottish Government's [Programme for Government](#).

This new strategy reflects an important shift in emphasis for Scottish Enterprise moving away from the five strategic priorities that featured in recent plans (see "Strategy and Objectives", above) and reflecting the four themes set out in Scotland's Economic Strategy:

- **Innovation.** Encouraging more companies to become more innovative by developing new products and services and investing in R&D and in efficiency improvements to maximise the returns on their investment.
- **Internationalisation.** Helping more companies in more sectors to become exporters, helping existing exporters to grow their overseas sales and helping more ambitious Scottish companies develop the capability to operate internationally.
- **Investment.** Supporting companies to invest in new plant, machinery and buildings, and helping companies access the finance needed for growth; supporting increased investment in Scotland's business infrastructure to improve our competitiveness and connection to international markets.
- **Inclusive Growth.** Attracting skilled jobs through inward investment and improving the leadership and entrepreneurial skills of our companies and people.

In taking forward this new purpose, we recognise that Scotland's competitiveness is shaped by the inter-play between these four issues. Woven through our drivers is our commitment to address the significant opportunities of the low carbon economy.

Recognising the significant One Scotland theme of the Programme for Government we will work in close collaboration with partners, including working alongside local authority partners and others to bring new investment, jobs and greater growth opportunities to their areas. We will also continue to utilise our international networks with 651 GlobalScot members worldwide. All are committed to giving their time, expertise and knowledge to support Scottish companies and help them connect with new global marketplaces.

We continue to actively monitor the progress of our entire range of activities, reviewing the outputs and focusing in particular on the outcomes we achieve and the impact this has on the wider economy. This includes monitoring the contribution our activities make to the high level targets in [Scotland's Economic Strategy](#), as set out in the [National Performance Framework](#).

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Growth rates in global economies and the consequent effect on Scottish Enterprise's ability to deliver against priorities;
- Scottish Enterprise's ability to attract and retain a highly motivated workforce in order to deliver its ambitious plans; and
- The effect on budgets of the Government's Spending Review in the autumn of 2015.

STRATEGIC REPORT (continued)

The Board reviews on an annual basis the operation of the Risk Management Policy. The Board ensures that the policy is supporting the effective and efficient operation of the organisation and that it helps the business respond to business risks and implement adequate controls. The Board reviews risk at every alternate meeting and approves the Corporate Risk Register annually.

ENVIRONMENTAL MATTERS

Addressing the significant opportunities of the low carbon economy continues to be a priority within Scotland's Economic Strategy. For Scottish Enterprise, low carbon is a green growth market opportunity for our companies, supported by resource efficiency to help all companies to be more competitive. We provide support for companies to develop, provide and adopt products, services and infrastructure that reduce carbon emissions, including renewable energy, environmental and clean technologies and support for resource efficiency. The opportunities from low carbon are woven through our Business Plan within innovation, investment, internationalisation and inclusive growth. In 2014/15, we successfully achieved our Business Plan measure associated with low carbon, identifying a record total of over a half a million tonnes of CO₂ savings arising from Scottish Enterprise support for companies and innovative projects in industry.

As part of our environmental policy we aim to reduce our internal CO₂ emissions by 42% by 2020 from a 2009/10 baseline. We report emissions from our operational offices and commercial property portfolio, including energy, water, waste and domestic and international travel. As a national and international organisation, customer relationships are at the heart of our work and as a result, a significant amount of travel is often necessary. With an increasing international focus to our Business Plan, the amount of overseas travel by staff has risen in line with our expectations. We have however, reduced emissions from our offices by moving to smaller premises when leases expire and from adopting energy efficiency measures. We also ensure that all buildings constructed or substantially refurbished, directly or through a supported project, are to a minimum of BREEAM 'excellent' standard (or equivalent) wherever reasonably possible. We use our [sustainable procurement policy](#) to optimise the environmental benefits of procurement decisions by considering the whole lifecycle costs of goods, services and works. Finally, we promote our [Greener and Accessible Events](#) guide to event organisers and venue managers to reduce the environmental impact of conferences and seminars.

Further detail can be found in our 'annual sustainability report', published in line with Scottish Government guidance for public agencies. The 2014/15 report will be published in autumn 2015.

EMPLOYEES

During the 2014/15 reporting period we have continued our focus on an inclusive employee engagement programme designed to engender high levels of workplace engagement as a means to drive continuous improvement in our organisational performance. We recognise that highly engaged organisations perform better, are more innovative and have lower levels of absenteeism, making employee engagement critical in Scottish Enterprise's drive to create a world-class business environment for Scotland. As a "Best Companies" accredited "Ones to Watch" organisation, we recognise the importance of employee involvement and invite all colleagues to share their views and opinions through our engagement survey which is used to inform our employee engagement programme. In 2015, we introduced an employee engagement group to provide an ongoing mechanism to receive feedback and input from a representative group of employees on a range of business topics affecting them.

A key component of our engagement programme continues to be leadership engagement and at Scottish Enterprise, colleagues are provided with up to 70 opportunities every year to engage directly with a member of the leadership group to discuss our business performance and the financial and economic factors affecting this. Through this engagement the people of Scottish Enterprise directly contribute to the ongoing development of our business plan. We are committed to creating and delivering high quality organisation wide communications, which are engaging and informative to ensure colleagues have a clear understanding of how they individually contribute to the delivery of our organisation's key business priorities.

We have co-operative working relationships with our recognised trade unions and ensure they are engaged in business changes through working groups such as the Terms and Conditions Sub Group and our Joint Committee for Negotiation and Consultation (JCNC).

As an accredited Investors in People (IIP) Gold and Investors in Young People (IYIP) employer we develop and deliver programmes and services reflecting the needs of the organisation and our people to ensure that we continue to attract, retain and motivate talented people to deliver for Scotland. In particular, during 2014/15, we obtained the IYIP in recognition of our structured programmes for young people including modern apprenticeships, enterprise apprenticeships, undergraduates and graduates. To ensure we have the necessary skills to deliver our objectives we manage employee and industrial relations policies and issues, develop policies related to performance management and recruitment and develop and manage learning and development programmes, including future career planning, structured people management academy and talent management. Where appropriate, our development programmes are externally accredited. In addition, we manage workforce planning by aligning headcount and skills requirements with the future business plan.

STRATEGIC REPORT (continued)

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

Employees by sex

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

	Male	Female	Total
Board (i)	7	5	12
Executive Leadership Team	3	4	7
Other employees	626	798	1,424

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

SOCIAL AND COMMUNITY MATTERS

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

Reflecting the approach set out in [Scotland's Economic Strategy](#), Scottish Enterprise recognises that differences in income, participation and growth across Scotland act as a drag on our economic performance and potential and that this is strongly linked to the task of building competitiveness.

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

- The use of Regional Selective Assistance in stimulating investment and jobs in disadvantaged areas,
- Consideration of inclusive growth in project and sector planning, including the application of Community Benefit Clauses to infrastructure projects,
- Working with businesses to promote the business case for inclusive growth, e.g. promoting youth employment.

Strong collaboration with partners is particularly important in linking economic development and employability and this is a particular focus in our work in Community Planning Partnerships.

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

Key aspects of our work during 2014/15 included contributing to and supporting:-

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

With our focus on *Inclusive Growth* in our 2015-18 Business Plan, we will continue to build our commitment to addressing the Scottish Government's commitment to *Tackling Inequality*. Generating community benefits will be an important aspect of the proposed Scottish Business Pledge, to be taken forward as an important action in the *Scottish Government's Programme for Government*.

STRATEGIC REPORT (continued)

Scottish Enterprise has an important role to play in promoting Scotland's *Business Pledge* through our engagement with companies and our work in international markets – encouraging companies to adopt the living wage, get involved in their local communities, and investing in youth training and employment. Whilst encouraging companies to develop a more international outlook and a commitment to innovation, the Pledge will support firms to employ young people, raise wage levels, invest in tomorrow's talent and engage employees to boost workplace innovation and productivity.

Equal Opportunities

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

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

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

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

We are committed to complying with the Equality Act 2010 and an internal audit was carried out which confirmed that we are adhering to the requirements of the legislation through giving due regard to eliminating discrimination, advancing equality of opportunity and fostering good relations between different groups. A few minor recommendations were made from the audit and all necessary actions have been completed.

In addition we comply with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and we have published our latest equality report in line with legislative requirements. This outlines our activity to date, presents progress with our outcomes, details work on procurement and provides workforce data including our gender pay gap and statement on equal pay. The report also outlines our mainstreaming work including on-going senior management commitment, continued upward trend for participation of young people and women in our programmes such as Young Edge, Smart Exporter and Venturefest and an improving workforce profile. The report can be accessed here:

<http://www.scottish-enterprise.com/about-us/transparency/equality-and-diversity>

Corporate Social Responsibility

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

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

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

We have a strong employee supported volunteering programme and our volunteering policy reflects our commitment to an active role in the community we work in and its environment as well as the development of our people. This year we again supported National Volunteers Week in June and provided opportunities across the country so that our colleagues throughout Scotland had a chance to volunteer for a good cause near their own home base. Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year and in 2014 colleagues volunteering totalled 1,700 hours.

We seek out opportunities with charity partners and colleagues bring forward their own good causes for support. Through payroll giving, our people manage and entirely support our staff charity fund which makes annual donations totalling over £10,000 to a range of charities and good causes nominated by colleagues across the world.

STRATEGIC REPORT (continued)

ACCOUNTS DIRECTION

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

Lena C Wilson
Accountable Officer
24 June 2015

DIRECTORS' REPORT

for the year ended 31 March 2015

The Board

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

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

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

		Audit	Investment	Economic Policy	Remuneration	Nominations / Governance	Urgent Approvals
Crawford Gillies	Chairman					C	C
Lena Wilson	Chief Executive			M		M	M
Melfort Campbell		M					
Anne Glover	appointed 1 March 2015						
Russel Griggs				M			
Jim McDonald	retired 31 December 2014		M				
Alison McGregor	appointed 1 March 2015						
John McGlynn	retired 31 December 2014		M	M			
Iain McLaren		C			M	M	M
Gavin Nicol	appointed 1 March 2015						
Jeremy Peat			M	C			M
Grahame Smith		M		M			
Linda Urquhart			C		M	M	M
Graeme Waddell	retired 31 December 2014	M			C	M	
Gillian Watson			M				

C - Chair
M - Member

Executive Leadership Team

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

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

- (i) Linda Hanna was appointed as a permanent member of the Executive Leadership Team on 2 October 2014.
- (ii) Jane Martin was appointed to the Executive Leadership Team on 14 November 2014 and Linda McDowall retired and left the Executive Leadership Team on 30 January 2015.
- (iii) Anne MacColl left the Executive Leadership Team on 13 April 2015.

DIRECTORS' REPORT (continued)

Register of Board Members' Interests

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

Strategic Report

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

These matters are:-

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

Funding

The Scottish Government is the primary source of funding for Scottish Enterprise. The initial Grant in Aid allocated to Scottish Enterprise for 2015/16 is £229m which, together with anticipated in year budget revisions and funds generated by Scottish Enterprise from the use or sale of assets, European income and other partner contributions, will fund the organisation's business plan for the year.

Financial Instruments

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

Employee Pension Liabilities

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

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2015 was 7,377 (2014: 6,476) sick days out of a possible 236,862 (2014: 230,497) working days representing a lost time through sickness absence of 3.11% (2014: 2.81%).

Data Loss

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

Statement as to disclosure of information to the auditor

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

Auditors

The accounts of Scottish Enterprise are audited by auditors appointed by the Auditor General for Scotland and the Auditor General appointed Audit Scotland to be the auditors of Scottish Enterprise. Fees payable for audit services provided by the appointed auditors for the year ended 31 March 2015 were £153,318 (2014: £151,800). There were no fees payable to Audit Scotland for non-audit services in the year ended 31 March 2015.

Lena C Wilson
Accountable Officer
24 June 2015

REMUNERATION REPORT

for the year ended 31 March 2015

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the senior management team, the Executive Leadership Team, and provides details of members' remuneration for the year ended 31 March 2015.

Scottish Enterprise Board

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

The Chairman was initially appointed in February 2009 and in April 2012 the Scottish Government announced that the Chairman had been re-appointed for a further term which will run until 30 June 2015. The Scottish Government sets the level of remuneration for the Chairman and informs Scottish Enterprise on an annual basis of any increase to be awarded.

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

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

Executive Leadership Team

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

The Chief Executive and other Executive Leadership Team members are on standard Scottish Enterprise contracts of employment. Their contracts provide for a notice period of up to 12 months. For 2014/15 there was no bonus scheme operated in Scottish Enterprise.

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

Remuneration Committee

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

The members of the Remuneration Committee who served during the year to 31 March 2015 were:-

Graeme Waddell (Chair) until 31 December 2014
Iain McLaren
Linda Urquhart

With effect from 1 May 2015, Linda Urquhart assumed the Chair of the Remuneration Committee and Melfort Campbell and Gillian Watson became members of the committee.

Executive Leadership Team Remuneration

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

REMUNERATION REPORT (continued)

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

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

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

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

Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 18% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 60, or 65 for staff members who joined on or after 1 December 2006. These benefits consist of an annual pension, based on final pensionable salary and pensionable service, and a tax-free lump sum, payable on retirement, equivalent to three times the annual pension. Pensions increase annually in accordance with the percentage uplift set out in The Pension Increase (Review) Order announced by the United Kingdom Government each year.

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

Remuneration

Remuneration paid to the Chairman and other non-executive board members who served during the year to 31 March 2015 was:-

		2015			2014		
		<i>Fee</i>	<i>Travel</i>	<i>Total</i>	<i>Fee</i>	<i>Travel</i>	<i>Total</i>
		£	£	£	£	£	£
Crawford Gillies (a)	Chairman	42,600	-	42,600	38,721	-	38,721
Melfort Campbell		12,581	2,065	14,646	12,581	1,819	14,400
Anne Glover (c)		1,048	-	1,048	-	-	-
Russel Griggs		12,581	1,200	13,781	12,581	1,200	13,781
Jim McDonald (b)		9,436	-	9,436	12,581	-	12,581
Alison McGregor (c) (d)		-	-	-	-	-	-
John McGlynn (b)		9,436	-	9,436	12,581	-	12,581
Iain McLaren (e)		15,098	-	15,098	15,098	-	15,098
Gavin Nicol (c)		1,048	-	1,048	-	-	-
Jeremy Peat (e)		15,098	-	15,098	15,098	-	15,098
Grahame Smith		12,581	-	12,581	12,581	-	12,581
Linda Urquhart (e)		15,098	-	15,098	15,098	-	15,098
Graeme Waddell (b) (e)		11,324	-	11,324	15,098	-	15,098
Gillian Watson		12,581	562	13,143	12,581	417	12,998

(a) Crawford Gillies's fee includes arrears of £2,905 due to his annual fee being re-assessed and back dated to 1 April 2009. The Chairman's fee for 2014/15 was £39,695.

(b) Jim McDonald, John McGlynn and Graeme Waddell all retired from the Scottish Enterprise Board on 31 December 2014.

(c) Anne Glover, Alison McGregor and Gavin Nicol were all appointed to the Scottish Enterprise Board on 1 March 2015.

(d) Alison McGregor has waived her entitlement to a board fee. Her fee for 2014/15 would have been £1,048.

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

REMUNERATION REPORT (continued)

Remuneration of the Chief Executive, Lena Wilson, and other Executive Leadership Team members who served during the year to 31 March 2015 was:-

	2015					2014				
	Salary £000	Bonus £000	Other benefits £000	Pension benefits(v) £000	Total £000	Salary £000	Bonus £000	Other benefits £000	Pension benefits(v) £000	Total £000
Lena Wilson (i)	208	-	-	41	249	203	-	-	36	239
Adrian Gillespie	112	-	-	25	137	110	-	-	17	127
Linda Hanna (ii)(iv)(vi)	102	-	-	149	251	70	-	-	12	82
Paul Lewis	130	-	-	2	132	127	-	-	8	135
Anne MacColl	114	-	-	26	140	112	-	2	24	138
Jane Martin (iii)(vi)	41	-	-	69	110	-	-	-	-	-
Linda McDowall (iii)	96	-	-	8	104	119	-	-	18	137
Iain Scott	125	-	-	15	140	124	-	-	18	142
Carolyn Stewart	117	-	-	26	143	115	-	-	22	137

- (i) In accordance with the Scottish Government's announcement on the performance bonuses payable to senior public sector staff, no bonuses are payable to the Chief Executive for the year 2014/15.
- (ii) Linda Hanna was initially appointed as a temporary member of the Executive Leadership Team on 17 June 2013 and was confirmed as a permanent member with effect from 2 October 2014.
- (iii) Jane Martin was appointed to the Executive Leadership Team on 14 November 2014 and on 31 January 2015 Linda McDowall retired from her position on the Executive Leadership Team.
- (iv) In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment. Increases varied from 1.0% to 2.5% depending upon the position of the existing salary in the pay band. Linda Hanna received a pay increment on 1 July 2014 and an increase in salary effective from 2 October 2014 when her permanent appointment to the Executive Leadership Team was confirmed.
- (v) The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual. In the event that the calculation of the pension benefit results in a negative value the result is expressed as zero, represented by a dash in the table above.
- (vi) The key determining factors in the calculation of pension benefits are the individual's length of service and the level of pensionable salary. The pension benefits disclosed above for Linda Hanna and Jane Martin include sums of £119,000 and £67,000 respectively which are attributable to the impact of their previous service, applied to the one-off salary increases awarded to them on their promotion to the Executive Leadership Team.

REMUNERATION REPORT (continued)

(vii) Retirement benefits of the Executive Leadership Team members for the year to 31 March 2015 are as follows:-

	<i>Accrued Pension at age 60 as at 31 March 2015 and related lump sum £000</i>	<i>Change in pension net of inflation and related lump sum at age 60 £000</i>	<i>Cash Equivalent Transfer Value (a)</i>		
			<i>At 31 March 2015 £000</i>	<i>At 31 March 2014 £000</i>	<i>Increase net of members' contributions £000</i>
Lena Wilson	65 – 70 plus lump sum of 195 - 210	0 – 2.5 plus lump sum of 5.0 – 7.5	1,830	1,397	420
Adrian Gillespie	15 – 20 plus lump sum of 45 - 60	0 – 2.5 plus lump sum of 2.5 – 5.0	481	333	142
Linda Hanna (b)	30 – 35 plus lump sum of 90 - 105	5.0 – 7.5 plus lump sum of 20.0 – 22.5	864	535	322
Paul Lewis	40 - 45 plus lump sum of 120 - 135	0 – 2.5 plus lump sum of 0 – 2.5	1,299	1,011	281
Anne MacColl	10 - 15 plus lump sum of 30 - 45	0 – 2.5 plus lump sum of 2.5 – 5.0	379	272	100
Jane Martin (b) (c)	15 - 20 plus lump sum of 45 - 60	2.5 – 5.0 plus lump sum of 7.5 – 10.0	466	339	122
Linda McDowall	45 - 50 plus lump sum of 135 - 150	0 – 2.5 plus lump sum of 0 – 2.5	1,429	1,209	212
Iain Scott	35 - 40 plus lump sum of 105 - 120	0 – 2.5 plus lump sum of 2.5 – 5.0	1,074	817	249
Carolyn Stewart	25 - 30 plus lump sum of 75 - 90	0 – 2.5 plus lump sum of 2.5 – 5.0	712	517	188

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

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

- (b) The figures above, for Linda Hanna and Jane Martin, include a significant element in relation to the one-off salary increases awarded to them on their promotion to the Executive Leadership Team.
- (c) The net increase in the cash equivalent transfer values attributable to Jane Martin reflects the increase over the period from which she was appointed to the Executive Leadership Team to 31 March 2015.

REMUNERATION REPORT (continued)

Median Pay Multiples

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

	2015 £	2014 £
Annualised remuneration before pension benefits of the highest paid member of the Executive Leadership Team	207,593	203,000
Median remuneration of Scottish Enterprise's employees	38,567	38,162
Remuneration ratio	5.4	5.3

The median remuneration of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2015.

Including severance payments, no employee (2014: no employees) received remuneration in excess of the highest paid member of the Executive Leadership Team.

Linda Urquhart
Remuneration Committee Chair
24 June 2015

Lena C Wilson
Accountable Officer
24 June 2015

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

for the year ended 31 March 2015

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

In preparing the accounts, Scottish Enterprise is required to:

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

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

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

Lena C Wilson
Accountable Officer
24 June 2015

GOVERNANCE STATEMENT

for the year ended 31 March 2015

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.

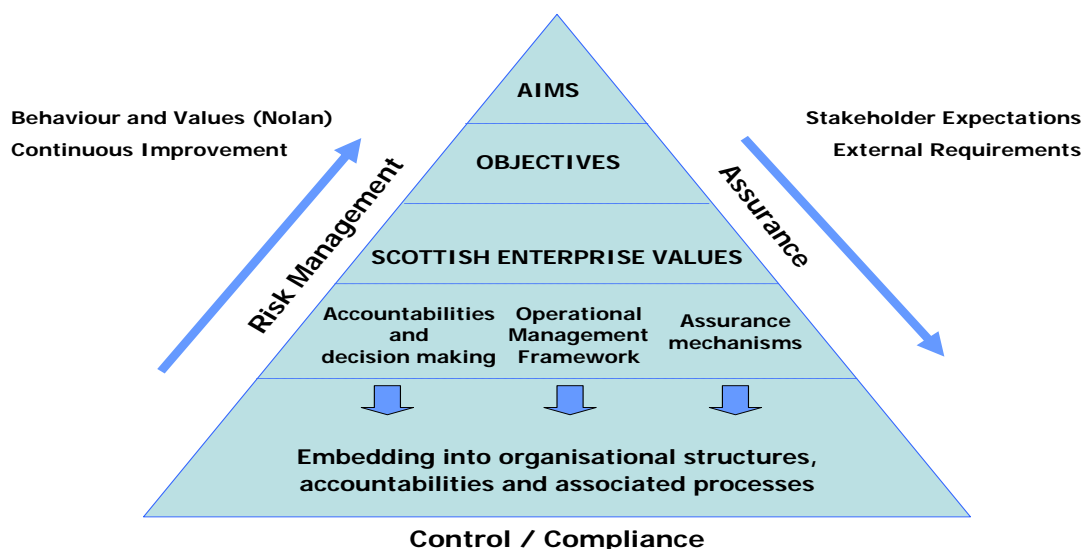
As Accountable Officer I have specific responsibility in relation to:

- 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.

Scottish Enterprise Governance Framework

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



Aims and Objectives

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

Scottish Enterprise Values

Scottish Enterprise Board

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

GOVERNANCE STATEMENT (continued)

Management and Staff

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

Accountabilities and Decision Making

Scottish Enterprise complies with the Scottish Public Finance Manual and the Management Statement and Financial Memorandum, 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 on the basis of 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 Public Appointments in Scotland.

The Scottish Enterprise Board has established clear terms of reference and operating practices for itself and its sub-Committees. The Board meets monthly and its Committee's structure and terms of reference are regularly reviewed. The Board formally assesses its performance, including an assessment of its own effectiveness, on an annual basis. This includes consideration of members' attendance during the year.

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

As at 31 March 2015, the Board of Scottish Enterprise comprised the Chairman, 10 non-executive members and myself, as Chief Executive. The Board met in full 11 times in the year. The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers. It has general corporate responsibility for:

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

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

		Eligible to attend	Attendance
Crawford Gillies	Chairman	11	11
Lena Wilson	Chief Executive	11	10
Melfort Campbell		11	9
Anne Glover	Appointed 1 March 2015	1	-
Russel Griggs		11	6
Jim McDonald	Retired 31 December 2014	8	5
John McGlynn	Retired 31 December 2014	8	5
Alison McGregor	Appointed 1 March 2015	1	1
Iain McLaren		11	5
Gavin Nicol	Appointed 1 March 2015	1	1
Jeremy Peat		11	9
Grahame Smith		11	11
Linda Urquhart		11	9
Graeme Waddell	Retired 31 December 2014	8	4
Gillian Watson		11	10

The Board is supported by six sub-Committees: Audit, Investment, Economic Policy, Remuneration, Nominations & Governance and Urgent Approvals.

GOVERNANCE STATEMENT (continued)

Following the retirement of three non-executive Board members at the end of 2014 and the appointment of three new non-executive Board members with effect from 1 March 2015 the membership of the six sub-committees has subsequently been reviewed and numbers restored to a full complement as required. The purpose and membership of each committee for the year to 31 March 2015 is summarised below.

Audit Committee

The Scottish Enterprise Board has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance and associated assurance. The Audit 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 Committee also reviews the accounting policies, the accounts and the annual report of the organisation.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than 3 members. At least one member of the Committee shall have recent and relevant financial experience. All new members undertake formal induction covering the role of the Audit Committee, overview of the organisation's key risks and audit issues. Members also receive appropriate training in relation to their role as a member of the Audit Committee. The Audit Committee meets at least 4 times a year.

Investment Committee

The Investment Committee's key purpose is to support operational performance and provide a strategic overview of the key investment decisions made by the Scottish Enterprise Board. The Committee advises the Board and supports the Executive Leadership Team to help Scottish Enterprise develop and implement better, more strategic projects and groups of projects (portfolios) with a higher impact on the economy. It takes a medium term (3-5 year) overview of the key investment decisions made by the Scottish Enterprise Board which have the most significant impact on Scottish Enterprise's strategy.

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than 3 members. This includes the Chair of the Economic Policy Committee, reflecting the strong connection between the two Committees. The Investment Committee meets at least quarterly.

Economic Policy Committee

The purpose of this Committee is to produce a set of measures that track the performance of the private sector in the Scottish economy and demonstrate the impact of Scottish Enterprise as it seeks to meet the aspirations of Scotland's Economic Strategy.

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

Remuneration Committee

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

The Committee is appointed by the Scottish Enterprise Board from amongst the non-executive directors and consists of not less than 3 members. The Chairman 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 Chairman, Board and Scottish Government for any changes. The Committee is responsible for advising the Chairman when filling the position of Chief Executive, on appointments to the Executive Leadership Team and advising the Board for appointment of members to the Board Committees. The Committee also keeps under review the organisation's governance structure, including an annual Board effectiveness review.

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

Urgent Approvals Committee

An Urgent Approvals Sub-Committee is established to grant urgent Board approvals between Board Meetings. The project paper and the terms of the approval are circulated for the Board's information at the next Board Meeting.

GOVERNANCE STATEMENT (continued)

Sub Committee Membership and Attendance Record

Due to the retirement of three board members during the year they were not eligible to attend all sub-committee meeting held during 2014/15. 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	Investment	Economic Policy	Remuneration	Nominations / Governance	Urgent Approvals
Crawford Gillies					2/2	2/2
Lena Wilson			1/4		2/2	2/2
Melfort Campbell	3/4					
Russel Griggs			4/4			
Jim McDonald		0/3				
John McGlynn		2/3	3/3			
Iain McLaren	4/4			4/4	2/2	2/2
Jeremy Peat		5/5	4/4			0/2
Grahame Smith	4/4		4/4			
Linda Urquhart		5/5		4/4	2/2	2/2
Graeme Waddell	3/3			2/3	0/1	
Gillian Watson		3/5				

Scottish Enterprise Chief Executive

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

Organisational Model

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

Operational Management Framework

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

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

Strategy and Planning

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

Resource Management

The Scottish Enterprise Project Lifecycle incorporates a strong, constructive, independent challenge to increase the quality of the projects and programmes which Scottish Enterprise delivers and to ensure that they are driven by industry priorities. The Project Lifecycle also provides a best practice framework for the appraisal, approval and implementation of projects.

Performance Management

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

Budgetary Control

Budgets are approved on an annual basis as part of the Business Planning process. Scottish Enterprise has four main operational budget headings and two further budget headings for support services which are aligned with the Business Plan. These headings are further analysed into business areas where there is clear accountability for the budget. The

GOVERNANCE STATEMENT (continued)

Executive Leadership Team and the Scottish Enterprise Board receives monthly reports on expenditure against budget together with an explanation for significant variances and the proposed corrective action.

Human Resources

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

Risk Management

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

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

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

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

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

Assurance

Role of Scottish Enterprise Audit Committee

The Scottish Enterprise Board has established an Audit Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit Committee seeks assurances from a number of sources mainly via management, internal audit and external audit. This assurance draws attention to the aspects of risk management, governance and internal control that are functioning effectively and those that require attention/improvement. The Audit Committee adds to the value of assurances through challenge and has confidence in their reliability. The Audit Committee prepares an annual report which is considered by the Scottish Enterprise Board.

Management Assurance Statements

As Accountable Officer, I am required to provide a Certificate of Assurance to the Scottish Government on an annual basis. To enable the signing of this Statement, I require assurances on the maintenance and review of internal control systems throughout the organisation. All Scottish Enterprise Executive Leadership Team members and the major trading subsidiaries are required to sign a Certificate of Assurance for their areas of responsibility and accountability. In order to assist with this sign-off they will review their internal control arrangements supported by the completion of an Internal Control Checklist. During the year, in order to enhance assurances further in relation to information technology and related processes, an independent ISAE 3402 compliance audit of our outsourced ICT Managed Services provision was completed. An unqualified report covering the year to 31 March 2015 was issued

I have confirmed for 2014/15 that controls have been, and are, working well within Scottish Enterprise. There are no significant matters arising which would require to be raised.

Internal Audit

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

GOVERNANCE STATEMENT (continued)

For 2014/15 the overall conclusion of internal audit work carried out identifies a good level of assurance in the areas reviewed. A number of audit issues were highlighted during the year which were reported to the Executive Leadership Team and Audit Committee. All issues were addressed through an action plan and appropriate action has been taken to mitigate any losses and prevent future occurrence. During the year there was particular focus on issues arising from an internal audit review of the Scottish Investment Bank. A follow up audit has confirmed that all the audit recommendations have been fully implemented.

External Audit

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

The external auditors have given unqualified audit opinions on the accounts for the year ended 31 March 2015 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

Lena C Wilson
Accountable Officer
24 June 2015

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

I have audited the financial statements of Scottish Enterprise for the year ended 31 March 2015 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, the Group Statement of Financial Position, the Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Taxpayers' Equity, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

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

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

25 June 2015

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2015

	<i>Notes</i>	<i>2015</i> £000	<i>Restated</i> <i>2014</i> £000
Expenditure			
Operating expenditure	3	185,611	204,156
Net management expenditure on staff costs	3	60,198	60,682
Other management expenditure, incl. depreciation	3	34,219	31,581
		<u>280,028</u>	<u>296,419</u>
Income			
Income from activities	2	(23,585)	(17,593)
Other Income	2	(28,805)	(27,624)
		<u>(52,390)</u>	<u>(45,217)</u>
Net Operating Expenditure		227,638	251,202
Share of profits in equity accounted investees	9	(11)	(404)
Income from investments	2	(172)	(111)
Interest receivable	2	(2,908)	(3,586)
Other finance income	2	(3,640)	(1,100)
Net Expenditure after interest		220,907	246,001
Taxation	6	146	(233)
Net Expenditure after taxation		<u>221,053</u>	<u>245,768</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net expenditure:			
Net (gains) / losses on revaluation of property, plant and equipment		(9,220)	4,808
Net losses / (gains) on revaluation of property, plant and equipment held by Equity Accounted Investee		1,283	(862)
Net actuarial losses / (gains) recognised in retirement benefit scheme		31,554	(53,115)
Items that may be reclassified to net expenditure:			
Net (gains) / losses in fair value of available for sale assets		(46,651)	12
Reclassification to net expenditure in the year		1,765	2,014
Total Comprehensive Net Expenditure for the year		<u>199,784</u>	<u>198,625</u>
Attributable to:			
Taxpayers' Equity		199,789	198,519
Non-Controlling Interest		(5)	106
		<u>199,784</u>	<u>198,625</u>

The notes on pages 37 to 82 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	Notes	2015 £000	Restated 2014 £000	Restated 2013 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	195,944	188,013	193,414
Intangible assets	8	7	14	-
		<u>195,951</u>	<u>188,027</u>	<u>193,414</u>
Financial assets				
Investments in equity accounted investees	9	1,548	11,766	8,746
Other investments	10	221,690	153,325	151,719
Total financial assets		<u>223,238</u>	<u>165,091</u>	<u>160,465</u>
Retirement benefit scheme	5	47,544	76,610	25,799
Other non-current receivables	12	3,258	2,776	3,315
TOTAL NON-CURRENT ASSETS		<u>469,991</u>	<u>432,504</u>	<u>382,993</u>
CURRENT ASSETS				
Other investments	10	7,957	6,663	7,555
Assets classified as held for sale	13	3,840	5,050	2,350
Inventories	14	110	86	115
Income tax receivable		89	280	1
Trade and other receivables	15	21,416	22,764	24,799
Cash and cash equivalents	16	97,828	109,757	92,119
TOTAL CURRENT ASSETS		<u>131,240</u>	<u>144,600</u>	<u>126,939</u>
TOTAL ASSETS		<u>601,231</u>	<u>577,104</u>	<u>509,932</u>
CURRENT LIABILITIES				
Trade and other payables	17	(48,417)	(57,091)	(43,636)
Income tax payable		(52)	(22)	(95)
Provisions	18	(1,760)	(1,597)	(1,152)
TOTAL CURRENT LIABILITIES		<u>(50,229)</u>	<u>(58,710)</u>	<u>(44,883)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>551,002</u>	<u>518,394</u>	<u>465,059</u>
NON-CURRENT LIABILITIES				
Other payables	17	(2,518)	(3,865)	(1,844)
TOTAL NON-CURRENT LIABILITIES		<u>(2,518)</u>	<u>(3,865)</u>	<u>(1,844)</u>
ASSETS LESS LIABILITIES		<u>548,484</u>	<u>514,529</u>	<u>463,205</u>
TAXPAYERS' EQUITY				
General Reserve		423,033	440,292	381,533
Specific Reserve		975	1,077	1,705
Revaluation Reserve		123,067	71,756	78,457
Non-Controlling Interest		1,409	1,404	1,510
TOTAL EQUITY		<u>548,484</u>	<u>514,529</u>	<u>463,205</u>

The notes on pages 37 to 82 form part of these accounts.

The accountable officer authorised these financial statements for issue on 24 June 2015.

Lena C Wilson
Accountable Officer
24 June 2015

STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	Notes	2015 £000	Restated 2014 £000	Restated 2013 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	155,106	146,345	148,751
Intangible assets	8	7	14	-
		<u>155,113</u>	<u>146,359</u>	<u>148,751</u>
Financial assets				
Other investments	10	224,961	165,280	161,762
Retirement benefit scheme	5	47,544	76,610	25,799
Other non-current receivables	12	14,834	18,035	18,726
TOTAL NON-CURRENT ASSETS		<u>442,452</u>	<u>406,284</u>	<u>355,038</u>
CURRENT ASSETS				
Other investments	10	7,957	6,411	7,303
Assets classified as held for sale	13	3,840	5,050	2,350
Trade and other receivables	15	19,633	20,293	22,658
Income tax receivable		89	-	-
Cash and cash equivalents	16	91,786	101,950	84,481
TOTAL CURRENT ASSETS		<u>123,305</u>	<u>133,704</u>	<u>116,792</u>
TOTAL ASSETS		<u>565,757</u>	<u>539,988</u>	<u>471,830</u>
CURRENT LIABILITIES				
Trade and other payables	17	(47,525)	(56,691)	(42,630)
Provisions	18	(1,760)	(1,597)	(1,152)
TOTAL CURRENT LIABILITIES		<u>(49,285)</u>	<u>(58,288)</u>	<u>(43,782)</u>
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		<u>516,472</u>	<u>481,700</u>	<u>428,048</u>
NON-CURRENT LIABILITIES				
Other payables	17	(2,518)	(3,865)	(1,844)
TOTAL NON-CURRENT LIABILITIES		<u>(2,518)</u>	<u>(3,865)</u>	<u>(1,844)</u>
ASSETS LESS LIABILITIES		<u>513,954</u>	<u>477,835</u>	<u>426,204</u>
TAXPAYERS' EQUITY				
General Reserve		410,676	425,764	367,800
Revaluation Reserve		103,278	52,071	58,404
TOTAL EQUITY		<u>513,954</u>	<u>477,835</u>	<u>426,204</u>

The notes on pages 37 to 82 form part of these accounts.

The accountable officer authorised these financial statements for issue on 24 June 2015.

Lena C Wilson
Accountable Officer
24 June 2015

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	Notes	2015 £000	<i>Restated</i> 2014 £000
Cash flows from operating activities			
Net expenditure after interest		(220,907)	(246,001)
Adjustments for:			
Depreciation and assets written off		2,522	1,943
Increase in investment provision and write off		34,901	19,777
Property revaluation deficit		4,515	9,234
Investment revaluation deficit / (surplus)		181	(13)
Interest receivable	2	(2,908)	(3,586)
Dividends received	2	(172)	(111)
Retirement benefit scheme net charges		(2,488)	2,304
Share of profit in equity accounted investees	9	(11)	(404)
Surplus on disposal of property, plant and equipment	2	(1,677)	(226)
Surplus on disposal of investments and equity accounted investees	2	(6,343)	(4,679)
		<u>(192,387)</u>	<u>(221,762)</u>
(Increase)/Decrease in inventories		(24)	29
Decrease in trade and other receivables		5,749	2,066
(Decrease)/Increase in trade payables		(10,021)	15,889
Increase in provision for future liabilities		163	445
		<u>(196,520)</u>	<u>(203,333)</u>
Income tax expense		75	(119)
Appropriations paid		-	(413)
Net cash outflow from operating activities		<u>(196,445)</u>	<u>(203,865)</u>
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		5,652	671
Proceeds of disposal of financial assets and equity accounted investees		18,989	7,527
Repayments of other investments		6,733	9,950
Interest received		1,553	3,113
Dividends received		172	111
Purchase of property, plant and equipment		(9,657)	(13,722)
Purchase of intangible assets		-	(21)
Purchase of financial assets		(68,082)	(36,075)
Net cash outflow from investing activities		<u>(44,640)</u>	<u>(28,446)</u>
Cash flows from financing activities			
Grants from Scottish Government		229,156	249,949
Net cash inflow from financing activities		<u>229,156</u>	<u>249,949</u>
Net (decrease)/increase in cash and cash equivalents in the period		(11,929)	17,638
Cash and cash equivalents at the beginning of the period	16	109,757	92,119
Cash and cash equivalents at the end of the period	16	<u>97,828</u>	<u>109,757</u>

The notes on pages 37 to 82 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2015

	<i>General Reserve £000</i>	<i>Specific Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Non- Controlling Interest £000</i>	<i>Total £000</i>
Balance at 1 April 2013	381,533	1,705	78,457	1,510	463,205
Net expenditure during the year	(245,034)	(628)	-	(106)	(245,768)
Actuarial gains in retirement benefit scheme	53,115	-	-	-	53,115
Deficits on revaluation of investments	-	-	(2,026)	-	(2,026)
Surpluses on revaluation of property, plant and equipment held by Equity Accounted Investees (Note 9)	-	-	862	-	862
Surpluses / (deficits) on revaluation of property, plant and equipment	<u>729</u>	<u>-</u>	<u>(5,537)</u>	<u>-</u>	<u>(4,808)</u>
Total recognised income and expense for year to 31 March 2014	<u>(191,190)</u>	<u>(628)</u>	<u>(6,701)</u>	<u>(106)</u>	<u>(198,625)</u>
Grant in Aid from Scottish Government	248,930	-	-	-	248,930
Other grants from Scottish Government	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019</u>
	<u>249,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,949</u>
Balance at 31 March 2014	<u>440,292</u>	<u>1,077</u>	<u>71,756</u>	<u>1,404</u>	<u>514,529</u>
Net expenditure during the year	(220,956)	(102)	-	5	(221,053)
Actuarial losses in retirement benefit scheme	(31,554)	-	-	-	(31,554)
Surpluses on revaluation of investments	-	-	44,886	-	44,886
Release on disposal of revaluation of property, plant and equipment held by Equity Accounted Investees (Note 9)	-	-	(1,283)	-	(1,283)
Surpluses on revaluation of property, plant and equipment	<u>1,512</u>	<u>-</u>	<u>7,708</u>	<u>-</u>	<u>9,220</u>
Total recognised income and expense for year to 31 March 2015	<u>(250,998)</u>	<u>(102)</u>	<u>51,311</u>	<u>5</u>	<u>(199,784)</u>
Grant in Aid from Scottish Government	207,921	-	-	-	207,921
Other grants from Scottish Government	<u>25,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,818</u>
	<u>233,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,739</u>
At 31 March 2015	<u>423,033</u>	<u>975</u>	<u>123,067</u>	<u>1,409</u>	<u>548,484</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £8,772m (2014: £8,564m). The grant in aid provision of £208m for 2014/15 included £57m 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 £123m (2014: £72m) is £47m (2014: £41m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2015

	<i>General Reserve £000</i>	<i>Revaluation Reserve £000</i>	<i>Total £000</i>
Balance at 1 April 2013	367,800	58,404	426,204
Net expenditure during the year	(244,156)	-	(244,156)
Actuarial gains in retirement benefit scheme	53,115	-	53,115
Deficit on revaluation of investments	-	(1,924)	(1,924)
Surpluses / (deficits) on revaluation of property, plant and equipment	75	(4,409)	(4,334)
Total recognised income and expense for year to 31 March 2014	<u>(190,966)</u>	<u>(6,333)</u>	<u>(197,299)</u>
Grant in Aid from Scottish Government	248,930	-	248,930
Balance at 31 March 2014	<u>425,764</u>	<u>52,071</u>	<u>477,835</u>
Net expenditure during the year	(216,037)	-	(216,037)
Actuarial losses in retirement benefit scheme	(31,554)	-	(31,554)
Surpluses on revaluation of investments	-	44,832	44,832
Surpluses on revaluation of property, plant and equipment	581	6,375	6,956
Total recognised income and expense for year to 31 March 2015	<u>(247,010)</u>	<u>51,207</u>	<u>(195,803)</u>
Grant in Aid from Scottish Government	207,921	-	207,921
Other grants from Scottish Government	24,001	-	24,001
	<u>231,922</u>	<u>-</u>	<u>231,922</u>
Balance at 31 March 2015	<u>410,676</u>	<u>103,278</u>	<u>513,954</u>

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £8,772m (2014: £8,564m). The grant in aid provision of £208m for 2014/15 included £57m 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 £103m (2014: £52m) is £28m (2014: £22m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

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

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

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

Change in accounting policy and restatement

The accounting policies have, unless otherwise stated, been applied consistently for all periods presented in the Group and Scottish Enterprise accounts. In prior years grants received from Scottish Government, by subsidiary companies, were included as Other Income in the Statement of Comprehensive Net Expenditure. The FRoM states that grants and grant in aid should be recorded as contributions from controlling parties and should be accounted for as financing by crediting them to the income and expenditure reserve. From the year ended 31 March 2015, grant income from Scottish Government has been credited directly to the income and expenditure reserve in the Statement of Changes in Taxpayers' Equity. Scottish Enterprise has adjusted comparative amounts disclosed in each prior period as if the new accounting policy had always applied. A previously recognised long term liability has been reclassified as a provision and increased to reflect the value of costs incurred by Falkirk Council, under a joint arrangement, which may be met from future sale proceeds of the land owned by Scottish Enterprise. Details of prior period adjustments are given in note 26.

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

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

- Retirement benefit assets (Note 5)
- Land and property (Note 7)
- Financial assets (Note 10)
- Assets classified as held for sale (Note 13)

The Board and Accountable Officer have considered the Resource Budget for 2014/15, comprising the availability of Grant in Aid and 'non-cash' budget provision, and consider that Scottish Enterprise has adequate resources to continue in operational existence for the foreseeable future. The accounts are therefore prepared on a going concern basis. Further details of Scottish Enterprise's Resource Budget for 2014/15 are given in the Management Commentary. Details of the liquidity position are given in Note 23.

2. Basis of consolidation

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

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

(a) *Subsidiaries*

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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.

4. Property, plant and equipment

(a) Land

Land held for or under development, or for the Group's own use, is held at fair value and is valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2012 (Red Book) and specifically the basis valuation for IFRS.

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

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

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

Land is not depreciated.

STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Property

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

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

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

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

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

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

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight line basis over their expected useful lives of up to a maximum of 50 years. 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 GVA James Barr, 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.

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

(c) Non property assets

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

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

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

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

(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

STATEMENT OF ACCOUNTING POLICIES (continued)

and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

(e) *Impairment*

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

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

5. **Non-current assets held for sale**

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

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

Non-current assets held for sale are not depreciated.

6. **Financial assets**

Classification

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

(a) *Loans and receivables*

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

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

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

(c) *Held-to-maturity assets*

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

Recognition and measurement

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

(a) *Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

(c) *Held-to-maturity assets*

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

(b) *Software Licences*

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

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

8. **Assets held by Local Enterprise Companies**

Under the terms of the operating contract with the Local Enterprise Companies all sums arising from the disposal of assets and investments held in their own name but funded by Scottish Enterprise fell to be repaid to Scottish Enterprise.

On 29 March 2012, the Local Enterprise Companies agreed to transfer their property interests and their interest in specified shares and loans to Scottish Enterprise for no consideration. During 2014/15 the financial assets of the final Local Enterprise Company to do so were transferred to Scottish Enterprise, also for no consideration.

9. **Inventories**

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

10. **Income**

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

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

Income is stated net of VAT where applicable.

11. **European funding**

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

12. **Dividend income**

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

13. **Leasing**

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

14. Taxation

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

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

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

15. Employee benefits

(a) Retirement benefits

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

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

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

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

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

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

(b) Short term employee benefits

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

STATEMENT OF ACCOUNTING POLICIES (continued)

16. Exchange Gains and Losses

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

17. Cash and cash equivalents

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

18. Financial Liabilities

Classification

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

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

Recognition and measurement

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

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

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

19. Provisions

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

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

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

20. Critical accounting estimates and judgements

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

(a) Retirement benefit obligations

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

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

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

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 5.

(b) Fair value of financial instruments

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

(c) Held-to-maturity investments

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

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

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

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

21. 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 13 – Fair Value Measurement
- IAS 36 – Impairment of assets

These standards will be adopted in the FReM with effect from 2015/16. The adoption of these standards could change the measurement techniques used when determining fair value and also modifies some of the disclosure requirements. The impact on the consolidated accounts has not been determined.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

	2015 £000	2014 £000
Operating Expenditure	<u>185,611</u>	<u>204,156</u>
Management Expenditure	<u>94,417</u>	<u>92,263</u>
Expenditure noted above includes:		
Rentals under operating leases		
Buildings	5,446	4,391
Other	77	54
Foreign exchange losses / (gains)	228	(4)
Depreciation	6,792	5,823
Amortisation of intangible assets	7	7
Auditors' remuneration		
- audit of these accounts (i)	<u>153</u>	<u>152</u>
Amounts paid to other auditors in respect of:		
- audit of subsidiary companies' accounts	44	48
- non-audit fees	-	19
	<u>44</u>	<u>67</u>

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

2. INCOME

	2015 £000	2014 £000
Income from Activities		
Property Services:		
Rents	9,308	8,717
Sundry property income	6,257	3,971
Surplus on disposal of property	1,677	226
Investment Management:		
Surplus on disposal of investments and equity accounted investees	<u>6,343</u>	<u>4,679</u>
	<u>23,585</u>	<u>17,593</u>
Other Income		
European Funding	11,293	11,147
Contributions and other fees	<u>17,512</u>	<u>16,477</u>
	<u>28,805</u>	<u>27,624</u>
Income from Investments		
Dividends and other investment income	<u>172</u>	<u>111</u>
Interest Receivable	<u>2,908</u>	<u>3,586</u>
Other Finance Income		
Net interest income on retirement benefit scheme assets	<u>3,640</u>	<u>1,100</u>

NOTES TO THE ACCOUNTS (continued)

3. SEGMENTAL REPORTING

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

	2015 £000	2014 £000
Operating Expenditure		
Growth Companies		
Account Management and Specialist Advisory Services	14,203	16,530
Regional Selective Assistance	30,395	34,544
Enterprise Support	3,549	3,202
Entrepreneurial Support	2,147	3,412
Equity Investment and Loans	22,797	21,271
Internationalisation		
International Market Development	13,288	15,210
Talent Scotland, Global Scot, Scotland Europa	1,108	1,858
International Marketing and Research	4,405	4,232
Innovation		
Innovation Specialist Support	5,274	6,329
R&D Support	9,117	8,931
SMART	6,241	6,343
Commercialisation Support	6,692	6,191
Renewable Energy		
Renewable Energy Investment Fund	13,396	275
National Renewables Infrastructure Fund	2,022	4,308
International Technology and Renewable Energy Zone	929	6,506
R&D Support – WATERS/POWERS/SIFT	1,799	7,862
Sectoral Priorities		
Industry Sector Project Support	10,979	14,602
Rural and Other Enterprise Support Projects	1,986	698
Business Infrastructure & Connectivity		
Business Infrastructure	32,517	39,198
Digital Connectivity	392	-
Domestic Marketing, Research and Stakeholder Engagement	2,375	2,654
Total Segmental Expenditure	<u>185,611</u>	<u>204,156</u>
Management Expenditure		
Management expenditure on staff costs	60,198	60,682
Premises, ICT, business services and other management costs	34,219	31,581
	<u>94,417</u>	<u>92,263</u>
Income	(52,390)	(45,217)
Net Operating Expenditure	<u>227,638</u>	<u>251,202</u>

NOTES TO THE ACCOUNTS (continued)

4. PEOPLE COSTS AND NUMBERS

	2015 £	2014 £
(a) Non-executive board members		
Remuneration (i)	174,337	178,035
Pension and social security costs	27,013	26,582
	<u>201,350</u>	<u>204,617</u>
Chairman's remuneration (iv)	<u>42,600</u>	<u>38,721</u>

- (i) Remuneration paid to non-executive board members is detailed in the Remuneration Report.
- (ii) Scottish Enterprise's Chief Executive, Lena Wilson, is also a member of the board. Her remuneration is not included above but details are provided in the Remuneration Report.
- (iii) Scottish Enterprise is required to meet the retirement benefits due to past Chairmen of Scottish Development Agency and Scottish Enterprise who are not members of the Scottish Enterprise Pension & Life Assurance Scheme. Provision has been made in these accounts for £153,000 (2014: £154,000) within the total retirement benefit liabilities at 31 March 2015, as assessed by Mercer Limited, Scottish Enterprise's advising actuaries.
- (iv) Crawford Gillies's fee includes arrears of £2,905 due to his annual fee being re-assessed and back dated to 1 April 2009. The Chairman's fee for 2014/15 was £39,695.

(b) Staff costs comprise:

	<i>Permanent staff</i> £000	<i>Others</i> £000	2015 £000	<i>Restated</i> 2014 £000
Wages and salaries	50,075	-	50,075	48,178
Social security costs	4,030	-	4,030	4,097
Pension costs	8,871	-	8,871	10,745
Inward seconded and temporary staff costs	-	638	638	479
Travel and subsistence	2,537	-	2,537	2,526
Less: recoveries in respect of outward secondments	(1,194)	-	(1,194)	(1,250)
	<u>64,319</u>	<u>638</u>	<u>64,957</u>	<u>64,775</u>
Severance costs	-	-	-	267
Total staff costs	<u>64,319</u>	<u>638</u>	<u>64,957</u>	<u>65,042</u>

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

	2015 £000	<i>Restated</i> 2014 £000
Operating expenditure	3,617	3,319
Management expenditure on staff costs	59,997	60,477
Other management expenditure	2,540	2,514
Other Income	(1,197)	(1,268)
	<u>64,957</u>	<u>65,042</u>

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

There were no staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2015 (2014: 2 staff at a total cost of £257,099). There were 5 (2014: 1) individuals who left Scottish Enterprise or companies within the Scottish Enterprise Group at a cost of £104,004 (2014: £9,476).

<i>Exit package cost band</i>	<i>Compulsory redundancies No.</i>	<i>Other departures agreed No.</i>	<i>Total 2015 No.</i>	<i>Total 2014 No.</i>
< £10,000	-	<5	<5	<5
£10,000 - £25,000	-	<5	<5	-
£25,000 - £50,000	-	<5	<5	-
£50,000 - £75,000	-	-	-	<5
£75,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	<5
	-	5	5	5

The total cost of exit packages in the year to 31 March 2015 amounted to £104,004 (2014: £266,845).

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

	<i>Permanent staff No.</i>	<i>Others No.</i>	<i>2015 No.</i>	<i>2014 No.</i>
Executive Leadership Team	8	-	8	8
Operations	1,041	-	1,041	1,002
Administration and support function	304	-	304	304
Inward Secondments and temporary staff	-	14	14	16
	1,353	14	1,367	1,330

5. RETIREMENT BENEFIT SCHEME

Scottish Enterprise operates the Scottish Enterprise Pension & Life Assurance Scheme for all permanent staff which is a defined benefits scheme that provides benefits in the form of a guaranteed level of pension payable for life. The level of benefits provided depends upon the members' length of service and their final pensionable salary. The assets of the scheme are held separately from those of Scottish Enterprise, being invested by the Trustees of the scheme. There are eleven Trustees in total, comprising an independent Chairman, six 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 2014 and the results of that valuation have been projected to 31 March 2015 by Mercer Limited, qualified independent actuaries. The next formal valuation will be carried out during 2017/18 based on data at 31 March 2017.

	<i>2015 £000</i>	<i>2014 £000</i>
Present value of funded defined benefit obligations	(605,327)	(484,150)
Fair value of plan assets	652,871	560,760
Recognised surplus in the scheme	47,544	76,610

NOTES TO THE ACCOUNTS (continued)

Movements in the present value of defined benefit obligations

	2015 £000	2014 £000
At 1 April	(484,150)	(522,919)
Current service cost	(7,322)	(9,637)
Past service cost	-	(414)
Interest cost	(21,427)	(21,838)
Actuarial (losses) / gains	(106,048)	59,039
Benefits paid	16,113	13,998
Contributions by members	(2,493)	(2,379)
	<u>(605,327)</u>	<u>(484,150)</u>

Movements in the present value of defined benefit scheme assets

	2015 £000	2014 £000
At 1 April	560,760	548,718
Expected return on plan assets	25,067	22,938
Actuarial gains / (losses)	74,494	(5,924)
Contributions by the employer	7,478	7,551
Contributions by members	2,493	2,379
Benefits paid by the plan	(16,113)	(13,998)
Administrative expenses	(1,308)	(904)
	<u>652,871</u>	<u>560,760</u>

The defined benefit obligation analysed by participant status

	2015 £000	2014 £000
Active members	(191,615)	(157,902)
Vested deferred members	(157,109)	(130,551)
Retired members	(256,603)	(195,697)
	<u>(605,327)</u>	<u>(484,150)</u>

Expense recognised in the Statement of comprehensive net expenditure

	2015 £000	2014 £000
Current service cost	7,322	9,637
Past service cost	-	414
Administrative expenses	1,308	904
Interest income on retirement benefit scheme assets	(25,067)	(22,938)
Interest on retirement benefit scheme obligations	21,427	21,838
Total retirement benefit scheme expense	<u>4,990</u>	<u>9,855</u>

NOTES TO THE ACCOUNTS (continued)

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

	2015 £000	2014 £000
Management Expenditure	8,630	10,955
Other Finance Income	(3,640)	(1,100)
	<u>4,990</u>	<u>9,855</u>

The total loss amount recognised in the statement of other comprehensive income in respect of net actuarial gains and losses is £31,554,000 (2014: £53,115,000 (gain)).

Cumulative actuarial gains and losses recognised in the statement of other comprehensive income since 1 April 2002 are net losses of £15,518,000 (2014: £16,036,000 (gains))

The fair value and the expected rates of return on scheme assets at 31 March 2015, were as follows:

	2015 £000	2014 £000
Equity instruments	154,791	143,069
Debt instruments	338,769	282,287
Diversified growth fund	124,976	103,967
Real estate	32,353	29,380
Cash or cash equivalents	1,982	2,057
Total fair value of assets	<u>652,871</u>	<u>560,760</u>

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

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

	2015 % per annum	2014 % per annum
Discount rate	3.30%	4.50%
Future salary increases	2.00%	2.40%
Rate of increase in retirement benefits	2.00%	2.40%
Price inflation	3.00%	2.40%

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:-

	2015 Years	2014 Years
Retiring today (age 60)	27.8	28.9
Retiring in 20 years	29.4	30.9

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

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

NOTES TO THE ACCOUNTS (continued)

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

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

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

	<i>Change in assumption %</i>	<i>Increase in assumption £m</i>	<i>Decrease in assumption £m</i>
Discount rate	0.10	(11.8)	12.1
Inflation rate	0.10	10.1	(9.9)

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £15.0m at 31 March 2015.

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 2016, Scottish Enterprise estimates that contributions of £8.4m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

6. TAXATION

	<i>2015 £000</i>	<i>2014 £000</i>
UK Corporation tax @ 21% (2014: 23%)	145	5
Corporation tax under/(over) provided in previous years	1	(238)
	<u>146</u>	<u>(233)</u>
Share of equity accounted investees' tax	-	-
Total current tax	<u>146</u>	<u>(233)</u>

Factors affecting current tax charge:

	<i>2015 £000</i>	<i>2014 £000</i>
Net expenditure after interest	<u>220,907</u>	<u>246,001</u>
Current tax @ 21% (2014: 23%)	(46,390)	(56,580)
Effect of:		
Non-taxable income and disallowed expenditure	46,535	56,585
Capital allowances	-	-
Tax under/(over) provided in previous years	1	(238)
Current tax charge	<u>146</u>	<u>(233)</u>

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

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2014	98,159	81,353	-	160	13,536	5,632	3,631	7,333	209,804
Additions	3,074	1,919	42	-	551	440	88	3,543	9,657
Disposals	(776)	(1,400)	-	(44)	(49)	(387)	-	-	(2,656)
Transfer from/(to)									
Held for Sale	(1,575)	(325)	-	-	-	-	-	-	(1,900)
Revaluation	6,945	(2,080)	-	-	-	-	-	-	4,865
At 31 March 2015	105,827	79,467	42	116	14,038	5,685	3,719	10,876	219,770
Depreciation									
At 1 April 2014	-	-	-	136	11,830	4,817	3,252	1,756	21,791
Charge for year	-	4,277	-	16	768	423	249	1,059	6,792
Revaluation	-	(4,277)	-	-	-	-	-	-	(4,277)
Disposals	-	-	-	(44)	(49)	(387)	-	-	(480)
At 31 March 2015	-	-	-	108	12,549	4,853	3,501	2,815	23,826
Net book value									
At 31 March 2015	105,827	79,467	42	8	1,489	832	218	8,061	195,944
At 31 March 2014	98,159	81,353	-	24	1,706	815	379	5,577	188,013
Asset financing									
Owned	105,827	79,467	42	8	1,489	832	218	8,061	195,944
Net book value									
At 31 March 2015	105,827	79,467	42	8	1,489	832	218	8,061	195,944

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2014: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2015 by GVA James Barr, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £185m (2014: £180m).

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

At 31 March 2015 the net carrying value of leased equipment was £Nil (2014: £Nil).

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

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2013	104,689	76,447	5,849	160	20,058	4,154	3,368	5,215	219,940
Reclassification	-	11,555	(11,555)	-	(682)	682	-	-	-
Additions	3,842	166	5,706	-	817	810	263	2,118	13,722
Disposals	(170)	(125)	-	-	(6,657)	(14)	-	-	(6,966)
Transfer from/(to)									
Held for Sale	(2,575)	(975)	-	-	-	-	-	-	(3,550)
Revaluation	(7,627)	(5,715)	-	-	-	-	-	-	(13,342)
At 31 March 2014	98,159	81,353	-	160	13,536	5,632	3,631	7,333	209,804
Depreciation									
At 1 April 2013	-	-	-	114	18,211	4,095	2,916	1,190	26,526
Reclassification	-	-	-	-	(682)	682	-	-	-
Charge for year	-	3,887	-	22	958	54	336	566	5,823
Revaluation	-	(3,887)	-	-	-	-	-	-	(3,887)
Disposals	-	-	-	-	(6,657)	(14)	-	-	(6,671)
At 31 March 2014	-	-	-	136	11,830	4,817	3,252	1,756	21,791
Net book value									
At 31 March 2014	98,159	81,353	-	24	1,706	815	379	5,577	188,013
At 31 March 2013	104,689	76,447	5,849	46	1,847	59	452	4,025	193,414
Asset financing									
Owned	98,159	81,353	-	24	1,706	815	379	5,577	188,013
Net book value									
At 31 March 2014	98,159	81,353	-	24	1,706	815	379	5,577	188,013

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

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2014	93,668	46,128	-	79	804	4,725	3,358	6,719	155,481
Additions	3,074	1,919	42	-	57	422	66	3,536	9,116
Disposals	(776)	(1,400)	-	(26)	-	-	-	-	(2,202)
Transfer from/(to)									
Held for Sale	(1,575)	(325)	-	-	-	-	-	-	(1,900)
Revaluation	6,297	(917)	-	-	-	-	-	-	5,380
At 31 March 2015	100,688	45,405	42	53	861	5,147	3,424	10,255	165,875
Depreciation									
At 1 April 2014	-	-	-	74	804	3,940	3,038	1,280	9,136
Charge for year	-	1,246	-	5	14	403	212	1,025	2,905
Disposals	-	-	-	(26)	-	-	-	-	(26)
Revaluation	-	(1,246)	-	-	-	-	-	-	(1,246)
At 31 March 2015	-	-	-	53	818	4,343	3,250	2,305	10,769
Net book value									
At 31 March 2015	100,688	45,405	42	-	43	804	174	7,950	155,106
At 31 March 2014	93,668	46,128	-	5	-	785	320	5,439	146,345
Asset financing									
Owned	100,688	45,405	42	-	43	804	174	7,950	155,106
Net book value									
At 31 March 2015	100,688	45,405	42	-	43	804	174	7,950	155,106

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2014: £Nil).

Land and Buildings held for industrial and commercial use were valued at 31 March 2015 by GVA James Barr, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £146m (2014: £140m).

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

	<i>Land</i>	<i>Buildings</i>	<i>Assets Under Construction</i>	<i>Transport Equipment</i>	<i>Plant and Equipment</i>	<i>Information Technology</i>	<i>Furniture & Fittings</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost and valuation									
At 1 April 2013	100,198	38,347	5,849	79	1,486	3,257	3,169	4,622	157,007
Reclassification	-	11,555	(11,555)	-	(682)	682	-	-	-
Additions	3,842	165	5,706	-	-	786	189	2,097	12,785
Disposals	(170)	(125)	-	-	-	-	-	-	(295)
Transfer from/(to)									
Held for Sale	(2,575)	(975)	-	-	-	-	-	-	(3,550)
Revaluation	(7,627)	(2,839)	-	-	-	-	-	-	(10,466)
At 31 March 2014	93,668	46,128	-	79	804	4,725	3,358	6,719	155,481
Depreciation									
At 1 April 2013	-	-	-	63	1,486	3,218	2,742	747	8,256
Reclassification	-	-	-	-	(682)	682	-	-	-
Charge for year	-	1,132	-	11	-	40	296	533	2,012
Revaluation	-	(1,132)	-	-	-	-	-	-	(1,132)
At 31 March 2014	-	-	-	74	804	3,940	3,038	1,280	9,136
Net book value									
At 31 March 2014	93,668	46,128	-	5	-	785	320	5,439	146,345
At 31 March 2013	100,198	38,347	5,849	16	-	39	427	3,875	148,751
Asset financing									
Owned	93,668	46,128	-	5	-	785	320	5,439	146,345
Net book value									
At 31 March 2014	93,668	46,128	-	5	-	785	320	5,439	146,345

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

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

GROUP

	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>Total £000</i>
Cost			
At 1 April 2013	925	855	1,780
Additions	-	21	21
As at 31 March 2014	<u>925</u>	<u>876</u>	<u>1,801</u>
At 1 April 2014	925	876	1,801
Additions	-	-	-
As at 31 March 2015	<u>925</u>	<u>876</u>	<u>1,801</u>
Amortisation			
At 1 April 2013	925	855	1,780
Charge for year	-	7	7
As at 31 March 2014	<u>925</u>	<u>862</u>	<u>1,787</u>
At 1 April 2014	925	862	1,787
Charge for year	-	7	7
As at 31 March 2015	<u>925</u>	<u>869</u>	<u>1,794</u>
Net book value at 31 March 2015	<u>-</u>	<u>7</u>	<u>7</u>
Net book value at 31 March 2014	<u>-</u>	<u>14</u>	<u>14</u>
Net book value at 1 April 2013	<u>-</u>	<u>-</u>	<u>-</u>

SCOTTISH ENTERPRISE

	<i>Patents and other rights £000</i>	<i>Software Licences £000</i>	<i>Total £000</i>
Cost			
At 1 April 2013	633	846	1,479
Additions	-	21	21
As at 31 March 2014	<u>633</u>	<u>867</u>	<u>1,500</u>
At 1 April 2014	633	867	1,500
Additions	-	-	-
As at 31 March 2015	<u>633</u>	<u>867</u>	<u>1,500</u>
Amortisation			
At 1 April 2013	633	846	1,479
Charge for year	-	7	7
As at 31 March 2014	<u>633</u>	<u>853</u>	<u>1,486</u>
At 1 April 2014	633	853	1,486
Charge for year	-	7	7
As at 31 March 2015	<u>633</u>	<u>860</u>	<u>1,493</u>
Net book value at 31 March 2015	<u>-</u>	<u>7</u>	<u>7</u>
Net book value at 31 March 2014	<u>-</u>	<u>14</u>	<u>14</u>
Net book value at 1 April 2013	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)

9. EQUITY ACCOUNTED INVESTEEES

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

Limited by shares	Accounting period end	Nature of Business	% of Voting rights
Discovery Quay Developments Limited	31 December	Property development	33.33
Ravenscraig Limited	31 December	Property development	33.33
AMCET Limited	31 July	Promoting technology commercialisation	26.00
Limited by guarantee	Accounting period end	Nature of Business	% of Membership
Design Dundee Limited	31 March	Advancement of cultural facility	20.00
Headstart Capital Fund	31 March	Investment Fund	50.00
7 Stanes Mountain Biking Community Interest Company	31 March	Promotion of tourist activity	50.00
Joint arrangement		Nature of Business	% Interest
Scottish Enterprise / Calachem Limited		Property development	60.00

- (i) Scottish Enterprise's loan to SESMOS Limited was written off during the year to 31 March 2015. The company is now in the process of being struck off.
- (ii) Scottish Enterprise's capital investment in Aberdeen Science Parks LP was repaid in full on 1 September 2014.

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

	<i>Current Assets</i> £000	<i>Non current assets</i> £000	<i>Total Assets</i> £000	<i>Current Liabilities</i> £000	<i>Non Current Liabilities</i> £000	<i>Total Liabilities</i> £000	<i>Revenue</i> £000	<i>Expenses</i> £000	<i>Profit / (Loss)</i> £000
At 1 April 2013	51,781	6,551	58,332	(6,219)	(53,033)	(59,252)	2,996	(4,877)	(1,881)
At 31 March 2014	52,785	8,136	60,921	(5,302)	(52,760)	(58,062)	4,933	(5,416)	(483)
At 31 March 2015	54,509	1,077	55,586	(11,694)	(52,596)	(64,290)	180	(1,413)	(1,233)

Movements in carrying amount of investment in equity accounted investees:

	£000
Carrying amount at 1 April 2013	8,746
Acquisition	2,629
Impairment	(875)
Share of net profits	404
Share of surplus on revaluation	862
Carrying amount at 31 March 2014	<u>11,766</u>
Carrying amount at 1 April 2014	11,766
Impairment	(70)
Share of net profits	11
Previous revaluation released on disposal	(1,283)
Disposal	(8,876)
Carrying amount at 31 March 2015	<u>1,548</u>

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

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-Current Other Investments						
Available for sale financial assets	204,239	128,918	129,635	204,807	141,422	139,872
Held to Maturity Investments	41	2,188	2,247	41	2,188	2,247
Loans and other receivables	17,410	22,219	19,837	20,113	21,670	19,643
	<u>221,690</u>	<u>153,325</u>	<u>151,719</u>	<u>224,961</u>	<u>165,280</u>	<u>161,762</u>
Current Other Investments						
Held to Maturity Investments	321	-	184	321	-	184
Loans and other receivables	7,636	6,663	7,371	7,636	6,411	7,119
	<u>7,957</u>	<u>6,663</u>	<u>7,555</u>	<u>7,957</u>	<u>6,411</u>	<u>7,303</u>
Total Other Investments	<u>229,647</u>	<u>159,988</u>	<u>159,274</u>	<u>232,918</u>	<u>171,691</u>	<u>169,065</u>

The above financial assets have been funded as follows:

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Grant in Aid	229,645	159,986	159,272	232,916	171,689	169,063
Public Dividend Capital	2	2	2	2	2	2
	<u>229,647</u>	<u>159,988</u>	<u>159,274</u>	<u>232,918</u>	<u>171,691</u>	<u>169,065</u>

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

Amounts received during the financial year and payable to the Treasury are disclosed as appropriations in the Statement of comprehensive net expenditure and amounted to £Nil (2014: £Nil).

Listed Investments

Stock Exchange investments included in the above at 31 March 2015 are valued £3,216,293 (2014: £3,209,508) which includes unrealised surpluses on valuation of £741,311 (2014: £695,098). Income from listed investments in the year to 31 March 2015 was £54,149 (2014: £54,740).

The schedule of main invested companies is given in Note 27.

NOTES TO THE ACCOUNTS (continued)

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

Subsidiary Undertakings

Limited by shares	Nature of Business	% of Voting rights
Ayrshire Development Fund Limited	Investment fund	100
Co-operative Development Scotland Limited	Assisting new and emerging co-operative businesses	100
Glasgow Science Centre Limited (i)	Visitor attraction operator	100
Glasgow Science Centre (Trading) Limited (i)	Commercial operations management	100
Katalyst Projects (2005) Limited	Property development	100
Loch Lomond Shores Management Company Limited	Property management	100
Scotland Europa Limited	Business services	100
SCTR Limited	Business incubator	100
SE Conference House Limited	Property letting	100
SE Grampian Investments Limited	Investment fund	100
Tay Euro Fund Limited	Investment fund	100
Enterprise Services Scotland Limited	Dormant	100
GDA Investments Limited	Dormant	100
Scottish Investment Bank Limited	Dormant	100
Scottish Development Finance Limited	Dormant	100
Scottish Development Overseas Limited	Dormant	100

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

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

- (i) Glasgow Science Centre Limited and Glasgow Science Centre (Trading) Limited are subsidiary companies of Glasgow Science Centre Charitable Trust.
- (ii) Scottish Enterprise's membership in SEBSED Limited was transferred to Business Loans Scotland Limited on 31 March 2015.

Local Enterprise Companies

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

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

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

GROUP

	<i>Statement of comprehensive net expenditure</i>	<i>Revaluation reserve</i>	<i>Total</i>	<i>Total</i>
	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revaluations to fair value				
Property, plant and equipment	-	10,170	10,170	153
Equity accounted investees	-	-	-	862
Financial assets	(181)	44,886	44,705	(2,015)
	<u>(181)</u>	<u>55,056</u>	<u>54,875</u>	<u>(1,000)</u>
Impairments				
Property plant and equipment	78	950	1,028	9,657
Assets classified as held for sale	160	-	160	700
Equity accounted investees	70	-	70	875
Financial assets	34,831	-	34,831	18,902
	<u>35,139</u>	<u>950</u>	<u>36,089</u>	<u>30,134</u>

SCOTTISH ENTERPRISE

	<i>Statement of comprehensive net expenditure</i>	<i>Revaluation reserve</i>	<i>Total</i>	<i>Total</i>
	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revaluations to fair value				
Property, plant and equipment	-	9,521	9,521	153
Financial assets	(182)	44,832	44,650	(1,913)
	<u>(182)</u>	<u>54,353</u>	<u>54,171</u>	<u>(1,760)</u>
Impairments				
Property plant and equipment	330	2,565	2,895	9,485
Assets classified as held for sale	160	-	160	700
Financial assets	34,896	-	34,896	20,349
	<u>35,386</u>	<u>2,565</u>	<u>37,951</u>	<u>30,534</u>

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

	2015	2014	Group	2015	2014	Scottish
	£000	£000	2013	£000	£000	Enterprise
			£000			2013
						£000
Assets and investments held by Local Enterprise Companies and their subsidiary undertakings	-	-	-	5,424	9,182	9,259
Subsidiary undertakings	-	-	-	6,152	6,152	6,152
Other receivables	3,258	2,776	3,315	3,258	2,701	3,315
	<u>3,258</u>	<u>2,776</u>	<u>3,315</u>	<u>14,834</u>	<u>18,035</u>	<u>18,726</u>

Assets and investments held by Local Enterprise Companies and their subsidiary undertakings

Under the terms of the operating contract with the Local Enterprise Companies all sums arising from the disposal of assets and investments held in their own name, or their subsidiary undertakings, but funded by Scottish Enterprise fell to be repaid to Scottish Enterprise.

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

	2015	2014	Scottish
	£000	£000	Enterprise
			2013
			£000
Land	5,424	6,093	6,738
Investments	-	3,089	2,521
	<u>-</u>	<u>9,182</u>	<u>9,259</u>

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

During 2014/15 the financial assets of the final Local Enterprise Company to do so were transferred to Scottish Enterprise for no consideration. The balance noted above in respect of land represents the balance of the initial capital funding provided to the Glasgow Science Centre which is amortised over the remaining economic life of the property.

NOTES TO THE ACCOUNTS (continued)

13. ASSETS CLASSIFIED AS HELD FOR SALE

GROUP AND SCOTTISH ENTERPRISE

	<i>Property, plant and equipment £000</i>
At 1 April 2013	2,350
Transfers to assets held for sale	3,550
Impairment recognised on re-measurement	(700)
Disposals of non-current assets held for sale	(150)
As at 31 March 2014	<u>5,050</u>
At 1 April 2014	5,050
Transfers to assets held for sale	1,900
Impairment recognised on re-measurement	(160)
Disposals of non-current assets held for sale	(2,950)
As at 31 March 2015	<u>3,840</u>

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

The gross value of assets no longer classified for sale and reclassified as land and buildings (Note 7), at 31 March 2015 is £Nil (2014: £100,000). These assets were no longer held for sale due to a combination of current economic conditions and changing strategic priorities.

14. INVENTORIES

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finished Goods	110	86	115	-	-	-

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

	2015	2014	Group	2015	2014	Scottish Enterprise
	£000	£000	2013	£000	£000	2013
			£000			£000
Other Subsidiary undertakings	-	-	-	74	41	7
Other receivables	5,507	10,684	13,751	4,334	9,256	12,687
Prepayments	2,697	2,766	2,581	2,507	2,498	2,502
Accrued income	13,212	9,314	8,467	12,718	8,498	7,462
	<u>21,416</u>	<u>22,764</u>	<u>24,799</u>	<u>19,633</u>	<u>20,293</u>	<u>22,658</u>

(i) Provisions for impairments

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

GROUP

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

	At 1 April 2014	Utilised during year	Movements in Provisions	At 31 March 2015
	£000	£000	£000	£000
Other receivables	<u>3,589</u>	<u>(696)</u>	<u>782</u>	<u>3,675</u>

SCOTTISH ENTERPRISE

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

	At 1 April 2014	Utilised during year	Movements in Provisions	At 31 March 2015
	£000	£000	£000	£000
Other receivables	<u>3,560</u>	<u>(691)</u>	<u>490</u>	<u>3,359</u>

(ii) Public Sector balances

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

	2015	2014	Group	2015	2014	Scottish Enterprise
	£000	£000	2013	£000	£000	2013
			£000			£000
Central Government	10,904	13,787	16,335	10,560	13,203	15,616
Local Authorities	1,188	947	925	1,155	908	890
NHS Bodies	17	30	5	-	-	-
Bodies External to Government	9,307	8,000	7,534	7,918	6,182	6,152
	<u>21,416</u>	<u>22,764</u>	<u>24,799</u>	<u>19,633</u>	<u>20,293</u>	<u>22,658</u>

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

	2015	2014	Group	2015	2014	Scottish Enterprise
	£000	£000	2013	£000	£000	2013
			£000			£000
Balance at 1 April	109,757	92,119	92,506	101,950	84,481	84,867
Net change in cash and cash equivalent balances	(11,929)	17,638	(387)	(10,164)	17,469	(386)
	<u>97,828</u>	<u>109,757</u>	<u>92,119</u>	<u>91,786</u>	<u>101,950</u>	<u>84,481</u>

	2015	2014	Group	2015	2014	Scottish Enterprise
	£000	£000	2013	£000	£000	2013
			£000			£000
Scottish Enterprise	40,195	42,693	28,778	40,195	42,693	28,778
Investment Funds	51,591	59,257	55,703	51,591	59,257	55,703
Other subsidiary undertakings	6,042	7,807	7,638	-	-	-
	<u>97,828</u>	<u>109,757</u>	<u>92,119</u>	<u>91,786</u>	<u>101,950</u>	<u>84,481</u>

The balances at 31 March were held at:

Commercial banks and cash in hand	<u>97,828</u>	<u>109,757</u>	<u>92,119</u>	<u>91,786</u>	<u>101,950</u>	<u>84,481</u>
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The Investment Funds balance relates to bank accounts held in respect of The Scottish Co-Investment Fund and The Scottish Loan Fund. Both funds are part funded by the European Union and are intended to finance direct investment activity in association with private sector partners.

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

	2015	2014	Group	2015	2014	Scottish Enterprise
	£000	£000	2013	£000	£000	2013
			£000			£000
Other taxation and social security	1,108	1,173	1,244	1,009	1,033	957
Other subsidiary undertakings	-	-	-	2,469	2,355	2,119
Trade payables	8,073	14,593	10,238	7,413	14,222	9,778
Other payables	2,674	1,614	295	2,558	1,569	237
Accrued charges	28,485	29,023	21,833	27,566	28,196	20,556
Prepaid revenue	4,699	5,223	3,237	3,132	3,851	2,194
EU Funding for Investment Funds	3,378	5,465	6,376	3,378	5,465	6,376
Treasury appropriations	-	-	413	-	-	413
	<u>48,417</u>	<u>57,091</u>	<u>43,636</u>	<u>47,525</u>	<u>56,691</u>	<u>42,630</u>

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

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

	<i>Group</i>			<i>Scottish Enterprise</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Central Government	15,384	13,831	11,979	15,106	13,585	11,675
Local Authorities	1,420	2,343	1,629	1,381	2,264	1,555
NHS Bodies	129	225	207	8	23	18
Bodies External to Government	31,484	40,692	29,821	31,030	40,819	29,382
	<u>48,417</u>	<u>57,091</u>	<u>43,636</u>	<u>47,525</u>	<u>56,691</u>	<u>42,630</u>

Amounts falling due after more than one year

	<i>Restated</i>		<i>Group Restated</i>		<i>Scottish Enterprise Restated</i>	
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other payables and accrued charges	-	-	456	-	-	456
Deferred income	2,518	2,960	1,388	2,518	2,960	1,388
EU Funding for Investment Funds	-	905	-	-	905	-
	<u>2,518</u>	<u>3,865</u>	<u>1,844</u>	<u>2,518</u>	<u>3,864</u>	<u>1,844</u>

18. PROVISIONS**GROUP AND SCOTTISH ENTERPRISE**

	<i>Business Infrastructure Costs(i) (ii)</i>	<i>Support costs for leavers</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Restated Balance at 1 April 2013	1,145	7	1,152
Provided in the year	450	-	450
Provisions not required written back	-	(5)	(5)
Restated Balance at 1 April 2014	<u>1,595</u>	<u>2</u>	<u>1,597</u>
Provided in the year	615	-	615
Provisions not required written back	(26)	(2)	(28)
Provisions utilised in the year	(424)	-	(424)
Balance at 31 March 2015	<u>1,760</u>	<u>-</u>	<u>1,760</u>

- (i) Previously recognised provisions for a contribution to costs incurred by Dumfries & Galloway Council and for support services to former staff members have been released or utilised during 2014/15.
- (ii) A previously recognised long term liability has been reclassified as a provision and increased to reflect the value of costs incurred by Falkirk Council, under a joint arrangement, which may be met from future sale proceeds of the land owned by Scottish Enterprise.

NOTES TO THE ACCOUNTS (continued)

19. CAPITAL COMMITMENTS

GROUP AND SCOTTISH ENTERPRISE

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

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Property, plant and equipment	1,030	-
Financial Assets	<u>47,562</u>	<u>49,484</u>

Scottish Enterprise has an agreement to invest £55,000,000 in the Scottish Loan Fund LP. The capital commitment at 31 March 2015 includes the balance of funds still to be invested.

20. CONTINGENT LIABILITIES

GROUP AND SCOTTISH ENTERPRISE

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

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Contingent liabilities arising from legal actions (i)	20	-
Other contingent liabilities (ii) (iii) (iv)	<u>137</u>	<u>287</u>

- (i) Scottish Enterprise is defending a claim in respect of an employee relations matter.
- (ii) Since 31 March 2010, Scottish Enterprise has provided a guarantee of up to £135,000 (2014: £135,000) to Social Investment Scotland in respect of a loan provided to Glencraft (Aberdeen) Limited. This guarantee remains in place and has been extended until 31 March 2018.
- (iii) The carrying value of the remaining investments funded by Public Dividend Capital is £2,000. Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 10).
- (iv) Scottish Enterprise settled a dispute with a contractor over a claim for additional contract costs, at a cost of £21,000 and the contingent liability has now been removed.

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

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

	Group			Scottish Enterprise		
	2015 £000	2014 £000	2013 £000	2015 £000	2014 £000	2013 £000
Obligations under operating leases comprise:						
Land and buildings:						
within one year	5,626	5,656	5,826	4,665	4,659	5,130
after one year but not more than five years	9,611	13,639	17,236	8,306	11,247	15,066
after more than five years	10,484	11,012	13,099	10,484	11,012	13,099
	<u>25,721</u>	<u>30,307</u>	<u>36,161</u>	<u>23,455</u>	<u>26,918</u>	<u>33,295</u>
Other:						
within one year	74	71	22	56	56	-
after one year but not more than five years	187	201	23	139	195	-
after more than five years	-	-	-	-	-	-
	<u>261</u>	<u>272</u>	<u>45</u>	<u>195</u>	<u>251</u>	<u>-</u>

FINANCIAL COMMITMENTS

The Group and Scottish Enterprise have no financial commitments.

22. SUMMARY OF LOSSES AND AMOUNTS WRITTEN OFF

	No. of cases	£000
Claims abandoned or waived	<u>47</u>	<u>23,233</u>

Due to the high risk nature of many of its investments, there are occasions when Scottish Enterprise is required to write off balances which are no longer recoverable. In the year to 31 March 2015, balances in excess of £250,000 written off were as follows:-

			2015 £000
Amphotonix Limited	Ordinary Shares	Company Dissolved	410
Filter Clear Limited	Ordinary Shares	Company Dissolved	610
Pelamis Wave Power Limited	Ord & Pref Shares and Loans	Company in Administration	16,326
PSI Electronics Limited	Ordinary Shares and Loans	Company Dissolved	324
SESMOS Limited	Convertible Loan	Company Wound up	1,047
Sigma Offshore Limited	Ord & Pref Shares and Loans	Capital Restructure	2,935

NOTES TO THE ACCOUNTS (continued)

23. FINANCIAL INSTRUMENTS

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

Liquidity risk
Credit risk
Market risk

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

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

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

Liquidity risk

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

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

The table below details the contractual maturities of financial liabilities.

GROUP

	2015	2015	2015	2015
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	39,232	39,232	39,232	-
	<u>39,232</u>	<u>39,232</u>	<u>39,232</u>	<u>-</u>

SCOTTISH ENTERPRISE

	2015	2015	2015	2015
	Carrying	Contractual	Within one	After more
	Amount	Cashflows	year	than one
	£000	£000	£000	year
				£000
Financial liabilities				
Trade and other payables	37,537	37,537	37,537	-
	<u>37,537</u>	<u>37,537</u>	<u>37,537</u>	<u>-</u>

GROUP

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

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

	<i>Restated 2014</i>	<i>Restated 2014</i>	<i>Restated 2014</i>	<i>Restated 2014</i>
	<i>Carrying Amount £000</i>	<i>Contractual Cashflows £000</i>	<i>Within one year £000</i>	<i>After more than one year £000</i>
Financial liabilities				
Trade and other payables	43,987	43,987	43,987	-
	<u>43,987</u>	<u>43,987</u>	<u>43,987</u>	<u>-</u>

GROUP

	<i>Restated 2013</i>	<i>Restated 2013</i>	<i>Restated 2013</i>	<i>Restated 2013</i>
	<i>Carrying Amount £000</i>	<i>Contractual Cashflows £000</i>	<i>Within one year £000</i>	<i>After more than one year £000</i>
Financial liabilities				
Trade and other payables	32,822	32,822	32,366	456
	<u>32,822</u>	<u>32,822</u>	<u>32,366</u>	<u>456</u>

SCOTTISH ENTERPRISE

	<i>Restated 2013</i>	<i>Restated 2013</i>	<i>Restated 2013</i>	<i>Restated 2013</i>
	<i>Carrying Amount £000</i>	<i>Contractual Cashflows £000</i>	<i>Within one year £000</i>	<i>After more than one year £000</i>
Financial liabilities				
Trade and other payables	31,027	31,027	30,571	456
	<u>31,027</u>	<u>31,027</u>	<u>30,571</u>	<u>456</u>

The Group and Scottish Enterprise have no outstanding borrowings at 31 March 2015 (2013, 2014: £nil).

Credit risk

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

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

In pursuit of economic growth targets, Scottish Enterprise makes investments in a variety of companies, in part using funds provided by the European Union through the Scottish Co-Investment Fund. Management monitors the performance of all investments and regularly revalues assets available for sale to their fair value and provides, where appropriate, for impairment of assets held to maturity, loans and other materials.

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

NOTES TO THE ACCOUNTS (continued)

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	<i>2015 Carrying Amount £000</i>	<i>2014 Carrying Amount £000</i>	<i>2013 Carrying Amount £000</i>
Financial assets – other investments			
Assets available for sale	204,239	128,918	129,635
Held to maturity assets	362	2,188	2,431
Loans and other receivables	25,046	28,882	27,208
Financial assets			
Trade and other receivables	21,977	22,774	25,533
Cash and cash equivalents	97,828	109,757	92,119
	<u>349,452</u>	<u>292,519</u>	<u>276,926</u>

SCOTTISH ENTERPRISE	<i>2015 Carrying Amount £000</i>	<i>2014 Carrying Amount £000</i>	<i>2013 Carrying Amount £000</i>
Financial assets – other investments			
Assets available for sale	204,807	141,422	139,872
Held to maturity assets	362	2,188	2,431
Loans and other receivables	27,749	28,081	26,762
Financial assets			
Trade and other receivables	20,310	20,455	23,464
Cash and cash equivalents	91,786	101,950	84,481
	<u>345,014</u>	<u>294,096</u>	<u>277,010</u>

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

GROUP	<i>2015 Gross £000</i>	<i>2015 Impairment £000</i>	<i>2014 Gross £000</i>	<i>2014 Impairment £000</i>	<i>2013 Gross £000</i>	<i>2013 Impairment £000</i>
Not past due	19,661	(135)	15,609	(74)	16,545	-
Past due 0 to 30 days	1,573	-	2,269	-	1,572	-
Past due 31 to 120 days	638	-	3,661	-	5,852	-
Past due more than 120 days	3,780	(3,540)	4,824	(3,515)	4,685	(3,121)
	<u>25,652</u>	<u>(3,675)</u>	<u>26,363</u>	<u>(3,589)</u>	<u>28,654</u>	<u>(3,121)</u>

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

	2015	2015	2014	2014	2013	2013
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000	£000	£000
Not past due	17,994	(135)	13,290	(74)	14,476	-
Past due 0 to 30 days	1,573	-	2,269	-	1,572	-
Past due 31 to 120 days	638	-	3,661	-	5,852	-
Past due more than 120 days	3,464	(3,224)	4,795	(3,486)	4,682	(3,118)
	<u>23,669</u>	<u>(3,359)</u>	<u>24,015</u>	<u>(3,560)</u>	<u>26,582</u>	<u>(3,118)</u>

Movements in impairment of trade and other receivables are shown in Note 15. Impairment provisions are used to record impairment losses unless the Group and Scottish Enterprise is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off directly against the financial asset.

Market risk

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

Interest rate risk

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

	2015	2014	2013
	Carrying	Carrying	Carrying
	Amount	Amount	Amount
	£000	£000	£000
GROUP			
Fixed rate instruments			
Financial assets	50,977	50,629	50,472
Financial liabilities	-	-	-
	<u>50,977</u>	<u>50,629</u>	<u>50,472</u>
Variable rate instruments			
Cash and cash equivalents	97,828	109,757	92,119
	<u>97,828</u>	<u>109,757</u>	<u>92,119</u>
SCOTTISH ENTERPRISE			
Fixed rate instruments			
Financial assets	50,977	50,216	49,846
	<u>50,977</u>	<u>50,216</u>	<u>49,846</u>
Variable rate instruments			
Cash and cash equivalents	91,786	101,950	84,481
	<u>91,786</u>	<u>101,950</u>	<u>84,481</u>

NOTES TO THE ACCOUNTS (continued)

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

	<i>Group</i> <i>100 basis</i> <i>points change</i> <i>£000</i>	<i>Scottish</i> <i>Enterprise</i> <i>100 basis</i> <i>points change</i> <i>£000</i>
Cash and cash equivalents		
31 March 2013	923	847
31 March 2014	1,009	932
31 March 2015	1,038	969

Currency risk

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

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

Fair values

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

GROUP	<i>2015</i> <i>Carrying</i> <i>Amount</i> <i>£000</i>	<i>2015</i> <i>Fair</i> <i>Value</i> <i>£000</i>	<i>Restated</i> <i>2014</i> <i>Carrying</i> <i>Amount</i> <i>£000</i>	<i>Restated</i> <i>2014</i> <i>Fair</i> <i>Value</i> <i>£000</i>	<i>Restated</i> <i>2013</i> <i>Carrying</i> <i>Amount</i> <i>£000</i>	<i>Restated</i> <i>2013</i> <i>Fair</i> <i>Value</i> <i>£000</i>
Financial assets available for sale (i)	204,239	204,239	128,918	128,918	129,635	129,635
Financial assets held to maturity	362	362	2,188	2,188	2,431	2,431
Loans and other receivables	25,046	25,046	28,882	28,882	27,208	27,208
Trade and other receivables	21,977	21,977	22,774	22,774	25,533	25,533
Cash and cash equivalents	97,828	97,828	109,757	109,757	92,119	92,119
Trade and other payables	(39,232)	(39,232)	(45,230)	(45,230)	(32,822)	(32,822)
	<u>310,220</u>	<u>310,220</u>	<u>247,289</u>	<u>247,289</u>	<u>244,104</u>	<u>244,104</u>

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE	<i>2015 Carrying Amount £000</i>	<i>2015 Fair Value £000</i>	<i>Restated 2014 Carrying Amount £000</i>	<i>Restated 2014 Fair Value £000</i>	<i>Restated 2013 Carrying Amount £000</i>	<i>Restated 2013 Fair Value £000</i>
Financial assets available for sale (i)	204,807	204,807	141,422	141,422	139,872	139,872
Financial assets held to maturity	362	362	2,188	2,188	2,431	2,431
Loans and other receivables	27,749	27,749	28,081	28,081	26,762	26,762
Trade and other receivables	20,310	20,310	20,455	20,455	23,464	23,464
Cash and cash equivalents	91,786	91,786	101,950	101,950	84,481	84,481
Trade and other payables	(37,537)	(37,537)	(43,987)	(43,987)	(31,027)	(31,027)
	<u>307,477</u>	<u>307,477</u>	<u>250,109</u>	<u>250,109</u>	<u>245,983</u>	<u>245,983</u>

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

Fair value hierarchy

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

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

All material Group and Scottish Enterprise financial assets and liabilities are defined as level 3 instruments, with the exception of Stock Exchange investments carried at fair value of £3,216,293 (2014: £3,209,508) at 31 March.

Estimation of fair values

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

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

NOTES TO THE ACCOUNTS (continued)

24. RELATED PARTY TRANSACTIONS

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

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

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

Aberdeen City Council	Aberdeenshire Council	Angus Council
Audit Scotland	Caledonian Maritime Assets Limited	Dumfries & Galloway Council
Dundee City Council	East Ayrshire Council	City of Edinburgh Council
Fife Council	Foreign & Commonwealth Office	Glasgow City Council
Highlands and Islands Enterprise	Loch Lomond and the Trossachs National Park Authority	North Lanarkshire Council
Renfrewshire Council	Scottish Borders Council	Scottish Funding Council
South Lanarkshire Council	Scottish National Heritage	Skills Development Scotland Limited
Stirling Council	UK Trade & Investment	Visit Scotland
West Dunbartonshire Council	West Lothian Council	

The Scottish Enterprise Pension & Life Assurance Scheme is also regarded as a related party. Full details of the Scheme and employer contributions made are included in Note 5. Scottish Enterprise also considers Members of the Board and the Executive Leadership Team to be related parties but none of the members or other related parties had any transactions with Scottish Enterprise.

25. BOARD MEMBERS INTERESTS

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

Company	Board Member	Position	£	Description
Appshare Limited	Crawford Gillies	Shareholder	6,408	Grant funding
			53,000	Loan
Ateeda Limited	Crawford Gillies	Shareholder	42,552	Grant funding
			72,502	Equity investment
Business & Enterprise Group Limited	Russel Griggs	Director	112,538	Project support and conference delivery
Calcivis Limited	Crawford Gillies	Shareholder	1,999	Grant funding
Ciqal Limited	Crawford Gillies	Shareholder	7,478	Grant funding
			100,000	Loan
Design Led Products Limited	Crawford Gillies	Shareholder	49,480	Grant funding
			506,708	Equity investment
			613,852	Loan
Giltech Limited	Gillian Watson	Shareholder	3,996	Grant funding
Imes Limited	Melfort Campbell	Director	4,875	Grant funding

NOTES TO THE ACCOUNTS (continued)

Company	Board Member	Position	£	Description
Mitie Group plc	Crawford Gillies	Director	747,151	Facilities management services
mLED Limited	Crawford Gillies	Shareholder	19,398	Grant funding
			54,997	SMART grant
			84,000	Loan
Morton Fraser LLP	Linda Urquhart	Chairman	65,705	Professional services
Powerphotonic Limited	Crawford Gillies	Shareholder	16,623	Grant funding
			54,933	SMART grant
			423,972	Equity investment
Pufferfish Limited	Crawford Gillies	Shareholder	4,970	Equipment support
			165,018	Equity investment
PureLiFi Limited	Russel Griggs	Non-executive chair	1,642	Grant funding
			400,000	Equity investment
Pyreos Limited	Crawford Gillies	Shareholder	172,500	Loan
Ryboquin Company Limited	Crawford Gillies	Shareholder	163,685	Equity investment
Standard Life	Crawford Gillies	Director	(17,759)	Insurance premium refunded
Touch Bionics plc	Crawford Gillies	Shareholder	14,690	Grant funding
			708,794	Equity investment
Vascular Flow Technologies Limited	Crawford Gillies	Shareholder	4,126	Grant funding
University of Aberdeen	Anne Glover	Vice Principal of External Affairs and Dean for Europe	291,649	Grant funding
University of Strathclyde	Jim McDonald	Principal and Vice Chancellor	2,761,229	Grant funding and event hosting costs

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

Organisation	Board Member	Position
Glasgow Caledonian University	Graeme Waddell	Member, Business Advisory Board
Heriot Watt University	Iain McLaren	Member of Court
The Royal Edinburgh Military Tattoo Limited	Gillian Watson	Director
The Royal Edinburgh Military Tattoo Limited	Lena Wilson	Ambassador
Royal Zoological Society of Scotland	Jeremy Peat	Chair
Scottish Council for Development and Industry	Grahame Smith	Director
Skills Development Scotland	Grahame Smith	Non executive director
Skills Development Scotland	Graeme Waddell	Non executive director
University of Strathclyde	Gillian Watson	Member, Commercialisation and Innovation Board
University of Strathclyde	Melfort Campbell	Visiting Professor
University of Strathclyde	Jeremy Peat	Adviser, International Public Policy Unit
Visit Scotland	Russel Griggs	Board Member

NOTES TO THE ACCOUNTS (continued)

26. PRIOR PERIOD ADJUSTMENT

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

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

GROUP

	<i>Audited Accounts £000</i>	<i>Government Grants Adjustment £000</i>	<i>Classification Adjustment £000</i>	<i>Restated Balance £000</i>
2013/14 Group Statement of Comprehensive Net Expenditure				
Other Income	(28,643)	1,019	-	(27,624)
Net Expenditure	244,749	1,019	-	245,768
2013/14 Group Statement of Changes in Taxpayers' Equity				
Net expenditure during the year	(244,749)	(1,019)	-	(245,768)
Other grants from Scottish Government	-	1,019	-	1,019
Group Statement of Financial Position at 31 March 2013				
Current Liabilities – Provisions	(7)	-	(1,145)	(1,152)
Non-Current Liabilities – Other payables	(2,989)	-	1,145	(1,844)
Group Statement of Financial Position at 31 March 2014				
Current Liabilities – Provisions	(452)	-	(1,145)	(1,597)
Non-Current Liabilities – Other payables	(5,010)	-	1,145	(3,865)

SCOTTISH ENTERPRISE

	<i>Audited Accounts £000</i>	<i>Classification Adjustment £000</i>	<i>Restated Balance £000</i>
Statement of Financial Position at 31 March 2013			
Current Liabilities – Provisions	(7)	(1,145)	(1,152)
Non-Current Liabilities – Other payables	(2,989)	1,145	(1,844)
Statement of Financial Position at 31 March 2014			
Current Liabilities – Provisions	(452)	(1,145)	(1,597)
Non-Current Liabilities – Other payables	(5,010)	1,145	(3,865)

The adjustments are explained below:

Treatment of Grants from Scottish Government

In prior years grants received from Scottish Government, by subsidiary companies, were included as Other Income in the Statement of Comprehensive Net Expenditure. The FReM states that grants and grant in aid should be recorded as contributions from controlling parties and should be accounted for as financing by crediting them to the income and expenditure reserve. From the year ended 31 March 2015, grant income from Scottish Government has been credited directly to the income and expenditure reserve in the Statement of Changes in Taxpayers' Equity. Scottish Enterprise has adjusted comparative amounts disclosed in each prior period as if the new accounting policy had always applied.

Reclassification of Long Term Liability

A previously recognised long term liability has been reclassified as a provision and increased to reflect the value of costs incurred by Falkirk Council, under a joint arrangement, which may be met from future sale proceeds of the land owned by Scottish Enterprise.

NOTES TO THE ACCOUNTS (continued)**27. SCHEDULES OF INVESTMENTS AT 31 MARCH 2015**

Disclosure of all Scottish Enterprise's investments, particularly in small businesses, would create a schedule of excessive length. This schedule discloses all investments where Scottish Enterprise holds 20% or more of the voting rights, and where the total investment is in excess of £100,000; and all other investments in excess of £1m, but excludes equity accounted investees which are disclosed in Note 9. Investment amounts are stated at cost before revaluations or provisions.

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

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

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

	<i>% of Voting rights</i>	<i>Shares £000</i>	<i>Loans £000</i>
Actual Analytics Limited <i>Software for the analysis of animal behaviour</i>	26.03	559	-
Administrate Limited <i>Development and supply of business management software</i>	27.03	647	-
Advanced Microwave Technologies Ltd <i>Microwave volumetric heating – varied applications</i>	29.27	558	542
Airborne Energy Limited <i>Development of wind turbines for small-scale use</i>	29.89	458	-
Ambicare Health Limited <i>Development of medical healthcare devices</i>	24.65	2,282	168
Antoxis Limited <i>Biotechnology</i>	23.91	373	-
AppShare Limited <i>Webconferencing software</i>	28.97	567	137
Apsu Environmental Limited <i>Water treatment and waste recycling</i>	29.99	119	-
Arrayjet Limited <i>Inkjet printheads to make biological arrays</i>	27.02	1,295	70
Ateeda Limited <i>Development of semiconductor test solutions</i>	20.07	975	125
Avanticell Science Limited <i>Cell-based analysis</i>	26.70	203	51
Biofilm Limited <i>Manufacture of fast dissolving films</i>	27.52	2,187 278(P)	-
Biopta Limited <i>CRO business providing tests on human tissue</i>	29.83	800	10
Bloxx Limited <i>Web, email and media filtering technology provider</i>	28.77	1,194 100(P)	55
Calcvivis Limited <i>Dental device – determine the activity of lesions</i>	22.96	654	-
Calnex Solutions Limited <i>Design and development of test instrumentation</i>	27.37	575	-
Carbon Black System Ltd <i>Design and production of wheelchairs</i>	29.92	280	43
Ceres Imaging Limited <i>Development of holographic technology</i>	25.43	500	-
CiQual Limited <i>Software solutions</i>	25.78	967	717
Cloudsoft Corporation Limited <i>Development of cloud computing software</i>	29.43	1,444	-
Conjunct Limited <i>Optical communications</i>	21.33	488	122
Critical Blue Limited <i>Software design</i>	26.34	1,800	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Cyberhawk Innovations Limited <i>Aerial visual inspection and surveying</i>	26.58	724	-
Cytosystems Limited <i>Diagnostic medical technology</i>	26.54	989	197
Deltadna Limited <i>Data mining/analytics services to games industry</i>	22.74	1,033	-
DEM Solutions Limited <i>Engineering software and consultancy provider</i>	20.81	600	125
Design Led Products Limited <i>Light guide technology</i>	29.00	1,322	555
DestiNA Genomics Ltd <i>DNA and RNA detection analysis</i>	22.43	314	-
Dimensional Imaging Limited <i>Facial capture technology</i>	22.81	261	55
Dukosi Limited <i>Semiconductor design</i>	23.69	540	-
Energyflo Construction Technologies Limited <i>Clean technology specialists – construction</i>	26.50	850	375
Exterity Limited <i>Multi user TV provider</i>	23.66	749	-
Fios Genomics Limited <i>Statistical and bio-informatic analyses</i>	23.30	419	-
Fixed Phage Limited <i>Commercialisation of bacteriophages</i>	28.80	368 30(P)	40
Gas Sensing Solutions Ltd <i>High speed low cost precision gas sensor</i>	28.38	1,000	250
Helixion Limited <i>Mobile security software solutions</i>	20.63	200	-
Ice Factor International Ltd <i>Leisure and recreation centre operator/franchisor</i>	29.83	445	125
iCs2 Limited <i>Manufacture of electrical cables</i>	23.29	103 38(P)	29
Ingenious Audio Limited <i>Developing a wi-fi guitar/amplifier plug-in device</i>	22.35	210	-
Inquisitive Systems Limited <i>Security software design</i>	20.74	369	-
Kiltr Limited <i>Business social networking and media platform</i>	28.54	1,011	88
Leading Software Limited <i>Software development company</i>	22.09	622	50
Loch Duart Limited <i>Sustainable salmon farming</i>	28.90	2,000(P)	-
Logan Energy Limited <i>Hydrogen fuel cell consultancy and installation</i>	27.01	375	-
LUX Assure Limited <i>Monitor technology difficult to detect chemicals</i>	24.80	1,417	-
MGB Biopharma Limited <i>Development of antibacterial drug</i>	29.16	2,025	-
mLED Limited <i>Photonics / optogenetics</i>	20.30	398	84
Mode Diagnostics Limited <i>Developer of medical diagnostic products</i>	28.92	964	-
My1Login Limited <i>Developer of internet based applications</i>	26.70	501	-
Ncimb Limited <i>Microbiology and chemical analysis company</i>	21.23	252	-
NetThings Limited <i>Developer of energy consumption in house displays</i>	29.24	1,811	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting rights</i>	<i>Shares £000</i>	<i>Loans £000</i>
Network 90 Limited <i>Premium private members networking website</i>	21.38	366	-
NeurocentRx Pharma Limited <i>Reformulates existing drug agents for new uses</i>	20.27	154	-
NGentec Ltd <i>Wind turbine design and manufacturing</i>	28.28	1,250	500
Objective Associates Limited <i>Online software product</i>	26.98	430	-
Opinurate Ltd <i>Developing and marketing CRM software</i>	27.00	324	-
Ocutec Limited <i>Medical technology devices - ophthalmology</i>	27.10	1,343	-
Outplay Entertainment Limited <i>Development & publication of social digital games</i>	25.07	2,850	-
PowerPhotonic Limited <i>Development and sale of custom laser optics</i>	22.42	864	100
ProFactor Pharma Ltd <i>Pharmaceutical development</i>	21.53	372	-
Pufferfish Limited <i>Spherical display systems for events & exhibitions</i>	29.73	534	-
QED Naval Ltd <i>SubHub submersible platform</i>	28.68	280	-
Qikserve Limited <i>Mobile phone application</i>	20.07	662	-
Reactec Limited <i>Development of vibration control solutions</i>	25.95	780	-
Red Fox Media Ltd <i>Advertising optimisation in digital media</i>	23.17	305	-
Ryboquin Company Ltd <i>Cancer drug therapy</i>	22.53	164	-
Sentient Medical Limited <i>Development and manufacture of medical equipment</i>	27.90	235	-
Share In Limited <i>Technology to while label crowdfunding</i>	21.50	280	-
SIRAKOSS Limited <i>Developer of bone graft substitute</i>	21.05	886	-
Sistemic Scotland Limited <i>Biotech SistemRNA drug discovery technology</i>	29.99	411	-
Smarter Grid Solutions Limited <i>Software which increases capacity of existing grid</i>	27.64	1,150	-
Sofant Technologies Ltd <i>Development of smart antennae for mobile communications</i>	22.54	451	-
Spaceright Europe Limited <i>Schools furniture and teaching boards</i>	23.87	396	200
Sphinx Medical Limited <i>Commercialisation prosthetic anal sphincter (PAS)</i>	29.96	402	25
Symbiosis Pharmaceutical Services Limited <i>Pharmaceutical services contract manufacturer</i>	29.50	1385	-
Syntropharma Limited <i>Pharmaceutical company – Generic clinical compounds</i>	29.20	1,166	-
Touch Bionics plc <i>Manufacturer of medical and orthopaedic equipment</i>	28.35	3,085	300
Traak Systems Limited <i>RFID & sensor network technology</i>	29.67	263	-
Ubiquigent Ltd <i>Developing products for life research</i>	29.41	250	-
Vueklar Cardiovascular Limited <i>Medical equipment</i>	22.22	220	-

NOTES TO THE ACCOUNTS (continued)

	<i>% of Voting rights</i>	<i>Shares £000</i>	<i>Loans £000</i>
Waveblade Limited <i>Development & marketing of marine engineering tools</i>	27.57	537	30
XstalBio Ltd <i>Involved in drug formulation</i>	25.00	225	-
Total of items listed		63,263	5,168

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

	<i>% of Voting rights</i>	<i>Shares £000</i>	<i>Loans £000</i>
2-B Energy <i>Offshore wind technology developer</i>	-	-	1,840
Aquamarine Power Limited <i>Developer of wave and tidal energy devices</i>	10.71	8,889	5,400
Aridhia Informatics Limited <i>Biomedical informatics and analytics</i>	-	-	1,000
Atlantis Resources (Scotland) Ltd <i>Engineering services – tidal energy market</i>	-	-	2,000
BigDNA Ltd <i>Life sciences company – cancer therapeutic development</i>	19.39	1,750	-
Cellucomp Limited <i>Development and manufacture of composite materials</i>	18.37	1,107	-
Compound Semiconductor Technologies Global Limited <i>Opto-electronic devices designer/development</i>	9.26	1,503	-
Cxr Biosciences Limited <i>Bio-pharmaceutical company</i>	16.21	1,395	-
Cyclacel Pharmaceuticals Inc. <i>Clinical research cancer drugs Registered in USA & quoted on NASDAQ</i>	0.37	5,000	-
DYSIS Medical Limited <i>Medical device company</i>	11.89	2,927	-
EIF <i>European Investment Fund</i>	0.11	1,275	-
Fanduel Limited <i>Prediction market website</i>	13.29	3,471	-
Gas2 Ltd <i>Developer of technology to convert natural gas to oil</i>	-	-	1,831
GC Holdings Inc <i>Design & sale of advanced fibre optical components</i>	8.93	2,000	-
Green Highland Renewables Ltd <i>Small run of river hydro schemes & consultancy</i>	19.22	1,425	175
IE CHP (UK & Eire) Limited <i>Fuel cell powered combined heat & power systems</i>	7.49	1,012	400
IOmet Pharma Ltd <i>Drug development company</i>	10.21	2,510	-
Isle of Harris Distillers Limited <i>Start up malt whisky distillery</i>	18.40	1,500	-
Lamellar Biomedical Limited <i>Health care products – R&D and commercial</i>	17.60	1,320	-
MeyGen Limited <i>Tidal turbine project developer</i>	-	-	3,746
Novabiotics Limited <i>Biotech co-dev platform of novel antimicrobials</i>	12.39	2,907	-
NuCana Biomed Limited <i>Biopharmaceutical company</i>	9.52	2,000	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Pangeo Subsea Scotland Limited <i>Energy</i>	12.09	489 635(P)	69
Point & Sandwick Power Limited <i>Power generation</i>	-	-	2,250
Prismtech Group Limited <i>Supply of computer middleware platform solutions</i>	8.51	1,500	60
Pyreos Limited <i>Production of thin film infrared sensor components</i>	16.53	2,545	173
Scotrenewables Tidal Power Limited <i>Tidal energy technology developer</i>	8.97	3,000	-
Stewart Energy Limited <i>Power generation</i>	-	-	1,630
Sumerian Europe Limited <i>Provision of IT analytics & information management</i>	14.85	2,200	-
The One Place Capital Limited <i>Web based provision of financial advice to consumer</i>	16.07	1,479	-
Tidal Power Scotland Holdings Limited <i>Holding company for the MeyGen tidal project</i>	15.04	10,800	-
Twig Rights Limited <i>Digital media company producing short films</i>	6.77	425	575
Vascular Flow Technologies Limited <i>Development of vascular devices</i>	8.05	1,802	-
Verisim Limited <i>Developer of training simulation software</i>	16.32	1,305	50
Volo TV & Media Limited <i>In-train entertainment systems</i>	6.85	1,181	161
Scottish Loan Fund LP <i>Investment Fund</i>	-	-	14,454
Shackleton Secondaries 3 LP <i>Investment Fund</i>	-	-	1,282
City of Edinburgh Council <i>Development of visitor attraction conference facility</i>	-	-	5,915
Glasgow Harbour Limited <i>Property development</i>	-	-	1,040
Total of items listed		69,352	44,051

	Shares £000	Loans £000	Total £000
Total of items listed – Note 27A	63,263	5,168	68,431
Total of items listed – Note 27B	69,352	44,051	113,403
	132,615	49,219	181,834
Other shares and loans			67,688
Total cost of shares and loans before revaluations or provisions			249,522
			<i>No. of Companies</i>
Total number of companies			512

ACCOUNTS DIRECTION



SCOTTISH ENTERPRISE

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

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