

SCOTTISH ENTERPRISE
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2021

Enterprise and New Towns (Scotland) Act 1990

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

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PERFORMANCE REPORT

for the year ended 31 March 2021

OVERVIEW

STATEMENT OF PURPOSE AND ACTIVITIES

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

This Act defines Scottish Enterprise's key functions as:

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

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

BUSINESS MODEL AND ENVIRONMENT

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

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

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

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

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

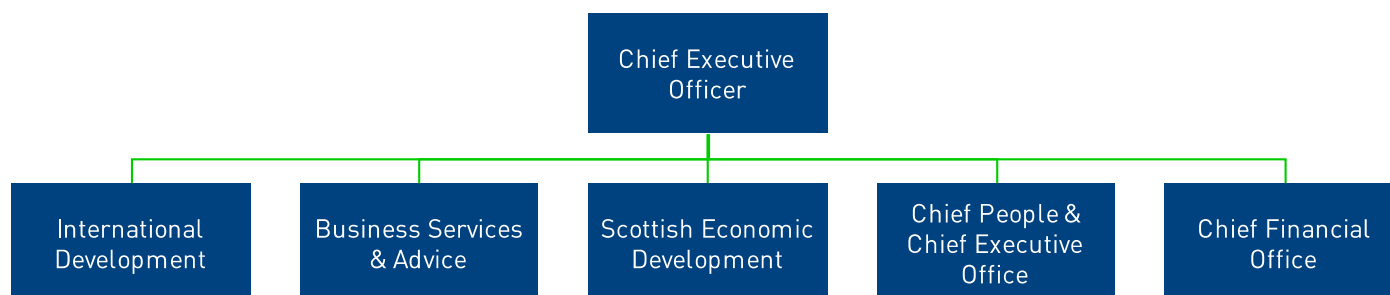
Some Scottish Enterprise activities operate across all of Scotland, including the Highlands and Islands and South of Scotland Enterprise areas, these being:

- inward investment and overseas market development via Scottish Development International (operating in collaboration with Scottish Government and Highlands and Islands Enterprise) and including management of the network of overseas offices and field staff
- major grants programmes, including Regional Selective Assistance (RSA) and SMART: SCOTLAND grants
- growth investment funding for the early stage investment market
- the Scottish Manufacturing Advisory Service
- Scotland Europa

PERFORMANCE REPORT (continued)

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

During 2020/21, Scottish Enterprise's operations were delivered under the guidance of the Chief Executive (and from October 2020, an interim CEO) and the Executive Leadership Team via the organisational structure below:



International Development – working with businesses to increase the value of Scottish exports and stimulate Scottish companies to sell more goods and services to international markets; working with others to attract new international investment to strengthen Scotland's communities, company base and sectors. In response to Scottish Government trade policy priorities, Scottish Enterprise delivers expert advice about markets, sectors and how to trade by providing insight and intelligence, investment and connections at home and in priority markets across the globe.

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

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

Chief People Officer (CPO) & Chief Executive Officer's (CEO) Office - This division comprises People, Audit, Corporate Affairs and Marketing, and Strategy, Networks and Insights:

- **People** focusing on employee-related matters of recruitment, employee relations, benefits and pensions, payroll, training and staff engagement/culture and providing the procurement, legal, facilities management functions, delivering health and safety and environmental management.
- **Audit** with responsibility for corporate governance, conducting independent appraisal of the financial and management activities of Scottish Enterprise, and giving independent assurance and advice to Scottish Enterprise's Audit Committees and Accountable Officer. The Scottish Enterprise Internal Audit team provides a shared service to five partner organisations: Scottish Enterprise (SE), Skills Development Scotland (SDS), Scottish Funding Council (SFC), South of Scotland Enterprise (SOSE) and Clyde Gateway.
- **Marketing and Corporate Affairs** helping to promote and protect the reputation of Scottish Enterprise and delivering employee communications channels.
- **Strategy, Networks and Insights** working closely with key stakeholders and partners to help shape the direction and priorities for Scottish Enterprise and economic development in Scotland and build the insights and evidence base to inform activities and strategic priorities and evaluating Scottish Enterprise's impact.

PERFORMANCE REPORT (continued)

Chief Financial Office – This division comprises Finance and Digital Delivery and IT Team (DDIT):

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

STRATEGY AND OBJECTIVES

Scottish Enterprise launched a 3-year [Strategic Framework](#) in 2019/20 which sets out our ambitions for the future of Scotland's economy. The Framework included: a new vision, purpose and values and a detailed three-year Corporate Strategy (2019-2022). The 2020/21 financial year represented year 2 of the strategic framework.

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

The outbreak of the Covid-19 pandemic at the start of the 2020/21 performance year, meant that the immediate strategic priority of our work had to change. Although the ambitions set out in Scottish Enterprise's [Strategic Framework](#) remained crucial to Scotland's pursuit of inclusive and sustainable growth, we had to shift our support to help businesses deal with the immediate crisis. The Scottish Government, in their Interim Letter of Guidance to Scottish Enterprise, made clear that our efforts should be directed at addressing the economic challenges of Covid-19.

Scottish Enterprise responded quickly. We flexed our resources rapidly and deployed our skills and our money where they were most needed. We worked closely with the Scottish Government and our sister economic development agencies, Highlands and Islands Enterprise and South of Scotland Enterprise, as well as with the wider public and private sectors, to achieve the best possible outcomes for Scotland's people and companies.

Like many other organisations, we had to shift our own ways of working, continuing to adapt to more remote working, while investing in our colleagues' collective wellbeing.

At the outset of the pandemic, a collaborative multi-agency response to Covid-19 was quickly developed and delivered. The Covid-19 Response Steering Group (CRSG) worked directly with the Scottish Government's Economy Covid Hub and brought together the enterprise and skills agencies with Business Gateway, VisitScotland, Scottish Cities Alliance, Local Authorities, Public Health Scotland and the Healthy Working Lives initiative. CRSG focused on the activities required to support companies to restart and to better understand how the system could try to help mitigate job losses, working closely with key business organisations and industry bodies.

The CRSG's role was to:

- co-ordinate and deliver a single response to Covid-19 across Scotland's enterprise and skills system
- co-ordinate delivery of a joint action plan by the enterprise and skills agencies, Business Gateway, Scottish Local Authorities Economic Development Group (SLAED), VisitScotland, Scottish Cities Alliance and the Scottish Government
- promote the [FindBusinessSupport.gov.scot](https://www.findbusinesssupport.gov.scot) website as the main communication channel for businesses in Scotland
- liaise with partner agencies

The Scottish Government's plan to tackle the economic implications of the public health emergency was a phased approach, with four key stages - response, reset, re-start and recovery.

PERFORMANCE REPORT (continued)

Scottish Enterprise's primary role in the response phase was to work with our partners to make communicating and accessing support to businesses as straight forward as possible, for example, providing:

- i) clear information on analysis, assumptions and forecasts for the economy and information on help available
- ii) coherent and accessible advice including on how to access support from others
- iii) business support - access to finance but also advice on restructuring where appropriate

Later in the 2020/21 performance year, the Scottish Government established an Advisory Group on Economic Recovery (AGER) to provide expert advice on Scotland's economic recovery once the immediate emergency, created by the pandemic, had subsided.

In its response to the reports of the [Advisory Group on Economic Recovery](#) and the Enterprise and Skills Strategic Board's [Labour Market sub group](#), and in its [Programme for Government](#), the Scottish Government set out its vision for the future economy.

Scottish Enterprise's role in delivering that vision was set out in Working Together to Support Economic Recovery published internally, in September 2020, in place of our annual operating plan. The Scottish Government confirmed with the enterprise and skills agencies, that there was no requirement to publish a full annual operating plan for 2020/21.

Scottish Enterprise's plan described five key deliverables to provide a focus for the remainder of the performance year:

- Building the resilience of Scotland's companies to protect and create jobs
- Investing in assets and opportunities of the future that power a greener, fairer and sustainable recovery
- Delivering Scottish Enterprise's business services transformation to provide more effective support – with an increasing focus on the expertise and advice our people can offer - to more businesses for greater impact
- Resetting Scotland's approach to inward investment and trade to strengthen our international competitiveness in the post-Covid world
- Continuing to prioritise our wellbeing and collectively shaping our future ways of working

These deliverables supported both the economic recovery and the continuing need to respond to the more immediate needs of businesses on Covid-19 along with the emerging European Union exit outcome. This guided our activities for the remainder of 2020/21.

KEY ISSUES AND RISKS AFFECTING SCOTTISH ENTERPRISE

Scottish Enterprise operates a Board approved risk management policy. The policy notes that risk is inherent in the business of Scottish Enterprise and sets out the process by which risk is identified, escalated and reviewed appropriately. The Board defines Scottish Enterprise's risk appetite at a strategic level. Each business unit is responsible for identifying areas of risk.

Risks that have potentially significant impact at an organisation-wide level are recorded on the Corporate Risk Register which is owned by the Executive Leadership Team. The items on this are a combination of the strategic risks identified by senior management and risks escalated from divisions. Scottish Enterprise's Audit and Risk Committee review the Corporate Risk Register regularly on behalf of the Board. During 2020/21 a 'risk dashboard' was presented to each meeting to highlight the Top 5 risks across the Corporate Risk Register. Risks identified on the Risk Dashboard from the Corporate Risk Register include:

- The impact of the pandemic and related market conditions on Scottish Enterprise's spend performance and income generation ability.
- The risks surrounding the launch of the Scottish National Investment Bank and the future operating model between the entities SE and SNIB, resulting in customers and markets being unclear on available sources of support and using these in a timely fashion

PERFORMANCE REPORT (continued)

- Uncertainty regarding the availability of Financial Transactions funding over the medium term, potentially resulting in a reduced capacity to maintain support to the early stage investment market.
- The risks surrounding the Global Climate Emergency and the additional pressure on resources this may bring.
- The risk of Scottish Enterprise’s change transformation aspirations not being realised or substantially delayed due to the impact of deploying resources (people and financial) to support the delivery of various Covid-19 support funds.

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

Risk management arrangements have been reviewed by the Audit and Risk Committee during 2020/21 and the committee were satisfied with the processes detailed and the progress made with our evolving approach.

FUTURE DEVELOPMENTS

Scottish Enterprise’s 2021/22 business plan represents the third and final year of the strategic framework. Our purpose, to create more, better jobs that nurture shared wealth and collective wellbeing, remains core to our delivery.

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

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

There is a strong focus on delivering outcomes aligned to Jobs, Net Zero and Place, recognising the growing importance of social and environmental values as well as economic outcomes.

Helping to build an economy that creates good, sustainable **jobs**, that is supportive of Scotland’s drive towards **net zero** and that ensures more people from more **places** can benefit from growth is essential. This values-based approach to growing the economy is central to our plan.

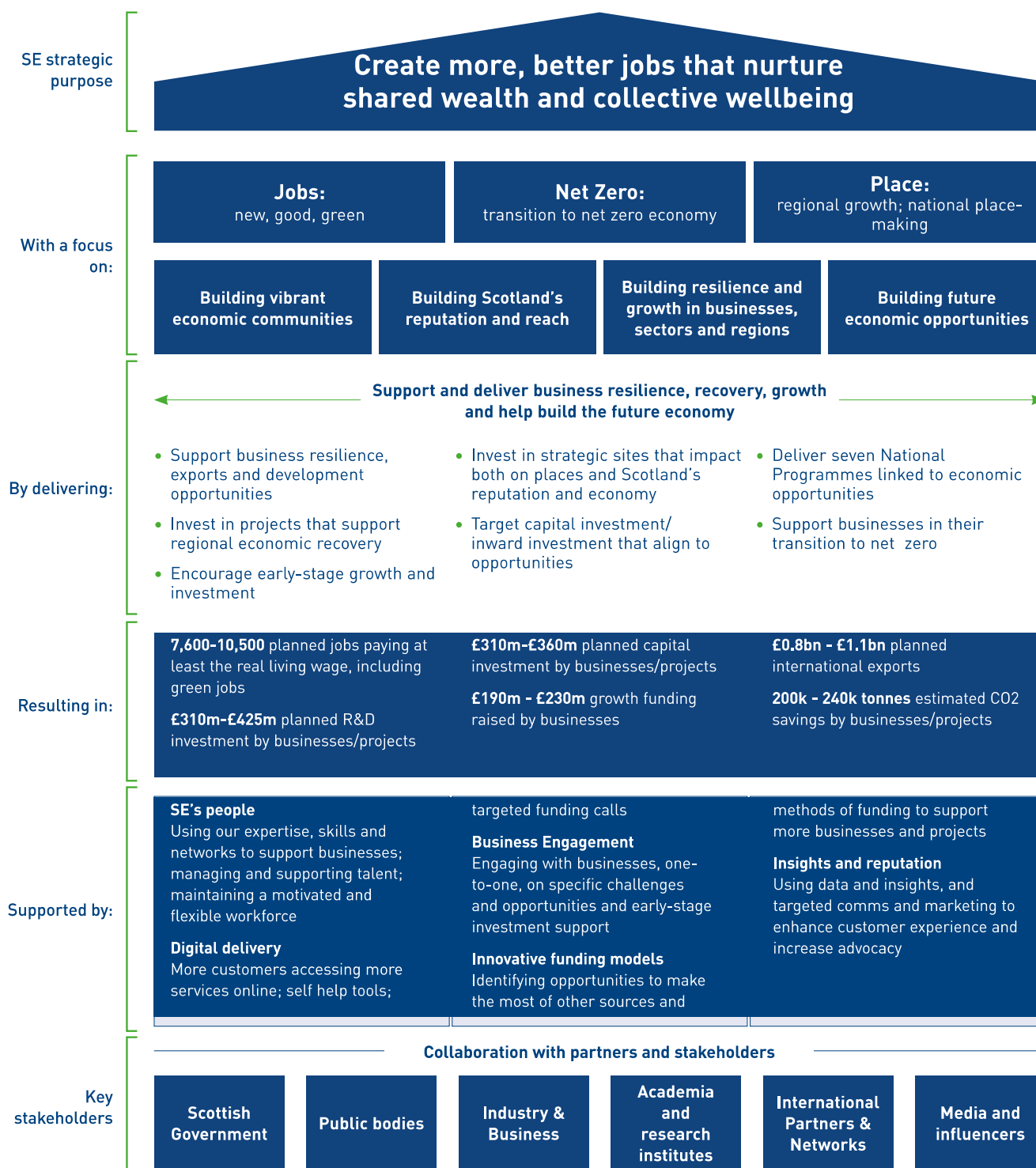
The 2021/22 business plan describes how Scottish Enterprise will get behind businesses and places, guided by our four strategic ambitions:

| Strategic Ambition | 2021/22 Focus |
|---|--|
| Building vibrant economic communities across Scotland, spreading increased wealth and wellbeing | Scotland’s economic needs and opportunities vary from region-to-region, so we will work with regional partners to support regions and their businesses adapt to and take advantage of economic opportunities. |
| Building Scotland’s reputation and reach in strategically important markets | Scotland’s international competitiveness is central to economic recovery. The Scottish Government has set out its priority areas in the Inward Investment Plan , A Trading Nation , A Vision for Trade and the Global Capital Investment Plan . We have a significant role to play in delivering the priorities set out in these plans, helping deliver our ambitions around jobs, net zero and place. |
| Building resilience and growth in Scotland’s businesses, sectors and region | We will provide effective support to more businesses by simplifying our service delivery working alongside partners. We will focus on the broader economic objectives we want to achieve, around creating and retaining good jobs, the shift to net zero and benefiting places across Scotland. To help us do this our delivery model needs to be more flexible, ensuring we can respond to different economic circumstances, opportunities and threats, regionally, nationally and internationally. |
| Building future economic opportunities that will drive our international advantage | Alongside supporting resilience and growth, it is also critical that we look towards Scotland’s long-term success. This requires a focus on future economic opportunities where Scotland has a competitive advantage, stimulating investment in a green, innovation-led recovery: net zero, enhanced health and wellbeing, the accelerated use of digital and advanced manufacturing. |

PERFORMANCE REPORT (continued)

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

Scottish Enterprise’s 2021/22 Business Plan - summary



PERFORMANCE REPORT (continued)

PERFORMANCE SUMMARY

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

We continued to track our 2020/21 performance measures internally, as a source of insight into the impact of Covid-19 on business investment decisions, and on the progress of projects and funding already committed by Scottish Enterprise.

PERFORMANCE ANALYSIS

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

Scottish Enterprise contribution to Scottish Government NPF

In total Scottish Enterprise measures align with 23 of the 81 NPF indicators, covering:

- A very direct contribution where our measures around living wage jobs, Research & Development (R&D), exporting, and greenhouse gases are a direct contributor to the NPF indicator (Scottish Enterprise measures aligned with 4 NPF indicators)
- A broad contributor where our measures are key drivers of the NPF outcomes – such as increasing productivity and economic growth (Scottish Enterprise measures aligned with 11 NPF indicators)
- A more indirect contribution, where our activity will play a role in improving the indicator but the pathways to change is more indirect (Scottish Enterprise measures aligned with 8 NPF indicators)

Each year, our business plan target ranges are informed by a range of evidence including: performance of the measures at the macro-economy level; the pipeline of activities and projects that can contribute to the targets; past performance and experience; evidence of expected outcomes of activities, for example from evaluations; and the likely resources available to deliver support. These factors, as well as anticipated efficiency gains in delivering support, allow us to set stretching, evidence-based target ranges. We set target ranges to reflect that there are a number of potential risks and uncertainties that could impact on our performance measures, including changes in the external economic environment that could influence the scale and timing of outcomes achieved. An assessment of the risks and uncertainties identified by Scottish Enterprise is discussed on page 5 above.

No target ranges were set for 2020/21, due to the uncertainty surrounding Covid-19 and its impact on businesses and the economy.

PERFORMANCE REPORT (continued)

RESULTS AGAINST KEY PERFORMANCE MEASURES

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

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

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

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

| 2019/20 | Primary Outcome Measures | 2020/21 |
|---------|---|---------|
| 11,188 | Planned new/safeguarded jobs paying at least the real living wage | 6,959 |
| £485m | Planned R&D investment by businesses and sectors | £444m |
| £355m | Planned capital expenditure by businesses and sectors | £366m |
| £437m | Growth funding raised by businesses | £254m |
| £2.22bn | Planned international export sales | £1.16bn |

When compared with performance achieved in the previous year, it is apparent the impact Covid-19 has had on Scottish Enterprise outcomes.

Planned new/safeguarded jobs paying at least the real living wage, growth funding raised by businesses and planned international export sales have been most impacted. This reflects the difficulties faced by businesses during the year, with many having to furlough staff, downsize, or even close their business. Mobile investment projects have been impacted and many businesses have put investment decisions on hold. Covid-19 travel restrictions, along with the impact of the European Union exit, has made trading conditions very challenging.

Despite the pandemic, planned R&D investment, and planned capital expenditure outturns have remained relatively high. This has been due to a small number of larger investment projects, which have influenced the year-end figures, rather than a high volume of activity across companies.

As well as impacting directly on performance outcome measures, the uncertainty and restrictions resulting from the Covid-19 pandemic, had an impact on other anticipated activities in 2020/21, some examples are highlighted below.

Impact as a result of Covid-19 on Scottish Enterprise's Activities

- The uncertainties in the global inward investment market resulting from Covid-19 led to many potential mobile investment projects being delayed or cancelled. Globally, investment flows plunged by 35% in 2020 owing to the Covid-19 crisis and a sizeable number of projects withdrew from Scotland owing to market conditions and clients disengaging. However, the EY Attractiveness survey highlights that the percentage of respondents who have cancelled, decreased or paused investments in the UK has now fallen to 48% in June 2021 from 57% in Autumn 2020, underlining the upturn in mood.
- Ten international trade events were cancelled, including OTC (Offshore Technology Conference) 2020 and Seafood Expo Global.

PERFORMANCE REPORT (continued)

- Company projects were cancelled or delayed. Two of Scottish Enterprise's innovation grants, By Design and Make it to Market, that encourage businesses to exploit product and service design and use innovation to drive sales to new international markets, saw 21 extension requests from companies, and 42 cancelled projects. This represented a 25% increase in cancelled projects from 2019/20, and a 55% increase from 2018. Many companies sighted challenges of sourcing supplies, paused trials with customer groups, and employee challenges during Covid-19 outbreaks as reasons for delays or cessation of projects.

Partnership projects have also been impacted. Establishing the governance around the Clyde Mission Project was delayed by 7 months, impacting on overall timescales. The project was delayed as key resources from partner agencies were diverted to Covid-19 response activities.

In addition to the number of planned new and safeguarded jobs captured through our outcome measure, Scottish Enterprise has helped to protect many more jobs through our Covid-19 response and recovery work. Highlights of that work are shared below.

Key achievements during 2020/21 included:

2020/21 headlines

- **£568 million of economic development support** delivered into Scotland's economy
- Including almost **£220 million of Covid-19 related support** to around **4,000 businesses** employing more than **70,000 people**
- **140 companies** supported directly through the Business Response Team with around **1,000 jobs safeguarded**
- **£78.1m** invested into **early stage companies**, through the Growth Investments Team, **leveraging £122m**
- **£55.6m of income generated** from our core investment portfolio, despite the impact of Covid-19
- **Over 4,300** inward investment and **over 2,600** Scottish company real living wage jobs secured
- **101 virtual trade events** delivered across priority sectors to **4,925 individuals**
- **Seven Scottish Enterprise national programmes** developed to drive future economic growth and Scotland's international competitiveness

PERFORMANCE REPORT (continued)

Covid-19 Summary – 2020/21

Enquiry Handling



- Over **30,000** calls received in total during 2020 - on average 5,000 enquiries a month
- 12,000 calls in March 2020 alone
- 130 detailed company queries dealt with via multi-partner triage during the first 9 weeks of the pandemic
- 120 volunteers from across SE supported the existing enquiry handling team

Covid - 19 Direct Support to Businesses



- To date, Scottish Enterprise has directly delivered almost **£220 million** of Covid-19 specific funds to more than **4,000 companies** across Scotland
- Those businesses supported employed over **70,000 people**
- This Scottish Government funding was provided via the Pivotal Enterprise Resilience Fund (PERF), the Creative, Tourism & Hospitality Enterprises Hardship Fund, the Hotel Support Programme, the Early Stage Growth Challenge Fund, the Scottish Wedding & Civil Partnership Industry Fund and the Ski Centre Fund
- Safeguarded the early stage equity pipeline with almost **£25m** of funding going into **90 companies**

Find Business Support



- Repurposed to become the main source of information on Covid-19
- This includes ongoing updates to the Scottish Government sectoral advice
- Around **2.4 million page views**
- **Over 10,000 subscribers**

Covid – 19 Direct Support to Businesses



- **140 companies** supported via Business Response Team since March 2020 with **around 1,000 Scottish jobs safeguarded**
- **1,500 individuals** accessing guides to managing staff remotely and planning for change
- **Business Forum** launched to provide online environment for businesses to make vital business connections. Platform membership continues to grow – **currently 350 companies**
- 101 trade events delivered virtually – reaching **4,925 individuals**
- Over **4,300 inward investment** and **2,600 Scottish company** real living wage jobs secured
- Supported various **sector recovery plans** and Sector Response Groups
- Provided valued input and support to **recovery planning** across seven Regional Partnerships as well as 25 Community Planning Partnerships
- Developing **seven national programmes** to drive future economic growth and Scotland's international competitiveness

Supporting the NHS Challenge



- **1600 offers of support** converted into 97 firm leads for procurement
- PPE manufacturing brought back to Scotland **c.150 jobs**
- Secured Honeywell mask inward investment **c.450 jobs**
- Supported the effectiveness and supply chain needs of the **testing laboratories**

PERFORMANCE REPORT (continued)

Getting Covid-19 support to businesses

As the full impact of the pandemic on businesses and jobs became clearer, Scottish Enterprise helped to support the Scottish Government's ambition to deliver direct business support. We undertook significant work to design, develop, rapidly roll out and then validate and appraise a number of funds across the whole of Scotland. Including:

| Covid-19 Fund | Support Provided by Scottish Enterprise |
|---|---|
| <p>£120 million Pivotal Enterprise Resilience Fund (PERF)</p> | <p>for viable but vulnerable SME firms which are vital to Scotland's economy. Supporting companies with working capital to help them continue trading or to come out of hibernation with a focus on firms that are vital to local, regional or national economic prosperity.</p> <p>1,765 awards were issued to companies employing around 49,500 people</p> |
| <p>£30 million Creative, Tourism & Hospitality Enterprises Hardship Fund</p> | <p>for small creative, tourism and hospitality companies not in receipt of other Covid-19 business grants. The fund was designed to support companies in tourism, creative industries and hospitality experiencing immediate hardship, due to ineligibility for other Covid-19 Government grant support.</p> <p>1,894 awards were issued to companies employing around 16,500 people</p> <p>£145.4m was directly delivered by Scottish Enterprise against Pivotal Enterprise Resilience Fund and Hardship Fund, combined</p> |
| <p>£14 million Hotel Support Programme</p> | <p>for Scotland's larger hotels funding and expert advice and guidance up until the start of the summer 2021 tourism season. A collaborative initiative between Scotland's enterprise agencies, VisitScotland and the Scottish Government, allowing eligible businesses to apply for grants.</p> <p>98 individual hotel outlets across Scotland awarded a total of £13.7m</p> <p>£8.9m was directly delivered by Scottish Enterprise with over 5,000 jobs projected to be safeguarded</p> |
| <p>£38 million of early-stage support (including The Early Stage Growth Challenge Fund - ESGCF)</p> | <p>to support early-stage businesses in Scotland whose growth ambitions were impacted by the onset of Covid-19.</p> <p>Almost £25m committed to 90 innovative, early-stage businesses through the ESGCF; along with almost £3m supporting 41 pre-seed high growth startup and 16 spin-out projects (of which 5 have already spun out of universities) and £10m for existing co-investment funds. Ongoing non-financial support provided to all these businesses alongside the funding provided by early stage investment and scale up specialists.</p> <p>£37.3m was directly delivered by Scottish Enterprise</p> |
| <p>£25 million Scottish Wedding & Civil Partnership Industries Fund</p> | <p>for the sector and its supply chain to support as many businesses as possible operating in the Scottish Wedding Industry, to survive the Covid-19 crisis and enable a restart in 2021. Scottish Enterprise worked with other enterprise agencies to deliver this fund.</p> <p>2,382 applications approved to the value of £21.9m, directly delivered by Scottish Enterprise</p> |

PERFORMANCE REPORT (continued)

| Covid-19 Fund | Support Provided by Scottish Enterprise |
|---|--|
| £3.2 million Ski Centre and Ski School Fund | <p>a targeted fund delivered by Scottish Enterprise in collaboration with Snow Sports Scotland and the Scottish Government, supporting mountain resorts, outdoor ski centres and ski schools. These ski centres were considered to be of regional or local economic importance and considered to be at risk due to the impact of Covid-19 and the associated restrictions.</p> <p>13 applications approved to the value of £3.2m, directly delivered by Scottish Enterprise</p> |

In addition to delivering direct business support, Scottish Enterprise supported other partner agencies in their delivery of Covid-19 funding, including:

| | |
|---|--|
| £15 million Cultural Organisations & Venues Relief Fund | <p>delivered in collaboration with Creative Scotland to support the ongoing viability of Scotland's cultural and creative assets.</p> <p>233 awards, totaling £13.2m across all of Scotland</p> |
| National Training Transition Funds (NTTF) | <p>to support individuals at risk during the pandemic. Led by Skills Development Scotland, Scottish Enterprise stepped in to support where we had an existing relationship with companies, including businesses in the Aerospace sector (including supply chain companies). Supporting them to upskill/re-skill their workforce and develop or diversify into adjacent markets such as space, defence, renewables, sustainable aviation.</p> <p>4 awards, totaling £0.3m and benefiting 278 employees.</p> |
| Redesigning Rural | <p>a £97,000 pilot project using the National Training Transition Fund (NTTF) to support and encourage innovative approaches to people and place through building on the investment in Scotland's Rural Leaders (graduates of the Scottish Enterprise Rural Leadership Programme) and leveraging regional assets. The pilot delivered 8-week work placements to people whose employment were negatively impacted by Covid-19 in the priority areas of Ayrshire, Clyde Valley and the North East. After 2 months the pilot secured 14 placements, 7 new qualifications gained and 9 of the placements being retained by the businesses. Scottish Enterprise are working with Scottish Government to build on the entrepreneurial approaches demonstrated through the pilot.</p> |

Full details of Covid-19 grants administered by Scottish Enterprise, including grant recipients are available on the [Scottish Enterprise website](#).

PERFORMANCE REPORT (continued)

Supporting the National Health Service (NHS) challenge

Scottish Enterprise used its expertise and networks and in particular our connections to key companies and industry bodies, to support the initial effort to secure protective personal equipment (PPE) for the National Health Service (NHS). Support from GlobalScots, involvement of our overseas SDI offices and advice on manufacturing and diversification, resulted in over 1600 unique offers of support from industry and individuals.

'Make' and 'Buy' strategies were developed and executed to create new supply lines for ventilators, masks, gowns, aprons, goggles, eye protection, sanitiser, and test kits.

A new NHS Innovation Steering Group has now been established to harness the major healthcare and economic opportunity for Scotland, on which Scottish Enterprise is represented.

Working closely with the Scottish Government, Scottish Enterprise facilitated the introduction of Valneva to the UK Vaccine Taskforce which led directly to discussions and ultimately substantial funding for Valneva (including the building of a new manufacturing facility in Livingston) for Covid-19 vaccine development.

Scottish Enterprise also used its existing relationship with the Life Sciences Industry Leadership Group to work with them to develop plans for Advanced Therapies & Vaccines for Scotland as part of the Life Science Sector Covid-19 Strategic Response Plan.

As part of this joint effort:

- Converted 1600 offers of support into 97 firm leads for procurement
- Brought back PPE manufacturing to Scotland c. 150 jobs
- Secured Honeywell mask inward investment c. 450 jobs
- Supported the effectiveness and supply chain needs of the testing laboratories

Supporting Sector Recovery

Scottish Enterprise used its existing strong relationships with industry bodies to quickly co-ordinate the enterprise agency sector response, supporting a range of sectors with their individual recovery plans, including those industries most severely impacted by the pandemic, including:

- Aerospace
- Oil & Gas
- Subsea
- Manufacturing
- Construction
- Tourism
- Creative Industries

Supporting Businesses at Risk

Scottish Enterprise established a Business Response Team (BRT) in 2019 (pre Covid-19) to support companies facing challenges which risked downsizing or potential closure, and which would have a significant negative impact at a company, region or sectoral level.

Since March 2020, **140 companies** have been supported directly through BRT and **c. 1,000 jobs have been safeguarded**.

PERFORMANCE REPORT (continued)

Getting Back to Work Safely

Using the knowledge and experience of our teams, we offered through social media campaigns, access to guides on how to manage staff remotely, planning change and engagement of staff – **accessed by over 1,500 individuals**. We also hosted webinars and provided one to one support to businesses offering practical advice on how to re-start and scale up production, while protecting the workforce.

Helping Companies to Access Finance

Through our Financial Readiness activities, we provided advice to companies on available Covid-19 funding, growth funding support options and strategic business plan options. We continued to invest and land companies new to the portfolio or already within the portfolio through Scottish Enterprise's early stage investment funds.

Overall significant patient capital investment support was provided to early stage companies in 2020/21 both through our early stage Covid-19 response and business as usual. This saw us invest around **£78m into early stage companies**, through the Growth Investments Team, **leveraging £122m**. Our core investment portfolio, despite the impact of Covid-19 generated exceptional returns via exits, loan repayments and other income **generating almost £56m** last financial year.

Sustaining our International Competitiveness

Scottish Enterprise had to adapt its approach to deliver Trade and Investment support to businesses due to Covid-19 and the related restrictions. More services were delivered digitally, with virtual events and 'market visits' used to identify future trade opportunities. During 2020/21 we delivered **101 virtual trade events** across priority sectors to an audience of **4,925**.

We became a digital investment promotion agency and invested in tools, skills and assets to enable us to professionally engage with companies in the virtual world. As part of this, we delivered a series of online sales meetings, events and webinars, and virtual visits to Scotland. We engaged regularly with potential investors to understand the impact the Covid-19 crisis might have on their investment plans.

During 2020/21, we secured 74 inward investment projects which are expected to generate 4,083 jobs for Scotland.

Despite global flows of foreign direct investment dropping to a 30 year low, **we secured 4,316 jobs for Scotland through inward investment**.

Investing in Regions and Assets to Support Recovery

We worked intensively with Regional and local authority partners throughout the pandemic to mitigate the impact, share data and insights and to accelerate support to the areas in greatest need, through recovery planning with Regional Economic Partnerships, Community Planning Partnerships, engagement on City and Growth Deal projects and through our work to establish Regional Economic Strategies.

We also continued to deliver on our commitments to major projects crucial to Scotland's recovery and competitiveness, with partners such as Michelin Scotland Innovation Parc (MSIP) in Dundee, the manufacturing cluster – National Manufacturing Institute Scotland (NMIS), Medicines Manufacturing Innovation Centre (MMIC), Edinburgh BioQuarter, Longannet, Advanced Manufacturing Challenge Fund and the Scottish Innovation Centres.

Business support

The [Find Business Support](#) website has been a critical channel for getting information and guidance to businesses throughout the pandemic. We quickly repurposed what had already been launched to make it the main source of support and information on coronavirus support from Government and the wider public sector. The range of available support quickly grew and we continue to work on making that user experience as straightforward as possible. The website has had around **2.4 million page views** and has **over 10,000 subscribers**.

National Programmes

Guided by the joint working with the Scottish Government to understand potential future economic scenarios, we have identified seven focus areas where Scotland has competitive international advantage. These have been developed into significant national programmes aimed at supporting the restructuring of the future economy into growth areas that will have a positive impact on the economy in the longer-term.

PERFORMANCE REPORT (continued)

Zero Emissions Heavy Duty Vehicles (HDVs)

Scotland as a global centre of expertise for zero emission heavy duty vehicles



Investment in Electric Vehicles globally is planned to reach \$300bn over the next 5 - 10 years and our sector intelligence has identified multi-billion-pound markets in 5 sub sectors, on-road, off-road, rail, aerospace & marine relating to heavy duty vehicles. Our focus is building a high value manufacturing base for low volume high value zero emission HDVs, their propulsion systems and crucially the integration expertise and skills required to decarbonize them.

Digital Scale Up Level Up

Accelerating the Scaling Up and Levelling Up of Scotland's Digital Technology sector



Digital Scale Up Level Up will focus on improving the quality and quantity of Scotland's Digital Tech scale-up companies and address regional disparities in Digital Tech growth across Scotland. The programme aims to help establish a more regionally balanced, globally competitive and self-sustaining Digital Tech ecosystem.

Decarbonising Heat

The National Heat Pump Programme of Scotland



The potential scale and pace of heat pump demand globally is extremely high. For Scotland to meet its carbon targets two million homes will need heat pumps with an estimated cost of £16.5bn. Scotland has a strong and growing industry base with the potential for company growth, significant inward investment and exports (2.7 million heat pumps sold globally and double-digit growth four years running).

Health for Wealth

A Future Healthcare System for Scotland



Economic opportunities arising from the Scottish healthcare system working synergistically with our innovative solutions cluster to address acute local and global demand for health efficiency and outcome improvement. This opportunity is catalysed by an enhanced SG focus on the future healthcare system for Scotland. Pre Covid-19 estimations anticipated the global digital health market at \$385bn and the global precision medicine market at \$134bn by 2025.

Scotland in Space

Scotland at the forefront of the Commercial Spacemarket in Europe



Scotland is well-positioned to take advantage of the high growth rates forecast for the space industry, and in particular, the commercial New Space industry. Over the past 5 years Scotland's space industry has experienced 12% compound annual growth rate (CAGR) – on track to achieve the target of £4bn gross value added (GVA) for Scotland, of the global industry projected to exceed £400bn by 2030.

Future Healthcare Manufacturing

Building on excellence



This programme is about securing and expanding on Scotland's existing excellence and track record in Life Sciences; supporting companies to adopt innovative, efficient processes to competitively manufacture current and new generations of drugs, devices and diagnostics in Scotland.

Hydrogen Economy

A Glowing Energy Future for Scotland



The production, storage and use of Hydrogen is a major economic opportunity for Scotland as we transition from a fossil based to a low carbon energy future. The long-term potential is illustrated by Scenario work which suggests that between 75,000 and 300,000 jobs could be protected/ created across the Hydrogen value chain by 2045.

PERFORMANCE REPORT (continued)

We are engaging closely with strategic partners in business and industry, public bodies as we as Team Scotland Partners, including Scottish Government, as we move forward with the ongoing development and delivery of the national programmes.

FINANCIAL PERFORMANCE

The results for the year ended 31 March 2021 are contained in the attached accounts prepared in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers. These accounts show the net expenditure of the Scottish Enterprise Group. The accounting policies explain the basis on which the accounts are prepared.

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

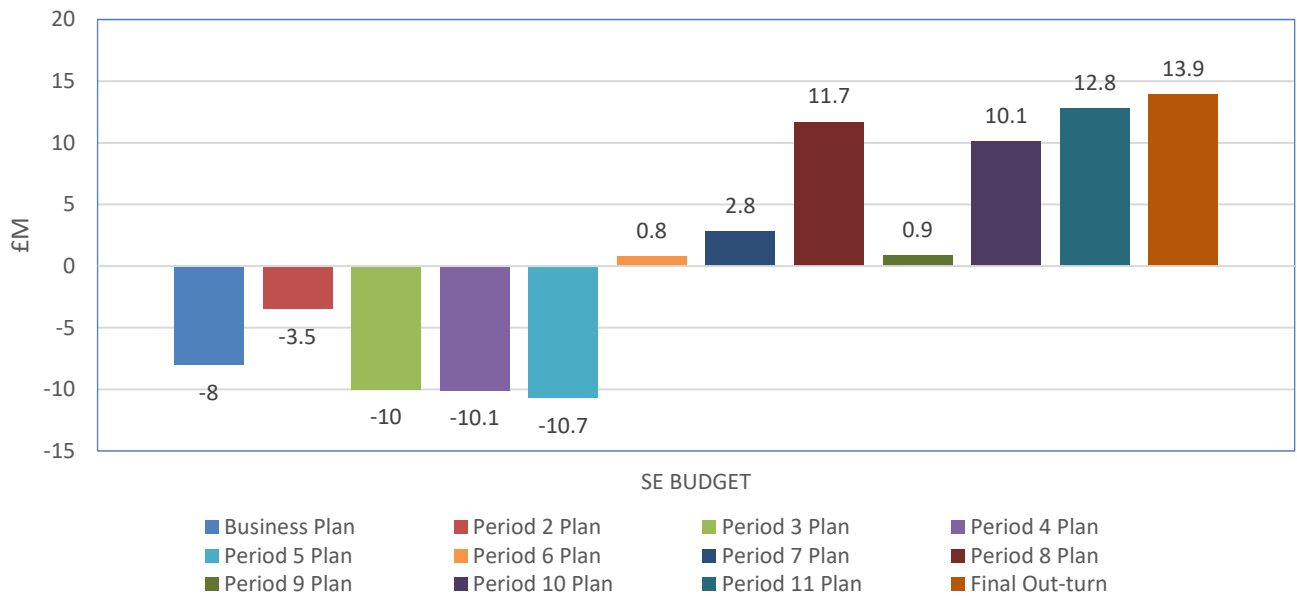
| Grant in Aid Budget Allocation: | Original Budget Allocation | Summer Budget Revision | Autumn Budget Revision | Spring Budget Revision | Final Budget Allocation |
|---|----------------------------|------------------------|------------------------|------------------------|-------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Resource budget | 123,120 | 110,000 | 57,840 | 23,454 | 314,414 |
| Capital budget | 42,035 | - | 34,242 | 21,858 | 98,135 |
| Financial Transactions expenditure | 48,500 | - | 30,000 | (28,017) | 50,483 |
| Financial Transactions income | (9,900) | - | - | 6,000 | (3,900) |
| | 203,755 | 110,000 | 122,082 | 23,295 | 459,132 |
| Ring Fenced Resource – expected credit losses | - | - | - | 35,000 | 35,000 |
| Non –cash costs including depreciation | 8,300 | - | - | - | 8,300 |
| Total | 212,055 | 110,000 | 122,082 | 58,295 | 502,432 |
| Annually managed expenditure | - | - | - | 34,500 | 34,500 |
| Total Budget | 212,055 | 110,000 | 122,082 | 92,795 | 536,932 |

The original Resource Budget for 2020/21 amounted to £212.055m, comprising a grant in aid provision of £203.755m and a non-cash allocation of £8.3m. During the course of the year Scottish Government confirmed additional net transfers of budget amounting to £324.877m, of which £211.010m was specifically for direct Covid-19 support programmes for investment in companies. There were further transfers specifically towards a range of discreet projects and other cost pressures including £15.0m for R&D activity, £13.839m for National Manufacturing Institute for Scotland and £8.3m for general capital expenditure pressures. There was also a net increase of £1.983m in the Financial Transactions allocation reflecting additional Covid-19 funding of £29.460m and a reduction of £27.477m primarily as a result of a significant investment return received during the year. The total cash return from the exit was £28.618m of which £20.638m was Capital Income. To utilise this income, a number of investments were funded from the Capital budget and the original planned source of funding (Financial Transactions Budget) for these investments was returned to Scottish Government. A further two non-cash allocations were also made during the year (i) £35m was also allocated to cover expected credit losses, the estimated future cash shortfall from financial instruments held at amortised cost, and financial assets that have been written off; and (ii) £34.5m allocation to cover costs designated as Annually Managed Expenditure. Therefore, the final approved Resource Budget for 2020/21 amounted to £536.932m, comprising a grant in aid provision of £459.132m and a non-cash allocation of £77.8m. Details of Scottish Enterprise's financial outturn against the budget allocated by the Scottish Government for 2020/21 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

PERFORMANCE REPORT (continued)

Scottish Enterprise entered the 2020/21 financial year with a high level of contractual legal commitment in place and the Operating Plan budget reflected this. These commitments covered all activities delivered by the organisation and reflected the significant actions taken over the preceding years to stimulate demand for our support and services. We had originally established a balanced Business Plan budget for the year but given the on-set of the Covid-19 pandemic in March 2020, we reduced our anticipated Business Income projections. Given the high level of legal commitments and the imperative to continue to invest in the economy, we chose not to reduce our expenditure budget. This led to a unique situation where we started the financial year with a deficit budget of £8.0m. The position was expected to recover primarily through a decrease in expenditure as the pandemic impacted on the delivery of customer projects. The table below shows the volatility of the budget position through the financial year.

Comparison of headroom / (deficit) on cash expenditure budget allocation positions during 2020/21



During the course of the financial year, Business income exceeded expectations primarily as a result of a large number of Growth Investment equity investment exits. This revised income position combined with additional funding from Scottish Government and general slippage/reduction in planned expenditure resulted in a return to a broadly balanced plan with a marginal under-spend by the end of the third quarter of the financial year.

As the final quarter unfolded, a number of investment deals did not conclude as planned and resulted in the underspend against the Financial Transactions budget of £8.1m. There was also slippage across a number of projects which contributed towards the under-spend of £3.1m on the Resource budget. A large Growth Investment exit which had been closely monitored through the final quarter concluded on 31st March 2021. Given the timing and the uncertainty surrounding the deal outcome this did not allow opportunity to introduce expenditure opportunities that would have allowed the income to be utilised, this contributed towards the Capital under-spend of £2.7m.

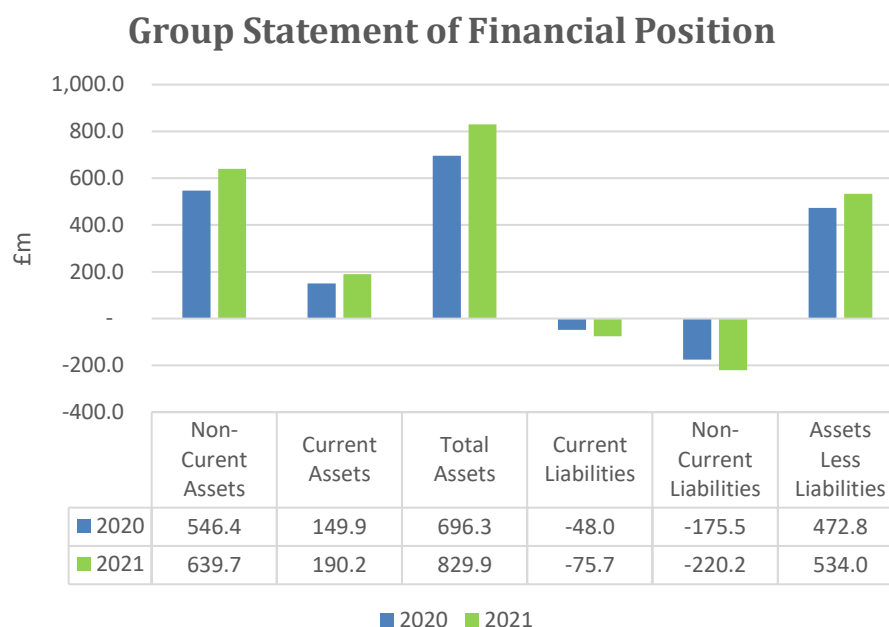
The final cash expenditure out-turn of £581.8m represents the highest level of financial year expenditure by Scottish Enterprise in its current structure. This has mainly been the result of the delivery of Covid-19 support to companies which has been primarily funded by Scottish Government budget transfers, combined with the delivery of a large element of our original Business Plan.

The Resource Budget for 2021/22 amounts to £228.820m. This is net of a £27.3m Financial Transactions income budget, of which £23.9m to be generated by Scottish Enterprise and £3.4m from the wider Scottish Government portfolio, in respect of anticipated repayment of returns from which the original investment cost was met from the Financial Transactions expenditure budget. The revised Financial Transactions income now anticipated is approximately £6.4m mainly due to a combination of anticipated loans converting to equity and loan deferrals, this has been communicated to Scottish Government. The gross expenditure allocation of £264.420m includes £256.120m of grant in aid funding and a ring-fenced non-cash budget provision of £8.3m. The Resource Budget is supplemented by income generated and applied against expenditure incurred during the year. In addition, further transfers of budget from the Scottish Government are anticipated through the normal operation of the Scottish Government's Budget revision process.

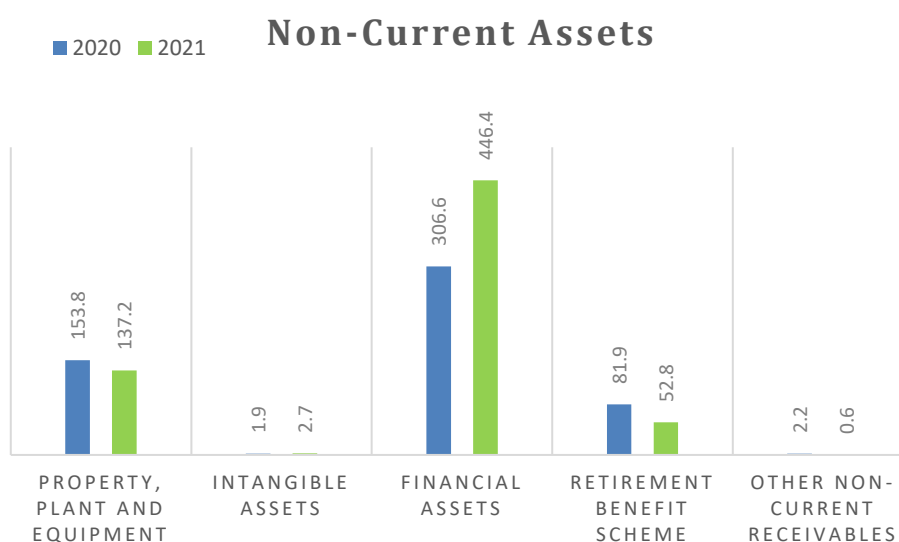
PERFORMANCE REPORT (continued)

Financial Position

Over the year 2020/21, there has been an increase in net asset values to £534.0m (2020: £472.8m) as shown in Scottish Enterprise's Group Statement of Financial Position.



Non-current assets have increased to £639.7m (2020: £546.4m).



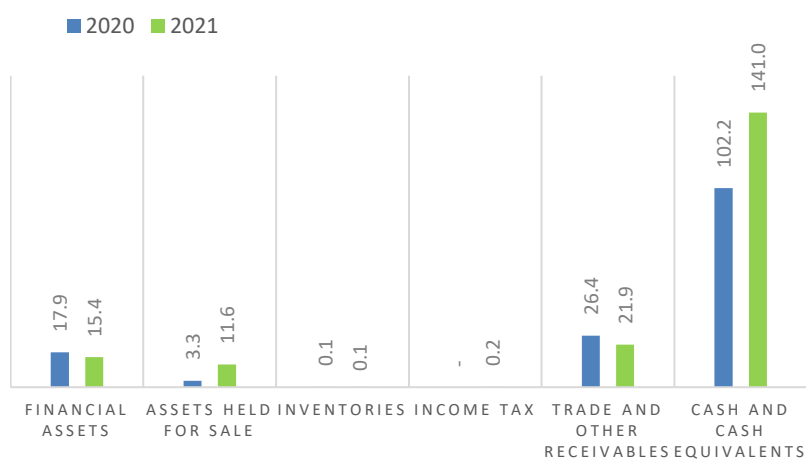
We have continued our programme of planned asset sales from our land and property portfolio and we also transferred land and buildings to South of Scotland Enterprise Agency in accordance with Machinery of Government regulations. This is reflected in the total value of the land and property assets which decreased to £141.8m (2020: £148.9m), of which £11.6m (2020: £3.4m) is included as Assets Classified as Held for Sale.

After accounting for new investments, sales and loan repayments and revaluation adjustments, the value of equity investments and loans to companies has increased to £460.6m (2020: £323.9m), of which £15.4m (2020: £17.9m) is included in Current Assets. The significant increase in value reflects the on-going commitment to investment in early stage Scottish companies and combined with an uplift in the fair value assessments of several key equity holdings.

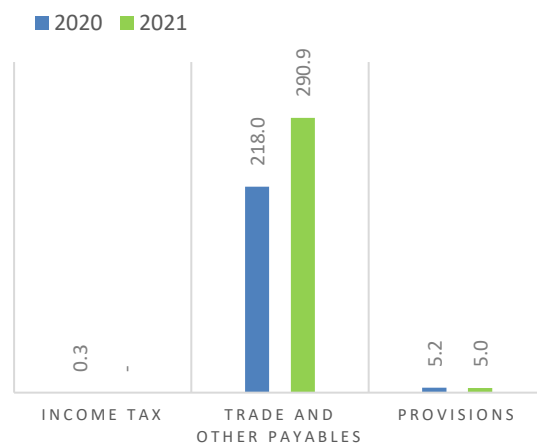
PERFORMANCE REPORT (continued)

The surplus of assets over scheme obligations in the Scottish Enterprise Pension and Life Assurance Scheme has decreased to £52.8m (2020: £81.9m). The scheme liabilities have increased by £118.0m due to a change in financial assumptions recognising reductions in corporate bond yields and increases to assumed future rates of inflation. This has been partially offset by an increase in scheme assets of £89m due to higher than expected asset returns.

Current Assets



Current and Non-Current Liabilities



Trade and other receivables (within one year) have decreased to £21.9m (2020: £26.4m) primarily because of previously deferred payments in respect of land sales being received in the year. Cash balances have increased to £141.0m (2020: £102.2m) due to timing of payments which is also reflected in the Trade and other payables (within one year) which have increased to £75.7m (2020: £47.7m). A significant proportion of cash held in the Scottish Co-investment Fund and Scottish Loan Fund is to fund future investments.

Scottish Enterprise accesses Financial Transactions funding from the Scottish Government for investment in companies and for the provision of loans. The Financial Transactions funding is repayable to the Scottish Government over various terms of up to 21 years based initially on the estimated returns from the underlying investments made. During 2020/21, Scottish Enterprise drew down £55.4m of repayable Financial Transactions funds and repaid £3.6m to the Scottish Government following the sale of investments made by Scottish Enterprise with Financial Transactions money.

Payment Policy

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

In the year ended 31 March 2021, Scottish Enterprise paid 85% (2020: 81%) of suppliers' invoices within the revised standard. The average number of days taken to pay valid invoices during the year was 7.8 days (2020: 8.3 days).

SOCIAL MATTERS

Fraud or Corruption Claims

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

All Scottish Enterprise staff are encouraged to raise concerns about possible improprieties in the conduct of Scottish Enterprise's business whether in matters of financial reporting or other malpractices, including fraud, bribery or blackmail,

PERFORMANCE REPORT (continued)

criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual or concealment of any of these matters.

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

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

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

Human Rights Due Diligence

Scottish Enterprise is committed to human rights. We have responded to Ministers' guidance on carrying out human rights due diligence and this is now required to be performed in addition to existing checks and considerations undertaken by Scottish Enterprise before engaging in a business relationship with a customer. We have created a Human Rights Due Diligence procedure which supports this. We also continue to support the Scottish Government with the development of a Human Rights and Business Action Plan. This will focus on support for businesses to effectively carry out their human rights obligations.

Fairer Scotland Duty

We are implementing the Fairer Scotland Duty (FSD) and have shared our practice with others. The Duty asks listed public authorities and agencies, including Scottish Enterprise, to do more to tackle inequalities caused by socio-economic disadvantage, reflecting the greater focus on wellbeing, human rights and Fair Work in the Government's purpose. We are now applying FSD assessments, supported by a group of equality champions, to new approvals considered by the Board. We have published seven assessments [on our website](#) in line with legislative requirements and several others are under development. This builds on our equality obligations under the Equality Act 2010 and associated Scottish Specific Equality Duties. Further details are contained in our [Equality mainstreaming report](#).

Corporate Social Responsibility

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

We have a strong employee-supported volunteering programme. Our volunteering policy reflects our commitment to an active role in the communities in which we live and work and the environment as well as the development of our people.

Our volunteering policy allows colleagues to use up to 21 hours paid volunteering leave per year (pro-rata for part-time staff). During 2020/21, volunteering opportunities were taken up by 34 colleagues totalling 227.5 hours. This figure was impacted by Covid-19 restrictions and to mitigate this, colleagues were also encouraged to use flexible working to volunteer locally.

PERFORMANCE REPORT (continued)

ENVIRONMENTAL MATTERS

Scottish Enterprise are fully committed to cutting greenhouse gas emissions and aim to exceed the Scottish Government target of Net Zero by 2045. To achieve our Net Zero emissions target we plan to reduce emissions throughout our divisions and capitalising on opportunities from future ways of working. During 2021/2022 we will begin to identify offset opportunities and projects which can be implemented to offset any residual emissions. The UK Government will host COP26, which will take place in Glasgow in November 2021. The event is the first Conference of the Parties (COP) to take place after the landmark Paris Agreement's measures take effect and the first opportunity since then for nations to come together to review commitments and strengthen ambition.

Scottish Enterprise strives to ensure that sustainability issues are addressed both in our own operations and in conjunction with those businesses we support and advise. In respect of our offices, our strategy of reducing overall energy requirements and adoption of a flexible working environment across all our offices has resulted in significant CO₂ reductions over successive years. Similarly, we are reviewing our travel policies to reduce both the cost and environmental impact of staff requiring travelling as part of their duties. From a carbon baseline of 5,761 tCO₂e we have reduced our carbon footprint to 1,998 tCO₂e for the period 2019 – 2020. The Table below illustrates our carbon reduction over time.

| | |
|-------------|--------------------------|
| Baseline | 5,761 tCO ₂ e |
| 2016 – 2017 | 4,813 tCO ₂ e |
| 2017 – 2018 | 3,734 tCO ₂ e |
| 2018 – 2019 | 3,228 tCO ₂ e |
| 2019 – 2020 | 1,998 tCO ₂ e |

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

Scottish Enterprise's Environmental Management System (EMS) is certified to ISO 14001:2015 Standard. An EMS documents the processes, procedures and responsibilities for achieving environmental policies and objectives, providing assurance to the company and stakeholders that environmental impacts are being measured and improved.

Linda Hanna
Accountable Officer

ACCOUNTABILITY REPORT

for the year ended 31 March 2021

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Board

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

| | |
|--------------------|--|
| Lord Robert Smith | Chair |
| Melfort Campbell | To 31 December 2020 |
| Stephen Dunlop | Chief Executive, to 14 October 2020 |
| Anne Glover | |
| Linda Hanna | Interim Chief Executive from 15 October 2020 |
| Willie Mackie | |
| Poonam Malik | |
| Peter McKellar | From 15 February 2021 |
| Gavin Nicol | |
| Sue Paterson | |
| Karthik Subramanya | |
| Carmel Teusner | |

Executive Leadership Team

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

| | | |
|-------------------|--|--|
| Stephen Dunlop | Chief Executive | to 14 October 2020 |
| Linda Hanna | Managing Director, Scottish Economic Development; Interim Chief Executive | to 14 October 2020 from 15 October 2020 |
| Douglas Colquhoun | Chief Financial Officer | from 27 April 2020 |
| Neil Francis | Interim Managing Director, Scottish Development International | from 16 November 2020 |
| Jane Martin | Managing Director, Business Services and Advice | |
| Kerry Sharp | Interim Managing Director, Scottish Economic Development | from 2 November 2020 |
| Charles Smith | Managing Director, International Development, Strategy and Technology | to 4 December 2020 |
| Carolyn Stewart | Chief People Officer | |

Register of Board Members' Interests

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

ACCOUNTABILITY REPORT (continued)

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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

In preparing the accounts, Scottish Enterprise is required to:

- observe the Accounts Direction issued by the Scottish Ministers (see page 122), including the relevant accounting disclosure requirements, and apply these accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that Scottish Enterprise will continue in operation.

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

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

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

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

GOVERNANCE STATEMENT

Introduction

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

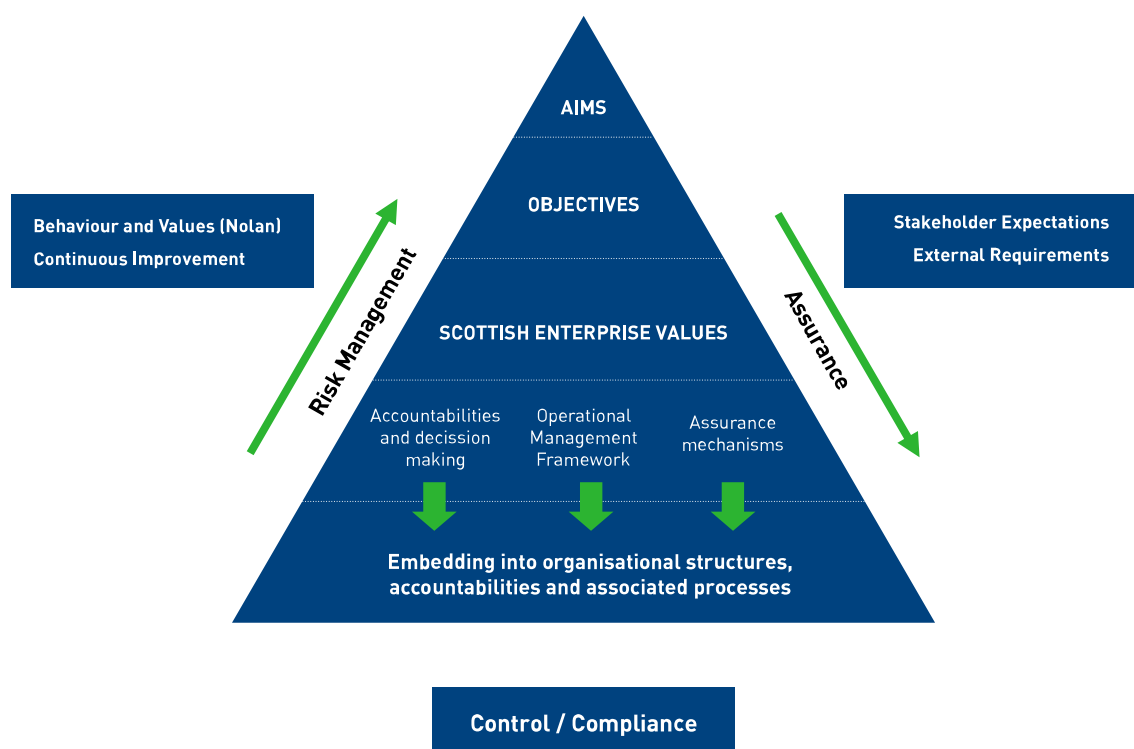
As Accountable Officer, I have specific responsibility in relation to:

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

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

ACCOUNTABILITY REPORT (continued)

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



Covid-19

We have continued to respond and flex our support to help Scottish businesses through the pandemic.

This has been reflected throughout our work, including a significant increase in the frequency of corporate meetings (e.g. SE Board and Executive Leadership Team), in the delivery, along with our partners, of bespoke funds to best support Scottish businesses through the economic crisis, and in our Stakeholder Management processes. Specific risks related to Covid-19 have been highlighted, recorded and managed via the Business Resilience Risk Register and across our entire Risk Management process.

Aims and Objectives

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

Scottish Enterprise Values

Scottish Enterprise Board

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

ACCOUNTABILITY REPORT (continued)

Management and Staff

Guidance to staff is included in the Staff Handbook and in other key policies such as the Code of Conduct and Diversity policy. The importance of how we achieve our goals is recognised within the internal staff performance system, My Performance, which through coaching conversations ask staff to consider how their objectives align to the Strategic Framework. The objectives are set at a team and individual level, are agile (updated on an ongoing basis) and consider both what and how (linked to values) these are delivered.

Accountabilities and Decision Making

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

Scottish Enterprise Board and sub-Committees

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

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

The Board meets bi-monthly and its Committees structure and terms of reference are regularly reviewed. Self-assessments were completed by each Board Member and individual meetings held with the Chair in Quarter 3, 2020/21. The performance of the Chair of the Board is appraised annually by the Scottish Government.

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

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

It has general corporate responsibility for:

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

ACCOUNTABILITY REPORT (continued)**Scottish Enterprise Board**

Stephen Dunlop resigned as Accountable officer on 14 October 2020 and Linda Hanna was appointed Interim Chief Executive on 15 October 2020. Melfort Campbell completed his final term as a Board member on 31 December 2020. Peter McKellar was appointed to the SE Board on 15 February 2021. Gavin Nicol and Anne Glover were reappointed for a further term from 28 February 2021.

Membership and attendance at meetings of the Board during the year from 01 April 2020 to 31 March 2021 was as follows:

| | | Eligible to Attend | Attendance |
|--------------------|--|--------------------|------------|
| Lord Robert Smith | Chair from 1 August 2019 | 7 | 7 |
| Melfort Campbell | | 6 | 6 |
| Stephen Dunlop | Chief Executive to 14 October 2020 | 4 | 4 |
| Linda Hanna | Interim Chief Executive from 15 October 2020 | 3 | 3 |
| Anne Glover | | 7 | 6 |
| Willie Mackie | | 7 | 7 |
| Poonam Malik | | 7 | 7 |
| Gavin Nicol | | 7 | 6 |
| Sue Paterson | | 7 | 7 |
| Karthik Subramanya | | 7 | 7 |
| Carmel Teusner | | 7 | 7 |
| Peter McKellar | | 1 | 1 |

From April 2020, the Board also met regularly (at least twice per month) to receive updates on SE's response to the Covid-19 pandemic. Since December 2020, these meetings have changed to serve as Interim Board meetings to discuss matters requiring Board input and the frequency of the meetings changed to monthly.

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

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

The purpose and membership of each committee for the year to 31 March 2021 is summarised below.

Audit and Risk Committee

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

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

Melfort Campbell stepped down as a member of the Audit and Risk committee on 31 December 2020. Peter McKellar was appointed a member of the Audit and Risk Committee on 23 February 2021.

ACCOUNTABILITY REPORT (continued)**Remuneration Committee**

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

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

Melfort Campbell stepped down as Chair of the Remuneration Committee on 31 December 2020 and Gavin Nicol was appointed as Chair of the Remuneration Committee on 23 February 2021. Peter McKellar was appointed as a member of the Remuneration Committee on 23 February 2021.

Nominations and Governance Committee

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

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

Melfort Campbell stepped down as a member of the Nominations and Governance Committee on 31 December 2020. Willie Mackie was appointed as member of the Nominations and Governance Committee on 23 February 2021.

Board Approvals Committee

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

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

Sub Committee Membership and Attendance Record

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

| | Audit and Risk | Remuneration | Nominations and Governance | Board Approvals |
|-----------------------------|----------------|--------------|----------------------------|-----------------|
| Melfort Campbell | 4/4 | 2/2 C | 5/5 | 3/4 |
| Anne Glover | | 2/2 | 5/5 | 2/4 |
| Willie Mackie, Deputy Chair | 4/4 C | | | 4/4 C |
| Poonam Malik | | 2/2 | 5/5 | 3/4 |
| Gavin Nicol | | 2/2 C | 5/5 | 2/4 |
| Sue Paterson | 4/4 | | | 4/4 |
| Lord Robert Smith | | 2/2 | 5/5 C | |
| Karthik Subramanya | 4/4 | | | 2/4 |
| Carmel Teusner | 4/4 | | | 4/4 |
| Peter McKellar | | | | |
| Linda Hanna | 1/1 * | 1/1 * | 2/2 * | 1/1 |

C = Chair

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

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise Chief Executive

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

Organisational Model

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

Operational Management Framework

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

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

Strategy and Planning

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

Resource Management

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

Performance Management

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

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

Budgetary Control

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

ACCOUNTABILITY REPORT (continued)

Human Resources

The Staff Handbook clearly sets out staff responsibilities and the behaviours expected.

Scottish Enterprise has been recognised as an Investors in People employer since 2009 and successfully retained Gold accreditation for the second time at the assessment in 2016. Scottish Enterprise were re-assessed in 2019 and whilst retaining the IIP standard, it was not at Gold level. Our latest re-assessment which took place in May 2021 resulted in a Silver level accreditation.

Scottish Enterprise were recognised as an Investor in Young People (IIYP) in December 2014, with the further Award of a Gold level added in September 2015 under the 2nd Generation IIYP process. Scottish Enterprise have retained the Gold standard at each assessment thereafter including their most recent assessment in 2020.

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

IT Services

Enterprise Information Services (EIS) is a shared service which provides IT services to Scottish Enterprise, Skills Development Scotland, Highlands & Islands Enterprise and South of Scotland Enterprise. EIS hosts the main platforms which are common to each organisation. EIS is supported by contracts with suppliers delivering services under the current Supplier Integration and Management model. Yearly disaster recovery and business continuity tests are carried out in this area by EIS.

In addition to these shared IT services, Scottish Enterprise also develops and maintains IT services bespoke to Scottish Enterprise's needs, as well as procuring Software as a Service functionality for generic/core systems. To help deliver and maintain these IT services for Scottish Enterprise, the ongoing development of our Enterprise Architecture capability and Service Management processes in step with EIS will improve the controls and management of these systems and services specific to SE. Activity in relation to our disaster recovery and business continuity plans in this area are progressing through 2021 and will be presented to SE's Audit and Risk committee in due course.

Data Protection & Information Governance

The Data Protection and Information Governance Officer has overall responsibility for ensuring adherence to policy, process and legislative compliance on Data Protection and Information Governance across the organisation. This includes reporting reportable data protection breaches to the Information Commissioner's Office (ICO) and other Supervisory Authorities across the EEA.

During 2020/21 Scottish Enterprise had no reportable data breaches made to the ICO. One breach affecting a third party supplier, with potential effect on the organisation, was reported to the French supervising authority, CNIL in November 2020.

No further comments have been made by nor action taken by CNIL in the period since. In accordance with its notification procedure, the matter is now deemed closed.

Estate Management

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

ELT considered a refreshed Accommodation Strategy in December 2019 and a new Strategy is due at ELT in April 2021. This Strategy reflects SE's Future Ways of Working project and seeks to right-size the number and capacity of our offices to reflect their anticipated future use. We are working with partners and Government to ensure that we maximise the potential for co-location and make best use of existing public sector assets.

ACCOUNTABILITY REPORT (continued)

Risk Management

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

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

During 2020/21 a 'dashboard' presentation was presented to each meeting of the Board to highlight the Top 5 risks across our Corporate Risk Register. A Corporate Risk Register has been established to consider those risks that impact the organisation as a whole and are likely to affect the organisation's ability to achieve our strategic goals and objectives. The Register is reviewed and discussed by the Executive Leadership Team on a regular basis, including consideration of progress on agreed actions to manage the risks.

Management teams are responsible for maintaining a system of risk management and internal control, consistent with corporate risk arrangements, and it is designed to enable it to deliver its business objectives in an efficient and effective manner in accordance with our values and policies. Ownership is assigned for each identified risk, both at a corporate and management team level, with the risk owner responsible for co-ordinating response to the risk and for any reporting requirements. Alongside the guidance and training provided to all staff directly involved in risk, appropriate risk management training for all staff will be arranged during 2021/22.

Scottish Enterprise's Audit and Risk Committee reviews the Corporate Risk Register regularly on behalf of the Board. Risk management arrangements have been reviewed by the Audit and Risk Committee during 2020/21, and the committee were satisfied with the processes detailed and the progress made with our evolving approach.

To address specific risks relating to Covid-19, a Business Resilience Risk Register was created, and is being used to identify, record and manage risks relating to the pandemic. This Risk Register is reviewed on an ongoing basis by the Executive Leadership Team as part of their review of the Programme Management Office (PMO) report.

Other risk registers have also been updated to reflect the effect on Covid-19 on work across the entire spectrum of Scottish Enterprise's activities.

During the reporting period 2020/21 the risks identified on the Risk Dashboard (Top 5 risks) from the Corporate Risk Register related to:

| Risk | Key Mitigations |
|---|---|
| The impact of the pandemic and related market conditions on Scottish Enterprise's spend performance and income generation ability. | <ul style="list-style-type: none"> Expenditure forecasts were closely monitored throughout the financial year to assess the potential for slippage that would lead to a significant underspend. Requests for debt forbearance due to the economic impacts of Covid-19 and the impact on SE's income position were robustly assessed. |
| The risks surrounding the launch of the Scottish National Investment Bank and the future operating model between the entities SE and SNIB, resulting in customers and markets being unclear on available sources of support and using these in a timely fashion | <ul style="list-style-type: none"> Following the launch of the Scottish National Investment Bank, we communicated with investment partners confirming that early stage investment activities would continue to be the natural preserve of Scottish Enterprise, albeit the Scottish National Investment Bank may invest at this stage, on occasion, where it identifies a strong mission alignment. Ongoing operational discussions are being held between SE and the Scottish National Investment Bank. |

ACCOUNTABILITY REPORT (continued)

| Risk | Key Mitigations |
|---|--|
| <p>Uncertainty regarding the availability of Financial Transactions funding over the medium term, potentially resulting in a reduced capacity to maintain support to the early stage investment market.</p> | <ul style="list-style-type: none"> Over the short-term (2-3 years) SE will seek to generate increased levels of business income, primarily by selling down the listed share portfolio, to address any further reduction in Financial Transactions budget availability. Initial discussions were held with the Scottish Government to identify longer term actions that would be needed to address the reduced availability of funding. |
| <p>The risks surrounding the Global Climate Emergency and the additional pressure on resources this may bring.</p> | <ul style="list-style-type: none"> The relative nature, scale and timing of the emerging opportunities have been robustly assessed to identify where additional resources should be sought or can be made available within SE and from partners. Recognition that the government target of Net Zero by 2045 and revised Climate Change Act provides an opportunity to review and prioritise emerging opportunities and allocate appropriate resources across public and private sector partnerships. The Business Plan for 2021/22 is focused on ensuring that Scottish Enterprise prioritises Scotland's values, one of which is the transition towards Net Zero (climate opportunities, addressing sustainability and carbon challenges). |
| <p>The risk of Scottish Enterprise's change transformation aspirations not being realised or substantially delayed due to the impact of deploying resources (people and financial) to support the delivery of various Covid-19 support funds.</p> | <ul style="list-style-type: none"> The impact of implementing various Covid-19 grant support funds during the financial year on SE's digital transformation programme was monitored carefully and reported to senior management. The delay in the digital transformation programme due to the ongoing nature of the pandemic was identified and, in the light of these continued pressures, the overall programme plan was re-calibrated, approved and changes implemented and communicated to internal and external stakeholders. |

Assurance

Role of Scottish Enterprise Audit and Risk Committee

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

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

Management Assurance Statements

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

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

ACCOUNTABILITY REPORT (continued)

The Certificate of Assurance for 2020/21 has now been completed and submitted to Scottish Government in line with the above process. I can confirm that for the year ended 31 March 2021 and up to the authorised date of issue, the governance arrangements and systems of internal control have been in place and have operated effectively.

3rd Party Service Provider

During the year Scottish Enterprise engaged a 3rd party service provider to help deliver an element of Covid-19 grant funding. As part of the procurement process assurances were sought over the various accreditations held by the supplier (ISO, Financial Conduct Authority, Cyber & Information Security) and that systems used by the supplier were fit for purpose. During the period of the engagement there was regular sharing of information between Scottish Enterprise and the supplier in order to provide further assurances over internal controls in place. A series of reports, daily meetings and access to supplier appraisal system & audit trail allowed Scottish Enterprise to review every applicant to bring local and sectoral knowledge to the process and ensure payments were only made to eligible businesses.

Internal Audit

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

Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of the internal control environment. For 2020/21, the conclusion of internal audit work carried out identifies an overall good level of assurance on Scottish Enterprise's framework of governance, risk management and management control.

From April 2020 an Internal Audit Shared Service was introduced. The shared internal audit arrangements include Scottish Enterprise, Skills Development Scotland, Scottish Funding Council, South of Scotland Enterprise and Clyde Gateway with Scottish Enterprise taking the lead in delivering internal audit services across each organisation. This arrangement demonstrates increased collaboration across Strategic Board partners.

External Audit

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

During 2020-21, Audit Scotland have reviewed Scottish Enterprise's control environment. A number of matters were identified that Scottish Enterprise is actively addressing. Subject to these matters being addressed, Audit Scotland were able to conclude that the control environment is operating effectively.

ACCOUNTABILITY REPORT (continued)**REMUNERATION AND STAFF REPORT**

This report explains the remuneration policy of Scottish Enterprise for Board Members and for the Executive Leadership Team and provides details of members' remuneration for the year ended 31 March 2021.

Scottish Enterprise Board

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

The Scottish Government sets the level of remuneration for the Chair and informs Scottish Enterprise on an annual basis of any increase to be awarded.

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

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

Board Members' Remuneration (the information from this section to the end of page 39 has been subject to audit).

Remuneration paid to the Chair and other non-executive board members who served during the year to 31 March 2021 was:

| | <i>Fee</i> £ | <i>Travel Allowance</i> £ | <i>2021 Total Remuneration</i> £ | <i>Fee</i> £ | <i>Travel Allowance</i> £ | <i>2020 Total Remuneration</i> £ |
|-----------------------------------|-----------------|------------------------------|-------------------------------------|-----------------|------------------------------|-------------------------------------|
| Lord Robert Smith, - Chair (c) | 39,419 | - | 39,419 | 32,517 | - | 32,517 |
| Melfort Campbell (a), (c) | 6,630 | 688 | 7,318 | 13,260 | 2,065 | 15,325 |
| Anne Glover (c) | 9,945 | - | 9,945 | 13,260 | - | 13,260 |
| Willie Mackie, - Deputy Chair | 15,912 | 199 | 16,111 | 24,544 | 596 | 25,140 |
| Poonam Malik | 13,260 | 46 | 13,306 | 13,260 | 349 | 13,609 |
| Gavin Nicol | 13,260 | - | 13,260 | 13,260 | - | 13,260 |
| Sue Paterson | 13,260 | 381 | 13,641 | 13,260 | 1,502 | 14,762 |
| Karthik Subramanya | 13,260 | - | 13,260 | 13,260 | - | 13,260 |
| Carmel Teusner | 13,260 | 910 | 14,170 | 14,144 | 2,730 | 16,874 |
| Peter McKellar (b) | 1,615 | - | 1,615 | - | - | - |

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

ACCOUNTABILITY REPORT (continued)

Remuneration Committee

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

The members of the Remuneration Committee who served during the year to 31 March 2021 are outlined in the Governance Statement.

Executive Leadership Team

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

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

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

Executive Leadership Team Remuneration

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

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

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

Basic salaries were set on 01 April 2020 following their annual review in line with the pay remit agreed with the Scottish Government. Salary levels are established after consideration of external market levels and internal comparisons as well as individual responsibilities. Salary payments are made every four weeks.

Executive Leadership Team members are all members of the Scottish Enterprise Pension & Life Assurance Scheme. As ordinary members, they contribute 6% of pensionable salary and during the year Scottish Enterprise contributed 18% of the employees' pensionable salary. This is a defined benefits scheme that provides benefits at a normal retirement age of 65, or 60 for staff members who joined before 01 December 2006.

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

ACCOUNTABILITY REPORT (continued)

Remuneration of the Executive Leadership Team members who served during the year to 31 March 2021 was:

| | 2021 | | | | 2020 | | | |
|---|------------|-------|------------------------|-------|------------|-------|------------------------|-------|
| | Salary (i) | Other | Pension Benefits (iii) | Total | Salary (i) | Other | Pension Benefits (iii) | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Stephen Dunlop (to 30 October 20) | 119 | - | 23 | 142 | 172 | - | 39 | 211 |
| Linda Hanna | 148 | - | 143 | 291 | 133 | - | 49 | 182 |
| Jane Martin | 135 | - | 29 | 164 | 132 | - | 42 | 174 |
| Carolyn Stewart | 135 | - | 29 | 164 | 134 | - | 20 | 154 |
| Charles Smith (to 4 December 2020) (iv) | 94 | - | 23 | 117 | 53 | 4 | 19 | 76 |
| | | | | | 74 | - | 14 | 88 |
| Kerry Sharp (from 2 November 2020) | 47 | - | 37 | 84 | - | - | - | - |
| Neil Francis (from 16 November 2020) | 43 | - | 8 | 51 | - | - | - | - |
| Douglas Colquhoun (from 27 April 2020) | 107 | - | 143 | 250 | - | - | - | - |

- i)** All salaries noted above relate to the period that the individual held a role on the Executive Leadership Team. The full-time equivalent salaries payable to Kerry Sharp, Neil Francis and Douglas Colquhoun for the period in which they served on the Executive Leadership Team were £114,500. Linda Hanna has been on the Executive Leadership Team for the full financial year, firstly as a Managing Director from 01 April 2020 to 14 October 2020 before assuming the role of Interim Chief Executive from 15 October 2020 to 31 March 2021. The full-time equivalent salaries payable to Stephen Dunlop and Charles Smith, who both left the Executive Leadership Team in 20/21, were £176,702 and £134,646 respectively.
- ii)** In line with all Scottish Enterprise staff, if they were eligible, Executive Leadership Team members, including the Chief Executive, received a pay increment on 1 April 2020. Increases varied from 1.51% to 4.48% depending upon the position of the existing salary in the pay band. No Scottish Enterprise bonuses were paid or payable to any members of the Executive Leadership Team for 2020/21.
- iii)** The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.
- iv)** Charles Smith's secondment from Visit Scotland commenced on 30 July 2018 and ended 31 August 2019. He was then appointed to the Executive Leadership Team on a permanent basis from 2 September 2019. The 2020 comparative figures are split between his actual Visit Scotland remuneration package, for the period in which he was seconded to Scottish Enterprise, and remuneration from his permanent position with Scottish Enterprise.

ACCOUNTABILITY REPORT (continued)

v) Retirement benefits of the Executive Leadership Team members for the year to 31 March 2021 are as follows:

| | <i>Accrued Pension at normal retirement date as at 31 March 2021 and related lump sum £000</i> | <i>Real increase in pension and related lump sum at pension age £000</i> | Cash Equivalent Transfer Value (a) | | |
|--------------------|--|--|---|----------------------------------|--|
| | | | <i>At 31 March 2021 £000</i> | <i>At 31 March 2020 £000</i> | <i>Increase in transfer value during year (net of members' contributions) £000</i> |
| Stephen Dunlop (b) | 5 - 10 plus, lump sum of 15 - 20 | 0 - 2.5 plus, lump sum of 2.5 - 5.0 | 117 | 120 | (9) |
| Linda Hanna | 55 - 60 plus, lump sum of 165 - 170 | 5.0 - 7.5 plus, lump sum of 20 - 22.5 | 1,365 | 1,674 | (318) |
| Jane Martin | 30 - 35 plus, lump sum of 100 - 105 | 0 - 2.5 plus, lump sum of 5.0 - 7.5 | 776 | 1,095 | (327) |
| Carolyn Stewart | 40 - 45 plus, lump sum of 125 - 130 | 0 - 2.5 plus, lump sum of 5.0 - 7.5 | 1,003 | 1,414 | (419) |
| Charles Smith | 0 - 5 plus, lump sum of 5 - 10 | 0 - 2.5 plus, lump sum of 2.5 - 5.0 | 37 | 26 | 6 |
| Kerry Sharp | 15 - 20 plus, lump sum of 55 - 60 | 0 - 2.5 plus, lump sum of 5.0 - 7.5 | 429 | - | 6 |
| Neil Francis | 30 - 35 plus, lump sum of 95 - 100 | 0 - 2.5 plus, lump sum of 0 - 2.5 | 827 | - | (29) |
| Douglas Colquhoun | 45 - 50 plus, lump sum of 135 - 140 | 5.0 - 7.5 plus, lump sum of 20 - 22.5 | 1,171 | - | (175) |

- a) The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and include benefits related to service transferred in from previous employment. It represents a payment which would be made by a retirement benefit scheme to secure benefits in another scheme or arrangement should a member leave the scheme and choose to transfer the benefits they have accrued in this and any former scheme. Annual changes in the cash equivalent transfer value are determined by market conditions.
- b) Stephen Dunlop and Charles Smith ceased their roles as company directors on 30 October 2020 and 04 December 2020. The figures in the table above reflect the value of the increase in these members' pension related benefits in the Scheme over the period 1 April 2020 to the dates that they ceased their role as Company Directors.

ACCOUNTABILITY REPORT (continued)**Fair Pay Disclosure**

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

| | 2021 £ | 2020 £ |
|---|------------|------------|
| Annualised remuneration before pension benefits of the highest paid member of the Executive Leadership Team | 163,600 | 172,250 |
| Median remuneration of Scottish Enterprise's employees | 48,772 | 47,100 |
| Remuneration ratio | 3.4 | 3.7 |

The median remuneration of Scottish Enterprise's employees is based upon the annualised full-time equivalent salary of the employees at 31 March 2021.

The full-time equivalent remuneration paid to Scottish Enterprise staff ranged from £20,590 to £266,760 (2020: £19,142 to £165,100).

STAFF REPORT**Staff Costs**

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

| | 2021 £ | 2020 £ |
|-----------------------|----------------|----------------|
| Remuneration (i) (ii) | 158,288 | 158,008 |
| Social security costs | 10,690 | 11,486 |
| Pension costs (iii) | 13,300 | 13,085 |
| | 182,278 | 182,579 |

- i) Remuneration paid to non-executive board members is also detailed in the Remuneration Report above.
- ii) Scottish Enterprise's Chief Executive, Steve Dunlop and Linda Hanna for their respective periods, were also members of the board. Their remuneration is not included above but details are provided in the Remuneration Report.
- 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 £79,500 (2020: £92,400) within the total retirement benefit liabilities at 31 March 2021, as assessed by Isio, Scottish Enterprise's advising actuaries.

ACCOUNTABILITY REPORT (continued)

Staff costs comprise:

| | Permanent staff | Others | 2021 | 2020 |
|--|-----------------|--------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 58,006 | - | 58,006 | 55,760 |
| Social security costs | 5,995 | - | 5,995 | 5,905 |
| Pension costs | 20,126 | - | 20,126 | 22,145 |
| Inward seconded and temporary staff costs | - | 8,833 | 8,833 | 8,227 |
| Severance costs and other exit packages | 15 | - | 15 | 380 |
| Total staff costs before recoveries (i) | 84,142 | 8,833 | 92,975 | 92,417 |
| Less: recoveries in respect of outward secondments | (315) | | (315) | (645) |
| Total net staff costs | 83,827 | 8,833 | 92,660 | 91,772 |

- i) Total staff costs before recoveries includes expenditure on temporary staff costs of £3,820,000 (2020: £3,099,000) within operating expenditure of which £1,541,480 has been capitalised as an intangible asset and there was £nil management expenditure on staff costs in Note 3 (2020: £7,000).

Staff Numbers

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

| | Permanent staff | Others | 2021 | 2020 |
|---|-----------------|------------|--------------|--------------|
| Executive Leadership Team | 6 | - | 6 | 5 |
| Operations | 1,104 | - | 1,104 | 1,152 |
| Operations - locally engaged overseas staff | 59 | - | 59 | 54 |
| Administration and support function | 197 | - | 197 | 200 |
| Inward Secondments and temporary staff (i) | - | 108 | 108 | 113 |
| | 1,366 | 108 | 1,474 | 1,524 |

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

Exit Packages and Settlement Agreements

There were no staff who left or agreed to leave Scottish Enterprise under voluntary severance in the year to 31 March 2021 (2020: 4 staff at a total cost of £380,000). In addition to staff leaving under voluntary severance, there were 3 (2020: 0) individuals who left a subsidiary company at a cost of £15,000 (2020: £Nil).

| Exit package cost band | Compulsory Redundancies | Other Departures Agreed | Total 2021 | Total 2020 |
|------------------------|-------------------------|-------------------------|------------|------------|
| < £10,000 | 3 | - | 3 | - |
| £10,001 - £20,000 | - | - | - | - |
| £20,001 - £30,000 | - | - | - | - |
| £30,001 - £40,000 | - | - | - | - |
| £40,001 - £50,000 | - | - | - | - |
| £50,001 - £60,000 | - | - | - | - |
| £60,001 - £70,000 | - | - | - | - |
| £70,001 - £80,000 | - | - | - | - |
| £80,001 - £90,000 | - | - | - | - |
| £90,001 - £100,000 | - | - | - | 4 |

No members of staff left under a Settlement Agreement (2020: none).

ACCOUNTABILITY REPORT (continued)**Staff Composition**

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

| | Male | Female | 2021 Total | Male | Female | 2020 Total |
|---------------------------|------------|------------|--------------|------------|------------|--------------|
| Board (i) | 4 | 4 | 8 | 5 | 4 | 9 |
| Executive Leadership Team | 2 | 4 | 6 | 2 | 3 | 5 |
| Other employees | 549 | 778 | 1,327 | 591 | 809 | 1,400 |
| Total | 555 | 786 | 1,341 | 598 | 816 | 1,414 |

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

Sickness Absence

The absence record for Scottish Enterprise employees for the year to end March 2021 was 7,209 (2020: 9,335) sick days out of a possible 280,427 (2020: 280,091) working days representing a lost time through sickness absence of 2.57% (2020: 3.33%).

Staff Turnover

Staff turnover for Scottish Enterprise employees for the year end March 2021 was 5.63% (2020: 7.64%).

Trade Union Facility Time

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

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

There were 16 (2020: 16) staff members who were trade union officials during 2020/21:

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

The total cost of facility time amounted to 0.03% (2020: 0.02%) of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. 46% (2020: 47%) of the total paid facility time hours was spent on trade union activities.

Staff Policies

As a result of the global Covid-19 pandemic we recognised that as an organisation we had a great deal to do, we understood that the priority for our employees was their families. This meant we put in processes to ensure everyone could work as flexibly as possible to balance the needs of work and family. Therefore, in response to the Scottish Government guidance, we took the decision to close our offices, move to fully remote working and ensure we put in place the tools needed to do our work remotely. This also captured the need to support, engage, develop and recognise the contribution our employees made during a difficult time in a remote environment.

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

ACCOUNTABILITY REPORT (continued)

Recruit

Scottish Enterprise's recruitment policy details our selection processes which are fair, open and objective. As a result of Covid-19 we successfully moved our selection processes online. All appointments are made on merit, and selection criteria will only include requirements that are relevant to the effective performance of the role. This policy relates to both new external candidates and those who are promoted during their career with SE. We know that by recruiting people from a range of backgrounds at all levels we will gain access to a wide variety of viewpoints, experiences and perspectives. We are a disability confident employer and are committed to upholding the values of this award.

Engage & Recognise

How our staff feel about working at Scottish Enterprise is important to us and listening and acting on their feedback is a key part of that. We offer a wide range of opportunities to hear and engage staff so they can shape all aspects of how we work and what we do. We have used a range of methods to engage with our staff such as surveys, Team Talks and involvement in engagement groups. We recognise that highly engaged organisations perform better, are more innovative and have high levels of staff motivation.

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

Early in the year, we engaged with staff around what was working well during Covid-19 times and how we could take this forward. This led to our "Future Ways of Working" programme, which aims to create a flexible work environment where work is an activity, not a set place or defined hours. One where staff feel empowered to decide how, when and where they deliver their work, in support of Scottish Enterprise's Strategic Framework.

We also continued to embed our strategic framework including our values. Examples of how this has been done include the roll out of a new approach to performance management - My Performance - which considers both what people will deliver and how (linked to values) they will deliver. We introduced a Living the Values recognition programme, to show that we appreciate contributions that demonstrate our values. We use these awards to recognise special achievements that bring our values to life, which are over and above our day to day activity and make a positive impact. Anyone can nominate a colleague for an individual award; team award nominations can be made by the people manager or the project manager responsible for the team. We carry out regular monitoring to make sure we are using the awards correctly.

Develop

We develop talent through a comprehensive range of learning and development opportunities, ensuring these are designed to accommodate and support all learning needs and styles. Due to remote working, we have amplified and developed our online learning material and courses.

Supporting our people managers and leaders continues to be a key component of our development offerings. We launched a new People Manager Framework and delivered a virtual Leadership Development Programme. We also provided specific skills training to meet new business needs. Alongside this, colleagues are supported through our coaching and mentoring provision and we ran refresher masterclasses and action learning sessions for our coaches.

As an accredited Investors in Young People (IYYP) Gold employer, attracting a diverse workforce includes a focus on youth employment and development through our structured youth programmes. Our Foundation Apprenticeship programme provides work experience for pupils undertaking a vocational qualification and mentoring support to young individuals via such programmes as Career Ready and MCR pathways programme. We also delivered entrepreneurship sessions and enterprise support directly into schools via our Next Generation Project and our collaborative partnership projects with NASA.

We have also launched our Young Leaders Group to provide insights and experiences from our young people. We not only seek to support the young people within our own organisation, but we also support Scotland's future workforce by working closely with those agencies and groups who provide support to young people.

ACCOUNTABILITY REPORT (continued)

Scottish Enterprise is committed to human rights. We have responded to Ministers' guidance on carrying out human rights due diligence and this must be performed in addition to existing checks and considerations undertaken by Scottish Enterprise before engaging in a business relationship with a customer. We have created a Human Rights Due Diligence procedure which supports this. We also continue to support the Scottish Government with the development of a Human Rights and Business Action Plan. This will focus on support for businesses to effectively carry out their human rights obligations.

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

Retain

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

The focus on employee wellbeing continues to grow and embed. We have a Wellbeing Hub on the staff intranet which is well established and is well recognised as a 'one stop shop' for a broad range of support and information on a range of wellbeing areas including Financial Matters & Pension, Career, Mental Wellbeing, Your Voice, Physical, Work Life Balance. The Wellbeing Hub has been a central source of support, guidance and engagement throughout the Covid-19 pandemic. We proactively engage employees seeking their feedback and encouraging and supporting them in taking a lead on wellbeing activity. Feedback from colleagues is key in ensuring that information, services and support are targeted to areas where there is the greatest need, especially during the pandemic. The most recent wellbeing initiatives have focused on physical activity and encouraging employee engagement in a calendar of events.

As part of our wellbeing strategy we have also raised awareness of some great national wellbeing campaigns and some internal initiatives (as referred to above). They've included World Menopause Day, World Mental Health Day, International Women's Day, National Walking Month, Volunteers Week, Carer's Week, World Blood Donor Day, awareness and International Men's Day. There is a week of organisation and employee led activity planned for Mental Health week in May 2021.

Following feedback from impacted employees we introduced a menopause policy, and awareness materials. This has been very well received and has assisted those going through a natural and medically induced menopause. There is also now a Menopause Support Group in place and targeted support and development run by a women's health professional has been available for interested and affected colleagues.

Our equality mainstreaming report was published in April 2021. We carried out detailed analysis of our pay data and the analysis found no evidence of systemic pay discrimination. Our gender pay gap continues to reduce, and we reported on our race pay gap for the first time. We have set new Equality outcomes and will progress the actions in our equality action plan, in preparation for the submission of the next equality mainstreaming report in 2023.

We continue to raise awareness of our work in diversity and inclusion with colleagues across the organisation and our equality champions' group remains pivotal in this. Champions meet often to build their own capacity and knowledge of equality developments. Our dedicated intranet page is regularly updated to provide information and good practice which is easily accessible to all colleagues.

Our employee diversity networks launched in early 2020, these 5 networks relate to all of the protected equality characteristics. They work in 3 key areas- awareness raising, consultation forums and peer support. Employees do not need to identify with any of the characteristics to join, supporters are key to making a difference to others and are made to feel very welcome. The networks are as follows:

ACCOUNTABILITY REPORT (continued)

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

Gender Balance – with a focus on engaging people across the organisation to attract, develop and retain women at all levels, including reduction of the gender pay gap

PRIDE – with the goal to support colleagues across the broad spectrum of diversity of sexuality & gender identity

Multi Cultural – with a focus on creating an organisation which is inclusive of race, ethnicity, nationality and faith

Multi Generations – recognising that different generations have diverse needs, values, priorities and perspectives

Each community has its own chair and leadership ambassador.

Health & Safety

Continuing our approach of delivering our health, safety and wellbeing provision in line with the organisation's core values, we adapted this provision to meet the challenges of operating under the global Covid-19 pandemic and the subsequent restrictions placed upon us both in Scotland and overseas. Our principal focus was to ensure the safety and wellbeing of colleagues as we meet the challenges of working from home whilst still effectively supporting essential business services to the wider economy.

The early implementation of a formal pandemic planning process allowed us to identify the critical wellbeing areas that required to be met and the wrap-around support available to colleagues as part of this. As noted above, this included reviewing existing HR policies, such as the flexibility of working practice and time available for caring responsibilities/childcare to ensure colleagues remained engaged with our operational requirements whilst being able to deal with their personal responsibilities during the pandemic.

Supplemental to this was ensuring that additional support and communications were available relating to good mental health; acknowledging the impact the pandemic may have had on some colleagues and to normalise the message that 'it's OK to not be OK'. This aspect took many forms; the refresh of the role of Mental Health First Aiders, online wellbeing events, the provision of up to date information on our Covid portal, a dedicated Covid-19 wellbeing page and regular engagement through People Managers. We were also able to safely facilitate face to face wellbeing visits for colleagues that required these.

Colleague safety whilst working from home was paramount, particularly as it became clear that the temporary nature of home working was to become longer term. Support was provided through a roll-out programme of key workstation items to those in Scotland and overseas. This provided colleagues with the flexibility to work safely and comfortably from home whilst taking steps to reduce the potential risk of colleagues developing underlying health conditions during this extended home working period.

To help meet our core service delivery obligations during this period in support of the wider economy, it was critical that we continued to facilitate essential customer and site visits, particularly when dealing with requests from organisations playing a significant role in Scotland's Covid-19 response (such as NHS laboratory visits by our SMAS team). Again, ensuring colleague safety during these visits was paramount, with a robust risk assessment, safe system of work and training process in place to enable these.

Our Health, Safety and Wellbeing Committee continues to meet, being kept fully informed of the measures taken to address safety and wellbeing during the pandemic and ensuring strategic oversight and governance across these areas. The Committee remains active and engaged, continuing to embed the links created between the Committee and the wider organisation.

We continued to take an active part in fostering collaboration and best practice sharing with our government partner agencies through our regular Partnership Network meetings. This forum has allowed us to help drive and promote a consistency of approach in the way in which we've collectively responded to the challenges of the Covid-19 pandemic, as well as providing Scottish Enterprise with an opportunity to benchmark our approach against others.

For the 5th consecutive year, we attained the Royal Society for the Prevention of Accidents (RoSPA) Gold H&S Achievement Award, resulting in us being awarded the RoSPA Gold Medal. We were also subject to a successful British Safety Council validation audit of the actions we've taken to support our external audit action plan.

ACCOUNTABILITY REPORT (continued)**PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT****Summary of Resource and Capital Outturn**

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

Scottish Enterprise's net under-spend against its allocated budget for the year to 31 March 2021 was £13.5m.

Scottish Enterprise drew down Grant in Aid of £459.5m, including £44.5m of Financial Transactions funding net of repayments, against the 2020/21 Grant in Aid provision of £459.1m. £8.1m of the Financial Transactions funding was not utilised and will be carried over to 2021/22. A further £0.4m Grant in Aid was drawn down in respect of expenditure which was agreed with Scottish Government after the final budget allocation had been set.

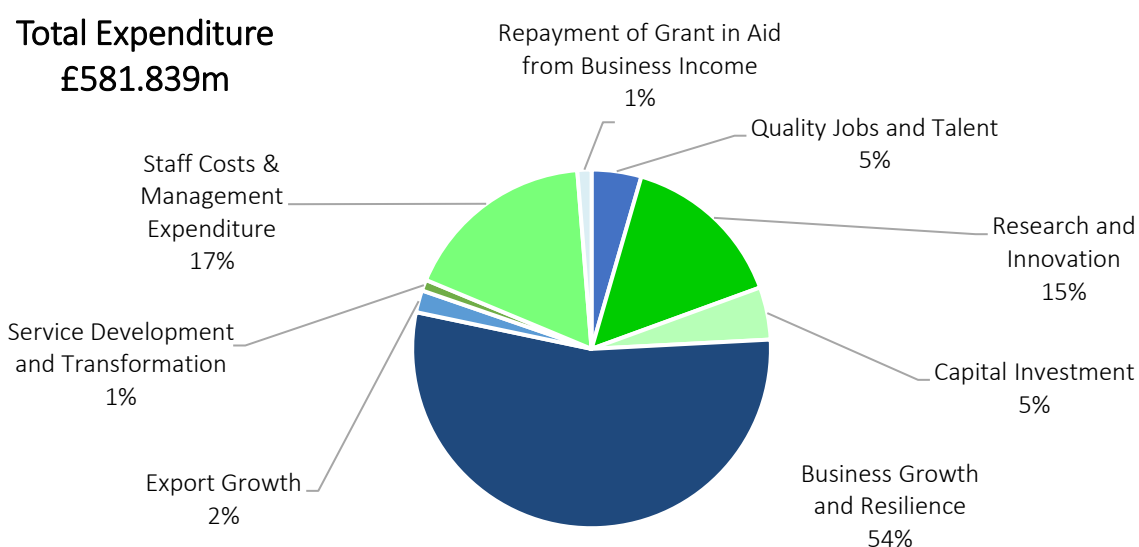
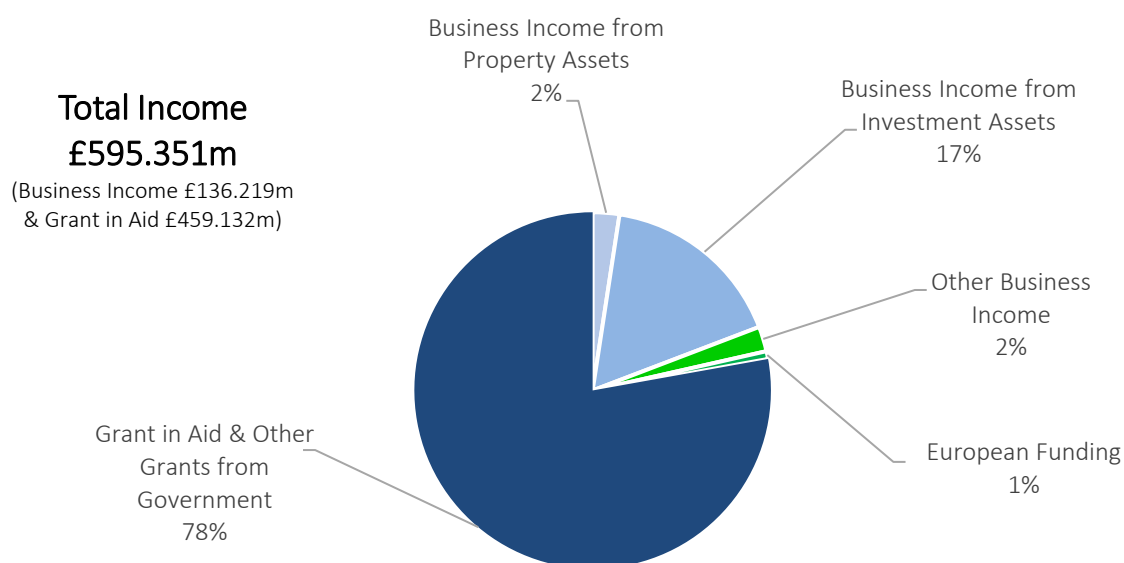
Expenditure in the outturn table below includes £7.4m repayment to Scottish Government in respect of excess business income generated in the year to 31 March 2020. This was repaid to Scottish Government before the end of the financial year. In addition to this a further payment of £0.6m was made to Scottish Government during the year representing the final amount due in respect of excess business income generated during 2019/20.

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

| | Expenditure | Income | Outturn | Allocation | Variance |
|---|----------------|------------------|----------------|----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Resource budget (see below) | 347,646 | (36,352) | 311,294 | 314,414 | (3,120) |
| Capital budget | 191,811 | (96,404) | 95,407 | 98,135 | (2,728) |
| Financial Transactions expenditure | 42,382 | - | 42,382 | 50,483 | (8,101) |
| Financial Transactions income (a) | - | (3,463) | (3,463) | (3,900) | 437 |
| | 581,839 | (136,219) | 445,620 | 459,132 | (13,512) |
| Ring Fenced Resource – expected credit losses | 14,402 | - | 14,402 | 35,000 | (20,598) |
| Non –cash costs including depreciation | 8,036 | - | 8,036 | 8,300 | (264) |
| Total | 604,277 | (136,219) | 468,058 | 502,432 | (34,374) |
| Annually managed expenditure (b) | (53,759) | - | (53,759) | 34,500 | (88,259) |
| Total Budget | 550,518 | (136,219) | 414,299 | 536,932 | (122,633) |

- a)** Financial Transactions income represents returns from investments for which the original cost was met from the Financial Transactions budget, and which was repaid to the Scottish Government.
- b)** Annually managed expenditure outturn position for 2020/21 is a net income amount, this is primarily due to an increase in value of Fair Value assets resulting in a surplus on valuation.

ACCOUNTABILITY REPORT (continued)



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

| | £000 |
|---|----------------|
| Net expenditure before taxation | 326,484 |
| Attributable to non-controlling interests in subsidiaries | 122 |
| Depreciation charge allocated to non-cash costs | (8,036) |
| Asset revaluation adjustments charged to annually managed expenditure | 325 |
| Investment impairments and fair value adjustments charged to annually managed expenditure | 44,635 |
| Net pension costs attributed to annually managed expenditure | (5,769) |
| Provision release reversed from annually managed expenditure | 203 |
| Scottish Government Grant income credited to reserves | (2,179) |
| Repayment of Grant in Aid in relation to excess business income | 7,405 |
| Net expenditure attributed to the capital budget | (51,896) |
| Resource Budget | 311,294 |

ACCOUNTABILITY REPORT (continued)**Energy Investment Fund**

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

Scottish Enterprise drew down £7.4m of new Financial Transactions funding to cover new investments and made repayments of £0.2m as a result of returns from investments for which the original cost was met from the Financial Transactions.

In accordance with the governance letter any income generated is repayable to Scottish Government to the extent that it is not required to meet administration costs. Expenditure in the outturn table below includes £1.2m repayment to Scottish Government in respect of excess capital and resource income receipts.

The 2020/21 outturn for this fund was:

| | Expenditure | Income | Outturn |
|------------------------------------|--------------|----------------|--------------|
| | £000 | £000 | £000 |
| Resource budget | 819 | (819) | - |
| Capital budget | 1,010 | (1,010) | - |
| Financial Transactions expenditure | 7,419 | - | 7,419 |
| Financial Transactions income | - | (185) | (185) |
| | 9,248 | (2,014) | 7,234 |

Losses and Special Payments

| | No of cases | £000 |
|----------------------------|-------------|-------|
| Claims abandoned or waived | 95 | 7,859 |

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 2021, balances greater than £250,000 written off were as follows: -

| | | £000 |
|-----------------|---|-------|
| Anacail Limited | Established in 2012, Anacail was a spin-out from the Glasgow University to commercialise ozone generating plasma technology. SE invested a total of £1.309m in loans and equity alongside private sector partners. Despite signing a significant contract with a large fruit packaging company and successful trials with UK supermarkets, Anacail was unable to fully commercialise the technology. Consequently, the company was unable to secure follow-on investment, which in turn led to Liquidators being appointed in December 2019. The Company's IP under the license agreements in place reverted to the University following insolvency and as a secured creditor SE received £141k from the liquidation process and following conclusion of this the Company was Dissolved on 30th December 2020 | 1,176 |

ACCOUNTABILITY REPORT (continued)

| | | £000 |
|-----------------------------|---|-------|
| Big Data for Humans Limited | Big Data for Humans was founded in 2014 to develop a Software as a Service (“SaaS”) product. SE’s invested £1.334m into the Company alongside private sector investors. The investment was used to produce a production ready and scalable SaaS product and provide working capital to support its commercialisation. The Company demonstrated early market traction by signing up c. 10 SME customers to utilise its services, but they were not able to fully engage with customers in either of their target markets or demonstrate a value-add service. This resulted in customers failing to renew existing contracts, which in turn impacted on profitability and on cash flow. In March 2019, having exhausted all potential funding options for significant new investment and existing investors being unprepared to inject further funding to address the forecast cash flow deficit, the Company’s board took the decision to enter Administration and following conclusion of that process the Company was Dissolved in December 2020. There was no recovery of value to Scottish Enterprise from the Administration process. | 1,334 |
| CiQual Limited | CiQual was a provider of software solutions for the mobile communications market. It had been supported by SE through account management and investment since 2008. The company received c.£8m investment from private sector investors, several high net worth individuals and from Scottish Enterprise. Despite continued support from its investor base, the technology struggled to gain commercial traction resulting in continued losses, erosion of cash balances and repeated funding calls on investors to provide additional funding. This cycle could not be broken, with the loss of a key contract in December 2018 proving to be significant. Existing investors did not have the confidence to provide further support, so the company had no alternative but to appoint Administrators. After a short sales process, the assets were sold by the Administrator to a US firm for \$40k. The Administration process has now concluded, with no monies being recovered for the shareholders. The company was Dissolved in July 2020. | 1,956 |
| Retilect Limited | Established in 2015, Relitect was a spin-out from the Leeds University to commercialise high sensitivity impedance spectroscopy technology. SE invested a total of £949k in equity alongside IP Group. Despite support from investors and significant efforts from the management team, scientific challenges could not be overcome leading directors to make the unanimous decision to cease trading and to begin the voluntary wind-up procedure in April 2020. SE received an £84k distribution of funds from this process and the company was Dissolved in September 2020. | 866 |

ACCOUNTABILITY REPORT (continued)

| | | £000 |
|------------------------|---|-------------|
| Senient Limited | Senient was an early stage technology company cloud hosting infrastructure based in Edinburgh. SE invested £272k between 2016 and 2017 in the form of Convertible Loan Notes, alongside investment from a private sector partner to support ongoing product development and to drive commercial sales. The product failed to generate any sales traction despite early promising cost saving indicators for potential customers. The Board, when realising it was challenging to raise any further cash, tried many ways to find an acquirer for the Company and its technology but without success. Insolvency practitioners were appointed in June 2019. Scottish Enterprise monitored the insolvency process, but no return was made to Loan Note holders. The insolvency process is complete, and company was Dissolved in February 2021. | 272 |
| TPLD Limited | TPLD Ltd was incorporated in 2002 and was based in Dundee. The Company developed software aimed at building a business in games-based learning and virtual worlds. From 2006 to 2016 Scottish Enterprise invested a total of £341k in loans, preference shares and ordinary shares. The Company repaid a portion of the outstanding loans and preference shares. However, further significant investment was required to develop the software and with the Company failing to demonstrate commercial traction it could not attract the investment required. The directors invested a nominal amount to determine the options for the business but did not identify a viable option for the business. Following a period of dormancy, the Company was Dissolved in December 2020. | 284 |
| Impact Results Limited | RSA grant funding of £425k was provided to support the company, £225k in 2015 and £200k in 2017. In 2018 the company lost a couple of major contracts in close proximity which had a detrimental impact on the business. Liquidators were appointed and the company was subsequently wound up. Due to the passage of time between the conclusion of the grant funded projects and the failure of the company an assessment of value provided by the grant concluded that a total of £254k should be written off. | 254 |

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. Scottish Enterprise has nothing to report for the year ended 31 March 2021 in respect of gifts.

Fees and charges

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

ACCOUNTABILITY REPORT (continued)

Remote contingent liabilities

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

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

Linda Hanna
Accountable Officer

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Enterprise and its group for the year ended 31 March 2021 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Scottish Enterprise Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Scottish Enterprise Statement of Financial Position, Group Statement of Cash Flows, Scottish Enterprise Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Scottish Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers of the state of the affairs of the body and its group as at 31 March 2021 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 May 2017. The period of total uninterrupted appointment is five years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

Conclusions on wider scope responsibilities

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

Use of my report

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

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

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2021

| | | 2021 | <i>Restated</i> 2020 |
|--|-------|------------------|-------------------------|
| | Notes | £000 | £000 |
| Expenditure | | | |
| Operating expenditure | 1,3 | 365,170 | 232,493 |
| Net management expenditure on staff costs | 3 | 89,338 | 89,494 |
| Other management expenditure | 3 | 24,332 | 24,098 |
| | | 478,840 | 346,085 |
| Income | | | |
| Income from activities | 2 | (123,974) | (27,345) |
| Other Income | 2 | (19,868) | (17,805) |
| | | (143,842) | (45,150) |
| Net Operating Expenditure | | 334,998 | 300,935 |
| Share of profits in equity accounted investees | 7 | (482) | (51) |
| Income from investments | 2 | (42) | (1,468) |
| Interest receivable | 2 | (6,069) | (7,470) |
| Other finance income | 2 | (1,921) | (1,645) |
| Net Expenditure after interest | | 326,484 | 290,301 |
| Taxation | 4 | 38 | 515 |
| Net Expenditure after taxation | | 326,522 | 290,816 |
| Other Comprehensive Net Expenditure | | | |
| Items that will not be reclassified to net expenditure: | | | |
| Net (gains) / deficits on revaluation of property, plant and equipment | | (3,483) | 2,030 |
| Net losses on revaluation of property, plant and equipment held by Equity Accounted Investee | | - | - |
| Net remeasurement losses / (gains) recognised in retirement benefit scheme | | 23,279 | (27,288) |
| Total Comprehensive Net Expenditure for the year | | 346,318 | 265,558 |
| Attributable to: | | | |
| Taxpayers' Equity | | 346,440 | 265,475 |
| Non-Controlling Interest | | (122) | 83 |
| | | 346,318 | 265,558 |

The notes on pages 62 to 121 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2021

| | | 2021 | <i>Restated</i> 2020 |
|--|--------------|------------------|--------------------------------|
| | Notes | £000 | £000 |
| Expenditure | | | |
| Operating expenditure | 1,3 | 361,698 | 232,542 |
| Net management expenditure on staff costs | 3 | 80,778 | 81,487 |
| Other management expenditure | 3 | 24,163 | 23,741 |
| | | 466,639 | 337,770 |
| Income | | | |
| Income from activities | 2 | (123,040) | (27,216) |
| Other Income | 2 | (12,557) | (7,659) |
| | | (135,597) | (34,875) |
| Net Operating Expenditure | | 331,042 | 302,895 |
| Income from investments | 2 | (8) | (1,416) |
| Interest income | 2 | (6,067) | (7,462) |
| Other finance income | 2 | (1,921) | (1,645) |
| Net Expenditure after interest | | 323,046 | 292,372 |
| Taxation | 4 | 38 | 515 |
| Net Expenditure after taxation | | 323,084 | 292,887 |
| Other Comprehensive Net Expenditure | | | |
| Items that will not be reclassified to net expenditure: | | | |
| Net (gains) / deficits on revaluation of property, plant and equipment | | (1,889) | 1,787 |
| Net remeasurement losses / (gains) recognised in retirement benefit scheme | | 23,279 | (27,288) |
| Total Comprehensive Net Expenditure for the year | | 344,474 | 267,386 |

The notes on pages 62 to 121 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2021

| | | 2021 | Restated 2020 | Restated 2019 |
|---|-------|------------------|------------------|------------------|
| | Notes | £000 | £000 | £000 |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 5 | 137,243 | 153,800 | 164,030 |
| Intangible assets | 6 | 2,724 | 1,911 | - |
| | | 139,967 | 155,711 | 164,030 |
| Financial assets | | | | |
| Investments in equity accounted investees | 7 | 1,104 | 622 | 1,001 |
| Other investments | 8 | 445,255 | 306,029 | 320,668 |
| Total financial assets | | 446,359 | 306,651 | 321,669 |
| Retirement benefit scheme | 10 | 52,834 | 81,882 | 62,872 |
| Other non-current receivables | 11 | 589 | 2,204 | 578 |
| TOTAL NON-CURRENT ASSETS | | 639,749 | 546,448 | 549,149 |
| CURRENT ASSETS | | | | |
| Intangible assets | 6 | - | - | 81 |
| Other investments | 8 | 15,344 | 17,845 | 5,736 |
| Assets classified as held for sale | 12 | 11,611 | 3,350 | 13,900 |
| Inventories | 13 | 90 | 105 | 112 |
| Income tax receivable | | 234 | - | - |
| Trade and other receivables | 14 | 21,921 | 26,395 | 20,816 |
| Cash and cash equivalents | 15 | 141,010 | 102,155 | 119,571 |
| TOTAL CURRENT ASSETS | | 190,210 | 149,850 | 160,216 |
| TOTAL ASSETS | | 829,959 | 696,298 | 709,365 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 16 | (75,689) | (47,673) | (67,882) |
| Income tax payable | | - | (300) | (182) |
| Provisions | 17 | - | - | (794) |
| TOTAL CURRENT LIABILITIES | | (75,689) | (47,973) | (68,858) |
| NON-CURRENT ASSETS PLUS NET CURRENT ASSETS | | 754,270 | 648,325 | 640,507 |
| NON-CURRENT LIABILITIES | | | | |
| Other payables | 16 | (215,261) | (170,385) | (89,963) |
| Provisions | 17 | (4,953) | (5,156) | (5,252) |
| TOTAL NON-CURRENT LIABILITIES | | (220,214) | (175,541) | (95,215) |
| ASSETS LESS LIABILITIES | | 534,056 | 472,784 | 545,292 |
| TAXPAYERS' EQUITY | | | | |
| General Reserve | | 473,413 | 413,689 | 479,671 |
| Specific Reserve | | 1,544 | 981 | 1,066 |
| Revaluation Reserve | | 57,992 | 57,129 | 63,487 |
| Non-Controlling Interest | | 1,107 | 985 | 1,068 |
| TOTAL EQUITY | | 534,056 | 472,784 | 545,292 |

The notes on pages 62 to 121 form part of these accounts.

The accountable officer authorised these financial statements for issue on 26 July 2021.

Linda Hanna
Accountable Officer

SCOTTISH ENTERPRISE STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2021

| | | 2021 | Restated 2020 | Restated 2019 |
|---|-------|------------------|------------------|------------------|
| | Notes | £000 | £000 | £000 |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 5 | 85,459 | 101,006 | 113,771 |
| Intangible assets | 6 | 2,724 | 1,911 | - |
| | | 88,183 | 102,917 | 113,771 |
| Financial assets | | | | |
| Other investments | 8 | 446,275 | 307,262 | 322,409 |
| Retirement benefit scheme | 10 | 52,834 | 81,882 | 62,872 |
| Other non-current receivables | 11 | 1,639 | 3,934 | 2,997 |
| TOTAL NON-CURRENT ASSETS | | 588,931 | 495,995 | 502,049 |
| CURRENT ASSETS | | | | |
| Intangible assets | 6 | - | - | 81 |
| Other investments | 8 | 15,344 | 17,845 | 5,736 |
| Assets classified as held for sale | 12 | 11,611 | 3,350 | 13,900 |
| Trade and other receivables | 14 | 20,589 | 24,389 | 18,686 |
| Income tax receivable | | 234 | - | - |
| Cash and cash equivalents | 15 | 136,230 | 99,390 | 115,994 |
| TOTAL CURRENT ASSETS | | 184,008 | 144,974 | 154,397 |
| TOTAL ASSETS | | 772,939 | 640,969 | 656,446 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 16 | (73,072) | (46,421) | (66,090) |
| Income tax payable | | - | (300) | (182) |
| Provisions | 17 | - | - | (794) |
| TOTAL CURRENT LIABILITIES | | (73,072) | (46,721) | (67,066) |
| NON-CURRENT ASSETS PLUS NET CURRENT ASSETS | | 699,867 | 594,248 | 589,380 |
| NON-CURRENT LIABILITIES | | | | |
| Other payables | 16 | (215,260) | (170,385) | (89,963) |
| Provisions | 17 | (4,793) | (4,996) | (5,092) |
| TOTAL NON-CURRENT LIABILITIES | | (220,053) | (175,381) | (95,055) |
| ASSETS LESS LIABILITIES | | 479,814 | 418,867 | 494,325 |
| TAXPAYERS' EQUITY | | | | |
| General Reserve | | 464,663 | 404,565 | 471,807 |
| Revaluation Reserve | | 15,151 | 14,302 | 22,518 |
| TOTAL EQUITY | | 479,814 | 418,867 | 494,325 |

The notes on pages 62 to 121 form part of these accounts.

The accountable officer authorised these financial statements for issue on 26 July 2021.

Linda Hanna
Accountable Officer

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

| | | 2021 | <i>Restated</i> 2020 |
|---|-------|------------------|-------------------------|
| | Notes | £000 | £000 |
| Cash flows from operating activities | | | |
| Net expenditure after interest | | (326,484) | (290,301) |
| Adjustments for: | | | |
| Depreciation and assets written off | | 7,424 | 3,950 |
| Increase in investment provision and write off | | 6,978 | 8,185 |
| Property revaluation deficit | | 372 | 13,129 |
| Intangible revaluation deficit | | 612 | - |
| Investment revaluation (gain) / deficit | | (51,613) | 56,546 |
| Interest receivable | 2 | (6,069) | (7,470) |
| Dividends receivable | 2 | (42) | (1,468) |
| Retirement benefit scheme net charges | | 5,769 | 8,278 |
| Share of profit in equity accounted investees | 7 | (482) | (51) |
| Surplus on disposal of property, plant and equipment | 2 | (362) | (3,327) |
| Surplus on disposal of investments and equity accounted investees | 2 | (62,998) | (13,899) |
| | | (426,895) | (226,428) |
| Decrease in inventories | | 15 | 7 |
| (Increase) / decrease in trade and other receivables | | (521) | 364 |
| Increase / (decrease) in trade payables | | 21,020 | (14,980) |
| Decrease in provision for future liabilities | | (203) | (890) |
| | | (406,584) | (241,927) |
| Income tax expense | | (572) | (397) |
| Net cash outflow from operating activities | | (407,156) | (242,324) |
| Cash flows from investing activities | | | |
| Proceeds of disposal of property, plant and equipment | | 13,866 | 11,095 |
| Proceeds of disposal of financial assets and equity accounted investees | | 87,548 | 29,399 |
| Repayments of other investments | | 8,807 | 15,535 |
| Interest received | | 2,197 | 4,758 |
| Dividends received | | 42 | 1,468 |
| Purchase of property, plant and equipment | | (2,677) | (13,397) |
| Purchase of current intangible assets | | (1,365) | (1,997) |
| Purchase of financial assets | | (121,325) | (92,211) |
| Net cash outflow from investing activities | | (12,907) | (45,350) |
| Cash flows from financing activities | | | |
| Grants from Scottish Government | | 407,160 | 193,050 |
| Financial Transactions financing from Scottish Government net of repayments | 16 | 51,758 | 77,208 |
| Net cash inflow from financing activities | | 458,918 | 270,258 |
| Net increase / (decrease) in cash and cash equivalents in the period | | 38,855 | (17,416) |
| Cash and cash equivalents at the beginning of the period | 15 | 102,155 | 119,571 |
| Cash and cash equivalents at the end of the period | 15 | 141,010 | 102,155 |

The notes on pages 62 to 121 form part of these accounts.

SCOTTISH ENTERPRISE STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

| | | 2021 | Restated 2020 |
|---|-------|------------------|------------------|
| | Notes | £000 | £000 |
| Cash flows from operating activities | | | |
| Net expenditure after interest | | (323,046) | (292,372) |
| Adjustments for: | | | |
| Depreciation and assets written off | | 2,895 | 3,048 |
| Increase in investment provision and write off | | 6,978 | 8,186 |
| Property revaluation deficit | | 399 | 14,816 |
| Intangible revaluation deficit | | 612 | - |
| Investment revaluation (gain) / deficit | | (51,267) | 56,305 |
| Interest receivable | 2 | (6,067) | (7,462) |
| Dividends receivable | 2 | (8) | (1,416) |
| Retirement benefit scheme net charges | | 5,769 | 8,278 |
| Surplus on disposal of property, plant and equipment | 2 | (362) | (3,327) |
| Surplus on disposal of investments and equity accounted investees | 2 | (62,431) | (14,110) |
| | | (426,528) | (228,054) |
| (Increase) / decrease in trade and other receivables | | (515) | 929 |
| Increase / (decrease) in trade payables | | 19,654 | (14,440) |
| Decrease in provision for future liabilities | | (203) | (890) |
| | | (407,592) | (242,455) |
| Income tax expense | | (572) | (397) |
| Net cash outflow from operating activities | | (408,164) | (242,852) |
| Cash flows from investing activities | | | |
| Proceeds of disposal of property, plant and equipment | | 13,856 | 11,039 |
| Proceeds of disposal of financial assets | | 85,702 | 29,402 |
| Repayments of other investments | | 8,807 | 15,535 |
| Interest received | | 2,194 | 4,751 |
| Dividends received | | 8 | 1,416 |
| Purchase of property, plant and equipment | | (768) | (11,349) |
| Purchase of intangible assets | | (1,365) | (1,997) |
| Purchase of financial assets | | (120,179) | (91,685) |
| Net cash outflow from investing activities | | (11,745) | (42,888) |
| Cash flows from financing activities | | | |
| Grants from Scottish Government | | 404,991 | 191,928 |
| Financial Transactions financing from Scottish Government net of repayments | 16 | 51,758 | 77,208 |
| Net cash inflow from financing activities | | 456,749 | 269,136 |
| Net increase/ (decrease) in cash and cash equivalents in the period | | 36,840 | (16,604) |
| Cash and cash equivalents at the beginning of the period | 15 | 99,390 | 115,994 |
| Cash and cash equivalents at the end of the period | 15 | 136,230 | 99,390 |

The notes on pages 62 to 121 form part of these accounts.

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2021

| | General Reserve | Specific Reserve | Revaluation Reserve | Non-Controlling Interest | Total |
|--|------------------|------------------|---------------------|--------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Restated Balance at 1 April 2019 | 479,671 | 1,066 | 63,487 | 1,068 | 545,292 |
| Net expenditure during the year | (290,648) | (85) | - | (83) | (290,816) |
| Remeasurement gains in retirement benefit scheme | 27,288 | - | - | - | 27,288 |
| Net deficits on revaluation of property, plant and equipment | - | - | (2,030) | - | (2,030) |
| Transfer between reserves | 4,328 | - | (4,328) | - | - |
| Total recognised income and expense for year to 31 March 2020 | (259,032) | (85) | (6,358) | (83) | (265,558) |
| Grant in Aid from Scottish Government | 200,018 | - | - | - | 200,018 |
| Repayment of Grant in Aid from other business income | (8,568) | - | - | - | (8,568) |
| Other grants from Scottish Government | 1,600 | - | - | - | 1,600 |
| | 193,050 | - | - | - | 193,050 |
| Restated Balance at 31 March 2020 | 413,689 | 981 | 57,129 | 985 | 472,784 |
| Net expenditure during the year | (327,207) | 563 | - | 122 | (326,522) |
| Remeasurement losses in retirement benefit scheme | (23,279) | - | - | - | (23,279) |
| Net gains on revaluation of property, plant and equipment | - | - | 3,483 | - | 3,483 |
| Transfer between reserves | 2,620 | - | (2,620) | - | - |
| Total recognised income and expense for year to 31 March 2021 | (347,866) | 563 | 863 | 122 | (346,318) |
| Grant in Aid from Scottish Government | 413,007 | - | - | - | 413,007 |
| Repayment of Financial Transactions funding waived | 430 | - | - | - | 430 |
| Repayment of Grant in Aid from other business income | (8,026) | - | - | - | (8,026) |
| Other grants from Scottish Government | 2,179 | - | - | - | 2,179 |
| | 407,590 | - | - | - | 407,590 |
| Balance at 31 March 2021 | 473,413 | 1,544 | 57,992 | 1,107 | 534,056 |

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £10,148m (2020: £9,735m). The grant in aid provision of £413m for 2020/2021 (2019/20: £200m) included £98m (2019/20: £58m) 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 £58m (2020: £57m) is £58m (2020: £57m) attributable to net unrealised surpluses on Land and Buildings.

SCOTTISH ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2021

| | General Reserve | Revaluation Reserve | Total |
|--|------------------|---------------------|------------------|
| | £000 | £000 | £000 |
| Restated Balance at 1 April 2019 | 471,807 | 22,518 | 494,325 |
| Net expenditure during the year | (292,887) | - | (292,887) |
| Remeasurement gains in retirement benefit scheme | 27,288 | - | 27,288 |
| Net deficits on revaluation of property, plant and equipment | - | (1,787) | (1,787) |
| Transfer between reserves | 6,429 | (6,429) | - |
| Total recognised income and expense for year to 31 March 2020 | (259,170) | (8,216) | (267,386) |
| Grant in Aid from Scottish Government | 200,018 | - | 200,018 |
| Repayment of Grant in Aid from other business income | (8,568) | - | (8,568) |
| Other grants from Scottish Government | 478 | - | 478 |
| | 191,928 | - | 191,928 |
| Restated Balance at 31 March 2020 | 404,565 | 14,302 | 418,867 |
| Net expenditure during the year | (323,084) | - | (323,084) |
| Remeasurement losses in retirement benefit scheme | (23,279) | - | (23,279) |
| Net gains on revaluation of property, plant and equipment | - | 1,889 | 1,889 |
| Transfer between reserves | 1,040 | (1,040) | - |
| Total recognised income and expense for year to 31 March 2021 | (345,323) | 849 | (344,474) |
| Grant in Aid from Scottish Government | 413,007 | - | 413,007 |
| Repayment of Financial Transactions funding waived | 430 | - | 430 |
| Repayment of Grant in Aid from other business income | (8,026) | - | (8,026) |
| Other grants from Scottish Government | 10 | - | 10 |
| | 405,421 | - | 405,421 |
| Balance at 31 March 2021 | 464,663 | 15,151 | 479,814 |

The General Reserve is the accumulated surplus on grant in aid funded activity of Scottish Enterprise. Since the incorporation of Scottish Enterprise in 1991 the aggregate amount of grant in aid provided is £10,148m (2020: £9,735m). The grant in aid provision of £413m for 2020/21 (2019/20: £200m) included £98m (2019/20: £58m) in respect of net capital expenditure.

Revaluation Reserve is the cumulative unrealised balance arising on revaluation adjustments to assets. Included within the Revaluation Reserve total of £15m (2020: £14m) is £15m (2020: £14m) attributable to net unrealised surpluses on Land and Buildings.

Included within the £1.040m transfer from Revaluation Reserve to General Reserve is an amount of £137k which was the revaluation reserve attributable to a property transferred to South of Scotland Enterprise Agency in accordance with Machinery of Government regulations.

STATEMENT OF ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

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

Where the FRoM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate, to the 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. For financial year 2020/21 and following consideration of the valuation basis of a discrete category of financial assets, the basis for valuing Scottish Enterprises interest in a small number of Limited Partnership Investment Funds has been amended from cost less provision for impairment, as a proxy for fair value, to the attributable proportion of the net asset value of the funds. Scottish Enterprise has adjusted comparative amounts disclosed in each prior period as if the new valuation basis had always applied. Details of prior period adjustments are given in note 24.

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

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

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

The Board and Accountable Officer have considered the Resource Budget for 2021/22, 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 2021/22 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 21.

2. BASIS OF CONSOLIDATION

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

a) Subsidiaries

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

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

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

b) Associates and jointly controlled entities

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

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

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Scottish Enterprise uses the most recent available financial statements in applying the equity method. In cases where the reporting date of the

STATEMENT OF ACCOUNTING POLICIES (continued)

associate differs from Scottish Enterprise, adjustments are made for any significant transactions or events that occur between that date and the date of these financial statements.

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

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

c) Other

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

3. FUNDING

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

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

estimated reliably The Financial Transactions liability detailed in Note 16 has not been discounted.

4. PROPERTY, PLANT AND EQUIPMENT

a) Land

Land held for or under development, or for the Group's own use, is held at fair value and is valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2020 (Red Book) and specifically the basis valuation for IFRS. Details of valuation techniques used to determine fair value of land are given in Note 9.

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

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

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

Land is not depreciated.

b) Property

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

c) Non property assets

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

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

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

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

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

d) Subsequent expenditure

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

e) Impairment

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)

5. NON-CURRENT ASSETS HELD FOR SALE

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

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

Non-current assets held for sale are not depreciated.

6. FINANCIAL ASSETS

Classification

Scottish Enterprise classifies its financial assets in the following categories:

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

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

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

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

a) Fair value

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

b) Amortised cost

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

Recognition and derecognition

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

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

Measurement

a) Fair value

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

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

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

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

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

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

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

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

Impairment

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

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

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

7. INTANGIBLE ASSETS**a) Patents and other similar intellectual property rights**

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

b) Software Licences

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

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

c) Carbon Reduction Commitment (CRC) Scheme Allowances

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

d) Software Research and Development Costs

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

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

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

8. ASSETS HELD BY LOCAL ENTERPRISE COMPANIES AND THEIR SUBSIDIARY UNDERTAKINGS

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

9. INVENTORIES

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

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 Statement of Comprehensive Net Expenditure based on amounts receivable in respect of expenditure incurred in the accounting period on approved projects.

12. DIVIDEND INCOME

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

13. LEASING

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

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

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

incentive is recognised as a reduction in rental expense on a straight-line basis over the life of the lease.

14. EXPENDITURE

Expenditure is accounted for on an accruals basis.

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

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

15. TAXATION

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)**16. EMPLOYEE BENEFITS****a) Retirement benefits**

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

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

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

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

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

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

no realistic possibility of withdrawal.

b) Short term employee benefits

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

17. EXCHANGE GAINS AND LOSSES**a) Functional and presentation currency**

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

b) Transactions and balances

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

18. CASH AND CASH EQUIVALENTS

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

19. FINANCIAL LIABILITIES**Classification**

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition and measurement

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

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

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

20. PROVISIONS

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

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

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

21. CONTINGENT LIABILITIES

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

22. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported

amount of assets, liabilities, income, and expenses.

Actual results may differ from these estimates.

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

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets meaning there is an unprecedented set of circumstances on which to base a judgement.

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

a) Retirement benefit scheme

Due to timing a small proportion of scheme assets are normally based on a lagged valuation. The group have reviewed available information on market conditions between the valuation date and the reporting date and consider the year end valuation report provided by the actuary to be the best information available to the Group at 31 March 2021 and can be relied upon.

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

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

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

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 10, which includes a table setting out the potential sensitivity of change in assumptions of the retirement benefit obligation. A firm of consulting

STATEMENT OF ACCOUNTING POLICIES (continued)

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

b) Fair value of land and buildings

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

Due to market uncertainties caused by Covid-19, in applying the Royal Institute of Chartered Surveyors Global Standards (Red Book), a material uncertainty was declared in the valuation report for the year to March 2020. The Red Book defines market uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.' This clause has been removed from the valuation report at 31 March 2021. This reflects the market evidence now available which shows that the impact of Covid-19 was just a pause on the market and not a complete reset.

The valuation report has been used to inform the measurement of assets in these financial statements, this is the best information available to the Group at 31 March 2021 and can be relied upon.

c) Fair value of financial instruments

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

The market uncertainties caused by Covid-19 have been recognised and professional judgement has been exercised, considering IPEV Special Valuation Guidance published on 31st March 2020, to consider the level of risk on a case by case basis across the investment portfolio. Where considered appropriate the discount applied to valuations has been adjusted to take account of the impact of Covid-19.

d) Impairment of financial assets at amortised cost

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

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

Stage 1, where the credit risk has not increased significantly then a loss allowance equal to a 12 month expected credit loss is recognised by (i) reviewing loans with shared risk characteristics and (ii) applying a probability assessment of a loss default within 12 months;

Stage 2, where the loan is past due and based on past experience the asset is considered to be credit impaired, a loss allowance equal to a lifetime expected credit loss is recognised by (i) reviewing loans with shared risk characteristics and (ii) applying a probability assessment of a loss default;

Stage 3, where an asset is considered to be credit impaired because of past due status and other events that have a detrimental effect on future cash flows an impairment allowance is recognised.

e) European Income

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

STATEMENT OF ACCOUNTING POLICIES (continued)

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

These percentages take account of the 40% rate at which ERDF income can be claimed and are consistent with the prior year and are considered reasonable for 2021/22. An increase in each of the percentages by 1% would result in an increase of 2020/21 income of c£75k.

23. ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

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

IFRS 16 – Leases

Subject to EU adoption and Exposure Draft process this standard will be included in the FReM with effect from 2022/23. The standard replaces IAS 17 - Leases and largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting. If IFRS 16 had been adopted the effect would have been to increase leased assets and financial liabilities by £28.7m as at 31 March 2021. In addition, expenditure would have been reduced by £2.65m and depreciation charges would have increased by £7.8m.

NOTES TO THE ACCOUNTS

1. EXPENDITURE

| | GROUP | | SCOTTISH ENTERPRISE | |
|---|----------------|-------------------------|---------------------|-------------------------|
| | 2021 | <i>Restated</i> 2020 | 2021 | <i>Restated</i> 2020 |
| | £000 | £000 | £000 | £000 |
| Operating Expenditure | 365,170 | 232,493 | 361,698 | 232,542 |
| Management Expenditure | 113,670 | 113,592 | 104,941 | 105,228 |
| Expenditure noted above includes: | | | | |
| Rentals under operating leases | | | | |
| Buildings | 2,897 | 2,753 | 2,652 | 2,367 |
| Other | 46 | 58 | 46 | 58 |
| Foreign exchange losses / (gains) | 903 | (462) | 864 | (442) |
| Depreciation | 7,338 | 3,864 | 2,809 | 2,962 |
| Amortisation of intangible assets | 86 | 86 | 86 | 86 |
| Auditors' remuneration | | | | |
| - audit of these accounts (i) | 169 | 165 | 169 | 165 |
| Amounts paid to other auditors in respect of: | | | | |
| - audit of subsidiary companies' accounts | 37 | 38 | - | 4 |
| - non-audit fees | - | 1 | - | - |
| | 37 | 39 | - | 4 |

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

NOTES TO THE ACCOUNTS (continued)

2. INCOME

| | GROUP | | SCOTTISH ENTERPRISE | |
|---|----------------|---------------|---------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Income from Activities | | | | |
| Property Services | | | | |
| Rents | 5,850 | 6,634 | 5,502 | 6,323 |
| Sundry property income | 3,497 | 3,485 | 3,478 | 3,456 |
| Surplus on disposal of property | 362 | 3,327 | 362 | 3,327 |
| Investment Management | | | | |
| Surplus on disposal of investments and equity accounted investees | 62,998 | 13,899 | 62,431 | 14,110 |
| Surplus on valuation of Fair Value assets (i) | 51,267 | - | 51,267 | - |
| | 123,974 | 27,345 | 123,040 | 27,216 |
| Other Income | | | | |
| European funding | 4,221 | 2,740 | 4,221 | 2,740 |
| Contributions and other fees | 13,613 | 15,065 | 8,336 | 4,919 |
| Grants from UK Government (ii) | 2,034 | - | - | - |
| | 19,868 | 17,805 | 12,557 | 7,659 |
| Income from Investments | | | | |
| Dividends and other investment income | 42 | 1,468 | 8 | 1,416 |
| Interest Income | | | | |
| Interest receivable | 2,676 | 5,914 | 2,674 | 5,906 |
| Interest calculated using the effective interest rate method | 3,393 | 1,556 | 3,393 | 1,556 |
| | 6,069 | 7,470 | 6,067 | 7,462 |
| Other Finance Income | | | | |
| Net interest income on retirement benefit scheme assets | 1,921 | 1,645 | 1,921 | 1,645 |

i) In 2019/20 there were £56,511,000 losses on valuation of Fair Value assets included within operating expenditure.

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

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.

| | GROUP | | SCOTTISH ENTERPRISE | |
|---|------------------|-------------------------|---------------------|-------------------------|
| | 2021 | <i>Restated</i> 2020 | 2021 | <i>Restated</i> 2020 |
| | £000 | £000 | £000 | £000 |
| Operating Expenditure | | | | |
| Quality Jobs and Talent | | | | |
| Entrepreneurship and Companies of Scale | | | | |
| Early Stage Support (i), (ii) | 1,938 | - | 1,938 | - |
| Other Entrepreneurship and Companies of Scale | 2,556 | 2,905 | 2,384 | 2,788 |
| Growth Funding including Inward Investment | 14,308 | 16,341 | 14,308 | 16,341 |
| Workplace Development | 6,769 | 6,151 | 6,794 | 6,176 |
| Research and Innovation | | | | |
| Innovation Support | 6,092 | 11,939 | 6,092 | 12,089 |
| R&D Support | | | | |
| Early Stage Support (i), (ii) | 1,016 | - | 1,016 | - |
| Other R&D Support | 56,154 | 38,996 | 56,154 | 38,996 |
| Investment in R&D and Innovation Assets | 22,968 | 8,090 | 22,968 | 8,090 |
| Capital Investment | | | | |
| Placemaking Investment | 14,321 | 25,496 | 9,704 | 24,994 |
| Property Portfolio Management | 7,059 | 4,793 | 7,041 | 4,765 |
| Sectoral Development | 6,775 | 7,635 | 6,775 | 7,635 |
| Business Growth and Resilience | | | | |
| Access to Finance | | | | |
| Early Stage Growth Challenge Fund (i), (ii) | 4,858 | - | 4,858 | - |
| Other Access to Finance | 9,452 | 75,708 | 9,436 | 75,697 |
| Business Growth Services | 7,250 | 10,992 | 6,492 | 9,875 |
| Economic Resilience Support | | | | |
| Pivotal Enterprise Resilience Find/Hardship Fund (i) | 145,423 | - | 145,423 | - |
| Hotel Support Programme (i) | 8,854 | - | 8,854 | - |
| Wedding & Civil Partnership Industries Fund (i) | 21,855 | - | 21,855 | - |
| Ski Centre & Ski School Fund (i) | 3,168 | - | 3,168 | - |
| Other Economic Resilience Support | 8,500 | 2,108 | 8,500 | 2,108 |
| Export Growth | | | | |
| Export Support | 3,416 | 8,022 | 3,416 | 8,022 |
| International Networking and Marketing | 6,311 | 4,439 | 8,395 | 6,088 |
| Overseas Premises and Facilities Management Costs | 1,876 | 2,870 | 1,876 | 2,870 |
| Service Development and Transformation | | | | |
| Business Technology Support and Development | 3,583 | 4,201 | 3,583 | 4,201 |
| Marketing Research and Stakeholder Engagement | 668 | 1,807 | 668 | 1,807 |
| Total Segmental Expenditure | 365,170 | 232,493 | 361,698 | 232,542 |
| Management Expenditure | | | | |
| Management expenditure on staff costs (iii) | 89,338 | 89,494 | 80,778 | 81,487 |
| Premises, ICT, business services and other management costs | 21,877 | 24,098 | 21,708 | 23,741 |
| Machinery of Government transfer of non-current assets to South of Scotland Enterprise Agency | 2,455 | - | 2,455 | - |
| Total Management Expenditure | 113,670 | 113,592 | 104,941 | 105,228 |
| Income | (143,842) | (45,150) | (135,597) | (34,875) |
| Net Operating Expenditure | 334,998 | 300,935 | 331,042 | 302,895 |

NOTES TO THE ACCOUNTS (continued)

- i) Covid-19 support funds, further details are contained within the Covid-19 section of the Performance Report.
- ii) In addition to £7,812,000 Early Stage Support recorded in operating expenditure, there was a further £29,460,000 expenditure in the form of investment in financial assets.
- iii) Management expenditure on staff costs comprises:-

| | GROUP | | SCOTTISH ENTERPRISE | |
|---------------------------------------|---------------|---------------|---------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 58,189 | 55,942 | 50,750 | 49,054 |
| Social security costs | 5,995 | 5,905 | 5,291 | 5,248 |
| Pension costs | 20,126 | 22,146 | 19,759 | 21,816 |
| Secondments and temporary staff costs | 5,013 | 5,121 | 4,978 | 4,989 |
| Severance costs | 15 | 380 | - | 380 |
| | 89,338 | 89,494 | 80,778 | 81,487 |

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

4. TAXATION

| | GROUP | | SCOTTISH ENTERPRISE | |
|---|-----------|------------|---------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| UK Corporation tax @ 19% (2020: 19%) | 69 | 617 | 69 | 617 |
| Corporation tax over provided in previous years | (31) | (102) | (31) | (102) |
| | 38 | 515 | 38 | 515 |
| Share of equity accounted investees' tax | - | - | - | - |
| Total current tax | 38 | 515 | 38 | 515 |

Factors affecting current tax charge:

| | GROUP | | SCOTTISH ENTERPRISE | |
|---|-----------|-------------------------|---------------------|-------------------------|
| | 2021 | <i>Restated</i> 2020 | 2021 | <i>Restated</i> 2020 |
| | £000 | £000 | £000 | £000 |
| Net expenditure after interest | 326,484 | 290,301 | 323,046 | 292,372 |
| Current tax @ 19% (2020: 19%) | (62,032) | (55,157) | (61,379) | (55,551) |
| Effect of: | | | | |
| Non-taxable income and disallowed expenditure | 62,101 | 55,774 | 61,448 | 56,168 |
| Tax over provided in previous years | (31) | (102) | (31) | (102) |
| Current tax charge | 38 | 515 | 38 | 515 |

NOTES TO THE ACCOUNTS (continued)**5. PROPERTY, PLANT AND EQUIPMENT**

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2020: £Nil).

Included within Disposals of land is £1.03m and Disposals of buildings is £1.425m which relate to the transfer of assets to South of Scotland Enterprise Agency in accordance with Machinery of Government regulations, which took place on 1 June 2020. These assets were transferred for no consideration and the £2.455m cost is included within Management Expenditure in Note 3.

Land and Buildings held for industrial and commercial use were valued at 31 March 2021 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £130m (2020: £145m).

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

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

At 31 March 2021 the net carrying value of leased equipment was £Nil (2020: £Nil).

NOTES TO THE ACCOUNTS (continued)

| GROUP | | | | | | | | | |
|-------------------------------------|---------------|------------------|----------------------------------|----------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|----------------|
| | <i>Land</i> | <i>Buildings</i> | <i>Assets Under Construction</i> | <i>Transport Equipment</i> | <i>Plant and Equipment</i> | <i>Information Technology</i> | <i>Furniture & Fittings</i> | <i>Leasehold Improvement</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost and valuation | | | | | | | | | |
| At 1 April 2019 | 89,440 | 65,774 | 257 | 80 | 15,577 | 7,525 | 4,142 | 13,536 | 196,331 |
| Additions | 2,282 | 5,665 | 1,160 | - | 2,042 | 82 | 121 | 30 | 11,382 |
| Disposals | (423) | - | - | (29) | (1,039) | (105) | - | (129) | (1,725) |
| Transfer from/(to) Held for Sale | (1,840) | (270) | - | - | - | - | - | - | (2,110) |
| Reclassification | - | - | - | - | - | - | - | - | - |
| Revaluation | (13,960) | (1,163) | (917) | - | - | - | - | - | (16,040) |
| At 31 March 2020 | 75,499 | 70,006 | 500 | 51 | 16,580 | 7,502 | 4,263 | 13,437 | 187,838 |
| Depreciation | | | | | | | | | |
| At 1 April 2019 | - | - | - | 66 | 14,571 | 6,382 | 3,842 | 7,440 | 32,301 |
| Charge for year | - | 881 | - | 14 | 840 | 598 | 192 | 1,339 | 3,864 |
| Revaluation | - | (881) | - | - | - | - | - | - | (881) |
| Disposals | - | - | - | (29) | (1,039) | (107) | (1) | (70) | (1,246) |
| At 31 March 2020 | - | - | - | 51 | 14,372 | 6,873 | 4,033 | 8,709 | 34,038 |
| Net book value | | | | | | | | | |
| At 31 March 2020 | 75,499 | 70,006 | 500 | - | 2,208 | 629 | 230 | 4,728 | 153,800 |
| At 31 March 2019 | 89,440 | 65,774 | 257 | 14 | 1,006 | 1,143 | 300 | 6,096 | 164,030 |
| Asset financing | | | | | | | | | |
| Owned | 75,499 | 70,006 | 500 | - | 2,208 | 629 | 230 | 4,728 | 153,800 |
| Net book value | | | | | | | | | |
| At 31 March 2020 | 75,499 | 70,006 | 500 | - | 2,208 | 629 | 230 | 4,728 | 153,800 |

NOTES TO THE ACCOUNTS (continued)

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

Included within Land is land on long leasehold (over 50 years) with a value of £Nil (2020: £Nil).

Included within Disposals of land is £1.03m and Disposals of buildings is £1.425m which relate to the transfer of assets to South of Scotland Enterprise Agency in accordance with Machinery of Government regulations, which took place on 1 June 2020. These assets were transferred for no consideration and the £2.455m cost is included within Management Expenditure in Note 3.

Land and Buildings held for industrial and commercial use were valued at 31 March 2021 by Montagu Evans LLP, Chartered Surveyors, on a fair value basis as defined in the Valuation Standards 2020 (Red Book) issued by The Royal Institution of Chartered Surveyors and had a total value of £81m (2020: £95m).

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

NOTES TO THE ACCOUNTS (continued)

| SCOTTISH ENTERPRISE | | | | | | | | | |
|----------------------------------|---------------|------------------|----------------------------------|----------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|----------------|
| | <i>Land</i> | <i>Buildings</i> | <i>Assets Under Construction</i> | <i>Transport Equipment</i> | <i>Plant and Equipment</i> | <i>Information Technology</i> | <i>Furniture & Fittings</i> | <i>Leasehold Improvement</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost and valuation | | | | | | | | | |
| At 1 April 2019 | 84,301 | 21,876 | 257 | 34 | 861 | 7,061 | 4,136 | 13,256 | 131,782 |
| Additions | 2,282 | 5,665 | 1,160 | - | - | 76 | 121 | 30 | 9,334 |
| Disposals | (423) | - | - | (17) | - | - | - | - | (440) |
| Transfer from/(to) Held for Sale | (1,840) | (270) | - | - | - | - | - | - | (2,110) |
| Reclassification | - | - | - | - | - | - | - | - | - |
| Revaluation | (13,958) | (2,610) | (917) | - | - | - | - | - | (17,485) |
| At 31 March 2020 | 70,362 | 24,661 | 500 | 17 | 861 | 7,137 | 4,257 | 13,286 | 121,081 |
| Depreciation | | | | | | | | | |
| At 1 April 2019 | - | - | - | 30 | 861 | 5,951 | 3,887 | 7,282 | 18,011 |
| Charge for year | - | 881 | - | 4 | - | 581 | 167 | 1,329 | 2,962 |
| Disposals | - | - | - | (17) | - | - | - | - | (17) |
| Revaluation | - | (881) | - | - | - | - | - | - | (881) |
| At 31 March 2020 | - | - | - | 17 | 861 | 6,532 | 4,054 | 8,611 | 20,075 |
| Net book value | | | | | | | | | |
| At 31 March 2020 | 70,362 | 24,661 | 500 | - | - | 605 | 203 | 4,675 | 101,006 |
| At 31 March 2019 | 84,301 | 21,876 | 257 | 4 | - | 1,110 | 249 | 5,974 | 113,771 |
| Asset financing | | | | | | | | | |
| Owned | 70,362 | 24,661 | 500 | - | - | 605 | 203 | 4,675 | 101,006 |
| Net book value | | | | | | | | | |
| At 31 March 2020 | 70,362 | 24,661 | 500 | - | - | 605 | 203 | 4,675 | 101,006 |

NOTES TO THE ACCOUNTS (continued)

6. INTANGIBLE ASSETS

| GROUP | | | | | | |
|---|-----------------------------------|--|---------------------------------|--------------------------|-----------------------|--------------|
| | <i>Software Development Costs</i> | <i>Software Development Under Construction</i> | <i>Patents and other rights</i> | <i>Software Licences</i> | <i>CRC Allowances</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| At 1 April 2019 | - | - | 787 | 876 | 81 | 1,744 |
| Additions | 431 | 1,566 | - | - | - | 1,997 |
| Disposals | - | - | - | - | (81) | (81) |
| As at 31 March 2020 | 431 | 1,566 | 787 | 876 | - | 3,660 |
| Additions | - | 1,511 | - | - | - | 1,511 |
| Impairment | - | (612) | - | - | - | (612) |
| As at 31 March 2021 | 431 | 2,465 | 787 | 876 | - | 4,559 |
| Amortisation | | | | | | |
| At 1 April 2019 | - | - | 787 | 876 | - | 1,663 |
| Charge for year | 86 | - | - | - | - | 86 |
| As at 31 March 2020 | 86 | - | 787 | 876 | - | 1,749 |
| Charge for year | 86 | - | - | - | - | 86 |
| As at 31 March 2021 | 172 | - | 787 | 876 | - | 1,835 |
| Net book value | | | | | | |
| At 31 March 2021 | 259 | 2,465 | - | - | - | 2,724 |
| At 31 March 2020 | 345 | 1,566 | - | - | - | 1,911 |
| At 1 April 2019 | - | - | - | - | 81 | 81 |
| Non-Current Intangible Assets | 259 | 2,465 | - | - | - | 2,724 |
| Current Intangible Assets | - | - | - | - | - | - |
| Total Intangible Assets at 31 March 2021 | 259 | 2,465 | - | - | - | 2,724 |

NOTES TO THE ACCOUNTS (continued)

| SCOTTISH ENTERPRISE | | | | | | |
|---|--------------------------|--|---------------------------------|--------------------------|-----------------------|--------------|
| | <i>Development Costs</i> | <i>Software Development Under Construction</i> | <i>Patents and other rights</i> | <i>Software Licences</i> | <i>CRC Allowances</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| At 1 April 2019 | - | - | 633 | 867 | 81 | 1,581 |
| Additions | 431 | 1,566 | - | - | - | 1,997 |
| Disposals | - | - | - | - | (81) | (81) |
| As at 31 March 2020 | 431 | 1,566 | 633 | 867 | - | 3,497 |
| Additions | - | 1,511 | - | - | - | 1,511 |
| Impairment | - | (612) | - | - | - | (612) |
| As at 31 March 2021 | 431 | 2,465 | 633 | 867 | - | 4,396 |
| Amortisation | | | | | | |
| At 1 April 2019 | - | - | 633 | 867 | - | 1,500 |
| Charge for year | 86 | - | - | - | - | 86 |
| As at 31 March 2020 | 86 | - | 633 | 867 | - | 1,586 |
| Charge for year | 86 | - | - | - | - | 86 |
| As at 31 March 2021 | 172 | - | 633 | 867 | - | 1,672 |
| Net book value | | | | | | |
| At 31 March 2021 | 259 | 2,465 | - | - | - | 2,724 |
| At 31 March 2020 | 345 | 1,566 | - | - | - | 1,911 |
| At 1 April 2019 | - | - | - | - | 81 | 81 |
| Non-Current Intangible Assets | 259 | 2,465 | - | - | - | 2,724 |
| Current Intangible Assets | - | - | - | - | - | - |
| Total Intangible Assets at 31 March 2021 | 259 | 2,465 | - | - | - | 2,724 |

NOTES TO THE ACCOUNTS (continued)

7. EQUITY ACCOUNTED INVESTEEES

Scottish Enterprise's investment in Equity Accounted Investees comprises:

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

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

| | Current Assets | Non-current assets | Total Assets | Current Liabilities | Non-Current Liabilities | Total Liabilities | Revenue | Expenses | Profit / (Loss) |
|------------------|----------------|--------------------|--------------|---------------------|-------------------------|-------------------|---------|----------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2019 | 50,430 | 1,114 | 51,544 | (8,431) | (57,662) | (66,093) | 7,076 | (7,620) | (544) |
| At 31 March 2020 | 53,637 | 1,055 | 54,692 | (18,940) | (35,204) | (54,144) | 9,044 | (9,930) | (886) |
| At 31 March 2021 | 67,363 | 3,499 | 70,862 | (32,511) | (36,219) | (68,730) | 8,803 | (7,232) | 1,571 |

Movements in carrying amount of investment in equity accounted investees:

| | £000 |
|---|--------------|
| Carrying amount at 1 April 2019 | 1,001 |
| Share of profits | 51 |
| Disposal | (430) |
| Impairment | - |
| Carrying amount at 31 March 2020 | 622 |
| Carrying amount at 1 April 2020 | 622 |
| Share of profits | 482 |
| Disposal | - |
| Impairment | - |
| Carrying amount at 31 March 2021 | 1,104 |

NOTES TO THE ACCOUNTS (continued)

8. FINANCIAL ASSETS – OTHER INVESTMENTS

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|--|----------------|------------------|------------------|---------------------|------------------|------------------|
| | 2021 | Restated 2020 | Restated 2019 | 2021 | Restated 2020 | Restated 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Non-Current Other Investments | | | | | | |
| Fair value through profit or loss | 377,198 | 246,878 | 273,025 | 378,218 | 248,111 | 274,766 |
| Amortised cost | 85,480 | 68,967 | 51,298 | 85,480 | 68,967 | 51,298 |
| Less: Loss allowance for investments at amortised cost | (17,423) | (9,816) | (3,655) | (17,423) | (9,816) | (3,655) |
| | 445,255 | 306,029 | 320,668 | 446,275 | 307,262 | 322,409 |
| Current Other Investments | | | | | | |
| Amortised cost | 16,569 | 20,370 | 7,087 | 16,569 | 20,370 | 7,087 |
| Less: Loss allowance for investments at amortised cost | (1,225) | (2,525) | (1,351) | (1,225) | (2,525) | (1,351) |
| | 15,344 | 17,845 | 5,736 | 15,344 | 17,845 | 5,736 |
| Total Other Investments | 460,599 | 323,874 | 326,404 | 461,619 | 325,107 | 328,145 |

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

The above financial assets have been funded as follows:

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|-------------------------|----------------|------------------|------------------|---------------------|------------------|------------------|
| | 2021 | Restated 2020 | Restated 2019 | 2021 | Restated 2020 | Restated 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Grant in Aid | 460,599 | 323,874 | 326,404 | 461,619 | 325,107 | 328,145 |
| Public Dividend Capital | - | - | - | - | - | - |
| | 460,599 | 323,874 | 326,404 | 461,619 | 325,107 | 328,145 |

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

Amounts received during the financial year and payable to the Treasury are disclosed as appropriations in the Statement of comprehensive net expenditure and amounted to £Nil (2020: £Nil).

Listed Investments

Stock Exchange investments included in the above at 31 March 2021 are valued £69,240,241 (2020: £11,281,250) which includes unrealised surpluses on valuation of £27,990,446 (2020: £7,496,603). Income from listed investments in the year to 31 March 2021 was £34,370 (2020: £51,448).

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

NOTES TO THE ACCOUNTS (continued)

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

| Subsidiary Undertakings | | |
|--|----------------------------------|---------------------------|
| Limited by shares | Nature of Business | % of Voting rights |
| Ayrshire Development Fund Limited | Investment fund | 100 |
| Glasgow Science Centre Limited (i) | Visitor attraction operator | 100 |
| Glasgow Science Centre (Trading) Limited (i) | Commercial operations management | 100 |
| Loch Lomond Shores Management Company Limited | Property management | 100 |
| Scotland Europa Limited | Business services | 100 |
| SCTR Limited | Business incubator | 100 |
| SE Conference House Limited | Dormant | 100 |
| SE Grampian Investments Limited | Dormant | 100 |
| Tay Euro Fund Limited | Dormant | 100 |
| Co-operative Development Scotland Limited | Dormant | 100 |
| GDA Investments Limited | Dormant | 100 |
| Scottish Investment Bank Limited | Dormant | 100 |
| Limited by guarantee | Nature of Business | % of Membership |
| Calder Park (Management) Limited | Property management | 100 |
| Glasgow Science Centre Charitable Trust | Visitor attraction ownership | 100 |
| The Glasgow Science Centre Endowment Fund | Investment fund | 66.67 |
| ITI Scotland Limited | Commissioning of research | 100 |
| This is Remarkable Limited (formerly Investors in People Scotland) | Training & skills accreditation | 50(S) |
| Scottish Intellectual Asset Management Limited | Dormant | 50(S) |

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

- (i) Glasgow Science Centre Limited and Glasgow Science Centre (Trading) Limited are subsidiary companies of Glasgow Science Centre Charitable Trust.

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

NOTES TO THE ACCOUNTS (continued)

9. FAIR VALUE MEASUREMENTS

The following table sets out the assets and liabilities that are measured and recognised at fair value at 31 March 2021:

| GROUP | | | | |
|--|---------------|----------|----------------|----------------|
| | 2021 | 2021 | 2021 | 2021 |
| | Level 1 | Level 2 | Level 3 | Total |
| | £000 | £000 | £000 | £000 |
| Recurring fair value measurements | | | | |
| Financial assets | 69,240 | - | 391,359 | 460,599 |
| Land and property assets | - | - | 130,700 | 130,700 |
| Non-recurring fair value measurements | | | | |
| Assets classified as held for sale | - | - | 11,611 | 11,611 |
| | 69,240 | - | 533,670 | 602,910 |

| SCOTTISH ENTERPRISE | | | | |
|--|---------------|----------|----------------|----------------|
| | 2021 | 2021 | 2021 | 2021 |
| | Level 1 | Level 2 | Level 3 | Total |
| | £000 | £000 | £000 | £000 |
| Recurring fair value measurements | | | | |
| Financial assets | 66,794 | - | 394,825 | 461,619 |
| Land and property assets | - | - | 81,498 | 81,498 |
| Non-recurring fair value measurements | | | | |
| Assets classified as held for sale | - | - | 11,611 | 11,611 |
| | 66,794 | - | 487,934 | 554,728 |

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

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

Valuation processes for level 3 fair values

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

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

The following table sets out the reconciliation of the opening and closing balances for level 3 fair value measurements as at 31 March 2021:

NOTES TO THE ACCOUNTS (continued)

| GROUP | | | | |
|---|-------------------------|-----------------------------------|---|----------------|
| | <i>Financial assets</i> | <i>Land & property assets</i> | <i>Assets classified as held for sale</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 |
| Restated at 1 April 2020 | 312,593 | 146,005 | 3,350 | 461,948 |
| Acquisitions | 86,894 | 1,282 | - | 88,176 |
| Disposals | (30,720) | (5,057) | (2,075) | (37,852) |
| Transfers to Level 1 | (5,807) | - | - | (5,807) |
| Transfers to/from held for sale | - | (10,336) | 10,336 | - |
| Transfers from plant & machinery | - | 107 | - | 107 |
| Depreciation | - | (4,409) | - | (4,409) |
| Impairment | (6,978) | 944 | - | (6,034) |
| Net gains recognised in Other Comprehensive Net Expenditure | - | 3,483 | - | 3,483 |
| Net (losses)/gains recognised in Net Expenditure | 35,377 | (1,319) | - | 34,058 |
| At 31 March 2021 | 391,359 | 130,700 | 11,611 | 533,670 |

| SCOTTISH ENTERPRISE | | | | |
|---|-------------------------|-----------------------------------|---|----------------|
| | <i>Financial assets</i> | <i>Land & property assets</i> | <i>Assets classified as held for sale</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 |
| Restated at 31 March 2020 | 316,059 | 95,523 | 3,350 | 414,932 |
| Acquisitions | 86,894 | 603 | - | 87,497 |
| Disposals | (30,720) | (5,057) | (2,075) | (37,852) |
| Transfers to Level 1 | (5,807) | - | - | (5,807) |
| Transfers to/from held for sale | - | (10,336) | 10,336 | - |
| Depreciation | - | (725) | - | (725) |
| Impairment | (6,978) | (674) | - | (7,652) |
| Net gains recognised in Other Comprehensive Net Expenditure | - | 1,889 | - | 1,889 |
| Net gains recognised in Net Expenditure | 35,377 | 275 | - | 35,652 |
| At 31 March 2021 | 394,825 | 81,498 | 11,611 | 487,934 |

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

| GROUP | | | | |
|--|-------------------------|-----------------------------------|---|---------------|
| | <i>Financial assets</i> | <i>Land & property assets</i> | <i>Assets classified as held for sale</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 |
| Unrealised gains / (losses) recognised in net expenditure | 28,399 | (375) | - | 28,024 |

| SCOTTISH ENTERPRISE | | | | |
|--|-------------------------|-----------------------------------|---|---------------|
| | <i>Financial assets</i> | <i>Land & property assets</i> | <i>Assets classified as held for sale</i> | <i>Total</i> |
| | £000 | £000 | £000 | £000 |
| Unrealised gains/(losses) recognised in net expenditure | 28,399 | (399) | - | 28,000 |

NOTES TO THE ACCOUNTS (continued)

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

| Item | Valuation approach, key unobservable inputs and relationship between unobservable inputs and fair value | | | | |
|--|---|--|---|----------|--|
| Financial assets – held at fair value through profit or loss: | <p>Scottish Enterprise holds a number of investments across a range of different instruments, including equity, preference shares and loans. Shares which have voting rights attached are treated as equity and will be valued on a fair value basis in line with international industry standards. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date.</p> <p>Debt instruments that have been provided as a means of bridge funding to the next equity round, will be similarly valued on a fair value basis. Cost may be the best indicator of fair value, unless market or company specific conditions exist, which would indicate that fair value differs from cost.</p> <p>Several valuation techniques may be considered for use in estimating fair value, with judgement applied when considering case-specific factors or terms of the investment which may impact fair value. Valuation techniques that will be considered, include price of recent investment, earnings multiple, turnover multiple, indicative offers and for listed companies available market prices. The key selection criteria for the valuation technique adopted is it should be appropriate given the nature, facts and circumstances of the investment.</p> <p>Scottish Enterprise’s portfolio comprises mostly unquoted investments in seed, start up and early stage companies for which there is not active market and in many cases the portfolio companies are pre-revenue or loss making (or both), which rules out earnings or turnover multiple based valuation techniques. Consequently, the fair value of the majority of investments is established by reference to valuation placed on the investee company at the most recent round of investment or price of recent investment; however Scottish Enterprise will take into account the circumstances of the funding round, current company performance relative to plan and any subsequent events which may impact on fair value.</p> <p>Where the portfolio company is a more established business with an identifiable stream of earnings that are considered to be maintainable, the fair value of Scottish Enterprise’s investment will be established by the application of a multiplier to the earnings of the business. The multiplier will be based on the quoted price / earnings ratio appropriate to the industry sector, discounted for lack of marketability, liquidity and other relevant factors which can vary considerably by sector.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Multiplier</td> <td>From 17.96 (before discount) to 32.72 (before discount)</td> </tr> <tr> <td style="padding-left: 20px;">Discount</td> <td>40% to 50% (marketability 20%; liquidity 10% to 20% & minority shareholding 10%)</td> </tr> </table> <p>A number of industries have industry-specific valuation benchmarks and certain financial services, IT and some service sectors where long-term contractors are a key feature, use turnover multiples as a valuation benchmark based on the assumption that purchasers are willing to pay for turnover or market share. For early stage and emerging growth companies that have negative earnings, both historical and projected, a multiple of turnover may be considered as an appropriate valuation technique for calculating Fair Value. Where the portfolio company meets these characteristics, we do adopt a turnover based multiple approach with reference to market comparable data that is available e.g. multiples on recent exit transactions, multiple data that is available online for certain sectors / type of business etc. Judgement can then be applied, based on the facts and circumstances of the particular portfolio company to determine the most appropriate revenue multiple for the purposes of determining Fair Value. In portfolio companies where we have adopted a turnover multiple.</p> <p>Revenue multiplier has ranged from 1.0x to 4.0x (mean 2.1x) turnover.</p> | Multiplier | From 17.96 (before discount) to 32.72 (before discount) | Discount | 40% to 50% (marketability 20%; liquidity 10% to 20% & minority shareholding 10%) |
| | Multiplier | From 17.96 (before discount) to 32.72 (before discount) | | | |
| | Discount | 40% to 50% (marketability 20%; liquidity 10% to 20% & minority shareholding 10%) | | | |

NOTES TO THE ACCOUNTS (continued)

| | |
|---|---|
| <p>Financial assets – held at amortised cost</p> | <p>Fair value is based on amortised cost using the effective interest rate method derived from the anticipated cash flows from the investment over its estimated life.</p> <p>For loans with interest at below market value, cash flows are discounted to measure fair value. Scottish Enterprise uses the higher of the of the rate intrinsic to the financial instrument and the financial instrument discount rate set by HM Treasury:</p> <p>Real Rate 0.7%, where the financial instrument is indexed linked to RPI</p> <p>Nominal Rate 3.7%, where the financial instrument is not linked to an inflationary index</p> <p>A provision for impairment is established if there is objective evidence that Scottish Enterprise will not be able to collect all amounts due according to the terms of the investment.</p> |
| <p>Land</p> | <p>Fair value of land is derived by analysis of comparable sales evidence and quoted prices of land parcels offering similar characteristics in similar locations to the various land parcels being appraised. Consideration is given to local market forces, developer or occupational demand and competing supply. The assets are valued on a capital rate per acre basis with adjustment made to reflect location, site size, potential phasing of future development and, where appropriate, site servicing costs to unlock the development opportunity.</p> |
| <p>Buildings</p> | <p>Fair value of the buildings is derived by analysis of comparable sales transactions of properties offering similar characteristics to the assets under consideration. These are generally derived by adopting an income approach by constructing an envisaged cash flow reflecting the rental income stream, vacancy rates and irrecoverable expenditure associated with any period of vacancy prior to re-letting. The resultant valuations are cross checked where appropriate on a capital per square feet basis.</p> <p>Within the portfolio, equivalent yields have typically been in the range 7.5% to 20% with rental voids generally between 12 and 30 months upon individual lease expires. Rental growth has been factored in on a unit by unit basis where evidence supports the contention.</p> <p>The higher the yield, the longer the vacancy period and the lower any rental growth prospects, then the lower the fair value will be.</p> <p>The lower the yield, the shorter the vacancy period and the greater the rental growth prospects, then the higher the fair value will be.</p> |

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

NOTES TO THE ACCOUNTS (continued)**10. RETIREMENT BENEFIT SCHEME**

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

A full actuarial valuation of the Scottish Enterprise Pension & Life Assurance Scheme was carried out using membership data at 31 March 2020 and the results of that valuation have been projected to 31 March 2021 by Isio, qualified independent actuaries. The next formal valuation will be carried out during 2023/24 based on data at 31 March 2023.

| | 2021 | 2020 |
|---|---------------|---------------|
| | £000 | £000 |
| Present value of funded defined benefit obligations | (835,350) | (717,340) |
| Fair value of plan assets | 888,184 | 799,222 |
| Recognised surplus in the scheme | 52,834 | 81,882 |

Movements in the present value of defined benefit obligations

| | 2021 | 2020 |
|--|------------------|------------------|
| | £000 | £000 |
| At 1 April | (717,340) | (760,035) |
| Current service cost | (18,607) | (20,892) |
| Past service cost | - | - |
| Interest cost | (15,505) | (17,917) |
| Remeasurements | | |
| Effect of changes in demographic assumptions | 22,069 | (2,211) |
| Effect of changes in financial assumptions | (232,918) | 57,059 |
| Effect of experience adjustments | 101,700 | - |
| Benefits paid | 25,575 | 26,968 |
| Contributions by members | (324) | (312) |
| | (835,350) | (717,340) |

The weighted average duration of the Scheme's defined benefit obligations is 21 years (2020: 21 years).

NOTES TO THE ACCOUNTS (continued)

Movements in the present value of defined benefit scheme assets

| | 2021 | 2020 |
|--|----------------|----------------|
| | £000 | £000 |
| At 1 April | 799,222 | 822,907 |
| Expected return on plan assets | 17,426 | 19,562 |
| Remeasurements | | |
| Return on plan assets, excluding interest income | 85,870 | (27,560) |
| Contributions by the employer (i) | 12,087 | 11,901 |
| Contributions by members (i) | 324 | 312 |
| Benefits paid by the plan | (25,575) | (26,968) |
| Administrative expenses | (1,170) | (932) |
| | 888,184 | 799,222 |

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

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

The defined benefit obligation analysed by participant status

| | 2021 | 2020 |
|-------------------------|------------------|------------------|
| | £000 | £000 |
| Active members | (365,838) | (323,933) |
| Vested deferred members | (147,942) | (128,686) |
| Retired members | (321,570) | (264,721) |
| | (835,350) | (717,340) |

Expense recognised in the Statement of comprehensive net expenditure

| | 2021 | 2020 |
|---|---------------|---------------|
| | £000 | £000 |
| Current service cost | 18,607 | 20,892 |
| Past service cost | - | - |
| Administrative expenses | 1,170 | 932 |
| Interest income on retirement benefit scheme assets | (17,426) | (19,562) |
| Interest on retirement benefit scheme obligations | 15,505 | 17,917 |
| Total retirement benefit scheme expense | 17,856 | 20,179 |

NOTES TO THE ACCOUNTS (continued)

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

| | 2021 | 2020 |
|------------------------|---------------|---------------|
| | £000 | £000 |
| Management Expenditure | 19,777 | 21,824 |
| Other Finance Income | (1,921) | (1,645) |
| | 17,856 | 20,179 |

The total loss amount recognised in the Statement of other comprehensive net expenditure in respect of net remeasurement gains and losses is £23,279,000 (2020: £27,288,000 gain).

Cumulative remeasurement gains and losses recognised in the Statement of other comprehensive net expenditure since 1 April 2002 are net gains of £14,987,000 (2020: £38,266,000 gains).

The fair value and the expected rates of return on scheme assets at 31 March 2021 were as follows:

| | 2021 | 2020 |
|-----------------------------------|----------------|----------------|
| | £000 | £000 |
| Equity instruments | 195,912 | 141,433 |
| Debt instruments | 240,372 | 256,316 |
| Investment funds | 298,335 | 258,499 |
| Real estate | 91,269 | 78,793 |
| Semi-liquid credit | 59,152 | 60,165 |
| Cash or cash equivalents | 3,144 | 4,016 |
| Total fair value of assets | 888,184 | 799,222 |

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: -

| | 2021 | 2020 |
|---|-------------|-------------|
| | % per annum | % per annum |
| Discount rate | 2.00% | 2.20% |
| Future salary increases | 4.10% | 1.55% |
| | until 2023 | |
| | 3.45% | |
| | thereafter | |
| Rate of increase in retirement benefits | 2.45% | 1.55% |
| Price inflation | 3.00% | 2.25% |

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

| | 2021 | 2020 |
|---|-------|-------|
| | Years | Years |
| Male member, age 60, retiring today | 26.9 | 27.1 |
| Female member, age 60, retiring today | 28.6 | 28.9 |
| Male member, age 40, retiring in 20 years | 27.7 | 28.3 |
| Female member, age 40, retiring in 20 years | 29.8 | 30.7 |

NOTES TO THE ACCOUNTS (continued)

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

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

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

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

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

| | <i>Change in assumption</i> % | <i>Increase in assumption</i> £m | <i>Decrease in assumption</i> £m |
|-------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Discount rate | 0.25 | (39.9) | 42.6 |
| Future salary increases | 0.25 | 10.8 | (10.5) |
| Inflation rate | 0.25 | 41.3 | (38.9) |

The effect of increasing the assumed life expectancies by one year would be to increase the value of obligations by £32.4m at 31 March 2021.

The above sensitivity analyses are based on the change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the scheme obligations recognised in the Statement of Financial Position.

During the year to 31 March 2022 Scottish Enterprise estimates that contributions of £12.6m will be paid to the Scottish Enterprise Pension & Life Assurance Scheme.

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|------------|--------------|------------|---------------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets held by Local Enterprise Companies and their subsidiary undertakings (i) | - | - | - | 1,050 | 1,730 | 2,419 |
| Subsidiary undertakings | - | - | - | - | - | - |
| Other receivables | 589 | 2,204 | 578 | 589 | 2,204 | 578 |
| | 589 | 2,204 | 578 | 1,639 | 3,934 | 2,997 |

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

12. ASSETS CLASSIFIED AS HELD FOR SALE

| GROUP AND SCOTTISH ENTERPRISE | |
|---|--------------------------------------|
| | <i>Property, plant and equipment</i> |
| | £000 |
| At 1 April 2019 | 13,900 |
| Transfers to assets held for sale | 2,110 |
| Impairment recognised on re-measurement | - |
| Disposals of non-current assets held for sale | (12,660) |
| As at 31 March 2020 | 3,350 |
| At 1 April 2020 | 3,350 |
| Transfers to assets held for sale | 10,336 |
| Impairment recognised on re-measurement | - |
| Disposals of non-current assets held for sale | (2,075) |
| As at 31 March 2021 | 11,611 |

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

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

NOTES TO THE ACCOUNTS (continued)**13. INVENTORIES**

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|----------------|-------|------|------|---------------------|------|------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Finished Goods | 90 | 105 | 112 | - | - | - |

14. TRADE AND OTHER RECEIVABLES

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|-------------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Subsidiary undertakings | - | - | - | 133 | 124 | 114 |
| Other receivables (i) | 11,012 | 17,695 | 11,154 | 10,375 | 16,503 | 9,948 |
| Prepayments | 2,503 | 2,428 | 2,379 | 2,073 | 1,942 | 2,135 |
| Accrued income | 8,406 | 6,272 | 7,283 | 8,008 | 5,820 | 6,489 |
| | 21,921 | 26,395 | 20,816 | 20,589 | 24,389 | 18,686 |

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

| GROUP | | | | |
|--------------------------|----------------------------|---------------------------------|------------------------------------|-----------------------------|
| | <i>At 1 April 2019</i> | <i>Utilised during year</i> | <i>Movements in Provisions</i> | <i>At 31 March 2020</i> |
| | £000 | £000 | £000 | £000 |
| Other receivables | 5,863 | (1,369) | 320 | 4,814 |
| SCOTTISH ENTERPRISE | | | | |
| | <i>At 1 April 2020</i> | <i>Utilised during year</i> | <i>Movements in Provisions</i> | <i>At 31 March 2021</i> |
| | £000 | £000 | £000 | £000 |
| Other receivables | 4,814 | (775) | 1,505 | 5,544 |
| | <i>At 1 April 2020</i> | <i>Utilised during year</i> | <i>Movements in Provisions</i> | <i>At 31 March 2021</i> |
| | £000 | £000 | £000 | £000 |
| Other receivables | 4,600 | (775) | 1,540 | 5,365 |

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

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|-------------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Government | 11,253 | 12,681 | 11,227 | 11,057 | 12,374 | 10,900 |
| Local Authorities | 1,756 | 927 | 1,165 | 1,733 | 917 | 1,013 |
| NHS Bodies | - | 90 | 1 | - | 90 | - |
| Bodies External to Government | 8,912 | 12,697 | 8,423 | 7,799 | 11,008 | 6,773 |
| | 21,921 | 26,395 | 20,816 | 20,589 | 24,389 | 18,686 |

15. CASH AND CASH EQUIVALENTS

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|----------------|----------------|----------------|---------------------|---------------|----------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 102,155 | 119,571 | 93,872 | 99,390 | 115,994 | 90,395 |
| Net change in cash and cash equivalent balances | 38,855 | (17,416) | 25,699 | 36,840 | (16,604) | 25,599 |
| Balance at 31 March | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|-------------------------------|----------------|----------------|----------------|---------------------|---------------|----------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Scottish Enterprise | 49,465 | 44,060 | 46,445 | 49,465 | 44,060 | 46,445 |
| Investment Funds (i) | 86,765 | 55,330 | 69,549 | 86,765 | 55,330 | 69,549 |
| Other subsidiary undertakings | 4,780 | 2,765 | 3,577 | - | - | - |
| | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |

The balances at 31 March were held at:

| | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|---------------|----------------|
| Commercial banks and cash in hand | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |
| | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |

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

ii) At 31 March 2021, £Nil (2020: £Nil) was held in a fixed term deposit.

NOTES TO THE ACCOUNTS (continued)**16. TRADE AND OTHER PAYABLES**

Amounts falling due within one year

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|------------------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other taxation and social security | 1,390 | 1,428 | 1,454 | 1,235 | 1,318 | 1,220 |
| Other subsidiary undertakings | - | - | - | 1,979 | 1,981 | 1,622 |
| Trade payables | 6,681 | 10,751 | 21,723 | 6,089 | 9,820 | 21,036 |
| Other payables | 618 | 1,353 | 694 | 495 | 1,257 | 668 |
| Accrued charges | 54,880 | 29,260 | 35,884 | 54,123 | 28,469 | 35,003 |
| Prepaid revenue | 4,333 | 2,998 | 2,781 | 1,364 | 1,693 | 1,195 |
| Loans from Scottish Government | 7,787 | 1,883 | 4,393 | 7,787 | 1,883 | 4,393 |
| EU Funding for Investment Funds | - | - | 953 | - | - | 953 |
| | 75,689 | 47,673 | 67,882 | 73,072 | 46,421 | 66,090 |

Amounts falling due after more than one year

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|------------------------------------|----------------|----------------|---------------|---------------------|----------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other payables and accrued charges | 122 | 182 | 304 | 122 | 182 | 304 |
| EU Funding for Investment Funds | 953 | 953 | - | 953 | 953 | - |
| Deferred income | 311 | 799 | 926 | 310 | 799 | 926 |
| Loans from Scottish Government (i) | 213,875 | 168,451 | 88,733 | 213,875 | 168,451 | 88,733 |
| | 215,261 | 170,385 | 89,963 | 215,260 | 170,385 | 89,963 |

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

Scottish Government funding is partly allocated to Scottish Enterprise in the form of loans to finance equity investments and the provision of loan finance to Scottish businesses. These loans are repayable over a period of up to 21 years (2020: 19 years). Although no interest is payable on these loans, any receipts generated by Scottish Enterprise from the underlying investments may be retained by Scottish Enterprise, subject to the approval of the Scottish Government.

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|----------------|----------------|---------------|---------------------|----------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 170,334 | 93,126 | 57,462 | 170,334 | 93,126 | 57,462 |
| Loan funding received in year | 55,408 | 83,855 | 40,202 | 55,408 | 83,855 | 40,202 |
| Repayment waived by Scottish Government | (430) | - | (3,000) | (430) | - | (3,000) |
| Loan funding repaid in year | (3,650) | (6,647) | (1,538) | (3,650) | (6,647) | (1,538) |
| Balance at 31 March | 221,662 | 170,334 | 93,126 | 221,662 | 170,334 | 93,126 |
| Due within one year | 7,787 | 1,883 | 4,393 | 7,787 | 1,883 | 4,393 |
| Due after one year | 213,875 | 168,451 | 88,733 | 213,875 | 168,451 | 88,733 |
| | 221,662 | 170,334 | 93,126 | 221,662 | 170,334 | 93,126 |

ii) Public Sector balances

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|-------------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Government | 12,031 | 6,561 | 12,476 | 11,219 | 6,509 | 11,872 |
| Local Authorities | 2,281 | 1,069 | 5,245 | 2,134 | 1,024 | 5,189 |
| NHS Bodies | - | 7 | - | - | - | - |
| Bodies External to Government | 61,377 | 40,989 | 50,161 | 59,719 | 39,841 | 49,029 |
| | 75,689 | 48,626 | 67,882 | 73,072 | 47,374 | 66,090 |

NOTES TO THE ACCOUNTS (continued)

17. PROVISIONS

| GROUP | | | | |
|--------------------------------------|------------------------------|---|--------------|--------------|
| | <i>Joint Development</i> | <i>Office Dilapidations & Repairs</i> | <i>Total</i> | <i>Total</i> |
| | 2021 | 2021 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | 1,532 | 3,624 | 5,156 | 6,046 |
| Provided in the year | - | - | - | - |
| Discount | 120 | 90 | 210 | (69) |
| Provisions not required written back | - | - | - | (412) |
| Provisions utilised in the year | - | (413) | (413) | (409) |
| At 31 March | 1,652 | 3,301 | 4,953 | 5,156 |
| Non-Current Provisions | 1,652 | 3,301 | 4,953 | 5,156 |
| Current Provisions | - | - | - | - |
| Total Provisions at 31 March | 1,652 | 3,301 | 4,953 | 5,156 |

| SCOTTISH ENTERPRISE | | | | |
|--------------------------------------|------------------------------|---|--------------|--------------|
| | <i>Joint Development</i> | <i>Office Dilapidations & Repairs</i> | <i>Total</i> | <i>Total</i> |
| | 2021 | 2021 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | 1,532 | 3,464 | 4,996 | 5,886 |
| Provided in the year | - | - | - | - |
| Discount | 120 | 90 | 210 | (69) |
| Provisions not required written back | - | - | - | (412) |
| Provisions utilised in the year | - | (413) | (413) | (409) |
| At 31 March | 1,652 | 3,141 | 4,793 | 4,996 |
| Non-Current Provisions | 1,652 | 3,141 | 4,793 | 4,996 |
| Current Provisions | - | - | - | - |
| Total Provisions at 31 March | 1,652 | 3,141 | 4,793 | 4,996 |

- i) Under a joint development agreement with Falkirk Council, provision is made for costs which may be met from future sale proceeds of the land owned by Scottish Enterprise. The assumption has been made that the balance will carry forward for a further 10 years from the balance sheet date. The provision has been discounted using the discount rates provided by HM Treasury (December 2020).
- ii) Provision has been made for dilapidations across Scottish Enterprise's occupational office accommodation. There are 11 offices with leases expiring between April 2022 and April 2031. An assessment has been made for each office and they have been discounted using the discount rates provided by HM Treasury (December 2020).

NOTES TO THE ACCOUNTS (continued)**18. COMMITMENTS**

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

| | GROUP | | SCOTTISH ENTERPRISE | |
|-------------------------------|--------|--------|---------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Property, plant and equipment | 2,446 | - | - | - |
| Financial Assets | 57,992 | 66,153 | 57,992 | 66,153 |

At 31 March 2021 Glasgow Science Centre Charitable Trust had contracted capital commitments for the creation of various new fixed assets of £2,446,172.

Scottish Enterprise has an agreement with the European Investment Fund to invest £50,000,000 in the Scottish-European Growth Co-Investment Programme and also an agreement to invest £20,000,000 in Maven UK Regional Buyout Fund LP. The capital commitment at 31 March 2021 includes the balance of funds still to be invested.

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

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

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

| | 2021 | 2020 |
|---|-------|-------|
| | £000 | £000 |
| Other contingent liabilities (i) (ii) (iii) | 2,026 | 2,233 |

- i)** Warranties given to purchasers of shares in invested companies create a contingent liability to return sales proceeds in the specified circumstances unique to each deal. At 31 March 2021, funds placed in escrow accounts to cover these liabilities should they fall due, amounted to £2,026,000 (2020: £2,233,000).
- ii)** The carrying value of the remaining investments funded by Public Dividend Capital is £Nil (2020: £Nil). Any proceeds from the sale of these investments are due to be remitted to the Scottish Government (see Note 8).
- iii)** Following the High Court rulings on 26 October 2018 and 20 November 2020 regarding the equalisation of Guaranteed Minimum Pension (GMP) benefit within the Lloyds pension scheme Scottish Enterprise will be required to equalise the benefits provided by the Scottish Enterprise Pension Scheme for the effect of unequal GMP for male and female members. Scottish Enterprise and its advisers have not yet undertaken a review to determine the full impact this will have on the liabilities of the scheme. Based on an assessment of schemes with similar characteristics to Scottish Enterprise's pension scheme, the potential increase in scheme liabilities has been estimated in the range of 0% to 1% of current scheme liabilities, which equates to a range of £0 to £8.4m.

NOTES TO THE ACCOUNTS (continued)**b) SUPPORT FOR GROUP COMPANIES**

Two of Scottish Enterprise's major trading subsidiaries, Glasgow Science Centre Charitable Trust Limited and This is Remarkable Limited have been significantly affected by the impact of the Covid-19 pandemic, with sources of income restricted. As part of the overall response to Covid-19 emergency funding was provided by Scottish Government to Glasgow Science Centre Charitable Trust Limited during the year to 31 March 2021. Both subsidiaries have also secured funding via the Job Retention Scheme to support furloughed staff. There has been no requirement for Scottish Enterprise to provide any additional funding to date however, if required, in the absence of additional funding from Scottish Government being available, then Scottish Enterprise has confirmed it will provide the necessary support to enable the companies to continue to operate as a going concern.

20. COMMITMENTS UNDER LEASES**OPERATING LEASES**

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|---------------|---------------|---------------|---------------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Obligations under operating leases comprise: | | | | | | |
| Land and buildings: | | | | | | |
| within one year | 3,158 | 3,162 | 3,080 | 2,445 | 2,371 | 2,278 |
| after one year but not more than five years | 9,290 | 9,747 | 11,136 | 6,978 | 7,292 | 8,671 |
| after more than five years | 2,605 | 4,443 | 6,386 | 2,505 | 3,733 | 5,162 |
| | 15,053 | 17,352 | 20,602 | 11,928 | 13,396 | 16,111 |
| Other: | | | | | | |
| within one year | 67 | 67 | 63 | 38 | 38 | 38 |
| after one year but not more than five years | 111 | 153 | 154 | 64 | 105 | 144 |
| after more than five years | - | - | - | - | - | - |
| | 178 | 220 | 217 | 102 | 143 | 182 |

NOTES TO THE ACCOUNTS (continued)**21. FINANCIAL INSTRUMENTS**

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

Liquidity risk

Credit risk

Market risk

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

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

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

Liquidity risk

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

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

The table below details the contractual maturities of financial liabilities.

| GROUP | | | | |
|------------------------------|------------------------|------------------------------|------------------------|---------------------------------|
| | 2021 | 2021 | 2021 | 2021 |
| | <i>Carrying Amount</i> | <i>Contractual Cashflows</i> | <i>Within one year</i> | <i>After more than one year</i> |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | | | | |
| Trade and other payables | 283,891 | 283,891 | 69,894 | 213,997 |
| | - | - | - | - |

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

NOTES TO THE ACCOUNTS (continued)

| GROUP | | | | |
|------------------------------|------------------------|------------------------------|------------------------|---------------------------------|
| | 2020 | 2020 | 2020 | 2020 |
| | <i>Carrying Amount</i> | <i>Contractual Cashflows</i> | <i>Within one year</i> | <i>After more than one year</i> |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | | | | |
| Trade and other payables | 211,880 | 211,880 | 43,247 | 168,633 |
| | 211,880 | 211,880 | 43,247 | 168,633 |

| SCOTTISH ENTERPRISE | | | | |
|------------------------------|------------------------|------------------------------|------------------------|---------------------------------|
| | 2020 | 2020 | 2020 | 2020 |
| | <i>Carrying Amount</i> | <i>Contractual Cashflows</i> | <i>Within one year</i> | <i>After more than one year</i> |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | | | | |
| Trade and other payables | 210,062 | 210,062 | 41,429 | 168,633 |
| | 210,062 | 210,062 | 41,429 | 168,633 |

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

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

The Group and Scottish Enterprise has outstanding borrowings at 31 March 2021 of £221,662,000 (2020: £170,334,000, 2019: £93,126,000).

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

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

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

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

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

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

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

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|----------------|------------------|------------------|---------------------|------------------|------------------|
| | 2021 | Restated 2020 | Restated 2019 | 2021 | Restated 2020 | Restated 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying amount | | | | | | |
| Financial assets – other investments | | | | | | |
| Fair value through profit or loss assets | 377,198 | 246,878 | 273,025 | 378,218 | 248,111 | 274,766 |
| Amortised cost assets | 83,401 | 76,996 | 53,379 | 83,401 | 76,996 | 53,379 |
| | | | | | | |
| Financial assets | | | | | | |
| Trade and other receivables | 20,007 | 26,171 | 19,015 | 18,972 | 24,527 | 17,015 |
| Cash and cash equivalents | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |
| | 621,616 | 452,200 | 464,990 | 616,821 | 449,024 | 461,154 |

NOTES TO THE ACCOUNTS (continued)

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

GROUP

| | 2021 | | Restated 2020 | | Restated 2019 | |
|-----------------------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Gross | Impairment | Gross | Impairment | Gross | Impairment |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Not past due | 20,459 | (1,649) | 20,421 | (1,508) | 19,533 | (3,127) |
| Past due 0 to 30 days | 397 | - | 515 | - | 1,353 | - |
| Past due 31 to 120 days | 649 | - | 684 | - | 1,241 | - |
| Past due more than 120 days | 4,046 | (3,895) | 9,365 | (3,306) | 2,601 | (2,586) |
| | 25,551 | (5,544) | 30,985 | (4,814) | 24,728 | (5,713) |

SCOTTISH ENTERPRISE

| | 2021 | | 2020 | | 2019 | |
|-----------------------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Gross | Impairment | Gross | Impairment | Gross | Impairment |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Not past due | 19,425 | (1,649) | 18,753 | (1,484) | 17,533 | (3,127) |
| Past due 0 to 30 days | 397 | - | 515 | - | 1,353 | - |
| Past due 31 to 120 days | 649 | - | 684 | - | 1,241 | - |
| Past due more than 120 days | 3,865 | (3,715) | 9,175 | (3,116) | 2,469 | (2,454) |
| | 24,336 | (5,364) | 29,127 | (4,600) | 22,596 | (5,581) |

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

Market risk

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

NOTES TO THE ACCOUNTS (continued)*Interest rate risk*

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|----------------------------------|----------------|----------------|----------------|---------------------|----------------|----------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed rate instruments | | | | | | |
| Financial assets | 138,639 | 106,712 | 83,297 | 138,639 | 106,712 | 83,297 |
| Financial liabilities | - | - | - | - | - | - |
| | 138,639 | 106,712 | 83,297 | 138,639 | 106,712 | 83,297 |
| Variable rate instruments | | | | | | |
| Cash and cash equivalents | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |
| | 141,010 | 102,155 | 119,571 | 136,230 | 99,390 | 115,994 |

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

| | GROUP | SCOTTISH ENTERPRISE |
|---------------------------|--------------------------------|--------------------------------|
| | <i>100 basis points change</i> | <i>100 basis points change</i> |
| | £000 | £000 |
| Cash and cash equivalents | | |
| 31 March 2019 | 1,067 | 1,032 |
| 31 March 2020 | 980 | 1,077 |
| 31 March 2021 | 1,216 | 1,178 |

Currency risk

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

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

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

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

GROUP

| | 2021 | 2021 | <i>Restated</i> | <i>Restated</i> | <i>Restated</i> | <i>Restated</i> |
|--|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>Carrying</i> | <i>Fair</i> | <i>2020</i> | <i>2020</i> | <i>2019</i> | <i>2019</i> |
| | <i>Amount</i> | <i>Value</i> | <i>Carrying</i> | <i>Fair</i> | <i>Carrying</i> | <i>Fair</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value through profit or loss assets | 377,198 | 377,198 | 246,878 | 246,878 | 273,025 | 273,025 |
| Financial assets held at amortised cost | 83,401 | 83,401 | 76,996 | 76,996 | 53,379 | 53,379 |
| Trade and other receivables | 20,007 | 20,007 | 26,171 | 26,171 | 19,015 | 19,015 |
| Cash and cash equivalents | 141,010 | 141,010 | 102,155 | 102,155 | 119,571 | 119,571 |
| Trade and other payables | (283,891) | (283,891) | (211,880) | (211,880) | (151,731) | (151,731) |
| | 337,725 | 337,725 | 240,320 | 240,320 | 313,259 | 313,259 |

SCOTTISH ENTERPRISE

| | 2021 | 2021 | <i>Restated</i> | <i>Restated</i> | <i>Restated</i> | <i>Restated</i> |
|--|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>Carrying</i> | <i>Fair</i> | <i>2020</i> | <i>2020</i> | <i>2019</i> | <i>2019</i> |
| | <i>Amount</i> | <i>Value</i> | <i>Carrying</i> | <i>Fair</i> | <i>Carrying</i> | <i>Fair</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value through profit or loss assets | 378,218 | 378,218 | 248,111 | 248,111 | 274,766 | 274,766 |
| Financial assets held at amortised cost | 83,401 | 83,401 | 76,996 | 76,996 | 53,379 | 53,379 |
| Trade and other receivables | 18,972 | 18,972 | 24,527 | 24,527 | 17,015 | 17,015 |
| Cash and cash equivalents | 136,230 | 136,230 | 99,390 | 99,390 | 115,994 | 115,994 |
| Trade and other payables | (282,489) | (282,489) | (210,062) | (210,062) | (150,137) | (150,137) |
| | 334,332 | 334,332 | 238,962 | 238,962 | 311,017 | 311,017 |

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

Fair value hierarchy

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

All material Group and Scottish Enterprise financial assets and liabilities are defined as level 3 instruments, with the exception of Stock Exchange investments carried at fair value of £69,240,241 (2020: £11,281,250) at 31 March.

NOTES TO THE ACCOUNTS (continued)

Estimation of fair values

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

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

22. RELATED PARTY TRANSACTIONS

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

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

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

| | | |
|--|---|--|
| <ul style="list-style-type: none"> Department for Environment, Food and Rural Affairs | <ul style="list-style-type: none"> Foreign & Commonwealth Office | <ul style="list-style-type: none"> Scottish Funding Council |
| <ul style="list-style-type: none"> Skills Development Scotland | <ul style="list-style-type: none"> South of Scotland Enterprise | |

Scottish Enterprise provided Michelin Scotland Innovation Parc Limited, an associated undertaking £4,950 of grant funding during the year.

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

NOTES TO THE ACCOUNTS (continued)

23. BOARD MEMBERS INTERESTS

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

Araminta Campbell Limited received a grant payment of £4,794 and Consult Data Management t/a Aeon received £45,034 of grant support from Scottish Enterprise during the year. Melfort Campbell has declared a related party interest in both of these companies.

Poonam Malik is a member (via syndication) of EOS Advisory LLP, Equity Gap Limited, and Kelvin Capital, early stage investment vehicles which invests in companies alongside Scottish Enterprise. During the year Scottish Enterprise paid a total of £36,921, £69,864, and £64,919 respectively in investment arrangement fees.

Poonam Malik is a director of FirstImpact Business Limited, Scottish Enterprise paid £2,400 for Impact Economy Advisors Training.

Carmel Teusner has a shareholding in Glaxo Smith Kline plc which paid £4,405 to This is Remarkable in respect of an IIP Assessment and also £150,000 was paid to Glasgow Science Centre Charitable Trust Limited in respect of their Outreach programme.

Anne Glover is Chair of Industrial Biotechnology Innovation Centre (IBioIC), during the year Scottish Enterprise provided grant support of £490,549 to the Innovation Centre via University of Strathclyde.

Poonam Malik is an investor and advisor for Investing Women Angels Limited and during the year Scottish Enterprise provided grant support of £30,000.

The Offshore Renewable Energy Catapult (ORE) received £190,000 in grant funding from Scottish Enterprise, it also provided £70,549 funding to Scottish Enterprise in respect of an access road extension at Energy Park Fife. Anne Glover is a non-executive director of ORE.

Melfort Campbell is a director of The Oil and Gas Technology Centre which received funding of £55,228 from Scottish Enterprise towards a TECHX Entrepreneur Support.

Poonam Malik is an advisory board member of SICCAR Ltd (Wallet Services). Scottish Enterprise has supported the company with grant payments totalling £132,785.

During 2020/21 The Wise Group received grant support of £25,174 from Scottish Enterprise. Gavin Nicol is a non-executive director of The Wise Group.

NOTES TO THE ACCOUNTS (continued)

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

| Organisation | Board Member | Position |
|---|---------------------|--|
| Ayrshire College | Willie Mackie | Regional Chair |
| Creative Scotland | Karthik Subramanya | Board member (to 30 June 2020) |
| Heriot Watt University | Sue Paterson | Governor |
| Royal Society of Edinburgh | Anne Glover | President |
| | Poonam Malik | Fellow: Member – Economy & Enterprise Committee |
| Skills Development Scotland | Willie Mackie | Board member |
| | Poonam Malik | Board member |
| University of Strathclyde | Melfort Campbell | Visiting Professor |
| | Anne Glover | Special Adviser to the Principal |
| | Poonam Malik | Commercial Champion, Investment Advisor & Mentor |
| | Gavin Nicol | Visiting Professor |
| | Lord Robert Smith | Chancellor |
| University of the Highlands and Islands | Poonam Malik | Governor; Member of the University Court |
| Uphill Ski Club of GB (Disability Snowsport UK) | Carmel Teusner | Director and Trustee |

NOTES TO THE ACCOUNTS (continued)**24. PRIOR PERIOD ADJUSTMENT**

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

| | GROUP | | | SCOTTISH ENTERPRISE | | |
|---|-------------------------|---|-------------------------|-------------------------|---|-------------------------|
| | <i>Audited Accounts</i> | <i>Financial Asset Valuation Adjustment</i> | <i>Restated Balance</i> | <i>Audited Accounts</i> | <i>Financial Asset Valuation Adjustment</i> | <i>Restated Balance</i> |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2019/20 Statement of Comprehensive Net Expenditure: | | | | | | |
| Operating expenditure | 232,458 | 35 | 232,493 | 232,507 | 35 | 232,542 |
| Net Expenditure | 300,900 | 35 | 300,935 | 302,860 | 35 | 302,895 |
| | | - | - | | - | - |
| 2019/20 Statement of Changes in Taxpayers' Equity: | | | | | | |
| General Reserve | | | | | | |
| Net expenditure during the year | (290,613) | (35) | (290,648) | (292,852) | (35) | (292,887) |
| Statement of Financial Position at 31 March 2019: | | | | | | |
| Non-Current Other Investments – Fair value through profit or loss | 266,495 | 6,530 | 273,025 | 268,236 | 6,530 | 274,766 |
| General Reserve | (473,141) | (6,530) | (479,671) | (465,277) | (6,530) | (471,807) |
| Statement of Financial Position at 31 March 2020: | | | | | | |
| Non-Current Other Investments – Fair value through profit or loss | 240,383 | 6,495 | 246,878 | 241,616 | 6,495 | 248,111 |
| General Reserve | (407,194) | (6,495) | (413,689) | (398,070) | (6,495) | (404,565) |

Scottish Enterprise is a limited partner in a small number of Limited Partnership Investment Funds.

Previously these were held at cost less provision for impairment and Scottish Enterprise considered this to be a proxy for fair value. Further consideration has been given to the valuation basis for these Limited Partnership holdings and this has been amended in year to reflect Scottish Enterprise's attributable proportion of Fund Net Asset Value.

As a consequence, the carrying value of these investment funds has been amended and prior year comparatives have been restated.

NOTES TO THE ACCOUNTS (continued)

25. SCHEDULES OF INVESTMENTS AT 31 MARCH 2021

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

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

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

a) Investments greater than £100,000 and voting rights 20% or more

| | % of Voting Rights | Shares £000 | Loans £000 | Commitments £000 |
|---|--------------------|----------------|---------------|---------------------|
| 71 Brewing Limited <i>Independent craft lager brewery established in Dundee</i> | 20.39 | 304 | - | - |
| A F Clothing Limited <i>Designer and retailer of outdoor and active lifestyle clothing</i> | 29.25 | 333 | - | - |
| Actual Analytics Limited <i>Software for the analysis of animal behaviour</i> | 28.64 | 707 | - | - |
| Advanced Microwave Technologies Limited <i>Microwave volumetric heating development and implementation</i> | 24.36 | 927 | 542 | - |
| Aptus Systems Limited <i>Online catering management software</i> | 28.42 | 1,010 | 240 | - |
| Aridhia Informatics Limited <i>Biomedical informatics and analytics</i> | 22.69 | 748 | 1,732 | - |
| Arrayjet Limited <i>Microarray printers and services</i> | 26.03 | 1,560 | - | - |
| Aurum Biosciences Limited <i>Stroke therapy</i> | 20.80 | 702 | - | - |
| Avanticell Science Limited <i>Cell assay products and services</i> | 26.70 | 203 | 150 | - |
| Blackford Analysis Limited <i>Software to improve medical imaging</i> | 23.15 | 1,500 | 240 | - |
| Bsolve Limited <i>Manufacture of fast dissolving films</i> | 27.97 | 2,788 | 250 | - |
| Calcivis Limited <i>Dental medical device co-visualise calcium loss</i> | 29.17 | 4,100 | 242 | - |
| Carbon Black System Limited <i>Design and production of wheelchairs</i> | 28.95 | 655 | 137 | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|--|---------------------------|------------------------|-----------------------|-----------------------------|
| Causeway Therapeutics Limited <i>Patented therapy for the treatment of tendinopathy</i> | 27.14 | 1,000 | 220 | - |
| Cellucomp Limited <i>Development of products from high tech composites</i> | 22.71 | 2,307 | 700 | - |
| Ceres Holographics Limited <i>Development of holographic technology</i> | 26.43 | 1,553 | - | - |
| Chromacity Limited <i>Design and manufacture of advanced lasers</i> | 26.83 | 749 | 365 | - |
| Clear Surgical Limited <i>Producer of surgical devices</i> | 29.53 | 765 | 240 | - |
| Clinspec Diagnostics Limited <i>Developing blood serum testing to detect cancer</i> | 24.76 | 1,800 | - | - |
| Clyde Biosciences Limited <i>Cardiac drug screening product</i> | 22.71 | 708 | 490 | - |
| Conjunct Limited <i>Development of optical communication components</i> | 29.81 | 698 | 30 | - |
| Consolidated Craft Breweries Limited <i>Craft brewery</i> | 27.64 | 1,136 | - | - |
| Cuantec Limited <i>Food packaging from marine sourced materials</i> | 27.34 | 602 | 240 | - |
| Cytomos Limited <i>Development of real-time cell sensing devices</i> | 27.20 | 901 | 240 | - |
| DC Biosciences Limited <i>Bioscience and drug discovery research tools</i> | 29.50 | 284 | - | - |
| Design Led Products Limited <i>Developer of proprietary light-guide technology</i> | 24.49 | 3,469 | - | - |
| DestiNA Genomics Ltd <i>Chemical nucleic acid testing company</i> | 20.22 | 314 | - | - |
| Earthbound Games Limited <i>Games company</i> | 29.89 | 400 | - | - |
| EC-OG Holdings Limited <i>Developing innovative marine current turbine</i> | 29.90 | 1,802 | 228 | - |
| Edinburgh Molecular Imaging Limited <i>Medical imaging reagents</i> | 21.75 | 1,430 | 603 | - |

NOTES TO THE ACCOUNTS (continued)

| | % of Voting Rights | Shares £000 | Loans £000 | Commitments £000 |
|---|--------------------|----------------|---------------|---------------------|
| Energyflo Construction Technologies Limited <i>Clean technology specialists - construction</i> | 26.50 | 850 | 375 | - |
| Enocell Limited <i>Fuel cell technology</i> | 24.00 | 983 | 235 | - |
| Fios Genomics Limited <i>Statistical and bioinformatic analyses</i> | 22.82 | 536 | - | - |
| Fixed Phage Limited <i>Commercialisation of bacteriophages</i> | 23.08 | 1,395 | - | - |
| Formedix Limited <i>Software/consultancy services provider</i> | 20.26 | 298 | - | - |
| Gas Sensing Solutions Limited <i>High speed low cost precision gas sensor</i> | 28.98 | 1,150 | 350 | - |
| Global Surface Intelligence Limited <i>Geospatial analytics provider</i> | 29.90 | 1,116 | 240 | - |
| GlykoGen <i>Biotechnology company</i> | 22.87 | 259 | - | - |
| Greengage Agritech Limited <i>Development of precision agriculture systems</i> | 20.10 | 1,827 | 250 | - |
| ILC Therapeutics Limited (previously Alfacyte Ltd) <i>Drug discovery immunoregulatory platform</i> | 29.35 | 768 | - | - |
| Ingenious Audio Limited <i>Developer of 'Jack' a wi-fi guitar plug-in device</i> | 28.65 | 440 | - | - |
| Kibosh Limited <i>Plumbing components manufacturer</i> | 22.81 | 390 | - | - |
| Kite Power Systems Limited <i>Generation of electricity from airborne kites</i> | 29.84 | 2,000 | 500 | - |
| Kumulos Limited <i>Mobile app backend service provider</i> | 20.66 | 445 | 240 | - |
| Lux Assure Limited <i>Solutions provider difficult to detect chemicals</i> | 24.33 | 1,977 | - | - |
| Macomics Limited <i>Drug discovery</i> | 29.90 | 1,429 | - | - |
| MGB Biopharma Limited <i>Development of antibacterial drug</i> | 28.65 | 3,231 | - | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| My1Login Limited <i>Developer of internet based applications</i> | 29.89 | 1,324 | 73 | - |
| NCTech Limited <i>Development and sale of 3D camera technology</i> | 23.07 | 4,750 | 7 | - |
| NeurocentRx Pharma Limited <i>Reformulates existing drug agents for new uses</i> | 29.90 | 466 | 230 | - |
| New Wave Foods Limited <i>Seaweed derived food producer</i> | 22.78 | 1,100 | - | - |
| Objective Associates Limited <i>Seller of software solutions to online retailers</i> | 26.57 | 490 | - | - |
| Omideon Limited <i>Prevention and treatment of infectious diseases</i> | 25.53 | 330 | - | - |
| Orbital Marine Power Limited <i>Tidal energy technology developer</i> | 26.86 | 6,300 | 2,235 | - |
| Outplay Entertainment Limited <i>Development and publication of social digital games</i> | 23.72 | 2,850 | - | - |
| Particle Analytics Limited <i>Simulation software for handling particles</i> | 28.50 | 643 | 196 | - |
| Pick Protection Limited <i>Personal security device</i> | 29.03 | 628 | - | - |
| Pneumagen (Holdings) Limited <i>Prevention and treatment of infectious diseases</i> | 27.98 | 2,855 | - | - |
| PowerPhotonic Limited <i>Development and sale of custom laser optics</i> | 27.15 | 1,664 | - | - |
| ProFactor Pharma Limited <i>Pharmaceutical development</i> | 23.77 | 996 | - | - |
| Project Firefly Limited <i>Quorum cyber security</i> | 24.14 | 350 | 1,150 | - |
| Pufferfish Limited <i>Spherical display systems for events and exhibitions</i> | 29.12 | 837 | 168 | - |
| QED Naval Ltd <i>Foundation platform for tidal turbines</i> | 25.42 | 588 | - | - |
| Reactec Limited <i>Development of vibration control solutions</i> | 25.45 | 1,141 | - | - |

NOTES TO THE ACCOUNTS (continued)

| | % of Voting Rights | Shares £000 | Loans £000 | Commitments £000 |
|---|--------------------|----------------|---------------|---------------------|
| RICO Developments Limited <i>Online marketing and sales platform</i> | 20.26 | 1,167 | - | - |
| Saloca Limited <i>Software services provider of online booking system</i> | 28.66 | 1,078 | 240 | - |
| Share In Limited <i>Crowdfunding technology and solutions</i> | 21.50 | 280 | - | - |
| Shot Scope Technologies Limited <i>Golf related technology and data collection system</i> | 21.75 | 2,320 | - | - |
| Sistemic Scotland Limited <i>SistemRNA drug discovery technology</i> | 27.67 | 743 | - | - |
| Skoogmusic Limited <i>Developing and designing musical instruments</i> | 29.87 | 970 | - | - |
| Smarter Grid Solutions Limited <i>Software which increases capacity of existing grid</i> | 28.91 | 2,016 | 346 | - |
| Snapdragon Monitoring Limited <i>Monitoring software for IP protection</i> | 29.89 | 1,045 | - | - |
| Sustainable Marine Energy Limited <i>Tidal energy technology developer</i> | 25.80 | 2,724 | - | - |
| Swipii Labs Limited <i>Card-linking loyalty platform for businesses</i> | 22.42 | 1,719 | - | - |
| Symbiosis Holdings (Scotland) Limited <i>Pharmaceutical services contract manufacturer</i> | 27.89 | 1,077 | - | - |
| Syntropharma Limited <i>Pharmaceutical company focussed on transdermal technology</i> | 25.95 | 1,166 | - | - |
| TC BioPharm Limited <i>Drug discovery company focussing on T-cells</i> | 22.49 | 4,315 | - | - |
| The Buffalo Farm Limited <i>Mozzarella farm</i> | 20.00 | 300 | - | - |
| Ubiquigent Limited <i>Developing products for life science research</i> | 28.53 | 450 | - | - |
| Uniklasers Ltd <i>Manufacture and sale of laser products</i> | 21.14 | 1,055 | - | - |
| UWI Technology Limited <i>Development of elapsed time smart label</i> | 22.47 | 1,207 | - | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| Vert Rotors UK Limited <i>Compressor Technology</i> | 25.11 | 1,728 | 240 | - |
| Vicast Limited <i>Internet video software platform</i> | 29.41 | 1,105 | 26 | - |
| Total of items listed | | 108,326 | 13,990 | - |

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

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|--|---------------------------|------------------------|-----------------------|-----------------------------|
| 2-B Energy BV <i>Offshore wind technology developer Registered in Netherlands</i> | 12.49 | 3,160 | 440 | - |
| Adaptix Limited <i>Design and production of medical imaging device</i> | 11.21 | 1,778 | - | - |
| Administrate Limited <i>Development and supply of business training software</i> | 19.72 | 2,788 | - | - |
| Airlie Street Hall Limited <i>Power generation</i> | - | - | 1,573 | - |
| Allander Midco Limited <i>Manufacturer of windows, doors and curtain walls</i> | - | - | 1,434 | - |
| Ambicare Health Limited <i>Development of Medical Healthcare Devices</i> | 11.75 | 2,974 | - | - |
| Amicus Resolutions Limited <i>Anti-money laundering software</i> | 15.63 | 923 | 240 | - |
| Arjowiggins Group Limited <i>New company following management buy out of Arjo Wiggins Ltd</i> | - | - | 10,400 | - |
| Atterley.com Holdings Limited <i>Online marketplace for independent boutiques</i> | 14.10 | 1,091 | - | - |
| Bin Hill (known as Our Community Energy) <i>Renewable energy wind farm</i> | - | - | 1,262 | - |
| Blazing Keep Limited <i>Parent of multimedia entertainment group</i> | 11.53 | 390 | 2,000 | - |
| Boundary Technologies Limited <i>Smart home alarm systems</i> | 18.19 | 1,391 | 240 | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| Caldan Therapeutics Limited <i>Diabetes diagnostics</i> | 19.33 | 1,425 | 100 | - |
| Casing Technologies Group Limited <i>Development of novel oil and gas drilling products</i> | 1.11 | 112 | 2,050 | - |
| Celtic Renewables Grangemouth plc <i>Low carbon biochemicals from whisky by-products</i> | - | - | 11,000 | - |
| Celtic Renewables Limited <i>Low carbon biochemicals from whisky by-products</i> | 8.81 | 1,759 | - | - |
| Censo Biotechnologies Limited <i>Stem cell technology company</i> | 5.55 | 1,300 | - | - |
| Cloudsoft Corporation Limited <i>Development of cloud computing software</i> | 6.92 | 2,388 | - | - |
| Collectivworks Limited <i>Next generation non-intrusive Wi-Fi marketing solution</i> | 11.85 | 1,264 | 173 | - |
| Critical Blue Limited <i>Providing flexible, automated embedded system design</i> | 11.20 | 2,100 | - | - |
| Curo Compensation Limited <i>Compensation review software product</i> | 7.95 | 1,200 | 299 | - |
| Current Health Limited <i>Continuous patient monitoring</i> | 12.37 | 2,688 | - | - |
| Cyan Forensics Limited <i>Developing next generation digital forensic tools</i> | 16.84 | 1,459 | - | - |
| Cyclacel Pharmaceuticals Inc. <i>Clinical research cancer drugs Registered in USA and quoted on NASDAQ</i> | 0.003 | 5,000 | - | - |
| Cytosystems Limited <i>Development of diagnostic cancer tests</i> | 13.24 | 1,119 | 197 | - |
| Drinkshare Holdings Limited <i>Technology enabled e-commerce retailer</i> | 14.27 | 1,149 | - | - |
| DYSIS Medical Limited <i>Designs, develops, manufactures and markets imaging</i> | 1.72 | 4,412 | - | - |
| E Fundamentals (Group) Limited <i>E-commerce data analytics tool</i> | 6.92 | 850 | 740 | - |
| Edinburgh Alternative Finance Limited <i>Peer to peer lending platform</i> | 19.99 | 2,757 | 240 | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| European Investment Fund <i>European Investment Fund Registered in Luxembourg</i> | 0.11 | 1,275 | - | 3,403 |
| Elasmogen Limited <i>Drug development focused inflammatory eye disease</i> | 12.92 | 925 | 220 | - |
| Encompass Corporation Pty Limited <i>Technology company Registered in Australia</i> | 5.79 | 2,890 | - | - |
| Enterobiotix Limited <i>Microbiome therapeutics</i> | 18.03 | 2,133 | - | - |
| Fastball Holdings LLC <i>Online daily play fantasy sports games</i> | 1.88 | 33,806 | - | - |
| Fyne Energy Limited <i>Power generation</i> | - | - | 2,820 | - |
| Heliex Power Limited <i>Manufacturer of energy efficiency product</i> | 10.60 | 2,883 | 490 | - |
| Insignia Technologies Limited <i>Sensing technology developer</i> | 17.97 | 1,159 | - | - |
| Intelligent Growth Solutions Limited <i>Development of a unique vertical food growing system</i> | 10.39 | 2,000 | 850 | - |
| Invizius Limited <i>Technology addressing side effects of dialysis</i> | 16.64 | 1,500 | - | - |
| IoTech Systems Limited <i>IOT software company</i> | 9.97 | 1,637 | 166 | - |
| Isle of Harris Distillers Limited <i>Malt whisky distillery based on the Isle of Harris</i> | 18.40 | 1,500 | - | - |
| KCK Gokyo Limited <i>Consideration received – part of exit – Dukosi Ltd</i> | - | - | 1,326 | - |
| Lamellar Biomedical Limited <i>Application of lamellosome memetics</i> | 19.99 | 3,330 | - | - |
| LendingCrowd Finance Limited <i>Fintech borrower in SPV</i> | - | - | 3,672 | - |
| Liberty Steel Dalzell Limited <i>Production of steel products</i> | - | - | 7,000 | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| Mallzee Limited <i>Software services provider of retail insights</i> | 14.64 | 1,365 | - | - |
| MedAnnex Limited <i>Development stage biotech company</i> | 8.31 | 1,320 | - | - |
| MeyGen Holdings Limited <i>Holding company relating to asset/portfolio management</i> | 16.55 | 12,100 | - | - |
| MeyGen PLC <i>Development of tidal power generation project</i> | - | - | 6,808 | - |
| Mironid Limited <i>Life Sciences drug development</i> | 16.70 | 2,553 | - | - |
| Money Dashboard Limited <i>Web based provision of Financial Advice to Consumer</i> | 16.05 | 2,772 | - | - |
| Morrison Glasgow Distillers Limited <i>Distilling, rectifying and blending spirits</i> | 17.20 | 2,513 | - | - |
| Morvolts Limited <i>SPV for Community Hydro</i> | - | - | 2,234 | - |
| Newmake Limited <i>New start distillery in central Edinburgh</i> | 15.68 | 1,500 | 433 | - |
| Nova Innovation Limited <i>Tidal turbine developer</i> | - | - | 965 | - |
| Novabiotics Limited <i>Design and development of anti-infectives</i> | 18.26 | 3,338 | 1,224 | - |
| NuCana plc <i>Oncology focussed biopharmaceutical company Quoted on NASDAQ</i> | 3.60 | 1,670 | - | - |
| Ocutec Limited <i>Next generation contact lens development</i> | 3.13 | 1,603 | 352 | - |
| Optoscribe Limited <i>3D wave guide technology for optical comms industry</i> | 9.38 | 864 | 240 | - |
| OssDsign AB <i>Loan Consideration in SIRAKOSS exit</i> | - | - | 1,286 | - |
| Pure LiFi Limited <i>Development of data communication over light waves</i> | 10.29 | 4,197 | 240 | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|---|---------------------------|------------------------|-----------------------|-----------------------------|
| Pyreos Limited <i>Production of thin film infrared sensor components</i> | 0.17 | 3,067 | - | - |
| Qikserve Limited <i>Order and pay enterprise platform</i> | 16.60 | 2,849 | - | - |
| Query Click Limited <i>Digital marketing</i> | 11.37 | 1,500 | - | - |
| Raptor Oil Limited <i>Signal processing technology oil and gas sector</i> | 15.15 | 2,058 | - | - |
| RHA Technologies Limited <i>Innovative audio technology company</i> | - | - | 2,488 | - |
| Ryboquin Company Limited <i>Development of cancer therapies</i> | 17.28 | 825 | 1,750 | - |
| Snappy Shopper Limited <i>E-commerce digital platform</i> | 8.43 | 250 | 896 | - |
| Sofant Technologies Limited <i>Develops smart antennae for mobile communications</i> | 19.78 | 1,451 | - | 142 |
| Spire Global UK Limited <i>Satellite data analytics</i> | - | - | 8,000 | - |
| Stewart Energy Limited <i>Power generation</i> | - | - | 1,358 | - |
| Sunamp Limited <i>Design/manufacture of heat storage batteries</i> | 12.36 | 2,042 | - | - |
| Tantillus Synergy Limited <i>Food colourant production</i> | 5.57 | 1,500 | - | - |
| The IDCO. Limited <i>Online digital identity and verification</i> | 11.71 | 1,300 | 71 | - |
| Travelnest Limited <i>Software for owners of holiday rentals</i> | 10.19 | 2,000 | 240 | - |
| TV Squared Limited <i>TV advertising attribution company</i> | 5.18 | 1,630 | 160 | - |
| Twig Rights Limited <i>Educational technology resource developer</i> | 5.39 | 1,625 | - | - |
| Unity Software Inc <i>Gaming development platform provider</i> | 0.08 | 3,641 | - | - |

NOTES TO THE ACCOUNTS (continued)

| | <i>% of Voting Rights</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
|--|----------------------------|------------------------|-----------------------|-----------------------------|
| Volo Holdings Limited <i>In-train entertainment systems</i> | 6.85 | 1,184 | - | - |
| Well-Safe Solutions Limited <i>Well plug and abandonment business</i> | 3.63 | 1,122 | - | - |
| Epidarex Capital II LP <i>Investment Fund</i> | - | - | 4,864 | 136 |
| Maven UK Regional Buyout Fund LP <i>Investment Fund</i> | - | - | 11,926 | 8,074 |
| Scottish-European Growth Co-Investment Programme <i>Investment Fund</i> | - | - | 4,486 | 45,415 |
| Scottish Loan Fund LP <i>Investment Fund</i> | - | - | 2,251 | 243 |
| Shackleton Secondaries 3 LP <i>Investment Fund</i> | - | - | 1,396 | - |
| Total of items listed | | 164,354 | 102,600 | 57,413 |
| | | | | |
| | <i>Number of companies</i> | <i>Shares £000</i> | <i>Loans £000</i> | <i>Commitments £000</i> |
| Total of items listed – Note 25A | 83 | 108,326 | 13,990 | - |
| Total of items listed – Note 25B | 80 | 164,354 | 102,660 | 57,413 |
| Other shares and loans | 413 | 50,136 | 33,184 | 579 |
| | 576 | 322,816 | 149,834 | 57,992 |

| | <i>Total £000</i> |
|---|-----------------------|
| Shares | 322,816 |
| Loans | 149,834 |
| Initial cost of shares and loans before revaluations or provisions | 472,650 |
| Capitalised interest | 12,142 |
| Cumulative unrealised net gains recognised in Net Expenditure | 123,509 |
| Cumulative impairments recognised in Net Expenditure | (147,702) |
| Fair Value of shares and loans (Note 8) | 460,599 |

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 (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year. Additional disclosure requirements are set out in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 14 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

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