SCOTTISH ENTERPRISE

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2011

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 Auditors' Report to the Members of Scottish Enterprise, the Auditor General for Scotland and the Scottish Parliament.

Authorised for issue: 1 July 2011

MANAGEMENT COMMENTARY

for the year ended 31 March 2011

BUSINESS OBJECTIVES AND STRATEGY

Scottish Enterprise was established under the Enterprise and New Towns (Scotland) Act 1990 for the purposes of furthering the development of Scotland's economy.

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.

The approach to achieving the Scottish Government's purpose is set out in the Government Economic Strategy (GES). 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.

As an economic development agency, Scottish Enterprise makes a distinctive contribution to all of the goals of the GES. Scottish Enterprise's 2011/14 Business Plan illustrates the contribution that Scottish Enterprise makes to the National Outcomes and Purpose Targets of the National Performance Framework used to track progress against the GES goals and targets.

In delivering its operational activities, Scottish Enterprise has three key strategic objectives:

i) Supporting globally competitive companies with growth and internationalisation opportunities, helping to improve innovation and commercialisation, and workforce development.

ii) Building globally competitive sectors, utilising Scotland's existing capabilities and ensuring that Scotland is recognised as a world leader in growing sectors.

iii) Establishing a globally competitive business environment creating the right conditions for Scotland to compete with other international locations.

The GES identifies key sectors which offer the opportunity to strengthen Scotland's areas of international comparative advantage, through achieving critical mass and boosting productivity. Much of Scottish Enterprise's work seeks to address the opportunities in the following key sectors:

- Creative industries
- Energy
- Financial and Business Services
- Food and Drink
- Life Sciences
- Tourism
- Universities

Scottish Enterprise will continue to work in partnership with industry groups in these sectors to identify opportunities, address constraints and realise potential. Our business plan identifies the specific sub sectors within these industries where we concentrate our efforts.

The importance of technologies that can contribute to the growth of these sectors is also identified. Scottish Enterprise will continue to work with industry to promote the development and exploitation of technologies across the key sectors, including high-value manufacturing, sensors technology and informatics.

Scotland also has other important industries such as aerospace, defence and marine, chemical sciences, construction, forest industries and textiles. Scottish Enterprise will continue to work with these sectors to help them realise clear growth opportunities that sustain or strengthen Scotland's economic growth. Scottish Enterprise's predominant focus is on productivity, which helps to stimulate more competitive and faster growing businesses in Scotland. These will generate the opportunities to attract and retain population, and create more and higher quality employment opportunities – which in turn stimulate the labour market and help raise and widen participation.

To complement this activity, and to achieve the aspirations set out in the GES, Scottish Enterprise also works closely with our public sector partners - in particular Local Authorities, Skills Development Scotland, NHS Scotland, the Scottish Funding Council, VisitScotland and Highlands & Islands Enterprise (HIE) - to secure the alignment of strategies and resources across the public sector behind growth opportunities.

Scottish Enterprise pursues this nationally through its role in the Scottish Government's Strategic Forum, with other partners and locally via Community Planning Partnerships.

MANAGEMENT COMMENTARY (continued)

In addition, we continue to play a leading role in the management of programme areas operating across all of Scotland (including the HIE area), these being:

- Inward investment and overseas market development via Scottish Development International (operating as a joint venture with Scottish Government and HIE);
- Major grants programmes, including Regional Selective Assistance (RSA), R&D and SMART grants;
- the Scottish Investment Bank;
- the Scottish Manufacturing Advisory Service; and
- Co-operative Development Scotland.

REVIEW OF CURRENT YEAR DEVELOPMENTS AND PERFORMANCE

Since 2007/08 Scottish Enterprise has carried out a radical restructuring of its operations, moving from having a broad remit, covering many aspects of social and economic development, to being more focused, delivering significant projects and services, alongside others, throughout Scotland. This involves greater focus on areas where our work has the greatest impact, working to build global competitive advantage among Scotland's companies and its industries, delivering internationally, nationally and locally.

Around 250,000 people are employed by the companies that we support most intensively, to deliver growth and impact on the economy.

The majority of Scottish Enterprise's staff work directly with over 9,000 companies. These activities comprise working to support company growth, innovation and infrastructure with around half of those involved working on account management and other direct company services. Further staff work with customers and partners to grow Scotland's key sectors and on commercialisation opportunities, and others in Scottish Development International, working to support companies to internationalise and to attract new investment to Scotland. Support functions, including staff who deliver partnership and network building activities, legal, finance and audit, are in place to free up front line staff up to spend more time with customers.

An important development in 2010/11 was the creation of the Scottish Investment Bank, as a division of Scottish Enterprise, to provide investment funds to support company growth in Scotland. The Scottish Investment Bank (SIB) supports the development of Scotland's private sector SME funding market to ensure both early stage and established businesses with growth or export potential have adequate access to growth capital.

2010/11 saw a major addition to the suite of investment funds, with the establishment of the Scottish Loan Fund, which has contributions from both public and private investors totalling £94.2m. The Scottish Loan Fund will provide loans of between £250,000 and £5million to established small to medium sized enterprises (SMEs) with growth or export potential. The fund is managed by an independent fund manager - Maven Capital Partners, who make the final decision on loan applications and negotiate individual loans on a fully commercial basis, taking into account the particular circumstances of each borrowing company. Most loans will likely have repayment terms of between three and seven years.

This new fund sits alongside three venture capital funds: the Scottish Seed Fund, the Scottish Co-investment Fund and the Scottish Venture Fund.

While the last few years have seen a decline in the total level of equity investment in the UK, the market in Scotland has expanded. Scotland has been the most active UK area for venture-backed firms in recent years. In 2010/11, Scottish Enterprise invested £23m in 125 deals, alongside private sector investment of £54m for a total investment of £77m.

Scottish Enterprise also undertakes key strategic projects to help develop competitive advantage. Among the projects introduced during 2010/11 were:

- Launch of a £70m National Renewables Infrastructure Fund, a dedicated £70 million investment fund to help place Scotland at the forefront of the global offshore wind market. This will strengthen port and manufacturing facilities and supply chain provision for manufacturing offshore wind turbines and related components, leveraging significant private sector investment in the next four years, helping to deliver an estimated 28,000 jobs and £7.1 billion in value to Scotland's economy over the coming decade.

- The establishment of an International Technology and Renewable Energy Zone (ITREZ) in Glasgow, as an initiative to attract up to 700 new jobs and £100m to the Scottish economy in the next decade, as a centre of excellence for academic research, commercialisation and industry collaboration in the renewable energy industry.

- Development of a £4m Food and Health Innovation Service, to help 400 Scottish food and drink companies tap into global opportunities in the rapidly expanding health and nutrition sector, by helping companies access Scotland's leading research in food and health to develop and launch new or improved products.

MANAGEMENT COMMENTARY (continued)

- The Hydrogen Office, a state-of-the-art demonstration and research facility powered by hydrogen fuel cell technology, in Methil, Fife, part of the Fife Energy Park, being developed as one of Europe's leading locations for innovation and development of renewable technology.
- Establishment of a new fulfillment centre by online retailer Amazon at a site in Dunfermline and an extension of the company's existing fulfillment centre at Gourock, creating 950 jobs. This project will be supported by £2 million in Regional Selective Assistance and £500,000 in training grants.
- Confirmation by the UK Government of the SE-funded Advanced Forming Research Centre (AFRC) near Glasgow as a lead partner in the UK's network of Technology Innovation Centres, representing the Centre's role in the development of high-value advanced manufacturing processes.
- An investment of up to £100 million by Mitsubishi Power Systems Europe Ltd (MPSE) in an engineering facility to carry out research and development into offshore wind turbine technology in Edinburgh, seeking to develop 'game changing' green energy technologies and helping develop a major offshore wind turbine manufacturing site in Scotland.

KEY PERFORMANCE INDICATORS

Scottish Enterprise plays a catalytic role in contributing to the Government's overall target of raising the GDP growth rate alongside private and public sector partners through activities which focus on a number of the key national indicators and outcomes.

The measurement of overall economic impact is complex, given both the long-term nature of what is involved and the significant contributions often made by partners and customers. Scottish Enterprise uses a variety of techniques to allow judgements to be made about the contribution it makes. They include in year measures of progress, benchmarking, evaluation, modelling, and customer surveys.

In 2010/11, we met nine and exceeded one of our ten annual performance targets. The tables below present the target range and actual performance for 2010/11, together with the actual performance from 2009/10 where applicable.

2009/10 Actual	Measure Description	2010/11 Forecast Range	2010/11 Actual
	No. of businesses completing projects within:		
New Measure	**a) business efficiency**: achieving a business benefit ***Description****: the number of businesses producing outputs from at least one business improvement project during the year.*	500 – 650	555
New Measure	**b) innovation**: implementing new products, services and/or processes ***Description:*** *the number of businesses producing outputs from at least one innovation project during the year.*	400 - 550	458
New Measure	**c) internationalisation:** potential to significantly increase international revenue ***Description:*** *the number of businesses expecting a significant increase in international revenue from at least one international project during the year.*	90 - 150	136
	Commentary: *The results suggest that in the challenging economic environment many businesses are, with the help of Scottish Enterprise, continuing to invest in activities that can assist their growth.*		

MANAGEMENT COMMENTARY (continued)

2009/10 Actual	Measure Description	2010/11 Forecast Range	2010/11 Actual
2,111	**No. of planned high value jobs from businesses completing inward investment projects** ***Description***: *Planned jobs of a high value nature secured for Scotland from inward investment.* ***Commentary:*** *Good performances from businesses in various industries, including Financial & Business Services, Energy and Enabling Technologies, contributed strongly to the successful result.*	1,600 - 2,400	2,046
£82m	**Investment in Business R&D from SE assisted projects contracted during the year involving R&D and SMART grants** ***Description:*** *Increased investment in business R&D as demonstrated by the value of projects for which a Scottish Enterprise R&D grant or SMART grant was offered and accepted during the year. The appraisal of SMART grants was carried out by SE although the funds are paid or payable by the Scottish Government. SMART projects contributed £20m of the £74m.* ***Commentary:*** *The results highlight that many businesses are investing significant resources in research and development activity which should result in future business growth.*	£65m - £75m	£74m
New Measure New Measure	**No. of businesses either starting up or completing projects with significant growth potential as a result of SE commercialisation or high growth start up activities** **- of which commercialisation propositions with the potential to achieve £5m of revenue within 5 years** ***Description:*** *Businesses starting up or completing projects with significant growth potential, participating in SE commercialisation and/or High Growth Start Up activities.* ***Commentary***: *The overall target was achieved despite the continuing challenging conditions in obtaining external investment; the strong result from the higher value projects is particularly encouraging.*	18 – 22 3 - 5	18 5
1:2.1	**Leverage resulting from SE investment funds** ***Description***: *Third party investment leverage ratio from investment deals completed by the Scottish Co-Investment Fund, Scottish Venture Fund and Scottish Seed Fund.* ***Commentary***: *This demonstrates the continued effectiveness of the co-investment approach, which shares risk and reward with the private sector, to increase the amount of risk capital in the Scottish market, to support early stage and growth potential companies.*	1:2 to 1:3	1:2.3

MANAGEMENT COMMENTARY (continued)

2009/10 Actual	Measure Description	2010/11 Forecast Range	2010/11 Actual
1:2.7	**Investment leverage in physical infrastructure resulting from high impact projects** ***Description****: Private and public sector investment on infrastructure projects levered as a result of Scottish Enterprise investment.* ***Commentary****: The leverage achieved was just above the top of the forecast range reflecting a good result across the range of relevant infrastructure projects.*	1:2 to 1:3	1:3.2
£376m	**Turnover growth by businesses supported (through account managed activities)** ***Description:*** *The change in turnover of active account managed businesses between 2009/10 and 2010/11.* ***Commentary:*** *The strong results compared to last year reflect the improving economic conditions with turnover growth starting to return to previous levels.*	£700m - £900m	£790m

FINANCIAL PERFORMANCE

Financial Overview

The results for the year ended 31 March 2011 are contained in the attached accounts, prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and in the form directed by 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 main financial objective for Scottish Enterprise is to ensure that the financial outturn for the year is within the Resource Budget allocated by the Scottish Ministers.

The Resource Budget is intended to cover ‘cash’ costs, being accrued expenditure (capital and revenue) net of in-year income from sources such as European Union funding, and ‘non-cash’ costs, which include depreciation, provisions and write downs.

The ‘cash’ budget is funded from the grant in aid provision and the application of retained cash reserves. Cash reserves can only be utilised by Scottish Enterprise where Scottish Government approval has been given and a sufficient amount of non-cash provision is available to cover any additional cash expenditure.

The approved Resource Budget for 2010/11, after in year adjustments, amounted to £245m. This comprises grant in aid provision of £217m and a non-cash allocation of £28m, from which £2m of cash reserves was accessed and used towards operational activities.

Scottish Enterprise successfully achieved its main financial objective for the year. The final net cash outturn was equal to the related Resource Budget allocation. The ‘non-cash’ outturn was £7m (24%) under the available allocation. A detailed analysis of the cash outturn is provided later in this section.

The Resource Budget for 2011/12 amounts to £222m, including £194m of grant in aid and a ‘non-cash’ budget provision of £28m.

As noted above, the Resource Budget is supplemented by income generated and applied against expenditure incurred during the year and by applying reserves carried forward. In addition, further transfers of budget from the Scottish Government are anticipated. For 2011/12 these supplementary resources and anticipated Grant in Aid additions, are forecast to amount to £110m, including £45.2m for the RSA and SMART grant programmes following the transfer of these responsibilities from the Scottish Government. In total therefore the Scottish Enterprise Business Plan for 2011/12, including these resources, amounts to £332m (2010: £310m).

MANAGEMENT COMMENTARY (continued)

Summary of 'Cash' Outturn

Scottish Enterprise's net 'cash' expenditure (excluding non-cash costs) against its funding provision for the year to 31 March 2011 was as follows:

	£000	£000
Operational Delivery Costs		
Supporting Globally Competitive Businesses	79,143	
Supporting Globally Competitive Sectors	13,312	
Globally Competitive Business Environment	135,062	
		227,517
Support Costs		
Staff costs, including customer facing staff	48,835	
Marketing, research & stakeholder engagement	8,898	
Premises, information services and other support costs	23,886	
		81,619
		309,136
Less: Income		82,085
		227,051
Funded by		
Grant-in-Aid	217,151	
Utilisation of cash reserves brought forward	1,655	
Net utilisation of cash resources of Scottish Co – Investment Funds	8,245	
		227,051
Net 'cash' over / underspend		-

Cash Balances

Due to the nature of its business and activities, Scottish Enterprise requires to retain cash balances. As at 31 March 2011 these amounted to £102m (2010: £108m).

A significant element of the total cash balance, amounting to £72m (2010: £69m), relates to the activities of the Scottish Co-Investment Fund. This balance includes £30m which is held for the purposes of funding the Scottish Loan fund and will be used to attract further European funding. These balances cannot be applied to fund any business activity other than that relating to the delivery and management of the Funds.

With the exception of transactions relating to the Scottish Co-Investment Fund, cash balances brought forward from one year to the next can only be utilised by Scottish Enterprise where Scottish Government approval has been given and a sufficient amount of non-cash provision is available to cover any additional expenditure.

Income from the European Union

European Union funds amounting to £9m (2010: £7m) were receivable in support of the operations of the Scottish Enterprise Group.

In addition, Scottish Enterprise continued to apply European funding support for the Scottish Co-Investment Fund.

Non-Current Assets

During the year ended 31 March 2011, expenditure on non-current assets and investments and proceeds from disposal were:

	Expenditure		*Disposals*	
	2011	*2010*	*2011*	*2010*
	£m	*£m*	*£m*	*£m*
Property, plant and equipment	30	8	20	19
Investments, including loan repayments	18	24	12	2

Property

The Scottish Enterprise Group property portfolio, which includes land, site development and buildings, including buildings under construction, was independently revalued at 31 March 2011 and is included in the accounts at £190m (2010: £178m). In addition, property classified as held for sale was valued at £4m (2010: £19m).

MANAGEMENT COMMENTARY (continued)

Retirement Benefits Scheme

Reference is made 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.

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 days for all suppliers. In the year ended 31 March 2011, Scottish Enterprise paid 81% (2010: 80%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 8.8 days (2010: 9.5 days).

FUTURE DEVELOPMENTS

While there are some signs of economic recovery, businesses continue to face significant challenges, as well as opportunities, in the coming year. Forecasts for the economy indicate continuing uncertainty. Some international markets will recover, with significant new opportunities in areas such as renewable energy. However, there will be other challenges around inflationary pressures, unemployment and reductions in public sector investment.

Scottish Enterprise's focus is to help ensure that Scotland's recovery can be maintained and supported. In response to the economic downturn, the businesses we work most closely with have been both increasing efficiency and investing, ensuring they are in the best position possible to respond to new opportunities, e.g. in increased sales, exports and employment.

In considering how best to deliver its strategy, Scottish Enterprise has undertaken a rigorous prioritisation of its activities to identify where we have the biggest impact and taken account of the contribution we can make to the goals of the Government Economic Strategy and the need to contribute to the achieving the economic opportunities presented in the Low Carbon Economy. As part of this we created detailed plans for exploiting the opportunities in Scotland's key sectors and considered the evidence of the impact achieved from our past projects and investments.

Scottish Enterprise's Business Plan for 2011/14 seeks to prioritise five key areas:

- **Renewables.** Capitalising on Scotland's existing competitive advantage in renewable energy could generate an extra £11 billion added value for the Scottish economy by 2020. This includes attracting investment and helping Scottish companies to establish a strong supply chain.
- **Growth Companies.** Scottish Enterprise will focus its support on those companies that can make the greatest contribution to the Scottish economy. We will help them do things bigger, better or faster.
- **Internationalisation**. Scottish Enterprise will support more companies to trade overseas and look to attract new inward investment.
- **Innovation**. Low business expenditure on R&D is an issue for Scotland and Scottish Enterprise will increase its investment in this area to help companies boost the productivity of Scottish companies. This recognises the importance of Innovation as a driver of productivity in growth companies, critical to realising global competitive advantage in Scotland's key sectors.
- **Transition to a Low-Carbon Economy**. This presents major new economic opportunities for Scotland, as 'green' growth opportunities are exploited. This will be embedded across all aspects of Scottish Enterprise's operations, contributing to the Governments low carbon strategy.

The 2011/14 Scottish Enterprise Business Plan involves a number of important structural changes, including:

- Increased help for exporters and growth companies to access investment capital and debt financing through the Scottish Investment Bank;
- Support for a larger number of companies to internationalise using the Smart Exporter initiative, delivered jointly by Scottish Development International and the Scottish Chambers of Commerce;
- Grant support for investment through the Regional Selective Assistance and SMART programmes, now fully transferred from the Scottish Government to Scottish Enterprise, as part of the reforms introduced as a result of the 2007 Review of the Enterprise Networks.

In relation to 2011/12, Scottish Enterprise will deliver a £332m programme of economic development focused on maximising Scottish Enterprise's impact on increasing Scotland's sustainable economic growth.

The Scottish Enterprise Business Plan for 2011/14 can be found on the website at www.scottish-enterprise.com

MANAGEMENT COMMENTARY (continued)

CORPORATE GOVERNANCE

Codes of Conduct

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.

Scottish Enterprise has a Risk Management Policy which is aligned with the recommendations of the Combined Code on Corporate Governance. Scottish Enterprise also operates an internal control assessment framework to complement its risk management and internal audit arrangements. The framework requires Executive Leadership Team members to carry out an annual review of the internal controls within the business units for which they are accountable based on a detailed internal control checklist. The results of this exercise, and other internal control arrangements, are reflected in the Statement on Internal Control. Reference is also made to risk management in the Resources and Risk section of this commentary.

Board Members

The members of the Scottish Enterprise Board are appointed by the Scottish Ministers. With the exception of the Chief Executive, these members do not have contracts of service with Scottish Enterprise. The Board Members who held office during the year, and their respective committee memberships, were as follows:

		Audit	Investment	Economic Policy	Nominations / Governance	Remuneration	Urgent Approvals
Crawford Gillies	Chairman				C		C
Lena Wilson	Chief Executive		M	M	M		M
Ian Crawford			M		M	M	
Professor Russel Griggs OBE				M			
Fred Hallsworth	(retired 31 December 2010)	C		M			M
Iain Macdonald			C		M	M	M
Donald MacRae	(retired 31 December 2010)		M	C			M
Professor Jim McDonald			M	M			
John McGlynn	(appointed 1 January 2011)		M	M			
Iain McLaren		M/C					M
Professor Sir Timothy O'Shea	(retired 31 December 2010)		M	M			
Jeremy Peat	(appointed 1 January 2011)		M	C			M
Grahame Smith		M		M			
Linda Urquhart	(appointed 1 January 2011)	M					
Graeme Waddell		M			M	C	

C - Chair
M - Member

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

MANAGEMENT COMMENTARY (continued)

Executive Leadership Team (formerly Executive Board)

The Executive Leadership Team is responsible for the day to day management of Scottish Enterprise's activities and operations The Executive Leadership Team replaced the Executive Board following a restructure of senior management in May 2010. 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
Paul Lewis	Managing Director Operations – Sectors and Commercialisation
Anne MacColl	Chief Executive - Scottish Development International, from 6 January 2011
Linda McDowall	Business Networks and Communications Director, from 10 May 2010
Jim McFarlane	Managing Director Operations – Company Growth, Innovation, Infrastructure and Investment, from 10 May 2010
Iain Scott	Chief Financial Officer, from 10 May 2010
David Smith	SDI Operations Director and acting CEO Scottish Development International, until 31 August 2010
Carolyn Stewart	People Services Director, from 10 May 2010
Julian Taylor	Director of Strategy and Economics, from 10 May 2010

RESOURCES AND RISKS

Financial

Reference has been made to the financial resources available to Scottish Enterprise in the Financial Performance section of this Commentary.

Employees

It is the contribution of our people at Scottish Enterprise that allows the successful delivery of business targets and helps drive an ambitious and globally competitive Scotland. We place great emphasis on a high performing and engaged workforce and a reward culture that recognises individual and organisational performance, robust management practices and continuous development. As an Investor in People, holding the Gold level of award, our people policies make sure that all staff are clear on their roles and how they play their part in business delivery to the customer. We also seek opportunities to collaborate with partners in the public and private sectors, and share services with other public sector organisations.

Effective employee communications and engagement helps our employees deliver more. It enhances productivity, reduces absence and improves customer and partner relationships. As a result, Scottish Enterprise is committed to open, timely and effective employee communications and making Scottish Enterprise a great place to work. Regular cascade briefings, all staff e-mails, intranet updates, leadership 'Question and Answer' sessions and two-way feedback forums keep staff informed on business news and employee issues. An all staff conference is also held every two years. We also engage with and support the local communities we work in and encourage employees to participate in community projects which support local and national charities and help Scotland's environment. In addition, to fully understand issues concerning staff, we undertake employee surveys and hold regular engagement forums. The results are analysed with a view to continually improving our employee relations.

Scottish Enterprise's Human Resources (HR) team manages all employee and industrial relations on behalf of management and has an employee relations (ER) framework in place, which comprises employment policies for staff, a Joint Consultation and Negotiation Committee supported by sub-groups on terms and conditions and change. The HR team manage all ER issues, both formal and informal, and design, manage and support all major change programmes within the organisation as well as managing staff performance management, and the attraction, retention and motivation of talented staff through leadership development, talent management and general development programmes.

Through the implementation of practices which recognise the diversity of its people, and in line with its public sector duties under race, disability, gender and age, Scottish Enterprise aims to develop a working environment which values the creativity, talents, energies and working styles of all its present and potential people resources. The organisation values and recognises individuals' contribution regardless of age, colour, disability, ethnic origin, gender, marital status, religion or sexual orientation, and embraces a culture based on fair treatment. The organisation holds "Scottish Living Wage", "Two Tick" and "Age Positive" standards for its employment practices and is recognised as an employer for supporting diversity.

Sickness Absence

In the year to 31 March 2011, an average of 4 working days (2010: 4) were lost per staff working year.

MANAGEMENT COMMENTARY (continued)

Estate management

Scottish Enterprise acquires, invests in and manages a portfolio of property and land assets. The objective in maintaining and developing this estate is to maximise the economic development benefits for Scotland. Income derived from the holding and disposal of these assets is utilised to support Scottish Enterprise's Business Plan and the delivery of its economic development objectives. As Scottish Enterprise holds its property portfolio for economic development purposes, the majority of property and land sales are for business use. Where appropriate a use restriction is applied which can be enforced in the event of a future change of use to a higher value land use, such as retail, residential, hotel and leisure etc. Where a site is sold for an alternative use, the sale price reflects market value for the alternative land use.

Valuations of the estate are prepared annually by external valuers based on Fair Value as defined in the Valuation Standards (6^{th} Edition) issued by the Royal Institution of Chartered Surveyors. They reflect the existing zoning and planning consents, adjusted to reflect any realistic potential for change of use and incorporating an element of hope value where appropriate.

Risks

Scottish Enterprise has a standard approach to risk management which is described in more detail in the Statement on Internal Control. Risks are classified as financial, operational, reputational or external and both likelihood and impact are assessed on a consistent basis. Risk registers are maintained at project, business unit and corporate level, with the Corporate Risk Register being approved annually by the Scottish Enterprise Board.

All internal and external risks in the Corporate Risk Register are actively managed at the appropriate level in the organisation. Key corporate risks are managed by the Executive Leadership Team.

Data Loss

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

EQUITY

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

Environmental Matters

Climate change is a major economic driver, and this is reflected in Scottish Enterprise's commitment to promoting the growth of a low-carbon economy through support for resource efficiency and the development and use of cleaner technologies linked to key sectors. The National Renewable Infrastructure Plan identifies the sites required for manufacturing and constructing devices to produce offshore marine and wind energy. We have developed an Environmental and Clean Technology partnership to promote these sectors and co-ordinate activity with our partners.

This work is supported by an internal policy that focuses on reducing carbon emissions from Scottish Enterprise's operational activities, covering energy management, recycling, travel and estates development, all of which have seen significant reductions in our overall operational CO_2 emissions.

This programme forms an important part of our commitment to help in the delivery of the climate change duties placed on Scottish public sector bodies required by the Climate Change (Scotland) Act and the provisions of the CRC Energy Efficiency Scheme.

Reflecting this, during 2010/11 we introduced a Low Carbon Implementation Plan for Scottish Enterprise, demonstrating our commitment to delivering the Scottish Government's Low Carbon Economic Strategy and complying with the new Public Sector Duty on climate change, as well as supporting our broader objectives as set out in our Business Plan.

This plan addresses four low carbon objectives that will benefit the Scottish economy and reduce carbon emissions:

1. maximise new economic opportunities from a low carbon economy;
2. support productivity improvements with a focus on resource efficiency;
3. influence our stakeholders to help develop a low carbon Scottish economy;
4. reduce our own carbon emissions.

By helping to accelerate the move to a low carbon economy we expect Scottish companies to become more profitable, through reducing cost and capturing 'early mover' economic opportunities.

MANAGEMENT COMMENTARY (continued)

We aim to embed sustainable, low carbon development in everything that we do, including our internal operations and external delivery. This Plan provides a comprehensive overview of the range of actions we are taking to help deliver sustainable, low carbon economic development. The plan includes a target of reducing SE's CO_2 emissions by 42% by 2020 from a 2009/10 baseline, working with partners to promote good practice.

The full SE Low Carbon Implementation Plan can be found on www.scottish-enterprise.com.

Social and Regional Equity

Scottish Enterprise works in partnership in the development and delivery of its activities. We continue to focus on an economic development perspective to Community Planning and the Single Outcome Agreements between Community Planning Partnerships and the Scottish Government.

We take a pro-active stance to regional socio-economic development. Our ongoing work on transformational projects such as the Dundee and Clyde Waterfronts and our involvement with Urban Regeneration Companies ensures that we are not only well placed to comply with the forthcoming socio-economic duty in the Single Equality Act but that we can also lever this work to enhance Scotland's economic growth.

We continue our support for the social economy through our work alongside public and private stakeholders and partners to develop social enterprises and the Third Sector. Our focus is on the restructuring of the sector and working with growing social enterprises to increase traded income and reduce grant dependency on the public sector. This will generate significant benefits for communities and the Scottish economy.

Scottish Enterprise also actively supports responsible, sustainable, business practice both internally and with our business clients. Corporate responsibility is an increasingly important factor in business competitiveness and in helping to deliver social and regional equity.

Equal Opportunities

Scottish Enterprise is fully committed to equal opportunities, both as an employer and service provider. The organisation goes beyond the legislative requirements for the race, disability and gender Public Sector duties by promoting the business case for equality and demonstrating how this can support the economy. We have for two years extended these duties to cover age, religion/belief and sexual orientation in line with new legislation which was enacted this year under the Single Equality Act.

We publish a report annually on our equal opportunities achievements and our latest report issued in January this year can be viewed here: http://www.scottish-enterprise.com/publications/equal-opps-2009.pdf. Amongst other activity, the Report highlights our ongoing commitment to equality impact assessments which are pivotal in mainstreaming the agenda within the organisation and in our service provision.

AUDITORS

The accounts of Scottish Enterprise are audited by auditors appointed by the Auditor General for Scotland. The Auditor General appointed KPMG LLP as Scottish Enterprise's auditors for the years through to 2010/11. Fees payable for audit services provided by the appointed auditors for the year ended 31 March 2011 were £168,000 (2010: £176,000).

So 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 her aware of any relevant audit information and to establish that Scottish Enterprise's auditors are aware of that information.

Lena Wilson
Accountable Officer
1 July 2011

REMUNERATION REPORT
for the year ended 31 March 2011

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 2011.

Scottish Enterprise Board

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

The Chairman was appointed in February 2009 for a period of three years and four months. The Scottish Government sets the level of remuneration for the Chairman and informs Scottish Enterprise on an annual basis of any increase to be awarded.

The members of the Board are appointed by the Scottish Ministers from a variety of backgrounds on the basis of their knowledge and experience gained in both the public and private sectors in industry, commerce and academic fields. Board members are paid a basic fee and their total remuneration is based on levels of responsibility taking into account the number of committees in which they participate. Board members are eligible to receive a travel allowance to attend meetings, which is taxable.

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

Executive Leadership Team

The Executive Leadership Team is responsible for the day to day management of Scottish Enterprise's activities and operations. The Executive Leadership Team replaced the Executive Board following a restructure of senior management in May 2010. 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 12 months. For 2010/11 there was no bonus scheme for Executive Leadership Team members other than the Chief Executive.

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 organisation's Executive Directors, 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 2011 were:-

Graeme Waddell	Chair
Ian Crawford	
Iain Macdonald	

Each Executive Leadership Team member agrees with the Chief Executive personal performance objectives, together with specific measures that are required to be met and which will have a significant impact on the performance of the organisation. By definition, such objectives are over and above the requirement for the effective operation of Directorates as outlined in the Scottish Enterprise performance management system.

These targets, and the Chief Executive's appraisal of performance against them, are subject to review by the Remuneration Committee.

A bonus of up to 10% for the Chief Executive, can be awarded based on the assessment of the achievement of both corporate and personal performance objectives, however, in November 2010 the Scottish Government announced that no performance bonuses would be payable in the public sector.

REMUNERATION REPORT (continued)

Executive Leadership Team Remuneration Policy

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.

Elements of Remuneration of Executive Leadership Team Members

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. Bonuses payable for the performance period ending 31 March 2010 were reflected in the 2009-10 accounts and actual payments were made in July 2010.

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 Scottish Enterprise contributes 20% of the employees' pensionable salary. This is a final salary scheme that provides benefits at a normal retirement age of 60, or 65 for staff who joined on or after 1 December 2006. These benefits consist of an annual pension, based on final pensionable salary and pensionable service, and a tax-free lump sum, payable on retirement, equivalent to three times the annual pension. Pensions increase annually in accordance with the percentage uplift set out in The Pension Increase (Review) Order announced by the Government each year.

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

Remuneration

Fees paid to the Chairman and other non executive board members who served during the year to 31 March 2011 were:-

		2011 Remuneration £	*2010 Remuneration £*
Crawford Gillies	Chairman	38,721	38,721
Ian Crawford		12,581	12,581
Russel Griggs		13,981	3,145
Fred Hallsworth	(retired 31 December 2010)	11,729	15,638
Iain Macdonald		15,098	12,791
Donald MacRae	(retired 31 December 2010)	11,729	15,638
Jim McDonald		12,581	12,581
John McGlynn	(appointed 1 January 2011)	3,145	-
Iain McLaren		13,210	3,145
Sir Timothy O'Shea	(retired 31 December 2010)	10,291	13,721
Jeremy Peat	(appointed 1 January 2011)	3,775	-
Grahame Smith		12,581	12,581
Linda Urquhart	(appointed 1 January 2011)	3,145	-
Graeme Waddell		15,098	12,791

The fees noted above for Sir Timothy O'Shea were paid to the University of Edinburgh, in return for this organisation making him available to provide his services as a Scottish Enterprise Board member.

REMUNERATION REPORT (continued)

Remuneration of Executive Leadership Team members who served during the year to 31 March 2011 and senior staff who regularly attended Executive Board meetings prior to the senior management restructure was:-

				2011				*2010*
	Salary	*Bonus*	*Car allowance and other benefits*	*Total*	*Salary*	*Bonus*	*Car allowance and other benefits*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Lena Wilson (i)(ii)	200	-	-	200	191	11	1	203
Paul Lewis	127	-	-	127	126	6	-	132
Anne MacColl (v)	57	-	72	129	-	-	-	-
Linda McDowall (iii)	112	-	-	112	95	7	-	102
Jim McFarlane (iii)	138	-	-	138	137	14	1	152
Iain Scott (iv)	109	-	-	109	-	-	-	-
David Smith (iii)(vi)	42	-	-	42	95	9	-	104
Carolyn Stewart (iv)	107	-	-	107	-	-	-	-
Julian Taylor (iii)	97	-	-	97	82	6	-	88

(i) The elements of the remuneration package paid to Lena Wilson in her capacity as Chief Executive comprised salary only of £200,000 (2010: £80,769).

(ii) 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 2010/11.

(iii) In May 2010, Linda McDowall, Jim McFarlane, David Smith and Julian Taylor were appointed to the Executive Leadership Team. During 2009-10 and in the period prior to May 2010, these individuals regularly attended Executive Board meetings in an advisory capacity.

(iv) In May 2010, Iain Scott and Carolyn Stewart were appointed to the Executive Leadership Team. As both of these individuals held senior management posts throughout the financial year 2010/11, including attendance at Executive Board meetings prior to the formal restructure of senior management, their full remuneration packages for the year are disclosed.

(v) Anne MacColl was appointed as Chief Executive of Scottish Development International and therefore joined the Executive Leadership Team in January 2011, following a period as interim Chief Executive of Scottish Development International. Anne MacColl's remuneration package covers the period from August 2010 when she was appointed as interim Chief Executive of Scottish Development International and includes an accommodation allowance (£2,385) and a relocation package (£56,039) which was payable as a consequence of her permanent appointment, as she was required to relocate from France to Scotland. In addition, in the period from August 2010 to January 2011, Anne MacColl's duties in Scotland became non-incidental and consequently her earnings in that period became liable to tax in the United Kingdom as well as in France. Scottish Enterprise agreed to settle the tax liability in the United Kingdom which, when grossed up to recognise that Scottish Enterprise would meet the cost, amounted to £13,609. Scottish Enterprise will seek to recover a proportion of this from the French authorities in the course of 2011-12.

(vi) David Smith stepped down from the Executive Leadership Team on 31 August 2010 and the remuneration noted above is in respect of the period in which he served on or as adviser to the Executive Leadership Team.

REMUNERATION REPORT (continued)

Retirement benefits of Executive Leadership Team members for the year to 31 March 2011 and those of the senior staff who regularly attended the previous Executive Board meetings are as follows:-

			Cash Equivalent Transfer Value (i)		
	Accrued Pension at age 60 as at 31 March 2011 and related lump sum £000	*Increase in pension net of inflation and related lump sum at age 60 £000*	*At 31 March 2011 £000*	*At 31 March 2010 £000*	*Increase/ (decrease) net of members' contributions £000*
Lena Wilson	55 – 60 plus lump sum of 165 - 180	0 – 2.5 plus lump sum of 0 – 2.5	967	982	(27)
Paul Lewis	35 - 40 plus lump sum of 105 - 120	0 – 2.5 plus lump sum of 0 – 2.5	681	694	(21)
Anne MacColl (ii)	5 - 10 plus lump sum of 15 - 30	2.5 – 5.0 plus lump sum of 7.5 – 10.0	128	-	53
Linda McDowall (ii)	35 - 40 plus lump sum of 105 - 120	5.0 – 7.5 plus lump sum of 17.5 – 20.0	878	721	150
Jim McFarlane (ii)	50 - 55 plus lump sum of 150 - 165	0 – 2.5 plus lump sum of 0 – 2.5	1,325	1,310	7
Iain Scott (ii)	25 - 30 plus lump sum of 75 - 90	5.0 – 7.5 plus lump sum of 20.0 – 22.5	517	-	110
David Smith (ii)	5 - 10 plus lump sum of 15 - 30	0 – 2.5 plus lump sum of 0 – 2.5	187	174	11
Carolyn Stewart (ii)	20 - 25 plus lump sum of 60 - 75	2.5 – 5.0 plus lump sum of 10.0 – 12.5	321	-	36
Julian Taylor (ii)	25 - 30 plus lump sum of 75 - 90	2.5 – 5.0 plus lump sum of 12.5 – 15.0	410	349	55

(i) The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and include benefits related to service transferred in from previous employment. It represents a payment made by a retirement benefit scheme to secure benefits in another scheme or arrangement when a member leaves a scheme and chooses to transfer the benefits they have accrued in a former scheme throughout the total period of service. The increase in the cash equivalent transfer value is that funded by the employer, taking account of contributions paid by the member.

(ii) Disclosures for all members of the Executive Leadership Team who served for only part of the year are based only on the period they served as advisers to the previous Executive Board or as members of the reconstructed Executive Leadership Team. Where a member joined part way through the year, the increases in accrued pension and associated lump sums and the increases net of members' contributions are calculated on the accrued pension and transfer values of the pension at the date they joined or left the Executive Leadership Team.

Iain Macdonald
Remuneration Committee Member
1 July 2011

Lena Wilson
Accountable Officer
1 July 2011

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

for the year ended 31 March 2011

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

In preparing the accounts, Scottish Enterprise is required to:

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

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

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

Lena Wilson
Accountable Officer
1 July 2011

STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2011

Scope of Responsibility

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

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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.

The process within Scottish Enterprise accords with the Scottish Public Finance Manual (SPFM) and has been in place for the year ended 31 March 2011 and up to the date of signing this Statement, and accords with guidance from the Scottish Ministers.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. To fulfil this responsibility, the following processes have been established for Scottish Enterprise.

Risk and Control Framework

I am aware that all bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with the relevant guidance issued by the Scottish Ministers. The Scottish Enterprise risk management strategy is summarised as follows:

Risk Management

- Scottish Enterprise has an approved Risk Management Policy, setting out our attitude to risk and our approach to managing the potential barriers to the achievement of our objectives. The Policy highlights that risk management and internal control are firmly aligned with the ability to achieve the key business objectives. The Policy and associated procedural guidance are available to all staff on the Scottish Enterprise intranet.
- 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 them to deliver their 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 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. The Board also receives regular updates from the Chairman of the Audit Committee concerning internal control.
- Business units are responsible for ensuring early and full reporting of critical business risks. Specialist functions (business continuity, health and safety and information security) are in place to manage specific types of risk, and these provide the Board and management with assurance over these areas.
- Risk assessment is also a key component of the organisation's project appraisal processes.
- Awareness and training sessions are held as required, and a risk management element has been incorporated into project management training.

In addition to the risk management strategy, Scottish Enterprise has the following processes in place to ensure that it has an effective control framework.

STATEMENT ON INTERNAL CONTROL (continued)

Internal Audit

Scottish Enterprise has in place an in-house internal audit team. The internal audit planning approach is risk-based. The internal audit plans and activity for 2010/11 were reported regularly to the Audit Committee.

- On a regular basis, the Director of Audit provides me with a report on internal audit activity throughout the organisation. The internal audit function is also utilised in monitoring risk management processes to determine whether internal controls are effectively designed and properly implemented. A risk-based approach is applied to the implementation and monitoring of controls.

- The internal audit function supports the organisation's continuous improvement activities through the identification of action points arising from ongoing audit activity. These actions span all aspects of the organisation's operations and, together with the recommendations of external auditors, continue to identify areas where there is scope for improvements in internal controls. The implementation of recommended action points was regularly reviewed by the Audit Committee during 2010/11.

Internal Control Assessment Framework

In order to complement the organisation's risk management and internal audit arrangements, we have in place an Internal Control assessment framework. This framework requires members of the Executive Leadership Team to carry out a review of their area's internal controls, including any subsidiary or joint venture operations for which they are accountable and responsible. The basis of this review is a detailed Internal Control Checklist which, once completed, provides the context for the sign off of a local Certificate of Assurance. This is addressed to myself as the Accountable Officer and supports the sign off of the Certificate of Assurance for Scottish Enterprise.

More generally, Scottish Enterprise is committed to a process of continuous improvement: developing systems and processes in response to any relevant reviews and developments, including the identification of best practice.

Review of Effectiveness

My review of the effectiveness of the overall system of internal control is therefore informed by:

- The organisation's risk management framework;
- The work of internal audit and the SE Audit Committee which oversees this activity;
- The internal control assessment framework, including the work performed to sign off individual Certificates of Assurance and Internal Control Checklists; and
- Matters raised by external auditors in their management letter and other reports.

In summary, on the basis of the above processes, my overall review has not highlighted any significant internal control weaknesses within Scottish Enterprise.

Lena Wilson
Accountable Officer
1 July 2011

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

We have audited the group and parent accounts of Scottish Enterprise for the year ended 31 March 2011. The accounts comprise the group statement of comprehensive net expenditure, group and parent statements of financial position, group statement of cash flows, group and parent statements 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 HM Treasury Financial Reporting Manual 2010/11.

This report is made solely to Scottish Enterprise and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scottish Enterprise and the Auditor General for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities set out on page 17, 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 receipts. Our responsibility is to audit and express an opinion on the accounts 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Scottish Enterprise'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 accounts. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and Scottish Enterprise's affairs as at 31 March 2011 and of group net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the HM Treasury Financial Reporting Manual 2010/11; 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 prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion, in all material respects, the expenditure and receipts in the accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our 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 Annual Report for the financial year for which the accounts are prepared is consistent with the accounts.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the accounts and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

DJ Watt
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

1 July 2011

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2011

	Notes	*2011 £000*	*Restated 2010 £000*
Expenditure			
Operating expenditure	3	206,690	223,506
Net management expenditure on staff costs	3	51,035	60,313
Other management expenditure, incl. depreciation	3	27,217	28,584
		284,942	312,403
Income			
Income from Activities	2	(15,708)	(15,260)
Other Income	2	(32,960)	(25,162)
		(48,668)	(40,422)
Net Operating Expenditure		236,274	271,981
Interest payable and similar charges	1	-	-
Share of profits in equity accounted investees	9	(10)	(34)
Income from investments	2	(277)	(242)
Interest receivable	2	(2,153)	(1,959)
Other finance charges/(income)	2	(3,221)	2,275
Net Expenditure after interest		230,613	272,021
Taxation	6	366	71
Net Expenditure after taxation		230,979	272,092
Minority interests	24	1	454
Appropriations	10	-	109
Net Expenditure		230,980	272,655
Other Comprehensive Expenditure/ (Income)			
Net gains on revaluation of property, plant and equipment		(1,960)	(699)
Net gains in fair value of available for sale assets		(768)	(1,199)
Actuarial (gains)/losses recognised in retirement benefit scheme		(67,761)	37,851
Other Comprehensive Net Expenditure for the year		(70,489)	35,953
Total Comprehensive Net Expenditure for the year		160,491	308,608

The notes on pages 28 to 73 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	Notes	2011 £000	Restated 2010 £000	Restated 2009 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	193,255	183,618	189,306
Intangible assets	8	-	-	67
		193,255	183,618	189,373
Financial assets				
Investments in equity accounted investees	9	4,946	2,677	3,659
Other investments	10	59,363	68,423	59,254
Total financial assets		64,309	71,100	62,913
Retirement benefit scheme	5	35,679	-	-
Other non-current receivables	12	4,545	1,994	1,704
TOTAL NON-CURRENT ASSETS		297,788	256,712	253,990
CURRENT ASSETS				
Assets classified as held for sale	13	4,290	18,675	30,425
Inventories	14	96	110	85
Income tax receivable		263	630	567
Trade and other receivables	15	23,382	25,834	16,098
Cash and cash equivalents	16	101,970	107,653	101,504
TOTAL CURRENT ASSETS		130,001	152,902	148,679
TOTAL ASSETS		427,789	409,614	402,669
CURRENT LIABILITIES				
Trade and other payables	17	(41,728)	(37,889)	(37,116)
Other borrowings	18	-	(32)	(30)
Income tax payable		(226)	(342)	(466)
Provisions	19	(41)	(1,564)	(4,978)
TOTAL CURRENT LIABILITIES		(41,995)	(39,827)	(42,590)
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		385,794	369,787	360,079
NON-CURRENT LIABILITIES				
Other payables	17	(32,019)	(33,413)	(34,911)
Other borrowings	18	-	(540)	(572)
Retirement benefit obligations	5	-	(44,526)	(6,271)
TOTAL NON-CURRENT LIABILITIES		(32,019)	(78,479)	(41,754)
ASSETS LESS LIABILITIES		353,775	291,308	318,325
MINORITY INTERESTS	24	(1,576)	(1,604)	(1,463)
		352,199	289,704	316,862
TAXPAYERS' EQUITY				
General Fund		292,532	224,817	251,940
Specific Reserve		2,481	2,591	2,132
Revaluation Reserve		57,186	62,296	62,790
TOTAL EQUITY		352,199	289,704	316,862

The notes on pages 28 to 73 form part of these accounts.

Lena Wilson
Accountable Officer
1 July 2011

STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	Notes	2011 £000	Restated 2010 £000	Restated 2009 £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	115,651	102,617	98,400
Intangible assets	8	-	-	39
		115,651	102,617	98,439
Financial assets				
Other investments	9	57,161	62,066	53,257
Retirement benefit scheme	5	35,679	-	-
Other non-current receivables	12	54,048	53,265	55,967
TOTAL NON-CURRENT ASSETS		262,539	217,948	207,663
CURRENT ASSETS				
Assets classified as held for sale	13	4,225	18,015	27,405
Trade and other receivables	15	20,798	22,032	13,755
Income tax receivable		261	611	534
Cash and cash equivalents	16	88,424	93,014	84,759
TOTAL CURRENT ASSETS		113,708	133,672	126,453
TOTAL ASSETS		376,247	351,620	334,116
CURRENT LIABILITIES				
Trade and other payables	17	(40,410)	(32,420)	(33,370)
Provisions	19	(41)	(1,564)	(4,813)
TOTAL CURRENT LIABILITIES		(40,451)	(33,984)	(38,183)
NON-CURRENT ASSETS PLUS NET CURRENT ASSETS		335,796	317,636	295,933
NON-CURRENT LIABILITIES				
Other payables	17	(6,350)	(5,117)	(1,848)
Retirement benefit obligations	5	-	(44,526)	(6,271)
TOTAL NON-CURRENT LIABILITIES		(6,350)	(49,643)	(8,119)
ASSETS LESS LIABILITIES		329,446	267,993	287,814
TAXPAYERS' EQUITY				
General Reserve		295,758	227,731	246,713
Revaluation Reserve		33,688	40,262	41,101
TOTAL EQUITY		329,446	267,993	287,814

The notes on pages 28 to 73 form part of these accounts.

Lena Wilson
Accountable Officer
1 July 2011

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	Notes	*2011 £000*	*Restated 2010 £000*
Cash flows from operating activities			
Net expenditure after interest		(230,613)	(272,021)
Adjustments for:			
Depreciation and assets written off		3,156	3,769
Increase in investment provision and write off		17,401	11,486
Property revaluation deficit		15,395	6,981
Investment revaluation deficit/(surplus)		72	(112)
Interest received		(1,182)	(1,142)
Dividends received	2	(277)	(242)
Retirement benefit scheme net charges		(6,806)	404
Share of loss in equity accounted investees		(10)	(34)
Acquisitions through business combinations		(3,200)	-
Transfer of interests in equity accounted investees		266	852
Loss/(Surplus) on disposal of property, plant and equipment	2	664	(2,680)
(Surplus)/Loss on disposal of investments	2	(3,573)	2,331
		(208,707)	(250,408)
Decrease/(Increase) in inventories		14	(25)
Decrease/(Increase) in trade and other receivables		1,653	(10,026)
Decrease in trade payables		(788)	(866)
Decrease in provision for future liabilities	19	(1,523)	(3,414)
		(209,351)	(264,739)
Income tax expense		(115)	(226)
Appropriations paid		(138)	(313)
Net cash outflow from operating activities		(209,604)	(265,278)
Cash flows from investing activities			
Proceeds of disposal of property, plant and equipment		20,321	18,924
Proceeds of disposal of financial assets		10,219	170
Repayments of other investments		2,118	1,749
Interest received		1,182	1,142
Dividends received		277	242
Distributions received from equity accounted investees		487	164
Purchase of property, plant and equipment		(29,537)	(8,490)
Property, plant and equipment acquired from business combinations		(83)	-
Purchase of financial assets		(17,642)	(23,894)
Net cash outflow from investing activities		(12,658)	(9,993)
Cash flows from financing activities			
Decrease in finance lease liabilities	18	(572)	(30)
Grants from Scottish Government		217,151	281,450
Net cash inflow from financing activities		216,579	281,420
Net (decrease)/increase in cash and cash equivalents in the period		(5,683)	6,149
Cash and cash equivalents at the beginning of the period		107,653	101,504
Cash and cash equivalents at the end of the period	16	101,970	107,653

The notes on pages 28 to 73 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2011

	General Fund £000	*Specific Reserve £000*	*Revaluation Reserve £000*	*Total £000*
Restated Balance at 1 April 2009	251,940	2,132	62,790	316,862
Net expenditure during the year	(273,114)	459	-	(272,655)
Actuarial losses in retirement benefit scheme	(37,851)	-	-	(37,851)
Surpluses on revaluation of investments	-	-	1,199	1,199
Surpluses / (deficits) on revaluation of property, plant and equipment	2,392	-	(1,693)	699
Total recognised income and expense for year to 31 March 2010	(308,573)	459	(494)	(308,608)
Grant in Aid from Scottish Government	281,450	-	-	281,450
Balance at 31 March 2010	224,817	2,591	62,296	289,704
Net expenditure during the year	(230,870)	(110)	-	(230,980)
Actuarial gains in retirement benefit scheme	67,761	-	-	67,761
Adoption of former Skills Development Scotland assets and liabilities in retirement benefit scheme (Note 5)	5,638	-	-	5,638
Surpluses on revaluation of investments	197	-	768	965
Surpluses / (deficits) on revaluation of property, plant and equipment	7,838	-	(5,878)	1,960
Total recognised income and expense for year to 31 March 2011	(149,436)	(110)	(5,110)	(154,656)
Grant in Aid from Scottish Government	217,151	-	-	217,151
At 31 March 2011	292,532	2,481	57,186	352,199

The General Fund 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 £7,835m (2010: £7,618m). The grant in aid provision of £217m for 2010/11 included £22.2m 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 £57m (2010: £62m) is £52m (2010: £58m) attributable to net unrealised surpluses on Land and Buildings.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2011

	General Reserve £000	*Revaluation Reserve £000*	*Total £000*
Restated Balance at 1 April 2009	246,713	41,101	287,814
Net expenditure during the year	(264,232)	-	(264,232)
Actuarial losses in retirement benefit scheme	(37,851)	-	(37,851)
Surpluses on revaluation of investments	-	667	667
Surpluses / (deficits) on revaluation of property, plant and equipment	1,651	(1,506)	145
Total recognised income and expense for year to 31 March 2010	(300,432)	(839)	(301,271)
Grant in Aid from Scottish Government	281,450	-	281,450
Balance at 31 March 2010	227,731	40,262	267,993
Net expenditure during the year	(229,649)	-	(229,649)
Actuarial gains in retirement benefit scheme	67,761	-	67,761
Adoption of former Skills Development Scotland assets and liabilities in retirement benefit scheme (Note 5)	5,638	-	5,638
Surpluses on revaluation of investments	197	731	928
Surpluses / (deficits) on revaluation of property, plant and equipment	6,929	(7,305)	(376)
Total recognised income and expense for year to 31 March 2011	(149,124)	(6,574)	(155,698)
Grant in Aid from Scottish Government	217,151	-	217,151
Balance at 31 March 2011	295,758	33,688	329,446

Included within the Revaluation Reserve total of £34m (2010: £40m) is £29m (2010: £37m) 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 a form determined by the Scottish Ministers, in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990.

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

Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the 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. HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1st April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is considered to be a change in accounting policy under IAS 8. This decrease in Net Expenditure is offset by the removal of the credit to the General Reserve in relation to notional cost of capital attributable to business activities, resulting in no change to the General Reserve balance. Assets transferred to other public sector organisations under the Machinery of Government regulations are accounted for using merger accounting provisions and as a consequence the balances and transactions relating to these assets have been eliminated from these financial statements and from the corresponding amounts. Details of prior period adjustments are given in Note 27.

The preparation of accounts in conformity with the FReM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in “Critical accounting estimates and 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)
Other borrowings (Note 18)

The board and Accountable Officer have considered the Resource Budget for 2010/11, 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 2010/11 are given in the Management Commentary. Details of the liquidity position are given in Note 25.

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. Scottish Equity Partnership’s financial year end was 30 September each year. Consolidation of the partnership’s results for the year to 31 March 2009 was based on interim accounts. The partnership agreement ended on 30 September 2009 and the assets were distributed to the partners in accordance with the terms of the partnership agreement.

No Net Expenditure Statement 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, established by contractual agreements and requiring unanimous consent for strategic financial and operational decisions.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investments includes goodwill indentified 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 holdings taken will be disposed of at the earliest opportunity 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 activities.

Scottish Enterprise has an interest in four urban regeneration companies, which are also registered charities. The results of these companies are not consolidated in these Group accounts on the basis that the annual surplus and net assets, on an IFRS basis, are not material to the financial position reported by the Group.

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 Fund and the net cost of activities funded by Grant in Aid is charged to this fund.

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 Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of its existing condition.

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 Net Expenditure Statement. Increases that offset previous decreases charged to the Net Expenditure Statement on the same asset are credited to the Net Expenditure Statement 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 Fund.

Land is not depreciated.

(b) Property

A policy of revaluation has been adopted in respect of property assets owned and 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.

STATEMENT OF ACCOUNTING POLICIES (continued)

Buildings held for or under development 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.

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 Net Expenditure Statement on the same asset, which are credited to the Net Expenditure Statement 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 Net Expenditure Statement. The difference between depreciation based on the revalued carrying amount of the asset charged to the Net Expenditure Statement and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

Depreciation is charged on the revalued amount less their estimated residual value on a straight line basis over their expected useful lives of up to a maximum of 50 years.

The properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(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 over their estimated useful lives as follows:-

Transport Equipment	over 5 years
Plant and Equipment	over 4 years
Information Technology	over 4 years
Furniture and Fittings	over 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(d) Subsequent expenditure

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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 balance sheet date 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 balance sheet date. 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 current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-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.

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 Net Expenditure Statement. 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 Net Expenditure Statement.

(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.

STATEMENT OF ACCOUNTING POLICIES (continued)

A quoted investment is valued using the bid price on the balance sheet date.

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 Net Expenditure Statement.

At each balance sheet date 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 Net Expenditure Statement is recognised in the Net Expenditure Statement.

(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.

(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 Net Expenditure Statement in the year in which they are incurred.

8. Assets held by Local Enterprise Companies

Certain property, plant and equipment assets and investments purchased by Local Enterprise Companies, in their own name with funds provided under the operating contract with Scottish Enterprise, are included in the accounts of the relevant Local Enterprise Company at their fair value, or where fair value cannot be established reliably, at cost less a provision for impairment. Under the terms of the operating contract all sums due from the disposal of these assets and investments and income arising from these assets fall to be repaid to Scottish Enterprise.

The net book values of these assets and investments are included in the balance sheet of Scottish Enterprise as financial assets.

9. Inventories

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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 Net Expenditure Statement 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 Net Expenditure Statement 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 Net Expenditure Statement on a straight line basis over the lease term. The benefit of any lease incentive is recognised as a reduction in rental expense on a straight line basis over the life of the lease.

14. Taxation

Tax on the net expenditure for the year comprises current tax. Tax is recognised in the Net Expenditure Statement, 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 balance sheet date 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 balance sheet date. A deferred tax asset is only recognised to the extent that is 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.

STATEMENT OF ACCOUNTING POLICIES (continued)

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 balance sheet 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 balance sheet date, 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 plans' assets less the interest cost of the plans' liabilities is recognised in the Net Expenditure Statement 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' liabilities represents the increase in liabilities 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 Net Expenditure Statement, 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 balance sheet date.

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 Net Expenditure Statement.

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 three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

STATEMENT OF ACCOUNTING POLICIES (continued)

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 balance sheet date. These are classified as non-current liabilities. Scottish Enterprise's other financial liabilities comprise trade and other payables in the balance sheet.

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 balance sheet 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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

(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 each balance sheet date.

(c) Held-to-maturity investments

The Group follows the IAS 39 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.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

	2011 £000	2010 £000
Operational Expenditure	206,690	223,506
Management Expenditure	78,252	88,897
Expenditure noted above includes:		
Rentals under operating leases		
Buildings	5,251	5,929
Other	384	752
Foreign exchange losses/(gains)	36	(99)
Depreciation	6,845	6,906
Depreciation – finance lease	-	115
Amortisation of intangible assets	-	67
Auditors' remuneration		
- audit of these accounts (i)	168	176
- audit of subsidiary companies' accounts	72	-
amounts receivable by auditors in respect of:		
- other services relating to taxation	399	258
- services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of Scottish Enterprise or the Group	-	175
- all other services	1	12
	640	621
Amounts paid to other auditors in respect of:		
- audit of subsidiary companies' accounts	5	98
- non-audit fees	-	105
	5	203

(i) The auditors of Scottish Enterprise, appointed by the Auditor General for Scotland, are KPMG LLP. The fees for audit services are payable to Audit Scotland who are responsible for meeting the appointed auditor's fee.

2. INCOME

	2011 £000	2010 £000
Income from Activities		
Property Services:		
Rents	9,318	11,677
Sundry property income	3,481	3,234
(Loss)/Surplus on disposal of property	(664)	2,680
Investment Management:		
Surplus/(Loss) on disposal of investments and equity accounted investees	3,573	(2,331)
	15,708	15,260
Other Income		
European Funding	9,166	7,228
UK Government funds	11,973	3,662
Contributions and other fees	11,821	14,272
	32,960	25,162
Income from Investments		
Dividends and other investment income	277	242
Interest Receivable	2,153	1,959
Other Finance Income/(Charges)		
Expected return on retirement benefit scheme assets	29,769	20,908
Interest on retirement benefit scheme liabilities	(26,548)	(23,183)
	3,221	(2,275)

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.

	2011	*2010*
	£000	*£000*
Operating Expenditure		
Business – Account Management & Specialist Advisory Services	16,844	14,938
Business – Innovation and R&D Support	16,599	15,613
Business – Enterprise Support Programme	5,652	7,499
Business – Internationalisation	18,606	21,353
Business – Commercialisation	21,442	36,913
Business Sectors – Industry Sector Project Support	13,312	18,791
Business Environment – Business Infrastructure Projects	47,413	50,864
Business Environment – Equity Investment & Loans	18,491	14,149
Business Environment – Urban & Local Regeneration	19,560	17,942
Business Environment – Property Portfolio Operational Costs	19,873	15,182
Marketing & Research – Domestic	2,947	4,362
Marketing & Research – Overseas	5,951	5,900
Total Segmental Expenditure	206,690	223,506
Management Expenditure		
Management expenditure on staff costs	51,035	60,313
Premises, ICT, business services and other management costs	27,217	28,584
	78,252	88,897
Income	(48,668)	(40,422)
Net Operating Expenditure	236,274	271,981

4. STAFF NUMBERS AND RELATED COSTS

		2011	*2010*
		£	*£*
(a)	**Non Executive Board members**		
	Fees and remuneration (i)	174,600	173,761
	Pension and social security costs	26,725	26,264
	Travel and subsistence	3,065	3,030
		204,390	203,055
	Chairman's remuneration	38,721	38,721

(i) Fees and remuneration paid to Non Executive Board Members are 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 £127,000 (2010: £136,000) within the total retirement benefit liabilities at 31 March 2011, as assessed by the advisers to the Scottish Enterprise Pension & Life Assurance Scheme.

NOTES TO THE ACCOUNTS (continued)

(iv) The nature of Scottish Enterprise operations and the composition of its board make it very likely that transactions will take place with companies or other organisations in which a member may have 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. During the year expenditure with / (income from) non-public bodies in which a member had an interest was as follows:

Company	Board Member	Position	£	Description
Touch EMAS Limited	Crawford Gillies	Chairman	76,871	Grant Funding
			199,662	Ordinary Shares
Standard Life plc	Crawford Gillies	Director	39,207	Insurance
Metaforic Limited	Fred Hallsworth	Director	100,000	Loan
			1,100,000	Ordinary Shares
Yakara PLC	Iain Macdonald	Chairman & Non-Executive Director	12,000	Grant Funding
Cairn Energy	Iain McLaren	Director	(2,848)	IIP assessment services
David Hume Institute	Jeremy Peat	Director	600	Subscription
Rolls-Royce PLC	Jim McDonald	Advisory Board	71,892	Grant funding
The Entrepreneurial Exchange	John McGlynn	Director	17,848	Corporate membership and consultancy
Scottish Capital Partners Limited	John McGlynn	Director	19,800	Grant funding
Morton Fraser	Linda Urquhart	Partner	1,500	Fees
			(5,064)	IIP assessment & advisory services
Institute of Occupational Medicine	Russel Griggs	Chairman	77,756	Grant funding

(v) Scottish Enterprise works in partnership with many publicly funded and representative bodies with whom joint projects and transactions have been undertaken during the year; the following Members also hold or held official positions in these organisations:

Organisation	Board Member	Position
Royal Society of Edinburgh	Donald MacRae	Fellow
Glasgow Caledonian University	Graeme Waddell	Member of Business Advisory Board
Scottish Council for Development & Industry	Grahame Smith	Director
Glasgow North Regeneration Agency	Grahame Smith	Director
Festival City Theatres Trust	Iain McLaren	Director
Heriot-Watt University	Iain McLaren	Member of Court
Riverside Inverclyde	Ian Crawford	Director
Royal Society of Edinburgh	Jeremy Peat	Fellow
Royal Zoological Society of Scotland	Jeremy Peat	Board Member
University of Strathclyde	Jim McDonald	Principal & Vice Chancellor
The Confederation of British Industry	Linda Urquhart	Board member and Chairman of CBI Scotland
Scottish Institute for Enterprise	Sir Timothy O'Shea	Chairman
University of Edinburgh	Sir Timothy O'Shea	Principal
University of Strathclyde	Lena Wilson	Member of Advisory Board of the University Business School
The Prince's Scottish Youth Business Trust	Lena Wilson	Board Member

NOTES TO THE ACCOUNTS (continued)

(b) Staff costs comprise:

	Permanent staff £000	*Others £000*	*2011 £000*	*2010 £000*
Wages and salaries	46,896	-	46,896	51,412
Social security costs	3,859	-	3,859	4,293
Pension costs	9,749	-	9,749	5,880
Inward seconded and temporary staff costs	-	285	285	562
Travel and subsistence	1,703	-	1,703	1,832
Entertainment	3	-	3	5
Less: recoveries in respect of outward secondments	(1,579)	-	(1,579)	(1,409)
	60,631	285	60,916	62,575
Severance costs	3,358	-	3,358	8,126
Costs of staff employed during the year	63,989	285	64,274	70,701
Deduct retirement benefit scheme curtailment/settlement credit	(4,320)	-	(4,320)	-
Total staff costs	59,669	285	59,954	70,701

(c) Staff costs are included in the Net Expenditure Statement as follows:-

	2011 £000	*2010 £000*
Operating expenditure	8,919	10,388
Management expenditure on staff costs	51,035	60,313
	59,954	70,701

(d) Severance costs

The number of staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2011 amounted to 20 (2010: 66), at a total cost of £3,358,586 (2010: £8,126,033). This comprises payments to individuals of £1,016,163 (2010: £4,274,262) for compensation for loss of office and pay in lieu of notice and payments to the Scottish Enterprise Pension & Life Assurance Scheme of £2,342,423 (2010: £3,851,771) which are based on actuarial calculations in relation to future pension benefits. These costs include a provision of £460,809 for the cost of 3 staff who have agreed to leave under the severance programme during 2011/12. In addition to the staff leaving under voluntary severance there were a further 2 (2010: Nil) individuals who left the organisation at a cost of £28,746 (2010: £Nil).

Exit package cost band	*Compulsary redundancies No.*	*Other departures agreed No.*	*Total 2011 No.*	*Total 2010 No.*
< £10,000	-	1	1	2
£10,000 - £25,000	-	2	2	4
£25,000 - £50,000	-	8	8	18
£50,000 - £75,000	-	-	-	9
£75,000 - £100,000	-	-	-	9
£100,000 - £150,000	-	2	2	6
£150,000 - £200,000	-	1	1	3
£200,000 - £250,000	-	1	1	3
£250,000 - £300,000	-	2	2	3
£300,000 - £350,000	-	1	1	5
£350,000 - £400,000	-	3	3	3
£400,000 - £450,000	-	1	1	-
£450,000 - £500,000	-	-	-	-
£500,000 - £550,000	-	-	-	-
£550,000 - £600,000	-	-	-	1
	-	22	22	66

The total cost of exit packages in the year to 31 March 2011 amounted to £3,387,332 (2010: £8,126,033).

NOTES TO THE ACCOUNTS (continued)

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

	Permanent staff No.	*Others No.*	*2011 No.*	*Restated 2010 No.*
Executive Leadership Team	8	-	8	7
Operations	1,003	-	1,003	976
Administration and support function	288	-	288	319
Inward Secondments and temporary staff	-	8	8	8
	1,299	8	1,307	1,310

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 based on final pensionable salary. The assets of the scheme are held separately from those of Scottish Enterprise, being invested by the Trustees of the scheme.

On 1 April 2008, staff previously employed in Scottish Enterprise's Skills & Learning and Careers Scotland functions transferred to The Skills Development Scotland Co. Limited. The Trustees of the Scottish Enterprise Pension and Life Assurance Scheme, Scottish Enterprise (as principal employer) and Skills Development Scotland (as participating employer) entered into an agreement effective from 1 April 2008, whereby employees of Skills Development Scotland, who were previously Skills & Learning employees of Scottish Enterprise, continued to participate in the Scottish Enterprise Pension and Life Assurance Scheme in accordance with the Deed of Agreement and Trust and other governing documentation of the Scheme.

The Deed of Participation admitting Skills Development Scotland as a participating employer to the Scheme did not address how the assets and liabilities of the Scheme relating to Skills Development Scotland's employees former participation in the Scheme, as employees of Scottish Enterprise, should be determined and accounted for. In the absence of an agreement, for the purposes of IAS19 Employee Benefits, as at 31 March 2010, Scottish Enterprise continued to account for all assets and liabilities of the Scheme as at 31 March 2008, including those relating to staff transferred to Skills Development Scotland at that date.

On 30 April 2010, Skills Development Scotland informed their staff, including those former Skills & Learning employees of Scottish Enterprise, they intended to consolidate retirement benefits in the Strathclyde Pension Fund. The transfer of assets and liabilities of the Scottish Enterprise Pension and Life Assurance Scheme to the Strathclyde Pension Fund was completed during the year to 31 March 2011 and the consequences are included within these financial statements.

i. Assets and liabilities of the Scottish Enterprise Pension and Life Assurance Scheme, relating to the post 1 April 2008 service of employees who were not eligible to transfer to the Strathclyde Pension Scheme as they were no longer active members, have been adopted by Scottish Enterprise and a net increase in scheme assets of £5,638,000 has been recognised.

ii. A curtailment gain of £170,000 has been recognised in respect of the decision of a small number of employees of Skills Development Scotland not to transfer to the Strathclyde Pension Scheme. Consequently these individuals became deferred members and their benefits will no longer be linked to future salary increases.

iii. 430 employees of Skills Development Scotland elected to transfer their future pension provision to the Strathclyde Pension Scheme. A settlement credit of £4,150,000 has been recorded which represents the difference between the value of the liabilities transferred and the related asset transfer which was required to secure these benefits in the Strathclyde Pension Scheme.

iv. A payment of £1,705,000 was paid into the Scottish Enterprise Pension and Life Assurance Scheme by Skills Development Scotland under section 75 of the Pensions Act 1995. The terms of the legislation require any employer who ceases to have any employees eligible for a defined benefit pension scheme to pay a sum equivalent to its share of the deficit in the scheme at the date it ceases to be a participating employer. The payment of the s75 settlement is included within contributions by the employer in the tables below.

NOTES TO THE ACCOUNTS (continued)

On 22 June 2010, the UK Government announced its intention to switch the inflation measure for statutory increases to pensions to the Consumer Price Index (CPI). The change was duly confirmed in the order made under the Pensions (Increase) Act 1971 and as a consequence the calculation of scheme liabilities at 31 March 2011 have been calculated on the basis of the revised inflation index. The effect of the change in the inflation assumption has been included within actuarial gains on scheme obligations in the tables below.

	2011	*2010*
	£000	*£000*
Present value of funded defined benefit obligations	(439,474)	(481,836)
Fair value of plan assets	475,153	437,310
Recognised surplus/(deficit) in the scheme	35,679	(44,526)

Movements in the present value of defined benefit obligations

	2011	*2010*
	£000	*£000*
At 1 April	(481,836)	(327,642)
Transferred from Skills Development Scotland	(4,207)	-
Current service cost	(9,661)	(5,718)
Past service cost	(2,342)	(3,818)
Interest cost	(26,548)	(23,183)
Actuarial gains	47,652	(133,264)
Benefits paid	12,667	14,218
Contributions by members	(2,362)	(2,429)
Plan curtailments and settlements	27,163	-
	(439,474)	(481,836)

Movements in the present value of defined benefit scheme assets

	2011	*2010*
	£000	*£000*
At 1 April	437,310	321,371
Transferred from Skills Development Scotland	9,845	-
Expected return on plan assets	29,769	20,908
Actuarial gains / (losses)	20,109	95,413
Contributions by the employer	11,268	11,407
Contributions by members	2,362	2,429
Benefits paid by the plan	(12,667)	(14,218)
Plan settlements	(22,843)	-
	475,153	437,310

Expense recognised in the Net Expenditure Statement

	2011	*2010*
	£000	*£000*
Current service cost	9,661	5,718
Past service cost	2,342	3,818
Expected return on retirement benefit scheme assets	(29,769)	(20,908)
Interest on retirement benefit scheme obligations	26,548	23,183
Curtailment and settlement gains	(4,320)	-
Total retirement benefit scheme expense	4,462	11,811

NOTES TO THE ACCOUNTS (continued)

The expense is recognised in the following lines in the Net Expenditure Statement

	2011	*2010*
	£000	*£000*
Management Expenditure	7,683	9,536
Other Finance (Income)/Charges	(3,221)	2,275
	4,462	11,811

The total gain amount recognised in the statement of other comprehensive income in respect of actuarial gains and losses is £67,761,000 (2010: £37,851,000 (loss)).

Cumulative actuarial gains and losses recognised in the statement of other comprehensive income since 1 April 2002 are net losses of £20,580,000 (2010: £88,341,000 (losses))

The fair value and the expected rates of return on scheme assets at 31 March 2011 were as follows:

		2011		*2010*
	Long term return	*Value £m*	*Long term return*	*Value £m*
Equities	7.40%	344.5	7.50%	311.8
Corporate Bonds	5.50%	58.4	5.50%	52.0
Gilts	6.40%	49.0	4.50%	18.4
Property	4.40%	18.1	5.50%	43.3
Cash	3.90%	5.2	4.00%	11.8
Total fair value of assets	6.90%	475.2	6.80%	437.3

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:-

	2011 % per annum	*2010 % per annum*
Discount rate	5.50%	5.50%
Expected rate of return on plan assets	6.90%	6.84%
Future salary increases	5.00%	5.10%
Rate of increase in retirement benefits	2.80%	3.60%
Price inflation	2.80%	3.60%

The assumptions relating to longevity underlying the retirement benefit obligations at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60 year old to live for a number of years as follows:-

	2011 Years	*2010 Years*
Male – at the current retirement age of 60	25.7	25.6
Male – future retiree	27.7	27.6
Female – at the current retirement age of 60	28.3	28.2
Female – future retiree	30.2	30.1

NOTES TO THE ACCOUNTS (continued)

History of the Scottish Enterprise Pension & Life Assurance Scheme for the current and prior periods and for Scottish Enterprise's share of the Strathclyde Pension Scheme for prior periods is as follows:

	2011	*2010*	*2009*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of plan assets	475,153	437,310	321,371	508,561	502,125
Present value of defined benefit obligation	(439,474)	(481,836)	(327,642)	(465,042)	(510,471)
Surplus / (deficit)	35,679	(44,526)	(6,271)	43,519	(8,346)
Experience adjustments on scheme assets	20,109	95,413	(129,327)	(50,444)	(965)
	4.2%	21.8%	(40.2%)	(9.9%)	(0.2%)
Experience adjustments on scheme liabilities	3,364	6,500	28,234	560	(958)
	0.7%	1.3%	8.6%	0.1%	(0.2%)
Total actuarial gains/(losses) on obligation	47,652	(133,265)	71,306	96,415	786
	10.8%	(27.7%)	21.8%	20.7%	0.2%

A reduction in the net discount rate will increase the value of scheme liabilities. The overall effect of a change in the net discount rate of 0.1% would increase / decrease scheme liabilities by approximately 2% (£8.2m) at March 2011. The effect of increasing the assumed life expectancies by one year would be to increase the value of liabilities by approximately 2% (£9.0m) at 31 March 2011.

During the year to 31 March 2012, Scottish Enterprise estimates that contributions of £7.6m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

6. TAXATION

	2011	*2010*
	£000	*£000*
UK Corporation tax @ 28%	491	148
Corporation tax over provided in previous years	(125)	(77)
	366	71
Share of equity accounted investees' tax	-	-
Total current tax	366	71

Factors affecting current tax charge:

	2011	*2010*
	£000	*£000*
Net expenditure after interest	230,613	272,021
Current tax @ 28%	(64,572)	(76,166)
Effect of:		
Non-taxable income and disallowed expenditure	65,047	76,314
Capital allowances	-	-
Tax over provided in previous years	(109)	(77)
Current tax charge	366	71

NOTES TO THE ACCOUNTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land	*Buildings*	*Assets Under Construction*	*Transport Equipment*	*Plant and Equipment*	*Information Technology*	*Furniture & Fittings*	*Leasehold Improvement*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost and valuation									
At 1 April 2009	98,638	79,725	-	171	26,113	5,177	2,067	1,237	213,128
Additions	6,683	-	-	92	290	1,035	390	-	8,490
Disposals	(4,061)	(1,323)	-	(59)	(6,132)	(1,792)	(47)	(174)	(13,588)
Transfer to Held for Sale	1,690	2,920	-	-	-	-	-	-	4,610
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(4,425)	(1,487)	-	-	-	-	-	-	(5,912)
At 31 March 2010	98,525	79,835	-	204	20,271	4,420	2,410	1,063	206,728
At 1 April 2010	98,525	79,835	-	204	20,271	4,420	2,410	1,063	206,728
Acquisition through business combination	-	-	-	-	33	373	101	-	507
Additions	21,849	55	9,958	26	421	94	439	37	32,879
Disposals	(4,940)	(125)	-	(68)	(742)	(379)	(87)	-	(6,341)
Transfer from Held for Sale	530	(2,500)	-	-	-	-	-	-	(1,970)
Written off	-	-	-	-	-	(15)	(8)	(212)	(235)
Revaluation	(9,953)	(2,782)	-	-	-	-	-	-	(12,735)
At 31 March 2011	106,011	74,483	9,958	162	19,983	4,493	2,855	888	218,833

NOTES TO THE ACCOUNTS (continued)

	Land £000	Buildings £000	Assets Under Construction £000	Transport Equipment £000	Plant and Equipment £000	Information Technology £000	Furniture & Fittings £000	Leasehold Improvement £000	Total £000
Depreciation									
At 1 April 2009	-	218	-	116	16,119	4,634	2,098	637	23,822
Charge for year	-	3,684	-	48	2,184	644	379	82	7,021
Revaluation	-	(3,619)	-	-	-	-	-	-	(3,619)
Disposals	-	(283)	-	(44)	(1,280)	(1,659)	(771)	(77)	(4,114)
At 31 March 2010	-	-	-	120	17,023	3,619	1,706	642	23,110
At 1 April 2010	-	-	-	120	17,023	3,619	1,706	642	23,110
Charge through business combination	-	-	-	-	31	358	35	-	424
Charge for year	-	3,845	-	33	1,885	436	609	37	6,845
Revaluation	-	(3,819)	-	-	-	-	-	-	(3,819)
Disposals	-	-	-	(65)	(364)	(361)	(87)	-	(877)
Written Off	-	-	-	-	-	(15)	(8)	(82)	(105)
At 31 March 2011	-	26	-	88	18,575	4,037	2,255	597	25,578
Net book value									
At 31 March 2011	106,011	74,457	9,958	74	1,408	456	600	291	193,255
At 31 March 2010	98,525	79,835	-	84	3,248	801	704	421	183,618
At 1 April 2009	98,638	79,507	-	55	9,994	543	(31)	600	189,306
Asset financing									
Owned	106,011	74,457	9,958	74	1,408	456	600	291	193,255
Net book value									
At 31 March 2011	106,011	74,457	9,958	74	1,408	456	600	291	193,255

Included within Land is land on long leasehold (over 50 years) with a value of £0.2m (2010: £2.6m).

Land & Buildings held for industrial and commercial use were valued at 31 March 2011 by James Barr, Chartered Surveyors, on a market value basis as defined by the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors and had a total value of £180m (2010: £178m).

Within Buildings is a building that has been revalued by 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 2011 the net carrying value of leased equipment was £Nil (2010: £1.2m). The related financial obligations are set out in Note 18.

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE

	Land	*Buildings*	*Assets Under Construction*	*Transport Equipment*	*Plant and Equipment*	*Information Technology*	*Furniture & Fittings*	*Leasehold Improvement*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost and valuation									
At 1 April 2009	71,632	26,290	-	101	1,486	2,078	1,626	-	103,213
Additions	7,067	-	-	56	-	814	389	-	8,326
Disposals	(3,466)	(270)	-	(47)	-	-	-	-	(3,783)
Inter-group transfer	-	-	-	-	-	260	222	527	1,009
Transfer to Held for Sale	530	2,920	-	-	-	-	-	-	3,450
Written off	-	-	-	-	-	-	-	-	-
Revaluation	(4,584)	993	-	-	-	-	-	-	(3,591)
At 31 March 2010	71,179	29,933	-	110	1,486	3,152	2,237	527	108,624
At 1 April 2010	71,179	29,933	-	110	1,486	3,152	2,237	527	108,624
Additions	21,849	-	9,958	26	-	-	403	-	32,236
Disposals	(4,582)	(125)	-	(54)	-	-	(56)	-	(4,817)
Inter-group transfer	-	-	-	-	-	-	-	-	-
Transfer from/(to) Held for sale	410	(2,500)	-	-	-	-	-	-	(2,090)
Written off	-	-	-	-	-	(15)	(8)	(212)	(235)
Revaluation	(11,026)	(370)	-	-	-	-	-	-	(11,396)
At 31 March 2011	77,830	26,938	9,958	82	1,486	3,137	2,576	315	122,322

NOTES TO THE ACCOUNTS (continued)

	Land £000	*Buildings* £000	*Assets Under Construction* £000	*Transport Equipment* £000	*Plant and Equipment* £000	*Information Technology* £000	*Furniture & Fittings* £000	*Leasehold Improvement* £000	*Total* £000
Depreciation									
At 1 April 2009	-	-	-	80	1,428	2,015	1,290	-	4,813
Inter-group transfer	-	-	-	-	-	235	222	248	705
Charge for year	-	786	-	28	58	335	103	-	1,310
Disposals	-	-	-	(35)	-	-	-	-	(35)
Revaluation	-	(786)	-	-	-	-	-	-	(786)
Written off	-	-	-	-	-	-	-	-	-
At 31 March 2010	-	-	-	73	1,486	2,585	1,615	248	6,007
At 1 April 2010	-	-	-	73	1,486	2,585	1,615	248	6,007
Inter-group transfer	-	-	-	-	-	-	-	-	-
Charge for year	-	738	-	13	-	297	526	15	1,589
Disposals	-	-	-	(52)	-	-	(56)	-	(108)
Revaluation	-	(712)	-	-	-	-	-	-	(712)
Written off	-	-	-	-	-	(15)	(8)	(82)	(105)
At 31 March 2011	-	26	-	34	1,486	2,867	2,077	181	6,671
Net book value									
At 31 March 2011	77,830	26,912	9,958	48	-	270	499	134	115,651
At 31 March 2010	71,179	29,933	-	37	-	567	622	279	102,617
At 1 April 2009	71,632	26,290	-	21	58	63	336	-	98,400
Asset financing									
Owned	77,830	26,912	9,958	48	-	270	499	134	115,651
Net book value									
At 31 March 2011	77,830	26,912	9,958	48	-	270	499	134	115,651

Included within Land is land on long leasehold (over 50 years) with a value of £0.2m (2010: £2.6m).

Land & Buildings held for industrial and commercial use were valued at 31 March 2011 by James Barr, Chartered Surveyors, on a market value basis as defined by the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors and had a total value of £105m (2010: £101m).

NOTES TO THE ACCOUNTS (continued)

8. INTANGIBLE ASSETS

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

GROUP

	Patents and other rights £000	*Software Licences £000*	*Total £000*
Cost			
At 1 April 2009	925	855	1,780
Additions	-	-	-
As at 31 March 2010	925	855	1,780
At 1 April 2010	925	855	1,780
Additions	-	-	-
As at 31 March 2011	925	855	1,780
Amortisation			
At 1 April 2009	897	816	1,713
Charge for year	28	39	67
As at 31 March 2010	925	855	1,780
At 1 April 2010	925	855	1,780
Charge for year	-	-	-
As at 31 March 2011	925	855	1,780
Net book value at 31 March 2011	-	-	-
Net book value at 31 March 2010	-	-	-
Net book value at 1 April 2009	28	39	67

SCOTTISH ENTERPRISE

	Patents and other rights £000	*Software Licences £000*	*Total £000*
Cost			
At 1 April 2009	633	846	1,479
Additions	-	-	-
As at 31 March 2010	633	846	1,479
At 1 April 2010	633	846	1,479
Additions	-	-	-
As at 31 March 2011	633	846	1,479
Amortisation			
At 1 April 2009	633	807	1,440
Charge for year	-	39	39
As at 31 March 2010	633	846	1,479
At 1 April 2010	633	846	1,479
Charge for year	-	-	-
As at 31 March 2011	633	846	1,479
Net book value at 31 March 2011	-	-	-
Net book value at 31 March 2010	-	-	-
Net book value at 1 April 2009	-	39	39

NOTES TO THE ACCOUNTS (continued)

9. EQUITY ACCOUNTED INVESTEES

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

	Current Assets £000	*Non current assets £000*	*Total Assets £000*	*Current Liabilities £000*	*Non Current Liabilities £000*	*Total Liabilities £000*	*Revenue £000*	*Expenses £000*	*Profit / (Loss) £000*
Restated At 1 April 2009	46,622	3,255	49,877	(3,626)	(45,703)	(49,329)	18,924	(21,120)	(2,196)
Restated At 31 March 2010	47,228	1,567	48,795	(4,154)	(46,972)	(51,126)	1,702	(2,634)	(932)
At 31 March 2011	48,616	5,283	53,899	(5,989)	(49,382)	(55,371)	2,178	(3,337)	(1,159)

Movements in carrying amount of investment in equity accounted investees:

	£000 Restated
Carrying amount at 1 April 2009	3,659
Transfer of interest in equity accounted investee	(852)
Share of net profit	34
Distributions received	(164)
Carrying amount at 31 March 2010	2,677
Carrying amount at 1 April 2010	2,677
Transfer of interest in equity accounted investee	(454)
Acquisition	3,200
Share of net profit	10
Distributions received	(487)
Carrying amount at 31 March 2011	4,946

Scottish Enterprise's interest in East Dunbartonshire Development Company Limited was transferred to East Dunbartonshire Council on 9 June 2010. The transfer was approved under the Machinery of Government regulations and as a consequence the carrying value of the financial asset in Scottish Enterprise's Balance Sheet of £1,994,000 has been eliminated from the comparative figures in these financial statements.

On 1 April 2010 the budget to fund Scottish Intellectual Asset Management Limited was transferred to Scottish Enterprise from the Scottish Government. Therefore by virtue of board control, from this date the company is deemed to be a Subsidiary of Scottish Enterprise. Up to and including the financial year ended 31 March 2010, Scottish Enterprise accounted for it's proportion of the company's results as an Equity Accounted Investee, (2010 £8,000).

NOTES TO THE ACCOUNTS (continued)

10. FINANCIAL ASSETS – OTHER INVESTMENTS

			Group			*Scottish Enterprise*
					Restated	*Restated*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Held to Maturity Investments	1,154	1,324	2,638	1,129	1,290	2,532
Available for sale financial assets	38,184	49,160	38,916	37,614	44,902	35,196
Loans and other receivables	20,025	17,939	17,700	18,418	15,874	15,529
	59,363	68,423	59,254	57,161	62,066	53,257

The above financial assets have been funded as follows:

			Group			*Scottish Enterprise*
					Restated	*Restated*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Grant in Aid	58,950	67,997	58,576	56,748	61,640	52,579
Voted Loans	399	412	614	399	412	614
Public Dividend Capital	14	14	64	14	14	64
	59,363	68,423	59,254	57,161	62,066	53,257

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 payable to the Treasury are disclosed as appropriations in the Net Expenditure Statement and amounted to £Nil (2010: £109,000).

Listed Investments

Stock Exchange investments included in the above at 31 March 2011 are valued £6,513,000 (2010: £4,920,000) which includes unrealised surpluses on valuation of £1,269,000 (2010: £753,000). Income from listed investments in the year to 31 March 2011 was £57,000 (2010: £61,000).

The schedule of main invested companies is given in Note 28.

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**
Atlas Connect Limited (i)	Communications infrastructure	100
Co-operative Development Scotland Limited	Assisting new and emerging co-operative businesses	100
Optocap Limited (ii)	Electronics packaging	100
Scotland Europa Limited	Business services	100
SCTR Limited	Business incubator	100
SE Conference House Limited	Property letting	100
Enterprise Services Scotland Limited	Dormant	100
Scottish Investment Bank Limited (incorporated 8 September 2009)	Dormant	100
Scottish Development Finance Limited	Dormant	100
Scottish Development Overseas Limited	Dormant	100

NOTES TO THE ACCOUNTS (continued)

Limited by guarantee	Nature of Business	% of Membership
ITI Scotland Limited	Commissioning of research	100
Investors in People Scotland	Training & skills accreditation	50(S)
Scottish Intellectual Asset Management Limited (iii)	Commercialisation of intellectual assets	50 (S)
Scottish Stem Cell Network Limited	Promotion and development of stem cell science in Scotland	100
Euroinfocentre Limited	Dormant	100
Traction Test Facility Limited (in liquidation)	Dormant	100

General Partner	Nature of Business	% of Membership
Scottish Equity Partnership (Limited Partnership)(iv)	Venture capital fund	50

Companies marked "(S)" are subsidiaries by virtue of board control.

(i) Scottish Enterprise disposed of the shares in Atlas Connect Limited on 9 March 2010.
(ii) Scottish Enterprise disposed of the shares in Optocap Limited on 2 June 2009.
(iii) On 1 April 2010 the budget to fund Scottish Intellectual Asset Management Limited was transferred to Scottish Enterprise from the Scottish Government. Therefore from this date the company is deemed to be a Subsidiary of Scottish Enterprise by virtue of board control. Up until this point the company had been treated as an Equity Accounted Investee.
(iv) Scottish Equity Partnership was wound up on 30 September 2009 in accordance with the terms of the partnership agreement.

Local Enterprise Companies
Scottish Enterprise Ayrshire
Scottish Enterprise Borders
Scottish Enterprise Dumfries & Galloway
Scottish Enterprise Dunbartonshire
Scottish Enterprise Edinburgh & Lothian
Scottish Enterprise Fife
Scottish Enterprise Forth Valley
Scottish Enterprise Glasgow
Scottish Enterprise Grampian
Scottish Enterprise Lanarkshire
Scottish Enterprise Renfrewshire
Scottish Enterprise Tayside

The following companies are subsidiary companies of the Local Enterprise Companies.

Name of Company	Nature of Business
Ayrshire Development Fund Limited	Investment fund
SEBSED Limited	Loan fund
Katalyst Projects (2005) Limited	Property development
Loch Lomond Shores Management Company Limited	Property management
GDA Investments Limited (Dormant)	Investment fund
Glasgow Science Centre Charitable Trust	Visitor attraction ownership
Glasgow Science Centre Limited	Visitor attraction operator
Glasgow Science Centre (Trading) Limited	Commercial operations management
The Glasgow Science Centre Endowment Fund	Investment fund
Calder Park (Management) Limited	Property management
SEF Development Fund Limited (Dissolved 16 July 2010)	Local economic development
SE Grampian Investments Limited	Investment fund
SET Development Fund Limited	Local economic development
Tay Euro Fund Limited	Investment fund
The Loch Lomond Trust	Dormant

NOTES TO THE ACCOUNTS (continued)

Equity accounted investees

Limited by shares	**Nature of Business**	**% of Voting rights**
East Dunbartonshire Development Company Limited (iii)	Property development	27.70
Ardrossan Saltcoats Stevenston Enterprise Properties Limited (i)	Property development	33.33
Discovery Quay Developments Limited	Property development	33.33
The Kelvin Institute	Commercialisation of research	28.70
Ravenscraig Limited	Property development	33.33
Katalyst Projects Limited	Property development	25.00
AMCET Limited	Promotion of commercialisation of technology	26.00

Limited by guarantee	**Nature of Business**	**% of Membership**
Renfrewshire Investment Fund Limited	Investment fund	50.00
Design Dundee Limited (dormant)	Advancement of cultural facility	20.00
Dunbartonshire Enterprise Fund Limited	Investment fund	50.00
Scottish Health Innovations Limited	Commercialisation of intellectual assets	50.00
Headstart Capital Fund	Investment Fund	50.00
Innovation Centres (Scotland) Limited (ii)	Business development and property management services	50.00

Joint arrangement	**Nature of Business**	**% of Interest**
SE Forth Valley / Kemfine UK	Property development	60.00
Aberdeen Science Parks LP (iv)	Property management & development	80.00

(i) The liquidation of Ardrossan Saltcoats Stevenston Enterprise Properties Limited was completed and the company was dissolved on 16 January 2010.
(ii) SE Renfrewshire's interest in Innovation Centres (Scotland) Limited was sold on 20 April 2010.
(iii) Scottish Enterprise's interest in East Dunbartonshire Development Company Limited was transferred to East Dunbartonshire Council under Machinery of Government regulations on 9 June 2010.
(iv) Scottish Enterprise's interest in Aberdeen Science Parks LP was acquired on 9 July 2010.

11. REVALUATIONS TO FAIR VALUE AND IMPAIRMENTS

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

GROUP

	Net Expenditure Statement 2011 £000	*Revaluation reserve 2011 £000*	*Total 2011 £000*	*Total 2010 £000*
Revaluations to fair value				
Property, plant and equipment	-	2,164	2,164	3,316
Financial assets	(7)	768	761	1,311
	(7)	2,932	2,925	4,627
Impairments				
Property plant and equipment	11,140	204	11,344	5,609
Assets classified as held for sale	700	-	700	370
Financial assets	17,396	-	17,396	11,486
	29,236	204	29,440	17,465

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE

	Net Expenditure Statement 2011 £000	*Revaluation reserve 2011 £000*	*Total 2011 £000*	*Total 2010 £000*
Revaluations to fair value				
Property, plant and equipment	-	767	767	2,621
Financial assets	(7)	731	724	779
	(7)	1,498	1,491	3,400
Impairments				
Property plant and equipment	10,308	1,143	11,451	5,426
Assets classified as held for sale	700	-	700	370
Financial assets	17,690	-	17,690	11,151
	28,698	1,143	29,841	16,947

12. OTHER NON-CURRENT RECEIVABLES

			Group			*Scottish Enterprise*
	2011 £000	*2010 £000*	*2009 £000*	*2011 £000*	*2010 £000*	*2009 £000*
Assets and investments held by Local Enterprise Companies	-	-	-	43,791	45,119	48,111
Subsidiary undertakings	-	-	-	6,152	6,152	6,152
Other receivables	4,545	1,994	1,704	4,105	1,994	1,704
	4,545	1,994	1,704	54,048	53,265	55,967

Assets and investments held by Local Enterprise Companies

Local Enterprise Companies hold in their own name, tangible assets and investments purchased with funds provided under the operating contract with Scottish Enterprise. Under the terms of the operating contract all sums arising from the disposal of these assets and investments fall to be repaid to Scottish Enterprise.

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

			Scottish Enterprise
	2011 £000	*2010 £000*	*2009 £000*
Land	34,432	35,236	37,830
Investments	9,290	9,814	10,212
Other	69	69	69
	43,791	45,119	48,111

Local Enterprise Companies were required to grant standard securities in favour of Scottish Enterprise in respect of heritable property acquired as above. Scottish Enterprise also holds a floating charge over the assets of each Local Enterprise Company.

NOTES TO THE ACCOUNTS (continued)

13. ASSETS CLASSIFIED AS HELD FOR SALE

GROUP

	Property, plant and equipment £000	*Other £000*	*Total £000*
At 1 April 2009	30,275	150	30,425
Transfers to/(from) assets held for sale	(4,610)	-	(4,610)
Gain or Losses recognised on re-measurement	(370)	-	(370)
Disposals for non-current assets held for sale	(6,620)	(150)	(6,770)
As at 31 March 2010	18,675	-	18,675
At 1 April 2010	18,675	-	18,675
Transfers to/(from) assets held for sale	1,970	-	1,970
Gain or Losses recognised on re-measurement	(700)	-	(700)
Disposals for non-current assets held for sale	(15,655)	-	(15,655)
As at 31 March 2011	4,290	-	4,290

SCOTTISH ENTERPRISE

	Property, plant and equipment £000	*Total £000*
At 1 April 2009	27,405	27,405
Transfers to/(from) assets held for sale	(3,450)	(3,450)
Impairment recognised on re-measurement	(370)	(370)
Disposal of non-current assets held for sale	(5,570)	(5,570)
As at 31 March 2010	18,015	18,015
At 1 April 2010	18,015	18,015
Transfers to/(from) assets held for sale	2,090	2,090
Impairment recognised on re-measurement	(700)	(700)
Disposal of non-current assets held for sale	(15,180)	(15,180)
As at 31 March 2011	4,225	4,225

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

The gross value of assets no longer classified for sale and reclassified as land and buildings (Note 7), at 31 March 2011 is £620,000. These assets are no longer held for sale due to a combination of current economic conditions and changing strategic priorities.

14. INVENTORIES

			Group			*Scottish Enterprise*
	2011 £000	*2010 £000*	*2009 £000*	*2011 £000*	*2010 £000*	*2009 £000*
Finished Goods	96	110	85	-	-	-

NOTES TO THE ACCOUNTS (continued)

15. TRADE AND OTHER RECEIVABLES

	Group			*Scottish Enterprise*		
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Local Enterprise Companies	-	-	-	959	737	785
Other Subsidiary undertakings	-	-	-	5	63	34
Other receivables	10,801	16,223	7,920	9,201	14,058	5,654
Prepayments	3,448	2,685	4,049	7,578	2,456	3,180
Accrued income	9,133	6,926	4,129	3,055	4,718	4,102
	23,382	25,834	16,098	20,798	22,032	13,755

(i) Provisions for impairments

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

GROUP

	At 1 April 2009	*Utilised during year*	*Movements in Provisions*	*At 31 March 2010*
	£000	*£000*	*£000*	*£000*
Other receivables	7,024	(19)	126	7,131

	At 1 April 2010	*Utilised during year*	*Movements in Provisions*	*At 31 March 2011*
	£000	*£000*	*£000*	*£000*
Other receivables	7,131	(4,176)	488	3,443

SCOTTISH ENTERPRISE

	At 1 April 2009	*Utilised during year*	*Movements in Provisions*	*At 31 March 2010*
	£000	*£000*	*£000*	*£000*
Other receivables	2,947	(19)	127	3,055

	At 1 April 2010	*Utilised during year*	*Movements in Provisions*	*At 31 March 2011*
	£000	*£000*	*£000*	*£000*
Other receivables	3,055	(101)	488	3,442

(ii) Public Sector balances

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

	Group			*Scottish Enterprise*		
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Central Government	3,281	470	1,591	3,236	431	1,543
Local Authorities	786	650	584	765	636	561
	4,067	1,120	2,175	4,001	1,067	2,104

NOTES TO THE ACCOUNTS (continued)

16. CASH AND CASH EQUIVALENTS

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Balance at 1 April	107,653	101,504	156,038	93,014	84,759	131,887
Net change in cash and cash equivalent balances	(5,683)	6,149	(54,534)	(4,590)	8,255	(47,128)
	101,970	107,653	101,504	88,424	93,014	84,759

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Scottish Enterprise	16,880	24,285	36,633	16,880	24,285	36,633
Scottish Co-Investment Fund	71,544	68,729	48,126	71,544	68,729	48,126
Local Enterprise Companies	5,422	4,412	5,272	-	-	-
Other subsidiary undertakings	8,124	10,227	11,473	-	-	-
	101,970	107,653	101,504	88,424	93,014	84,759
The balances at 31 March were held at:						
Commercial banks and cash in hand	101,970	107,653	101,504	88,424	93,014	84,759

The Scottish Co-Investment Fund is operated by Scottish Enterprise, but is part funded by the European Union and is intended to finance direct investment activity in association with private sector partners.

17. TRADE AND OTHER PAYABLES

Amounts falling due within one year

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Other taxation and social security	1,162	1,160	1,195	945	896	944
Local Enterprise Companies	-	-	-	1,763	1,742	1,824
Other subsidiary undertakings	-	-	-	1,132	2,134	3
Trade payables	24,577	11,658	15,384	22,758	11,204	13,227
Other payables	240	1,900	2,710	180	1,692	1,481
Accrued charges	13,905	21,484	15,331	12,453	13,514	9,284
Prepaid revenue	1,844	1,578	2,496	1,179	1,129	6,607
Treasury appropriations	-	109	-	-	109	-
	41,728	37,889	37,116	40,410	32,420	33,370

Amounts falling due after more than one year

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Other payables and accrued charges	213	213	969	-	-	-
Deferred income (i)	27,047	29,803	33,942	1,591	1,720	1,848
EU Funding for Scottish Co-investment Fund	4,448	3,365	-	4,448	3,365	-
EU Funding for Scottish Venture Fund	311	32	-	311	32	-
	32,019	33,413	34,911	6,350	5,117	1,848

NOTES TO THE ACCOUNTS (continued)

(i) Deferred Income

Deferred Income relates principally to specific capital grants received by the Glasgow Science Centre Charitable Trust and will be released over the expected useful lives of the relevant assets by equal annual instalments.

(ii) Public Sector balances

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

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Central Government	3,959	1,432	1,980	3,528	1,110	1,097
Local Authorities	1,408	1,646	4,295	1,390	1,636	4,295
	5,367	3,078	6,275	4,918	2,746	5,392

18. OTHER BORROWINGS

Obligations under finance leases are as follows:

			Group			*Scottish Enterprise*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Current liabilities						
Finance lease obligations	-	32	30	-	-	-
Non-current liabilities						
Finance lease obligations	-	540	572	-	-	-

Finance lease obligations are payable as follows:

GROUP	*Minimum Lease Payments*	*Interest*	*Principal*	*Minimum Lease Payments*	*Interest*	*Principal*
	2011	*2011*	*2011*	*2010*	*2010*	*2010*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Less than one year	-	-	-	84	52	32
Between one and five years	-	-	-	336	174	162
More than five years	-	-	-	505	127	378
Finance lease obligations	-	-	-	925	353	572

Scottish Enterprise has no finance lease obligations.

NOTES TO THE ACCOUNTS (continued)

19. PROVISIONS

GROUP

	Severance costs £000	Retirement benefit contributions £000	Car scheme buy out £000	Other £000	Total £000
Balance at 1 April 2009	1,018	378	3,417	165	4,978
Provided in the year	1,372	79	-	-	1,451
Provisions not required written back	(178)	(153)	-	-	(331)
Provisions utilised in the year	(727)	(225)	(3,417)	(165)	(4,534)
Balance at 1 April 2010	1,485	79	-	-	1,564
Provided in the year	41	-	-	-	41
Provisions not required written back	(94)	-	-	-	(94)
Provisions utilised in the year	(1,391)	(79)	-	-	(1,470)
Balance at 31 March 2011	41	-	-	-	41

SCOTTISH ENTERPRISE

	Severance costs £000	Retirement benefit contributions £000	Car scheme buy out £000	Total £000
Balance at 1 April 2009	1,018	378	3,417	4,813
Provided in the year	1,372	79	-	1,451
Provisions not required written back	(178)	(153)	-	(331)
Provisions utilised in the year	(727)	(225)	(3,417)	(4,369)
Balance at 1 April 2010	1,485	79	-	1,564
Provided in the year	41	-	-	41
Provisions not required written back	(94)	-	-	(94)
Provisions utilised in the year	(1,391)	(79)	-	(1,470)
Balance at 31 March 2011	41	-	-	41

Amounts are expected to be paid in respect of all provisions in the year ending 31 March 2012 and therefore the liabilities recognised have not been discounted.

A provision is recognised for the cost of severance payments not yet settled, including payments of £Nil (2010: £Nil) required to augment retirement benefits for those taking early retirement. The terms of severance have been agreed with the employees concerned and will be incurred during the next financial year.

20. CAPITAL COMMITMENTS

GROUP AND SCOTTISH ENTERPRISE

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

	2011 £000	2010 £000
Financial Assets	2,110	2,142

NOTES TO THE ACCOUNTS (continued)

21. CONTINGENT LIABILITIES

GROUP AND SCOTTISH ENTERPRISE

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

	2011 *£000*	*2010* *£000*
Contingent liabilities arising from legal actions	-	-
Other contingent liabilities (i) (ii) (iii)	2,150	3,165

(i) A bank guarantee of £1,015,000 for Social Investment Scotland was provided in March 2005. During the year to 31 March 2011, Scottish Enterprise was released from the guarantee without any call being made on Scottish Enterprise's resources.

(ii) Scottish Enterprise has a potential £2,000,000 liability to meet the costs of addressing coastal defence and erosion problems at the site of Fife Energy Park.

(iii) On 31 March 2010, Scottish Enterprise provided a guarantee of up to £150,000 to Social Investment Scotland in respect of a loan provided to Glencraft (Aberdeen) Limited. This guarantee remains in place.

22. 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*
	2011	*2010*	*2009*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Obligations under operating leases comprise:						
Land and buildings:						
within one year	6,289	6,396	7,143	5,322	5,206	5,587
after one year but not more than five years	20,791	22,860	23,129	18,409	19,154	19,931
After more than five years	10,322	14,697	19,795	9,792	12,916	17,271
	37,402	43,953	50,067	33,523	37,276	42,789
Other:						
within one year	27	29	263	-	-	58
after one year but not more than five years	37	35	61	-	-	-
After more than five years	-	-	-	-	-	-
	64	64	324	-	-	58

FINANCIAL COMMITMENTS

The minimum financial commitment under a non-cancellable financial agreement with IMAX Corporation for maintenance of the IMAX projection system and royalties from film admissions is £148,040 (2010: £157,951).

The financial agreement runs for 20 years from 1 October 2000 to 30 September 2020 and provides for an additional annual charge for any increase in the Retail Price Index since the commencement of the agreement. It is also subject to exchange rate fluctuations as it is stated in US$. The RPI, exchange rate fluctuations and minimum annual financial commitment are not considered to be significant financial risks to the group.

Scottish Enterprise has no financial commitments.

NOTES TO THE ACCOUNTS (continued)

23. SUMMARY OF LOSSES AND AMOUNTS WRITTEN OFF

	No. of cases	*£000*
Claims abandoned or waived	92	9,327

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 2011, balances in excess of £250,000 written off were as follows:-

			2011 £000
Adtech D.S.N. Limited	Ord/Pref/CCRP Shares & Loan	Company in Liquidation	288
Orkell Limited	Ordinary Shares	Company in Liquidation	504
Spiral Gateway Limited	Ordinary Shares	Company Struck Off	460
Plurion Limited	Loan & Interest Waived		4,556
Glasgow Development Fund	Loan	Company Wound Up	1,048

24. MINORITY INTERESTS

			Group
	2011 £000	*2010 £000*	*2009 £000*
Share of profits carried forward	1,604	1,463	1,941
Share of post tax (loss)/profit for year	(28)	454	(478)
Share of partnership appropriations	-	(313)	-
	1,576	1,604	1,463

25. 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. With the exception of finance lease obligations of a subsidiary company, Scottish Enterprise has no debt or borrowing facility with any external party,

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

NOTES TO THE ACCOUNTS (continued)

The table below details the contractual maturities of financial liabilities.

GROUP

	2011 Carrying Amount £000	2011 Contractual Cashflows £000	2011 Within one year £000	2011 After more than one year £000
Financial liabilities				
Trade and other payables	38,935	38,935	38,722	213
Finance lease obligations	-	-	-	-
	38,935	38,935	38,722	213

SCOTTISH ENTERPRISE

	2011 Carrying Amount £000	2011 Contractual Cashflows £000	2011 Within one year £000	2011 After more than one year £000
Financial liabilities				
Trade and other payables	35,391	35,391	35,391	-
	35,391	35,391	35,391	-

GROUP

	2010 Carrying Amount £000	2010 Contractual Cashflows £000	2010 Within one year £000	2010 After more than one year £000
Financial liabilities				
Trade and other payables	35,255	35,255	35,042	213
Finance lease obligations	572	925	32	540
	35,827	36,180	35,074	753

SCOTTISH ENTERPRISE

	2010 Carrying Amount £000	2010 Contractual Cashflows £000	2010 Within one year £000	2010 After more than one year £000
Financial liabilities				
Trade and other payables	26,410	26,410	26,410	-
	26,410	26,410	26,410	-

GROUP

	2009 Carrying Amount £000	2009 Contractual Cashflows £000	2009 Within one year £000	2009 After more than one year £000
Financial liabilities				
Trade and other payables	34,394	34,394	33,425	969
Finance lease obligations	602	1,009	30	572
	34,996	35,403	33,455	1,541

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE

	2009 Carrying Amount £000	2009 Contractual Cashflows £000	2009 Within one year £000	2009 After more than one year £000
Financial liabilities				
Trade and other payables	23,992	23,992	23,992	-
	23,992	23,992	23,992	-

The Group and Scottish Enterprise have no outstanding borrowings at 31 March 2011 (2009, 2010: £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 balance sheet.

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 balance sheet. The maximum exposure to credit risk at 31 March was:-

GROUP	2011 Carrying Amount £000	2010 Carrying Amount £000	2009 Carrying Amount £000
Non-current financial assets			
Assets available for sale	38,184	49,160	38,916
Held to maturity assets	1,154	1,324	2,638
Loans and other receivables	20,025	17,939	17,700
Financial assets			
Trade and other receivables	24,479	25,143	13,753
Cash and cash equivalents	101,970	107,653	101,504
	185,812	201,219	174,511

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE	*2011 Carrying Amount £000*	*2010 Carrying Amount £000*	*2009 Carrying Amount £000*
Non-current financial assets			
Assets available for sale	37,614	44,902	35,196
Held to maturity assets	1,129	1,290	2,532
Loans and other receivables	18,418	15,874	15,529
Financial assets			
Trade and other receivables	20,884	20,770	11,460
Cash and cash equivalents	88,424	93,014	84,759
	166,469	175,850	149,476

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

GROUP

	2011 Gross £000	*2011 Impairment £000*	*2010 Gross £000*	*2010 Impairment £000*	*2009 Gross £000*	*2009 Impairment £000*
Not past due	21,827	-	13,245	-	9,540	-
Past due 0 to 30 days	1,585	-	10,297	-	2,486	-
Past due 31 to 120 days	1,004	-	742	-	437	-
Past due more than 120 days	3,506	(3,443)	7,990	(7,131)	8,314	(7,024)
	27,922	(3,443)	32,274	(7,131)	20,777	(7,024)

SCOTTISH ENTERPRISE

	2011 Gross £000	*2011 Impairment £000*	*2010 Gross £000*	*2010 Impairment £000*	*2009 Gross £000*	*2009 Impairment £000*
Not past due	18,299	-	9,360	-	8,070	-
Past due 0 to 30 days	1,574	-	9,971	-	1,949	-
Past due 31 to 120 days	948	-	637	-	303	-
Past due more than 120 days	3,505	(3,442)	3,857	(3,055)	4,085	(2,947)
	24,326	(3,442)	23,825	(3,055)	14,407	(2,947)

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

NOTES TO THE ACCOUNTS (continued)

Market risk

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

Interest rate risk

At the balance sheet date the market risk of Scottish Enterprise's interest bearing financial instruments was:-

GROUP	*2011 Carrying Amount £000*	*2010 Carrying Amount £000*	*2009 Carrying Amount £000*
Fixed rate instruments			
Financial assets	16,594	20,856	18,600
Financial liabilities	(539)	(572)	(602)
	16,055	20,284	17,998
Variable rate instruments			
Cash and cash equivalents	101,970	107,653	101,504
	101,970	107,653	101,504

SCOTTISH ENTERPRISE	*2011 Carrying Amount £000*	*2010 Carrying Amount £000*	*2009 Carrying Amount £000*
Fixed rate instruments			
Financial assets	15,698	19,773	17,840
	15,698	19,773	17,840
Variable rate instruments			
Cash and cash equivalents	88,424	93,014	84,759
	88,424	93,014	84,759

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

	Group 100 basis points change £000	*Scottish Enterprise 100 basis points change £000*
Cash and cash equivalents		
31 March 2009	1,298	1,083
31 March 2010	1,046	889
31 March 2011	1,048	907

Currency risk

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

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

NOTES TO THE ACCOUNTS (continued)

Fair values

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

GROUP	*2011 Carrying Amount £000*	*2011 Fair Value £000*	*2010 Carrying Amount £000*	*2010 Fair Value £000*	*2009 Carrying Amount £000*	*2009 Fair Value £000*
Financial assets available for sale (i)	38,184	38,184	49,160	49,160	38,916	38,916
Financial assets held to maturity	1,154	1,154	1,324	1,324	2,638	2,638
Loans and other receivables	20,025	20,025	17,939	17,939	17,700	17,700
Trade and other receivables	24,479	24,479	25,143	25,143	13,753	13,753
Cash and cash equivalents	101,970	101,970	107,653	107,653	101,504	101,504
Trade and other payables	(38,935)	(38,935)	(35,255)	(35,255)	(34,394)	(34,394)
Other borrowings	-	-	(572)	(572)	(602)	(602)
	146,877	146,877	165,392	165,392	139,515	139,515

SCOTTISH ENTERPRISE	*2011 Carrying Amount £000*	*2011 Fair Value £000*	*2010 Carrying Amount £000*	*2010 Fair Value £000*	*2009 Carrying Amount £000*	*2009 Fair Value £000*
Financial assets available for sale (i)	37,614	37,614	44,902	44,902	35,196	35,196
Financial assets held to maturity	1,129	1,129	1,290	1,290	2,532	2,532
Loans and other receivables	18,418	18,418	15,874	15,874	15,529	15,529
Trade and other receivables	20,884	20,884	20,770	20,770	11,460	11,460
Cash and cash equivalents	88,424	88,424	93,014	93,014	84,759	84,759
Trade and other payables	(35,391)	(35,391)	(26,410)	(26,410)	(23,992)	(23,992)
	131,078	131,078	149,440	149,440	125,484	125,484

(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 valued 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 £6,513,000 (2010: £4,920,000) at 31 March.

NOTES TO THE ACCOUNTS (continued)

Estimation of fair values

The following methods and assumptions were used to estimates 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

26. 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 with Highlands and Islands Enterprise, which is within the same sponsoring department of the Scottish Government. In addition, Scottish Enterprise has had a number of material transactions with other UK Government Departments.

Scottish Enterprise also considers Members of the Board to be related parties and therefore transactions with companies that Board Members have a controlling interest in are deemed to be related party transactions.

Due to the operation of internal controls and the system of delegated authority to approve contracts, Scottish Enterprise does not consider members of staff are within the definition of related party.

27. PRIOR PERIOD ADJUSTMENT

TAXPAYERS' EQUITY

This note explains how any changes in Accouting 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

	General Fund	*Specific Reserve*	*Revaluation Reserve*	*Total*
	£000	*£000*	*£000*	*£000*
Taxpayers' equity at 31 March 2009 under IFRS	253,934	2,132	62,790	318,856
Adjustments for 2009:				
Change in accounting policy - notional cost of capital	-	-	-	-
Transfer of financial asset to another public sector body	(1,994)	-	-	(1,994)
Taxpayers' equity at 31 March 2009 Restated	251,940	2,132	62,790	316,862
Taxpayers' equity at 31 March 2010 under IFRS	226,811	2,591	62,296	291,698
Adjustments for 2010:				
Change in accounting policy - notional cost of capital	-	-	-	-
Transfer of financial asset to another public sector body	(1,994)	-	-	(1,994)
Taxpayers' equity at 31 March 2010 Restated	224,817	2,591	62,296	289,704

NOTES TO THE ACCOUNTS (continued)

SCOTTISH ENTERPRISE

	General Reserve £000	*Revaluation Reserve £000*	*Total £000*
Taxpayers' equity at 31 March 2009 under IFRS	248,707	41,101	289,808
Adjustments for 2009:			
Change in accounting policy - notional cost of capital	-	-	-
Transfer of financial asset to another public sector body	(1,994)	-	(1,994)
Taxpayers' equity at 31 March 2009 Restated	246,713	41,101	287,814
Taxpayers' equity at 31 March 2010 under IFRS	229,725	40,262	269,987
Adjustments for 2010:			
Change in accounting policy - notional cost of capital	-	-	-
Transfer of financial asset to another public sector body	(1,994)	-	(1,994)
Taxpayers' equity at 31 March 2010 Restated	227,731	40,262	267,993

NET EXPENDITURE

	Group 2010 £000	*Scottish Enterprise 2010 £000*
Net Expenditure for the year to 31 March 2010 under IFRS	282,775	273,620
Adjustments for 2010:		
Change in accounting policy - notional cost of capital	(10,120)	(9,388)
Transfer of financial asset to another public sector body	-	-
Net Expenditure for the year to 31 March 2010 Restated	272,655	264,232

The adjustments are explained below:

Change in accounting policies

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1st April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8. Previously Scottish Enterprise was required to provide for a notional cost of capital at a rate of 3.5% per annum calculated on the arithmetic average of total assets less current liabilities. Notional costs were charged to the Net Expenditure Statement within Interest payable and similar charges. The notional cost of capital attributable to non business activities was reversed on the Net Expenditure Statement and those attributable to the business activities of Property Services and Investment Management were credited to the General Reserve. From its financial statements as of 31March 2011, there is no longer any requirement for Scottish Enterprise to make provision for this notional cost of capital. Scottish Enterprise has adjusted comparative amounts disclosed for each prior period as if the new accounting policy had always been applied. This change in accounting policy results in a decrease in Net Expenditure relating to the total cost of capital charge previously included within interest payable and similar charges less the reversal of the cost of capital attributable to non business activities on the Net Expenditure Statement. This decrease in Net Expenditure of £10,120,000 is offset by the removal of the credit to the General Reserve in relation to notional cost of capital attributable to business activities, resulting in no change to the General Reserve balance.

Transfer of financial asset to another public sector body

With effect from 9 June 2010 and for no consideration Scottish Enterprise assigned its full interest in East Dunbartonshire Development Company Limited to East Dunbartonshire Council. Transfers of functions from one part of the public sector to another in the UK (known as Machinery of Government Changes or MoGs) are accounted for using merger accounting, as applied by the Government Financial Reporting Manual (FReM). Under merger accounting, the transferor and transferee account for the function as if the transferee had always undertaken it. As such, Scottish Enterprise has adjusted comparative amounts disclosed for each prior period to remove this financial asset. This transfer results in a decrease in equity accounted investees and a decrease in the general reserve.

NOTES TO THE ACCOUNTS (continued)

28. SCHEDULES OF INVESTMENTS AT 31 MARCH 2011

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 more than 20% of the voting rights, and where the total investment is in excess of £100,000 but excludes equity accounted investees which are disclosed in Note 9. Investment amounts are stated at cost before 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 funded by grant in aid, Voted Loans (VLF) and National Loans Fund

	% of Voting rights	*Shares £000*	*Loans £000*
3D Diagnostic Imaging plc Health care technology	22.97	1,621	-
Actual Analytics Ltd Chemical – waste disposal	25.26	467	-
Advanced Microwave Technologies Limited Microwave treatment and purification of animal blood	29.94	451	121
Airframe Components Europe Limited Maintenance solutions to the aviation industry	20.00	24 116 (P)	109
Ambicare Limited Medical technology	28.50	1,761	-
Amoebics Limited Development of anti bacteria measures	22.83	272	-
Amphotonix Limited Design of semiconductor optical amplifiers	24.49	410	-
Antoxis Limited Design and synthesis of therapeutic antioxidants	23.93	277	-
AppShare Ltd Software development	25.98	321	-
Arrayjet Biotechnology development	25.86	1,000	-
Ateeda Software development	22.74	639	-
B1 Medical Limited Orthopaedics	29.20	1,027	-
Biofilm Limited Medical technology	27.16	536	1,664
Biopta Limited Services to the biotechnology industry	29.83	800	10
Calnex Solutions Limited Development of next generation test equipment	27.37	575	-
Centeo Biosciences Limited Design and supply instrumentation which improves the R&D process	25.53	584	48
CiQual Limited Software solutions for Wireless Service Providers to understand and interpret the needs users	26.21	967	-
Cloudsoft Corporation Limited Software development	29.23	750	-
Compound Semiconductors Technologies Global Design, development, and manufacture of discrete and integrated III-V opto-electronic devices	29.05	1,350	150
Critical Blue Limited Development of electronic automation design software	20.81	1,500	-
Cytosystems Limited Development of laboratory based diagnostic tests	21.01	714	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
DEM Solutions Limited Provider of engineering software and consultancy	20.97	600	-
Design Led Products Limited Design and development of light guide technology	24.32	506	-
Dimensional Imaging Limited Services to the medical industry	23.44	261	55
Dollar Top Limited Distribution of wines and spirits	29.90	199	767
Elonics Limited Semi-conductor company specialising in radio-frequency (RF) wireless silicon devices	26.69	1,425	403
Energyflo Construction Technologies Limited Clean technology company	26.50	850	-
Exterity Limited Design and sale of audio visual technology	23.66	749	-
Extramed Limited Healthcare software	28.44	280	50
Factonomy Limited Technology partner for the agile and flexible development of web-enabled business solutions	28.24	533	-
Gas Sensing Solutions Limited Development of gas sensing device	28.43	768	-
Helixion Limited Developing a new direction for Mobility device security in next generation Convergence networks	20.63	200	-
Hubdub Limited Designed and implemented software to run information markets	29.18	603	112
Ice Factor International Multi adventure centres	24.61	315	-
iCs2 Limited Cable industry	20.45	103	10
Kabu Social media software	20.00	100	-
Kerchoonz Limited Internet-based multi media portal for free music and video downloads	20.36	195	-
Kowalski TV Limited TV content production, specialising in factual entertainment, specialist factual series and documentaries	25.00	75	50
Lamellar Biomedical Limited Development and manufacture of synthetic lamellar bodies	29.90	623	310
Leading Software Limited Software development	22.09	622	50
LUX Innovate Limited Development of light based detection solutions	26.48	539	-
Metaforic Software development	29.31	2,200	-
Microstencil Limited Designs for micro electronic packaging industry	20.14	500	-
Mobile Sport Ltd Software developer & systems provider	28.53	511	-
Mullin Ink Jet Media Niche producer of specialist paper	29.94	10 90 (P)	-
Nandi Proteins Limited Sales, marketing IP & licensing	22.78	464	-

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	*Shares £000*	*Loans £000*
Ncimb Limited Maintains the National Collections of Industrial, Marine and Food Bacteria	21.23	252	-
Netidme Limited Software development – identity verification	29.16	1,172	65
NGentec Limited Generator technology development (wind power)	21.11	1,000	-
NXVision Limited Facilitates TV anytime - anywhere	29.84	514	199
Ocutec Limited Medical Technology Devices - Opthalmogy	26.84	1,003	-
Outerlight Limited Development of computer games	20.55	315 100 (P)	-
Pincer Vodka Limited Functional Drinks supplier / inventor	26.67	100	-
PSI Electronics Limited Development of cable fault detection equipment	27.21	246	73
Pufferfish Limited Design, develop and sell experiential AV products	29.43	369	-
Pwb Health Limited Developing and marketing a range of innovative personal wellbeing products designed for home use	21.16	1,147	-
Pyreos Limited Development of infrared sensor technology	23.46	1,600	-
Quantum Filament Technology Limited Design of high quality flat screen displays	24.06	501	125
Rapid Mobile Media Limited Software development for mobile phones	27.55	1,250	143
Reactec Limited Noise and vibration control solutions through products, consultancy and design services	26.55	516	-
Reisswolf Scotland Document security business	29.91	200	-
RSK Tech Limited Providing IT advice to T-shirt printing / garment decoration companies	23.39	140 43 (P)	-
Scalar Technologies Non-contact measurement systems development	21.22	253	-
Seewhy Holdings Limited Software product that provides management information in real time	20.61	1,500	-
Sentinent Medical Developing a miniature Middle Ear Implant (MEI)	26.33	204	-
SFX Technologies Limited Innovative speaker technology	24.04	930	-
Sigma Offshore Limited	20.39	672 1,340 (P)	-
Sistemic Scotland Limited Biotechnology development	21.91	190	-
Smarter Grid Solutions Limited Grid solution to renewable generators and network operators	29.90	250	-
Spaceright Europe Limited Specialist provider of noticeboards, display equipment and school dining furniture	29.74	366	170

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
Symbiosis Pharma Services Limited Contract manufacturing and services for supply and storage of drugs	29.74	1,150	-
Syntropharma Pharmacuetical company	29.97	995	-
TalentNation Plc On-line social networking site	20.0	1,000	-
Tayside Flow Technology Limited Development of medical devices	26.76	1,672	120
The One Place Capital Limited Software development	23.84	767	-
Traak Systems Limited Developing intelligent self-learning radio frequency identification ('RFID') and sensor network products	28.93	238	-
Verisim Limited Software development for financial services sector	29.78	1,054	50
Visible Ink Limited Media	21.37	100	-
Water Evolution Designing and producing grey water recycling units	26.20	200	50
Total of items listed		52,832	4,904

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

	% of Voting rights	Shares £000	Loans £000
Amor Group Limited Business technology solutions	7.46	23	1,651
Aquamarine Power Limited Marine energy	6.16	3,011	-
Big DNA Limited Biotechnology	19.39	1,750	-
Cxr Biotechnology – innovative technology to improve drug discovery and development	14.00	1,120	-
Cyclacel Pharmaceuticals Inc. Drug development Registered in USA & quoted on NASDAQ	2.23	5,000	-
DYSIS Medical Limited Medical device	11.01	1,600	-
Enigmatec Corporation Limited Policy-Driven automation solutions for resource management	10.60	2,000	-
GC Holdings Inc Fibre optical communications	7.39	2,000	-
IE CHP (UK & Eire) Limited Development of fuel cell powered CHP systems	7.49	1,012	-
Intense Limited Optoelectronics	12.59	2,770	564

NOTES TO THE ACCOUNTS (continued)

	% of Voting rights	Shares £000	Loans £000
MMIC Solutions Limited Low cost packaging for high frequency MMICs	17.88	1,035	-
Nessco Group Holdings Limited Telecoms network support - oil & gas	17.19	137	1,112
Novabiotics Limited Biotechnology – anti infectives for disease treatment	12.43	1,373	686
NuCana Biomed Limited Biopharmaceutical	19.74	1,000	-
Pelamis Limited Generation of renewable energy from ocean waves	4.15	2,000 (P)	-
Prismtech Limited Supply of computer middleware platform solutions	8.36	1,500	-
Survivex Limited Oil and Gas industry training	15.00	500	1,500
Touch Emas Limited Life sciences	17.86	1,148	-
TPP Global Development Start up drug development	10.21	2,000	-
Twig Rights Limited Digital media	9.94	425	586
Volo Limited In-train entertainment systems	18.30	1,181	123
City of Edinburgh Council Development of visitor attraction conference facility	-	-	7,043
Glasgow Harbour Limited Property development	-	-	4,000
Total of items listed		32,585	17,265

	Shares £000	Loans £000	Total £000
Total of items listed – Note 28A	52,832	4,904	57,736
Total of items listed – Note 28B	32,585	17,265	49,850
	85,417	22,169	107,586
Other shares and loans			18,143
Total cost of shares and loans before provisions			125,729

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.

Mary McAllan
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