



The
Scottish
National
Investment
Bank
plc



Annual Report
and Accounts
2025

Company number SC677431



Our Ambition

Transforming Scotland
through our insight,
investment and impact.

At the Bank we are ambitious for
the positive impact our investments
and market insights can deliver.

Scottish National Investment Bank plc is wholly owned by Scottish Ministers
Registered in Scotland with Company number SC677431

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Performance Highlights

Financial highlights

 Investment income

£34.5m

▲ FY23/24: £19.3m

 Total investment committed since launch

£785m

▲ FY23/24: £640m

 Total additional capital crowded in* since launch

£1.4bn

▲ FY23/24: £1.1bn

Mission delivery highlights

 Improving lives and living standards

207,042 people

Since launch, our investments have positively impacted 207,042 people through regeneration, high quality housing and connectivity.


▲ 2023: 116,944

 Supporting the delivery of affordable housing

742 new homes

Since launch, our investment has supported the building of 742 Scottish homes, available for mid-market rent.

▲ 2023: 585

 Helping to create and safeguard employment opportunities

3,091 jobs supported

In 2024, our investment portfolio directly supported 2,362 jobs, with a further 729 jobs supported by indirect and induced impacts from the Bank's investments.

▲ 2023: 1,850

 Reducing harmful emissions

135,531 tCO₂e

Since launch, our investment portfolio has avoided, reduced or removed the equivalent of 72,084 cars from UK roads for a full year.

▲ 2023: 57,847 tCO₂e

 Creating a positive supply chain spend

£277m

Supply chain spend in Scotland reported by portfolio companies since launch.

▲ 2023: £108m

 Powering innovative research and development

£94m

Spend on Research & Development activity reported by innovation-focused businesses since launch.

▲ 2023: £42m

* 'Crowded in' refers to private or public sector capital invested alongside the Bank's investments.





Chairman's Statement



This year marked the fourth full year of the Scottish National Investment Bank being operational. It has been a year of continued progress in developing the Bank's capabilities and our investment portfolio, against a challenging economic context.

The Bank was established to be Scotland's development bank, making strategic, long-term investments on a fully commercial basis. We are designed to deliver positive economic, environmental and social impacts through our investments.

Our missions are at the heart of everything we do and speak to the key challenges facing Scotland. They are:

- ◆ **Net zero:** Address the climate crisis through growing a fair and sustainable economy.
- ◆ **Place:** Transform communities, making them places where everyone thrives.
- ◆ **Innovation:** Scale up innovation and technology, for a more competitive and productive economy.

The ongoing market volatility comes after several years of challenging geopolitical and economic uncertainty – encompassing energy price shocks and significant cost inflation – compounding the difficulty for businesses and projects in Scotland.

In these difficult economic times the role of a development bank is even more important; taking a long-term view and focusing on economic and business growth, but it does mean that some of the investments we make are of higher risk.

Our capital is playing an important role in helping companies to grow. This year has seen further investment into developing the offshore wind supply chain, and to scaling innovative Scottish businesses, building on the ecosystem's existing strengths in early-stage investment.

At the same time, this year has been one of challenge for growing businesses and investors alike. Market instability and continuing cost of living pressures have hindered business growth plans, while investors have been focused on challenges within their existing portfolios and increased risk profiles in prospective new investments.

Our portfolio has expanded to 42 businesses and projects. We continue to invest in our portfolio management function as we add value and provide constructive challenge to our investees as they focus on delivering their business plans.

Working closely with our investees gives us valuable insight into the challenges businesses face in delivering growth and raising capital. We support young, innovative businesses to grow and, as part of their growth journey, to connect with private investors.

As a development bank, we recognise that we will experience individual cases of loss, as not all our investments will succeed. We take any individual losses seriously but recognise that an appropriately high level of investment risk is essential to our role in Scotland's investment landscape.

The Bank has invested in exciting companies that are ambitious to grow. The portfolio page on the Bank's website (www.thebank.scot/portfolio) demonstrates the breadth of the investments we have made so far.

Young businesses developing new innovative solutions have historically found the Scottish investment ecosystem challenging to grow and scale within. There are multiple sources of grant funding and early-stage funding to enable these businesses to launch, but they often find themselves inhibited by the lack of subsequent growth funding, leading to stagnation, failure or having to move away from Scotland before their business delivers significant domestic economic benefit.

The Bank's role is to identify these businesses and, where they meet our investment criteria, to provide this growth capital and in doing so to increase the propensity of the private sector to invest. We want to build an entrepreneurial culture and make a lasting contribution to economic prosperity, where business successes spillover into the next generation of entrepreneurs.

It is essential that in Scotland we do not lose sight of that long-term prize of developing a vibrant, self-reinforcing and high-investment ecosystem of growing and innovative businesses.

With that view, the Bank's Board and I believe it is essential that the Bank continues to build on its capability to act as a long-term investment partner beyond our committed capitalisation of £2 billion. It is therefore significant that we secured our initial authorisations from the Financial Conduct Authority in January 2025. This was a notable achievement for the Bank team.

After the end of the financial year, we received Audit Scotland's report on the progress of the Bank, and we welcomed their positive, comprehensive review of what the Bank has achieved in our first four years of operation. It also correctly drew attention to the barriers the Bank faces in achieving our ambition to become a perpetual investment fund for Scotland that is no longer reliant on public funding.

This year the Scottish Government has awarded the Bank greater flexibility in our annual investment budgetary process, which is very much welcomed. As noted by Audit Scotland, we do need to build on this to gain greater flexibility from both the Scottish and UK Governments so that we can become the perpetual capital investor envisaged at the Bank's foundation. To do this we will need to be able to retain and reinvest cash flow from returns, enabling us to build our balance sheet so that we can create more impact.

I would also like to take this opportunity to note that Candida Morley our Senior Independent Director on the Bank Board, has resigned with effect from 8 August 2025. Candida has been an invaluable member of the Board since the launch of the Bank and a great support to me in my role as Chair. I would like to thank Candida for her contribution. The Board has agreed to appoint Carolyn Jameson, a current Non-Executive Director, as the Senior Independent Director with effect from 9 August 2025.

Finally, I would like to acknowledge the hard work of our Chief Executive, Al Denholm over the past two years, who has announced his intention to retire after 40 years in the investment industry. Al has led the Bank through a key phase of its growth, and I am pleased that he will remain in post until a successor is appointed, and thereafter as an advisor to the Bank's Board. I remain excited by what the Bank can deliver in this next phase of its development.

Willie Watt
Chairman



Chief Executive Officer's Review



Financial performance

For the Financial Year 2024/25 (FY24/25) the Bank has continued to support the growth of the Scottish economy by investing in innovative businesses that align to our missions. At the close of the financial year in March 2025 we had committed over £784.8 million of investment in total and our portfolio has grown to 42 businesses and projects. £145.1 million of this was committed in the last financial year alone, £118.4 million of which was from our core capital allocation, and £26.7 million of which was drawn from the funds the Scottish Government has allocated to support the development of the offshore wind sector.

Over this financial year we committed £145.1 million and deployed £157.5 million. Both of these were lower than we had targeted for the year. When we make an investment we 'commit' a certain amount of Bank capital. The timing for how this is then drawn down by our investee determines how much capital is 'deployed' each year from that investment. While we did deploy less capital than was targeted in our Business Plan, the flexibility offered by the Scottish Government to our year end budget process, means that a portion of unallocated capital can be 'carried over' for us to deploy in FY25/26.

Our investment activity levels primarily relate to the fact that opportunities do not come to us in a linear way. They also frequently take a significant amount of time to complete the due diligence required in order for us to be satisfied that the opportunity represents both a positive impact toward our missions and a sound commercial investment. In this financial year we had a number of significant potential investments we were reviewing toward the end of the financial year, but ultimately did not meet our requirements and we chose not to invest. These were absolutely the correct decisions to take and it is important that we continue to prioritise making sound investments over pursuing commitment and deployment numbers.

Looking forward, we have a healthy pipeline of investment opportunities. This pipeline strength, combined with the ability to draw down funds carried over from the previous financial year, mean that I am confident we will commit and deploy our full capital allocation in the years to come. This year, the amount of capital we brought in alongside our own – or 'crowded in' – was £324 million, substantially ahead of the £181 million we had set out in our Business Plan. This strong performance demonstrates the Bank's effectiveness in leveraging public investment to attract private capital and multiply the investment impact for the Scottish economy.

The investments that we have made to date provided income of £34.5 million, a significant increase on the £19.3 million generated in the previous financial year. This increased income and combined with prudent control of our costs, which were £16.2 million, have meant that we have been operationally self-sustaining for the second year in a row.

In these accounts we are reporting unrealised losses of £76.9 million. These losses relate to the fall in the estimated values of the investments we hold, and are 'unrealised', as we still hold the investments. The process of estimating the fair value of investments includes both reviews of investees performance against their business plans, and application of standard accounting and investment valuation guidelines.

“The Bank has continued to support the growth of the Scottish economy by investing in innovative businesses that align to our missions.”

Al Denholm
Chief Executive Officer



Chief Executive Officer's Review continued

We work closely with investees across our portfolio, particularly those who are not performing in line with their business plans and are therefore providing a challenge to overall portfolio value, seeking to minimise the risk of unrealised losses becoming realised. These provisions only become 'realised' at the point that the Bank stops holding the investment.

As Willie mentions earlier, we were pleased by the Audit Scotland report on the Bank. The report explicitly references that while robust governance and decision making processes are in place, the Bank is designed to invest in line with its role as a development bank, so we are anticipated to be exposed to unrealised and realised losses.

The report also references our role as a development bank, and we must maintain an appropriately high level of appetite for investment risk. We take the risk of loss from any of our portfolio businesses extremely seriously, but recognise that we must maintain our high risk appetite in order for us to fulfil the role for which we were created.

As an investor in businesses at the higher risk early stage, it is common to see significant variations in the estimate of the 'fair value' of investments and it is not unexpected in early-stage investment that some of these may ultimately fail. However, I do see positive contributions emerging from many of our investees and I remain confident that as our portfolio matures it will provide both positive risk-adjusted returns and demonstrable progress against our missions which will benefit the people of Scotland for generations to come. We continue to develop our portfolio management function which works closely with our investees – especially those experiencing challenges in delivering their business plans. This can include looking at the composition of their board and leadership teams as well as considering future potential funding streams.

As Scotland's development bank our role goes beyond the investments we make. We are designed to enable others to invest in Scotland and as such we have now facilitated over £1.4 billion of additional investment, nearly £1.3 billion of which was from the private sector. Attracting this additional capital is absolutely key for Scotland to achieve its growth ambitions.

As the results laid out in this document demonstrate, we have been successful at using our investment capital to support new investment to Scotland. Current market conditions, both for raising investment and for driving growth are difficult. Our role therefore could not be more important.

Investing to support our missions

We have continued to invest widely. In the last financial year we demonstrated our flexibility, as well as our commitment to our place mission, by investing £730,000 in DITT in Shetland. Our investment strategy states that it is only in exceptional circumstances that we will invest less than £1 million to a single opportunity. DITT provided such an exception. This is Shetland's first Mid-Market rental housing development in a location where housing is significantly constrained. While I do not anticipate us making investments of this size more frequently, I do expect the Bank to seek to invest further in housing, given the criticality of this to the Scottish economy.

In line with our net zero mission, we have also continued to invest in Scotland's 'once in a generation' economic opportunity centred around offshore wind. A critical enabler to ensuring that this opportunity is fully realised is ensuring that Scotland has the domestic infrastructure to support the future growth to come. In previous years we have invested in the ports of Ardersier and Aberdeen; this year we invested in the cable-manufacturing company XLCC, and Subsea Micropiles whose innovative technology supports the emergence of the floating offshore wind sector.

Scotland has long been recognised as a global centre for invention and we seek to ensure that the economic opportunities of this creativity are captured through our Innovation mission. Over the last financial year, we invested in Integrated Graphene (which has since rebranded to iGii). They hold patents for globally-leading advanced manufacturing nano-technologies that are already starting to support the healthcare sector, with clear potential to scale beyond this.

I have also been pleased to see how investments we have made in the past have converted the opportunities in front of them into meaningful growth. A great example of this is North Star, whose surface operation vessels are helping to support the growth in offshore wind. Following our investment of £50 million in 2022, they have attracted £226 million in additional investment from other sources over the last financial year.

As a development bank our role is to invest into areas not naturally being catered to by the private sector. As such we take on investment risk in line with our role as a venture investor, and so not all of our investments will see successes like those at North Star.

Details of these, and all of our investments, are published on the Portfolio page of the Bank's website (www.thebank.scot/portfolio).

The year ahead

Looking to the year ahead, our strategic priorities remain consistent and are set out in our Business Plan (www.thebank.scot/key-publications). Within this, we continue to see a clear role in supporting the growth of offshore wind as a critical priority. In addition to this we are looking at how we can support Scotland's housing needs, and how we can help the high-potential businesses coming out of our universities to achieve scale. So while market conditions are likely to remain turbulent, I believe that there are significant breadth and depth of investment opportunities ahead. I have been delighted that we received FCA authorisation for our subsidiary Scottish Investments Limited, as an example of our developing maturity.

The delivery of the Bank's ambitions, targets and plans are entirely reliant on our excellent team. I was therefore particularly delighted to see the Bank named in the Sunday Times 'Best Places to Work' report, based on our culture and working practices.

Toward the end of the financial year I announced my intention to retire after 40 years in the financial service industry. In the year ahead I will continue to fulfil my role as CEO until my successor is appointed. The Bank is extremely well supported by a strong Board, well led by an effective Executive team and well resourced by a talented, motivated and passionate team that I am honoured to have led. I look forward to supporting the incoming Chief Executive in due course, and to working with the Board as an advisor.

Al Denholm
Chief Executive Officer

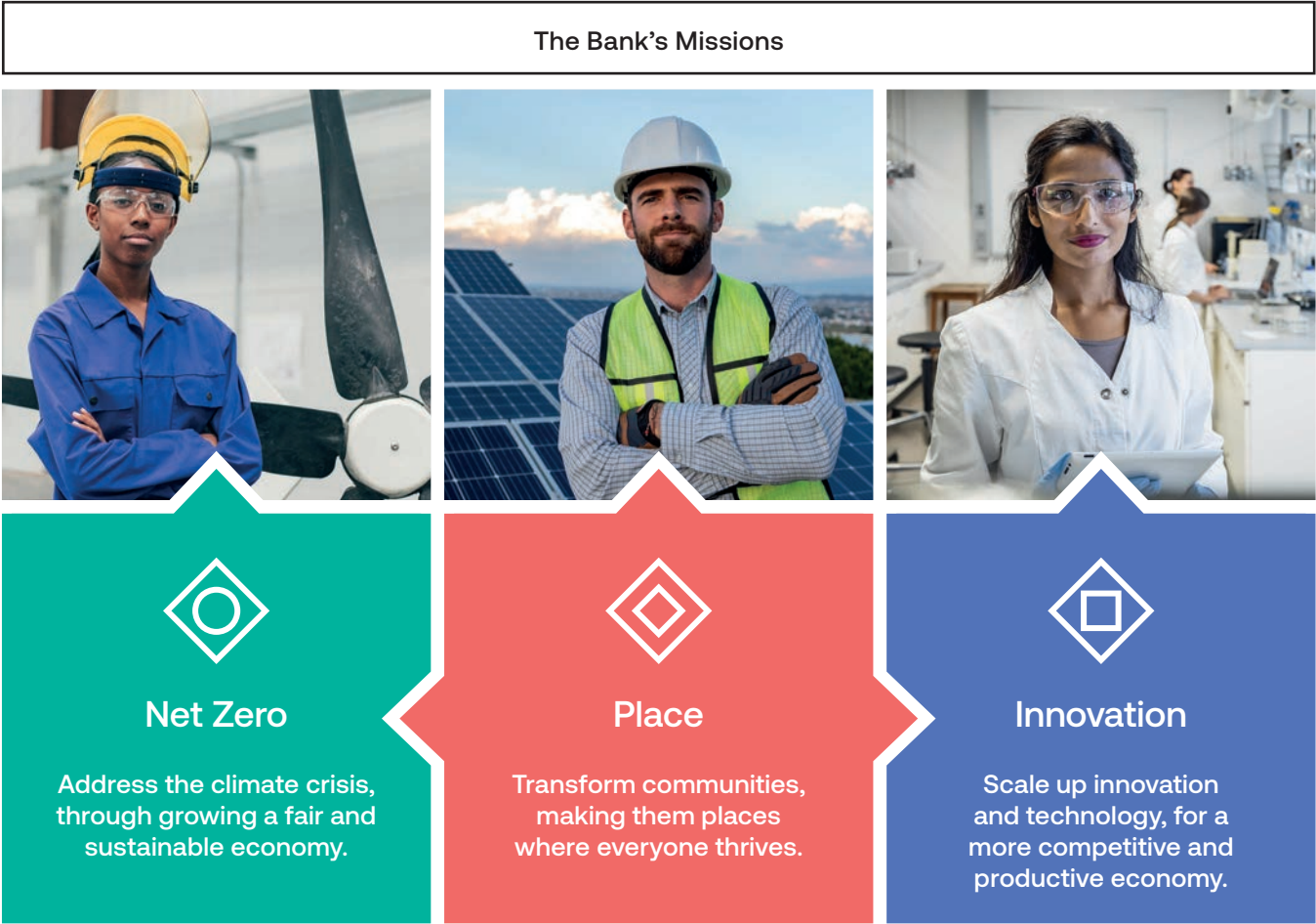


Strategic Priorities

The Scottish National Investment Bank is Scotland’s development bank. Our central priority remains to invest in businesses and projects that support delivery of our missions and provide a commercial, risk-adjusted financial return.

To achieve this, we will continue to invest for the long-term making equity investments, providing debt or, where appropriate, investing in third party funds. Our investments are also designed to encourage others to invest alongside us – attracting private sector financing to complement our own. As a development bank our risk appetite must therefore be greater than the majority of those within the ecosystem so that we can help Scotland to attract increasing levels of investment capital, which will be required for us to deliver against our missions.

Our missions drive everything we do and are designed to reflect key challenges facing Scotland, these missions are:



The Bank’s strategy remains consistent with prior years and is set out in more detail within our Business Plan (www.thebank.scot/about-us/key-publications), and we continue to deliver against it, with some areas having performed more strongly in the past year than others. Our key strategic themes are articulated in more detail in our Business Plan and are:



For each of these areas, we are progressing against our target outcomes, with a detailed breakdown of this set out in the following section.

As an impact investor our investments are designed to provide both financial returns and quantifiable non-financial benefits, such as reductions in carbon emissions or the creation of new high value jobs. Every year we set out how our investments deliver these non-financial benefits and how they support our missions and demonstrate our progress towards them in our Impact Report, which can be seen at (www.thebank.scot/about-us/key-publications).

The strength of our delivery and the clarity of the future impact we can make is based on our talented and motivated team, which is why realising the potential of our people remains a key strategic priority for us.



Balanced Scorecard

In addition to the financial performance presented elsewhere in these accounts, we also report our performance against a balanced scorecard, made up of the strategic priorities we set out in our Business Plan. This balanced scorecard sets out the outcomes we articulated for each strategic priority, and shows our progress against these. This section provides our analysis of this performance, giving a concise commentary on how we performed against the ambitious targets and Key Performance Indicators (KPIs) we set for ourselves.

For each area of the balanced scorecard we defined thresholds against these ambitious targets, for what we considered ‘Below expectation’, ‘Good’, ‘Strong’ and ‘Excellent’. We have used these ratings, to summarise our progress in each area of the scorecard.

Strategic Priority 1: Demonstrating and enabling impact		Performance against outcomes: GOOD
Outcomes 24/25 <ul style="list-style-type: none">◆ Demonstrate measurable progress towards the Bank’s missions as defined by our Impact Ambitions and Mission Objective KPIs.◆ Progress towards achieving the Bank’s published Equality Outcomes as set out in our Equality Strategy.◆ Maintain and evolve best-in-class impact management practices throughout our investment processes to reflect feedback and insight from our recent independent Operating Principles for Impact Management verification.◆ Continue to review our approach to reporting and identify areas where we can usefully expand the scope of data we can monitor and publish.◆ Publish and promote insights relating to impact investing, and our missions.◆ Development of the impact investing ecosystem in Scotland, in collaboration with partners in academia, entrepreneurs and fellow investors to grow the community and to support the community in solving shared challenges.◆ Communities of learning amongst our investees established and being used to share best practice.	Progress 24/25 <ul style="list-style-type: none">◆ The Bank has delivered continued progress in line with our missions, as detailed in our recent impact report and summarised in the Performance Highlights section earlier, with our impact metrics performing in line with the ambitions we set out in our Business Plan last year.◆ Significant progress was made in delivering the actions outlined in our equality strategy, including making improvements to our data collection, investment processes and practice.◆ We refined our investment processes on the basis of opportunities identified by our OPIM (Operating Principles for Impact Management) verification audit, as did the updates made to our Responsible and Ethical Investment Policy. Another audit is being carried out in the coming financial year.◆ During 2024, we increased our data collection scope for diversity data and reporting, and expanded the scope of our TCFD reporting to include relevant climate scenario analysis.◆ The Bank has published insight relating to offshore wind and housing, and promoted its impact expertise across a range of events and articles including the annual Bank conference and key industry events.◆ We collaborated with Impact Investing Institute and Better Society Capital to deliver events bringing together the impact investing community, with follow-up webinars to maintain progress. The first cohort from our impact investor readiness programme in partnership with Strathclyde Business School graduated, with 100% of graduates saying they would recommend the programme.	

Strategic Priority 1 continued: Demonstrating and enabling impact		Performance against outcomes: GOOD
	Progress 24/25 <ul style="list-style-type: none">◆ Two learning community events were delivered with our portfolio on (1) climate change and carbon management and (2) inclusive workforce practices, sharing best practice from investees and relevant outside experts.	

Strategic Priority 2: Delivering investment		Performance against outcomes: BELOW EXPECTATION
Outcomes 24/25 <ul style="list-style-type: none">◆ Deploy £181 million of impact investment capital.◆ We anticipate being allocated additional funds by the Scottish Government to support the ScotWind offshore programme, including the development of its supply chain. We plan to deploy at least 80% of this additional capital, subject to the confirmation and timing of the allocation.◆ Continue to build an actively supported portfolio generating a positive, risk-adjusted, financial return.	Progress 24/25 <ul style="list-style-type: none">◆ We have deployed £157.5 million. This includes £130.8 million of our core capital and £26.7 million from the Scottish Government’s funds to support the growth in offshore wind. While our deployment was lower than planned, we have a strong pipeline and are confident our investment strategy is focused in areas where the Bank can add the most value. Up to date portfolio information can be found on our website (www.thebank.scot/portfolio).◆ While we were not formally allocated a specific amount of capital in support of ScotWind, we were however given access to the additional capital from Scottish Government’s specific offshore wind programme.◆ From this additional capital source, we have delivered £26.7 million, across two projects supporting ScotWind (without a specific allocation, the 80% target became obsolete).◆ We have worked closely with investees across our portfolio, including providing £46.8 million of additional investment to support future growth. We have also supported those who are not performing in line with their business plans and are therefore providing a challenge to overall portfolio value. As part of this we have sought to ensure that businesses have the right Executive teams and Boards.◆ We have also built on the existing support provided to our portfolio including running training and networking events with them.	



Balanced Scorecard continued

Strategic Priority 3: Building insights, partnerships and our reputation		Performance against outcomes: GOOD
Outcomes 24/25 <ul style="list-style-type: none">◆ Developing market creation capabilities will enable clearly identifiable new investment opportunities, both for us and for the market more broadly.◆ Insights will be valued by stakeholders in the markets in which we operate.◆ Public sector engagement work will enable the evolution of policy to support the delivery of our missions.◆ Private sector engagement work will build relationships across the business and investment sectors, including key industry groups, to support both market creation and pipeline development.◆ The growing strength of our reputation, as evidenced by reporting in the media.	Progress 24/25 <ul style="list-style-type: none">◆ We have established Market Creation functions for both our Net Zero and Place missions. These are both now actively engaging with key stakeholders to identify target opportunities.◆ We have continued to publish key insights over the year and engage across the market. In a survey of key stakeholders 57% agreed the Bank provides valuable thought leadership (up from 52% in 2023/24), demonstrating progress, but with clear room to improve.◆ We have maintained positive relationships across the public sector, providing input and engagement in key areas that align with our missions including ScotWind, Innovation and Housing.◆ We have also continued to build on the positive relationships we have in the private sector.◆ Both of these are evidenced by the range of positive responses we received to our stakeholder survey.◆ Our stakeholder survey also demonstrated that we have retained a strong reputation in the markets in which we operate, as evidenced by 81% of stakeholders viewing the Bank positively.	

Strategic Priority 4: Enabling private sector investment		Performance against outcomes: GOOD
Outcomes 24/25 <ul style="list-style-type: none">◆ To facilitate investment of at least £181 million alongside the Bank’s capital.◆ Develop deeper relationships with leading institutional investors, including co-investment, in line with the Bank’s broader third party capital strategy.	Progress 24/25 <ul style="list-style-type: none">◆ We have facilitated £324.4 million of investment alongside our own in the last financial year, of which £304.3 million was from the Private sector, bringing the total of investment we have ‘crowded in’ since launch to over £1.4 billion.◆ We have built positive relationships with key institutional investors as part of delivery of our strategy to ultimately advise or manage the capital of third parties.	

Strategic Priority 5: Targeting financial self-sustainability		Performance against outcomes: GOOD
Outcomes 24/25 <ul style="list-style-type: none">◆ Ensure our income and costs are in line with our agreed budget, and we are on track to be operationally financially self-sustaining by FY25/26 (excluding investment gains and losses).◆ Our portfolio of investments is forecast to have a commercial financial performance that reflects investment risk appropriate for Scotland’s development bank.◆ We have an agreed approach to annual budgeting with our Shareholder that enables flexibility across financial years.	Progress 24/25 <ul style="list-style-type: none">◆ Income has exceeded budget and costs are within budget, generating an operating profit (pre investment losses) and building on our performance from FY23/24.◆ This meant we did not require any operational (resource) budget in FY24/25. A proportion of the income was from capitalised interest on our loans which does not immediately generate cash flow. The next step on our journey to full self-sustainability will be to generate further income in cash terms to cover our costs.◆ Our portfolio has experienced some individual performance pressures during the year and we acknowledge that there continues to be wider geopolitical challenges for the economy more generally. While this has manifested itself in higher unrealised losses in FY24/25, we will continue to work with our investee companies to provide a return over the medium to long term. We take the risk of realising loss extremely seriously, and the increase in our reported unrealised loss number has contributed to the ‘Below expectation’ set out against the ‘Delivering Investment’ strategic priority above.◆ During the year the Bank has worked with Scottish Government regarding flexibility and affording the Bank the opportunity to carry over some annual investment budget from one year to the next. This is important and recognises the challenges in commercial investment where investment may straddle a fiscal year end.◆ We are also engaged with UK and Scottish Governments regarding the recently published Financial Transaction Control Framework which proposes the ability to recycle proceeds and profits and is broadly aligned to our stated aim of becoming a perpetual institution.	



Balanced Scorecard continued

Strategic Priority 6: Realising the potential of our people		Performance against outcomes: STRONG
Outcomes 24/25	Progress 24/25	
<ul style="list-style-type: none">◆ Continued positive culture and motivated team evidenced through feedback from our people surveys and team voice channels.◆ Career path framework and learning proposition is in place, evidenced by continued progression of our people, and supported by people survey responses.◆ Progression has been made towards our gender diversity ambitions and we have taken actions towards improving our gender pay gap.◆ People manager learning programme has been delivered and people managers feel better equipped to lead their teams.	<ul style="list-style-type: none">◆ The Bank engaged WorkL (a specialist consultancy focused on measuring and enhancing employee performance) for the first time in 2024. They provided an independent people survey and supported with insight on how we compare to industry benchmarks. The response demonstrated an overall engagement score of 78% which is 7% higher than the financial service industry average, reflecting the strong, positive culture we have built in the organisation. This was further reflected by the Bank being named in the Sunday Times ‘Best Places to Work 2025’.◆ During the year, the Bank developed its learning proposition, providing access to resources and support, promoting continuous learning and growth. This also included career frameworks to provide specific development paths for career progression.◆ We have made a public commitment by becoming a signatory to the Women in Finance Code, with a target of 40-50% of our senior roles being held by women by 2026.◆ While we have delivered the actions in our plan to reduce our Gender Pay Gap, the impact of these actions will take time to demonstrate tangible progress, given the relative stability of people in roles across the Bank. Our Gender Pay Gap has remained largely unchanged since the previous year.◆ During the year, the Bank launched and delivered a Purposeful Leadership programme for all people leaders. This emphasised the importance of aligning individual leadership styles with the Bank’s broader objectives and building a positive, supportive and focused culture at all levels of the organisation.	

Impact Investing



Over the past four years, the Bank has worked to establish a best-in-class approach to managing, enabling and reporting mission impact. Our missions respond to major trends and challenges that many economies – including Scotland’s – are facing. With 42 investees in the portfolio at the end of FY24/25, and £785 million of the Bank’s commercial capital committed to businesses and projects that deliver social, economic and environmental benefits in Scotland, we have made significant progress in formalising the frameworks and practices that promote effective delivery of impact. We share details of our approach to investment in our Investment Strategy and report our non-financial returns in our Impact Report, both published on the Bank’s website.



Impact Investing

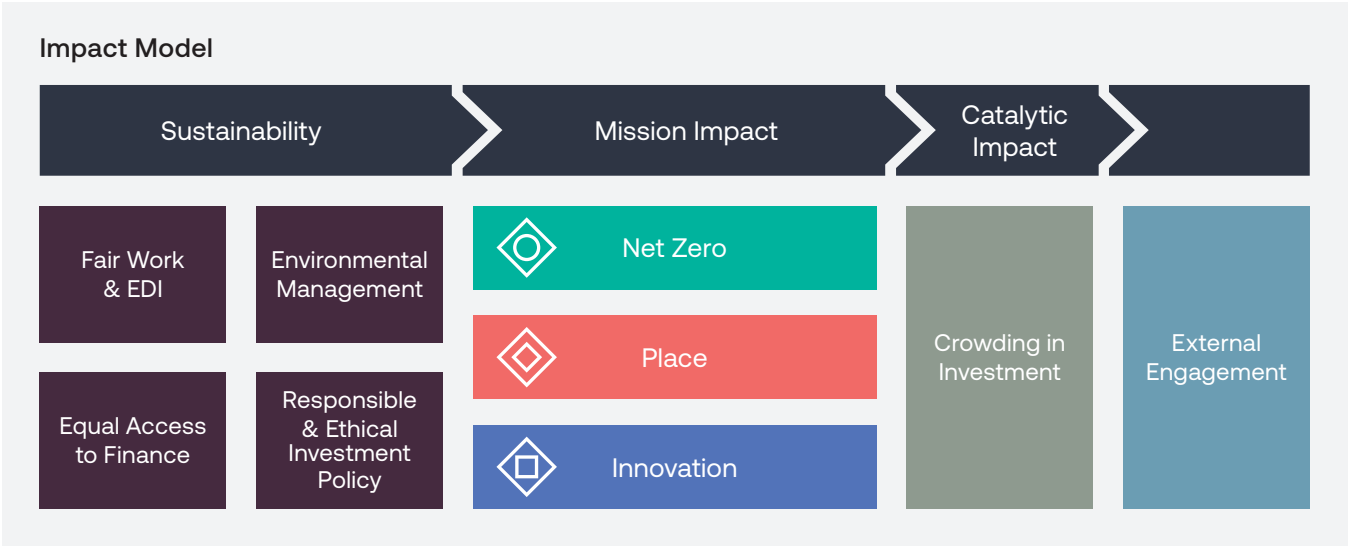
The Bank’s approach to investing for impact

While the missions – net zero, place and innovation – directly relate to global challenges of climate change, inequality, and demographic and technological change, they are not unique to Scotland. How they manifest here – and what we can do to address them – is what drives us in our role as a mission-led impact investor. Our approach is to identify where opportunities arise from Scotland’s expertise in old and new energies; our natural assets; how key industry sectors are changing; and the evolution of our urban and rural geography. These all contribute to how we can help transform Scotland through our insight, investment and impact.

For example, our report in 2024 on offshore wind highlighted the transformational opportunity to re-industrialise and regenerate parts of Scotland,

helping to deliver a just transition to net zero, for our society and economy. We have not seen a similar economic opportunity since the emergence of oil and gas exploration in the North Sea in the 1970s, with the potential this time to deliver more regionally inclusive and sustained economic benefits. Scotland ‘over- indexes’ on a global scale when it comes to floating wind, representing 10% of the global pipeline. The Bank – along with other agencies like National Wealth Fund and GB Energy – has a key role in taking on investment risk to help the transition, support development, and encourage more private capital investment commitments alongside us.

We also seek to drive change in the market, from ensuring minimum standards for fair work and carbon management, to working with others to drive economic growth in Scotland. Our impact model (below) summarises our activity.



Sustainability

Direct mission-led investment is only part of how we see our role. Investing to reduce inequalities is critical to realise Scotland’s economic potential and improve social, health and wellbeing outcomes. That is why we work with our investees to promote fair work, real living wages and inclusion in every deal we make. We know that more work is required to drive positive change in this area and that systemic challenges are not quickly solved, but our engagement with equalities

stakeholders endorses our investment and portfolio management approach and we hope to see positive changes over the lifespan of our investments.

We work with our investees on areas such as carbon management and employment practices because we believe it helps develop sustainable, successful businesses who are well positioned to meet the needs and expectations of larger investors, by hard-wiring good management practices that will serve them well in the longer-term.

Case Study: Supporting the transition to net zero

The diversity of our net zero portfolio reflects the range of building blocks needed to support the transition: from offshore wind and renewable energy, through to sustainable transport and carbon-efficient technologies. The Bank is intentional in its approach, looking to invest across a breadth of high-impact sectors that will help Scotland to thrive in a low-carbon economy.

To date, the Bank and its co-investors have committed a total of £1.4 billion in net zero businesses and projects. Whilst all different, what these companies have in common is a shared purpose of tackling the climate crisis whilst creating a fair and sustainable economy in Scotland. Below are three examples of the businesses that have received Bank investment in FY24/25:



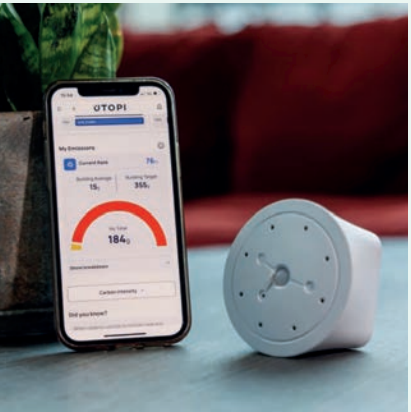
ZeroAvia

We invested £20 million in ZeroAvia, a developer and manufacturer of zero-emission engines for commercial aviation. This is the Bank’s first investment in hydrogen-based technology and the sustainable aviation sector. As well as providing a critical step towards producing clean aviation technology to the market, the company is actively exploring production sites in Scotland.



Subsea Micropiles

With a £6.7 million investment into Subsea Micropiles, the Bank aims to help the business to further develop its technology and expand operations. The company’s marine anchor system is designed to give greater flexibility in offshore wind, opening up new avenues for development and reducing the environmental impact of construction. With manufacturing planned to take place in Scotland, there will be further benefits for economic and skills growth.



Utopi

The Bank originally invested in Utopi in 2023, as it aligned to both our net zero and innovation missions. This year we have followed on that investment to provide a total of £10 million in support for this growing company. Utopi’s digital technology provides analytics to multi-tenant properties, supporting a decrease in carbon emissions across a highly emitting sector. As well as the environmental benefits of the product, the investment supports the creation of highly-skilled jobs as well as the growth of a company – born and based in Scotland – to a global market.



Impact Investing continued

Operational carbon emissions and TCFD reporting

During FY24/25, the Bank made progress across our approach to climate impact, including:

- ◆ Progressing actions outlined in our Carbon Management Plan.
- ◆ Strengthening our commitment to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Framework.
- ◆ Supporting our portfolio to manage their carbon profiles, through mandatory emissions reporting and the development of Carbon Management Plans.

The Bank continues to comply with key environmental legislation and our duties under Public Bodies Duties Climate Change Reporting. We publish key documents to communicate our approach and progress including in our:

- ◆ Impact Report
- ◆ TCFD report
- ◆ Responsible and Ethical Investment Policy

This broad-ranging work, led by our Impact team and with governance oversight at Board level, aligns with the three commitments we shared in our Pathway to Net Zero: Carbon Management Plan 2023/24-2028/29 (www.thebank.scot/pathway-to-net-zero-carbon-management-plan).

Commitment One

By FY28/29, we'll reduce our operational carbon emissions by 5%.

Commitment Two

In FY23/24, we will increase transparency by reporting against the Task Force on Climate-Related Financial Disclosures Framework.

This will show how we're taking action to build a more resilient financial system through climate-related disclosure.

Commitment Three

We will ensure that all new investments deliver a carbon management plan or net zero strategy.

If current investees don't have a carbon management plan, we'll work with them to put one in place.

Since publication of the plan, we have delivered Commitment Two and made significant progress with Commitment Three, with most companies within our portfolio either now having a carbon management plan in place, or with one in development.

Our progress towards these two commitments was recognised at the 2024 Green Apple Awards, where the Bank won an International Green Apple Environment Silver Award.

Richard Wilkins, General Manager of Sustainability & Compliance at Sony UK Technology Centre, presenting Craig Love and Sandy MacDonald with the Bank's Silver International Green Apple Environment at Kensington Palace.



Operational carbon emissions

The Bank's operational emissions have increased over the course of FY24/25, from 61.78 tCO₂e (FY23/24) to 84.30 tCO₂e. This equates to a 36.4% increase compared to the previous year and an approximate 43.7% increase when compared to our 2022/23 baseline (58.66 tCO₂e).

Although our Carbon Management Plan predicted there would be increases in our emissions over the short term as our business matures, the increases we have seen are greater than originally projected.

This can be attributed to:

- ◆ An increase in business travel, particularly in relation to our third-party capital ambitions.
- ◆ Increased gas consumption in our leased office, due to an issue with Heating, Ventilation, and Air Conditioning (HVAC) system.
- ◆ Increased headcount resulting in proportionally larger emissions.

During the period, we have delivered a measurable decrease in electricity and waste emissions, but this has been insufficient to overcome the increases seen elsewhere.

In the next financial year, we will continue to implement projects outlined in our plan and where possible seek additional reductions across our operations to ensure that, as an organisation, we have the greatest opportunity of meeting our reduction ambitions by 2028/29 (commitment one). The table below provides a breakdown of our emissions by source and scope.

Operational Carbon Footprint

Source	Emissions Scope ¹	Metric	2022/23	2023/24	2024/25	Performance Indicator
Gas	Scope 1	tCO ₂ e	6.49	6.65	10.80	62.41% ▲
Electricity ²	Scope 2	tCO ₂ e	10.98	12.45	9.32	-25.14% ▼
Water ³	Scope 3	tCO ₂ e	0.18	0.17	0.19	11.76% ▲
Waste	Scope 3	tCO ₂ e	0.22	0.05	0.03	-40.00% ▼
Business Travel	Scope 3	tCO ₂ e	8.54	12.99	29.38	126.17 ▲
Hotel	Scope 3	tCO ₂ e	1.12	3.08	6.53	112.01% ▲
Commute Travel	Scope 3	tCO ₂ e	23.63	11.32	9.58	-15.37% ▼
Home Working	Scope 3	tCO ₂ e	7.50	15.07	18.47	22.56% ▲
Total Emissions		tCO ₂ e	58.66	61.78	84.30	36.45% ▲

1. Emissions Scopes have been classified using the GHG Protocol Corporate Standard.
2. Includes Scope 3 - Electricity transmission and distribution.
3. Combined Supply & Treatment of Water.



Impact Investing continued

Categories of emissions sources are defined by the World Resources Institute Guidance for Public Sector Organisations and the Greenhouse Gas Protocol, separated into three separate Scopes:

- ◆ **Scope 1** – direct emissions from owned or controlled sources.
- ◆ **Scope 2** – indirect emissions from generating electricity, steam, heating and cooling, purchased and consumed.
- ◆ **Scope 3** – all other indirect emissions not included in Scope 2.

To meet our second commitment to increase transparency around our approach to climate impact, in March 2025 we published our second report against the recommendations within the Task Force on Climate-Related Financial Disclosures (TCFD) framework (www.thebank.scot/tcf-d-report-2024). Whilst the Bank is not required to report against the TCFD Framework, we chose to voluntarily adopt its recommendations because we feel they are consistent with our purpose and commitment to transparency. The TCFD outlines 11 recommendations, across four areas – Governance, Strategy, Risk Management, and Metrics and Targets – for organisations to include in their climate-related reporting. The Companies Act sets a further expectation for climate-related financial disclosures to be embedded within a company’s annual strategic report. This section of our Annual Report therefore summarises how the 11 recommendations have been addressed, with greater granularity within the main Climate-related Financial Disclosure report.

TCFD progress in FY24/25

We continue to make good progress in incorporating climate risks and opportunities into our overarching business strategy. As a young organisation, our approach to TCFD will continue to evolve to reflect our maturing portfolio and growing datasets.

Governance	Climate action is considered across all of our functions. At Board level, the Risk Management and Conflicts Committee (‘RMCC’) has overall responsibility for climate change and oversees the Bank’s climate actions. The Bank’s Risk Management Framework, which includes climate risk, is owned by the Chief Risk Officer. Responsibility for the co-ordination of climate-related activities lies with the Director of Impact Assessment and Environment, supported by an Associate of Environmental Impact Assessment and Reporting.	
Strategy	<p>Incorporating climate change into our processes</p> <p>Our investment strategy outlines how we invest to deliver positive social, environmental, and economic impacts in support of the Bank’s missions.</p> <p>We assess the economic impact of climate change on our portfolio, evaluating physical climate risks under plausible climate scenarios. This includes acute flood risk and a variety of longer-term, chronic risks, as identified in ‘Evidence for the third UK Climate Change Risk Assessment (CCRA3)’.</p> <p>We engage with our portfolio to define their Scope 1 and Scope 2 emissions and, since April 2023, require investee companies to develop a carbon management plan or review existing plans (commitment three).</p> <p>How we identify climate-related risks, opportunities and their potential impact</p> <p>Climate-related risks and opportunities and potential financial impacts are assessed using an in-house Climate Risk Assessment (CRA) process. In line with TCFD guidance, our CRA considers risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change:</p>	<ul style="list-style-type: none">◆ Boundary◆ Transition Risks (Policy and Legal, Technology, Market, Reputation)◆ Physical Risks (Acute, Chronic)◆ Opportunity (Resource Efficiency, Energy Source, Products/Services, Markets and Resilience) <p>In both a low and high emissions scenario, there may be significant opportunities for our current and future investees to directly drive decarbonisation and resilience of the future economy.</p> <p>Climate-related scenario planning</p> <p>We use UK Climate Change Projections (UKCP18) data to understand the climate related risks from both a high and low emissions scenario and utilise SEPA’s flood maps to understand the risk flooding poses to both our operations and investments.</p> <p>We used UKCP18 data to model low and high emissions scenarios (Representative Concentration Pathway (RCP) 2.6 and 6.0, respectively) at two time horizons: medium term (2050s) and longer term (2080s). A range of potential risks and opportunities, including those related to rainfall, temperature and storms, were identified.</p>
Risk Management	<p>Our risk management approach</p> <p>Climate risk is fully integrated into our Risk Management Framework (RMF) and managed systematically alongside our other principal risks, with more detail outlined in pages 38–46.</p>	<p>How we identify climate-related risks, opportunities and their potential impact</p> <p>We use an internal CRA template to consider both transitional and physical climate risks. This assessment is undertaken during our investment processes, prior to a company becoming an investee.</p> <p>In 2025/26, steps will be taken to further enhance this approach by incorporating additional acute risks, such as those related to temperature and weather extremes in different climate scenarios (Global Warming Level (GWL) 2.0 and 4.0), and by further exploring sectoral exposure to chronic risks.</p>
Metrics and Targets	<p>Our approach</p> <p>We have developed metrics and targets to monitor progress against our Carbon Management Plan. Our approach aligns with the Greenhouse Gas protocol, using a consolidation approach to monitor our operational performance, and the protocol’s category 15, ‘Investments’, to measure and manage our climate-related risks and opportunities.</p>	



Impact Investing continued

Our investment climate impact

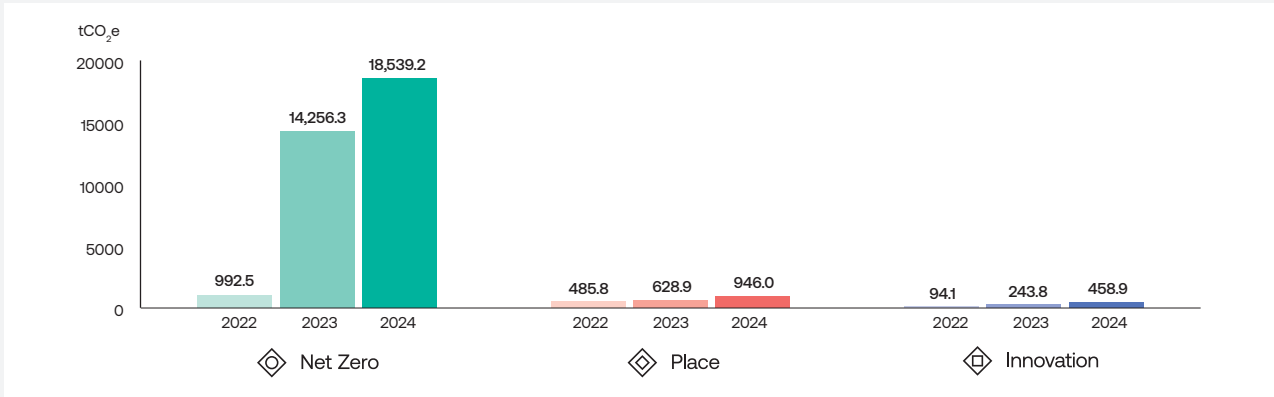
Our impact reporting period runs on a calendar year basis, rather than financial year; therefore, emissions in relation to our portfolio will be for calendar years. At the end of 2024, our portfolio emissions were 19,944.2 tCO₂e. We will report our proportional share of these emissions in our next annual TCFD report.

The table below provides details of emissions from our portfolio by their primary mission alignment, with the graph below providing a comparison of portfolio emissions to the previous two years.

Emissions by Primary Mission 2024

Source	Scope 1	Scope 2	Total	Metric
Net zero	15,655.9	2,883.4	18,539.3	tCO ₂ e
Place	652.4	293.6	946.0	tCO ₂ e
Innovation	187.5	271.4	458.9	tCO ₂ e
Total Scope 1 and 2 Emissions	16,495.8	3,448.4	19,944.2	tCO ₂ e
Total Scope 3 Investment Emissions			19,944.2	tCO ₂ e

tCO₂e of Scope 1 and Scope 2 emissions by mission



The increase in emissions across our three missions, and in particular net zero, is a result of a growing portfolio and investee companies scaling their operations. Our investments are often in heavy industries and infrastructure (such as port redevelopment and housing) that will directly enable a just transition to a net zero economy in the longer term but has a high carbon emissions profile in the short-term.

We work actively with our portfolio companies to help them to understand and manage their carbon emissions. To date, 100% of our portfolio companies are reporting their Scope 1 and Scope 2 emissions sources. As noted in our second TCFD report, 44.4% of our portfolio companies also have an active carbon management plan, with a further 50% currently developing a plan.

Financial Performance

This report summarises our financial performance from 1 April 2024 to 31 March 2025. The Bank’s audited financial statements are prepared in accordance with UK adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM). They are also prepared in accordance with the Companies Act 2006 and the directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers. These can be found in full on page 159. The detailed accounts are contained within the financial statements from page 122.

Key drivers of the Bank’s financial performance

As an investment business focusing on generating both impact and commercial returns from our investments, our financial performance is dependent on a number of significant items:





Financial Performance continued

Financial review

In FY24/25 we continued to make progress towards achieving our key financial aims, achieving operational financial self-sustainability for the second consecutive year through increased income generation and careful cost management.

Following the Scottish Government's budget for 2024-2025, the capital available for us to invest was set at £181 million. This does represent almost 100% of the new 'Financial Transaction' funding available to the Scottish Government ('Financial Transaction' funding is defined by the UK Government as "funding for transactions in financial assets and financial liabilities, such as lending or equity transactions") demonstrating their commitment to the Bank. We are now approaching operational maturity from an employee headcount perspective, and while there are certain key roles we anticipate recruiting for the year ahead, the majority of our key hires are in place and working to deliver our missions. Our expanding investment portfolio and the retention of Convertible Loan Note investments as debt for longer than forecast (before they convert to equity) contributed to a significant growth in income and coupled with prudent cost control and a value for money ethos across the business kept costs below budget. This increased income and prudent cost control has led to the Bank becoming operationally self-sustaining (pre investment gains and losses), albeit from an accounting perspective. A proportion of the income was from capitalised interest on our loans which does not immediately generate cash flow. The next step on our journey to full self-sustainability will be to generate further income in cash terms to cover our costs.

Investment income

£34.5m

▲ 78.8%
increase year-on-year
2024: £19.3m

Investment drawdown

£157.5m

▼ 30.6%
decrease year-on-year
2024: £227.1m

Committed investment

£145.1m

▼ 35.4%
decrease year-on-year
2024: £224.6m

Annual investment commitment

£225
million



FY23/24

£145
million



FY24/25

£785
million



Total since
launch

Private and Public Sector Investment enabled alongside our capital

£400
million



FY23/24

£324
million



FY24/25

£1.41
billion



Total since
launch

2024/25 Financial highlights

1. Growing investment portfolio

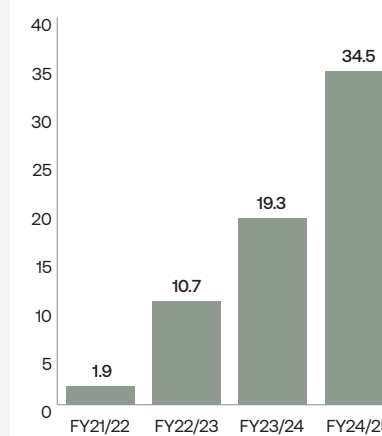
We committed a further £145.1 million (2024: £224.6 million) of investment across eight new and 15 follow on investments. On deployment, a further £157.5 million (2024: £227.1 million) worth of investments (which includes £26.7 million from the Scottish Government's offshore wind fund) were made in the year.

Our investments were across all three missions and are diverse both in terms of type of investment – i.e., debt and equity – and, importantly, geographical location with the Bank continuing to invest in businesses and projects that span the length and breadth of Scotland. The mixture of the investment portfolio between debt and equity is largely consistent year-on-year and in line with our plans over the longer term. Moreover, our investment was made alongside third party capital invested of £324 million, demonstrating our ongoing ability to crowd-in additional investment.

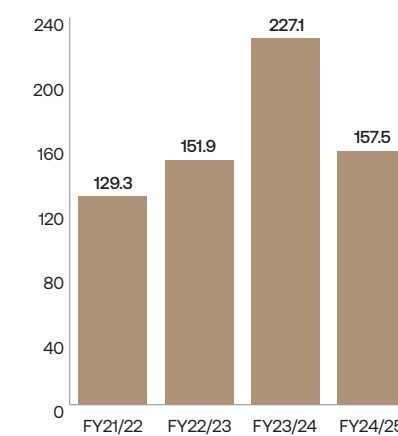
During the year, the investment portfolio was transferred from our subsidiary, Scottish Investments Limited (SIL) to the Scottish National Investment Bank plc – the Company. Scottish Investments Limited is now the regulated entity of the Group and provides investment management services to Scottish National Investment Bank plc, which remains the patient capital impact institutional investor and development finance institution. SIL acts as investment advisor to the plc and undertakes arranging and structuring for investment transactions in which the plc is active.

Investment Profile

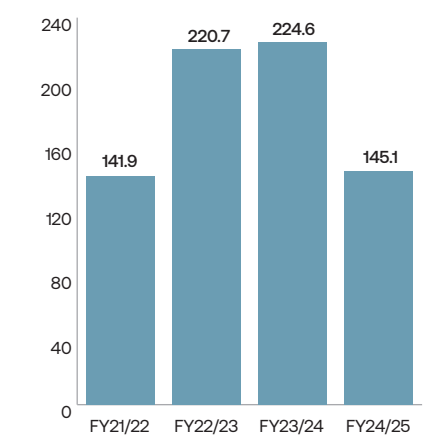
Income (£m)



Drawn (£m)



Commitment (£m)





Financial Performance continued

2. Portfolio income generation

Our investment portfolio generated income of £34.5 million in the year (2024: £19.3 million), through a mixture of interest (both cash and capitalised), fees and dividends. The increase in income of £15.2 million (year-on-year growth of 79%) recognised during the year underlines the importance of continued investment into debt instruments each year. This further demonstrates our commitment to generating a commercial return on investments and providing continued progress towards operational financial self-sustainability (where the income we receive more than covers the costs we incur in a given year).

Our income in FY24/25 was £34.5 million. This was significantly ahead of the £17 million we forecast in last year’s Business Plan. There were several factors influencing this, but a significant contribution was that a number of our investments were made via ‘Convertible Loan Notes’, where loans convert to equity at a certain point. These conversions are happening later than originally forecast, which help contribute to the higher income in FY24/25 and the forecast drop in income to £23 million for FY25/26.

As our investment portfolio grows, our income is increasing, eliminating the requirement for our Shareholder to support operational costs. While we have a growing portfolio and a strong pipeline, our track record is still relatively short, therefore our income still has the potential to vary year on year. We anticipate continuing to achieve sustained operational financial self-sustainability in future years (pre investment related gains and losses).

3. Movement in fair value of investments

At the end of FY24/25 we had a portfolio of 42 investments. We monitor the performance of our investments on a regular basis. This includes a formal valuation process every quarter, which provides analysis of the performance of individual portfolio companies. As at 31 March 2025 our portfolio was valued at £604.5 million. This includes the additional deployment of £157.5 million during the year into a mixture of existing and new investments.

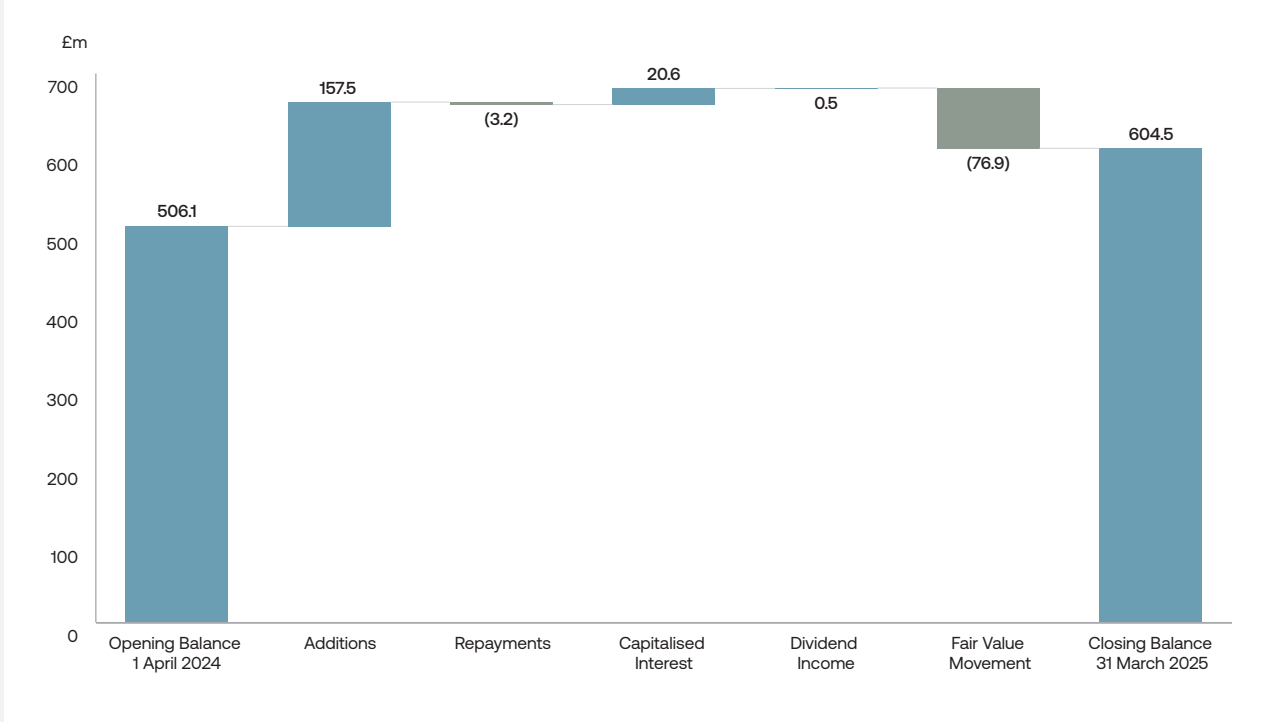
As an investor, we plan to deliver a commercial return over a multi-year investment period that can be subject to fluctuations as evidenced by the unrealised loss of £76.9 million (2024: loss of £9.8 million) which, represents 12.7% of the year end portfolio value.

A significant part of this fair value loss for the year reflects underlying performance within certain of our investee companies. This is a natural consequence of the higher risk of some of the Bank’s investments, but reflects our higher risk appetite for the investments we make. Given the market conditions, both for growing new, scaling businesses, and for fundraising we have seen a small number of our investee businesses not achieve the milestones they set out in their business plans at the point we invested, affecting their cash flow and business development. Where this happens, we work closely with the business to see how they can return their business to being in line with plan, and this has included measures such as reassessing future delivery of business plans and recruiting new board or executive team members. Such early-stage unrealised losses are expected given the Bank’s role as a development financing institution and are ‘unrealised’ as the Bank still holds the investments.

Fair value movements to a lesser extent also relate to market economic variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the International Private Equity and Venture Capital guidelines (IPEV). These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process. Fair value is also impacted by foreign exchange movements for our non-sterling denominated investments.

While we recognise that as a development bank it is likely that not all of our investments will deliver a positive return, particularly at the early stage of investment, we continue to work towards a positive commercial return across our portfolio as a whole. Therefore, our ability to support investments with higher risk profiles is critical in enabling other investors in the ecosystem to deploy their capital.

Movement in fair value of investments



4. Tight cost control around operating expenses

Our operating expenses as a proportion of the portfolio of investments has continued to reduce – 2.63% at March 2025 (2024: 3.18%) – as we continue to make efficient use of our resources. We continue to challenge ourselves around the cost base, resource and quality requirements for our operational delivery, ensuring we have a value for money culture.

In FY24/25 total operating costs increased to £16.2 million (2024: £16.1 million) but were 19% lower than budgeted costs of £20.1 million. This under-budget performance, delivered in an environment of high inflationary pressures on our cost base, demonstrates a strong cost control environment, a value for money focus and the strength of the procurement processes that we

operate. The budgeted increase in operating expenses is reflective of maturing operations and a growing investment portfolio. We also successfully continued to recruit and support our employees and build out our infrastructure with 85 employees at the year-end (2024: 79 employees). While we have recruited the majority of the key roles required to deliver the Bank’s ambitious plans, there are a small number of additional roles we expect to recruit as our portfolio grows.

Our average creditor days was broadly in line with the previous year (three days), below the Scottish Government’s prompt payment commitment of 10 days. This performance is in line with our commitment to prompt payment, supporting our suppliers and demonstrating responsible business practices.



Financial Performance continued

Statutory result for the year

Summary

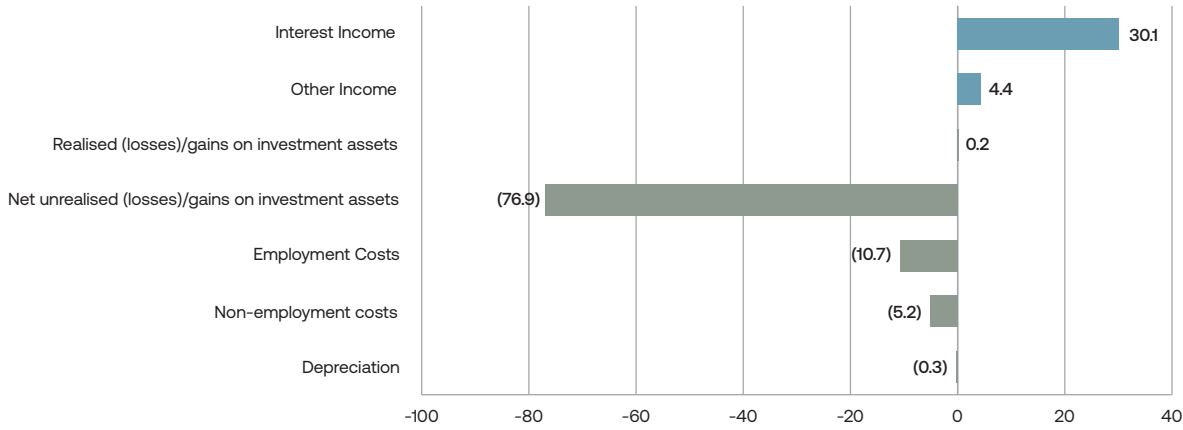
The Bank’s statutory result for the year is a loss before tax of £58.4 million (2024: £14.6 million) so while our income of £34.5 million (2024: £19.3 million) was ahead of forecast, and our costs of £16.2 million were below budget, this loss is primarily due to the unrealised losses on investments referred to earlier. Excluding these unrealised losses, the Bank made a profit of £18.5 million compared to £3.2 million profit the year before. This demonstrates further progress towards operational financial self-sustainability. We recognise that as a mission led development bank, we have multiple objectives in addition to financial and commercial outcomes. Our commercial outcomes however are influenced by the performance of our portfolio and in the early years these may create fluctuations. Net assets were £626.2 million as at 31 March 2025 (31 March 2024: £516.2 million). The results for the year are summarised below:

For the year 1 April 2024 to 31 March 2025	£'000
Investment income	34,541
Gross operating income	34,541
Realised gain on investments	200
Net unrealised losses on revaluation of investments	(76,939)
Net operating income	(42,198)
Operating expenses incl interest	(16,230)
Loss before tax	(58,428)
Tax credit	2,875
Loss for the year after tax	(55,553)

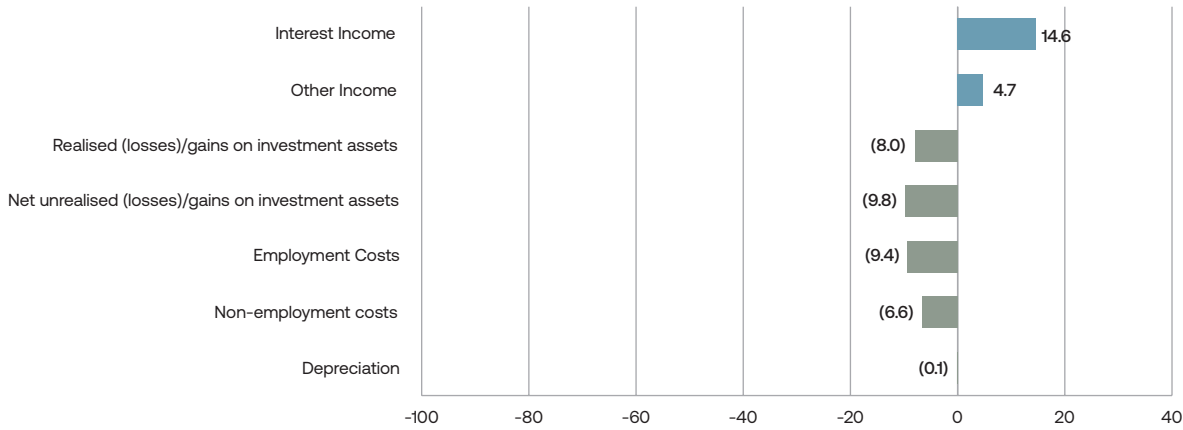
Financial position as at 31 March 2025	£'000
Investments	604,547
Property, plant and equipment	698
Deferred tax asset	8,500
Other assets/(liabilities)	
Cash and cash equivalents	15,450
Trade and other receivables	926
Trade and other payables	(3,889)
Total net assets	626,232
Equity	
Share capital	645,853
General fund	(19,621)
Total equity	626,232

The graphs below show the movement by category of the Statement of Comprehensive Income for the current and previous financial year, as described in the sections above.

FY24/25 analysis by category of Statement of Comprehensive Income (£m)



FY23/24 analysis by category of Statement of Comprehensive Income (£m)





Financial Performance continued

Investment portfolio

We are an impact investor. We invest for the long term which results in both commercial and non-financial returns also being realised over a longer term. We invest through a range of equity, debt and fund instruments and the proportion or mix of these across our portfolio significantly influences the profile of our financial returns. These investments typically range from £1 million to £50 million in equity, debt and fund investments spanning the length and breadth of Scotland, although we will on occasion invest outside this range.

For many investments, the timing of capital drawdown will vary depending on the requirements of the business or project and may run across several financial years. This means there is generally a delay between the commitment of funds to an investment and the full drawdown of those funds. This delay is driven by the nature of the investment. For example, direct equity is most often fully drawn on the day of the commitment whereas fund commitments are likely to be drawn over longer periods, for example, five years. Project finance debt is also often drawn over a number of years.

The capital we are allocated for a given year will therefore fund amounts drawn for both new investments and to satisfy drawdowns from prior year commitments. Our investment mix ensures a mix of income profiles. This can include investments that generate income immediately, for example through interest and/or arrangement and monitoring fees, which are complemented by capital gains in equity investments that may take years to be realised.

We recognise the challenges that annual budgeting and the drawdown profile described above can create. These challenges impact both the Bank and the Scottish Government. It has been and remains a clear priority to address this. We have

worked with our Shareholder to find solutions to this annual budgeting challenge, and have agreed some initial flexibility. We will continue to work with our Shareholder to build on this positive start toward greater levels of flexibility that ultimately will enable our shared aim of the Bank becoming a perpetual investment fund for Scotland to be realised. As an impact investor this solution must provide the flexibility that enables us to give current and potential investees the assurance that capital is available, potentially over multiple years.

While our levels of investment commitment and deployment were behind plan for FY24/25, we do now have growing momentum in our pipeline of investment opportunities and this, coupled with a pattern of deploying capital into investments committed in prior years, provides confidence for our forecast deployment for the year ahead.

We are very aware that the economic climate continues to be challenging. We have already witnessed changes to risk appetite for some within the investment sector, although we are also aware that there is capital available in the market to invest in strong opportunities and see part of our role in enabling this capital to be deployed. We are also aware of the continued pressures on the public finances and the challenge this presents for the financial year ahead.

Whilst the FY25/26 net investment budget of £200 million awarded to the Bank by the Government is higher than the £174 million net budget awarded for the previous year, it is still lower than the amount included in the FY24/25 Business Plan of £222 million which has a consequential impact on our income generation. In the year ahead we do also have the opportunity to draw down against a separate source of capital, the Scottish Government's offshore wind fund, which we accessed for the first time in FY24/25.

As Scotland transitions through a period of economic headwinds, our role in the market will be increasingly important as the risk appetite of private investors and more traditional investment sources reduces. Given this, it is even more critical that we continue to invest in businesses and projects, and that we enable private sector investment through the prudent application of our higher appetite for investment risk.

This higher risk profile, range, and number of investments that we make will inevitably increase the volatility of our portfolio in comparison to the private sector. We continue to monitor the performance of our investments on a regular basis and have a formal quarterly valuation process which provides analysis of the performance of individual portfolio companies. Where we see investee businesses deviate negatively from their projected performance we will assist to support them to return to their original plans. In addition, our Investment Risk team perform a regular assessment of the portfolio considering trading performance and key risks – recommending, where appropriate, a close monitoring status.

The Bank classifies investments as financial instruments at fair value through the profit and loss (FVTPL) as they are managed, and their performance evaluated, on a fair value basis in accordance with a documented valuations policy. Investments are reported to the Board on this basis and investment valuations are performed quarterly and audited at the year end. While reflecting fair value (the price that would be received on selling an asset in an orderly transaction between market participants at the measurement date) it exposes us to volatility within our profit and loss on unrealised gains and losses on investments. The fair values of unquoted investments are inherently subjective as they are based on several forward-looking estimates and judgements.

In our early years, as the portfolio continues to grow, there may be some increase in volatility. This volatility – both positive and negative – will be increased and unrealised gains and losses are expected as a result of:

- ◆ Portfolio company performance.
- ◆ Liquidity preference giving rise to gains on investment in the initial years.
- ◆ Fund net asset values reducing in early years due to the up-front fund setup and investment costs versus capital appreciation and expected gains in latter years.
- ◆ Capitalised interest giving rise to an offsetting unrealised loss, where the fair value of the investment has remained flat since acquisition.

These are in line with industry and development finance expectations and also reflect exposure to wider macro-economic and geopolitical events. In the period covered by these accounts we recognised a net unrealised loss of £76.9 million across our investment portfolio, which is closely monitored but not outside of our risk appetite.

The main components of the unrealised loss are discussed on page 30.

One of our key roles is to work alongside private, public and third sector partners. This is to help accelerate investment from all sources into businesses and projects that will support our missions. Therefore, we not only expect to make a positive return on our investments in the medium-to-longer term, but also to maximise our mission impact by working collaboratively with others in the market to maximise their opportunity to invest and hence to accelerate investment activity in the Scottish economy as a whole.



Financial Performance continued

The Bank's capital, liquidity and funding

The capital we invest is provided by the Scottish Government in line with its commitment to capitalise the Bank with £2 billion over our first 10 years. Shares in the Bank are issued to the Scottish Government, on behalf of the people of Scotland, in return for the value of capital funding received for investment. Over time, it is envisaged this capital will be recycled and reinvested in the Scottish economy, creating a perpetual investment fund. In the financial year covered by these accounts, £153.1 million of shares were issued*.

While our income is now more than covering our operational costs, some of this income is in the form of capitalised interest, so we do continue to need cashflow funding to run our operations. As our investment portfolio grows and we continue to increase the income we generate, this will – over time – reduce the requirement for the Shareholder to support our operational costs. For FY24/25 we did not require operational (resource) budget. Our income generation does however remain sensitive to our investment profile. We closely monitor our liquidity position through cashflow forecasting and reporting, taking into consideration all financial and operational commitments.

At 31 March 2025 funding received and not yet deployed (for investment or operational expenditure) of £15.4 million is recorded on the balance sheet within the general fund and held within the Government Banking Service to ensure that there is minimal cost to the Scottish Government. Resource funding received and utilised, together with the profit or loss retained for the year, is recorded in the general fund.

There is no commitment to repay government operational funding. Income derived from the Bank's investment activity will cover our operational costs (excluding investment losses), together with proceeds on exit of investments. We aim for these resources to be invested alongside our public capital in businesses and projects to support the delivery of our missions.

Forward outlook

For the second year in a row our income from our portfolio has been greater than our operational costs, removing the need for operational resource budget from the Scottish Government. Due to our positive income trajectory and tight cost control, we forecast our finances to remain operationally self-sustaining (pre investment gains and losses), and this remains a key priority for us.

To support this, our objective is to have a portfolio of investments and a third party capital management strategy that provides positive commercial returns along with economic, environmental, and societal impact. This, in turn, will support the continued growth of the Bank and our aim of becoming a perpetual investment fund for Scotland. We will therefore continue to grow and diversify our income and returns, contributing towards ongoing financial self-sustainability.

... our objective is to have a portfolio of investments and a third party capital management strategy that provides positive commercial returns along with economic, environmental, and societal impact.

*The difference between this and the investment amount drawn in the year relates to three investments for £26.2 million made after 23 March 2025 for which shares will be issued after year end.



Risk Management

As a development bank we recognise our pipeline of potential and committed investments carry a clear degree of risk.

Given our role as an investor, we achieve our overall purpose not by avoiding risks, but through identifying and managing an acceptable level of risk. We make informed choices regarding the risks that we want to take to deliver our overall strategy. A wide range of risk types are inherent to our business model and operations, and in delivering our mission impact investments. We aim to effectively identify, manage and mitigate these risks and recognise that excessive and poorly managed risk taking, can lead to financial losses, and non-financial impacts, negatively impacting the delivery of our missions over time and causing reputational damage.

Governance structures are key to a successful organisation. They define decision-making processes, clarify roles and responsibilities, leading to a well-controlled and agile business. Our Risk Management Framework and processes seek to enable and support the delivery of our strategy, by ensuring material risks are identified, monitored, and managed effectively and reported appropriately. The strong control environment we have put in place, while continuing to evolve, has effectively supported the management of risks connected with our business activities throughout a period of economic volatility and geopolitical instability.

Risk governance

The Board is ultimately accountable for effective risk management. This accountability is delegated to the Chief Executive Officer supported by the Executive team for the day-to-day running of the Bank. In particular, the Board retains responsibility for approval of Risk Management Framework (including risk appetite), and for putting in place a governance structure that supports effective risk management alongside delivery of corporate objectives. Aspects of this responsibility have been delegated to the Risk

Management and Conflicts Committee. In addition, the Board is assisted in its risk management role by the Audit Committee, which monitors and reviews the financial internal controls framework. In addition to the risk reporting being provided to the Committees, a new format of risk reporting to the Board has been introduced during the year.

We continue to operate a ‘three lines of defence’ model which makes clear the delegated responsibilities of the Board, Committees, the Executive team and our teams across all areas of the Bank:

- ◆ **The first line of defence** (management and employees with investment and operational responsibilities) has primary responsibility for identifying, managing and reporting of the risks incurred in the execution of strategic and operational plans on a day-to-day basis and for adopting appropriate controls and activities.
- ◆ **The second line of defence** (the internal control and oversight functions) is responsible for the design of risk policies and methodologies, supporting the first line in identifying risks, monitoring performance and compliance, delivery of risk reporting and providing objective independent review and appropriate challenge to the first line of defence.
- ◆ **The third line of defence** (internal audit) provides independent and objective assurance on the robustness and appropriateness of the overall system of internal control including periodic assessment of the overall risk governance framework. We operate an outsourced model and BDO LLP was engaged by the Bank as our outsourced internal auditor through FY24/25, providing risk assurance on the effectiveness of our internal control framework, including first and second-line controls.

Identifying, assessing, managing and reporting risks is carried out across the three lines of defence through management to our Board and relevant committees.

Risk culture

The Board considers a strong risk management culture to be essential in enabling effective, informed, risk-based decision-making at all levels of the Bank.

The Board continues to embed risk management culture by ensuring that the Executive team review and refresh our risk policies and risk profile through communication and employee engagement and training. There was particular focus in the year on risk appetite. Two sessions were held with the Board to refine and update our risk appetite levels and the associated Key Risk Indicators. With SIL obtaining its FCA authorisation during the year, there was also a particular focus in the year on conduct training with training being provided to the Board and staff as appropriate. It is the day-to-day responsibility of the Executive team to ensure that the risk management processes are cascaded and consistently embedded in the organisational culture of the Bank.

In particular:

- ◆ **Tone from the top:** The Bank’s management contributes to communicating core values and expectations to staff. This includes promoting an environment of open communication and effective challenge. The Board and Executive team promote, monitor and assess the risk culture of the Bank.
- ◆ **Accountability:** There is clear ownership of risks and controls across the Bank. Employees at all levels are expected to know and understand the core values of the Bank, and their role in managing risk.
- ◆ **Incentives:** Incentives play a key role in aligning the risk-taking behaviour with the Bank’s risk profile and long-term interest. The Board and the Executive team reward and encourage all employees to demonstrate the right behaviours and culture as reflected in the Remuneration Policy.

Risk Management Framework

We have established a framework of policies, procedures and structures to manage risk. These are described in the Risk Management Framework (RMF), which is itself subject to regular review and approval by the Risk Management and Conflicts Committee and the Board. The RMF applies across the Bank’s group of companies including subsidiaries Scottish Investments Limited (SIL) and Scottish Investments Services Limited (SISL). A full copy of the RMF can be found on our website.

The RMF defines our approach to risk management, from ensuring that our risk strategy reflects the organisation’s overall corporate strategy, to defining the methodology for assessment and measurement of risk.

The Governance, Legal, Risk and Compliance function maintains a suite of risk policies. A new overarching Policy Framework was introduced in the year which outlines the governance approach for the policies in place at the Bank. The policy framework is reviewed regularly by the Risk Management and Conflicts Committee and the Board and is available to all employees.

The Chief Risk Officer and General Counsel owns the Investment Risk Policy which establishes a set of high-level principles to enable effective identification, assessment, management, monitoring and reporting of investment risk in line with the agreed risk appetite level. The Investment Risk Policy underwent a comprehensive review to ensure its continued alignment with our risk management objectives.

The Bank will identify, measure, monitor and mitigate various investment risks in its investment decision making and portfolio management processes. This is primarily achieved by comprehensive risk assessment of proposed investments during investment origination and active risk monitoring of investments in the Bank’s portfolio. The Investment Risk team conducts thorough independent risk



Risk Management continued

analysis and evaluation of all investment proposals presented by the investment team. This aims to minimise potential losses by identifying and measuring the key risks and mitigants present in each investment opportunity. It does this through proactive interrogation and challenge of all proposals before presentation at Investment Committee, thus maintaining a robust contribution throughout the investment process and in accordance with the Investment Risk Policy. As part of this process, Investment Risk provide a written risk opinion to the Investment Committee. In addition, Investment Risk provides subject matter expertise to support the investment team to meet their own first line risk management roles and responsibilities. The Chief Risk Officer and General Counsel is a voting member on all Investment Committees. Active and regular risk monitoring of the Bank’s investment portfolio is performed to ensure timely identification and mitigation of these identified risks. Regular reporting of the portfolio’s risk profile and key risk metrics is provided to the Bank’s Risk Management & Conflicts Committee, Investment Oversight and Valuations Committee and Executive Committee.

All investments are subject to ongoing performance review, the frequency of which depends upon an ongoing assessment of their individual quality; many investments will have financial and other information covenants which inform this process. Formal risk reviews are undertaken at least annually, and more frequently for those investments requiring greater levels of monitoring or active management.

Investments that are identified as approaching financial difficulty or having a heightened risk level are subject to an enhanced monitoring process (“Close Monitoring”). Close Monitoring aims to identify these issues and to take proactive steps to mitigate the risk of financial loss for the Bank.

During this financial year there has continued to be further refinement and enhancements to investment risk reporting.

Operational risk focuses on the business itself and how it operates, embedding a culture of awareness,

using the three-lines-of-defence model to identify, measure, mitigate and report the operational risks that could impact the strategic objectives of the business.

A standard risk management methodology is in place for all risks, including guidance on identification, measurement and reporting of risk. Operational Risk work with all areas of the business ensuring that the cyclical ‘risk management process’ is followed and that risk identification and review is undertaken on a continuous basis. This allows the business to be assured that we are aware of the opportunities and uncertainties that can arise through the day-to-day operation of the Bank.

Risk classification

During the period, the Board, through the Risk Management and Conflicts Committee, kept the RMF under review. Periodic assurance over the RMF is obtained through the internal audit function who undertook a further audit of the RMF during the year focusing on the embeddedness of the RMF and within the business.

Full details of this can be found in the report from the Chair of the Risk Management and Conflicts Committee on page 89.

Through its risk identification activities, as described in the RMF, we have identified seven principal risks (‘Level 1’ Risk type) and, within these, a larger number of more specific risks (‘Level 2’ risks) of particular relevance to the current and future plans of the Bank.

A suite of key risk indicators is in place which are designed to give management and the Board early sight of significant changes in risk profile for the Level 1 risks. These key risk indicators were reviewed during the year and refinements agreed by the Board.

We carry out a robust assessment of the emerging and principal risks facing the Bank, including those that would threaten our business model, future performance, solvency and liquidity. These are detailed at a high level below. The types of principal risks to which the Bank is exposed have not changed significantly since our 2024 Annual Report.

Risk classification

Mission Risk	Investment Risk	Financial Risk	Operational Risk	Environmental, Social & Governance (ESG) Risk	Culture Risk	Stakeholder Risk
Mission Alignment	Equity Investment Risk	Financial Management	Technology and Cyber Risk	Corporate Governance	People Risk	Shareholder Engagement
Mission Reporting	Debt Investment Risk	Financial Reporting	Business Continuity	Regulatory Compliance	Equality, Diversity, and Inclusion	Media, Marketing and Communications
Mission Delivery	Portfolio Risk	Funding Risk	Outsourcing and Third-Party Risk	Legal Compliance		Public Sector Stakeholders (excl. Shareholder)
Third Party Capital	Ethical Investment Risk	Tax Risk	Health and Safety	Financial Crime		Private Sector Stakeholders (excl. Media)
	Subsidy Control		Information and Data Governance	Climate Related Risk		
			Execution Delivery and Process Management			
			Model Risk			

Key

Level 1 Risk Type
Level 2 Risk Type



Risk Management continued

The Bank has defined and agreed risk mitigations and its risk appetite for each of our Level 1 principal risks. These were reviewed during FY24/25. The risk appetite statements for Level 1 were revised and risk appetite levels assessed for Level 2 risks. A summary of the definitions and appetite statements in relation to the different level 1 principal risks is outlined below and the Level 1 risk appetite statements can be found in the RMF which can be found on our website.

The Bank’s Principal Risks				
Risk trend from 2025 reporting year				
▼ Decreased risk ► No change to risk ▲ Increased risk				
Level 1 Risks	Definition	Risk appetite statement	Controls and Mitigants	Trend
Mission	The risk that the type, kind, or number of investments or loans originated or held by the Bank are not sufficiently aligned to a mission or fail to deliver the impact ambitions.	The Bank has a medium appetite for failing to meet its stated impact ambitions due to the inherent uncertainty of investing in early-stage and under-invested businesses and new and unproven business models. The Bank has a very low appetite for investing in businesses which are not aligned to the Bank’s missions.	◆ Impact thesis created for each investment considered throughout investment governance process. ◆ Impact related covenants included in Investment Agreements. ◆ Key Risk Indicators and risk reports assess mission concentration. ◆ Active portfolio management and reporting processes. Quarterly consideration at Investment Oversight and Valuations Committee and six-monthly Board reporting against mission-aligned Impact ambitions.	► Unchanged
Investment	The risk of losses or write-downs due to failed loans, investments or inadequate portfolio management.	The Bank has a high appetite for investment risk. As a development Bank, the Bank seeks out underinvested risk which by its nature will be high risk. There is a low appetite for losses due to inadequate controls over the investment process or inadequate portfolio management.	◆ Robust investment governance process, which reviews the commercial, financial and impact cases for investment. ◆ Independent second line risk analysis for each investment and at portfolio level. ◆ Investment management process oversees ongoing financial and non-financial performance.	► Unchanged
Financial	The risk of unstable capital or liquidity arising from fluctuations in funding streams, investment returns, financial performance, or external factors.	The Bank has a medium risk appetite for the funding risk associated with relying solely on the Scottish Government for its funding. The Bank has a low risk appetite for all other elements of financial risk, including the effectiveness of internal budgetary processes, financial reporting and tax compliance.	◆ Bank Executive Committee (ExCo) have regular engagement with Shareholder to discuss financial performance and funding model and continue to push for solutions on financial flexibility over budget periods and multiyear budget settlements. ◆ Annual budget approved by ExCo and Board and regularly monitored throughout the financial year. ◆ Segregation of duties and review controls in place for all key financial processing and reporting processes.	► Unchanged
Operational	The risk of direct or indirect losses resulting from inadequate or failed internal processes, people, and systems or from external events.	The Bank has a low appetite for operational risk.	◆ Risk and Control Self-Assessments undertaken for each Business Area on a six-monthly basis. ◆ Business continuity management framework (business impact analysis, Business Continuity plans, disaster recovery process, incident management process, etc.). ◆ Policy suite in place to provide coverage over all key risk types.	► Unchanged



Risk Management continued

The Bank's Principal Risks				
Risk trend from 2025 reporting year				
▼ Decreased risk ► No change to risk ▲ Increased risk				
Level 1 Risks	Definition	Risk appetite statement	Controls and Mitigants	Trend
Environmental, Social and Governance	The risk that the Bank fails to protect the environment, enable strong social outcomes and embed strong corporate governance practices, including compliance with laws and regulations.	The Bank has a low appetite for risks arising from a failure to establish, maintain and develop frameworks for the management of ESG risk, including a low appetite for compliance errors and breaches.	<ul style="list-style-type: none">◆ Robust Board-level oversight of conduct and compliance culture.◆ Compliance and Financial Crime checks embedded in investment process.◆ Contract reviews by Legal function and (on a risk-basis) external firms.◆ Regular training for all staff on compliance topics, including at induction.	► Unchanged
Culture	The risk that the Bank's culture does not align to the desired values, impeding the achievement of business objectives.	The Bank has a low appetite for any behaviour that goes against the Bank's values and for failure to deliver against the Bank's Equality Strategy.	<ul style="list-style-type: none">◆ Culture and values development programme.◆ Regular employee engagement surveys.◆ Performance and behaviour management process aligned to corporate goals / risks.◆ Learning and development programme, including induction.◆ Culture of transparent staff communication.◆ Diversity policies, training, and reporting.	► Unchanged
Stakeholder Risk	The risk that the Bank fails to meet stakeholder expectations due to strategic decisions, the business strategy and delivery, or actions by its staff, partners, third parties or invested companies.	<p>The Bank has a medium appetite for stakeholder risk due to strategic decisions and/or business strategy and delivery.</p> <p>The Bank has a low appetite for stakeholder risk due to actions by its staff, partners, third parties or invested companies or from failing to proactively manage reputation.</p>	<ul style="list-style-type: none">◆ Reputational risk monitoring report regularly presented to ExCo and Board, and proactive actions taken.◆ Balanced scorecard with reporting format and frequency agreed with Shareholder.◆ Engagement and communications strategy.	► Unchanged



Risk Management continued

Emerging risks

What are ‘emerging risks’?

The Executive Committee and the Risk Management and Conflicts Committee regularly consider the principal risks and emerging risks to the Bank. These can be either internal to the Bank or those that occur externally. Where relevant, these risks are escalated to the Board for agreement on approaches for management and mitigation.

How we identify emerging risks to the Bank

Our key risks are assessed through the Risk and Control Self-Assessment (RCSA) process undertaken on a six-monthly basis. This is undertaken for each business area and captures the key risks facing the Bank in the next 12 months. Controls are documented and additional actions captured where the risk level exceeds our tolerance level.

This is supplemented by a regular assessment of emerging risks. Emerging risks are those whose effects have not yet been substantially felt by the Bank and/or those beyond the 12-month time horizon of RCSA. The emerging risks are assessed and actions implemented where required to protect the Bank.

Summary of emerging risks

Many of the emerging risks identified by industry publications are already being addressed directly as part of our strategy and missions. These include climate change, lack of economic opportunity and energy security (through our involvement in supporting the offshore wind industry).

Additional emerging risks that we have considered in addition to those articulated above include:

- ◆ **Scottish elections:** The upcoming Scottish Government election may increase the level of external focus in relation to the Bank within a political context. This may include online misinformation and disinformation in relation

to the Bank in the lead up to the election. The Bank actively engages with our Shareholder, ministers, other politicians and the media to manage our reputation with all stakeholder groups.

- ◆ **New market entrants:** There have been material developments in UK Government public investment approach since the 2024 UK election. This includes GB Energy being created and the National Wealth Fund’s scope being expanded. We are working closely with these organisations to ensure effective and collaborative relationships, reflecting the commonality of our goals.
- ◆ **Government budget restrictions:** Economic headwinds have continued the strain on government finances. As we currently rely on government funding, this increases the risk relating to the annual budget settlements required to deliver our strategy and missions. We continue to work with our Shareholder to identify an approach to the structure of our funding that supports our role as a patient capital investor.
- ◆ **Unpredictable trade policy:** The increased unpredictability of international trade policy has reduced business and market confidence. We consider such macroeconomic factors as part of the investment governance process. We also actively manage our portfolio of existing investees. This allows us to work closely with our investees in order to identify and mitigate any emerging concerns.

The Risk Management and Conflicts Committee maintains active oversight of these and other emerging risks through dedicated deep-dive sessions, frequent updates from management, and regular review of key risk indicators. Particular attention has been paid to the evolving stakeholder landscape, with specific monitoring of how coordination with institutions like the National Wealth Fund can maximise collective impact while preserving our distinct mandate.

S172 Statement by the Directors

The Board has considered the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (“s172”) and confirms in good faith that the Directors have acted in a way that they consider would most likely promote the success of the Company over the long term for the benefit the Shareholder.

This s172 statement discloses how the Directors carried out this duty.

The Board recognises the importance of strong relationships with the Bank’s wider stakeholders and carefully considers the interests of those stakeholders in its decision making. Not only is this a legal obligation but it makes good business sense to do so; it is unlikely that the Bank would be sustainable in the medium to long term if it did not adequately consider stakeholder interests.

This year, to support the Board’s understanding of stakeholders’ interests, the Bank carried out its third stakeholder survey. This survey combines both qualitative and quantitative input from stakeholders across the Bank’s ecosystem, including the public sector, the business community and from other financial services providers.

The quality of reporting to support the Board in its decision making is an area of continuous improvement and this includes information to support s172 considerations. A dedicated discussion on stakeholder engagement is included at every scheduled Board meeting, with a deeper dive on an annual basis reporting on the survey results. This reporting highlights interactions and engagement with our key stakeholders and insights into their views, in turn, helping to inform the Board’s decision-making.

Stakeholders

The Bank operates in a complex stakeholder landscape across the public, private and third sectors. A broad variety of activities have taken place in FY24/25 that further support the Board’s understanding of what matters most to our key stakeholders. This statement provides examples of (direct and indirect) engagement by the Board in respect of key stakeholder groups.



S172 Statement by the Directors continued

Investee businesses

As Scotland’s development bank, we were created to provide capital investment into businesses and projects that support our missions, and ‘unlock’ additional investment. We seek to have successful relationships, built on trust and transparency, with all our investee businesses.

Examples of how we have engaged:

- ◆ During the year, the investment portfolio was transferred from our subsidiary, SIL to the Company and prior to doing so, there was direct engagement with our investee companies, beyond legal obligation, to ensure they understood the requirements and legal process. The Board had oversight of this engagement and were updated on progress prior to approving the transfer.
- ◆ As routine business, we regularly engage with our growing portfolio of businesses, for example to report on impact as part of their business strategies and plans.
- ◆ We carried out our third survey of our investee businesses. This has provided insight into how our portfolio businesses perceive the Bank and will inform how we can make meaningful improvements.
- ◆ We delivered our annual Investing with Impact Event. This event was attended by a selection of our Non-Executive Directors, providing an opportunity to meet with our investee businesses and the wider ecosystem and hear feedback directly, as well as sharing their insights and experience.
- ◆ Regular reporting on our investment activity and portfolio, providing an opportunity for our Board and relevant Committees to ask questions about our portfolio, and understand the interests and challenges faced by those businesses.
- ◆ During FY24/25, some members of our Board also took part in site visits to some of our investee companies.

The business and investment community

As both a development bank and an impact investor we engage widely with the business and investment community. This engagement supports us to identify strategic opportunities, build relationships with potential co-investors and the professional advisory community and ultimately introduce us to potential businesses and projects in which we can invest.

Examples of how we have engaged:

- ◆ We regularly engage with potential co-investors, the advisory community, and representative bodies. For example, we are a member of Scottish Financial Enterprise, the representative body for Scotland’s financial services industry and the British Private Equity & Venture Capital Association (BVCA) the representative body for private capital in the UK, and UK Sustainable Investment and Finance Association (UK SIF).

- ◆ Our Board recognises the value of sharing leading insights to generate a positive impact. The financial year has seen our profile grow in the ecosystem through increased engagement, including several successful hosted or co-hosted events. This has included our flagship conference in March 2025 that we held in partnership with The Herald, focusing on “Investing with Impact – Innovating across Scotland”. At this event we brought together industry leaders, experts, and founders of businesses in Scotland. We have also published a range of leading insight papers, focusing on impact investing and on Scotland’s ‘Just Transition’ to net zero.
- ◆ Our Non-Executive Directors and senior leaders across the Bank regularly attend, and speak at, conferences and events.
- ◆ We carried out our third “stakeholder survey” with input sought from representatives across both the public and private sector.

Shareholder

The Bank has a sole Shareholder, the Scottish Ministers. This relationship is hugely important to us and the Board is committed to understanding their interests, priorities and expectations and fulfilling its duties as a non-departmental public body (NDPB).

The Minister with lead responsibility for the Bank has changed during the year. Following the election of John Swinney MSP as First Minister in May 2024, Kate Forbes MSP was appointed as Deputy First Minister and Cabinet Secretary for Economy and Gaelic. In that capacity Ms Forbes holds lead Ministerial responsibility for the Bank.

Examples of how the Board has engaged directly:

- ◆ The Chair, Senior Independent Director, members of the Executive Committee and other senior leaders from across the Bank, interact and meet regularly with the Scottish Government’s Shareholder team.
- ◆ The Chair and members of the Executive leadership team have quarterly meetings with Ministers.
- ◆ A Shareholder’s representative attends scheduled Board meetings as an observer in order to gain understanding and insight on our governance and operations, whilst not influencing any Board decisions.
- ◆ The Board meets with the Shareholder at the Annual General Meeting (AGM). We hosted our AGM in August 2024, which was attended by members of the Executive Committee, the Company Secretary, the Chair of the Board, and the Chairs of each of our Committees. The AGM provides an opportunity for direct engagement and for the Shareholder to ask questions.



S172 Statement by the Directors continued

Regulators, policymakers, government, and other bodies

We actively continue to build strong relationships with those representing the Scottish Government, UK Government, and other policymakers and regulators, to support our awareness and understanding of relevant policy development and to act as a conduit between our investees and government, and to share expertise and insight.

Examples of how we have engaged:

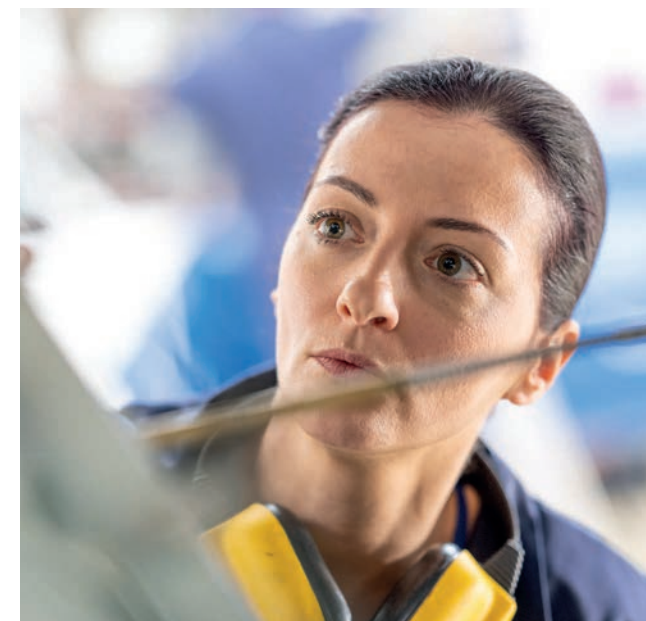
- ◆ The Board invited the Policy and Campaigns Manager from Poverty Alliance for a director training session in December 2024 which was well received and informative before the review and approval of our revised Equality Strategy.
- ◆ We have partnered and worked with several organisations in respect of equality, diversity, and inclusion, helping us to shape our own ambitions in this area, and learn from other's experiences. We are a member of the Non-Departmental Public Bodies Equalities Forum, a Scotland wide group.
- ◆ Meetings with key partners in the policy landscape, including non-governmental organisations, to inform the Bank's understanding of developing policy and the views and perspectives of the wider ecosystem. For instance, we have engaged at UK and Scottish policy levels on key strategic workstreams for the Bank including offshore wind supply chain, housing with particular reference to rural housing, capital investment, decarbonising transport, heat and buildings, innovation, and natural capital.
- ◆ Obtaining FCA authorisation for Scottish Investments Limited (SIL) was a key focus for the financial year. As part of this, our CEO and CRO have been in regular dialogue with the FCA, reporting to both the Risk Management and Conflicts Committee and the SIL Board, and will foster that relationship on an ongoing basis.
- ◆ The CEO and CFO met with the Scottish Parliament's Economy and Fair Work Committee in September. The Bank also provided written evidence to the House of Commons' Scottish Affairs Committee.
- ◆ Through a programme of ministerial and political engagement, aligned to the Bank's strategic priorities, including development of the offshore wind supply chain and support for scaling innovative businesses. These programmes provide a valuable opportunity for two-way communication on key issues, as well as allowing the Bank to share its strategy and insights. They also support the Bank's awareness of policy and regulatory developments.
- ◆ Meetings with other public sector partners, including National Wealth Fund, the British Business Bank, the Enterprise Agencies and innovation support organisations. The Bank has also engaged on the development of Great British Energy.

Communities and environment

The Bank invests on behalf of the people of Scotland. The Scottish community is at the heart of our missions. We are extremely ambitious about our role to create insight, deliver investment and generate positive impacts for Scotland's communities, society, environment, and the economy. Naturally, mission alignment and the impact of our investments on Scotland are critical considerations for our Investment team, our Executive Committee, and the Board.

Examples of how we have engaged:

- ◆ Our Board and committees receive regular reports on the non-financial impact of the Bank's investments.
- ◆ Jacqueline Redmond, Chair of the Risk Management and Conflicts Committee, is our Non-Executive Director with designated responsibility for climate risk matters and opportunities. The Board continues to support the recommendations from the Task Force on Climate Related Financial Disclosures (TCFD). We engage with peer organisations in relation to TCFD and with the Scottish Government and other organisations (such as the Sustainable Scotland Network) to discuss future policy direction and reporting requirements on climate risk.
- ◆ We are a member of the Public Sector Environmental Managers Forum. This Forum shares best practice across Scotland in relation to the environment, including carbon reporting.
- ◆ The Board is supported by the Risk Management and Conflicts Committee which receives an annual deep dive on progress against its carbon management plan and other environmental matters and reviews progress made against the Bank's ambitions in this area.
- ◆ A more detailed explanation of how we approach 'Sustainability' is included at page 20.



We are extremely ambitious about our role to create insight, deliver investment and generate positive impacts for Scotland's communities, society, environment, and the economy.



S172 Statement by the Directors continued

People and culture

Our team is our greatest asset. We want to continue to be a positive place to work, and were delighted at the Bank being named in the Sunday Times ‘Best Places to Work’. The wellbeing, skills, expertise, and motivation of our team are vital to the successful delivery of our strategic ambitions. In the past year we built on the ‘People Promises’ that we launched in the previous year and are supported by clearly articulated values, to help set direction for our culture.

The Board remains committed to understanding what matters to our People and has appointed an independent Non-Executive Director, Carolyn Jameson, with designated responsibility for workforce engagement. This helps to inform the Board and Committee decision making by creating an additional channel through which the voice of our team is heard.

We recognise that creating the right culture is essential to the Bank’s success, supported by our Values. The Board has introduced a “reflection point” at the beginning of each meeting to discuss culture and values. These discussions are led by Carolyn. The Board will keep under review the way in which workforce engagement is delivered.

Examples of how we have engaged:

- ◆ Through Team Voice, our employee representative forum. This Forum provides a platform for our team to share their interests and influence change. Team Voice met twice with our workforce engagement Non-Executive Director directly in FY24/25.
- ◆ Our Remuneration and Nominations Committee also met with the Executive Committee for a specific session on the gender pay gap to gain a deeper understanding and agreement on the targets and related initiatives.
- ◆ The Chair of the Board and Non-Executive Directors are invited to attend “Town Hall” sessions, from time to time, where the Bank team come together in person, hosted by the Chief Executive Officer.
- ◆ The Chief People Officer reports regularly to the Board and the Remuneration and Nominations Committee on workforce matters, covering topics raised by our People, employee-related trends, and employee sentiment.
- ◆ Our Board and the Remuneration and Nominations Committee review biannual people engagement surveys, providing insights into the views of our team.
- ◆ Representatives from across the Bank attend Board and Committee meetings, on a formal basis, to present and discuss reports.
- ◆ Less formal interactions also take place from time to time with our Non-Executive Directors, including at employee events held in the financial year.
- ◆ Whistleblowing procedures are in place to allow our team to raise matters of concern in confidence. The Chair of the Risk Management and Conflicts Committee is now the Bank’s whistleblowing champion and responsible for overseeing the integrity, independence, and effectiveness of our whistleblowing procedures. More information can be found in the Risk Management and Conflicts Committee report on page 89.

Business partners and suppliers

We have continued to establish a broad range of business partners and suppliers to support the delivery of our business effectively. These relationships are important to us achieving our ambitions.

Examples of how we have engaged:

- ◆ Supplier activity is managed in line with the Procurement and Outsourcing Policy, ensuring that supplier risk is managed appropriately. We frequently engage with government frameworks in Scotland and at a wider UK level.
- ◆ Engage with our supply chain on matters related to fair work practices and equality, diversity and inclusion.
- ◆ Management information on material procurement activity is reported to the Audit Committee quarterly.

We have continued to establish a broad range of business partners and suppliers to support the delivery of our business effectively. These relationships are important to us achieving our ambitions.





Good corporate governance adds confidence in the delivery of our strategic ambitions and performance and is essential for the long-term sustainable success of the Bank.

Corporate Governance Report



Chair's Governance Introduction



On behalf of the Board, I am pleased to introduce our Corporate Governance Report for the year ended 31 March 2025. The Corporate Governance Report sets out our approach to effective corporate governance. It also outlines key areas of focus for the Board in the financial year as we continue to drive long-term value and delivery of our strategy.

Board and Committee appointments

There have been no changes to the composition of the Board during the year, but one change has taken place subsequent to the end of the year, as set out below.

The Remuneration and Nominations Committee and the Board regularly review the long-term succession planning for the Board and key roles within the Bank. The Board and I were delighted that the Scottish Ministers confirmed the re-appointment of four of our independent Non-Executive Directors during the year, for a second four year term, ending in November 2028: namely Tracey Ashworth-Davies, Jason McGibbon, Candida Morley and Nicholas Moon. Since Candida Morley's re-appointment, she has given notice of her resignation to pursue a full time course of studies. Her resignation will be effective on 8 August 2025. The Board has agreed to appoint Carolyn Jameson as the Senior Independent Director with effect from 9 August 2025.

In October 2026, two of our Non-Executive Directors, Jacqueline Redmond and Jonathan Taylor, will retire and the succession planning for those appointments will be commenced in the year ahead, with recommendations from the Board to the Scottish Ministers' Public Appointments team.

Following the April 2025 announcement of Al Denholm's intention to retire as CEO, the search for a suitable successor has commenced.

During the year, the Board reviewed the composition of its Board Committees and these changes are set out in the Board Committee reports.

Our governance framework

Good corporate governance adds confidence in the delivery of our strategic ambitions and performance and is essential for the long-term sustainable success of the Bank. One of my roles as Chair is to ensure high standards of corporate governance are maintained and that the Board is equipped to carry out its duties, spending sufficient time on key areas that support the delivery of our strategy. While we continue to make enhancements to our governance, I am satisfied that the Board and the Bank's management continues to strive to ensure, uphold, and maintain sound corporate governance practices.

The Corporate Governance Report provides further details on how the Board has operated during the reporting period and our governance arrangements. The reports from each of the committees are included on pages 79 to 97 and the Bank's statement of compliance with the UK Corporate Governance Code 2018 on page 66.

Board strategy

More than anything, our missions shape what we do. The Board wholeheartedly supports the focus on strategic priorities that will enable the Bank to drive action around the grand and inter-related societal challenges in Scotland. These are: the journey to net zero; place-based inequality; and innovation challenges. We are also determined to continue to learn and improve on what we already have in place. The Board has therefore continued to devote considerable time to the strategic drivers in the business and the challenges and opportunities of the Bank. For strategic focus, I am pleased the Board came together with members of the Executive Committee at our annual offsite Strategy Day in September 2024. We set out our overall, medium-term strategy within our Business Plan, and the specifics of our approach to investing within our Investment Strategy, both of which are published on the Bank's website.

The Board calendar has also seen consideration and oversight of important strategic initiatives, including the transfer of the investment portfolio from SIL to the Bank plc. The Bank also has had consideration of oversight of preparation for SIL's FCA authorisation which was granted and represents an important step towards implementation of the third party capital strategy. The ambition for the Bank to be a perpetual institution is important to the Board and some limited progress was made on that during the year.

The Bank also regularly reviews its strategy, to ensure continued alignment to the Bank's missions and operational priorities. During the year, the Board reviewed both the investment strategy and equality, diversity and inclusion strategy. We have continued to support and challenge the delivery of these strategies. The year has also seen the Board engage

in several deep dives into areas including stakeholder engagement, risk management, including risks and opportunities relating to new market entrants, so that our deeper understanding of these matters informs the implementation of our strategy. A detailed description of our investment strategy is published on the Bank's website.

Impact

Delivery of the Bank's mission impact and our sustainability ambitions have continued to be a Board and Committee focus. Our most recent annual Impact Report was published in May 2025. Approved by the Board, this report demonstrates our commitment to deliver impact for Scotland through our investments. I am personally proud of the impact we are having and would encourage you to take a look at this report, which is available on our website at: www.thebank.scot/about-us/keypublications.

The Bank's climate-related monitoring and reporting has continued to develop throughout the year. In terms of our governance framework, the Risk Management and Conflicts Committee has the allocated responsibility for climate-related matters and climate-related risk is a key component of the risk management framework.

The Board continues to support disclosure against the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) framework and voluntarily adopts this reporting. The Bank's second TCFD Report was published earlier this year and can be found on our website at the link above.

As a Board, we recognise that delivering impact is a material issue for our business and it is important to acknowledge that our approach, and our associated methodologies, will undoubtedly continue to evolve and enhance in the years to come, particularly with the growth of our portfolio. Oversight and consideration of our impact and sustainability ambitions will, therefore, unsurprisingly remain firmly on the Boards agenda.

More information on the Bank's approach to impact and climate risk can be found on pages 20 to 26 and more generally on the activities carried out by the Board during the year on pages 72 to 73.



Chair's Governance Introduction continued

Engagement

Positive relationships with our key stakeholders are essential to the long-term success of the Bank and, this year, has continued to see improvement and strengthening in our stakeholder engagement processes. You can read more about our stakeholder engagement activities on pages 47 to 53.

Our people make the Bank what it is, and we recognise that engagement with our team is vital, particularly during the challenging times we have seen in the external environment in the year. Our two-way communication with the Bank's team continued to be supported by the appointment of our designated Non-Executive Director for workforce engagement, Carolyn Jameson. This engagement benefits the Board in its oversight of matters related to our people and provides a clear channel for the voice of our team in Board decision-making. We were encouraged by the excellent overall engagement score in our independent People Survey score (78% which is 7% higher than the financial services industry average). In June 2024, our Board met at our new office in Glasgow, providing an opportunity to meet with team members there and in March 2025 the Bank's first Investing with Impact conference was well attended, with opportunity for face-to-face engagement with Non-Executive Directors.

Final thoughts

Towards the end of this financial year, our Chief Executive, Al Denholm announced his intention to retire after 40 years in the investment industry. The Board and I are very grateful for all that Al has done to lead the Bank through a key phase of its growth, and I am pleased that he will remain in post until a successor is appointed, and thereafter as an advisor to the Bank's Board.

Finally, I would like to take this opportunity to thank our Bank team for their continued professionalism and my colleagues on the Board for their ongoing commitment. None of the progress made this year would have been possible without their hard work and expertise. I would also like to thank, on behalf of the Board, our business partners and wider stakeholders for their dedication, and support of the Bank's missions. Together we are working to capitalise on investment opportunities that have a lasting impact for Scotland.

Willie Watt
Chair of the Board

Directors' Report



The Directors present their annual report on the affairs of the Bank, together with the audited financial statements and independent auditor's report for the year ended 31 March 2025.

The following information required by the Companies Act 2006, and incorporated by reference in this section, can be found in the following sections of the annual report:

- ◆ A description of the principal activities of the Group during this year is included in the Strategic Report on pages 5 to 53.
- ◆ The Group's risk management disclosures are set out in the Strategic Report on pages 38 to 46.
- ◆ Information on our employment disability policies, gender pay gap, and our actions on colleague engagement is in the Annual Report of Remuneration on pages 98 to 109.
- ◆ Details of significant post balance sheet events are contained in note 27 to the financial statements.
- ◆ Information about the use of financial instruments by the Bank and its subsidiaries is given in note 2 to the financial statements.
- ◆ Details on the Bank's approach to sustainability and ESG including how the Bank meets its statutory and voluntary reporting requirements is included in the Task Force on Climate-Related Financial Disclosures (TCFD) section on pages 20 to 26.

The Bank has chosen to include information regarding future activities within the Strategic Report.

Dividends

The Board recognises the importance of delivering value for money to the Shareholder and there are a number of ways this can be delivered, including through the medium to long term return on the investments in our portfolio and delivery of impact for Scotland over the longer term. For the year ended 31 March 2025, the Board does not recommend payment of a dividend (2024: nil).

Gifts

No gifts were made by the Bank during the financial year. The cumulative value of gifts received by employees was de minimis (2024: de minimis).



Directors' Report continued

Political & Charitable Donations

No political or charitable donations were made by the Bank during the financial year (2024: nil).

Ownership and Shareholder governance

The Bank is wholly owned by Scottish Ministers on behalf of the people of Scotland. During the year, 153,144,034 ordinary shares of £1.00 each were issued to Scottish Ministers (2024: 213,552,160). As at 31 March 2025, 645,853,325 (2024: 492,709,291) shares were held in issue. The Bank did not purchase its own shares in the relevant period (2024: nil).

Directors' indemnities

In accordance with the Articles of Association and to the extent permitted by law, the Directors will be granted an indemnity from the Company in respect of certain liabilities incurred as a result of their office. The Company also obtained directors' and officers' liability insurance on behalf of its Directors and Officers to provide legal cover should any action be brought against them. No claim has been made under this provision during the year. Neither an indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Accounts direction

The Annual Report and Accounts have been prepared in accordance with a direction given by Scottish Ministers in pursuance of Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, as attached as an appendix to the Annual Report and Accounts.

The Annual Report and Accounts shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the period for which the report and accounts are prepared. The Annual Report and Accounts shall be prepared to give a true and fair view of the income and expenditure and cash flows for the financial period and of the state of affairs as at the end of the financial year.

Going concern

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for a period of at least 12 months from date of signing the Annual Report and Accounts. The Directors have made an assessment of going concern, considering both current performance and the Bank's outlook together with funding arrangements from its Shareholder, using the information available up to the date of issue of these financial statements.

This assessment is dependent on the Scottish Government providing additional financial support during that period. The Scottish Government has indicated its intention to continue to make available such funds as are needed by the Bank for at least 12 months from the date of approval of these Annual Report and Accounts. The Directors are confident that this financial support will continue and, at the date of approval of these Annual Report and Accounts, they have no reason to believe that it will not do so. Further details of the Directors' assessment are included in the notes to the financial statements.

As a result of this assessment, the Directors consider that it is appropriate to adopt a going concern basis of accounting in preparing the Bank's financial statements.

Long-term viability statement

The Bank's continuation as an entity is ultimately at the discretion of the Scottish Government.

The Board considered that the Bank has and will continue to have Scottish Government support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Bank's Business Plan which is updated and approved annually by the Board.

To be a viable business, the Bank must successfully fund its balance sheet and hold adequate capital and liquidity over the entire period covered by its viability statement.

The Directors have determined that a four-year period from the year end of assessment is an appropriate period over which to provide its viability statement.

This is the period over which the Board considers that it can form a reasonable view of the key drivers of the Bank's performance including likely investment profile and value, together with operational costs until the next phase of the Bank's evolution in managing third party capital. With limited historical data and history of evolution of the pipeline, given the early stage of the Bank, further forecasting assumptions become less reliable until these are in place.

The Bank's liquidity and capital positions are described in the financial performance section. The Bank produces a Business Plan which incorporates a four-year financial forecast. The key considerations made for the long-term viability of the Bank relate to the likelihood of continued provision of funding from the Scottish Government. The Board considers, amongst others, key person risk and operational risk, particularly given the infancy of the Bank and reliance on key individuals. The Bank is operationally resilient with critical functions operating effectively to date as intended. The businesses and projects that the Bank invests in are appraised individually with risks including the impact of economic and geopolitical headwinds in each instance. The Board is cognisant that the current economic uncertainty and heightened volatility is expected to persist, including inflationary pressures and a period of higher interest rates, and will continue to impact the Scottish economy. The Bank regularly monitors its exposure and the effect of these events on the investment landscape. We are mindful that these events may mean that the need for the Bank will be even greater.

As a result of this assessment, the Directors have a reasonable expectation that the Bank will continue in operation and meet its liabilities as they fall due over the four-year period.

Statement of disclosure of information to auditor

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. All the Directors have taken the necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLP were appointed as External Auditor by the Auditor General for Scotland in accordance with the Public Finance and Accountability (Scotland) Act 2000 in March 2022 for a period of five years (ending FY26/27). The Bank's policy on the provision of non-audit services applies (see page 83).

The Strategic Report and Directors' Report were approved by the Board and signed on its behalf by:

Al Denholm
Chief Executive Officer
11 August 2025



Board of Directors



Willie Watt
Chair ● ● ●
Chair Designate July 2019 and Appointed as Chair in November 2020. Term expiry November 2027.

Willie has over 40 years’ experience in investment management. He retired from Martin Currie, an equities investment management firm, after 19 years as its Chief Executive and Chairman. Prior to that, Willie spent 16 years with the 3i Group, latterly as Managing Director responsible for the company’s Scottish and Irish businesses. He was also a Trustee of the National Galleries of Scotland until retiring in 2022, after eight years in the role.

Willie is currently a Non-Executive Director of Jupiter Fund Management plc, a member of the Advisory Board of Scottish Equity Partners LLP, a Trustee of the National Galleries of Scotland Foundation and a member of the Investment Committee of SCI Ventures, a venture philanthropy company focused on commercialising therapies related to spinal cord injuries. He was educated at the University of Aberdeen.



Al Denholm
Chief Executive Officer
Appointed Chief Executive Officer May 2023.

Al has 40 years’ experience in investment management, of which over 30 years’ have been managing global investment teams and businesses, including with Aviva Investors, Prudential Portfolio Management Group, BlackRock’s Multi-Asset Client Solutions business, and Scottish Widows.

His investment experience spans equities, fixed income, real assets and multi-asset investments across private and listed markets.

In addition, he has significant experience of corporate governance, chairing or serving on Boards, executive teams and management committees. He was educated at the University of Edinburgh.

Al has announced his intention to retire later this year.



Candida Morley
● ● ● ● ●
Appointed to the Board in November 2020. Term expiry November 2028.

Candida has significant experience from a wide range of Non-Executive appointments, in both the private sector and government, and having held a senior executive role in UK Government Investments. She also has extensive experience in private equity and investment in private companies, having worked for LDC, HgCapital and 3i. Previously she was Head of Strategic Development at a FTSE 250 company, following an early career in corporate finance.

She is currently a Non-Executive Director of Pantheon International plc, an investment trust and leading private markets investor.

She has degrees from the University of Oxford and the University of Stirling.

Candida has announced her resignation effective 8 August 2025.



Michael Robertson
Chief Financial Officer
Appointed as Chief Financial Officer in June 2022

Michael joined as Interim Chief Financial Officer in June 2022, bringing over 19 years’ experience in private equity operations and fund administration, infrastructure, and banking. Before joining the Bank, Michael was the Head of Private Equity and Infrastructure Operations at Aberdeen plc and has also held a variety of senior manager roles within financial services and banking, including Lloyds Banking Group.

He was educated at the University of Dundee and is a member of the Institute of Chartered Accountants of Scotland.



Tracey Ashworth-Davies
Chair of Remuneration and Nominations Committee ● ● ● ● ●
Appointed to the Board in November 2020. Term expiry November 2028.

Tracey is a highly experienced financial services professional having held senior roles with Legal & General, Toronto Dominion Bank Group, Royal London Group and Scottish Provident. She understands the challenges of scaling businesses as she co-founded and went on to lead Bright Grey, a life insurance company start-up. She also has experience in sectors outside financial services: health and care, FMCG, manufacturing, construction, and real estate. She is Chair of St George’s School Edinburgh, a Trustee of Edinburgh Children’s Hospital Charity and served as a member of the Court of Heriot Watt University for eight years.

She was educated at the University of Leeds and is a Chartered Fellow of CIPD.



Carolyn Jameson
● ● ● ● ●
Appointed to the Board in November 2020. Term expiry November 2027.

Carolyn is an experienced leader of technology businesses and is currently Chief Liaison Officer at Airalo, an international eSIM company. She has particular exposure to scaling businesses to exit events. She was previously Chief Trust Officer at Trustpilot at IPO, and prior to that, Chief Legal Officer at Skyscanner, where she led the sale of the business for £1.46 billion, and subsequently became Head of International M&A for Ctrip.

Carolyn is currently a member of the Advisory Board of Scottish Equity Partners LLP and acts as a Non-Executive Director on AIM listed Ten Lifestyle Group, and flights comparison website, Dohop.

She was educated at the University of Edinburgh.

Key to appointments

- | | | |
|--|---|--------------------------------------|
| ● Audit Committee | ● Risk Management and Conflicts Committee | ● Senior Independent Director |
| ● Remuneration and Nominations Committee | ● Investment Oversight and Valuations Committee | ● Independent Non-Executive Director |



Board of Directors continued



Peter Knott
Chair of Audit Committee ● ●
Appointed to the Board in November 2020. Term expiry November 2027.
Peter is highly experienced in impact investing and is currently the Chief Risk Officer for the National Wealth Fund (previously UK Infrastructure Bank). He held the role of Managing Director in the Edinburgh office of the Green Investment Group, part of Macquarie, having previously been the Chief Risk Officer and then Chief Financial Officer of the UK Green Investment Bank. He has broader investment experience through positions with Standard Chartered Bank, JP Morgan Chase, and Robert Fleming.
Peter is a member of the Advisory Board at the Centre for Climate Finance and Investment at Imperial College, London and a Trustee of The Royal Society for Blind Children. He is a Chartered Accountant, educated at the University of Reading.



Jason McGibbon
Chair of Investment Oversight and Valuations Committee ● ●
Appointed to the Board in November 2020. Term expiry November 2028.
Jason is a specialist within the investment industry. He has spent most of his career as a partner at the global private equity firm Bridgepoint, where he led their Consumer Investment team, living and working in the UK, Germany, Turkey and the Nordic region.
He currently has a number Non-Executive Director roles for Palladium Digital, Liftango, Phlo Technologies and Fable Data, and acts as a mentor for several early-stage start-ups. He is a Trustee of The Entrepreneurial Scotland Foundation.
He was educated at the University of Strathclyde Business School and qualified as a Chartered Accountant with Ernst & Young in Scotland.



Nicholas Moon
● ● ●
Appointed to the Board in November 2020. Term expiry November 2028.
Nick is an experienced senior executive specialising in impact investment management and is currently the Chair of Circulate Capital LLC, a circular economy PE fund operating in Asia. He was formerly a Partner at LeapFrog Investments, a leading international private equity impact investor and an Executive Director of Strategy for the Development Bank of Wales. Nick was also a founding advisory board member for the World Bank IFC operating principles for global impact and has previously been a board member of Northern Arc Investments, an Indian gender lens credit investment manager, as well as a senior advisor to private equity and venture capital funds. He advises Novastar Ventures, a venture capital firm partnering with impactful entrepreneurs in Africa.
He holds an MBA from Imperial College London, specialising in advanced strategy and private equity.



Gary Page
● ●
Chair Scottish Investments Limited. Appointed to the Board in February 2024. Term expiry November 2027.
Gary is an experienced banker having worked in the City of London for over 20 years in a range of Investment and Commercial Banking roles primarily with ABN AMRO. He has subsequently built a non-executive portfolio and is currently Non-Executive Chair of Triodos Bank UK (TBUK), the UK Subsidiary of Triodos Bank NV, one of Europe's leading sustainable banks. Gary helped TBUK secure its banking license from the Bank of England in 2018 when it became a subsidiary.
Gary is also currently a Non-Executive Director of the Student Loans Company and sits as a Lay Member on Employment Tribunals. He has a degree from Cambridge University.



Jacqueline Redmond
Chair of Risk Management and Conflicts Committee ● ● ●
Appointed to the Board in November 2020. Term expiry November 2026.
Jacqueline is a champion of sustainable innovation and delivering a just net-zero transition. She is currently the Executive Chair of CENSIS, the SME Innovation Centre for sensing, imaging, and IoT technologies. Previously, she led Strathclyde University's PNDC industrialisation centre delivering decarbonisation solutions through whole energy solutions. Her experience includes roles as Chief Risk Officer at the Green Investment Bank, and executive roles at Shell and Scottish Power. A Chartered Engineer, Jacqueline holds degrees from both University of Strathclyde and Paisley College of Technology.



Jonathan Taylor
● ● ●
Appointed to the Board in November 2020. Term expiry November 2026.
Jonathan brings extensive international development bank experience from his term as Vice President and Management Committee Member of the European Investment Bank (EIB). He led on the EIB Green agenda. Prior to this he was Director General of Financial Services and Stability HM Treasury, and he was Director General of the London Investment Banking Association. Jonathan was educated at the University of Oxford and Birkbeck, University of London.

Key to appointments

●

 Audit Committee

●

 Risk Management and Conflicts Committee

●

 Senior Independent Director

●

 Remuneration and Nominations Committee

●

 Investment Oversight and Valuations Committee

●

 Independent Non-Executive Director



Our Governance Approach

Compliance with the UK Corporate Governance Code 2018 (the “Code”)

The Board confirms that the Bank has complied with the provisions of the Code during the financial year, other than those set out on page 83 of this Annual Report. Details of how we have applied the principles of the Code are set out in this Corporate Governance report, the Committee Chair reports, and the Annual Report on Remuneration. Details of areas of partial or full non-compliance are set out in the Audit Committee report. We also describe how the Board fulfils its s.172(1) Companies Act 2006 obligations in our Strategic Report on pages 47 to 53.

Our governance approach

We are both a public limited company (PLC) and a Non-Departmental Public Body (NDPB) and follow best practice corporate governance as appropriate for an organisation of our size and structure.

We seek to apply the Financial Reporting Council (FRC) 2018 UK Corporate Governance Code (Code) and set out an explanation of where we have not complied due to our unique position as an NDPB, having the Scottish Ministers as our sole Shareholder. The FCA listing rules are not applicable.

Funded by the taxpayer, we also comply with the principles of the Public Finance and Accountability (Scotland) Act 2000.

Board members

The Board comprises ten independent Non-Executive Directors and two Executive Directors (the Chief Executive Officer, and Chief Financial Officer). Current Director biographies are set out on pages 62 to 65.

The composition of the Board and Directors’ terms of appointment meet the requirements of the Company’s articles of association.

Board appointments

The Non-Executive Director appointments are public appointments by Scottish Ministers, overseen by the Commission and in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

The Bank’s Executive Directors are appointed by the Board with consent of the Scottish Ministers for a period specified by the Scottish Ministers on appointment.

The Remuneration and Nominations Committee is responsible for making recommendations to the Board and the Shareholder on appointments having regard to the skills, experience and diversity of the Board as a whole and its committees. More detail on its role is set out in the committee’s terms of reference and its report on page 93.

As members of a Non-Departmental Public Body Board, the Directors are not subject to annual re-election; however, the Non-Executive Directors are subject to rotation under the Public Appointment process at the end of an initial four-year term. The Remuneration and Nominations Committee has recommended the re-appointment of four Non-Executive Directors during the year for their second term, as set out in its report on page 96 of this Annual Report.

Section 10(2) of the Scottish National Investment Bank Act 2020 sets out the grounds for termination of a Director appointment. An appointment may also come to a natural expiry or due to a removal from office by the Standards Commission for Scotland under the Ethical Standards in Public Life etc. (Scotland) Act 2000.

Commitment

All Directors are expected to attend each Board and Committee meeting for which they are members, unless there are exceptional reasons preventing them from attending. A table showing the Directors’ attendance at meetings is shown on page 78. The Directors’ time commitment and frequency of meetings is reviewed as part of the Board and Committee Effectiveness section below. Non-Executive Directors are expected to devote up to 25 days per year, each day being more than 7.5 hours and their time logs are reviewed by the Chair on a quarterly basis. All of our Non-Executive Directors have exceeded that time commitment during the year and the Board is satisfied that they continue to devote sufficient time to fulfil their obligations.

The Board does not have an over-boarding policy but Directors’ time commitment is considered as part of their individual performance appraisal. New external appointments are subject to the conflicts of interest and Code of Conduct policies and require the prior approval of the Chair.

Board diversity and inclusion

The Board’s commitment to equality, diversity, and inclusion (EDI) has been a cornerstone of the Bank’s activity since inception and we aim to be a positive leader in advancing equality. We also seek talent, knowledge and experience relevant to each individual role. A Diversity Delivers strategy published by the Commissioner for Ethical Standards in Public Life in Scotland applies to all public appointments. Diversity search specialists are used to actively encourage a diverse field of applicants. In addition, stakeholders, including Changing the Chemistry, Women on Boards and Women’s Enterprise Scotland took part in early work to develop an approach to Board recruitment to encourage diversity in applicants.

The Scottish Government consulted Scottish businesses and trade unions on the skills criteria for the Board, prior to the launch of the Bank. The skills criteria for the Board were shaped by our missions,

and to ensure that the Board is appropriately placed to oversee the highest standards in the financial and public sectors. The Bank benefits greatly from the depth and breadth of expertise of the Board, including in respect of impact and private capital investment, ethical investment, private, public and third sectors, SME scale-up, and financial and public sector governance. The breadth of the Board’s experience can be seen from the Directors’ biographies on page 62 to 65. The expertise and range of perspectives and insight around the Board table contributes to constructive debate on key matters vital to the Bank’s success and means that the committee compositions are appropriately balanced with the relevant skills and experience to fulfil their responsibilities.

The Board monitors its own diversity and inclusion through a range of measures. We are pleased that, at 31 March 2025:

- ◆ A third of the Board are women, including three women in what we consider to be senior Board positions (Senior Independent Director (“SID”), Chair of the Risk Management and Conflicts Committee and Chair of the Remuneration and Nominations Committee).
- ◆ A third of our Executive Committee are women.
- ◆ Half of our Directors attended a non-selective state school and at least a third attended private school.
- ◆ Half of our Directors have work experience from both public and private sector and five of those also have work experience from the third sector.

That said, we are not complacent and recognise that there is room for improvement; for example, there is no ethnic diversity on our Board. For future Board vacancies we will continue to ensure our recruitment processes are open and accessible to the widest possible pool of candidates.

Further detail on the Bank’s diversity and inclusion can be found in the Remuneration and Nomination Committee report on pages 93 to 97.



Our Governance Approach continued

Board independence

The Board has agreed a clear division of responsibilities between the Chair and the Chief Executive Officer and these roles as well as those of other Directors and the Company Secretary are clearly defined, in writing, so that no one individual has unfettered powers of decision. In accordance with the UK Code, more than half of the Board's ten Non-Executive Directors (excluding the Chair), and the Chair, were considered to be independent on appointment. The Board confirms that they continue to be free from any relationship or circumstance that could affect, or appear to affect, their independent judgement. Any actual or potential conflicts that may arise are managed in accordance with the Bank's conflict of interest and Code of Conduct policies. Please see below for further detail.

The Chair is tasked with effective leadership of the Board, setting its agenda, enabling the Board's effectiveness, fostering a constructive and appropriate challenge of the performance and strategic initiatives of the Executive by the Board. It is also the Chair's responsibility to maintain external relationships with key stakeholders, including the Scottish Ministers.

The Board meets regularly without management in line with best practice, to allow for independent debate and discussion, holding the Executive Directors to account.

The role of the SID is to provide a sounding board for the Chair and to serve as an intermediary for the other Directors where necessary. The SID also acts as an intermediary between the Bank and the Shareholder where there are concerns that cannot be resolved through normal channels, or when such channels would be inappropriate. The SID also leads and oversees the annual review of the Chair's performance.

The Chief Executive Officer is tasked with ensuring the Bank delivers its missions. More generally, the Chief Executive Officer has responsibility for embedding the Bank's culture and values, leading the Executive team.

The Chief Executive is also accountable for the day to day running of the Bank, working collaboratively with the Chair, the Board, the Executive team, Scottish Ministers and with partners and stakeholders across the private, public and third sectors. During the reporting period, the Chief Executive Officer has been the senior executive of the Bank, carrying out these responsibilities, and having overall accountability for the implementation of the Bank's business strategy in line with policies and plans agreed by the Board. During the year, the Chief Executive Officer was the Accountable Officer and, therefore, personally accountable to the Scottish Parliament in relation to governance, internal controls, and the stewardship of the Bank's resources. The Accountable Officer's report is set out in pages 110 to 111.

Directors' conflicts of interest

The Board has established policy and procedures to identify and disclose potential and actual conflicts of interest. A Code of Conduct is also in place.

On appointment, and on an ongoing basis, Directors are required to notify the Board of any actual or potential conflicts of interest and any changes to the facts and circumstances surrounding such conflicts. The Company Secretary monitors and notes any potential conflicts of interest that each director may have. Each Board meeting begins with a reminder of Directors' continuing obligations in relation to potential or actual conflicts of interest. A register of Directors' interests is available at www.thebank.scot.

While Non-Executive Directors have declared potential conflicts of interest, the Board considers that all Non-Executive Directors remain independent in character and judgement for the purposes of the Code. In particular, during the year, the Board continued to carefully consider any potential conflicts of interest in relation to all Non-Executive Directors. This includes Peter Knott's role as Chief Risk Officer of National Wealth Fund. It determined that no actual conflicts existed at the time of appointment, and that any conflicts that may later arise would be managed in accordance with the Bank's conflict of interest and Code of Conduct policies.

Executive leadership

During the year, the Chief Executive Officer led the management and operation of the Bank and was accountable to the Board, supported by an experienced Executive Committee. During the reporting period, the Executive Committee was made up of the Chief Financial Officer, Chief Investment Officer, Chief Strategy Officer, Chief People Officer, and the Chief Risk Officer and General Counsel. The position of Chief Strategy Officer was created over this financial year to lead the creation, communication and execution of the Bank's strategy.

There are terms of reference to clarify the role of the Executive Committee and its primary role is to support the Chief Executive Officer, making and implementing operational decisions while running the Group's day to day business. It also makes recommendations to the Board on strategic matters. It is not a Board Committee. The Executive Committee meets frequently including in advance of each Committee and Board cycle to discuss operational matters within its remit.

Board and committee structure

The Board has a Schedule of Matters Reserved, set out within a Board Charter. Led by the Chair, it is collectively responsible (among other matters) for:

- ◆ Promoting the Bank's long-term, sustainable success for the Shareholders and stakeholders.
- ◆ Providing effective leadership, direction, support and guidance to maximise value for the Shareholder through delivery of the Bank's missions, setting the overall strategic direction and risk appetite for the Bank.
- ◆ Promoting the Bank's values and culture ensuring that they are aligned with the Bank's strategic objectives and missions.
- ◆ Monitoring the implementation of strategy and agreed operating plans for achieving strategic objectives and reviewing the performance of the management in meeting agreed goals.

The Shareholder Relationship Framework Document (SRFD) and Financial Memorandum establish authorities that have been agreed with the Scottish Ministers. While the Bank is operationally independent, certain matters related to public policy are specifically reserved for Shareholder approval, either in general meeting or under the Shareholder engagement framework. Generally, the Board is the Bank's accountable body and has delegated responsibility for the day-to-day running of the business to the Chief Executive Officer (the Accountable Officer), who is supported by the rest of the Executive Committee in their respective areas of responsibility.

The Board has also established clearly defined responsibilities for four independent Board Committees. Each of these Committees support the Board in its oversight of the day-to-day running of the Bank: the Audit, Remuneration and Nominations, Risk Management and Conflict, and Investment Oversight and Valuations Committees. Each independent Committee Chair reports to the Board after a Committee meeting (at least quarterly).

An overview of each of the Committees and their respective remits can be found in the Committee reports on pages 79 to 97. The Terms of Reference for each Committee can be found on our website www.thebank.scot.

A Shareholder representative attends Board meetings regularly as an observer. This role is clearly defined and the observer is not entitled to a vote in law.

In line with the Code, all Directors have access to the advice and services of the Bank's Company Secretary in relation to the discharge of their duties on the Board and any Committees they serve on including on all matters related to the Bank's governance. Any Director may also, at any time, take independent professional advice at the Bank's expense.

The Company Secretary is a standing attendee at each Board meeting. Members of the Executive Committee, including our Chief Investment Officer, Chief Strategy Officer, Chief People Officer, and Chief Risk Officer and General Counsel also attend meetings regularly, as well as other Bank employees as appropriate from time to time.

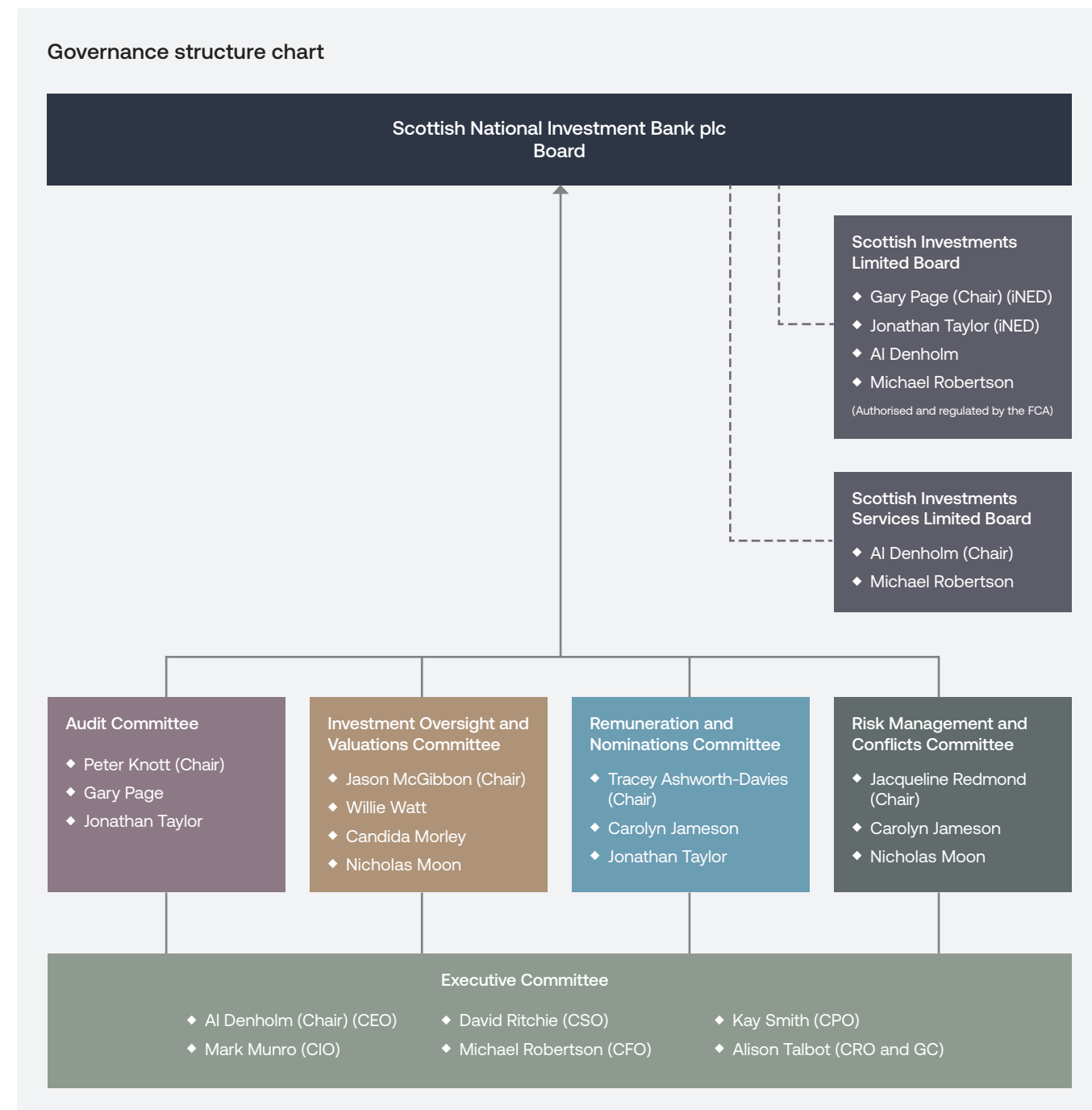


Our Governance Approach continued

The Board uses an electronic portal to distribute Board reports and other information securely, increasing efficiency, confidentiality and sustainability.

The Bank has two subsidiary companies, Scottish Investments Limited and Scottish Investments Services Limited.

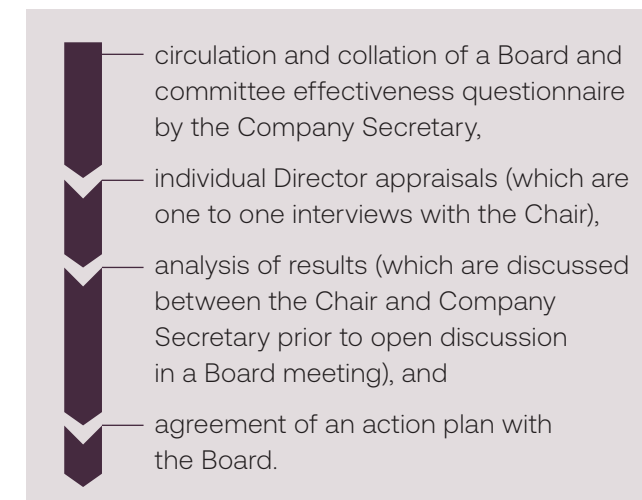
An overview of the governance structure is shown in the diagram below.



Board and committee effectiveness

Each year the Board undertakes a formal and rigorous evaluation of its performance, as well as the performance of its committees and appraisal of individual directors. This process is viewed as an important opportunity to reflect on progress to date and to test that the Board is well placed to support the long-term success of the Bank. The Board is committed to an independent evaluation of its effectiveness at least once every three years in line with best practice for large to medium sized companies. The last external evaluation was completed and reported in last year's Annual Report.

This year, the Chair, with the support of the Company Secretary, led an internal evaluation. This process involves:



Separately, as part of this internal process, the Senior Independent Director led a review of the Chair's performance in consultation with the other Directors and key stakeholders, including the Shareholder. The results of the Chair's effectiveness review are documented in a report that is shared with the Scottish Ministers and the Company Secretary. The Board believes that the Chair continues to fulfil his role expertly, with independent judgement and experience that benefits the Bank.

The strengths and areas of focus that were identified and discussed for the Board and committee effectiveness are outlined below.

Strengths:

- ◆ Good Board and committee dynamics with high standards of behaviour that reflect values and principles of public life.
- ◆ Strong understanding of the Bank's strategic priorities, performance and principal risks.
- ◆ Inclusion of representatives from the Bank in Board meetings for presentations and insights on business matters.

Areas of focus for FY25/26:

- ◆ Continuing to enhance the quality and timeliness of reporting and analysis in Board papers.
- ◆ Continue to evolve the agendas to ensure an appropriate balance of strategic and operational matters.
- ◆ Ensuring that the Directors' training programme, looks ahead at training that supports the continued evolution of the Bank.

The review concluded that the composition of the Board and each of its committees provides the appropriate mix of skills, diversity and expertise for fulfilment of their respective duties and to avoid group think. Given the relatively higher number of committee meetings scheduled in the Bank's earlier years, to support its establishment, there will be efforts to reduce meeting frequency, where possible, without impacting the operational and governance requirements of the Bank.

The review of Executive Directors' performance can be found in the Annual Report of Remuneration on pages 98 to 109.



Our Governance Approach continued

Board development

On appointment, each of the Directors received an induction process covering aspects of the Bank's governance and public body duties. During FY24/25, the Directors participated in internal training sessions on subjects including the Scope of the Bank's FCA Permissions, FCA Code of Conduct and Equality, Diversity and Inclusion. The Board reviews its training requirements on an annual basis and builds training sessions into the Board schedule.

Board activity FY24/25

During the year, the Board met for seven Board meetings, with an offsite Strategy Day in September 2024. The Board agenda includes routine reporting from each of the Executive Committee members with summaries from their respective business areas; there is also an annual planner of matters reserved for approval of the Board, including but not limited to investment strategy, budget approval, business plan and key publications (such as this Annual Report and the annual Impact Report).

Director attendance at Board meetings is provided at page 78. There were also a number of non-scheduled meetings held with a sub-group of the Board for a specific purpose delegated by the Board.

The Board receives reporting on the key matters discussed at all of its committee meetings and additional unscheduled Board meetings.

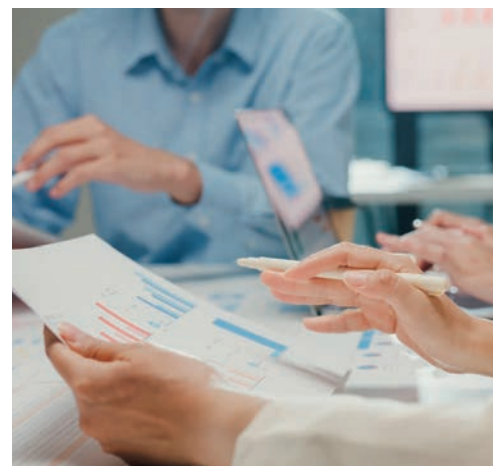
This spotlight provides a summary of some of the activities carried out by the Board during the year but does not represent all items considered. For example, the following activities have been carried out by the Board during the financial year:

- ◆ Monitored implementation of strategy and progress against the Bank's strategic objectives.
- ◆ Discussed engagement and communications with the Bank's key stakeholders, including output from the survey.
- ◆ Received regular reports, including the balanced scorecard, on the Bank's performance metrics.
- ◆ Reviewed management information in respect of the Bank's financial performance, its People and culture, and investment activity.
- ◆ Reviewed the Equality Strategy including the Bank's EDI outcomes
- ◆ Considered the output of the People Survey.
- ◆ Oversight of the Bank's Risk Management Framework and internal control system, with regular review of the key risks indicators, risk appetite and internal controls.

Spotlight: Strategy Day

The Board, and executive leadership, met in person in September 2024 for the Board's annual strategy offsite. Led by the Chair of the Board and the CEO, the agenda was based on a series of mini-workshop sessions, covering:

- ◆ Focus on financial flexibility
- ◆ Building a diverse, engaged, high performing team
- ◆ Driving growth in Scotland alongside GB Energy and National Wealth Fund
- ◆ A review of principal and emerging risks and the Bank's risk appetite



Spotlight: Board activities in the year

June 2024

- ◆ Considered the Group strategic stakeholder engagement with reference to output from the stakeholder survey
- ◆ Approved publication of Annual Report and Accounts and Financial Statements
- ◆ Considered the Bank's options for regulatory set up
- ◆ Board evaluation

August 2024

- ◆ Approved the investment portfolio transfer from subsidiary, SIL, to Bank plc

September 2024

- ◆ Dedicated strategy day
- ◆ Deep dive on investment activity with portfolio overview
- ◆ Reviewed investment strategy and ethical investment policy
- ◆ Reviewed Committee compositions and appointments to SIL Board
- ◆ Considered the Group strategic initiative to support third party capital strategy
- ◆ Considered the output of the staff survey
- ◆ Reviewed risk appetite levels for all principal risks
- ◆ Received update on FCA phase 1 application

October 2024

- ◆ FY25/26 Budget
- ◆ Considered the Group strategic initiative to support third party capital strategy.
- ◆ Reviewed output from Strategy Day

December 2024

- ◆ Received deep dive and training on equality, diversity and inclusion (through a poverty lens)
- ◆ Considered the Group strategic initiative to support third party capital strategy

January 2025

- ◆ Reviewed FY25/26 Business Plan and related financial projections
- ◆ Reviewed TCFD Report and carbon monitoring plan

March 2025

- ◆ Deep dive on principal risks, internal controls and risk appetite
- ◆ Reviewed Investment Strategy
- ◆ Reviewed Equality Strategy
- ◆ Approved corporate performance objectives for FY25/26



Our Governance Approach continued

Internal controls

The Board is ultimately responsible for establishing and reviewing the effectiveness of the Bank's systems of internal control and risk management. It delegates responsibility to the Audit Committee and Risk Management and Conflicts Committee for overseeing the Bank's internal controls, including the effectiveness of the internal audit function. The systems of internal control are compliant with the provisions of the Code and are based on an ongoing process designed to identify risks, to evaluate those risks and to manage them effectively.

The chair of the Audit Committee and chair of the Risk Management and Conflicts Committee report to the Board following each of their meetings.

A more detailed report on the Bank's internal control systems and risk management framework and processes is provided on pages 38 to 46.

Public Services Reform (Scotland) Act 2010

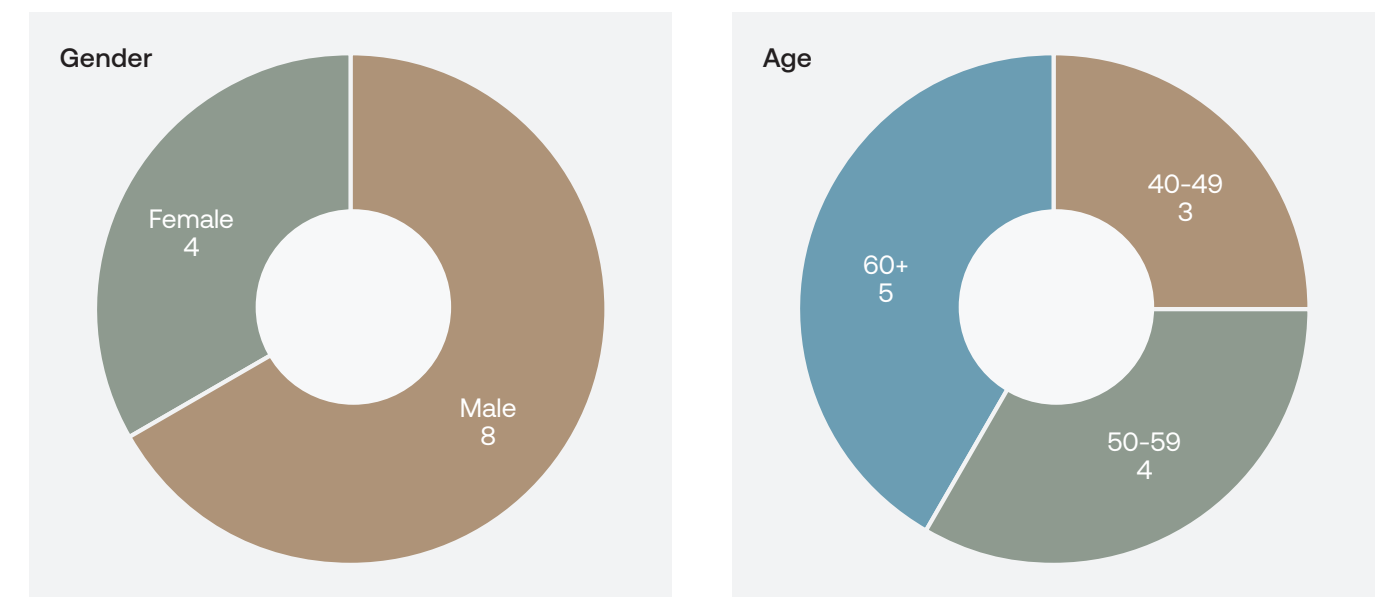
We are required under the Public Services Reform (Scotland) Act 2010 to publish information on expenditure and certain other matters as soon as reasonably practicable after the end of each financial year. This information will be made available at www.thebank.scot.

Corporate Governance Snapshot



Our Board diversity

In addition to details set out in Our Governance Approach, this section provides some highlights about our governance. Please note that the figures in this section are based on board composition as at 31 March 2025.



Currently there is no ethnic diversity at an Executive Director and Non-Executive Director level; however, the Bank will continue to seek opportunities to improve diversity and inclusion across the Bank's Board.



Corporate Governance Snapshot continued

Key priorities for the Board FY25/26

Enabling impact	<ul style="list-style-type: none">◆ Continue to embed and evolve our impact management practices throughout our investment decision making processes.◆ Build on our TCFD reporting and Carbon Management Plan and develop the scope of our environmental and social reporting.◆ Establish shared communities of learning with our investee companies, and other partners, to grow our collective impact, insight and influence across the market.◆ Deliver leading practice in impact investment building on how we work with our investee companies and by learning from others in the market.
Delivering investment	<ul style="list-style-type: none">◆ We will continue to build and develop a diverse portfolio of investments that reflects our missions and the significant potential across Scotland. We will seek to invest both the core capital and ScotWind capital allocated to us by the Scottish Government. As in previous years our investment activity will require us to prioritise and this will be done on the basis that opportunities:<ul style="list-style-type: none">- Are forecast to have a positive, risk-adjusted, financial return.- Have strong potential to attract investment from the private sector alongside our capital.- Have strong potential to contribute to our missions and our Impact Ambitions as set out on page 20.◆ In addition to the above criteria, additional considerations for investment in the year ahead will be:<ul style="list-style-type: none">- Proven management teams – executive and/or board-level experience and success in relevant sector.- Revenue generating – opportunities should be revenue generating at time of investment.- Cash runways – opportunities should be able to demonstrate a cash runway of a minimum of six months before engaging with the Bank and to have two years once an investment completes.- Technology Readiness Levels (TRLs) – for innovation-led investment opportunities they should be at TRL 8 or higher.- Attracting additional investment – for every £1 we invest, there should be at least an additional £1 from private sector investors.◆ Support our portfolio companies to scale, and deliver against agreed milestones that align with ambitious value creation targets.
Insights, partnerships and reputation	<ul style="list-style-type: none">◆ Enhance our capabilities for creating new markets, that build on our growing insights, experience, and networks.◆ Publish and seek feedback on insights we develop from our investment experience and market engagement.◆ Support our portfolio companies to scale, and deliver against agreed milestones that align with ambitious value creation targets.

Insights, partnerships and reputation continued	<ul style="list-style-type: none">◆ Use our insights and experience to work with teams across the public sector to support the creation of a policy and regulatory landscape that enables the delivery of our missions.◆ Use our investments and insights to continue to build positive relationships with the media to ensure that the role and activities of the Bank are accurately understood across the ecosystem.◆ To continue to build relationships and partnerships across the ecosystem that enable the delivery of our missions and our Equality Strategy.
Enabling private sector investment	<ul style="list-style-type: none">◆ Continue to build on our co-investment model, extending our network beyond Scotland, by displaying a positive portfolio return, leading impact credentials and deep insights to the Scottish market to provide a compelling co-investor case.◆ Develop approaches to advising or managing the capital of others and to start to formalize relationships with potential partners.◆ Use our significant insights, networks and expertise in the local market as well as innovative financing structures to encourage significant private capital into ScotWind projects – both now and in the future.◆ To ensure the structure of the Bank’s legal entities is as effective and efficient as it can be for delivering investment, we will review our corporate structure.
People and culture	<ul style="list-style-type: none">◆ Continue to support personal and professional development through formal and informal learning opportunities. Our focus for the year ahead will be to build on what we have, providing more clarity on career pathways to help the team plan their development needs.◆ Improve how we attract and develop under-represented groups reflecting on recommendations from our Equality partners and our commitments under the Women in Finance Charter.◆ In the last financial year, we have addressed in detail our practices and plan to reduce our Gender Pay Gap and we will continue to make progress against our plan in the year ahead.◆ Build on our flexible working culture to attract and retain industry talent. To aid this, we will provide clearer guidance for managers and teams to support flexible working.
Operational financial self-sustainability	<p>In addition to the objectives for delivering direct investment and identifying an approach for managing third party capital, we will:</p> <ul style="list-style-type: none">◆ Aim to resolve budgetary challenges with a framework that supports the long-term strategic direction of the Bank, with flexibility across fiscal years to align with commercial investment profile and ultimately in being a perpetual fund.◆ Invest in an appropriate mix of debt, equity and, where appropriate, fund opportunities to ensure a balanced income profile over time.◆ Continue to build on our ‘value for money’ culture, considering and challenging ourselves around the cost, resource and quality requirements for our operational delivery.



Corporate Governance Snapshot continued

Board and committee attendance

	Chair	Non-Executive Directors									Executive Directors	
	Willie Watt ¹	Candida Morley ²	Carolyn Jameson ³	Peter Knott	Jacqueline Redmond ³	Jason McGibbon ⁴	Tracey Ashworth-Davis ³	Nick Moon ³	Gary Page ⁵	Jonathan Taylor ^{3,6}	Al Denholm ⁷	Michael Robertson ⁷
Board	7/7	7/7	7/7	7/7	6/7	7/7	6/7	7/7	7/7	7/7	6/7	7/7
Audit Committee	-	-	-	7/7	-	3/3	-	-	7/7	7/7	-	-
Short Notice	-	-	-	1/1	-	-	-	-	1/1	0/1	-	-
Remuneration and Nominations Committee	-	4/4	6/7	-	-	-	7/7	-	-	3/3	-	-
Risk Management and Conflicts Committee	-	-	2/4	-	4/4	-	-	2/4	-	-	-	-
Joint Audit/Risk	-	-	1/3	3/3	3/3	-	-	2/3	3/3	3/3	-	-
Investment Oversight and Valuations Committee	6/6	2/2	-	-	-	5/6	-	5/6	-	3/3	-	-
Short Notice	3/3	2/2	-	-	-	1/3	-	2/3	-	1/2	-	-
Scottish Investments Limited Board	-	-	-	-	-	-	-	-	2/2	2/2	2/2	2/2
Overall	16/16	15/15	16/21	18/18	13/14	16/19	13/14	18/23	20/20	26/28	8/9	9/9

1. Investment Oversight and Valuations Committee Chair until 1 September 2024.
2. Member of Remuneration and Nominations Committee until 1 November 2024. Joined as member of Investment Oversight and Valuations Committee from the same date.
3. Unable to attend due to external commitments. Director's comments were provided to the chair prior to meeting.
4. Member of Audit Committee until 1 September 2024. Chair of Investment Oversight and Valuations Committee from the same date. Three meetings were missed due to prior commitments in Q2 2024, Director provided comments to the Chair prior to each of those meetings.
5. Chair of Scottish Investments Limited Board from 1 October 2024.
6. Member of Investment Oversight and Valuations Committee until November 2024. Joined as member of Remunerations and Nominations Committee from the same date.
7. Attends committee meetings by invitation only.

Our key governance documents

Document	Document Purpose
Scottish National Investment Bank Act 2020 (the Act)	Establishes the Bank, setting out our objects; powers; ownership; governance; operational matters (such as our strategic missions and reporting requirements) and applicability of certain public body legislation to the Bank.
Articles of Association	Outlines the rules for the running, governing and ownership of the Bank, including the responsibilities and powers of the Directors.
Shareholder Relationship Framework Document (SRFD) (and Financial Memorandum)	Agreed between the Bank and the Scottish Ministers, the SRFD outlines the relationship between the Bank and the Shareholder, including measures to ensure the appropriate financial controls and to administrative and operational independence. You can find the SRFD and Financial Memorandum at www.thebank.scot .
Board Charter	Sets out the role of the Board and a schedule of matters reserved for the Board.

Audit Committee Report



I am pleased to introduce the Audit Committee report for the period ended 31 March 2025.

The Audit Committee has three members:

- ◆ Peter Knott (Chair)
- ◆ Jonathan Taylor
- ◆ Gary Page

During the year, Jason McGibbon stepped down from the Committee at the same time as accepting the role as chair of the Investment Oversight and Valuations Committee. The Board remains satisfied that the Committee has significant and recent knowledge and experience of financial services with financial and investment experience relevant to a mission impact development bank.

The Committee invites and holds regular meetings with the External Auditor, Head of Internal Audit, Chief Financial Officer, Chief Executive Officer and Chief Risk Officer. The Bank's Company Secretary is Secretary to the Committee.

Committee meetings and activities during the Year

The Committee meets at least four times a year, with meetings coordinated with external reporting timetable requirements. In FY24/25, the Committee met eight times, meeting quarterly and having additional meetings to support the budget process, and to review the draft Annual Report and Accounts.

During the year, the Committee continued to provide oversight of the Group's internal controls in financial reporting, challenging management on the integrity of the Bank's financial forecasts and budgets and advising the Board on those matters. As well as the routine financial reporting activities, the Committee focused on, inter alia, the following matters:

- ◆ Oversight of the transfer of the Bank's investment portfolio from the subsidiary, Scottish Investments Limited, to the Company
- ◆ Budget submissions and forecasting, overseeing engagement with the Shareholder on our understanding of matters related to the fiscal framework and potential consequences for the capital available for future investment.
- ◆ Worked with the Risk Management and Conflicts Committee, to monitor the effectiveness of the internal control environment and consider Internal Audit reports and related actions across our control environment.
- ◆ Obtained assurance on the integrity of the Bank's financial and non-financial disclosures.
- ◆ Assessed the effectiveness of the work of the external auditors and internal audit functions.
- ◆ Considered Group financial plans and external reporting including year-end Audit timetable and fees.
- ◆ Reviewed the Bank's policies in relation to financial reporting and internal financial controls.
- ◆ Reviewed the Bank's financial performance, including performance against conditions in the long term incentive plan (LTIP), as relevant to the Committee's remit and advised on the drafting of LTIP conditions for the next financial year.



Audit Committee Report continued

- ◆ Conducted an annual review of the Committee’s effectiveness and its terms of reference. This included hand-over of the role of whistleblowing champion to the chair of the Risk Management and Conflicts Committee (RMCC) and the related responsibilities to the RMCC with effect from 5 December 2024.

More details on the significant matters considered during the year by the Committee follow. You can also find a copy of the Committee’s Terms of Reference at www.thebank.scot

Area of governance	Purpose and Responsibility
Financial reporting	<ul style="list-style-type: none">◆ Monitor the integrity of the financial statements and review critical accounting policies◆ Assess and challenge key accounting judgements and significant estimates◆ Confirm the financial statements are fair, balanced and understandable◆ Review compliance with Shareholder reporting requirements
Internal control	<ul style="list-style-type: none">◆ Review the adequacy and effectiveness of internal financial controls and systems and financial risk management and reporting◆ Review and approve the internal control, going concern and viability statements in the financial statements◆ Review and approve financial reporting policies and procedures◆ Confirm the Bank has appropriate processes in place in relation to preparation of the annual budget
Internal audit	<ul style="list-style-type: none">◆ Approve the appointment of Head of Internal Audit and monitor the effectiveness of the Bank’s outsourced Internal Audit function◆ Review and approve the Internal Audit Charter◆ Assess and approve the Internal Audit work plan with recommendations from other Board Committees as appropriate◆ Assess the findings of Internal Audit and management responsiveness to recommendations◆ Meet independently from management with the Internal Auditor
External audit	<ul style="list-style-type: none">◆ Review and update the Board regarding the appointment and removal of the External Auditor by the Auditor General of Scotland◆ Oversee the relationship with the External Auditor, including remuneration, terms of engagement and consider the effectiveness, independence and objectivity of the team◆ Develop, implement and keep under review a policy for non-audit services supplied◆ Review the external audit plan including approach to significant audit risks◆ Review audit findings, key accounting and audit judgements and management’s response to recommendations◆ Meet independently from management with the External Auditor
Whistleblowing	<ul style="list-style-type: none">◆ Review and approve the adequacy and security of the Bank’s whistleblowing policy and process.

Financial reporting

Our financial statements are prepared in accordance with UK-adopted international accounting standards and in accordance with a direction given by Scottish Ministers in pursuance of Section 19 (4) of the Public Finance and Accountability (Scotland) Act 2000. In monitoring the preparation of the financial statements of the Group, the Committee reviewed and concluded that suitable accounting policies had been adopted and appropriate key accounting judgements and estimates had been made by management.

Areas of key accounting judgement and significant estimates

The key accounting judgements and estimates of the Bank relate to the valuation of investments which are accounted for in accordance with IFRS. In fair valuing the Bank’s unquoted investments, International Private Equity and Venture Capital (IPEV) guidelines are applied. The fair values of unquoted investments are inherently subjective as they are based on several forward-looking estimates and judgements. Further details are found in Note 3 to the financial statements.

Given the material and subjective nature of investment fair values, the Board has an Investment Oversight and Valuations Committee to review the valuations policy, process, and results on a quarterly basis. All Committee members see management’s reporting to the Investment Oversight and Valuations Committee and the Chair of the Audit Committee is invited to observe the interim and year-end valuations meetings.

On behalf of the Board, the Committee evaluated the findings of the Investment Oversight and Valuations Committee and external audit on the year end valuations and challenged management’s application of the IPEV guidance. The Committee concluded that valuation policies and accounting guidelines, including disclosure requirements in the financial statements, had been appropriately applied.

Fair, balanced and understandable

Following a review of the disclosures, the Committee recommended to the Board that the Annual Report and Accounts for the year ended 31 March 2025, taken as a whole, were fair, balanced and understandable. In addition to their own review, the Committee requested an independent review from the Internal Auditors to verify that, in their view, the Annual Report and Accounts were fair, balanced and understandable.

Going concern

After the financial year end, the Committee has considered management’s approach to, and its conclusions on, the Group’s ability to continue as a going concern. The assessment considered the Shareholder’s letter of support, the current capital position of the Group and liquidity requirements to deliver its mission-led investment objectives and to manage associated operational costs over a four-year forecast.

It is intended that the Bank will achieve continued operational financial self-sustainability in the medium term through generating income from the investments it makes and closely monitoring and controlling its costs.

In the financial year ended 31 March 2025, income of £34.5 million was generated from the investment portfolio with operational expenditure of £16.2 million. The Bank remains reliant on Scottish Government funding for investing activity and operating expenses to the extent not covered by cash income. The Scottish Government remains committed to providing £2 billion of capital to the Bank for investment over 10 years and specific assurances have been given to continue to fund the Bank’s operational expenditure for 12 months from the signing of the financial statements.

The Committee recommended that the Board support the conclusion to prepare these financial statements on a going concern basis. Having considered analysis and reporting from the Bank’s Finance team and the findings of the External Auditor in relation to financial reporting considerations, the Committee recommended to the Board the approval of the financial statements.



Audit Committee Report continued

Internal controls

The Committee provides oversight of the systems of internal controls over financial management and reporting, financial risks, treasury, and tax. There is an ongoing process to review and approve any material changes to relevant policies. During the year, the Committee carried out reviews and approved updates to several of those key policies. Were any instances to arise, the Committee would be notified as part of the Bank's regular risk management reporting of any matters of concern raised regarding financial reporting, the integrity of financial management, or any allegations related to fraud. No such instances were notified.

At each meeting the Committee received, challenged and considered scheduled finance updates on business performance and significant reporting and accounting matters from the Chief Financial Officer and the Financial Controller. It also continued to have regular dialogue with both internal and external auditors. This internal control framework has again supported the Accountable Officer in ensuring compliance with their duties. The Committee has, for this year, concluded that the internal control framework in the Bank is effective.

Internal audit

BDO LLP has completed its first year as the outsourced provider of the Bank's internal audit function for a period of three years, having completed a handover from Grant Thornton UK LLP last year.

As part of our annual cycle, the Committee agreed the Internal Audit Charter which describes the purpose and role of internal audit, authority and responsibility of the Head of Internal Audit and the scope, nature and oversight of the internal audit function.

At each quarterly meeting the Committee reviewed reports from the Internal Auditor evaluating progress against the Internal Audit Plan, the effectiveness of the Bank's controls and any system failings or weaknesses. For example, in the year, the Committee

considered specific internal audit reviews on the Bank's TCFD Reporting; financial modelling; EDI strategy (including Gender Pay Gap) reporting; compliance function; the design and operation of key controls around recruitment, payroll and reward; and Risk Management Framework embeddedness. It also considered an advisory review on IT Change Management. In performing its review of the internal audit reviews, the Committee considered the judgements and conclusions of management. No control weaknesses were reported that could have a material impact on the Group's financial or non-financial performance. Actions and recommendations for improvement are agreed with management and effectively tracked and monitored by the Committee quarterly.

During the year, the Committee continued to challenge and support enhancements to the effectiveness of the internal audit framework. As part of that, the Committee and the Internal Auditor monitored key metrics, including the timely delivery of management responses and timely closure of audit actions.

The Committee monitored the delivery of the FY24/25 internal audit plan and budget and received the Internal Auditor's Annual Report. In turn, this report supported the committee's annual report to the Board on the effectiveness of the internal control framework.

The Head of Internal Audit has direct access to the Chair of the Committee. In addition to private meetings with the Committee members without management present, the Committee Chair also meets the Head of Internal Audit outside formal Committee meetings.

The Committee remains satisfied with the performance and effectiveness of the Internal Auditor for the financial year and that the function has appropriate resource and scope to discharge its duties effectively. It is also satisfied that the function is operationally independent from management.

External audit

The Committee has primary responsibility for overseeing the relationship with the Group's external auditor.

As we are a public body subject to the Public Finance and Accountability (Scotland) Act 2000, it is for the Auditor General of Scotland (and not the Board per the Code) to appoint our external auditor. KPMG LLP (KPMG) was appointed by the Auditor General for Scotland as the Bank's External Auditor for a period of five years in March 2022. KPMG is also appointed auditor to the subsidiaries of the Bank.

The Committee has reviewed the level of auditor remuneration to assess whether it is competitive and represents value for money and approved engagement terms.

In addition, the Committee reviewed KPMG's external audit approach, including materiality, assessment of significant audit risks, being valuation of unlisted investments, intra-group transfer of investment portfolio and the risk of management override of controls, and scope of the audit.

The Committee agreed with the audit approach and focus of work.

The Committee met with KPMG to discuss and review audit findings and the results of testing in key areas of focus. Discussion was focused on the valuation of investments, which are inherently subjective in nature and contain management assumptions. Audit findings that required addressing or resolution were resolved to the satisfaction of the Committee.

The Committee is responsible for setting, reviewing, and monitoring the appropriateness of non-audit services by the external auditor. KPMG cannot carry out any non-audit work for the Bank without the prior approval of the Committee and must comply with the Bank's policy on provision of non-audit services. The Committee monitored the operation of the policy on provision of non-audit services. One audit-related assurance was carried out by the External Auditor during the year. The Committee did not request any specific areas of review from the External Auditor beyond the normal audit activity.

The external audit partner has direct access to the Chair of the Committee. During the year, there was a change of external audit partner and the Chair and the Committee met both the outgoing and incoming audit partners without management present. In addition, the Committee Chair met the external audit partners outside formal meetings and observed a smooth and effective transition.

The Committee is satisfied that KPMG has remained independent of the Bank and is satisfied with the External Auditor's performance and effectiveness for the financial year.

Full and Partial Non-Compliance with the Code Explained

- ◆ Provision 15, relating to new external appointments. These are managed in accordance with the conflicts of interest policy and procedures.
- ◆ Provision 18, relating to the annual re-election of Directors for the reasons set out on page 66 of our Corporate Governance Report.
- ◆ Provisions 25 and 26, as related to the approach to the appointment or reappointment of the External Auditor, which is (in the Bank's case) appointed by the Auditor General of Scotland.
- ◆ Provisions 36 and 37, as relating to executive share awards and remuneration schemes and policies: the Bank is required to operate within a pay and reward framework agreed with the Scottish Ministers so does not issue share awards; however, there is alignment with the relevant principles of the Code, for example, the reward framework does promote long-term sustainable success of the Bank and remuneration is aligned to the Bank's missions and values.



Audit Committee Report continued

UK Corporate Governance Code 2018 (the “Code”)

During the year, the Committee considered our governance practices as compared to the Code, on behalf of the Board. See the box on page 83 for areas of full or partial non-compliance, which all relate to aspects of the Code that relate to the Bank’s set up as a Non-Departmental Public Body and unique relationship with the Scottish Ministers as our sole Shareholder.

Whistleblowing

An important part of our culture is speaking up when something doesn’t seem or feel right. We have put channels in place for our people to raise concerns, including our whistleblowing channel. During the year, the Chair of the Committee acted as the Group’s whistleblowing champion and could be contacted directly and independently. As part of an annual review of Committee terms of reference, this responsibility was transferred to the Chair of the RMCC on 5 December 2024.

Summary

The Committee has continued to build upon the strong foundations and governance that were put in place following the launch of the Bank. Supported by a robust internal and external audit function, the Committee will continue to oversee and monitor reform to the UK audit and associated regulatory frameworks to ensure the Board remains effectively supported in the integrity of the Group’s financial systems, processes, statements, and other reporting.

Peter Knott Chair of the Audit Committee

Investment Oversight and Valuations Committee Report



I am pleased to present my first report as chair of the Committee. This report provides information on the make-up of the Committee, the process that is undertaken for it to perform its duties and outlines its duties over the reporting year.

During the year, the Committee reviewed its terms of reference and changed its name (previously Valuations Committee), reflecting evolution of the Committee’s remit as the Bank’s portfolio and investment processes have matured.

The Committee’s primary responsibility is to advise the Board on the oversight of the Bank’s investment and portfolio strategy, alongside its valuation processes. Through independent challenge, the Committee considers the specific performance and valuations of individual investments and of the portfolio, overseeing the consistency of our approach.

The Committee’s role in the oversight of the development and implementation of a strong investment framework and discipline in application of investment-related policies, processes and methodology across the Group is critical. It, therefore, has oversight of the Group’s investment processes. Members of the Committee participate in the stages of investment decision-making through membership of the Investment Committee.

Core to its purpose, the Committee also supports the Board in advising on development and oversight of the implementation of the Bank’s strategic initiatives and business plan as they relate to the Bank’s investment activity.

As a mission led organisation, the Group is clear in its ambition to build a portfolio of impactful and transformative mission-focused investments. As such, during the year, the Committee continued to enhance its role in the oversight of the impact of our investments. That means the generation of positive, measurable social and environmental impact alongside a financial return. Impact and, increasingly, progress relative to our target rate of return will continue to be a key focus area for the Committee in the year ahead.

Last year the Committee reported that the investment landscape was challenging with both business confidence and investor appetite negatively impacted by geopolitical risks, and dampened consumer and business demand. This has not changed. Against this backdrop the Committee’s role in monitoring and supporting the Bank’s approach to investments, and specifically managing a growing portfolio, remains critical. Importantly, the Committee also oversees the Bank’s approach to measuring and reporting on third party capital, ‘crowded-in’ to improve the resilience of our portfolio, and it reviewed the principles for calculating the crowd-in ratio during the year.



Investment Oversight and Valuations Committee Report continued

The Committee’s key responsibilities include:

1. Reviewing the valuation policies of the Bank and reviewing and challenging the appropriateness of the valuation methodology and practices in relation to investment assets.
2. Reviewing and, where appropriate, challenging management’s judgements about any unrealised gains or losses relating to the investments.
3. Validating and recommending to the Audit Committee and Board the valuations to be placed on investment assets for the purpose of financial reporting.
4. Oversight and review of the effectiveness of the investment process and the operational arrangements for the Bank’s investment decision making and the process by which it assesses investment propositions.
5. Oversight and review of the portfolio management process and ensuring appropriate action is taken to address underperformance and/or monitor outperformance of investee companies.
6. Working with the Risk Management and Conflicts Committee, to identify, assess and monitor risks inherent in the investment process and portfolio.
7. Advising the Board on the investment strategy and reviewing related policies such as ethical investment and investment risk.
8. Monitoring the specific financial and non-financial impact of the Bank’s investments and portfolio, including considering the Bank’s annual Mission Report and Impact Report and recommending these to the Board for approval.
9. Oversight of the portfolio company exit process, making recommendations to ensure the exit maximises the return to the Bank in financial and non-financial impact terms and is transacted in a responsible and orderly manner.
10. Annual review of the committee’s effectiveness and its Terms of Reference.

You can find a copy of the committee’s Terms of Reference at www.thebank.scot.

Membership

During the year, the Board committee compositions were reviewed as part of the Board’s agreed succession plan. Details of these changes can be found on page 96 of this report. I took the role of Chair on 1 September 2024, to succeed our Company Chair, Willie Watt, who remains a member of the Committee. Candida Morley joined the Committee on 1 November 2024, when Jonathan Taylor stepped down. The Committee has benefited from Candida’s significant and valuable investment experience through the year and note that she has announced her intention to resign with effect on 8 August 2025. The Board remains satisfied that the Chair and the Committee members have recent knowledge and experience relevant to a mission impact development bank.

As Chair of the Committee, I am supported by three Non-Executive Directors, who also have extensive experience in delivering impact and investment management and in the markets in which we invest:

- ◆ **Nicholas Moon**
- ◆ **Candida Morley**
- ◆ **Willie Watt**

The Chief Executive Officer, Chief Financial Officer and Chief Investment Officer have a standing invite to attend Committee meetings, with other invitations as appropriate. The Committee also welcomes the Chair of the Audit Committee, and external auditor, to observe the interim and year end valuations.

The Bank’s Company Secretary is Secretary to the Committee.

Committee meetings and activities during the year

The Committee meets at least four times a year, with meetings coordinated to support quarterly valuations cycles. In the year, the Committee met nine times, including additional meetings to review performance and set new performance conditions.

More specifically, in addition to carrying out the activities already outlined, a key focus for the Committee during the reporting period has been:

Portfolio management and performance

The Committee oversees and advises the Bank’s investment team on its portfolio management activities and processes taking account of investee company growth and development and the overall portfolio construction. Senior management from the Impact Assessment and Reporting and Portfolio Management teams attend Committee meetings to provide insight and report on the financial and non-financial performance of the Bank’s investments and portfolio. There are inevitable challenges with managing a growing portfolio of high-risk assets and, during the year, the Committee’s oversight responsibility has been supported by continuous improvement to portfolio management processes, reporting dashboards and metrics.

Against the challenging economic backdrop referenced on page 27 of this report, fundraising has been difficult for our investee companies. This has weighed on the financial performance of a number of the companies in the portfolio.

A significant part of the £76.9 million unrealised loss for the year relates to adjustments reflecting underlying performance of the investee companies and resulting from the higher risk nature of some of the Bank’s investments. Such early-stage unrealised losses are expected given the Bank’s role as a development financing institution. Fair value movements to a lesser extent also relate to market variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the IPEV guidelines. These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process. Fair value is also impacted by foreign exchange movements for our non-sterling denominated investments. As a risk-taking development bank, it is expected that not all of our investments will record a positive return, particularly at the early stage of investment; therefore, we continue to work towards a positive net return across our portfolio as a whole. With this in mind, it is pleasing to see some portfolio

companies generate increasing revenue which we expect to be recognised in future year’s valuations.

Impact

All our investments have clearly defined impact expectations, and the Bank works closely with our portfolio businesses to support them in understanding, measuring, and reporting on impact. The impact of our investments and across the Bank’s portfolio continues to be a key focus for the Committee. Through the year, the Committee has considered the mission alignment of the Bank’s investments and the Bank’s annual Mission and Impact Reports are available to view at www.thebank.scot/about-us/key-publications.

The Committee regularly monitors and challenges the development of the Bank’s leading impact investment processes in line with the Operating Principles for Impact Management (OPIM). As a signatory to OPIM, the Bank is obligated to provide an annual Disclosure Statement to the Global Impact Investing Network (GIIN) setting out how the Bank aligns with the Impact Principles. During the year, the Bank continued to make progress on improvements to its already high standard of impact management practices, as independently verified by BlueMark in FY23/24.

Target Rate of Return

The Bank aims to deliver a positive financial return on its investments over the longer term to support the objective to becoming financially self-sustaining and to support the crowding in of private capital. The 3-4% TRR, agreed with the Shareholder in FY23/24 as an initial medium-term target, complements the Bank’s mission impacts by setting out the rate of financial return we aim to deliver over time, across our investment portfolio. It takes account of a broad range of factors, including our role as a development bank and a patient investor, the sectors in which the Bank is likely to invest, and the anticipated mix of equity, debt and fund investments. Performance against the TRR will be formally tested at the end of FY25/26 as the Bank’s portfolio matures, at which point it is the intention that a longer-term TRR is set.



Investment Oversight and Valuations Committee Report continued

The Committee continues to be actively involved in providing scrutiny of the methodology and analysis, on behalf of the Board, and is regularly monitoring performance against the TRR with increased challenge and focus as the FY25/26 review date draws closer.

Investment activity

At each of its meetings, the Committee received reports from relevant members of the Executive Committee and of the Investment team on the Bank's investment activity to assess progress at a portfolio level and the Bank's investment pipeline. These reports support the Committee's identification of discernible trends and/or risks associated with the Bank's investment activity. The Committee oversees the deployment pipeline and planned activity to assess and report to the Board on the appropriateness of the portfolio construction needed to meet the Bank's Business Plan and performance targets.

Investment origination strategy

During the year, the Committee considered, and recommended to the Board, a revised investment strategy to reflect the investment needed to drive performance against the TRR in FY25/26, further focusing investment activity to where the Bank believes it can have the greatest impact and commercial returns. It also introduced mission-led reporting to gain deeper insight and to oversee and advise on plans for delivering each of the Bank's missions.

Key policies

It is imperative that the Bank's key investment policies remain "future fit" and support the Bank's investment ambitions and risk appetite. The Committee carried out its annual review of the Investment Risk Policy, Ethical Investment Policy considering their alignment with the investment strategy, and Valuations Policy during the year. There were no material changes.

Summary

As we end the Bank's fourth full financial year, the Committee has been reflecting on the evolution of the Bank's portfolio and investment strategy and advising the Board on the portfolio's positioning and construction for delivery of the Bank's missions and TRR.

The focus on appropriateness and consistency in application of the valuations policy and methodology will remain into the year ahead, as well as continuous improvement of the investment processes and portfolio management for a larger portfolio of investments, with effective resource management. The Committee will also continue to oversee and monitor the agreed mission-aligned impact targets to ensure that the Bank's capital is making the greatest possible impact.

As our portfolio continues to mature and grow we expect to record greater capital returns from debt repayments and start to consider responsible exit opportunities of some investments, at the appropriate time. The Committee will play an instrumental role in guiding this process, and scrutinising proposals as and when opportunities develop. The aim will continue to be to support our ambition as a perpetual fund for Scotland with the ability to recycle proceeds into new investment opportunities across fiscal years.

Jason McGibbon
Chair of the Investment Oversight
and Valuations Committee

Risk Management and Conflicts Committee Report



I am pleased to present the Risk Management and Conflicts Committee report for the year ending 31 March 2025. This has been a year characterised by continuing to enhance our risk frameworks against a backdrop of a challenging external environment.

The Committee has an overall responsibility to support the Board in relation to the oversight of risk-related matters, such as the effectiveness and robustness of the Group's risk management systems and processes. The Committee is responsible for scanning the horizon for potential risks, ensuring our systems are robust, and helping the Board steer a course through uncertainty. Its key responsibilities include:

1. Overseeing and advising the Board on all risk-related matters.
2. Advising the Board on the attitude to and appetite for risk, risk policies and risk limits.
3. Reviewing and monitoring the effectiveness of the Group's risk management framework and systems, including internal controls (other than internal financial controls overseen by the Audit Committee).

4. Monitoring how risks are reported, assessed and quantified.
5. Reviewing and monitoring the management of conflicts of interest.
6. Overseeing the Group's processes for compliance with laws, regulations, and codes of practice (including compliance with freedom of information) and approach to conduct, and prevention of fraud and other financial crime.
7. Reviewing the position in relation to subsidy control.
8. Receiving the annual report from the Money Laundering Reporting Officer on behalf of the Bank.
9. Review and approve the adequacy and security of the Bank's whistleblowing policy and process. The Chair of the Committee also acted as the whistleblowing champion with effect from 5 December 2024.
10. An annual review of the Committee's effectiveness.

You can find a copy of the Committee's Terms of Reference at www.thebank.scot

Membership

As Chair of the Committee, I am supported by two Non-Executive Directors:

- ◆ **Carolyn Jameson**
- ◆ **Nicholas Moon**

Nicholas sits on the Investment Oversight and Valuations Committee and Carolyn sits on the Remuneration and Nominations Committee.

This cross-committee representation strengthens connectivity between committees particularly in the oversight of investment risk.

Our meetings benefit from the presence of the Chief Risk Officer and General Counsel, the Chief Executive Officer, and the Chief Strategy Officer, alongside specialist teams. These frontline perspectives ensure our discussions are grounded in operational reality.

Joint meetings were held with the Audit Committee during the year, strengthening our collaborative oversight approach. Additionally, the Committee held private meetings with the Chief Executive Officer and



Risk Management and Conflicts Committee Report continued

Chief Risk Officer following scheduled Committee meetings. I also meet separately with the Chief Risk Officer and General Counsel and with the Head of Compliance outside of our formal meetings – these conversations provide valuable insights that help shape our agenda. The Bank’s Company Secretary is Secretary to the Committee.

Risk landscape and response

The external environment continued to be challenging in FY24/25 – with geopolitical conflicts, stubborn inflation, and unpredictable supply chains creating a constantly shifting landscape. Against this backdrop, the Committee’s role has been more important than ever.

Details of the Risk Management Framework and processes in place to monitor risks, such as those headwinds, are available at pages 38 to 46.

Our risk management approach has continued to mature, with several areas deserving particular mention:

Risk appetite and Key Risk Indicators

During the year, the Committee reviewed updates to our risk appetite, taxonomy and Key Risk Indicators (KRIs) prior to these being approved by the Board. Additionally, it continued to consider matters related to the Risk Management Framework (RMF). The focus this year was on embedding of the RMF enhancements made in the previous year. Internal Audit reviewed the embeddedness during the year and found that the processes supporting the RMF are well embedded and consistently applied.

Investment risk oversight

As a development bank, we recognise our pipeline of potential and committed investments will carry a higher degree of risk than some other investors. As such, our investments carry a level of inherent risk and we accept that not all of our investments will result in positive returns.

While the Investment Oversight and Valuations Committee provides detailed oversight of portfolio performance and valuation methodologies (as outlined in the Chair’s report on page 87), the Risk

Management and Conflicts Committee maintains a complementary focus on concentration risk, portfolio-level risk appetite, and the systems that provide early warning of potential deterioration in investment performance. Our Committee has maintained particular vigilance around the portfolio concentration which presents a fascinating risk paradox for a mission-driven bank. Rather than shy away from the realities of our portfolio composition, we’ve embraced challenges as catalysts for strengthening our early warning systems and intervention protocols. The healthy tension between mission fulfilment and prudent risk management continues to shape the Bank’s approach to portfolio construction and informs our risk appetite discussions at both Committee and Board level.

The Committee is committed to ensuring that we have robust investment oversight processes in place to oversee this high level of risk. In support of this, the Bank’s investment risk policy was comprehensively updated in the year to align to the Bank’s Investment Strategy and the updated RMF. Further to this, the risk framework for portfolio management was enhanced and implemented in the year. The processes supporting investment risk oversight of the investment process and risk reporting have also been further improved in the year.

In the coming year, further work will be undertaken on risk assessment methodology in relation to our portfolio. This will enhance our capabilities to identify emerging issues and ensure timely action is taken to address.

Operational risk

If investment risk is about what we do, operational risk concerns how we do it. This year, we completed a comprehensive process mapping project. By identifying key control points across the organisation, we’ve laid the groundwork for a more resilient institution. Like strengthening the foundations of a building, this work isn’t always visible but is essential for supporting our growing ambitions. We will use the output of the process mapping to enhance our control monitoring going forward.

Stakeholder risk

Stakeholder risk has been a key area of focus for the Committee. The evolving landscape around GB Energy, the National Wealth Fund, and our expanding stakeholder ecosystem has created both opportunities and challenges.

Our discussions have acknowledged the dynamic nature of the investment landscape in Scotland. We’ve welcomed the increased focus and capital flowing toward our core missions from various institutions, including the National Wealth Fund. The Committee has worked to ensure we maintain productive relationships with all stakeholders while preserving our distinct mandate and operational independence. We’re focused on creating complementary approaches that maximise collective impact rather than duplicative efforts – a collaborative mindset that serves Scotland’s economic interests while respecting each institution’s unique role.

The Committee also oversees the Bank’s approach to the management of wider stakeholder risk. The Bank acknowledges that different stakeholders will, at times, have competing priorities in relation to the Bank. We manage this actively through engagement with our Shareholder, Ministers and the media. In the period, the Committee has overseen an increase in risk appetite in relation to stakeholder risk. The risk appetite statement is available in the Bank’s Risk Management Framework on the Bank website.

Whistleblowing

An important part of our culture is speaking up when something doesn’t seem or feel right. We have put channels in place for our people to raise concerns, including our whistleblowing channel. During the period, the Committee reviewed and approved an updated whistleblowing policy and confirmed the effectiveness of this policy in supporting appropriate disclosures. With effect from 5 December 2024, I acted as the Group’s whistleblowing champion and can be contacted directly and independently.

FCA authorisation

A significant highlight this year was Scottish Investments Limited (SIL) receiving FCA authorisation, effective 6 January 2025. The set of permissions granted enables SIL to arrange deals in investments. This supports us in crowding-in private investment, which is core to the Bank’s purpose as a development bank. Operating to the standards of an FCA-authorised firm also ensures that the Bank is operationally well-placed for future delivery against the Bank’s Business Plan objectives. This includes delivery against the Bank’s third party capital strategy.

In support of the FCA authorisation, the Committee continues to receive reports from the SIL Board and has oversight of compliance matters, including progress of the compliance monitoring plan, on behalf of the Bank. As part of this, the Committee will monitor the use of the new permissions.

Climate risk

As the designated Non-Executive Director for climate-related matters, I’ve overseen our second Task Force on Climate-related Financial Disclosures (TCFD) report published in early 2025.

From day one, managing climate-related risks and opportunities has been core to our purpose. As such, the responsibility of understanding and managing climate risk is one we take to heart. It’s not just a box to tick – it’s integrated into everything we do. Over the past year, the Committee has engaged deeply with these issues. I have been particularly encouraged by the improvements to our TCFD reporting, the assessment of operational risks, our deepened understanding of the portfolio’s climate impact, and our comprehensive roll-out of carbon management planning.

Climate risk is a recurring focus for our Committee, informing discussions at the highest levels of governance. I work to ensure these discussions are woven into our wider Board deliberations and coordinated with the vital work of other committees. This reflects our commitment to making investments that don’t just deliver returns but also create meaningful impact for Scotland’s economy and environment.



Risk Management and Conflicts Committee Report continued

Key policies and frameworks

Work was carried out during the year to implement an overarching policy framework, establishing clear governance for the Bank's policies. Rather than viewing policies as mere compliance documents, we've approached them as critical guardrails that enable confident decision-making.

The Committee reviewed a number of key policies and reports, including:

- ◆ The Ethical Investment Policy (annual review).
- ◆ The Whistleblowing Policy.
- ◆ Key compliance policies supporting the FCA Application.
- ◆ The Money Laundering Reporting Officer's annual report.
- ◆ New or materially changed policies, including Change Management, Model Risk and the Media & Social Media policy.

Each review was conducted with an eye toward practical application – ensuring these policies serve as useful tools in the day-to-day running of the Bank.

Looking ahead

The year ahead will bring both challenges and opportunities. Our focus will be on:

1. Further embedding our risk frameworks, not just in processes but in the Bank's culture.
2. Further strengthening our model risk approach – ensuring that the tools we use to make decisions are themselves robust.
3. Monitoring the performance in relation to the Bank's Carbon Management Plan commitments and enhancements to its climate-related frameworks and processes
4. Supporting the Bank's strategic priorities around ScotWind – a transformative opportunity that comes with its own risk profile.

Summary

There has been a lot of progress made in the year. However, we must stay vigilant in managing our risks. The Committee remains dedicated to asking tough questions, challenging assumptions, and ensuring our risk capabilities grow in pursuit of the Bank's strategy. I believe the ongoing enhancements to our approach to risk will help us handle future uncertainties while staying true to the pursuit of our missions.

Jacqueline Redmond
**Chair of the Risk Management
and Conflicts Committee**

Remuneration and Nominations Committee Report



I am pleased to present the Directors' Report on Remuneration for the period ended 31 March 2025, which is made up of two key sections: this Committee report, and secondly, the Annual Report on Remuneration on pages 98 to 109.

The Committee assists the Board in respect of two primary areas, to oversee (a) the management of pay and reward practices across the Bank and making recommendations to the Board (and Scottish Ministers), in relation to the development and implementation of pay and reward framework, policies and practices that align with the Bank's long-term strategy and values, and (b) (where applicable, with the agreement of the Scottish Ministers) Board composition, Board and executive succession planning, and talent management. Its key responsibilities, therefore, include:

1. Advising and making recommendations to the Board and Scottish Ministers on succession planning and nominations processes for appointments to the Board and the Committees.
2. Overseeing succession planning and development plans for the Executive Committee and other key roles within the Bank, and the Board (with agreement of the Scottish Ministers as applicable).

3. Overseeing the Group's hiring and resource planning.
4. Overseeing the development and implementation of remuneration policy and practices, including approving the remuneration for members of the Executive Committee.
5. Setting of performance conditions and evaluating associated reward.
6. Overseeing the operation of the Bank's Long Term Incentive Plan (LTIP) and Mission Contribution Reward Scheme (MCRS) including allocations made in accordance with agreed rules.
7. Overseeing and monitoring equality, diversity, and inclusion initiatives related to our people.
8. Overseeing design and implementation of employee benefits and employment policies, taking account of fair work framework and equality, diversity and inclusion principles.
9. Consideration of matters related to the Bank's people, culture and the wellbeing of our people.
10. An annual review of the Committee's effectiveness and review of its Terms of Reference.

You can find a copy of the Committee's Terms of Reference at www.thebank.scot.

Membership

I am joined by two highly experienced Non-Executive Directors with diverse backgrounds, skills and experience:

- ◆ **Carolyn Jameson**
- ◆ **Jonathan Taylor**

During the year, Candida Morley stepped down from the Committee on 1 November 2024 to take up a role as member of the Investment Oversight and Valuations Committee on the same date. Jonathan Taylor joined the Committee on 1 November 2024, having stepped down from the Investment Oversight and Valuations Committee on the same date. Jonathan brings valued development bank experience to the Committee from his prior role as Vice President and Management Committee



Remuneration and Nominations Committee Report continued

Member of the European Investment Bank. Carolyn continues to hold the position of Non-Executive Director for workforce engagement and met with the employee-representative group (Team Voice) twice during the year. This appointment supports the Committee's insight into the culture of the Bank.

The Chief Executive Officer and Chief People Officer have been invited to attend Committee meetings, except for matters related to their own remuneration or development. The Bank's Company Secretary is Secretary to the Committee.

Committee meetings and activities during the year

The Committee meets at least four times a year, with meetings coordinated to support key deliverables in the pay and reward cycle. In the year, the Committee met seven times, which included three ad hoc meetings to address specific matters, such as equality initiatives and setting performance conditions.

Supporting our team

This has been another year of evolution and learning for the Bank, during which it has further embedded frameworks and processes (including its pay and reward processes and people plans). The Bank has continued to develop its strategy to deliver on the Bank's missions and the Investment team has continued to add to its investment portfolio whilst managing a growing portfolio of companies through a period of significant economic and social challenges.

The Committee continues to recognise the impact of these challenges both in terms of delivery of the Bank's Business Plan objectives and the morale, well-being, and retention of our people. The ability to attract and retain a talented and skilled workforce is clearly critical to achieving our missions and the employee engagement surveys and views of Team Voice provide key insight on that. The Committee has sought to understand the factors that the team perceive as important for engagement and we report the results of the people survey. Whilst remuneration is clearly a key consideration, value is critically placed

on the Bank's culture, support for flexible working arrangements and on career development with opportunities for learning and personal growth particularly high on the agenda.

The Bank has engaged WorkL for the first time this year, for an independent people survey and better insight on how we compare to industry benchmarks. The response rate was 87% with an overall engagement score of 78% which is 7% higher than the industry average. The survey results continue to reflect the strong, positive, organisational culture we have built and reinforce the need that it be continuously developed given the highly competitive market for skills and experience essential to the Bank's success.

The Bank has invested time this year defining a people proposition – people 'promises' – centred on our purpose and missions and based on employee feedback. These people promises underpin the Bank's people strategy and people plan and remain a priority focus for the Committee to monitor. In support of this, the Bank has already taken action in the following areas:

Flexible working

Introduced "Balance" guidance on flexible and hybrid working to embed the Bank's approach to providing a flexible and inclusive place to work. This approach has been positively received by teams across the business, reflected in our people survey results. In 2024, 82% of the Bank team reported that they are happy with the hours they work.

Leadership

During the year, the Bank launched a Purposeful Leadership programme for all people leaders. This programme emphasised the importance of aligning individual leadership styles with the Bank's broader objectives and furthering a positive, inclusive culture at all levels of the organisation. All people leaders at the Bank have participated in this programme over the last year.

Learning

During the year, the Bank developed its learning proposition, providing access to resources and support, promoting continuous learning and growth. This also included career frameworks to provide clear development paths for progression.

A key priority for the Committee has been to monitor and oversee the Bank's equality, diversity and inclusion reporting and initiatives directed towards achieving a better understanding and response to some of the societal challenges. Other priorities during the year included, continued embedding of the Bank's values, development of new employment policies and practices recognising the ongoing maturation of the Bank and the sector that it operates within as well as monitoring leadership development.

The Committee continues to pay close attention to recruitment and retention data.

Remuneration

Oversight of remuneration across the Bank remains at the forefront of the Committee's agenda. In the period, the Committee took the following decisions or recommended them for approval to the Board:

- ◆ The pay out level of the FY24/25 LTIP for eligible employees based on assessing performance against the performance conditions agreed by the Bank with the Shareholder (performance period: 1 April 2024 to 31 March 2025).
- ◆ Setting the performance conditions for the FY25/26 LTIP and agreeing those with the Shareholder.
- ◆ Approving the FY24/25 MCRS award for eligible employees.
- ◆ Implementing the Public Sector Pay Review effective 1 April 2024.
- ◆ Remuneration proposals for staff members.

Following detailed consideration of evidence, the Committee is of the view that the Bank has met at least the threshold level of performance against the majority of performance targets in a challenging economic environment.

Full details of the LTIP and MCRS awards can be found in the Annual Report on Remuneration. The Committee continues to benefit from the valuable input from other Board committees in both setting performance conditions and critically evaluating evidence of delivery for the performance period, including that assessed by independent auditors. It works closely with other committees on expertise relevant to their respective remits. I would like to record my formal thanks to those committees.

The Committee also approved the Bank's pay award and pay progression for FY24/25, providing an overall average increase of 4.9% for eligible employees. The Committee took into account the Scottish Government pay settlement for the same period, as detailed in the Remuneration Report. Within the context of public sector ownership, our pay and reward framework aims to motivate and reward individual and corporate performance, as well as attract and retain highly skilled and experienced people across the Bank. The Committee will continue in FY25/26 to review the Bank's remuneration policies and practices and make appropriate recommendations to the Board and Scottish Ministers to ensure the stated aims continue to be met in a changing market environment.

People policies

The Committee considered amendments to some of the key people policies during the year.

Employee benefits

In response to employee feedback the Bank has been taking steps to benchmark existing employee benefits and incentives to comparable organisations. The initial analysis has identified some key areas to explore further and the Committee will review these recommendations in the coming year.



Remuneration and Nominations Committee Report continued

Succession planning

Board succession planning remained a key focus for the Committee during FY24/25. The Committee supports the Board, and the Scottish Ministers, advising on the composition and nomination processes of the Board and the committees. During the year, the Committee made recommendations on changes to the Board Committee compositions and the re-appointment of four of the independent Non-Executive Directors in advance of the expiry of their initial four-year tenure.

The re-appointment of Candida Morley as the Board's Senior Independent Director and Jason McGibbon, Nicholas Moon and me as Non-Executive Directors for a further four years, to November 2028, was confirmed by the Scottish Ministers in October 2024. The Committee's recommendations on changes to committee composition took account of Directors' tenures, Board diversity and Director development. The resulting changes were agreed by the Board and implemented during the year, as set out in the relevant committee reports.

The Board's succession plan is reviewed regularly and will continue to be a key focus for FY25/26. As referenced earlier in this Annual Report on page 56, Candida Morley, our Senior Independent Director has resigned with effect from 8 August 2025 to pursue a full-time course of studies and Al Denholm, our CEO, has announced his intention to retire. The Board has agreed to appoint Carolyn Jameson as the Senior Independent Director with effect from 9 August 2025. Separately a search has already begun for Al's successor. On behalf of the Committee, I would like to thank Candida for her contribution to the Bank since launch and to thank Al for his contribution, leadership and support through his tenure.

In the year, the Committee also reviewed the succession plans for other members of the Executive Committee and other key roles within the Bank. It continually reviews the Bank's internal talent development framework to develop a pipeline of potential future leaders.

Equality, diversity and inclusion

We are focused on ensuring an inclusive and equitable culture. During the last 12 months, the Bank has carried out significant engagement with external stakeholders to review the Bank's four year Equality Strategy, initially launched in November 2022. To support the Equality Strategy, the Bank also has a detailed equality plan, including initiatives designed to progress the equality outcomes set out therein. This includes focus and commitment to equality, diversity, and inclusion for all people across internal Bank activities, practices and policies as well as monitoring and supporting our investee companies on their key equality, diversity and inclusion deliverables.

With the aim of providing assurance over the design and effectiveness of the Bank's key controls relating to equality, diversity and inclusion, an internal audit review was undertaken in the second half of the year. The audit was rated as providing 'substantial assurance', recognising the work that has already been undertaken and a small number of relatively minor best practice enhancements that can be made.

The Bank continues to create important employment and mentoring opportunities working in partnership with Career Ready, Black Professionals UK, Saltire Scholar Programme and Women in Banking & Finance.

Gender pay gap

The Bank remains uncomfortable with the current gender pay gap. The Committee supports the focus and significant action the Bank has taken this year in seeking to improve this gap; however, many of these measures are longer term in nature and it will therefore take some time to reflect tangible progress. For example, the Bank has focused on creating and promoting more flexible working opportunities and developing internal talent which has resulted in 70% of promotions in the year being female. More immediate actions have included improving the Bank's approach to inclusive recruitment and adopting best practice recommendations to maximise the diversity of candidate pools.

We are seeking to proactively manage the gap through use of internal targets which will ensure continued focus and progress. The Committee monitors and challenges progress against the plan developed to reduce the gap and, over the performance period, held an additional meeting in order to review detailed analysis of the gender pay gap across different cross-sections of the workforce to evaluate the appropriateness of targets. During the year, the Committee also held a joint-session with the Executive Committee to discuss the plan and targeted action in this area. The Committee will continue to assess whether the targets set are sufficiently stretching and realistic and we are not complacent about the time and effort that it will take to materially reduce the gap.

The Bank is a signatory to the Women in Finance Charter which involves setting and publishing internal targets for gender diversity in senior management. The Bank submitted a report on this target to HM Treasury in the first half of 2024 and will report on progress by 30 September 2025 and, thereafter, annually.

Ensuring that the pay of the senior executive team is linked to delivery against these gender diversity targets is also a requirement of the charter. The Bank has included this within the 25/26 performance conditions, as it did last year, and each Executive Committee member will also have a specific performance objective in relation to progress towards the Bank's published equality outcomes and gender diversity targets.

In the year ahead the Committee will closely monitor the implementation of the revised Equality Strategy and progress against the FY25/26 Equality, Diversity and Inclusion Action plan with a continued objective of improving gender balance in senior positions and reducing the gender pay gap.

FY25/26 Performance Conditions

For the year ending 31 March 2026, performance conditions reflect the following strategic themes as set out in the Business Plan.

- ◆ Demonstrating and enabling impact, including progress towards achieving the Bank's published equality outcomes.
- ◆ Delivering investment.
- ◆ Targeting financial self-sustainability.
- ◆ Enabling private sector investment and partnerships.
- ◆ Realising the potential of our people.

The Committee will also continue to pay close attention to the Bank's progress in achieving the above.

Tracey Ashworth-Davies
Chair of the Remuneration
and Nominations Committee



Annual Report of Remuneration

Non-Executive Director remuneration

The appointment and remuneration of the Chair of the Bank and Non-Executive Directors is agreed by Scottish Ministers, with regard to the daily fee framework of the Scottish Government’s Pay Policy for Senior Appointments. Fees paid reflect the time commitment anticipated for each role:

Component	Operation and Implementation
Base Fee	Non-Executive Directors are entitled to receive from the Bank a fee of £850 for every day committed to performing their functions, on a pro rata basis, up to a maximum total fee of £21,250 per year (25 working days).
Committee Chair Fees	The daily fee rate for the Senior Independent Director and Committee chairs is £850 per day, up to a maximum total fee of £25,500 per year (30 working days).
Chair Fees	The Chair is entitled to receive from the Bank a fee of £1,250 for every day committed to performing their function on a pro rata basis, up to a maximum total fee of £60,000 per year (48 working days).

Non-Executive Directors do not receive any pension, benefits or long-term incentives.

Non-Executive Director Fees paid in period to 31 March 2025

Name	Role	No. Days Paid	Total Payment FY24/25	Total Payment FY23/24
Willie Watt	Chair of the Board	48	£60,000	£60,000
Candida Morley	Senior Independent Director, Non-Executive Director	30	£25,500	£25,500
Tracey Ashworth-Davies	Chair of the Remuneration and Nominations Committee, Non-Executive Director	30	£25,500	£25,500
Peter Knott	Chair of the Audit Committee, Non-Executive Director	30	£25,500	£25,500
Jacqueline Redmond	Chair of the Risk Management and Conflicts Committee, Non-Executive Director	30	£25,500	£25,500
Gary Page ¹	Chair of Scottish Investments Limited, Non-Executive Director	28	£23,375	£4,250
Jason McGibbon ²	Chair of Investment Oversight and Valuations Committee, Non-Executive Director	28	£23,732	£21,250
Nicholas Moon	Non-Executive Director	25	£21,250	£21,250
Jonathan Taylor	Non-Executive Director	25	£21,250	£21,250
Carolyn Jameson	Non-Executive Director	25	£21,250	£21,250

1. Appointed as a Director of the Company on 1 February 2024 and as Chair of the subsidiary, Scottish Investments Limited, on 1 October 2024, from which date fees capped at 30 working days. 2. Appointed as Chair of the Investment Oversight and Valuations Committee on 1 September 2024, from which date fees capped at 30 working days.



Annual Report of Remuneration

Executive Director remuneration

Executive Directors receive remuneration in the form of an annual salary and receive 12% Employer’s pension contribution. The pay and reward framework for the Bank was developed with the input of reward specialists, Korn Ferry, and underpinned using Hay job evaluation methodology. Executive Directors received the public sector pay award and pay progression in line with that applied for all Bank employees, as described below. The pay ranges for Executive Directors were reviewed in FY24/25 to take into account public sector pay award where appropriate (i.e. where they had not been reviewed in the previous 12 months). Following approval from our Remuneration Committee eligible executive pay ranges were increased by 2% on 1 April 2024, and by a further 1% on 1 January 2025.

The Committee reviews and approves individual salaries for Executive Directors based on the pay and reward framework which has been agreed.

On a discretionary basis, Executive Directors are eligible to participate in the Bank’s Long Term Incentive Plan (LTIP) which is directly linked to delivery of the Bank missions and objectives. Performance conditions are 100% corporate and agreed for each new LTIP performance period, as part of the annual business planning approval process.

The LTIP scheme encourages long-term sustainable performance by deferring a proportion of allocations and making them subject to sustained future performance in accordance with LTIP scheme rules.

Remuneration for the Period from 1 April 2024 to 31 March 2025 (Audited)

Name	Period	Annual salary	Salary paid	Employer’s pension paid	Total fixed pay	LTIP	Total
Al Denholm Chief Executive Officer	01/04/2024 to 31/03/2025	£240,000	£240,000	£28,800	£268,800	£75,000 ¹	£343,800
Michael Robertson Chief Financial Officer	01/04/2024 to 31/03/2025	£176,138	£174,900	£20,988	£195,888	£43,724 ²	£239,612

1. Al Denholm’s LTIP amount includes payment due in August 2025 (£37,500), deferred payment due August 2026 (£18,750) and August 2027 (£18,750) subject to sustained performance conditions. 2. Michael Robertson’s LTIP amount includes payment due in August 2025 (£21,862), deferred payment due August 2026 (£10,931) and August 2027 (£10,931) subject to sustained performance conditions.

Remuneration for the period from 1 April 2023 to 31 March 2024 (Audited)

For the period 1 April to 30 April 2023, Sarah Roughead – Chief Financial Officer, acted in an interim capacity as Chief Executive Officer. Al Denholm was appointed Chief Executive Officer on 1 May 2023.

Name	Period	Annual salary	Salary paid	Employer’s pension paid	Total fixed pay	LTIP	Total
Sarah Roughead Interim Chief Executive Officer	01/04/2023 to 30/04/2023	£205,000 ¹	£87,447 ²	£10,052	£97,499	N/A	£97,499
Executive Director	01/05/2023 to 07/12/2023	£183,216					
Al Denholm Chief Executive Officer	01/05/2023 to 31/03/2024	£240,000	£220,000	£26,400	£246,400	£88,902 ³	£335,302
Michael Robertson Interim Chief Financial Officer	01/04/2023 to 15/10/2023	£153,700	£158,930	£19,072	£178,002	£51,289 ⁴	£229,291
Chief Financial Officer	16/10/2023 to 31/03/2024	£165,000					

1. Sarah Roughead received a pro-rated non-pensionable acting up allowance of £3,683 for the period 1 to 30 April 2023 (£44,200 per annum). 2. Sarah Roughead worked part time from 15/05/2023 to 07/12/2023 - her salary paid reflects a reduction in base pay to 57.14% FTE. 3. Al Denholm’s LTIP amount includes payment due in 2024 (£44,451), deferred payment due 2025 (£22,226) and 2026 (£22,226) subject to sustained performance conditions. 4. Michael Robertson’s LTIP amount includes payment due in 2024 (£25,644), deferred payment due 2025 (£12,822) and 2026 (£12,822) subject to sustained performance conditions.

Payments to past Directors (Audited)

There are no payments to former directors (2024: nil).

Payments for Loss of Office (Audited)

No payments were made for loss of office during the period (2024: nil).



Annual Report of Remuneration continued

Principles of Remuneration Policy

The Bank has adopted a transparent, inclusive and sustainable approach to reward. Our pay and reward framework links individual and corporate contribution to delivery of the missions. Key components of our reward framework include:

Base Salary	<p>The Bank’s pay ranges have been developed on the basis of the following principles:</p> <ul style="list-style-type: none">◆ A 10-grade structure covering all Bank roles◆ Grades based on job size using Hay job evaluation methodology◆ Target salaries were derived from the Korn Ferry ‘All Organisations Scotland’ median and reviewed annually in accordance with public sector pay awards◆ A minimum and maximum salary is set 15% either side of the target salary for each pay range◆ Individual and job family pay ranges are adopted for Executive team and specialist risk and investment job families. Premia applied to these ranges are based on UK market differentials
Performance Management	<p>Individual objectives are directly linked to Bank corporate goals to allow every individual to contribute directly to delivering the Bank’s missions.</p>
Mission Contribution Reward Scheme (MCRS)	<p>The MCRS allows employees the opportunity to be recognised for their contribution to the achievement of the Bank’s missions.</p> <p>The MCRS is a discretionary, non-contractual scheme, open to all employees who are not eligible to participate in the Long-Term Incentive Plan (LTIP) scheme.</p> <p>As a prerequisite for any award to be made, the Bank must have delivered on its corporate mission aligned objectives. The Bank’s Remuneration and Nominations Committee pays out a total allocation for awards subject to affordability and achievement of the Bank’s mission aligned objectives.</p> <p>Payments will be differentiated based on individual performance and values ratings. The maximum award that any individual can receive under the scheme is capped at one month’s salary.</p>

Long Term Incentive Plan (LTIP)	<p>The LTIP is a key component of the Bank’s Total Reward approach to pay and reward. The LTIP is designed to ensure that compensation for members of the Bank’s Executive team and eligible roles in the Investment job family is directly linked to delivery of the Bank missions and objectives.</p> <p>The LTIP scheme encourages long-term sustainable performance by deferring a proportion of allocations and making them subject to sustained future performance in accordance with LTIP scheme rules.</p> <p>The key features of the LTIP are set out below:</p> <ul style="list-style-type: none">◆ Performance conditions are 100% corporate and agreed between the Bank Board Chair and Ministers for each new LTIP performance period, as part of the annual business planning approval process◆ Maximum percentage pay-out opportunity defined by grade and role◆ 75% of maximum set as the percentage for on-target performance◆ A one-year performance measurement period and a further sustained performance period of two years◆ Awards are paid out in three instalments (50% at the end of the initial performance period and 25% each after a further 12 months and 24 months, subject to satisfactory sustained performance)◆ Malus and claw back provisions apply◆ Granting of awards and allocations is at the discretion of the Bank’s Remuneration and Nominations Committee
Pension	<p>12% employer pension contribution to a defined contribution pension scheme subject to the minimum employee contribution of 1%.</p>
Loss of office payments	<p>The Bank does not offer any contractual terms for loss of office. The Bank reserves the right to make payment in lieu of notice where this is deemed to be in the interest of the Bank. Any termination payments would be in accordance with the Scottish Public Finance Manual.</p>
New Executive Director Remuneration	<p>Remuneration for any new Executive Director appointment is in accordance with the Bank’s pay and reward framework and within the pay ranges determined for each role. Executive Director remuneration is approved by the Remuneration and Nominations Committee.</p>



Annual Report of Remuneration continued

LTIP performance conditions Financial Year 24/25

Performance conditions for the performance period from 1 April 2024 through to end March 2025 were approved by the Board and Ministers. The performance conditions set were challenging targets reflecting the high ambitions of the Bank’s Board and stakeholders.

In assessing whether the performance conditions had been met for this initial period, the Remuneration and Nominations Committee considered the performance indicators below.

Eligible employees in role by 1 January 2025 in the Executive and Investment team family participated in the FY24/25 LTIP scheme.

Based on careful consideration of performance against the 2024-2025 LTIP performance conditions, and in accordance with the scheme rules, the Remuneration and Nominations Committee concluded that a pay-out of 62.5% (2024: 80.7%) of maximum would be awarded to eligible participants. This was based on achieving the threshold level of performance, or higher, on six out of eight performance conditions and taking into account other important achievements in year. The Remuneration and Nominations Committee also approved the release of sustained performance payments relating to FY22/23 and FY23/24 LTIP to eligible participants having satisfied itself that the relevant conditions had been met in accordance with the LTIP scheme. The Bank’s performance against FY24/25 corporate objectives is included in the balanced scorecard section on pages 14 to 18.

Mission Contribution Reward Scheme

Employees in role by 1 January 2025 with qualifying performance and values assessment were paid under the Mission Contribution Reward Scheme (MCRS) for the period 1 April 2024 to 31 March 2025. The table below summarises payments under the scheme for the FY 24/25. Please note the MCRS is not open to those eligible for LTIP.

Number of Eligible Employees	Average % Award	Average Payment
44	6%	£3,771

Employee remuneration

The Bank’s pay ranges, split by gender of employees in position effective 31 March 2025:

	No. Employees Base Salary		No. Employees Total Compensation	
Compensation	Female	Male	Female	Male
£250,001 +	0	0	0	1
£200,001 – £250,000	0	1	3	4
£150,001 – £200,000	3	4	2	5
£100,001 – £150,000	9	16	11	14
£50,001 – £100,000	26	13	24	10
£0 – £50,000	11	2	9	2



Annual Report of Remuneration continued

As at 31 March 2025:

Employee Contract Basis	Number of Employees
Permanent	76
Fixed Term Contract	9

The median remuneration of the Bank’s employees based on annualised, full-time equivalent remuneration of all staff including LTIP and MCRS as at 31 March 2025 was £96,241. The range of full-time equivalent employee remuneration including LTIP and MCRS was £26,000 to £315,000 at 31 March 2025, and the ratio between the median employee remuneration and the mid-point of the banded remuneration of the highest paid director including LTIP and MCRS was 1 : 3.1

425 days were lost to sickness absence in the period, an average of 5 per employee. Staff turnover excluding consultants and secondees but including fixed term contractors in the period was 12%. Regretted turnover for the period was 11%.

In the year the Bank engaged seven temporary contractors to address specific short-term requirements; costs totalled £236,773 (2024: £335,343). A key focus of the Bank since launch has been to minimise the use of contractors. At 31 March 2025, two contractors were engaged by the Bank; one of whom was engaged on a full time basis, the other for three days per week. Both were engaged for specific short-term projects of six months or less. In addition, the Bank works with an inward secondee from our legal partners to provide additional support on a temporary basis.

Gender pay

The mean gender pay gap as at 31 March 2025 was 26.5% in favour of males (2024: 26.3% in favour of males), the median gender pay gap as at the same date was 30.5% in favour of males (2024: 30.9% in favour of males).

Here is how we compare externally:

	Mean	Median
Bank	26.5%	30.5%
UK – financial services	30.5%	29.8%
Scotland – financial services	22.3%	31.7%
Scotland – all occupations	8.3%	9.2%

Source: Gender pay gap – Office for National Statistics.

Our gender pay gap reflects:

- ◆ A higher number of females in more junior positions at Grades 7-9
- ◆ A higher number of males in our most senior roles at Grades 1-4

Despite the positive action that has been taken in the last 12 months, this is not where the Bank wants to be; we are committed to improving our gender pay gap through our actions in a number of ways in the coming year.

Overall, the Bank has a good gender balance with females representing 58% of the Bank-wide team. However, like other financial services and investment companies there is more we must do to improve gender balance across all grades, rather than solely at a Bank-wide scale.

Improving our gender pay gap

To fully close the gender pay gap, all levels within our organisation must be gender balanced, particularly at the senior and junior grades. This is challenging in the short-term as a small organisation with a low volume of recruitment, however, we are committed to improving this through each opportunity we have whilst also taking sustainable actions for the longer term. We recognise the importance of creating an equally represented pipeline of talent in the Bank’s junior grades. It is important for us to continue to hire women into more junior positions to develop a future pipeline of internal female talent and start to reverse the long-term under-representation of women in financial services.

However, this talent pipeline will take time to grow, and we are determined to take action in the shorter term as well to attract more female candidates when senior roles become available. To address the representation of women in senior leadership positions, we have made a public commitment by becoming a signatory to the Women in Finance Code, with a target of 40-50% of our senior roles being held by women by 2026. This represents a small number of roles given our small organisational size.

In the Bank’s initial four years, our efforts have focused on creating an inclusive workplace culture and conditions that enable everyone in our organisation to achieve success and thrive in a sector where women have traditionally been under-represented. This includes implementing flexible working arrangements, promoting inclusive recruitment practices, encouraging female talent to take up opportunities, and supporting forums to exchange experiences and ideas to drive change. We have also linked our senior management performance and reward framework to progress in this area. Corporate performance goals are linked to annual reward schemes which includes specific actions to support our equality outcomes and gender diversity commitments.

These initiatives provide a strong foundation. We continue to challenge ourselves on how we can achieve gender balance across our grades, and therein reduce our gender pay gap.

Our gender pay gap plans have been incorporated in our overall Bank Equality Plan for 25/26.

Our people survey results tell us that we are creating a unique culture, one where inclusion and flexibility is valued. We will continue to build on this inclusive and flexible culture through our ambitious people strategy and plans to attract and retain talent, not just our senior roles but all roles across the Bank.

Our representation as at 31 March:

	Female	Male
Board (Executive & Non-Executive Directors)	33%	67%
Executive Committee	33%	67%
All Employees	58%	42%



Annual Report of Remuneration continued

Percentage changes in CEO and colleague pay

Pay awards were made to eligible employees, in line with Public Sector Pay Policy, effective 1 April 2024. Key features:

- ◆ Basic pay increase of 2% effective 1 April 2024
- ◆ Basic pay increase of 1% (of 31 March 2024 salary) effective 1 January 2025

Eligible employees also received pay progression – progression through pay ranges specific to the Bank. Those in place prior to 1 October 2023 received an increase effective 1st April 2024 (excluding those who saw an in-year increase e.g. if promoted in year). Pay progression was made on the basis of a matrix system, taking into account both individual performance and relative position within the associated pay range.

Progression for those who met expectations was capped at band range target, while progression for those who exceeded or consistently exceeded expectations was capped at the band maximum.

Public Sector Pay Policy and Pay Progression for FY25/26 will be implemented effective 1 April 2025 for eligible employees.

Pay ratio of the CEO’s total remuneration compared to other colleagues at 31 March 2025

The table below sets out the ratio between the CEO’s total single figure of remuneration and the total remuneration at the lower quartile position, median and upper quartile position for all other employees when ranked lowest to highest.

There are three methods to calculate the CEO pay ratio – Option A, Option B, or Option C; we elected to use the preferred method of Option A. Option A is considered to produce the most statistically accurate results as it compares CEO total remuneration to that of all UK employees on a full-time equivalent basis (as opposed to pro-rated comparisons, or statistical sampling of employee groups), enabling a more transparent comparison.

The elements of remuneration used for this calculation were as follows:

- ◆ Full-time-equivalent (FTE) salary as at 31 March 2025
- ◆ Total Mission Contribution Reward Scheme awarded or total LTIP awards payable in respect of the year ended 31 March 2025
- ◆ Total employer pension contribution (calculated as the % in payment as at 31 March 2025 and applied to FTE salary)

Upon ranking from lowest to highest, the lower quartile, median, and upper quartile employees were identified. The CEO total remuneration was divided by the total remuneration of each of these employees to obtain the below pay ratios:

Year	Method	Lower Quartile Pay Ratio	Median Pay Ratio	Upper Quartile Pay Ratio
2022	Option A	1:6	1:4	1:2
2023	Option A	1:5	1:3	1:2
2024	Option A	1:4	1:3	1:2
2025	Option A	1:5	1:3	1:2

In FY24/25 we have seen a steadiness in the upper and median quartile CEO pay ratios compared to FY23/24, however, the lower quartile pay ratio has increased slightly – this is due to a proportionally larger increase in headcount in lower grades, in addition to our intake of three modern apprentices.



Statement of Directors' and Accountable Officer Responsibilities in respect of the Annual Report and the Financial Statements

The Directors and Accountable Officer are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors and Accountable Officer to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM) and in accordance with the requirements of the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors and Accountable Officer are required to:

- ◆ Select suitable accounting policies and then apply them consistently.
- ◆ Make judgements and estimates that are reasonable, relevant and reliable.
- ◆ State whether they have been prepared in accordance with UK adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM).
- ◆ Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- ◆ Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic and Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Scottish Government has appointed the Chief Executive Officer as Accountable Officer of the Scottish National Investment Bank group.

The Accountable Officer is personally responsible for the propriety and regularity of the body's public finances and ensuring that its resources are used economically, efficiently and effectively. This includes compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual, and the Framework Document defining the key roles and responsibilities which underpin the relationship between the body and the Scottish Government.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Al Denholm
Chief Executive Officer
11 August 2025



Independent Auditor's Report



Independent Auditor's Report

Independent auditor's report to the members of Scottish National Investment Bank plc, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish National Investment Bank plc (the "Company") for the year ended 31 March 2025 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2020. The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Taxpayers' Equity, the Consolidated Cash Flow Statement, the Company Statement of Financial Position, the Company Statement of Changes in Taxpayers' Equity, the Company Cash Flow Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the "2024/25 FReM").

In our opinion:

- ◆ the accompanying financial statements give a true and fair view of the state of affairs of the Company and its Group as at 31 March 2025 and of the Group loss for the year then ended;
- ◆ the accompanying Group financial statements have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by the 2024/25 FReM;

- ◆ the accompanying parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006 as interpreted and adapted by the 2024/25 FReM; and
- ◆ the accompanying financial statements have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and the Companies Act 2006.

Basis for opinion

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 14 April 2023. Our period of appointment is five years covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment is five years. We are independent of the Company and its Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Group. Allowable audit related non-audit services provided in the period relate to the CASS audit for Scottish Investments Limited, the Company's FCA regulated subsidiary. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern basis of accounting

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

Our evaluation of the assessment by the directors of the ability of the Company and its Group to continue to adopt the going concern basis of accounting included using our knowledge of the Group, industry and the general economic environment to identify the inherent risks to the business model, and analysed how those risks might affect the ability to continue operations over the period of at least 12 months from the approval of the financial statements. Since the Company and Group require financial support from the Scottish Government, we assessed the risk of this support being withdrawn. We inspected a letter received by the directors indicating the Scottish Government's intention to provide support and assessed the business reasons for and against continuing support. We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern. Based upon the work we have performed, we found the going concern disclosure in note 2 to be acceptable.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Company or its Group 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.

In relation to the reporting by the Company on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the statement by the Accountable Officer and directors in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the Company or its Group. However, we report on the Company's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Our approach to the audit

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report continued

Key audit matter	How our scope addressed this matter
<p>As at 31 March 2025, 96% (2024: 97%) of the Group's total assets (by value) are investments where no quoted market price is available and are therefore subject to inherent estimation uncertainty in determining their valuation.</p> <p>The primary factors considered in assessing which unlisted investments were subject to significant risk included the quantum of the individual investment, time since funding round, performance of the investment, nature of the asset held as well as the estimation uncertainty of the methodology and inputs used.</p> <p>Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines, by using measurements of value such as prices of recent orderly transactions, milestone analysis, discounted cash flows, earnings multiples, and valuing fund interests by reference to their reported net asset value.</p> <p>We assessed that there is a significant risk associated with this matter due to the quantum of the balance, and the level of judgement associated with certain unobservable inputs. Therefore this is one of the key areas that our audit has focused on.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that certain of the unlisted investments are subject to significant estimation uncertainty in determining their valuation with a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed substantive procedures prescribed:</p> <ul style="list-style-type: none">◆ Methodology choice: In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected.◆ Our valuations experience: We challenged the directors on key judgements affecting investee company valuations, such as the choice of benchmark for earnings multiples where relevant, their consideration of milestones and analysis of progress against these, credit risk assessments and use of appropriate discount rates. We compared key underlying financial data inputs to external sources, investee company audited accounts where available and management information as applicable. We challenged the assumptions around maintainability of revenue or earnings based on the forecasts of the investee companies and whether these are achievable and we obtained understanding of performance against milestones. We challenged the key assumptions of credit ratings and credit spreads used to determine discount rates, used in the discounted cash flow valuations that determine fair values of loans. We consulted or involved KPMG credit risk and valuation specialists to assist the audit team in our work over certain aspects of the valuations where required. Our work included consideration of events which occurred subsequent to the period end up until the date of our audit report.◆ Comparing valuations: Where a recent transaction is used to value a holding, we obtained an understanding of the circumstances surrounding the transaction whether it was considered to be on an arms-length basis and suitable as an input into a valuation. We also assessed whether subsequent changes or events such as market or entity specific factors would imply a change in value.

Key audit matter	How our scope addressed this matter
The financial statements note 20 discloses the sensitivity estimated by the Group in respect of all the unlisted investments held.	◆ Assessing transparency: We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

Our application of materiality

Materiality for the Group financial statements as a whole was set at £14,900k (2024: £12,900k), determined with reference to a benchmark of total assets, of which it represents 2.4% (2024:2.5%). Materiality for the parent company financial statements as a whole was set at £14,600k (2024: £5,810k), which is the component materiality for the parent company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent company total assets, of which it represents 2.4% (2024: 1.1%). In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2024: 75%) of materiality for the financial statements as a whole, which equates to £11,100k (2024: £9,675k) for the Group and £10,900k (2024: £4,350k) for the parent company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk. We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £745k (2024: £645k) for the Group and £730k (2024: £291k) for the parent company, in addition to other identified misstatements that warranted

reporting on qualitative grounds. We identified Group level risks of material misstatement at both of the Company's reporting subsidiaries. The work on all components, including the audit of the parent company, was performed by the Group team. The Group team set the component materialities, which ranged from £7,450k to £14,600k (2024: £433k to £12,600k), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

Responsibilities of the Accountable Officer and directors for the financial statements

As explained more fully in the Statement of Directors' and Accountable Officer's Responsibilities, the Accountable Officer and directors are 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 they determine 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 and directors are responsible for assessing the ability of the Company 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.



Independent Auditor's Report continued

Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- ◆ Using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006 are significant in the context of the Company and its Group;
- ◆ inquiring of the Accountable Officer, Directors and senior management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Company and its Group;
- ◆ inquiring of the Accountable Officer, Directors and senior management concerning the Company's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- ◆ discussions among our audit team on 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 our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Company's and Group'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 our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the reporting on the audit of the financial statements section of our report, we are 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 Annual Report of Remuneration

We have audited the parts of the Annual Report of Remuneration described as audited. In our opinion, the audited parts of the Annual Report of Remuneration have been properly prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

Other information

The Accountable Officer and directors are responsible for the other information in the annual report and accounts. The other information comprises the Strategic Report, the Directors' Report, the Corporate Governance Statement and other reports included in the annual report and accounts other than the financial statements, the audited parts of the Annual Report of Remuneration and our auditor's report thereon.

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Strategic Report, and the Corporate Governance Statement to the extent explicitly stated in the following paragraphs.

Opinion prescribed by the Auditor General for Scotland on the Strategic Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic 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 directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Corporate governance statement

We have reviewed the statement by the directors and Accountable Officer in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken in the course of the audit, we have concluded that the Corporate Governance Statement for the financial year for which the financial statements are prepared has been prepared in accordance with the directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers, and that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- ◆ The statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified.
- ◆ The explanation by the directors and Accountable Officer as to their assessment of the prospects of the Group, the period this assessment covers and why they consider this period is appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.



Independent Auditor's Report continued

- ◆ The statement by the directors and Accountable Officer on fair, balanced and understandable.
- ◆ The confirmation from the directors and Accountable Officer that they have carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report and accounts that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated.
- ◆ The section of the annual report and accounts that describes the review of effectiveness of risk management and internal control systems; and
- ◆ The section describing the work of the audit committee.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements and the audited parts of the Annual Report of Remuneration are not in agreement with the accounting records; or
- ◆ we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Hannah Walsh, for and on behalf of KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

11 August 2025

Audited Financial Statements



Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

	Notes	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Income			
Investment income	4	34,541	19,269
Gross operating income		34,541	19,269
Net realised gains/(losses) on revaluation of investments	9	200	(8,000)
Net unrealised (losses) on revaluation of investments	9	(76,939)	(9,797)
Net operating income		(42,198)	1,472
Administrative expenses	5	(16,197)	(16,097)
Operating loss		(58,395)	(14,625)
Interest payable and similar expenses		(33)	(13)
Loss before taxation		(58,428)	(14,638)
Tax credit/(charge)	8a	2,875	(400)
Loss for the year		(55,553)	(15,038)

Notes to the Financial Statements form an integral part of the accounts.

Consolidated Statement of Financial Position

As at 31 March 2025

	Notes	31 March 2025 £'000	31 March 2024 £'000
Assets			
Non-current assets			
Investments	9	604,547	506,076
Property, plant and equipment	10	698	1,044
Deferred tax asset	8b	8,500	5,625
Total non-current assets		613,745	512,745
Current assets			
Trade and other receivables	11a	926	860
Cash and cash equivalents	12	15,450	6,109
Total current assets		16,376	6,969
Total assets		630,121	519,714
Liabilities			
Current liabilities			
Trade and other payables: amounts falling due within one year	13	2,961	2,485
Total current liabilities		2,961	2,485
Non-current liabilities			
Trade and other payables: amounts falling due after one year	14	928	1,073
Total non-current liabilities		928	1,073
Total liabilities		3,889	3,558
Equity			
Share capital	16	645,853	492,709
General fund	18	(19,621)	23,447
Total equity		626,232	516,156
Total equity and liabilities		630,121	519,714

Notes to the Financial Statements form an integral part of the accounts.

The accounts of the Group, parent company registration number SC677431, were approved by the members of the Board and authorised for issue on 11 August 2025 and were signed on their behalf by:

A. Denholm.

Al Denholm
Chief Executive



Consolidated Statement of Changes in Taxpayers’ Equity

Year ended 31 March 2025

	Notes	Share capital £’000	General fund £’000	Total equity £’000
Total equity at the start of the year		492,709	23,447	516,156
Loss for the year		–	(55,553)	(55,553)
Transactions with owners, recorded directly in equity				
Issue of shares	16	153,144	–	153,144
Grant in aid	17	–	12,485	12,485
Total equity at the end of the year		645,853	(19,621)	626,232

Year ended 31 March 2024

	Notes	Share capital £’000	General fund £’000	Total equity £’000
Total equity at the start of the year		279,157	20,751	299,908
Loss for the year		–	(15,038)	(15,038)
Transactions with owners, recorded directly in equity				
Issue of shares	16	213,552	–	213,552
Grant in aid	17	–	17,734	17,734
Total equity at the end of the year		492,709	23,447	516,156

Notes to the Financial Statements form an integral part of the accounts.

Consolidated Cash Flow Statement

For the year ended 31 March 2025

	Notes	Year Ended 31 March 2025 £’000	Year Ended 31 March 2024 £’000
Cash flows from operating activities			
Loss for the year before tax		(58,428)	(14,638)
Adjustments for:			
Depreciation, amortisation and impairment	10	326	136
Net realised loss on investments	9	–	8,000
Net unrealised fair value movement on investments	9	76,939	9,797
Fee income	4	–	(4,370)
Interest income	4	(9,528)	(3,609)
Capitalised interest and dividend income	4	(21,091)	(11,015)
Increase in trade and other receivables	11a	(66)	(22)
Increase / (decrease) in trade and other payables	13, 14	639	321
Net cash flow from operating activities		(11,209)	(15,400)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	–	(24)
Purchase of investments	9	(157,491)	(225,873)
Repayment of debt	9	3,172	3,829
Investment fee income	4	–	4,370
Interest income	4	9,528	3,609
Net cash from investing activities		(144,791)	(214,089)
Cash flows from financing activities			
Issue of new shares	16	153,144	213,552
Net grant in aid received in period	17	12,485	17,734
Payments of lease liability	15	(288)	(125)
Net cash from financing activities		165,341	231,161
Net movement in cash and cash equivalents		9,341	1,672
Cash and cash equivalents at start of the year		6,109	4,437
Cash and cash equivalents at end of the year	12	15,450	6,109

Notes to the Financial Statements form an integral part of the accounts.



Company Statement of Financial Position

As at 31 March 2025

	Notes	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Assets			
Non-current assets			
Investments	9	604,547	-
Investment in subsidiaries	9	-	-
Deferred tax asset	8b	8,500	-
Trade and other receivables	11b	-	513,198
Total non-current assets		613,047	513,198
Current assets			
Trade and other receivables	11a	403	-
Cash and cash equivalents	12	7,822	4,303
Total current assets		8,225	4,303
Total assets		621,272	517,501
Liabilities			
Current liabilities			
Trade and other payables: falling due within one year	13	316	-
Total liabilities		316	-
Equity			
Share capital	16	645,853	492,709
General fund	18	(24,897)	24,792
Total equity		620,956	517,501
Total equity and liabilities		621,272	517,501

Notes to the Financial Statements form an integral part of the accounts.

The accounts of The Scottish National Investment Bank plc, Company registration number SC677431 were approved by the members of the Board and authorised for issue on 11 August 2025 and were signed on their behalf by:

A. Denholm.

Al Denholm
Chief Executive

Company Statement of Changes in Taxpayers’ Equity

Year ended 31 March 2025

	Notes	Share capital £'000	General fund £'000	Total equity £'000
Total equity at the start of the year				
Loss for the year		-	(62,173)	(62,173)
Transactions with owners, recorded directly in equity				
Issue of shares	16	153,144	-	153,144
Grant in aid	17	-	12,484	12,484
Total equity at the end of the year		645,853	(24,897)	620,956

Year ended 31 March 2024

	Notes	Share capital £'000	General fund restated* £'000	Total equity £'000
Total equity at the start of the year				
Loss for the year		-	(13,001)	(13,001)
Transactions with owners, recorded directly in equity				
Issue of shares	16	213,552	-	213,552
Grant in aid	17	-	17,734	17,734
Total equity at the end of the year		492,709	24,792	517,501

*Grant in aid / loss for the year have been restated as a loss rather than netting against the grant in aid to reflect resource funding passed to subsidiary companies in order for them to undertake relevant operating activities on behalf of the Group. There is no change to total equity balances.

Notes to the Financial Statements form an integral part of the accounts.



Company Cash Flow Statement

For the year ended 31 March 2025

	Notes	Year Ended 31 March 2025 £'000	Year Ended 31 March 2024 Restated* £'000
Cash flows from operating activities			
Loss for the year before tax		(70,673)	(13,001)
Adjustment for:			
Net unrealised fair value movement on investments	9	74,927	-
Interest income		(5,797)	-
Capitalised interest income		(13,452)	-
(Increase) / decrease in trade and other receivables		2,889	-
Increase / (decrease) in trade and other payables	13	316	-
Net cash from operating activities		(11,790)	(13,001)
Cash flows from investing activities			
Loan to subsidiaries	11b	(43,639)	(216,350)
Purchase of investments	9	(111,548)	-
Payment for transfer of investments	11b	(3,292)	-
Repayment of debt	9	2,362	-
Interest income		5,797	-
Net cash from investing activities		(150,320)	(216,350)
Cash flows from financing activities			
Issue of new shares	16	153,144	213,552
Grant in aid received	17	12,485	17,734
Net cash from financing activities		165,629	231,286
Net increase / (decrease) in cash and cash equivalents		3,519	1,935
Cash and cash equivalents at start of year		4,303	2,368
Cash and cash equivalents at end of the year	12	7,822	4,303

*Loan to subsidiaries has been restated as cashflow from investing activities in line with accounting standard IAS 7. This was previously included as operating cash flows. There is no change to total cashflows.

Resource funding passed to subsidiaries has been restated as cashflows from operating activities, to reflect resource funding passed to subsidiary companies in order for them to undertake relevant operating activities on behalf of the Group. This was previously included as financing cash flows. There is no change to total cashflows.

Notes to the Financial Statements form an integral part of the accounts.

Notes to the Financial Statements

1. Corporate information

Scottish National Investment Bank plc (the Company) is a public limited company incorporated and domiciled in Scotland under the Companies Act 2006 whose shares are not publicly traded.

The Company registration number is SC677431. The registered address is Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG. The nature of the Bank’s operations and its principal activities are set out in the Strategic and Directors’ Reports.

The consolidated Financial Statements of the Bank for the year ended 31 March 2025 comprise the Financial Statements of the Company and its consolidated subsidiaries (collectively, the Group and interchangeably referred to as the Bank) in the Strategic and Governance Reports.

2. Significant accounting policies

Basis of preparation

The Financial Statements of the Group and Company have been prepared in accordance with UK-adopted international accounting standards and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM) and in accordance with the requirements of the Companies Act 2006 and directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers.

The Company has taken advantage of section 408 of the Act and consequently the Statement of Comprehensive Income (including the profit and loss account) of the parent Company is not presented as part of these accounts. The loss before tax of the parent Company for the financial period was £70,673k (2024: £13,001k).

The Financial Statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value or revalued amounts at the end of each reporting period in accordance with relevant accounting standards. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These Financial Statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

The preparation of Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is reassessed.

The principal accounting policies adopted, which have been applied consistently in the current financial year are set out below.

Going concern

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the approval of these Financial Statements. The Directors have made an assessment of going concern, taking into account the Group’s current performance and financial and operating outlook (which considered the impact of high inflationary environment) together with funding arrangements from its Shareholder, using information available up to the date of issue of the Financial Statements.

As part of this assessment the Directors considered:

- ◆ The £2 billion of capital committed to the Company for investment over 10 years from the Scottish Government.
- ◆ The continued commitment from Scottish Government to support the Group’s operational expenses in the medium term. The strategic objectives of the Company and resource to deliver the strategic objectives and operational infrastructure to support the delivery of these objectives.



Notes to the Financial Statements

- ◆ The operational resilience of the Company’s critical functions including its investment, governance, regulatory and IT systems.
- This assessment is dependent on the Scottish Government providing additional financial support during that period. The Scottish Government has indicated its intention to continue to make available such funds as are needed by the company for at least 12 months from the date of approval of these Financial Statements, subject to State Aid approval being in place. The Directors are confident based on knowledge of that process and indications received that this financial support will continue and, at the date of approval of these Financial Statements, they have no reason to believe that it will not.
- Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.
- Restructure of Group**
- During the year the Group went through a restructure, where the investments held by a subsidiary were transferred to parent company. Scottish Investments Limited transferred all the rights and obligations of its investment portfolio over to Scottish National Investment Bank plc.
- ◆ Transfer rationale: The restructure was part of a strategic reorganisation and to support long-term objectives of the Group with respect to seeking to manage or advise on third party capital subject to receiving any required FCA permissions.
 - ◆ The transfer was done at fair value and at nil gain nil loss to either entity.
 - ◆ The assets transferred included equity, funds, debt and trade receivables relating to the portfolio.
 - ◆ All liabilities relating to the investment portfolio were settled as part of the transfer.
 - ◆ The portfolio was transferred on 31 August 2024.

Scottish Investments Limited (SIL) is now the regulated entity of the Group and provides

investment management services to Scottish National Investment Bank plc.

Scottish National Investment Bank Company is a patient capital impact institutional investor and development finance institution. SIL acts as investment advisor to the PLC and undertakes arranging and structuring for investment transactions in which the PLC is active. Scottish National Investment Bank Company holds the investments of the Group.

Adoption of new and revised standards

There were no new or amended standards applied for the first time. A restatement of the previous year’s Company Cashflow Statement was required to bring in line with IAS 7, restating loans to subsidiaries as investing activities.

Certain new accounting standards and interpretations have been published that are not yet effective and have not been adopted by the Group. These standards are not applicable and not expected to have a material impact on the entity in the current or future reporting periods.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2025.

Control for accounting purposes exists when the Company:

- ◆ Has power over the investee (voting rights and shareholding).
- ◆ Is exposed, or has rights, to variable returns from its involvement with the investee.
- ◆ Has the ability to use its power to affect its returns (through strategic and management control and influence).

The Company reassesses whether or not it controls an investee for accounting and consolidation purposes if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Determining whether a Company has control of an entity is generally

straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over relevant activities. This judgement may involve assessing the purpose and design of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Subsidiaries are held at cost in the Financial Statements.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed in full to the owners of the Company in the absence of non-controlling interests. Total comprehensive income of the subsidiaries is also attributed in full to the owners of the Company in the absence of non-controlling interests.

Income

Income represents arrangement fees, monitoring fees, interest income, dividends and administration fee income. Income is measured based on the consideration specified in a contract with the investee business or project. Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. Distributions from underlying funds are recorded based on the nature of the distribution as provided by the underlying fund manager which includes realised gains on investments and investment income. Investment income and realised gains are recognised

on the value date of the notice received from the underlying fund manager.

Interest income

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

The calculation does not consider expected credit losses and includes transaction costs and premiums or discounts that are integral to the effective interest rate, such as origination fees. When the Group revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the Consolidated Statement of Comprehensive Income. The interest income is recognised over the relevant period.

Arrangement fee income

Fees are received for providing services relating to a specific transaction, such as when an investment is bought, sold or refinanced. These fees are generally of a fixed nature and the income is recognised in full at the point of transaction completion.

Monitoring fee income

Fees are received for providing services relating to quarterly monitoring of investments. These fees are generally of a fixed nature and the income is recognised as set out in the contract.

Dividend income

Dividend income relates to dividends receivable on investments. Income is recognised when it is contractually due and payable as per contractual terms.

Administration fee income

Administration fee income relates to administration fees for oversight of a third party mandate. Income is recognised when it is contractually due and payable as per contractual terms.



Notes to the Financial Statements

Expenses

All expenses, interest payable and interest receivable are recognised in the Statement of Comprehensive Income on an accruals basis.

VAT

Input VAT that relates to exempt supplies on purchases is partially recoverable. As the recovery rate is small VAT is charged to the statement of comprehensive income.

Tax

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any legal restrictions on

the utilisation of available taxable profits are also considered, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Property, plant and equipment

Property, plant and equipment are shown in the Statement of Financial Position at their historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. Depreciation is provided to write off the initial cost of each asset to its residual value on a straight-line basis over its estimated useful life of:

Right of use property assets	Life of lease
Furniture, fixtures and fittings	over 5 years
Computer equipment	over 3 years

A de-minimis level for capitalisation of £5,000 is applied by the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

De-recognition and disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognised.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- ◆ The contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- ◆ The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period and the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - The Group has the right to operate the asset.
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used.
- ◆ The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease

term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate / HM Treasury discount rates.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for any short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments

(i) Recognition and initial measurement

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument in accordance with IFRS 9.

Financial assets and liabilities are initially measured at fair value less transaction costs directly attributable to the acquisition of those financial assets or liabilities except for transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss (FVTPL) which are recognised immediately in the Consolidated Statement of Comprehensive Income.



Notes to the Financial Statements

(ii) Classification of financial instruments

Financial instruments, other than those held at amortised cost, are held at FVTPL. In particular, the Group classifies groups of financial instruments at FVTPL when they are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments are reported to management on that basis. As such the Group holds investments at FVTPL and all other financial assets and liabilities at amortised cost.

(iii) Investments

On initial recognition, the Group classifies its loan, fund and equity investments, including investments in investment entities and financial guarantees as FVTPL. Investments of the Company in subsidiaries are measured at cost.

These assets at FVTPL are subsequently measured at fair value. Net gains and losses are recognised in profit or loss in 'net unrealised gains or losses on revaluation' in the Statement of Comprehensive Income.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2022). Valuations of the investment portfolio are performed quarterly.

The Group invests in unquoted investments referencing observable market data wherever available. The fair value methodology applied to each investment is driven by the specific characteristics of the investments.

The approach used to calculate the fair value is as follows:

- ◆ Investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities.

- ◆ Direct debt investments. The primary valuation methodology used for these investments is the discounted cash flow method (DCF). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk-adjusted premium and information specific to the investment or market sector. The price at which a debt investment was made or the loan was issued may be a reliable indicator of fair value at that date, depending on facts and circumstance. Where the investment is a convertible loan note (CLN) probability weighted cash flows are considered including a default scenario, the conversion option (which has yet to be exercised) and the potential future equity value.

- ◆ Fair values for unquoted direct equity investments are established by using various valuation techniques. These may include recent arms-length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis, milestone analysis, net assets valuation, multiples and reference to similar quoted companies. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised.

- ◆ Fair value for combined debt/equity instruments where the Bank holds both debt and equity in an investee company, and the instruments are economically linked, these are valued under a single unit of account. This reflects the market participant perspective that the instruments would be transacted together. In such cases, the combined investment is valued holistically, with fair value allocated across the debt and equity components, including assessment of any hybrid instruments such as convertible loan notes.

These techniques seek to calculate the enterprise value (the value of the business as a whole at the measurement date) of the investee company using a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable assumptions and estimates. Enterprise value is commonly derived using a comparable multiple basis. Companies with maintainable revenues, profits or cash flows are valued on a multiple basis using an appropriate multiple from companies in similar sectors and markets.

The key judgements include selecting an appropriate multiple, which is derived from comparable listed companies or relevant market transaction multiples. Companies in the same geography and sector are selected and then adjusted for factors including liquidity risk, growth potential and relative performance.

The enterprise value is then adjusted for surplus assets or liabilities or any other relevant factor. Higher-ranking financial instruments are deducted taking into account any financial structuring that may dilute the investment holding. The attributable enterprise value is apportioned between the financial instruments held according to their ranking. The amounts derived are allocated according to the holding in each financial instrument, representing their fair value.

- ◆ Realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion.
- ◆ If there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is used to determine fair value.
- ◆ Early-stage companies and projects without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value.
- ◆ Companies and projects in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value.

- ◆ Companies and projects whose cash flows can be forecast with confidence are valued using future cash flows discounted at the appropriate risk-adjusted discount rate. This method requires management to make certain assumptions about the model inputs, including forecast cash flows, future currency exchange rates and the discount rate.
- ◆ Where available, valuations prepared by third party experts are used as an input to the Bank's valuation process. These external assessments are considered alongside internal modelling and judgement to ensure a robust and market-aligned valuation outcome.
- ◆ In exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous Statement of Financial Position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. There is no material difference between the fair value and book value of the Group's cash and cash equivalents.

Trade and other receivables

Trade and other receivables are non-interest bearing and are recognised when the Group becomes party to the contractual provision of the instrument. They are initially measured at fair value and subsequently at amortised cost less provision for impairment. Impairment of trade and other receivables has been measured on the expected credit loss basis and reflects the maturities of the exposures.



Notes to the Financial Statements

Trade and other payables

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the period end date. There are no material differences between the fair value and book value of the Group’s trade and other payables.

Derecognition of financial instruments or liabilities

The Group derecognises a financial asset or liability only when the contractual rights to the cash flows from or to the asset or liability expire, or when it transfers the financial asset/liability and substantially all the risks and rewards of ownership of the asset/liability to another entity. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in profit or loss.

Impairment of assets

The carrying amounts of assets, other than deferred tax assets and financial instruments FVTPL, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Ordinary share capital

The ordinary share capital on the Statement of Financial Position relates to the number of shares in issue.

Grant in aid

Capital funding for investments and resource funding for the Group’s operational costs is provided through grant in aid from the Scottish Government. Grant in aid is received as required throughout the period within budgets agreed with Scottish Government

each year. Grant in aid is received and taken to the general fund until such time it is used for investment or operational expenditure.

General fund

Scottish Ministers, acting through the Scottish Government, have provided funds for investment and operating purposes. Share capital equal to the value of investments drawn in each period is issued to Scottish Ministers as ordinary share capital. Funding from Scottish Government that is received and not yet invested or not yet used for operating expenses remains in the general fund on the Statement of Financial Position as grant in aid. There is no obligation to repay either the capital or resource funding balance and it does not carry interest.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

The Group and Company have no contingent assets or liabilities at the period end.

Employee benefits

All eligible employees are enrolled into an externally administered defined contribution (DC) pension plan. The Group pays fixed contributions and will have no legal or constructive obligation to pay further amounts. The Group recognises the costs of providing defined contribution pensions as an expense in the Statement of Comprehensive Income when employees have rendered services entitling them to the contributions.

The cost of the Long-Term Incentive Plan (LTIP), a cash settled performance related compensation programme, is charged to the Statement of Comprehensive Income across the period of the scheme taking into account service and sustained performance periods and accrued on the Statement of Financial Position in accordance with IAS 19 ‘Other long-term employee benefits’. Payment of each periods award scheme is settled in cash over three years to incentivise long-term sustainable performance (50% paid at the end of the initial performance period and 25% each year after subject to satisfactory sustained performance). The maximum award balance can be reliably measured, and the timing of payment is known. The amount is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows when the effect of the time value of money is material.

Related party transactions

The Group has taken advantage of the exemption conferred by paragraph 25 of IAS 24 ‘Related party disclosures’ and has not disclosed transactions with its wholly owned subsidiaries.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make estimates, assumptions and judgements in applying relevant accounting policies. 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 areas involving higher degree of judgement or complexity or areas where assumptions are significant to the individual and consolidated Financial Statements are highlighted below:

(i) Fair value measurement

The Group’s financial assets held at FVTPL represent investments in private companies where market quotes are not available for these instruments.

The key accounting estimates are the carrying value of investments which are stated at fair value. Asset valuations for unquoted investments are inherently subjective and have a high degree of judgement and complexity. They are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions on expected cash flows, etc. The Group’s investments are valued in accordance with IFRS and IPEV valuation guidelines. Where relevant, different valuation approaches may be used in arriving at and calibrating an estimate of fair value for an individual asset. Given the importance of this area, the Group has a Investment Oversight and Valuations Committee to review valuation policies, process and application to individual investments. For more details on the fair value methodology refer to note 2.

(ii) Deferred tax

The Group has tax losses of £43.7 million (2024: £25.7 million) available for offset against future taxable profits. Management judgement is required to determine the amount of deferred tax assets that can be recognised. This is based upon assumptions as to the future profitability of the companies in the Group and the timing of when such profits arise.

A deferred tax asset has been recognised on the basis that there is sufficient certainty based on future projections of income and profits and therefore scope for recovery of these tax losses in future.



Notes to the Financial Statements

4. Investment income

A breakdown of the Group’s revenue, all of which arises in the UK, is as follows:

	Year ended 31 March 2025 £’000	Year ended 31 March 2024 £’000
Arrangement fees income	1,999	2,595
Interest income – capitalised	20,626	11,015
Interest income – received	9,528	3,609
Dividends – capitalised	465	-
Dividends – received	1,200	865
Monitoring fees	533	235
Other Income	18	675
Administration fee income	172	275
Total investment income	34,541	19,269

Income capitalised in the year was £21.1 million (2024: £11.0 million) with £0.0 million (2024: £1.2 million) converting to equity post CLN conversion.

5. Administrative expenses

	Note	Year ended 31 March 2025 £’000	Year ended 31 March 2024 £’000
Employee costs	6	10,416	9,378
Auditor’s remuneration – audit of Financial Statements	7	395	315
Other administrative costs		5,386	6,404
Total administrative expenses and auditor remuneration		16,197	16,097

6. Employee numbers and costs

Aggregate remuneration of employees and Directors was as follows:

	Year ended 31 March 2025 £’000	Year ended 31 March 2024 £’000
Wages and salaries	7,553	6,856
Social security costs	1,063	881
Pension	857	776
Amounts payable under long term incentive schemes	943	865
Total employee costs	10,416	9,378

More detail on this information is included in the Directors’ Remuneration Report on pages 98 to 109. The average number of Directors’ and employees during the period was 81 (2024: 76) and the average number of Non-Executive Directors during the period was 10 (2024: 9).

7. Auditor’s remuneration

Fees payable to the Group’s auditor for the audit of the Group and subsidiaries’ financial statements:

	Year ended 31 March 2025 £’000	Year ended 31 March 2024 £’000
Audit of group accounts	272	89
Audit of subsidiaries	71	176
KPMG LLP – auditor fee	343	265
Audit Scotland – audit support costs	52	50
Total auditor remuneration	395	315

Auditor’s remuneration is stated net of VAT and represents the total fee payable by the Group for all statutory audit services. The auditor also completed audit-related assurance relating to a subsidiary for £20,000 plus £4,000 VAT (2024: £nil). Non-audit service fees represent 6% of the group audit fee and remain well within the cap of 70% of the average audit fee over the previous three years.



Notes to the Financial Statements

8. Tax

a. Tax on profit on continuing activities

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Current tax		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax (credit)	(2,875)	400
Total deferred tax (credit)	(2,875)	400
Total tax	(2,875)	400
Reconciliation of effective tax rate:		
(Loss) before taxation	(58,428)	(14,638)
Tax using the UK corporation tax rate of 25%	(14,607)	(3,660)
Effect of:		
Expenses not deductible	27	-
Income not taxable	(739)	-
Prior year adjustment	-	7
Unrealised losses not relievable / taxable	4,617	3,241
Deferred tax asset – Not recognised	7,827	812
Total tax (credit)	(2,875)	400

b. Reconciliation of deferred tax asset

	Accelerated capital allowances	Tax losses	Corporate interest restriction	Unrealised investment gain	Total
	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000
At 1 April 2024	22	(5,647)	-	-	(5,625)
Income statement charge/(credit)	1	4,132	(7,023)	15	(2,875)
At 31 March 2025	23	(1,515)	(7,023)	15	(8,500)

	Accelerated capital allowances	Tax losses	Corporate interest restriction	Unrealised investment gain	Total
	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000
At 1 April 2024	-	-	-	-	-
Income statement charge/(credit)	-	(1,477)	(7,023)	-	(8,500)
At 31 March 2025	-	(1,477)	(7,023)	-	(8,500)



Notes to the Financial Statements

b. Reconciliation of deferred tax asset (continued)

	Accelerated capital allowances	Tax losses	Corporate interest restriction	Unrealised investment gain	Total
	Group 31 March 2024 £'000	Group 31 March 2024 £'000	Group 31 March 2024 £'000	Group 31 March 2024 £'000	Group 31 March 2024 £'000
At 1 April 2023	22	(6,047)	-	-	(6,025)
Income statement charge/(credit)	-	400	-	-	400
At 31 March 2024	22	(5,647)	-	-	(5,625)

	Accelerated capital allowances	Tax losses	Corporate interest restriction	Unrealised investment gain	Total
	Company 31 March 2024 £'000	Company 31 March 2024 £'000	Company 31 March 2024 £'000	Company 31 March 2024 £'000	Company 31 March 2024 £'000
At 1 April 2023	-	-	-	-	-
Income statement charge/(credit)	-	-	-	-	-
At 31 March 2024	-	-	-	-	-

Deferred tax relates to the Group’s Corporate Interest Restriction and accumulated losses. It is calculated at 25% (2024: 25%) of the available losses incurred to date. Management judgement is required to determine the amount of deferred tax assets that can be recognised. This is based upon assumptions as to the future profitability of the companies in the Group and the timing of when such profits arise. It is recognised that the Group is currently loss making, however this is in line with management expectations in the initial years of developing the investment portfolio. It is expected that the tax losses will offset against the profits forecast to be made as a result of further investments made by the Bank, which in turn, will increase the income generated by the portfolio, as demonstrated by the Bank’s current Business Plan and projections beyond the business plan period. While it is expected that the Group will continue to be loss making in the short term, it is estimated the deferred tax asset will be recovered over the next five years.

At 31 March 2025 there were £32.4 million (2024: £18.9 million) of unrealised losses for which a deferred tax asset is not recognised in the Statement in Financial Position as it is not envisaged these capital losses would be utilised in the medium term. Of this loss, £32.0 million relates to losses covered by the substantial shareholding exemption and hence are permanent differences with £0.4 million assessed as temporary losses. Additionally, there was £37.6 million (2024: £3.1 million) of trading losses for which a deferred tax asset is not recognised in the Group Statement in Financial Position. Of this, £5.2 million relates to the Company. Finally, there was a deductible temporary difference of £0.4 million (2024: £0.3 million) in respect of deferred employee remuneration for which no deferred tax has been recognised.

9. Investments

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Opening fair value	506,076	290,814	-	-
Additions / transfer	178,582	236,888	681,836	-
Repayments	(3,172)	(3,829)	(2,362)	-
Net unrealised fair value (losses)	(76,939)	(9,797)	(74,927)	-
Net Realised gain (loss)	-	(8,000)	-	-
Closing fair value	604,547	506,076	604,547	-

Interest bearing loans accrue interest which is either settled in cash or capitalised on a regular basis and included as part of the principal loan balance. The capitalisation of accrued interest and dividend is treated as part of investment additions during the year.

The holding period of the Group’s investment portfolio is on average greater than one year. For this reason, the portfolio is classified as non-current. Additions in the year included cash investment of £157.5 million (2024: £225.9 million) and £20.6 million (2024: £11.0 million) in capitalised interest with £0.0 million (2024: £1.2 million) converting to equity and capitalised dividend £0.5 million (2024: £nil).

The net unrealised loss of £76.9 million (2024: loss of £9.8 million) and the realised gain of £0.2 million (2024: loss of £8.0 million) includes fair value movement adjustments reflecting underlying performance of investee companies resulting from the higher risk nature of some of the Bank’s investments. Fair value movements to a lesser extent also relate to market variances over the year, which have resulted in a change to the fair value of debt investments that are valued under the IPEV guidelines. These movements are largely a result of macro-economic factors rather than being a specific reflection on our individual debt investments, though we continue to monitor this closely as part of our quarterly valuation process. Fair value is also impacted by foreign exchange movements for our non-sterling denominated investments.

During the year the investment portfolio was transferred from a wholly owned subsidiary to the parent company.

The Company also has investments in wholly-owned subsidiaries which are held at cost of £2 (2024: £2).



Notes to the Financial Statements

10. Property, plant and equipment

	Computer, Equipment & Furniture	Land & Buildings	Total	Computer, Equipment & Furniture	Land & Buildings	Total
	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Group 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000	Company 31 March 2025 £'000
Cost						
At start of year	197	1,070	1,267	-	-	-
Additions	96	-	96	-	-	-
Derecognition	-	(116)	(116)	-	-	-
At end of year	293	954	1,247	-	-	-
Depreciation and impairment:						
At start of year	143	80	223	-	-	-
Depreciation charge for the year	57	269	326	-	-	-
At end of year	200	349	549	-	-	-
Net book value:						
At start of year	54	990	1,044	-	-	-
At end of year	93	605	698	-	-	-

During the year a right-of-use (ROU) asset was recognised relating to leases for £96k (2024: £1,070k), the corresponding lease liability is disclosed in note 15. In addition, the existing ROU asset balances were reviewed and adjusted to reflect updated year end value. ROU asset reduced by £116k. As at year end amounts relating to ROU are £72k of Computer, Equipment and Furniture and all of Land and Buildings.

	Computer, Equipment & Furniture	Land & Buildings	Total	Computer, Equipment & Furniture	Land & Buildings	Total
	Group 31 March 2024 £'000	Group 31 March 2024 £'000	Group 31 March 2024 £'000	Company 31 March 2024 £'000	Company 31 March 2024 £'000	Company 31 March 2024 £'000
Cost						
At start of year	175	-	175	-	-	-
Additions	24	1,070	1,094	-	-	-
Disposals	(2)	-	(2)	-	-	-
At end of year	197	1,070	1,267	-	-	-
Depreciation and impairment:						
At start of year	87	-	87	-	-	-
Depreciation charge for the year	56	80	136	-	-	-
At end of year	143	80	223	-	-	-
Net book value:						
At start of year	88	-	88	-	-	-
At end of year	54	990	1,044	-	-	-



Notes to the Financial Statements

11. Trade and other receivables

a. Current assets

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Trade receivables	403	245	403	-
Prepayments	512	609	-	-
Other debtors	11	6	-	-
Total trade and other receivables	926	860	403	-

b. Non-current assets

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Amounts due from subsidiaries	-	-	-	513,198
Total non-current trade and other receivables	-	-	-	513,198

Amounts due from subsidiaries are not interest bearing. The credit risk of the inter-company balance has not materially changed since initial recognition and there continues to be a low probability of default. Given this, an expected credit loss has not been recognised in the accounts as it would be immaterial. All receivables relating to the investment portfolio were settled as part of the transfer. A breakdown of the cash and non-cash items relating to the transfer is: Assets transferred £556.8 million less Inter company receivables extinguished £553.5 million with cash transferred of £3.3 million.

12. Cash and cash equivalents

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Cash and cash equivalents	15,450	6,109	7,822	4,303
Total cash and cash equivalents	15,450	6,109	7,822	4,303

These comprise cash in hand and short-term cash deposits held at call. The carrying amount of these assets approximates their fair value.

13. Trade and other payables: amounts falling due within one year

	Note	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Trade payables		568	321	106	-
Other taxes and social security		206	164	36	-
LTIP accrual		911	778	-	-
Accruals		879	855	-	-
Deferred revenues		174	80	174	-
Lease liability	15	223	287	-	-
Intercompany payables		-	-	-	-
Total current liabilities		2,961	2,485	316	-

The Directors consider that the carrying amount of trade payables approximates their fair value. There are no trade payables past due and the trade payables and accruals will be settled within the credit period offered by the counterparty.

14. Trade and other payables: amounts falling due after one year

	Note	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Non-current					
Other taxes and social security		60	47	-	-
LTIP accrual due within one to two years		310	239	-	-
LTIP accrual due within two to three years		86	90	-	-
Lease liability	15	454	697	-	-
Other liabilities		18	-	-	-
Total non-current liabilities		928	1,073	-	-



Notes to the Financial Statements

15. Leases

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Right-of-use assets				
Net carrying amount at start of year	977	33	-	-
Additions to right-of-use (ROU) assets	96	1,070	-	-
Derecognition to right-of-use (ROU) assets	(116)	-	-	-
Depreciation charge for the year	286	126	-	-
Balance at end of year	671	977	-	-
Amounts recognised in Comprehensive income				
Depreciation expense on ROU assets	286	126	-	-
Lease liabilities				
Amounts due for settlement within 12 months (Current liabilities)	223	287	-	-
Amounts due for settlement after 12 months (Non-current liabilities)	454	697	-	-
Total lease liabilities	677	984	-	-
Maturity analysis				
Not later than one year	243	296	-	-
Later than one year and not later than five years	490	792	-	-
Total lease liabilities	733	1,088	-	-

Total finance cost on leases was £33,158 for the year ended 31 March 2025 (2024: £13,889). The average lease term for computers is three years. The life of the property lease asset is lease specific.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases where the underlying asset is of low value. The expenses for these leases for the year ended 31 March 2025 were £nil (2024: £209,447).

16. Share capital

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Called up and allotted				
Brought forward	492,709	279,157	492,709	279,157
Ordinary shares of £1 each – issued in the year	153,144	213,552	153,144	213,552
Share capital at 31 March	645,853	492,709	645,853	492,709

The Group and Company has one class of ordinary share which carries no right to a fixed income. All shares have equal rights in terms of voting and dividends and have been issued at nominal value.

17. Grant in aid

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Grant in aid received in period	165,629	231,286	165,629	231,286
Investment drawn and converted to shares	(153,144)	(213,552)	(153,144)	(213,552)
Total grant in aid	12,485	17,734	12,485	17,734

18. General fund

	Group 31 March 2025 £'000	Group 31 March 2024 £'000	Company 31 March 2025 £'000	Company 31 March 2024 £'000
Balance at 1 April	23,447	20,751	24,792	20,059
Grant in aid received in period	12,485	17,734	12,485	17,734
Retained earnings	(55,553)	(15,038)	(62,173)	(13,001)
Other	-	-	(1)	-
Balance at 31 March	(19,621)	23,447	(24,897)	24,792

The General fund reflects the grant in aid received by the Group from Scottish Ministers yet to be invested or used for operating expenses in the period.



Notes to the Financial Statements

19. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in note 2.

The Group’s financial instruments comprise investments, trade receivables and trade payables arising from its operations.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The accounting policy note describes how the classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the Consolidated Statement of Financial Position in accordance with the categories of financial instruments in IFRS 9.

At 31 March 2025	Financial assets and liabilities at fair value through profit and loss £’000	Financial assets and liabilities at amortised cost £’000	Total £’000
Carrying value			
Assets			
Investments	604,547	-	604,547
Other debtors	-	414	414
Cash and cash equivalents	-	15,450	15,450
Total assets	604,547	15,864	620,411
Liabilities			
Trade and other payables excl LTIP	-	(2,582)	(2,582)
Total liabilities	-	(2,582)	(2,582)
Net assets	604,547	13,282	617,829

At 31 March 2024	Financial assets and liabilities at fair value through profit and loss £’000	Financial assets and liabilities at amortised cost £’000	Total £’000
Carrying value			
Assets			
Investments	506,076	-	506,076
Other debtors	-	251	251
Cash and cash equivalents	-	6,109	6,109
Total assets	506,076	6,360	512,436
Liabilities			
Trade and other payables excl LTIP	-	(2,451)	(2,451)
Total liabilities	-	(2,451)	(2,451)
Net assets	506,076	3,909	509,985

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

The Group classifies financial instruments measured at fair value according to the following hierarchy:

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, either directly (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 (unobservable inputs).

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 March 2025 and 31 March 2024:

31 March 2025	Level 1 £’000	Level 2 £’000	Level 3 £’000	Total £’000
Assets				
Investments	-	-	604,547	604,547
Total	-	-	604,547	604,547

31 March 2024	Level 1 £’000	Level 2 £’000	Level 3 £’000	Total £’000
Assets				
Investments	-	-	506,076	506,076
Total	-	-	506,076	506,076

The Group’s investment portfolio consists of assets carried at fair value. The Group’s financial assets are all classified as Level 3 assets. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Group has used valuation techniques in accordance with the IPEV guidelines with reference to the most appropriate information available at the time of measurement to derive the fair value. Level 3 valuations are reviewed on a quarterly basis by the Investment Oversight and Valuations Committee which reports to the Board of Directors. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using valuation methods and techniques generally recognised as standard within the industry. During the period ended 31 March 2025 the fair value of investments held at FVTPL decreased by £76.9 million (2024: £17.8 million). Details of these can be found in the Financial Performance section of the Strategic Report on pages 27 to 36 – this movement was reflected in the Consolidated Statement of Comprehensive Income.



Notes to the Financial Statements

20. Financial risk management

Details of the Group’s risk management structure, Group’s objectives and policies and processes for managing and monitoring risk are set out in the Risk Management section of the Strategic Report on pages 38 to 46.

The Group has exposure to a variety of financial risks through the conduct of its operations. This note presents information about the nature and extent of risks arising from the financial instruments.

The Group’s financial instruments comprise of investments in Scottish businesses and projects in the form of loans and/or equity, trade receivables, payables arising and cash resources which arise directly from its operations and from Scottish Government to support the Group’s objectives and missions.

The Group has exposure to the following risks from its use of financial instruments:

- ◆ Credit risk
- ◆ Market risk
- ◆ Liquidity risk

Credit risk

Credit risk is the risk of a loss due to the failure of a counterparty of a financial instrument to meet its contractual obligations to pay the Group in accordance with agreed terms, or due to the risk of loss due to inappropriate investment decisions. Credit risk also includes settlement risk when a counterparty fails to settle their side of a transaction and concentration risk. The Group’s credit risk is also influenced by general macroeconomic conditions.

Credit risk may arise in any of the Group’s assets where there is the potential for default including the Group’s investments, bank deposits and loans and receivables.

The credit quality of unquoted investments, which are held at fair value and include debt elements, is based on the financial performance of the individual portfolio companies, funds and projects. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements. Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Group’s portfolio management process. The Group will invest in a variety of sectors thereby reducing the concentration of credit risk but accepts a level of credit risk from investing solely in projects and businesses in Scotland and that the impact of concentration risk will be inherently higher in the early years of the Bank while the portfolio grows.

Bank deposits are held by the Government Banking Service with AA credit rating therefore are subject to minimal credit risk.

As at the reporting date, there are no overdue or impaired receivables.

The Group is cognisant that recent global events will continue to impact the economy and is mindful of the implications of these events including recent inflationary rises. This is reflected in the assessment of new investments and the Group continues to closely monitor its portfolio.

The carrying amount of financial assets in the Consolidated Statement of Financial Position represents the maximum credit exposure. The maximum exposure to credit risk as at 31 March 2025 is:

	Maximum exposure	Maximum exposure
	31 March 2025 £’000	31 March 2024 £’000
Debt investments	382,218	272,626
Other debtors	414	251
Cash and cash equivalents	15,450	6,109
Total	398,082	278,986

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources.

The Group manages its liquidity risk as part of its cash and operational risk management processes and ensures that sufficient funds in liquid form are maintained at all times to meet liabilities as they fall due. The Group operates within a budget agreed with the Scottish Government and as part of the Government Banking Service, as a result liquidity risk is not deemed significant to the Group.

Liquidity risk exposure of the Group as at 31 March 2025:

	Within 1 year £’000	Between 1 and 5 years £’000
31 March 2025		
Trade and other payables	(568)	-
Other liabilities excl LTIP	(1,482)	(532)
Total	(2,050)	(532)

	Within 1 year £’000	Between 1 and 5 years £’000
31 March 2024		
Trade and other payables	(321)	-
Other liabilities excl LTIP	(1,386)	(744)
Total	(1,707)	(744)



Notes to the Financial Statements

Market risk

Market risk is the risk of a loss of earnings or economic value due to adverse changes in financial market prices, such as interest rates, foreign exchange rates or market price movement.

Interest rate risk

The Group’s investments comprise fixed and variable interest rate loans. The Group has no borrowings subject to interest, holds cash balances to meet payments as they fall due and does not hold significant amounts of cash on deposit for significant periods of time. The Group’s exposure to net interest rate risk is not significant for the period FY24/25 and the Group does not use derivatives to hedge interest rate risk.

The impact of a 100-basis point increase / (decrease) in effective interest rate applicable to loan investments would be an approximate increase / (decrease) in interest income for the period of £0.5 million/(£0.5 million)

The above impact has been calculated by applying a 100-basis point sensitivity to the effective interest rate applicable to each interest income deriving investment. Investments based on a floating rate of interest only have been factored into the sensitivity calculation and note that the relationship between the basis points and interest income is linear. We assume that a fixed rate investment would not be impacted by a change in interest rate.

Interest rate sensitivity, can also affect valuation of the Bank’s debt instruments through the fair value calculation. Interest rate risk is monitored to ensure that the sensitivity of the Group’s returns to market interest rate movements are understood and managed within risk appetite. As at 31 March 2025, £323.4 million (2024: £227.0 million) of the Group’s financial assets are subject to fixed rate and £58.8 million (2024: £45.7million) are subject to variable rate interest arrangements.

Foreign exchange risk

The Group primarily invests in its functional currency, pounds sterling, but does hold an international investment denominated in Euros and US Dollars. A condition of investment is that they invest into Scotland at a level larger than our financial investment. Approximately 3.9% of the Group’s portfolio is in non-pounds sterling denominated investments. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2025 was £(0.5 million). There is no policy to hedge this currency risk. The sensitivity of currency risk losses from the Group’s non-sterling investments is estimated by assuming a 5% movement in GBP-USD and GBP-EUR exchange rates. The impact of this would be an approximate gain / (loss) of +/-£1.3 million.

Valuation risk

The Group values its portfolio according to the Group’s valuation policy. The Group’s valuation policy has been developed in accordance with the IPEV guidelines (December 2022). Investments are valued at fair value, which 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. Valuation risks are partly mitigated by portfolio and individual investment reviews of the Group’s investments quarterly.

As part of this process, valuations are reviewed by the Investment Oversight and Valuations Committee. For more details on the valuation methodology refer to note 2.

The fair value of unquoted investments is influenced by the estimates, assumptions and judgements made in the fair value process (disclosed in note 2) – including interest rate risk. A sensitivity analysis is provided below which recognises their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed as stated below.

Key unobservable inputs of unquoted investments

Estimated sustainable financial or trading performance

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last 12 months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact future earnings, then forward estimated revenue or earnings may be used instead. Where financial performance is not considered an appropriate basis then alternative industry standard metrics may be used.

Discounted cash flow

Future cash flows are discounted using reasonable assumptions, the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the investment or market sector.

Convertible loan notes

Convertible loan notes are categorised as hybrid instruments as the equity conversion feature represents an embedded derivative. Valuation models consider probability weighted cash flows including a default scenario, the conversion option (which has yet to be exercised) and the potential future equity value.

Net asset value

Net asset value reported by the fund manager. The valuation of the underlying portfolio is consistent with IFRS and IPEV.

Selection of comparable companies

Management determines comparable companies individually for each investment to derive a comparator set of multiples at the point of investment, and the relevance of the comparable companies is evaluated quarterly. The key criteria used in selecting appropriate comparable companies are the industry size, the sector in which they operate, the geography of a company’s operations, its development stage, the respective revenue and earnings growth rates, strategy and operating margins.

The multiple is calculated by dividing the enterprise value of the comparable company by either its earnings before interest, taxes, depreciation and amortisation (EBITDA), revenue or book value. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Milestone analysis

Early-stage or pre-revenue investments may require additional judgement in determining fair value. Such investees may be valued using a milestone approach, comparing current financial and non-financial performance against plan, to determine whether fair value has increased, decreased or stayed the same.



Notes to the Financial Statements

The following table summarises the various valuation methodologies used by the Group to fair value Level 3 instruments, the inputs and the sensitivities (Variable input sensitivity) applied and the impact of those sensitivities to the unobservable inputs. A case-by-case review of our portfolio companies informs the overall discussion on fair value and these risks are captured in the sensitivity analysis. All numbers in the table below are on an investment basis.

As at 31 March 2025	Fair value of unquoted investments £'000	Variable input sensitivity	Impact		
			£'000	£'000	% of net assets
Valuation basis					
Combined Debt and Equity (multiple basis)	82,451	+/- 10%	1,245	(1,271)	2%
Combined Debt and Equity (milestones basis)	100,496	+/- 10%	1,191	(1,255)	1%
Direct equity (multiple basis)	19,287	+/- 10%	888	(888)	5%
Direct equity (milestone basis)	73,730	+/- 10%	4,523	(2,451)	5%
Debt Investments – Discounted cash flow	212,612	+/- 1%	(7,521)	7,948	4%
Funds – Net Asset Value	115,971	+/- 10%	11,597	(11,597)	10%
Total unquoted investments	604,547				

As at 31 March 2024	Fair value of unquoted investments £'000	Variable input sensitivity	Impact		
			£'000	£'000	% of net assets
Valuation basis					
Combined Debt and Equity (multiple basis)	52,290	+/- 10%	(1,248)	1,348	5%
Combined Debt and Equity (milestones basis)	103,662	+/- 10%	1,926	(1,772)	10%
Direct equity (milestone basis)	78,890	+/- 10%	7,888	(7,889)	10%
Debt Investments – Discounted cash flow	164,914	+/- 1%	(7,372)	7,871	4%
Funds – Net Asset Value	106,320	+/- 10%	10,632	(10,632)	10%
Total unquoted investments	506,076				

Additional notes

A non-specific additional probability of default of 10% applied across the debt instruments would result in a fair value write down of £21.2 million or 10% of the debt portfolio. A movement of +/- 10% in the probability of default applied to projected cash flows for convertible loan notes would result in a movement of £(11.5 million) / £11.0 million in fair value of the convertible loan note instruments.

Capital management

The capital structure of the Group consists of cash and cash equivalents and equity directly attributable to equity holders of the parent, comprising issued capital and general fund balances as disclosed in the Statement of Changes in Taxpayers' Equity.

The Group considers its capital to be the total equity shown in the Statement of Changes in Taxpayers' Equity. The Group's objectives when managing capital are:

- ◆ To comply with the capital requirements set by Scottish Government regarding investing in eligible countries and sectors.
- ◆ To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders.
- ◆ To maintain a strong capital base to support the development of the Group's missions and operations. The Board regularly monitors the results of the Group and its financial position.

21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £96.1 million (2024: £108.5 million) for investment commitments.

22. Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 25 of IAS 24 'Related party disclosures' and has not disclosed transactions with its wholly owned subsidiaries. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Certain investee companies with a shareholding of greater than 20% would be classified as related parties, however all transactions relating to the investment into these entities are disclosed in the accounts under investment income and activity.

The Group's key management personnel comprise the members of the Board including the Chief Executive Officer and Chief Financial Officer. Key management personnel are remunerated on the basis outlined in the Annual Report of Remuneration on pages 98 to 109.

23. Subsidiaries and other significant undertakings

The Group has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20%. The Group does not exert significant influence over these undertakings. These are held at fair value through profit or loss in the Statement of Financial Position.

Significant undertaking	Country of Incorporation	Nature of Holding	Percentage held
Trojan Energy Limited	United Kingdom	Equity Investment	37.7%
M Squared Lasers Limited	United Kingdom	Equity Investment	35.5%
Industrial Nature Ltd	United Kingdom	Equity Investment	31.3%
R3 IoT Limited	United Kingdom	Equity Investment	29.5%
Forrit Technology Limited	United Kingdom	Equity Investment	27.8%
ForEV Limited	United Kingdom	Equity Investment	27.1%
Cumulus Oncology Limited	United Kingdom	Equity Investment	24.1%
PneumoWave Limited	United Kingdom	Equity Investment	22.9%
PFPC MMR 1 LP	United Kingdom	Equity Fund Investment	34.3%
Social and Sustainable Housing II LP	United Kingdom	Equity Fund Investment	31.3%
Par Equity Ventures I LP	United Kingdom	Equity Fund Investment	26.8%



Notes to the Financial Statements

24. Related undertakings

The principal subsidiary undertakings of the Group are shown below.

Company and registered address	Class of share	Percent held by Scottish National Investment Bank plc	Principal activity
Scottish Investments Limited Waverley Gate, 2-4 Waterloo Place, Edinburgh, United Kingdom, EH1 3EG	Ordinary	100%	Investment
Scottish Investments Services Limited Waverley Gate, 2-4 Waterloo Place, Edinburgh, United Kingdom, EH1 3EG	Ordinary	100%	Group operational and administration services

The Group had no acquisitions in the year (2024: nil).

25. Defined contribution plan

The Company contributes to an externally administered defined contribution (DC) pension plan for all eligible employees. The Bank pays fixed contributions and will have no legal or constructive obligation to pay further amounts. The total expense in the current period was £856,691 (2024: £775,921).

26. Ultimate parent company

The ultimate parent and controlling party and the smallest and largest group in which the results of Scottish National Investment Bank plc are included is headed by Scottish Ministers. The consolidated Financial Statements of Scottish Ministers may be obtained from their registered address. No other Group Financial Statements include the results of the Company or Group.

27. Subsequent events

There have been no material events since the reporting period that would require adjustment to these Financial Statements..



Scottish National Investment Bank

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2021, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared, and with the Companies Act 2006.
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 period, and of the state of affairs as at the end of the financial period.
4. This direction shall be reproduced as an appendix to the statement of accounts.

On behalf of the Scottish Ministers

31 March 2021



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