Annual & Report Accounts

1 April 2025 -
31 March 2026

SOUTH of SCOTLAND ENTERPRISE

Contents

PERFORMANCE REPORT 3

Chair and Chief Executive's Foreword 4

Overview: About SOSE 6

Performance Summary 11

Performance Analysis 18

Performance Conclusions 38

Financial Performance 39

Public Interest Reporting 44

Sustainability and Environment Report 46

ACCOUNTABILITY REPORT 51

Directors' Report 52

The Statement of Accountable Officer's Responsibilities 54

Governance Statement 55

Remuneration and Staff Report 62

Parliamentary Accountability Report and Audit Report 69

Independent Auditor's Report 73

FINANCIAL STATEMENTS 77

Statement of Comprehensive Net Expenditure 78

Statement of Financial Position 79

Statement of Cash Flows 81

Statement of Changes in Taxpayers' Equity 82

Notes to the Accounts 83

ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS 117

South of Scotland Enterprise Act 2019

South of Scotland Enterprise Act 2019 Accounts of the South of Scotland Enterprise (SOSE) are prepared pursuant to section 15 of the South of Scotland Enterprise Act 2019, for the year 1 April 2025 to 31 March 2026. Together with the independent auditor's report to the members of SOSE, the Scottish Parliament and Auditor General for Scotland.

Performance Report

Chair & Chief Executive's Foreword

As we reflect on 2025/26, we do so with a strong sense of pride in what South of Scotland Enterprise and its partners have delivered - and with growing confidence in the ambition and opportunity that lies ahead for the South of Scotland.

That confidence was unmistakable at our Scottish Parliamentary reception in January which celebrated how the South of Scotland has changed for the better over the last five years.

Bringing together all our stakeholders and partners at Holyrood, it marked a powerful moment of reflection and growing momentum. It showcased the depth of innovation, enterprise and collaboration across our region, while reinforcing a shared commitment to ensuring the South of Scotland has the visibility, influence and support it needs to thrive and compete on a national and global stage.

The year has been defined by progress, pace and impact.

Across the South, we have helped businesses and communities continue to pursue bold ideas - securing investment, driving innovation, building skills and leading transformational place based regeneration.

Collectively, the number of stories from the year highlights not only the breadth of our own and our partners' roles, but the significant investment interest in our region as well as the exceptional talent, resilience and creativity that exists across our towns, communities and diverse industries.

That confidence in the region was underlined by us playing a key role in some of the most significant investments ever seen in the South of Scotland.

These included the announcement of Center Parcs coming to the Scottish Borders - a £450m village, which is expected to create around 1,200 jobs and contribute £75m annually to the Scottish Borders economy – alongside the arrival of Kight PowerHub in Dumfries which is expected to create up to 700 jobs in the region.

Together, these investments signal renewed confidence in the region's long term investment potential. That confidence was also reflected in the announcement of the new Galloway Distillery - a business venture by local entrepreneur and actor Sam Heughan, who joined us at the Parliamentary reception.

As Sam noted, the South of Scotland is "a place abundant with ambition, drive and opportunity" - a message that increasingly resonates with investors, founders and decision makers beyond the region.

Behind the many stories from this year, sits strong, measurable delivery. In the past year we engaged with and supported 2,282 businesses, social enterprises and community organisations. We approved £18.3m in funding to 648 projects, helping to create or safeguard 749 jobs across the region.

Our investment also leveraged significant additional funding, contributing to a £3.33 return on every pound invested, equating to almost £61m of wider investment into the South of Scotland economy.

Unlocking entrepreneurial ambition has remained a central focus.

More than 2,800 people benefited from SOSE supported coaching, advice and events. Through our Pathways programme, 465 women and individuals from under-represented groups received a £1,000 concept grant, contributing to the creation of over 220 new businesses across the region.

Both investments signal renewed confidence in the region's long term investment potential.

At Chapelcross, we are advancing plans for a green hydrogen facility that could anchor the region's role in Scotland's energy transition, while work with partners is also underway to create the Mountain Bike Innovation Centre in Innerleithen, which will be a flagship for active tourism, research and development and innovation.

Reflecting this momentum, inward investment enquiries have again increased by over 50% to 82 active enquiries, underlining the South's growing profile as a destination for capital, innovation and sustainable growth.

All we do is rooted in collaboration. Our impact is delivered through strong partnerships with businesses, community organisations, regional and national partners.

The reception at Holyrood was a timely reminder that when we act with shared purpose, we can unlock opportunities that deliver lasting economic and social benefit for people and places across the South.

While we are proud of what has been achieved, our focus is firmly on the future - with a bold vision and heightened ambition for the South of Scotland.

We see a region that is confident, outward looking and ready to lead in innovation, sustainable growth and inclusive prosperity.

A region where businesses of all sizes can start, scale and succeed, where people can build rewarding careers close to home, and where communities are empowered to shape resilient, prosperous futures.

In the year ahead, we will continue to build on strong foundations while responding to new economic opportunities and challenges.

We will be ambitious advocates for the South, focused relentlessly on attracting investment, unlocking opportunity and ensuring the region is well positioned to compete, collaborate and grow - nationally and internationally.

Above all, we will remain focused on delivering long term impact - growth that is sustainable, inclusive and firmly rooted in place.

The optimism we felt at Holyrood in January continues to drive us forward.

With the support of our Board, our partners and the dedication of the SOSE team, we are excited about what comes next - and determined to ensure the South of Scotland realises its full potential as a rural economic powerhouse and the perfect place to live, work, invest and do business.

Russel Griggs OBE FRSE
Chair, South of Scotland Enterprise

Jane Morrison-Ross
Chief Executive,
South of Scotland Enterprise

Overview: About SOSE

This section provides a brief overview, encompassing our history, vision, mission, values, strategic priorities, activities, impact and our business model and environment. It also highlights key risks and uncertainties, and how these are being managed.

History and Statutory background

SOSE was established by the South of Scotland Enterprise Act 2019 when the Scottish Government recognised the need for a dedicated agency in the South of Scotland (SoS) to meet the distinct challenges and opportunities of our rural region.

SOSE has a statutory duty to undertake economic and social development across the South, incorporating the regions of Dumfries and Galloway and the Scottish Borders. Our statutory duties are to:

- further the sustainable economic and social development of the South of Scotland; and
- improve the amenity and environment of the South of Scotland.

Our vision, mission, values and priorities

Our vision

is to create Success, increase Opportunity, lead a sustainable and just transition to Net Zero and advance Equality.

We are here to be bold and ambitious, to take risks and to do things differently to make things happen in our unique region.

We are...

FOR the South,

BY the South and

IN the South

Our mission

is to bring people together across the SoS and work in partnership with them to further the region's economic and social development and to improve its amenity and environment.

We will provide expertise, mentoring and investment to people, enterprises, and communities. We will lead the way in thinking bigger, doing things better and unlocking the great potential of the South. Working with others, we will put our Values into action through our Mission by consistently:

- **Speaking with, and for the South**
- **Grounding action in evidence**
- **Doing things differently**
- **Empowering and supporting**

Our values

are at the heart of all we do. They have been shaped by a process of collaboration and are grounded in the understanding of the South and its needs.

We will be:

- **Inclusive**
- **Responsible**
- **Bold**
- **Striving**

Our Strategic Priorities

Our Five-Year Plan (2023-28) is part of a collective effort to create a regional and national wellbeing economy in support of the National Strategy for Economic Transformation's (NSET's) ambition to create prosperity for everyone in Scotland. Available on our website here: our-five-year-plan.

Our six areas of strategic focus 'Our Six A's' are rooted in the needs and ambitions of the South of Scotland. They have been shaped from the messages we heard in our engagement from the people who live, work, and operate here.

Our Advocating for Fair Work and Equality priority is a cross-cutting theme across all our priorities.

Business Model and Environment

Shaping SOSE for the Future.

Over the past year, we have undertaken a significant programme of organisational change to ensure SOSE is well positioned to meet both the economic and community needs of the region, while strengthening our ability to identify and deliver strategic, market making opportunities and strive to maximise local and regional supply chain benefits.

This work has been delivered through Shaping SOSE for the Future, a change programme focused on simplifying and streamlining our organisational structure and processes to support our evolving model of economic development. The programme has prioritised strengthening our foundations, building organisational capacity, and ensuring the right skills and capabilities are in the right place.

In 2025/26, we transitioned to a new structure organised around three Directorates – Discover, Deliver and Enable – led by our Chief Executive, Jane Morrison Ross.

In 2026/27, we will complete the programme and fully embed these ways of working across the organisation.

Our Board

leads us with a broad range of local knowledge, experience, and interests and are brimming with enthusiasm and passion for the South of Scotland.

You can meet our Board and the SOSE Team on our website: **www.southofscotlandenterprise.com/about/board**
The Board uses its experience to effectively steer the direction of travel and work of SOSE.

Discover

The creation and sharing of insights that inform strategic decisions and identify opportunities

- Data & Intelligence
- Engagement & Influencing
- Performance Measurement
- Research
- Strategy & Policy
- Sector Specialisms

Deliver

Collaborative and creative delivery that drives and delivers economic opportunity for SME's, businesses and enterprising communities by attracting responsible investment and innovation.

- Business Entrepreneurship
- Economic Infrastructure
- Enterprise Investment
- Enterprise Start-Up (SMEs)
- Enterprising Communities
- Natural Capital/Net Zero Expertise
- Resource Management
- Responsible Investment Expertise
- Sector/Industry/Technical Expertise
- Strategic Marketing/ Selling the Region
- Technical Specialisms

Enable

Efficient and effective enabling services that ensure SOSE is delivering maximum value to our clients and is the employer of choice for our people

- Change Management
- Communications
- Finance
- Governance & Assurance
- Health & Safety
- Human Resources
- IT
- Organisational Development
- Procurement

As at 31 March 2026, SOSE employed 137.8 Full-Time Equivalent (FTE) staff.

Partnerships and Collaboration

Partnerships and collaboration are central to maximising impact across the South of Scotland. We continue to strengthen partnerships across the public, private, and third sectors, enhancing the region's collective influence and capacity. Key partners include Scottish Borders and Dumfries and Galloway councils, Borderlands, the Convention of the South of Scotland, the Regional Economic Partnership (REP), Scotland's Rural College, and regional universities, colleges and schools, alongside national partners Highlands and Islands Enterprise, Scottish Enterprise, VisitScotland, and the Scottish National Investment Bank.

We work closely with the Scottish Government and a broad range of partners to address priority challenges, develop solutions, and align activity with national and regional frameworks, including the National Strategy for Economic Transformation (NSET), the National Performance Framework, and the Programme for Government. Strong partnership working underpins our mission and supports the delivery of shared regional and national priorities.

Through this approach, we ensure that the South of Scotland's key economic and community challenges are clearly articulated and reflected in decision making. We play an active role in convening partners, providing constructive challenge, and influencing action to drive positive change, particularly in priority areas such as housing, skills, and transport.

Delivering in Partnership, in 2025/26 we:

- Provided capacity and impetus to enable collaborative action on the commitments in the REP's Housing Action Plan including launching the South of Scotland's first ever Housing Prospectus and a marketing and engagement campaign targeted at growing our regional construction sector.
- Led conversations with regional and national stakeholders to explore the value of a Regional Intelligence Hub for the South of Scotland, including commissioning a scoping report in partnership with Scottish Government.
- Raised awareness of the REP and the South's significant opportunities and assets through developing a set of key strategic messages to promote the region to investors.
- Commissioned a report to map and quantify our Regional Transformational Opportunities in the South of Scotland including an assessment of the key enablers and constraints.
- Enabled regular and impactful collaboration through REP meetings and action groups including shaping the Scottish Government's regional empowerment approach to reflect the South's distinctive structures and opportunities and hosting the REP's dedicated secretariat who facilitated four effective meetings

Scottish Borders Housing Association (SBHA)

SBHA is a major provider of affordable housing in the Scottish Borders. Its *Garages to Homes* project responded to pressure on housing supply and the housing emergency by bringing under-used garage sites in existing settlements back into use for much-needed homes.

SOSE support enabled SBHA and Berwickshire Housing Association to conduct a feasibility study into converting redundant garages into high-quality affordable homes using a modern method of construction. The £148k award in 2021 reduced early-stage risk, tested a new approach for the region, and created evidence for future investment.

The study assessed 118 garage sites across 27 settlements, reviewing constraints, viability, housing yield, and how this type of development could navigate planning and building standards. It identified a prioritised pipeline of suitable sites and helped define a clear "garage-to-home" type for building control, supporting quicker and more consistent future applications.

This work was critical and helped SBHA unlock additional government funding for construction. Without SOSE support, feasibility costs would have been prohibitive, viable sites may have remained unused, and the opportunity to deliver new homes lost.

As a direct result, 13 new affordable homes have been delivered, with tenants moving in from May 2025. Mix of one- and two-bedroom homes helps meet demand, especially for smaller and accessible properties, while making better use of existing assets during acute housing pressure. One tenant described their new home as "life-changing".

The before (above) and after (top).

The project has shown how our region can lead on innovation by trialling a model for bringing small sites forward quickly. Homes were designed to minimise maintenance and running costs, supporting long-term affordability and value for SBHA. They achieved EPC A ratings, exceeding typical new-build standards and helping keep tenants' energy bills lower.

SBHA shared learning from this work with local authorities and registered social landlords interested in this approach; first of its kind in Scotland and generated wider interest. The supplier, HUSK, has since strengthened its presence in Scotland, by establishing a delivery partnership to support future programmes.

SBHA is considering further development on the remaining viable sites identified.

Key Impacts

- **£148k SOSE funded feasibility study reduced development risk.**
- **118 garage sites assessed across 27 settlements, creating a pipeline for delivery.**
- **13 new affordable homes delivered, with tenants moving in during 2025.**

Principal Risks and Uncertainties

Our risk management framework is aligned with the Scottish Public Finance Manual (SPFM) and FReM guidance. The Board has overall responsibility for oversight of the framework, including reviewing Corporate Risks and approving annual risk appetite statements. This responsibility is delegated to the Audit and Risk Committee (ARC), which reviews strategic-level Corporate Risks and provides assurance on Directorate and major project risks.

Supported by the Risk Assurance function within the Governance and Assurance Team, the Senior Leadership Team (SLT) manages risk across corporate, directorate and major project risk registers. These are reported to ARC and overseen by the Board. A robust Risk and Internal Audit Policy underpins our approach, supported by a central risk management database covering all risk registers at corporate, directorate and major project levels.

Risk registers are reviewed regularly by SLT and informed by ongoing horizon scanning, which is considered six-monthly by ARC to identify emerging external opportunities and threats that may give rise to risk. Horizon scanning is captured through the PESTELS framework (Political, Economic, Social, Technological, Environmental, Legal and Security) and is maintained throughout the year.

The Board sets the organisation's risk appetite annually, based on advice from ARC. Risks identified across the organisation are recorded and managed within the Ideagen risk management system, which supports monitoring and reporting to SLT, ARC and the Board. Each risk includes planned mitigating actions, owned and managed by designated risk owners.

Risks are escalated from operational teams and projects, or through horizon scanning, to SLT, ARC and the Board as appropriate. Corporate Risks, including their ratings, mitigations and alignment to risk appetite, inform decision making on projects, funding and other interventions. This ensures risks are managed within the Board approved risk appetite and that mitigations support the delivery of successful outcomes.

At the end of 2025/26, there were eight strategic-level Corporate Risks, as set out below.

Cyber Security

Potential financial loss, reputational damage and business disruption impacts of a major cyber incident are recognised. Mitigations are continually reviewed, monitored and updated to minimise the threat and manage any incident.

Mountain Bike Project

This remains a key strategic priority for the Board. Delays could result in programme slippage, delayed regional benefits, negative publicity, loss of confidence and potential withdrawal of funding.

MySOSE

Risks to the successful delivery of the continuous development programme for MySOSE, following its implementation, are recognised. Programme management is ongoing to deliver system improvements and changes to ways of working, to ensure benefits are realised for staff and customers.

Pipeline Data Management

If key information relating to current and proposed projects is not collated on MySOSE then SOSE senior staff including Board cannot make informed decisions about the project pipeline and allocating the budget which will have a direct effect on SOSE's ability to achieve its aims and objectives for the region.

Resource Capacity and Expanding Remit

The risks associated with delivering our expanding remit are recognised. Failure to clearly define and resource new Scottish Government (SG) expectations, particularly in facilitating innovative approaches to complex regional challenges such as housing and transport, could result in reputational damage and limited progress.

Staff Resilience

If SOSE does not successfully support, maintain, and develop staff resilience during public sector reform and cost reduction then we may not successfully deliver our objectives in the current economic climate.

Strategic Direction

Lack of engagement or alignment among staff, the Board, clients and partners could lead to inefficient use of resources, poor engagement and reduced confidence from the SG, resulting in reputational damage.

Shared Service Arrangements

As there is centralised shared services and SDS restructuring, SOSE may experience significant impacts on system development, functionality, infrastructure, and support arrangements.

Emerging issues may arise over the coming year from opportunities associated with inward investment, large-scale regional programmes and strategic partnerships. Challenges may arise alongside ongoing budgetary pressures, the continued cost of living crisis and its impacts on communities, housing and infrastructure, wider political uncertainty, and challenges for businesses linked to Net Zero and Fair Work conditionality.

Performance Summary

This section gives an overview of our impact against our Performance Measurement Framework (PMF) principally through our Primary Measure out-turns and supporting data. This aligns with our priorities, 'Our Six A's,' which include the cross-cutting theme of fair work and equality which is core to all we do. It also highlights some of SOSE's achievements and challenges during 2025/26.

2025/26 is our third year of capturing Primary Measure data and is becoming more data-driven and intelligence led. Our systems and processes continually improve to ensure data and intelligence increases in accuracy and are refined to provide meaningful information to aid evidence-based decision making.

During the past year we have continued our path to develop into a strong, ambitious, and active partner for the good of our region and be a positive catalyst. The following pages celebrate some of the achievements of our region, our partners, our businesses, our communities, and our team. SOSE does nothing in isolation and hence our impact is the combined effort of the South of Scotland with the support of SOSE.

A snapshot of our impact:

634 Organisations supported

£58.1m Gross Additional (GA) Increase in client profitability*

22 new/improved income-generating community assets projects supported*

82 'active' inward investor enquiries
21 new enquiries in 25/26

£67.9m Value of investment in Net Zero opportunities*

Responded to **21** Government consultations

Responded to **2,225** Client enquiries

256 Clients that are innovating*

£18m investment in Natural Capital opportunities*

748.7 Jobs Supported (FTEs)*

£18.3m (648 projects; 634 clients) Funding approved with a total project value of **£79.3m***

c.126k tC02e Estimated CO_2 emissions reductions by clients and projects*

Invested **£6.2m** in **38** strategic projects

24 Project approvals were **over 100k***

2,862 No of people engaged in entrepreneurship, of which:
2,016 are Young People
725 are Women

Geographic spread of investment:
49% Dumfries & Galloway
51% Scottish Borders*

£61m Total funding leveraged for the South* (Out-with Scotland)

264 clients that have increased their digital capabilities*

Invested **£12.9m** into business & community enterprises

Invested **£78m** Total Capital Supported*

* Activity in relation to client funded projects.

Performance Against Target Analysis

There has been significant progress against a diverse range of activities in 2025/26, evidencing high impact across all Primary Measures. As SOSE has matured it has resulted in successfully landing significant projects that have been developed and influenced over past years through strong partnership working, staff expertise, influencing skills and resilience. Every year is unique and fluctuations in out-turns are expected due to the diverse range of projects, need, varying complexity and the timespan required to turn opportunities into action.

The following table details performance of our Primary Measures in 2025/26 against targets, and comparison against previous years. Targets are set via analysis of a range of factors including pipeline and trend data, (e.g. potential slippage), external dependency weighting, and client-facing staff intelligence. Targets are approved by the Senior Leadership Team.

An exceptional, outlier project's out-turn is separated out in the data and excluded when rating performance against targets. This is due to the high impact of landing a significant project in-year across several measures and to provide clarity. Details regarding this project are described on page 13.

Primary Measure Outcomes

(Client-facing, approved funding)

Primary Measure	2025/26 Overall Forecast out-turn* *	2025/26 Forecast out-turn (excluding exceptional outlier)*	2025/26 Target Range	Target Rating (excluding exceptional outlier)*	2024/25 Forecast out-turn *	2023/24 Forecast out-turn *
No. people engaged in entrepreneurship	**2,862**	**2,862**	2,000-3,000	•	3,122	1,455
- No. people engaged in entrepreneurship who are - Women	725	725	/		612	478
- No. people engaged in entrepreneurship who are - Young People	2,016	2,016	/		2,174	805
No. clients that are innovating	**256**	**256**	100-200	•	245	106
Total capital value of projects supported	**£78m**	**£53.8m**	£30-£50m	•	£31.3m	£38.7m
Gross Additional Increase in client profitability	**£58.1m**	**£58.1m**	£45-£60m	•	£44.3m	£61.4m
Gross Additional Increase in client turnover	**£549m**	**£309m**	£200-£250m	•	£147.6m	£208.4m
No. new/improved income-generating community assets projects supported	**22**	**22**	15-25	•	30	15
Total value leveraged	**£61m**	**£45m**	£30-£60m	•	£23.5m	£19.2m
Value of inward investment opportunities secured	**£45m**	**£20.8m**	£20-£40m	•	£4.4m	£6.7m
Value of investment in Net Zero opportunities	**£67.9m**	**£43.7m**	£30-£50m	•	£28.5m	£40.8m
Estimated CO_2e emissions reductions by clients and projects (tCO_2e)	**125,966**	**124,502**	3,000-5,000	•	3,605	4,632
Value of investment in Natural Capital opportunities	**£18m**	**£18m**	£10-£20m	•	£19.1m	£2.7m
No. of jobs supported	**748.7**	**658.7**	300-500	•	377.2	1,706
No. clients that have increased their digital capabilities	**264**	**264**	75-150	•	210	32
Additional supporting data:						
No of Projects approved	**648**	**647**			558	165
No of Projects excluding Pathways project	**184**	**183**			168	165
Values against Funding Approved	**£18.3m**	**£13.6m**			£10.3m	£9.2m
Total project value supported (inc. SOSE Funding)	**£79.3m**	**£55.1m**			£33.7m	£52.4m
Unlocked potential per £ of SOSE investment	**£3.33**	**£3.05**			£2.29	£4.73

* Out-turns are forecasts as it relates to the expected out-turns recorded at point of approval. Target rating excludes the exceptional outlier project data; Pickstock:
• Blue >100%, • Green 90-100%, • Amber 50-90%, • Red <50% (of lower target range excl. Pickstock)

No. clients that have increased their digital capabilities only includes funded activity. Non-funded activity such as events increases this number to 494.

Jobs supported in 23/24 includes the upturn due to COVID crisis focus.

Exceptional Project: Pickstock

Pickstock Telford's abattoir and beef processing facility at Ecclefechan is a multi-million-pound agri-food infrastructure investment with full planning consent secured and a clearly defined operational model. The project is now progressing into a mobilisation-focused delivery phase, underpinned by a structured and deliverable programme. The project out-turns are forecast to deliver impactful results:

Award Winning Food Production – New site

Pickstock Ecclefechan will be an extension of an existing, award winning, best in class international food production organisation, which will support the Scottish farming industry, underpins regional food resilience, supports local agriculture (farm viability) with enhanced animal welfare (shorter transport times).

Artists impression of new site.

Integrated low-carbon energy systems and shared utilities delivering resilient, cost-efficient operations across the site to include eHGV charging, with a reduced carbon output and transportation. The facility will create rural new jobs, provide production upskilling and replace displaced skills heritage in food and farming.

With an established export customer base, Pickstock Ecclefechan will become an international supplier of quality assured British beef products to retailers, butchers and food service professionals into Europe and across the world sourced from Scottish farms.

This facility will support access to potential export markets in the USA, Canada, and Singapore, subject to site approvals.

90
Jobs created in the local economy

250
Construction jobs

Apprenticeships

25	5	5	5
Construction	IT	Finance	Operation

Food Waste
Significant **reductions**

Targeted Job increase
120
33% increase over 5 years

New commercial Floorspace
49,310 sq ft
4,581 sq m

New Employment Land
First Phase
7.5 Acres
30,351 m2

Animal Welfare
Enhanced welfare outcomes

Primary Measures Analysis

Throughout 2025/26 we increased focus on the element of our mission to *"lead the way in thinking bigger, doing things better and unlocking the great potential of the South".*

This has been achieved by being a catalyst of opportunities and by bringing large-scale projects to fruition. This worked alongside our continued drive supporting the essential foundation of our rural region and working with our microbusinesses and SMEs to build resilience, innovation and sustainability.

The importance of our work in communities through regeneration and our place approach has been relentless, including large scale project activity such as Annan Harbour and intensive partnership working and raising understanding and skills of community groups.

All targets were achieved in 2025/26 with a wide spread of investment across our region; 49% across Dumfries and Galloway and 51% across the Scottish Borders. Only three out-turns were less than 2024/25 but within expected range and two of these, Value of investment in Natural Capital and Number of people engaged with entrepreneurship were within 10% and both vastly greater in comparison to 2023/24 figures. 2025/26 has been a very strong year as we strive to continually have a positive impact for our region.

Supporting ambitious projects

SOSE investment supported a significant increase in the **total capital value of projects**, rising to circa **£78m**, compared with circa £31.3m in the previous year. This highlights the growing scale and ambition of supported activity and the role of SOSE funding in enabling projects that attract substantial additional investment.

Driving business profitability and turnover

These investments translated into strong economic outcomes for supported businesses. **Gross additional (GA) client profitability increased to £58.1m**, up from £44.3m in 2024/25 and within the expected target range. GA client turnover also increased significantly, reflecting the scale and maturity of projects supported during the year.

Community activation

In communities, SOSE supported **22 new or improved income generating community assets** during 2025/26. While this is lower than the 30 supported in 2024/25, delivery remains within the targeted range and continues to contribute to community resilience, local wealth building and long term sustainability.

Leveraging additional investment and inward capital

SOSE funding continued to act as a catalyst for wider investment. The **total value leveraged increased to £61m**, compared with £23.5m in the previous year. Inward investment activity also strengthened significantly, with **£45m of inward investment opportunities secured**, marking a substantial increase compared to 2024/25.

Progress towards Net Zero and environmental sustainability

Investment in **Net Zero opportunities increased to £67.9m**, reflecting the delivery of large scale low carbon projects. This contributed to a substantial increase in **estimated CO_2e emissions reductions. Investment in Natural Capital opportunities remained high at £18m**, continuing to support the protection and enhancement of the region's natural assets.

Engaging people in enterprise

Engagement in entrepreneurship remained high during the year with **2,862 people supported to engage in entrepreneurship**. Participation from **women increased year on year**, rising from 612 to **725**, while engagement from **young people remained substantial**, with **2,016** supported compared with 2,174 in the previous year.

Helping clients to innovate

Support for innovation remained strong, with **256 clients** engaged in innovative activity across a range of sectors. Programmes such as the Pathways continued to support innovation and digital adoption across the region.

Jobs and digital capability

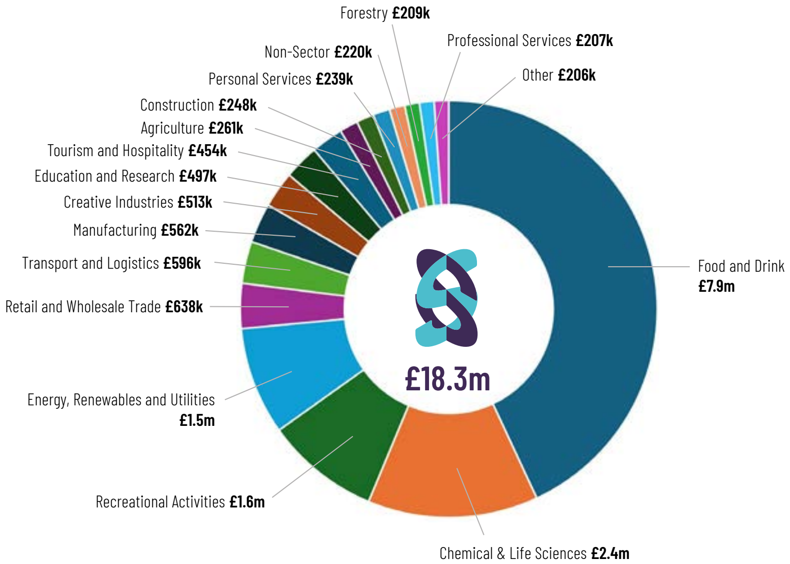
SOSE interventions supported **749 jobs** during 2025/26, a significant increase on the 377 supported in the previous year. Our digital support remained strong with **264 clients increasing their digital capabilities,** reflecting continued growth in digital adoption.

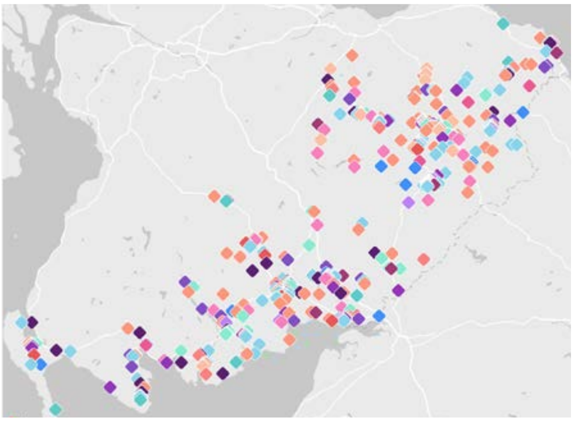
Overall, performance against our Primary Measures demonstrates sustained impact across enterprise, innovation, investment, sustainability and digital adoption. Outcomes remain strong and meet our ambitious but realistic target ranges. The overall direction of travel reflects the increasing scale and maturity of SOSE supported activity across the South of Scotland.

Investment by Sector

In 2025/26 client-facing, approved funding has had a wide geographical spread and notably supported areas such as Food and Drink, Chemical and Life Sciences, Recreational Activities and Energy, Renewables and Utilities.

These sectors are integral to our region's economy, and the funding aims to enhance economic resilience and foster growth across these vital areas.

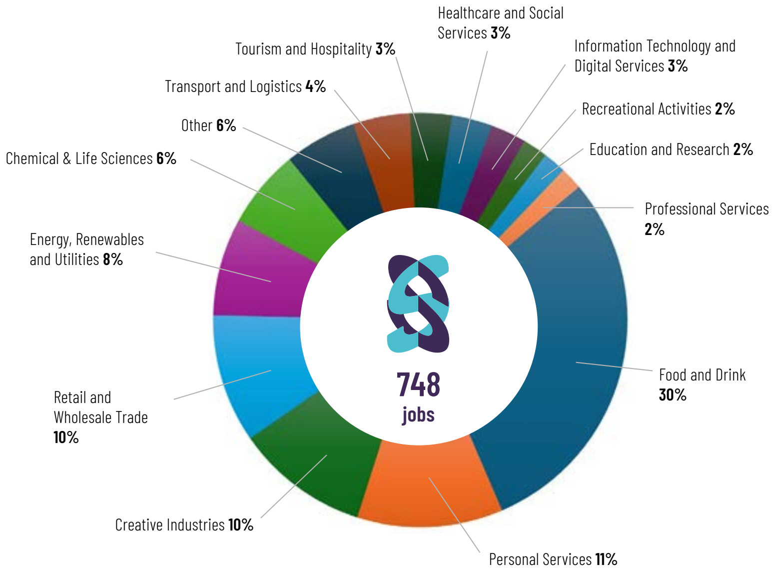


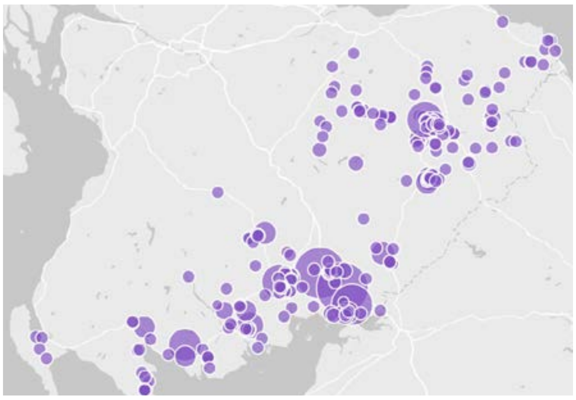


Job Support

In 2025/26 client-facing, approved funding has supported the safeguarding and creation of jobs in many sectors and across a good geographical spread in the region.

Activity has particularly impacted on Food and Drink, Personal Services, Creative Industries, Retail and Wholesale Trade and Energy, Renewables and Utilities.



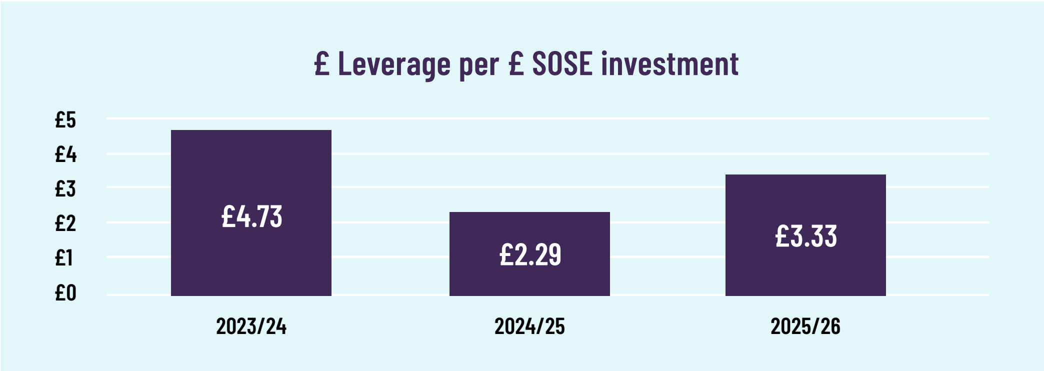


Leverage and unlocking potential

In 2025/26 every £1 of SOSE investment directly unlocked £3.33 of other funding, evidencing value for money and SOSE being a catalyst for additional funding and investment.

This is an increase on 2024/25, a decrease on 2023/24, with the average investment unlocked over the three years being £3.45. Changes across years illustrate the fluctuating type, demand and range of activities by year. Exceptional or outlier projects in-year have a large impact on leveraged investment.

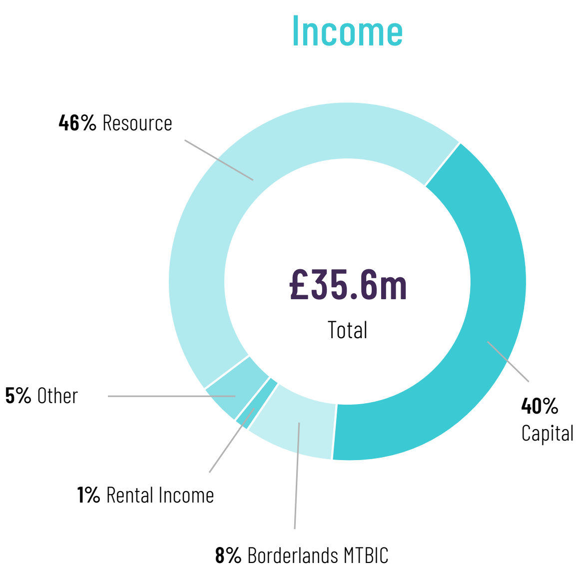
Leverage is calculated by:
Total project cost per approved project (£) minus SOSE's approved funding per project (£) ÷ total SOSE approved funding.

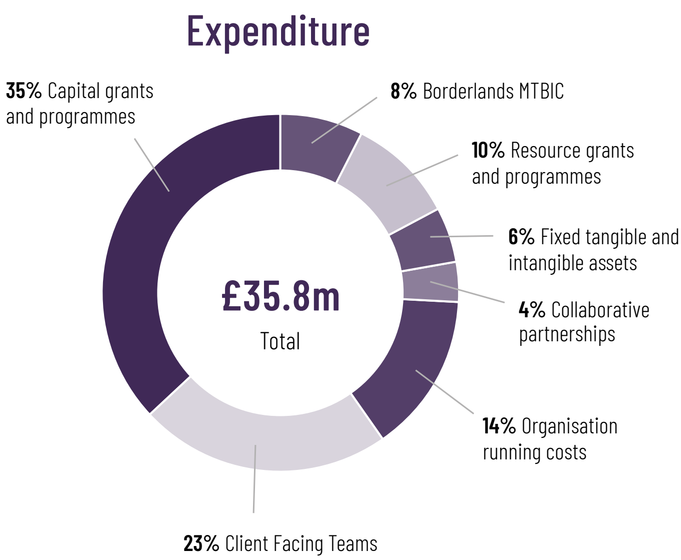


Summary of Financial Performance

The graphs below detail the income and expenditure, reconciling to cash funded outturn on the Outturn Summary, page 39.

Income includes Grant in Aid from Scottish Government as well as other sources, these are detailed within Note 3, page 95.





Funding

The funding table below details spend in-year and captures the main 'Six A' relating to a specific project.

Performance data is forecasted impact at the time of project approval. Projects may meet more than one 'Six A' and is particularly prevalent for Advocating for Fair Work and Equality.

Our Six A's	Funding to Clients, Projects and Strategic Activity		
	Capital	Resource	Total
Accelerating Net Zero and Nature-positive Solutions	£2,937,333	£415,139	**£3,352,472**
Activating & Empowering Enterprising Communities	£3,099,308	£551,703	**£3,651,011**
Advancing Innovation and Improving Productivity	£6,604,087	£718,373	**£7,322,460**
Advocating For Fair Work and Equality	£0	£12,108	**£12,108**
Attracting Ambitious Investment	£1,558,009	£215,713	**£1,773,722**
Awakening Entrepreneurial Talent	£1,429,079	£1,605,193	**£3,034,272**
Total	**£15,627,817**	**£3,518,229**	**£19,146,045**
Staff costs to enable delivery of SOSE's Six A's			**£8,303,400**

Going Concern

The Board and Accountable Officer have considered the resource budget for 2026/27, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's other income including funding for shared positions, interest, rental income and forecast land sales. This is deemed adequate resource to continue operational existence to undertake aims as set out for SOSE by Scottish Government in our Letter of Guidance. Considering available budget together with SOSE's closing Statement of Financial Position at 31 March 2026, net assets of £15.147m, the annual financial statements have been prepared on a "going concern" basis. Further details of SOSE's resource budget for 2026/27 are given in the Performance Report and the Accountability Report. Details of the liquidity position are given in Note 22, page 113.

Performance Analysis

This section provides more detail of our performance, provides external context and highlights some of our activities, achievements, outcomes, and challenges during 2025/26.

These are reported against our strategic priorities, '**Our Six A's**' (one being the cross-cutting theme of Fair Work and Equality):

Economic and Strategic Context

Continued global economic uncertainty has remained a significant challenge for households and businesses over the past 12 months. Inflation has declined from earlier peaks but remains above the Bank of England's 2% target partly driven by turbulent energy prices and upward pressure on wages. Despite this, the year can be seen as one of stabilisation following a period of sustained pressure on the economy of the South of Scotland.

The Scottish Business Monitor Q4 2025 report highlighted that "cost pressures remain the dominant concern: nearly 80 percent of firms reported higher total costs in recent months, while around 90 percent expect costs to rise further over the first half of 2026"[1].

While business confidence has remained muted, and the increased costs of both borrowing and operating has created a challenging context for businesses to invest and grow, there has also been a strong sense of resilience among businesses in the South. In the latest wave of the SOSE Business Panel –which seeks the views of a representative sample of 600 enterprises across the region - 72% of businesses had either performed well (31%) or had been fairly steady (41%)[2].

Cost-of-living pressures also continued to impact households, especially in rural and remote areas where energy, transport and housing remain structurally high and continue to have a significant impact. The start of 2026 brought further energy challenges as the price of heating oil rose sharply, increasing the cost of heating many homes across the region.

Unemployment rate is a key indicator of labour supply. In 2025 the unemployment rate in the South of Scotland was 2.7% for over 16-year-olds. This is lower than the previous year (2.8%). The figure for Scotland in 2025 was 3.7%[3] .

1. Scottish Business Monitor Q4 2025 | FAI
2. SOSE Business Panel Survey
3. Data Matrix - Skills Development Scotland

Accelerating Net Zero and Nature-positive Solutions

SOSE remains committed to sustainability and to tackling the global climate and nature crises. We recognise the significant opportunity that accelerating net zero and nature positive solutions brings for our region: to drive sustainable economic growth, to increase the resilience of our businesses and communities and to future-proof our places.

As Scotland's national Natural Capital Innovation Zone (NCIZ), we are clear that our natural assets – and the businesses, infrastructure and communities around them– are key to unlocking a sustainable future. This year we have continued to focus on leveraging our region's unique assets and strengths to drive and influence change, stimulating innovation and new market opportunities and supporting the transition of our core industries and businesses. Examples of activity in 2025/26 are detailed below.

In 2025/26 activity included:

Energy Transition

- Our Net Zero Accelerator Fund (NZAF) approved funding for 10 projects, some of which had been unsuccessful in applying for the Scottish Industrial Energy Transformation Fund (SIETF) – it is estimated that 2025/26 NZAF projects, in total, will generate an annual cumulative saving of over 18,500 tCO_2e and £1.8m across businesses which in total employ circa 1,500 people.
- Published the Net Zero and Natural Capital Subsidy Scheme in July, our first bespoke subsidy scheme, designed to enable delivery of energy efficiency, infrastructure, natural capital and agriculture projects.
- Four community events delivered across the region to support non-profit organisations considering building decarbonisation, income generation projects and place-based action. These events enabled networking between groups, provided opportunities to share best practice/shared challenges and brought together support organisations to meet groups.
- In collaboration with community enterprise colleagues, we supported community energy projects across the region, ranging from informal guidance to support in developing applications to Scottish Government (SG) and windfarm benefit funding to directly funding projects.

Highlights included supporting Stranraer Millenium Centre to deliver low carbon heating and solar PV for a vital community hub, supporting community groups in the borders to develop MW scale PV projects in partnership with the local supply chain and advice to projects such as Loch Aruthur Camphill Community which installed a 200kW solar PV installation using the latest battery storage technology to get around grid connection challenges and reduce running costs while avoiding grid upgrades.

- With support from Luths technical services, we created a Community Hall start guide to help groups identify the best steps to reduce running costs and their carbon footprint. The guide is based on research from over 40 in-depth assessments of relevant community facilities.
- Launched the SoS Developer Forum – bringing together developers to maximise the economic benefit of onshore wind development and established short life working groups.
- Creca Hydrogen – supported development of 48MW green hydrogen production site at the Energy transition zone at Chapelcross. This site has submitted a full planning application and has the potential to provide up to 50 skilled operational jobs and help industrial sites reduce carbon emissions by up to 26,000 tonnes per annum.
- Supported SMEs looking to reduce energy costs, carbon footprint and increase sustainability; delivered via a combination of SOSE funding and signposting to national schemes e.g. Business Energy Scotland.
- Launched the South of Scotland (SoS) Heat Network Prospectus which highlighted 19 potential heat network opportunities across the region. This stimulated significant interest from developers with several projects now under further development including the integration of waste heat from industrial sites and capturing waste heat from small scale data centres.

Natural Capital

- Delivered our circa £100k Satellite Data Challenge fund and supported four Scottish space technology businesses to develop innovative solutions that use earth observation data to enhance natural capital in the SoS, in collaboration with local partners. Projects explored included: optimising economic and environmental returns from native woodland creation and creation of an integrated and data driven framework to assess farms environmental conditions.
- Continued to lead the SoS Regional Land Use Partnership (RLUP) to bring stakeholders together to optimise sustainable land use and supports SG in the co-design of the National Framework for RLUPS to guide the roll-out to other areas of Scotland. The regional delivery programme continued, including:
  - producing a Regional Peatland Plan, the first in Scotland, that will help guide peatland restoration and investment into the region
  - developing a Natural Capital Innovation Plan for climate resilience in the Lyne water catchment
  - producing the region's first State of Nature report and developing an approach to Landscape Sensitivity Assessment to provide strategic guidance for woodland creation.
  - supporting the Forestry Training Service UK training programme at Barony and the emerging Scottish Borders Forest & Woodland Strategy.
- Piloted the Natural Capital training package for staff, designed to raise awareness and understanding of natural capital concepts and the opportunities to deliver a nature positive future across business and community enterprises in the NCIZ.
- Delivered our Natural Capital Innovation Fund for the second year, with a focus on: sustainable water management on the Lyne Water and restoration of the River Annan.

Agriculture Transition

- Delivered a £375k pilot Small Producers Fund on behalf of SG to enable small food, drink and textile producers across the South, Central and North East of Scotland to increase sustainable local production, drive innovation, productivity and strengthen local supply chains. Circa 35 projects were funded and circa 50 in the pipeline, awaiting further funding opportunities. In the SoS, the pilot approved £212k funding for 15 businesses in horticulture, livestock production, apiculture, processing and retail.
- Supported the Tweed Landscape Enterprise Network (LENs) launch, the first LENs in the region. The Tweed LENS will bring together businesses, public bodies and other organisations with a 'stake' in the Borders landscape to invest in regenerative agriculture practices on farms to deliver a range of environmental outcomes alongside their agricultural production.
- Supported the co-design, development and launch of the Scottish Women's Dairy Network through the SRUC Digital Dairy Chain project and in collaboration with partners. The network is designed to lift the voices of women in the industry and to develop skills, training and support in the region.

Sustainable investments, net zero and climate resilience

- Supported progress of key sustainable investments that will create transformative economic growth and impact for our region and attract significant responsible investment. These include our investment in the growth plans of The Carbon Removers' carbon removal technology, our support to pilot the Kight PowerHub innovative home battery system and to secure a site for an assembly plant in Dumfries and our ongoing partnership work with Eyemouth Harbour Trust to progress its masterplan for a harbour extension of up to £250m to create a future-ready deep water port.
- Delivered a range of targeted and one-to-many support for clients and projects to progress their sustainability and circular journeys, including two Borders-based pilot cohorts of the Climate Springboard programme. The programme provided free expert support to businesses to calculate their carbon footprint and build a climate action plan to increase efficiency, reduce emissions and build business resilience. Participants came from a range of sectors including textiles, distilleries, manufacturing and tourism. All rated the programme excellent and would recommend it to others.
- Hosted circular economy-focused collaborative sessions between SOSE and Zero Waste Scotland specialist teams: looking at energy infrastructure and food and drink/bioeconomy to identify areas for collaboration and to accelerate each organisation's activities.

Primary Measures evidencing impact of Accelerating Net Zero and Natural Capital Solutions (2025/26):

£67.9m
invested in **Net Zero** opportunities
£28.5m in 2024/25
£40.8m in 2023/24

£18m
invested in **Natural Capital** opportunities
£19.1m in 2024/25
£2.7m in 2023/24

125,966 tCO_2e
estimated **emissions reduction** supported
3,605 tCO_2e in 2024/25
4,632 tCO_2e in 2023/24

CASE STUDY

Green Cat Hydrogen's new facility

Artist's impression.

Good progress continues to be made with a planning application submission in February 2026 to create a green hydrogen facility which would create 50 jobs at our Energy Transition Zone beside Chapelcross.

This step follows a successful consultation exercise by Green Cat Hydrogen, which gave the public the opportunity to view the plans, learn more from the project team and provide feedback. Work has also been completed on the ground investigations and environmental assessments for the project, with engineering studies underway.

Facts and figures

If approved, the facility will:

- Include hydrogen production, storage and associated logistics.
- Boost the local economy with around 50 high-skilled jobs during operation, plus 150 jobs during construction.
- Produce up to 4,000 tonnes per year of green hydrogen, which will be used to decarbonise local industries, resulting in CO_2 emissions reductions of up to 26,000 tonnes annually

It will draw on locally generated renewable electricity, the facility has the potential to act as a demand response facility, helping to manage electricity curtailment in the South of Scotland.

Energy Transition Zone

The project will be delivered on our Energy Transition Zone – which aims to attract inward investment for green energy production. If approved, the facility is expected to enter commercial operation in 2028, the project will help to kickstart the development of the main Chapelcross site, as part of the Chapelcross Masterplan. The main Chapelcross site is being taken forward by CX Power. The proposed facility would be in the heart of Scotland's Natural Capital Innovation Zone, which covers the whole of the South of Scotland and aims to accelerate solutions to the twin global challenges of biodiversity loss and climate change.

Gavin Catto, CEO at Green Cat Hydrogen, said: "The submission of our planning application represents the significant, positive progress we are making towards our project at Creca. We were pleased to see positive local interest and engagement during the consultation period and valued the opportunity to meet with the public to discuss in full the exciting opportunities the project offers to the local area. Green hydrogen is an important part of the Scottish energy mix, driving green growth opportunities in communities across the country. From construction to operation, this project will provide skilled employment opportunities, support wider energy security and create resilient local supply chains. We look forward to enabling the decarbonisation of food and drink, manufacturing and public sector industries across the region. We will continue to work closely with South of Scotland Enterprise, Dumfries and Galloway Council, and the Nuclear Decommissioning Authority to ensure our shared vision for Chapelcross, as a major hub for green technologies, is turned into reality."

Jane Morrison-Ross, CEO at South of Scotland Enterprise, said: "This is a significant step forward for Green Cat Hydrogen, SOSE's Energy Transition Zone and the future of the overall Chapelcross site. "SOSE is committed to working with our partners to create an environment for investment and growth, with Chapelcross key to achieving that ambition. If approved, Green Cat Hydrogen's plans will help anchor the region's energy transition and will provide high skilled jobs for the local area."

Advocating for Fair Work and Equality

Fair Work and Equality are central to SOSE's approach to inclusive, sustainable economic development. In a region dominated by small, rural employers, progress depends on practical, consistent leadership that supports businesses to do the right thing and understand the value of doing so. By promoting fair working practices, including fair pay, secure hours and long term financial security, SOSE supports employers to recognise Fair Work as an investment in people, productivity and long term organisational resilience.

This approach aligns with the Scottish Government's (SG's) Fair Work Framework and reinforces SOSE's role as a regional champion for high quality work that values people, strengthens organisations and contributes to inclusive, sustainable growth across the South of Scotland. Examples of activity in 2025/26 are detailed below.

In 2025/26 activity included:

Leadership through example and influence

SOSE provides sustained, place based leadership to increase uptake of the real Living Wage (rLW), Living Hours and Living Pensions accreditations across the region. Leading by example is fundamental to this work. SOSE holds all three accreditations. In a rural, SME dominated economy, this sets a clear benchmark.

Fair Work principles are embedded beyond SOSE through our investment activity. Payment of the rLW and provision of effective employee voice are mandatory conditions of SOSE grant funding, ensuring public investment delivers Fair Work outcomes across workplaces throughout the south.

This is complemented by ongoing, practical employer engagement. We deliver regular workshops and contribute to conferences, business breakfasts and sector specific forums, focusing on actionable implementation and clearly demonstrating the business benefits of Fair Work, including improved recruitment, increased retention and more stable, productive workforces.

Communications activity and local case studies further reinforce this work by highlighting employers who have embraced Fair Work. This peer led approach helps reposition Fair Work from a perceived compliance requirement to a competitive advantage, supporting SMEs, third sector organisations and larger employers to transition towards people centric business models through advice, events and partnership working.

Driving System-level change

SOSE's ambition extends beyond minimum compliance. By combining funding levers with regional influence and convening power, we accelerate uptake of Fair Work and support sustained, system level change across the region. This is demonstrated via:

- Funding leverage: All grant recipients commit to Fair Work First criteria and to Fair Work as a journey of continuous improvement.
- Regional leadership: Chairing the Scottish Borders Living Wage Action Group and amplifying employer voices that demonstrate the competitive advantage of Fair Work.
- Capability building: Delivering employer sessions grounded in local experience, including contributions to SG's Fair Work Festivals.
- Partnership working: Collaborating with enterprise agencies, government partners and business and third sector intermediaries to take Fair Work messaging directly to employers.
- Supply chain influence: Promoting payment of the rLW through procurement and tendering processes.

Together, these actions demonstrate clear additionality and reinforce SOSE's role in supporting the adoption, progression and evaluation of Fair Work across the region.

Outcomes and recognition

During 2025/26, SOSE supported the creation of 698 jobs and safeguarded a further 51, while approving grant funding for 634 organisations. All grant-funded organisations with employees committed to embedding Fair Work First criteria and driving continuous improvement through Fair Work action plans.

SOSE's leadership was formally recognised through receiving the Outstanding Leadership Award at the Scottish Living Wage Awards 2025, acknowledging its role in championing Fair Work and the rLW across the region.

SOSE's influence also supported 18 new Living Wage accreditations, resulting in pay uplifts for 98 workers. As at 7 April 2026, the South of Scotland has 153 Living Wage accredited organisations, collectively uplifting wages of 2,805 employees, 7 Living Hours and 2 Living Pensions accredited employers.

Exceptions to rLW conditionality

In 2025/26, SOSE approved nine exceptions to real Living Wage conditionality; 1.4% of all grants approved. There has been a notable increase in the proportion of exception requests relating to the whole workforce, rather than confined to under 18s and/or apprentices. Exceptions were predominantly within manufacturing and hospitality.

Our People, Culture and Learning and Development

In 2025/26, we continued to strengthen our approach to people, culture and organisational capability, recognising the critical role our workforce plays in delivering for the region.

SOSE benefits from a committed and engaged workforce, supported by ways of working that prioritise flexibility. Building on the Scottish Government Flexible Working Pilot, flexible working is embedded within how we operate, supporting equality, diversity, inclusion and employee wellbeing by enabling a range of flexible options across the organisation.

Employee engagement remains a key priority. Results from the 2025 Employee Engagement Survey demonstrated a marked improvement, with SOSE achieving an Employee Engagement Index score of 77 and 78% favourable responses—an increase of 10% since the last survey in 2023. These results place SOSE in the top quartile of those UK organisations with fewer than 200 employees.

During the year, SOSE undertook a Skills and Strengths Review to gain a clearer picture of organisational capability and future skills needs. The review provided valuable insight into strengths and development priorities across teams and is informing workforce planning, learning pathways and succession planning.

Inclusion, Equality and Diversity (IED)

Complementing Fair Work, we continue to embed IED via targeted programmes designed to address personal, structural and practical barriers faced by under-represented groups. Minority owned businesses and start-ups received tailored mentoring, training and advice from dedicated business coaches, supporting increased confidence, capability and routes to market.

Between July 2025 and Mar 2026, we delivered Phase 2 of the SG's Pathways Project for Under Represented Groups. Through coaching and micro funding, 575 people were supported; 150 were signposted to Business Gateway, and 465 received a £1k concept grant.

During 2025/26, we also strengthened our approach to employee support and reasonable adjustments; supported research into neuro affirming workplaces; delivered lived experience led training on topics including sexual harassment, menopause, working carers, inclusive communications and neurodiversity

Learning and development activity during 2025/26

represented a total investment of £115,496, equating to circa £819 per employee. Activity focused on priority capability areas including professional qualifications, digital learning, people management, digital technology, specialist skills and role-specific training aligned to wider organisational priorities. Investment was made in learning resources, including continued use of the organisation's learning platform alongside mandatory training, with strong compliance maintained. A more agile performance and development approach was introduced, with bi annual reviews supporting clearer objectives and aligned individual learning goals.

Looking ahead, we are developing a refreshed People and Culture Strategy. Work to date has focused on shaping key themes that will underpin the strategy, including building organisational capability, strengthening culture, and enhancing digital and data capability. Staff engagement will be central to the next phase, ensuring the strategy reflects workforce insight and supports future organisational needs.

Primary Measures evidencing impact of Advocating for Fair Work and Equalities (2025/26):

749
jobs **supported**
377 in 2024/25
1,706 in 2023/24

698
new jobs **created**
268 in 2024/25
377 in 2023/24

51
jobs **safeguarded**
109 in 2024/25
1,316 in 2023/24

CASE STUDY

International Women's Day celebration hailed a success

Over 140 people from across the South of Scotland and beyond came together to celebrate International Women's Day. Our sold-out event took place on Thursday 6 March 2026 at Smiths in Gretna Green, ahead of International Women's Day on 8 March.

The theme of the day was connecting and empowering women to accelerate action and wellbeing. Through a variety of talks, workshops and panel discussions, the event aimed to inspire attendees and leave them with tangible goals to deliver their business ideas.

Who took part?

- **Alice Thompson**, co-founder of **Social Bite**, Scotland's pioneering social enterprise which created 600 homes for people experiencing homelessness, delivered a thought-provoking keynote speech on the 'Fear of Failure'.
- Day was hosted by **former US military commander, commercial executive and board director Yvette Hopkins.**
- **Center Parcs' Chief People Officer Cathryn Petchey** spoke about her experiences of being a female leader.
- **Chief Executive of Women's Enterprise Scotland, Carolyn Currie**
- Dumfries-based **Karen Riddick** of **Second Nature Online**
- Ettrick Valley-based businesswomen **Shaz Morton**
- Hawick yoga teacher **Tamara Goldie**

The event also focused on SOSE's pre-start Pathways pilot - introduced by entrepreneur, investor and author of the Pathways report, Ana Stewart. Pathways is funded by the Scottish Government and is designed to help unlock new business ideas and reach under-represented groups of founders.

Jane Morrison-Ross, Chief Executive of SOSE, said: "There is a huge amount of talent, ambition and determination in the South of Scotland, and we are working hard to discover, support and ignite that. Through events like this International Women's Day celebration, and our pre-start pilot Pathways, we are working to reach those who have fantastic business ideas but wouldn't usually be confident or comfortable coming to talk to us."

Deputy First Minister Kate Forbes said: "Ensuring women have equal opportunities and access to support, including to help them start, develop and grow a business is an absolute imperative, and one which the Scottish Government, and our partners including SOSE, are committed to delivering. We are taking a close steer from Ana Stewart and Mark Logan's report to encourage more women start their own businesses. We are building an end-to-end support network to ensure women entrepreneurs are helped at each stage of their journey, with the Pathways prestart pilot scheme in the south of Scotland, one of the latest ways through which we're helping achieve this."

An attendee commented: "Events like SOSE's International Women's Day celebration are vital for our economy and communities to thrive, creating opportunities of support, connections, education for women of all backgrounds.

Activating & Empowering Enterprising Communities

Our region is its people – our vibrant, resilient, and enterprising communities. By empowering, connecting, and building even more enterprise ambition in these communities we can, in partnership, help our region to flourish – a key ambition at the heart of the vision in the South of Scotland Regional Economic Strategy.

We are committed to working with organisations across the South of Scotland (SoS) who wish to drive social, economic, and environmental change, develop new services and markets, and become more sustainable and resilient with an emphasis on unlocking potential and long-term ambitions.

Our Enterprising Community investment in 2025/26 delivered 41 projects, approving £2.48m. This included our Community Ambition Fund which delivered 13 Projects, approving £652k.

In 2025/26 activity included:

Developing a Community Energy Project

As part of our commitment to activate and empower communities across the SoS, our Enterprising Communities (EC) and Net Zero team colleagues designed and delivered a series of community energy events in Castle Douglas, Duns, Peebles and Stranraer to raise awareness of the opportunities and support available to develop community energy projects and inspire ambitious ideas through the sharing of case studies. Community speakers from Loch Arthur Camphill Community and Oxnam Village Hall shared their experience of developing projects to reduce heating costs in community facilities and Selkirk Regeneration and Woodside Community Housing described ambitious projects to generate renewable sources of energy in their communities.

Funding Socials – Social Investment Scotland

Funding Socials are an in-person event series delivered by Social Investment Scotland who offer loan funding and business support for social enterprises, charities and community groups. Designed for charity and social enterprise leaders looking for fresh ideas and connections to help boost income generation. Funding socials help third sector organisations cross the divide and connect with both funders and new peers, who can help them on their journey.

Developing our Place Approach:

Business Planning for Investment - Borderlands Town Teams

In partnership with the Scottish Border Council (SBC) Economic Development team, our EC team designed and delivered a 4-week Business Planning for Investment course for Town Teams leading place plans identified for Borderlands Growth Deal Place Programme investment. Designed to enable towns to strengthen the business case for projects put forward to the programme, the course comprised:

- Understanding Business Plans: Key elements and construction of plans. Understanding and capturing strategic objectives, outputs and outcomes.
- Theory of Change: A model to understand the investment and project delivery journey, alongside other tools for analysis and developing plans. Understanding and identifying partners, stakeholders and community engagement.
- Managing finance and risk.
- Evaluation and measuring impact, including social impact.

A Culture of Collaboration & Partnership

Our EC team continues to develop its place approach with partners across the region. Hosting a series of in-person workshops with the Dumfries & Galloway Council Economy & Environment team to strengthen, complement, and align our approach in how we support our community led investment in the region. With the same aim, we continued our in-person workshops with SBC Economic Development and Resilient Communities teams alongside Borders Community Action. These ongoing workshops are key to our shaping and delivering a strong connected place approach for clients and partners in the SoS.

Hike & Bike – Bike Hub & Bunkhouse

Based in Galashiels, Hike & Bike is a social enterprise, established in 2022 to deliver cycle hire and maintenance, cycle rides and walks, and support the career development of neurodiverse young adults with training and work experience.

The organisation was seeking to expand its services and to increase opportunities for income generation and identified a vacant and derelict property that would enable it to improve its business model. The premises location is crucial in terms of proximity to Galashiels transport interchange and the Coast2Coast and Tweed Trails routes.

We supported Hike & Bike in developing its business ideas and provided investment of £140k towards the building acquisition. As a Borderlands Place Plan Project with extensive community support, the acquisition will lever in significant Borderlands investment in addition to other investments, providing extended cycle and training space, four bunkhouse style rooms - one fully wheelchair-accessible. A great example of social enterprise in action, this will be a significant boost to the tourism accommodation in Galashiels, boosting town centre activity and supporting the social impact of the cycle hub.

Wigtown & Bladnoch Community Initiative – Housing & Retail Acquisition

We approved c.£94k to Wigtown & Bladnoch Community Initiative for the purchase of 33 -34 South Main Street, Wigtown – home to the Wigtown Community Shop, an investment that ensures the Wigtown Community Shop remains a vital hub for local people.

More than a retail space, the community shop plays an essential role as a volunteer and social centre, while distributing over £300k of funds over the past five years as grants to small groups and activities that might otherwise struggle to survive. By supporting this acquisition, SOSE is helping to strengthen social cohesion, create economic opportunities, and deliver on the ambitions of the Wigtown and Bladnoch Place Plan.

The Initiative plans to refurbish the upstairs flat, adding an energy-efficient, affordable rental property to the local market. Improvements will include a new roof, upgraded doors and windows, and enhanced insulation and heating, creating a warm and sustainable home for local residents. A good example of an empowered community addressing challenges and creating opportunities for people to live and work in Wigtown.

Inspired Community Enterprise Trust (ICET) - The Usual Place

The Usual Place is a training venue in Dumfries run by ICET, offering young people with additional support needs (ASN) access to accredited vocational and work transition skills training programmes, ultimately enabling young people to move on to meaningful work opportunities.

Over the last year, following a restructure and rationalisation of ICET operations, we continued to support the organisation to develop a Strategic Recovery and Investment Plan (SRIP) to deliver a financially sustainable business model. The support included providing both internal and external expertise to develop a robust unit cost methodology and pricing strategy, accessing national support to produce a credible evidence-based economic impact assessment, as well as facilitating discussions with Scottish Government and other strategic partners. As a result, an additional investment of £25k was approved. The SRIP enables the organisation to adapt and pivot and demonstrates a viable and resilient social enterprise which provides a significant contribution to the local economy; for every pound invested in The Usual Place, nearly eleven pounds of value is sustained across the Dumfries and Galloway economy. SOSE will continue to support the organisation to maintain momentum and develop self-generating income streams that will secure the organisations financial future and success.

Primary Measures evidencing impact of Activating and Empowering Communities (2025/26):

22 new or improved **income-generating community assets supported**
30 in 2024/25
15 in 2023/24

41 **community projects** supported
62 in 2024/25
43 in 2023/24

£18.5m Total **Project Costs** (against approved projects)
£21.3m in 2024/25
£3.7m in 2023/24

£2.5m **SOSE funding**
£5.3m in 2024/25
£1.6m in 2023/24

22.4 **Jobs supported**
124 in 2024/25
71.7 in 2023/24

CASE STUDY

Rocks & Wheels, Dalbeattie

Due to open 2026

Rocks and Wheels is a community-led regeneration project to convert a former primary school into a community and activity centre in the heart of Dalbeattie.

Due to open in 2026, the £7.8m project is being led by community group Dalbeattie Community Initiative, and will include a pump track, climbing wall and boulder trail with affordable 52-bed self-catering accommodation of varying types for individuals, families, small groups, community organisations and school parties. The project includes both indoor café and outdoor seating space.

On-site will be a refectory, wet room, drying area, and a central space for group activities along with storage and locker provision, with exhibition space and meeting rooms available for hire to local community groups. Programmes of activity will be provided along with relevant vocational training through links with local colleges.

Alongside a range of development expertise, advice, and guidance to help shape the business model and construction, we approved a grant of £700k towards redevelopment of the centre in 2024, with an additional award of c.£62k in 2025 towards a solar panels and battery installation, and accommodation bookings platform.

Along with SOSE's support, the project received an allocation of £5.2m from the former UK Government's Levelling Up Fund, as well as support from Dumfries & Galloway Council, UK Shared Prosperity, Place Base Investment Program (PBIP), Economic Development Capital Program (DGEDCP), sportscotland, The Holywood Trust and National Lottery Awards for All.

With the potential to create up to 23 new jobs, skills development and volunteering opportunities, this is an ambitious, enterprising, community-led place-based project of strategic importance to the town and region.

More information on Dalbeattie Rocks and Wheels is available at www.rocksandwheels.org

Attracting Ambitious Investment

We are passionate about advocating for, and highlighting opportunities for the South of Scotland (SoS) as an attractive region to do business, invest in, and live. The region is transforming through continued investment in our people and places, alongside exciting, major developments such as green energy production at the Energy Transition Zone, beside Chapelcross, and the creation of the £450m Center Parcs village in Hawick, the first in Scotland. We continue in striving to unleash the untapped potential of the SoS.

By successfully and relentlessly progressing impactful activity against a backdrop of national and global challenges and instability, both economic and social, is testament to the region and the resilience of its people, businesses and communities.

SOSE has ongoing and active engagement with a diverse and growing range of inward investors from across the world. In 2025/26 we have 82 active enquiries from new and existing inward investors who recognised the benefit of operating in the SoS: including 21 new enquiries.

We collaborated with public sector partners such as Skills Development Scotland, Scottish Development International, Scottish Borders and Dumfries and Galloway Councils to ensure investors are connected to the appropriate information and support, at the appropriate time. In addition, we have proactively created opportunities for investors to network with key stakeholders within the local supply chain to maximise the impact on the wider SoS economy.

In 2025/26 activity included:

Cluster and integrated supply chain for medicinal cannabis

Significant progress has been made in securing a blend of grant, loan, and equity funding for three pioneering businesses in the medicinal cannabis sector - Breathe Life Sciences (£848k), Meducan (£750k), and Hilltop Leaf (£725k).

This strategic investment will catalyse the development of a cluster and integrated supply chain for medicinal cannabis in the South of Scotland, positioning the region as a leader in this emerging industry. The initiative is expected to create approximately 200 high-quality jobs, driving innovation, economic growth, and long-term resilience in the local economy.

Eyemouth Harbour Redevelopment

Eyemouth Harbour is a nationally significant opportunity for the South of Scotland (SoS): the regions only established offshore wind operations base and a strategically located, deep water, lock free harbour supporting fishing, leisure and wider marine activity. Building on the £10m Neart na Gaoithe Operations and Maintenance (O&M) investment already secured, the expansion proposition is being shaped with industry, Scottish Government (SG) and agencies (incl. through the Scottish Offshore Wind Energy Council (SOWEC) to address Scotland's port capacity gap and anchor offshore wind jobs and supply chain value in Scotland.

During the year, SOSE worked with Eyemouth Harbour Trust and Scottish Borders Council to publish the Eyemouth Harbour Masterplan (2025), funded via the UK Shared Prosperity Fund. SOSE has been pivotal in building the port partnership, creating the collaborative conditions for progress, and strengthening governance through clearer roles, decision making and an agreed delivery programme. The Masterplan provides the framework and supporting evidence to progress consents, surveys and business case development ahead of future investment decisions.

In parallel, SOSE has helped shift the programme from "plan" to "deliver" by advancing the enabling conditions for success: development of adjacent employment land at Gunsgreenhill, grid and digital capacity, and an investable delivery model. This treats the harbour expansion and development land as a single place based proposition, creating space for port related logistics, fabrication and warehousing, and supporting uses that strengthen Eyemouth's year round economy.

Working with SG and delivery partners, we have supported funding pathways and partnership options to de risk the programme and unlock private investment, backed by strengthened governance and coordinated stakeholder engagement. This supports the SoS REP ambition for inclusive, net zero growth by securing a South of Scotland "first port of call" for offshore wind O&M and supply chains, growing higher value jobs and skills, and reinforcing regeneration outcomes across Eyemouth and East Berwickshire.

MEDuCAN

MEDuCAN Ltd was founded by Malcolm Sanders, MBE, with a vision to bridge the gap between technology and medical cannabis cultivation.

First of its kind in the UK

Locating to Dumfries, this state-of-the-art facility at 45,000 sq. ft. will be the first aeroponic cannabis production site in the UK. Featuring clone rooms, bloom rooms, training areas, and packaging zones, the modular design supports scalable growth. It was meticulously designed and constructed in collaboration with The Austin Company, integrating modular construction for scalability and advanced aeroponic technology for efficient operations.

MEDuCAN aims to develop a European-first, aeroponic-climate-controlled, GMP-approved vertical farm supported by a blend of modern manufacturing systems, processes, software and techniques. Unlike existing suppliers of cannabis flower to the pharma market, the company can accelerate product growth to produce six harvests per year, is not reliant on climate support and will provide the highest quality product, consistently.

Backed by SOSE and partnerships with industry leaders, MEDuCAN's facility is now a symbol of innovation in the UK's cannabis sector. We approved the company a £520k grant and a £230k loan which will allow MEDuCAN to complete the required infrastructure on site to enable final approvals for the required licensing (Phase 1 of developments) and so they can start to grow and prove quality. This project is forecast to generate c.£9.8m Gross Additional (GA) turnover and boost to our regional economy.

This inward investment project presents further opportunities for the region to be at the cutting edge of the provision of this treatment to patients. Scotland's NSET strategy cites, under New Market Opportunities, that:

"Scotland has the potential to build world-leading industries in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage".

"Scotland already occupies a position of global leadership in the design, development and operationalisation of a range of current and future key industries including one of the biggest life sciences clusters in Europe, with world-leading expertise in drug discovery and precision medicine, medical technologies and pharmaceutical services, advanced therapies, digital health and care, animal health and AgriTech".

Mountain Bike Programme

Artist's impression.

The Mountain Bike Innovation Centre (MTBIC) programme has achieved several key milestones towards opening in 2027. Following the decision that the historic Caerlee Mill building was not suitable for conversion, the project now has all approvals in place and works started in late 2025 on a new, purpose built facility at the Innerleithen site, marking a major step towards delivery of a world-class innovation hub for the mountain biking and cycling sector.

Backed by up to £19.5m of UK Government investment through the Borderlands Inclusive Growth Deal, the programme brings together the MTBIC and Trail Lab, with a separate, future stage proposal for a Tweed Valley Adventure Bike Park. Approval of the Full Business Case for the Innovation Centre and Trail Lab was achieved in early 2026 enabling the programme to transition from planning into delivery, with final construction underway and the new facility expected to open in July 2027.

The new building will provide dedicated space for Scottish, UK and international companies to co-locate and research, develop and test cutting edge mountain biking and cycling products, alongside academic research and skills activity led by Edinburgh Napier University. In 2025/26 the project worked with partners such as DMBinS (Developing Mountain Biking in Scotland) on delivering courses and events ahead of the centre opening. These include the 8-week First Tracks programme in early 2026, the UK's first cycling and outdoor industry incubator, providing early stage support to entrepreneurs and helping to build a pipeline of innovative businesses that will benefit from the future Innovation Centre. The second Women in the Bike industry event was also held in November 2025.

SOSE is leading delivery of the Innovation Centre in partnership with Scottish Borders Council and Edinburgh Napier University, with ongoing engagement with the Scottish and UK Governments. Work also continues to explore options to progress the Adventure Bike Park as the next phase of the programme, recognising its potential to further strengthen the region's economic, tourism and innovation impact.

Primary Measures evidencing impact of Attracting Ambitious Investment (2025/26):

£61m
total value of **funding leveraged** for the South
£23.5m in 2024/25
£43.3m in 2023/24

£45m
value of **inward investment**
£4.4m in 2024/25
£6.7m in 2023/24

£549m
Gross Additional increase in **client turnover**
£147.6m in 2024/25
£208.4m in 2023/24

CASE STUDY

First Minister plants first trees as work begins on £450m Center Parcs Scottish Borders

First Minister John Swinney officially got work under way on Center Parcs' Scottish Borders village in March by planting the first trees on the site. Mr Swinney was joined by schoolchildren from the Borders as well as Center Parcs' CEO Colin McKinlay as afforestation began at the site between Hawick and Selkirk.

The event marked a key milestone in the creation of the £450m village, which is expected to create around 1,200 jobs and contribute £75m annually to the Scottish Borders economy.

During the visit, the First Minister also confirmed the Scottish Government's commitment to provide up to £30m to deliver the essential infrastructure needed to make the resort possible.

New forest

- As part of the development, Center Parcs will create an entirely new forest - the first time the company has established woodland from scratch when developing a new village.
- In total, approximately 750,000 trees will be planted across the site, forming woodland that will mature over the coming decades.
- The new forest will deliver long-term environmental and biodiversity benefits, while also creating the natural setting for Center Parcs' high-quality family short breaks.
- Planting will gather pace over the coming months, with more than 30 species of trees and plants - including Scots pine, silver birch and aspen - planned for the site ahead of the main development phase.
- The trees have been grown just 50 miles away, using seed gathered from across the Scottish Borders, with the contract for supplying the trees being awarded to Alba Trees.

Local schoolchildren lead tree planting

The tree-planting, led by pupils from Trinity Primary School and Stirches Primary School, took place ahead of a community drop-in meeting at Hawick Town Hall - the first since planning permission for the development was granted by Scottish Borders Council in December. The students were all gifted a silver birch sapling to take home with them to spread the afforestation benefit into the wider community.

Center Parcs Scottish Borders

Center Parcs Scottish Borders will feature up to 700 lodges and apartments, the iconic Subtropical Swimming Paradise, a village centre with shops and restaurants, and the signature Aqua Sana Forest Spa - a tranquil retreat set within the surrounding woodland.

Plans also include two newly created lochs designed for water sports and recreation, a combined Nature and Heritage Centre, wildflower meadows, wetlands and nature trails to support biodiversity, alongside a wide range of outdoor activities integrated sensitively into the landscape.

The village will lie to the east of the A7 trunk road between Hawick and Selkirk on land owned by the Buccleuch Group following an option agreement with Center Parcs.

The agreement covers approximately 1,000 acres of land, with the main development occupying around 400 acres on the eastern section of the site.

It will be Center Parcs' first new village since Longford Forest in Ireland opened in 2019.

First Minister, John Swinney, said:
"Economic growth only means something if it reaches the people and places that need it.

"Investing here is a deliberate statement that we are serious about reducing regional inequality and creating genuine opportunity for young people – 30% of these 1,200 jobs are targeted at 16-to-24-year-olds.

"It's a privilege to be here with local school children to start the forestation process by planting new trees and I look forward to seeing the development of the project before the resort opens in 2029."

Colin McKinlay, CEO of Center Parcs, said:
"This marks another momentous milestone in the creation of Center Parcs Scottish Borders and it is fantastic that the First Minister and local schoolchildren were able to join us as we begin work on site.

"It was hugely important for us to involve local children today because the benefits Center Parcs Scottish Borders will bring will have a long-lasting and transformative effect on the future of this area in terms of jobs, the economy and the environment.

"The saplings the children will take home today are a true reflection of the positive benefits Center Parcs brings to an area – we create villages that really benefit the local community, where that positivity ripples out beyond our boundaries and into local towns, schools, and businesses.

"We are very grateful for the support of the Scottish Government, Scottish Borders Council, South of Scotland Enterprise and many other partners who have worked with us to unlock the potential of this project, and it is incredibly exciting to see work at the site now getting underway."

Russel Griggs OBE, Chair of South of Scotland Enterprise, said:
"Center Parcs presents massive opportunities and will help diversify the visitor economy, attract new people, deliver inclusive growth and provide significant supply chain opportunities for SMEs and entrepreneurs.

"This investment also provides a chance to tackle head-on the economic challenges of the past which still impact communities such as Hawick."

Awakening Entrepreneurial Talent

Awakening entrepreneurial talent is a shared priority across the South of Scotland (SoS) Regional Economic Strategy, the National Strategy for Economic Transformation, and Programme for Government. New and growing enterprises play a vital role in creating fair, sustainable employment and in attracting and retaining talent. Entrepreneurial activity within the third sector also supports innovation in service delivery and strengthens community wellbeing.

During 2025/26, we delivered a targeted and impactful suite of initiatives to support entrepreneurship across the region.

- **AcceleratE Programme** - Our flagship programme delivered a three-month growth curriculum to three cohorts, supporting 25 businesses to develop and implement strategic growth plans.
- **Marketing Bootcamps** -Two intensive bootcamps equipped 34 participants with practical, up-to-date marketing skills to strengthen their market presence.
- **Women in Business Programme** - 30 businesses participated in a bespoke 4-week confidence building programme for women in business, focusing on business mindset, values and delivery.
- **Rural Innovate Programme** - 3 sessions were held across the region to 21 businesses.
- **Place Based Enterprise Support** - We delivered 99 popup enterprise sessions and programmes across the SoS, engaging over 2,862 participants, 725 women and 2,016 young people across 26 locations and online. Covering Finance, Mindset and business Growth.
- **Gender Export Women Led International Selling programme**- Navigated 11 businesses through key documentation, marketing and marketplaces for International selling.

In 2025/26 activity included:

Pathways

The Pathways 2 programme provided tailored coaching and micro funding to help under-represented groups develop and test business ideas. Ten enterprise coaches delivered place based support across the region, working closely with local partners and networks to tailor provision to local needs.

In response to participant feedback, growth and scale up coaches were introduced to strengthen progression pathways.

Between July 2025 to March 2026:

- 575 people received support through place-based coaching.
- Demand remained strong, with 815 enquiries received.
- 223 participants started a business. 112 in Dumfries & Galloway and 111 in the Scottish Borders
- 465 individuals received £1,000 concept fund grants.
- 85 businesses engaged with growth and scale up coaching.

Participant feedback consistently demonstrates the programme's impact in building confidence, developing capability, accelerating progress, and enabling under-represented entrepreneurs to start, grow, and scale businesses. This evidence supports a strong case for continuation and further development.

SOSE AI Support

Through the AI Innovation Lead, SOSE offered bespoke client support and early-stage awareness workshops focused on the adoption of AI tools into business or community enterprise. This support delivered the following outputs:

- AI Fundamentals for Business workshops, with 98 registered attendees across 10 regional locations
- Bespoke workshops delivered directly into businesses, with 5 workshops delivered to over 40 attendees
- Bespoke, one-to-one AI support, advice, and signposting delivered to 32 businesses, community enterprises, and community groups.

Partnerships and Ecosystem Development

- We continued to support CivTech Wildcard 10.11, focused on improving access to fast, effective information and support for early-stage entrepreneurs.
- We continue to work with key partners including SRUC, DYW, the Chamber and Colleges.
- Regular engagement with CodeBase and TechScaler resulted in a data sharing agreement to improve the entrepreneur experience and enable joint programme delivery.
- We have procured highly specialised support from Volunteering Matters to improve accessibility of the programme. Volunteering Matters have supported by working alongside 35 clients with multiple complex barriers as they work through the Pathways coaching programme.

Borderlands Deep Tech Hub

The Borderlands Deep Tech Accelerator is based in the building that previously housed Borders College in Hawick. The accelerator will create a new innovation ecosystem for the South – one that allows ideas to be developed, tested, and scaled without leaving the region.

Based in Scotland's Natural Capital Innovation Zone, the Accelerator combines deep tech expertise, rapid prototyping, and business support in a single connected hub. It brings national-level capability – from AI and robotics to advanced design and manufacturing – directly to rural businesses, entrepreneurs, students, and communities. By supporting both traditional industries and emerging sectors, and by putting access, inclusivity, and social impact at its core, the Accelerator will help the SoS lead in innovation, productivity, and sustainable growth.

Creative Economy Activity

- In partnership with Borders College, Dumfries & Galloway College, DYW Borders and D&G, Abertay University and our two local authorities, SOSE delivered an Esports Development event in both the Scottish Borders and Dumfries & Galloway. The events engaged over 150 participants from secondary schools across the South and focused on highlighting the entrepreneurial and career opportunities available in Esports and Computer Games.
- We supported the first-year development of the Dumfries & Galloway Cultural Partnership, and the development of the Scottish Borders Cultural Strategy.
- Our CreaTech Fund was successfully delivered for a third year with grants totaling c.£100K to 25 creative industries businesses where they introduced technology to enhance their creative practice.
- We participated in the Scottish Government Culture Fair Work Task Force, helping to develop specific actions on implementing Fair Work into the Cultural Sector - recommendations presented to Ministers in November 2025.
- We supported the review of Creative Scotland with roundtable sessions held in Dumfries and Selkirk, ensuring the voice of the South was included in the review outcome.
- The Ofcom Advisory Committee for Scotland held their first session in the South of Scotland with regional representatives attending from film, media and radio.

South of Scotland Music Sector Report: Insights and Priorities for Regional Growth

The South of Scotland Music Sector Report published in January 2026 presents a comprehensive overview of the region's music industry and its ongoing development. Compiled in collaboration with leading local organisations, the report provides valuable insights into the sector's current status, achievements, and areas for future focus.

The region boasts a strong local presence, with 261 music enterprises supporting 614 jobs, particularly centred around Dumfries and its surrounding areas. Notably, 58% of these enterprises operate on a freelance or self-employed basis, reflecting the sector's flexible working culture. The music industry in the SoS generates an estimated turnover of £8.4m, with a significant proportion of respondents conducting business both within Scotland and internationally.

Key opportunities identified include the expansion of live performances, music festivals, and enhanced regional collaboration. However, the sector faces notable challenges, such as insufficient funding and high operational costs, particularly affecting organisations. Additional concerns include the risk of audience disengagement and the evolving impact of new technologies, including artificial intelligence.

The report highlights the importance of increasing networking and collaboration across the region as a priority for sustainable growth. It draws attention to essential issues such as transport barriers, the need for improved music education, and the vital role played by local support organisations.

The initiative was supported by a broad partnership network, including Arts D&G, Creative Scotland, Dumfries and Galloway Council, Dumfries Music Collective, MacArts, Live Borders, Loreburn Hall, Music Venue Trust, Scottish Music Industry Association, and SOSE.

A music sector advisory group has since been formed to focus on addressing the identified priorities with partners aiming to foster a resilient and dynamic music sector for the SoS.

Gateway Scottish Borders marks 1,000th client with £15m turnover impact

In 2025/26 Business Gateway (BG) Scottish Borders supported its 1,000th client since the launch of its partnership with SOSE, helping new businesses across the region to generate an estimated £15m in turnover.

The 1000th client was The Scottish Cheese Academy, based in West Linton, who provide certified cheese education, hospitality training and cultural tourism experiences designed to raise the profile of Scottish cheese both at home and abroad.

The BG service is funded by Scottish Borders Council (SBC), with SBC launching a strategic partnership with SOSE in 2021 to deliver the service to support new businesses to start up and grow in the region.

As well as supporting 1,000 start-ups to generate £15m in turnover, 15% of these new businesses have involved young people and 60% have been female led.

More than 70 enquiries have been referred to SOSE's Pathways programme, supporting women and under-represented groups to develop early stage ideas.

Primary Measures evidencing impact of Awakening Entrepreneurial Talent (2025/26):

2,862
people engaged in entrepreneurship
3,122 in 2024/25
1,455 in 2023/24

725
people engaged are **women**
612 in 2024/25
478 in 2023/24

2,016
people engaged are **young people**
2,174 in 2024/25
805 in 2023/24

CASE STUDY

South East entrepreneurs win big at Regional EDGE awards

Five ambitious, high-growth businesses poised to strengthen Scotland's economy are celebrating after being named joint winners of the Regional EDGE South East prize fund, sharing £100,000.

Regional EDGE, the regional arm of Scottish EDGE, returned in 2026 to offer entrepreneurs from across the region the chance to pitch for a share of the £100,000 prize. Funds were allocated through a competitive process, which involved pitching to a panel of judges. The awards ceremony took place at Barony Castle, Peebles, in March 2026.

Regional winners

- The top prize of £50k was awarded to Innerleithen-based **Gowaan Bike Club CIC** for its inclusive cycling community focused on making biking fun, welcoming and confidence-building for riders of all ages.
- Taking home the £15k prizes were Dumfries & Galloway based **BlazeBalm** for its bio-based membrane from upcycled waste that protects assets from wildfires without water, power or retardants, and Kelso-based **Real E-Racing** for its technology that links live motorsport data to videogames and broadcast media globally.
- **Multiply Technology** of Hawick took home £10k for their technology that enables tech firms to rapidly identify new markets using AI, and **FFS International** was also awarded £10k for its industrial oily-water effluent recycling solutions

As the regional top prize winner, Gowaan Bike Club will go on to compete against the leading businesses from the three other regions in April 2026 for an additional £50k through the Royal Bank of Scotland.

As well as financial support, winners will also benefit from becoming EDGE Alumni, granting them access to a network of contacts and business acumen from Scotland's biggest business funding competition.

Jane Morrison-Ross, Chief Executive of South of Scotland Enterprise, said:
"Regional EDGE is a powerful platform for showcasing the innovation thriving across Scotland's regions. For the South of Scotland, this support is essential - it strengthens our entrepreneurial ecosystem and backs the high growth start ups shaping our future.

"The final has been a fantastic display of the bold ideas and ambition driving our region forward, highlighting the immense potential we have across the South.

"We are proud to work in partnership with Scottish EDGE to help create the conditions for businesses to scale, attract investment and realise their full potential."

Evelyn McDonald, CEO of Scottish EDGE said:
"Regional EDGE is fast becoming an important part of supporting ambitious entrepreneurs across Scotland. This round's Regional EDGE South East Final has showcased the impressive strength of entrepreneurial talent across South East Scotland. We're grateful to SOSE for their support in making the awards possible and for helping us continue to champion the businesses building Scotland's future."

Advancing Innovation and Improving Productivity

Establishing the South as a place that embraces innovation, efficiency and circular economic approaches is central to our vision. Whether small or large, changes and improvements to how the region's enterprises operate can help them become more resilient, grow, and excel.

In 2025/26 activity included:

Support for Business

We provide dedicated business support to any enterprise based in Dumfries and Galloway or the Scottish Borders, whatever their scale or stage on the journey. Our Enterprise and Business team comprises of Business Advisers and Specialists with the focus on delivering a support service to these businesses.

In 2025/26 we managed over 2,225 enquiries compared to 1,054 last year: from general business advice, structuring finance deals to funding applications. The number of active engagements was 2,282 compared to 2,156 last year. Our Borders Business Gateway team helped 233 business starts and delivered 41 workshops to 550 individuals in new and pre-start businesses.

At first point of contact we can direct access to a wide range of public and private sector partners. In addition, we provide direct support for business in areas such as:

- Access to finance (from SOSE and/or other sources).
- Provision of Expert Help support on a diverse range of business subjects.
- Support to potential Inward Investment businesses.
- Implementing innovative manufacturing methods such as robotics aimed at improving productivity; and
- working with national partners to find opportunities to increase exporting.

In 2025/26 our Expert Help delivered 29 cases to 23 businesses and 6 community enterprises, which was approximately 63 days of help. Expert Help is bespoke 1-2-1 engagement with businesses to unlock opportunities to them and covers organisational strategy and planning, marketing and brand strategy, as well as digital sales.

In 2025/26 we approved funding of £15.3m to support 603 businesses with a wide range of projects to deliver innovation and new product development, business expansion, efficiency, and productivity improvements.

Artificial Intelligence (AI) Support

The adoption of AI presents an opportunity to grow the Scottish economy and overcome persistent low productivity growth across the new market clusters and beyond.

Scotland has the potential to gain a relative economic advantage from early adoption of AI technologies that will enable our businesses to improve internal efficiency, develop new products and services, grow market share, attract inward investment, and increase international sales.

National AI Adoption Programme for SMEs

The National AI Adoption Programme was funded by the Scottish Government and delivered in partnership by SOSE, Scottish Enterprise, Highlands & Islands Enterprise, and The Data Lab.

Its objectives were to:

1. **Drive awareness and widespread interest in AI adoption**
2. **Focus on enabling SMEs to access AI and data expertise**
3. **Support business across Scotland, with a strong focus on rural areas**
4. **Support AI skills and leadership development**
5. **Directly support firms to undertake AI adoption projects**
6. **Raise ambition and build pipelines for future delivery**

The programme achieved these goals through the national delivery of 14 support interventions including rural roadshows, AI mentoring, small grant funds, leadership and executive briefings, international learning journeys, and hands-on support.

SOSE delivered the following outputs:

- AI Mentoring, with 30 mentoring sessions delivered to 28 businesses
- AI Exploration Vouchers, with c£17k grant funding administered to 12 businesses
- Rural AI Roadshow event, with 74 registered attendees
- Participation in International Learning Journeys, with 4 businesses from the south in attendance.

Work Smarter Fund

One of our core roles is in supporting organisations across the SoS to embrace innovation and improve their productivity. The second year of our Work Smarter Fund targeted such activity.

We supported 47 businesses to introduce innovations aimed at increasing productivity as part of this Fund. These organisations were supported to make improvements to their processes with grants of up to £10k and to introduce capital equipment which allowed them to obtain immediate benefits.

Most projects included automating processes previously completed manually. Clients embraced new ways of working due to the expertise and support from our advisors. These changes maximise staff time as well as driving improvements in the quality of products and services.

West Coast Sea Products (WCSP)

WCSP is a family run business established in 1968 specialising in the supply of Scottish King and Queen Scallops from their base in Kirkcudbright to wholesalers in the UK and destinations across the world.

To improve efficiency and reduce wastage, the business identified an opportunity to smoke fish inhouse rather than outsourcing this process.

SOSE contributed £10k through our Work Smarter Fund towards a £22k project to purchase the required capital equipment to innovate operations.

The benefits are that products can be smoked as required based on orders and the business has full control of the process. This will reduce wastage, time taken to prepare products, processing costs, and food miles.

SOSE is also working with WCSP to explore circular economy opportunities in their operational processes.

Alice King, General Manager of West Coast Sea Products, said:
"West Coast Sea Products has attracted global renown for the quality of our products. We are continuously innovating to ensure our products remain of superior quality and our productivity improves. The capital equipment purchased with SOSE support has already started to make a positive impact to our business and will continue to deliver productivity improvements."

Primary Measures evidencing impact of Advancing innovation and improving productivity (2025/26):

256
clients that are **innovating**
245 in 2024/25
106 in 2023/24

£78m
of **total project capital investment**
£31.3m in 2024/25
£38.7m in 2023/24

£58m
increase in Gross Additional **client profitability**
£44.3m in 2024/25
£61.5m in 2023/24

264
clients increased their **digital capabilities**
210 in 2024/25
32 in 2023/24

Performance Conclusions and Future Direction

In 2025/26, SOSE delivered strong, measurable progress against our mission and Five-Year Plan priorities. We engaged with 634 businesses, social enterprises and community organisations; approved £18.3m to 648 projects; helped create or safeguard 749 jobs; and leveraged £61m of additional investment, with £1 of SOSE investment unlocking £3.33 of leveraged funding. We also saw a marked strengthening of investment momentum, with 82 active inward investment enquiries and c.£45m of inward investment opportunities secured, while continuing to drive progress on major programmes including Center Parcs, Chapelcross and the Mountain Bike Innovation Centre.

Our delivery this year reflects the maturing of SOSE as a place based economic development agency: continuing to support the foundations of a rural economy dominated by microbusinesses and SMEs, while also helping to unlock larger, market making opportunities that can shift the region's long-term trajectory. Progress has been achieved against a backdrop of ongoing cost pressures and economic and geopolitical uncertainty, underscoring the resilience of businesses, communities and partners across the South of Scotland.

In 2026/27, our focus is on sustaining this momentum and sharpening impact: helping enterprises improve productivity and competitiveness; accelerating Net Zero and nature positive solutions; strengthening community resilience and local wealth building; and continuing to attract responsible investment that delivers quality jobs and supply chain benefits across the region.

In addition, we will strive to progress new and significant strategic opportunities and increase inward investment to support our region to flourish in the long term and further the sustainable economic and social development and improve the amenity and environment of the South of Scotland.

We will complete and fully embed Shaping SOSE for the Future (SSFF), including the organisation-wide adoption of the Discover, Deliver and Enable operating model. This will strengthen our ability to identify and develop strategic opportunities, streamline decision making and delivery, and ensure the right skills and capacity are focused where they add most value for the South of Scotland.

We will continue to strengthen performance measurement and evidence-based decision making, building on three years of Primary Measure reporting. We will also maximise the benefits of our MySOSE platform to improve activity and pipeline visibility, data quality and reporting, supporting clearer prioritisation, better customer experience, and stronger insight into outcomes and value for money. Alongside this, we are progressing a new Data Strategy and delivery roadmap to strengthen data governance, quality and capability across SOSE. This will improve how we use insight to prioritise activity, demonstrate impact, and support better, more timely decisions for the region.

Partnership will remain central to how we deliver impact. We will continue to convene and collaborate with businesses, communities, local authorities, enterprise agencies and Scottish Government to align investment, remove barriers to growth, and ensure the South of Scotland's opportunities and needs are clearly reflected in national decision making.

Looking ahead, we will focus on converting strong market interest into investible projects and tangible outcomes for people and places. We will continue to progress priority programmes and opportunities in 2026/27, including:

- **Chapelcross/Energy Transition Zone:** progressing green hydrogen and wider energy transition investment, alongside partners, to anchor high value, low carbon economic activity.
- **Center Parcs Scottish Borders:** continuing to support delivery and maximise inclusive employment and regional supply chain benefits as the project moves through key milestones.
- **Kight PowerHub (Dumfries):** supporting delivery and local supply chain opportunities linked to the proposed facility and associated job creation.

We are...
FOR the South,
BY the South
and IN the South

Financial Performance

Purpose

The purpose of this section is to summarise SOSE's performance for the year to 31 March 2026 against budget. The detailed financial statements are contained on pages 77 to 116.

SOSE receives Grant-in-Aid from the Scottish Government (SG) which forms the majority of the budget. A small amount of other income is generated through property transactions (from SOSE acting as a landlord), other grant income, loan and bank interest and partner contributions towards funded employee positions.

The budget is separated into:
Resource Departmental Expenditure Limit (RDEL) covers day-to-day expenditure such as staff salaries, operating expenditure, and grants to clients for similar types of expenditure. This budget is supplemented by other forms of income, primarily rental income from property, loan interest and contributions for shared employee positions.

Capital Departmental Expenditure Limit (CDEL) is utilised on investment in new assets whose lives extend beyond the current financial year and is primarily disbursed through grants to clients as well as supporting SOSE's own capital expenditure requirements. CDEL is now also used to provide loans to clients.

Financial Transactions (FT) funding is no longer provided by SG. In prior years, this was used to provide loans to clients. Loan repayments received, where the loan was issued from FT funding, continues to be repaid to Scottish Government.

Annually Managed Expenditure (AME) covers volatile costs that cannot be controlled in year, e.g. pension liabilities.

Ring-Fenced expenditure (non-cash) budget is for technical accounting charges such as asset depreciation that does not include cash spend.

Summary of the 2025/26 outturn against the budget including ABR and SBR revisions from SG

	Original Budget Allocation	Autumn Budget Revision	Spring Budget Revision	Final Budget Allocation	Actual Outturn	(Over) / Under Spend*
	£000	£000	£000	£000	£000	£000
RDEL	14,390	185	200	14,775	14,799	(24)
RDEL Pathways	0	1,504	0	1,504	1,585	(81)
CDEL	14,097	0	325	14,422	14,500	(78)
Total Departmental Expenditure Limits	28,487	1,689	525	30,701	30,884	(183)
Financial Transactions	-	-	-	-	(739)	739
Non-cash	650	-	(50)	600	551	49
AME	-	-	-	-	439	(439)
Total	29,137	1,689	475	31,301	31,135	166

* Overspend approved by SG.

Financial Performance

The Parliamentary Accountability Report, page 69, details SOSE's financial outturn against allocated budget from Scottish Government. The following financial performance summary provides detail on the Segmental Information categories, with further details in Note 2 page 93.

Grants, projects, strategic activity and Financial Transactions

Resource £3.518m (2024/25: £3.800m)

Grant and project funding supports businesses and communities by contributing towards expenditure such as operating costs, business planning, consultancy fees and other project-related activities. This support enables organisations to progress projects and activity which may otherwise be delayed or not proceed without SOSE's intervention.

For the second consecutive year, SOSE secured ring-fenced funding for the Pathways programme, providing targeted support for underrepresented groups. This included pre-start support designed to encourage more individuals from these groups to explore entrepreneurship and progress towards business start-up.

SOSE also secured additional ring-fenced funding for specific activities, including the National Small Producers Pilot, AI Scotland and the Satellite Data Challenge. This reflects the breadth of support provided by SOSE to businesses, communities and strategic activity across the South of Scotland.

Overall expenditure decreased compared with the previous year. This reflects the impact of wider cost pressures across the organisation including inflation, when taken in the context of a broadly flat core resource settlement from SG.

Capital £15.543m (2024/25: £12.717m)

Capital expenditure increased in the year, primarily reflecting an 8% increase in budget compared with the previous year. Expenditure relating to the Mountain Bike Innovation Centre (MTBIC) increased as the full business case was approved and construction work commenced in the year, this expenditure is largely offset by relating accrued income from Borderlands for grant funding.

During the year grant and project funding supported a variety of client projects, including construction activity and major equipment purchases, amounting to £10.257m (2024/25: £11.536m). SOSE also broadened its funding offer by making its first equity investment of £0.725m introducing a new form of financial support for both the organisation and its clients, with further equity investments under consideration for the new financial year.

In the continued absence of a Financial Transactions budget, SOSE provided £2.009m (2024/25: £0.710m) of loans to clients through capital funding, this allowed SOSE to continue offering loan finance where it was the most appropriate form of support. Capital loan repayments totalled £0.085m (2024/25 £0.273m). SOSE issued its first convertible loan note during the year, which may convert to equity in the future, broadening the organisation's financial support options.

Financial Transactions (FT) £0.739m income (2024/25: £0.474m)

Of the £0.739m (2024/25: £0.474m) FT loan repayments received from clients where the loan was issued originally from FT funding £0.712m of this was repaid to SG and the remainder is recognised within creditors.

Directorate expenditure, other expenditure, and income

- Directorate Expenditure £1.108m (2024/25: £0.997m)

  This relates to internal operating expenditure required to support SOSE's organisational operations, including areas such as internal and external audit, legal fees, and staff training. The increase in costs reflects inflationary pressures, alongside additional expenditure to support strategic and organisational development, plus other minor operational cost variations.

- Other Expenditure £15.571m (2024/25: £13.336m)

  Costs incurred within other expenditure ensures SOSE remains well placed to deliver its strategic priorities and operational requirements. The largest element is staffing costs, other significant costs include facilities and estates expenditure, collaborative partnerships, and investments in both tangible and intangible assets.

  The year-on-year increase in other expenditure was largely driven by greater investment in tangible assets, including SOSE's land under development and the acquisition of the Hawick building for the Borderlands Deep Tech Accelerator Hub. Collaborative partnership and staffing costs also increased, reflecting annual pay awards and higher National Insurance contributions.

- Income £4.856m (2024/25: £1.892m)

  SOSE received income during the year in relation to property transactions for tenant rent, bank and loan interest, income for Business Gateway and other funded positions. The significant increase was mainly due to accrued income from Borderlands for Mountain Bike Innovation Centre (MTBIC) construction works, with grant income recognised or accrued in line with work completed during the year.

Statement of Financial Position

In the year to 31 March 2026 SOSE's Statement of Financial Position showed net assets of £15.147m (2024/25: £8.808m), an increase of £6.339m on the previous year, see Statement of Financial Position, page 79.

The main drivers of the movement are detailed below:

Non-current assets

- PPE £9.759m (2024/25: £6.017m)

  The net book value of property, plant & equipment has increased in relation to advancing work on development land and MTBIC, and a new building at Hawick for the Borderlands Deep Tech Accelerator Hub.

- Intangibles assets £2.474m (2024/25: £2.426m)

  Following the system launched in April 2025 SOSE began amortising MySOSE, its bespoke CRM system, while continuing to invest in further development expenditure to enhance the system.

Current and non-current financial assets

- Current assets - within 1 year £1.743m (2024/25 £0.922m)
- Non-current assets - greater 1 year £2.619m (2024/25 £1.763m)

  SOSE issued £2.009m of loans from SOSE's capital budget, experiencing an increased demand this year (2024/25 £0.710m). During the year £1.171m (2024/25 £1.020m) repayments were received offsetting the outstanding asset balance. A prudent expected credit loss provision is recognised to provide for future potential losses.

Current assets

⬆ Cash and cash equivalents £2.043m (2024/25: £1.970m)

Cash and cash equivalents are broadly in line with last year, resulting from the timing of payable invoices in the run up to year end. Due to MTBIC project costs being paid in advance of Borderlands grant claims an additional £2m was received from Scottish Government for cashflow purposes.

Current liabilities

⬆ Trade payables and other liabilities within 1 year £5.965m (2024/25 £3.313m)

The primary factor contributing to the increase in liabilities is the advance of funds from the Scottish Government to support SOSE's cashflow requirements prior to submitting the initial claim for the MTBIC project, as noted above these claims are processed retrospectively. Additionally, a modest rise in trade payables and accruals reflects the timing of invoice receipts.

Current and non-current liabilities - Financial transaction SG funding

⬇ Trade payables and other liabilities within 1 year £0.689m (2024/25 £0.788m)

⬇ Trade payables and other liabilities greater 1 year £1.439m (2024/25 £2.052m)

Historically, when FT funding was provided by the Scottish Government, SOSE recognised these funds as both current and non-current liabilities, in accordance with the client loan repayment schedules. Upon receipt of loan repayments, SOSE is required to remit the corresponding amounts to the Scottish Government. The decrease in this liability reflects repayments made to the Scottish Government and the absence of new FT loans during the period.

Payments to Creditors

SOSE aims to pay trade payables in a timely fashion in line with the Scottish Government's policy for prompt payment to pay suppliers within 10 days. The average payment time for supplier invoices in the year was 6.4 days (2024/25: 5.0 days) which equates to 93% (2024/25: 95%) of suppliers paid within the 10-day target.

SOSE observes the Government's policy for prompt payment and is committed to paying suppliers within 10 days of receipt of a valid invoice.

Procurement

SOSE complied with Public Contracts Scotland Regulations for its regulated spend (above £50k) and below this level applied its own internal SOSE procurement policy. In line with the reporting requirements of the regulations, SOSE has produced its Annual Procurement Report, a copy of which will be presented to government and made publicly available on the SOSE website.

SOSE procurement engaged with 261 (2024/25: 243) suppliers in the year, of which all paid or were formally committed to paying the Real living wage, 161 (2024/25: 136) were SMEs and 110 (2024/25: 103) were based in the South of Scotland. Public Sector procurement regulations seek to ensure that public procurement activity delivers value for money.

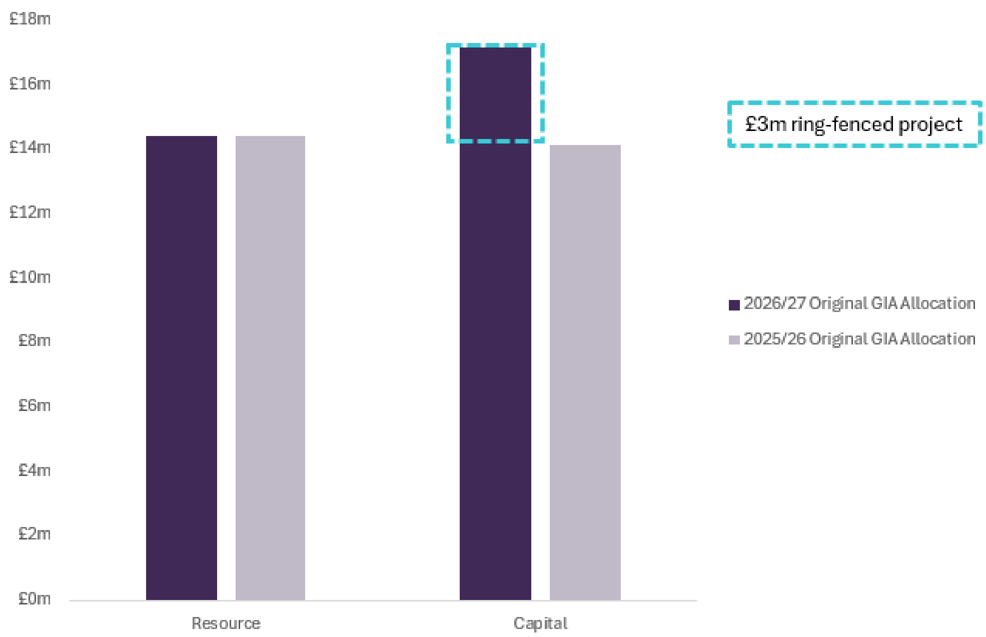
During the year 215 (2024/25: 181) contracts were awarded and procurement savings of £211.3k (2024/25: £185.4k) were noted. Savings are calculated by using the methodology recommended by Scottish Government guidance, including taking the average rate proposed and the difference between that and the final rate agreed, or by estimating the cost avoidance available through the use of an existing framework.

SOSE's key procurement priorities were, and continue to be:

- SOSE procurement team activity seeks to ensure full regulatory compliance
- Ensuring SOSE procurement strategy supports delivery of the SOSE Operating Plan
- Promoting sustainable Procurement and ensuring that SOSE uses its assets to harness the region's potential whilst supporting a transition to Net Zero
- Supporting Small and Medium Sized Enterprises (SMEs), Third Sector organisations, and Social Enterprises
- Putting sustainability and inclusiveness at the heart of the SOSE procurement approach
- Reducing bureaucracy and streamlining our procurement processes – increased use of collaborative framework contracts which meet the needs of SOSE
- Delivering Value for Money – ensuring tax-payers money is spent sustainably, ensuring integrity and accountability.

2026/27 Outlook

The graph below depicts the movement in Grant in Aid budget allocation year on year:



Resource budget - SOSE received a near flat resource settlement in the SG budget allocation for 2026/27 with an increase of only £0.020m (0.1%) resource budget allocation compared to the prior year (2025/26: £0.080m increase).

Capital budget – SOSE also received a near flat capital settlement with an increase of only 0.1%, SOSE received an additional ringfenced amount of £3m, this allocation is for a specific strategic project.

As a result of the resource and capital budget settlement, not increasing with either inflation or accounting for the reasonable impact of wider economic pressures, SOSE now faces a significant fiscal pressure and will continue to monitor progress against budget and work closely with SG to manage the budget.

SOSE enters the financial year with strong commitments and a solid pipeline of projects aligned to organisational priorities. SOSE will continue to work with the SG, monitor the financial outlook, and use scenario planning to assess future impacts. As in the previous year, SOSE's main risk remains securing sufficient resource funding in future years to meet rising cost pressures. Management will continue to prioritise spending to support SOSE's aims and deliver economic and social development across the South of Scotland while managing these pressures effectively.

Public Interest Reporting

As a publicly funded organisation, SOSE is committed to full compliance with:

- Freedom of Information (Scotland) Act 2002 (FOISA)
- Environmental Information (Scotland) Regulations 2004 (EIRs)
- Data Protection Act 1988 / UK General Data Protection Regulations (GDPR) (EU2016/679)

Details of the number of information enquiries SOSE received is shown in Table A:

Table A	2025/26	2024/25
Freedom of Information (Scotland) Act 2002 (FOISA)	57	28
Environmental Information (Scotland) Regulations 2004 (EIR)	0	0
Data Protection Act 1988 / UK GDPR 2016 (Subject Access Requests)	3	0
Data Protection Act 1988 / UK GDPR 2016 (Data breaches)	0	0
Total	**60**	**28**

The detail of SOSE's FOI response times and information request handling is shown in Table B:

Table B	2025/26	2024/25
Percentage of requests which received a response within the statutory timescales	96.5%	96.5%
Percentage of requests which received a response fully or partially disclosed	100.0%	96.5%
Percentage of requests which received a late response	3.5%	3.5%
Percentage of requests which were vexatious	0%	0%
Percentage of requests which were withdrawn	0%	0%
Percentage of requests not held	0%	3.5%

FOISA Exemptions Applied to Requests for Information (Table C):

Table C Section of ACT (FOISA)	Description of exemption	2025/26	2024/25
30	Substantial prejudice to the effective conduct of public affairs	0	1
30(B)(II)	Substantial inhibition to the free and frank provision of advice	0	1
33 (1) (B)	Substantial prejudice to commercial interests	8	0
35 (1)(A)	Prevention or detection of crime	2	0
38(1)(B)	Personal information	3	3
27	Information intended for future publication	1	1
25	Information otherwise accessible	3	0
Table C (continued)			

Section of Act (FOISA)	Description of exemption	2025/26	2024/25
29	Formulation or development of government policy	0	1

Number of Requests for Reviews (Table D):

Table D	2025/26	2024/25
Freedom of Information (Scotland) Act 2002 (FOISA)	6	3
Environmental Information (Scotland) Regulations 2004	0	0
Total	**6**	**3**

Number of Appeals to the Office of the Scottish Information Commissioner (Table E):

Table E	2025/26	2024/25
Freedom of Information (Scotland) Act 2002 (FOISA)	1	0

SOSE provide quarterly statistics on FOIs and EIRs to The Scottish Information Commissioner.

Complaints

SOSE is committed to providing high-quality customer services.

We value feedback and use this information to help us improve our services.

Our complaints procedure is easy to use and wherever possible we aim to resolve complaints quickly with a frontline response (Stage 1). If this is not possible a complaint investigation (Stage 2) is carried out.

If the complaint cannot be resolved internally it may be considered by the Scottish Public Services Ombudsman (SPSO).

Details of the complaints are shown in Table F.

Table F	2025/26	2024/25
Frontline response (Stage 1)	9	7
Investigation (Stage 2)	2	5
SPSO	0	0
Total	**11**	**12**

Details of complaint response times are shown in Table G.

Table G	2025/26	2024/25
Percentage of Stage 1 complaints which received a response within timescales	88.9%	85.7%
Percentage of Stage 2 complaints which received a response within timescales	100%	60%

Sustainability and Environment Report

In line with the national 2045 Net Zero target, South of Scotland Enterprise (SOSE) is committed to a Just Transition to Net Zero, and alongside supporting businesses, social enterprises and enterprising communities across the South of Scotland on their own journeys to Net Zero, we have a focus on reducing our own emissions and use of resources.

Complementary to our role in the Scottish National Adaptation Plan (2024-2029) to increase business understanding of climate risks and adaptation action, we too must assess our own operational service delivery in both our current, and future, changing regional climate.

This section of the Performance Report focuses on our operational emissions, i.e. the direct emissions SOSE generates and represents action under our first climate change duty: reducing emissions (climate change mitigation). In fulfilling our second climate change duty: adaptation (to a changing climate), we undertook our first Climate Change Risk Assessment (CCRA) in the latter half of this financial year.

We also recognise that we have wider influence on Net Zero activity in our region and we describe our work and impact in this area in 2025/26 in our Performance Analysis: Accelerating Net Zero and Nature-Positive Solutions, page 19.

This report is structured using the Task Force on Climate-related Financial Disclosures (TCFD) framework's four thematic areas: governance, strategy, risk management, and metrics and targets.

Governance and Risk Management

In relation to the delivery of SOSE's Net Zero Action Plan, our Senior Leadership Team (SLT) has accountability for its delivery and for approving the action plan on an annual basis. Our SLT will receive updates on progress against the plan and year-to-date emissions when available.

Our risk management framework is detailed in our Principal Risks and Uncertainties section, page 10. The oversight and management of climate-related risks and opportunities sit within this framework of governance.

This past year we have explored how we more explicitly integrate climate-related risks and opportunities into the framework by undertaking our first, organisational Climate Change Risk Assessment (CCRA).

Our CCRA involved:

- An overview of regional climate projections, alongside detailed climate projections for four of our key sites
- Interviews with relevant members of staff
- A group workshop for risk identification; business case development around investment cases, internal engagement and governance; and the development of a climate risk assessment framework.

Climate-related risks are assessed every six months as part of our regular PESTELS analysis within the risk management framework. At the time of writing there are currently no climate-related risks on the Corporate Risk Register. Our next business continuity exercise will be focussed on an extreme flood event.

Strategy

Our Five-Year Plan and Annual Operating Plan (2025/26)

Our Five-Year Plan sets out our strategic priorities for 2023-28 and how we intend to make a difference through working in partnership with the people, communities and enterprises of the South, and beyond. It also recognises the exciting and significant Net Zero and nature-positive opportunities which will drive the changes and attract the investment needed in our region to accelerate Scotland's transition to a resilient and regenerative wellbeing economy.

Our Five-Year Plan also recognises the need to enhance the region's resilience to climate change adapting to the changes we already see, working closely with key partners and stakeholders to do so.

Our annual Operating Plan provides further detail on our key activity across 2025/26, including to continue to offer bespoke, tailored advice and signposting to any enterprise seeking to accelerate their transition to Net Zero and a Nature-Positive future, including climate and energy resilience.

Our Climate Change Duties

As a public body SOSE has three statutory Climate Change Duties. The duties are laid out in the Climate Change (Scotland) Act 2009 and set our strategic direction for how we engage with climate issues and sustainability. Updated statutory guidance by the Scottish Government was published in March 2026 to support public bodies in implementing their climate change duties.

This forthcoming year (2026-27) our Net Zero Action Plan (NZAP) will be broadened to include the outcome of our recently undertaken Climate Change Risk Assessment and the associated planned activity, alongside further work to develop our strategy on delivering our third duty.

Our Net Zero Action Plan

Our Net Zero Action Plan (for 2025/26) set out the first steps we should take in helping us move towards achieving our ultimate target of having a Net Zero operational footprint by 2038 – the focus this year was on the carbon emissions associated with managing our property, alongside identifying ways we could deliver our operational activity more efficiently.

Strategically we have committed to refreshing our Property Investment Strategy 2022-27 which will set out, amongst other things, how we plan to decarbonise our estate to meet our Net Zero target – preparatory work and development on this strategy started this year.

Through the Powering Futures programme our three Modern Apprentices (MAs) undertook a challenge to develop our approach for carbon insetting/offsetting and presented their findings and recommendations to our Internal Net Zero Working Group in Autumn 2025.

Procurement and supporting a just transition to Net Zero

SOSE's Procurement Strategy recognises the crucial role procurement plays in delivering local environmental and socio-economic benefits, while supporting a just transition to Net Zero. The strategy outlines SOSE's commitment to this transition through its procurement practices by:

- Developing improved specifications to reduce carbon emissions
- Using procurement activities to support climate change adaptation
- Embedding sustainability at the core of procurement and striving to achieve specific sustainable outcomes.

For each procurement exercise, SOSE carefully considers how the contract will support organisational objectives, integrating these requirements into the specifications for bidders. The impact of procurement, including climate-related aspects, is routinely assessed as appropriate.

Examples of where our procurement policy has supported our Net Zero aims are:

- Purchasing green electricity for our owned tenanted buildings
- SOSE's continued use of an office supplies framework that reduces the use of single use plastics (SUP) in its product range, packaging and logistics operations
- Re-purposing office furniture wherever possible (e.g. Borderlands Deep Tech Accelerator Hub in 2025/26)
- Further procurement of consultancy support to develop and deliver carbon reduction projects across the South of Scotland.

SOSE procures goods responsibly by prioritising sustainability, including buying second-hand items when suitable and sourcing locally to reduce emissions wherever possible.

Sustainability is integrated into regulated* procurement processes to assess the social, economic, and environmental impact of awarded contracts. Supplier evaluation in this area is proportionate to contract value and tailored to the specific goods or services.

*The Procurement Reform Act (Scotland) 2014 set a contract threshold of £50,000 for goods and service contracts. Procurements with estimated values above these thresholds, are subject to the competitive tendering rules set out in the Regulations. These procurements are generally referred to as 'regulated procurements'.

Metrics and Targets

With the inclusion of our commuting emissions data in our annual reporting in 2024/25 we meet the minimum expectations of Scope 3 reporting as detailed in the recently published Climate Change Duties statutory guidance.

We will look to expand our Scope 3 emissions reporting in a phased approach, as part of our overall carbon management plan, identifying priority areas such as our procurement and IT/digital activities – exploratory conversations on emissions data have been held with both teams in 2025/26.

We continue to update an internal sustainability dashboard that provides a quarterly view of our year-to-date carbon emissions - this is available to anyone in the organisation to access and will evolve as we incorporate additional Scope 3 activities.

Our Known Footprint - Carbon Emissions for 2025/26

The tables below provide an accurate illustration of our known operating emissions for 2025/26:

		2025/26	2024/25
Waste and water			
Non-financial indicators (tonnes CO2e)	**Total Greenhouse Gas (GHG) emissions (from waste and water)**	**21.95**	**21.87**
Non-financial indicators	General Waste (Tonnes)	40.35	40.35
	Recycled Waste (Tonnes)	44.68	44.68
	Total Waste (Tonnes)	85.03	85.03
Financial indicators (£'s)	Total disposal and water costs	£30,044	£25,598

		2025/26	2024/25
Utilities & Business Travel			
Non-financial indicators (tonnes C02e)	Electricity	65.33	69.39
	Gas	111.64	143.97
	Business Travel	53.97	53.16
	Total GHG emissions	**230.94**	**266.52**
Non-financial indicators (kWh)	Electricity	335,726	307,384*[1]
	Gas	610,190	787,194
	Total	945,916	1,094,578
Financial indicators (£'s)	Electricity	£90,441	£97,944
	Gas	£38,692	£43,501
	Business Travel	£99,415	£96,110
	Total	£228,548	£237,555
Home working			
Non-financial indicators (tonnes C02e)	Energy & heating		
	Total GHG emissions	**32.75**	**33.00**
Commuting			
Non-financial indicators (tonnes C02e)	Miles travelled		
	Total GHG emissions	**36.72**	**42.04**
Total GHG Emissions			
Non-financial indicators (tonnes C02e)	**Total GHG Emissions**	**322.36**	**363.43**
	GHG Emission Percentage Decrease	11%	

	2025/26	2024/25
Emissions per average number of employees		
Average number of employees	143	143
GHG emissions per employee (tonnes C02e)	**2.254**	**2.541**

*[1] 2024/25 amendment to the kWh electricity figure due to an omission in the prior year reporting, the associated CO_2e figures were correctly reported

Note: We use the latest GHG Conversation Factors when accounting for the whole financial year.

We have reported data in relation to waste, utilities (incl. water), and business travel where we are directly responsible for these costs. Our data reporting system is built on the principles of the GHG Reporting Protocol and references the UK Government GHG Conversion Factors for Company Reporting.

Our data now accurately quantifies Scope 1 and 2 and the minimum Scope 3 emissions as set out by the Climate Change Duties statutory guidance:

- Water consumption
- Waste
- Business travel, including overnight stays
- Commuting and homeworking.

As reported in 2024/25, we have quantified employee home working impacts associated with energy (lighting and IT equipment) and heating, as well as employee commuting impacts. We have applied the best available methodology and referenced manufacturers data to do this within our reporting system. We will continue to report home working and commuting as accurately as possible.

For 2025/26 our carbon emissions have decreased by over 10% compared with the previous reporting period. This can be explained as follows:

- Emissions associated with Utilities have fallen following the implementation of a new Building Management System (BMS) in our Selkirk office – this resulted in a significant decrease in gas use, and a mirrored fall in the associated carbon emissions.
- Whilst there has been an increase in the amount (kWh) of electricity used across our sites a lower carbon emission factor for electricity generation, as the national grid continues its own decarbonisation pathway, has seen the associated emissions fall.
- An approximate 12% reduction in Commuting miles undertaken this past year.

Other areas of note include:

- Taking ownership of the former Borders College building in Hawick, which will be re-purposed into the Borderlands Deep Tech Accelerator Hub.
- Committing to a refresh of our Property Investment Strategy 2022-27 and how we intend to address the decarbonisation challenges of our current and future estate.

In Performance Analysis: Accelerating Net Zero and Nature-Positive Solutions, page 19 we have provided detail behind our wider, external metrics that include our net zero and emissions impact through our investment into our regions' businesses, social enterprises and enterprising communities.

Jane Morrison-Ross

J Morrison-Ross
Chief Executive and Accountable Officer
South of Scotland Enterprise
20 August 2026

Accountability Report

Directors' Report
Board

The South of Scotland Enterprise Act 2019 which provides the legal framework for SOSE, allows for a Board of up to 10 members, plus the SOSE Chair and Chief Executive. Scottish Government Ministers appointed the chair and 10 members through the public appointment process.

Board Membership

	Appointed	Leaver / term ended*	Re-appointed
Russel Griggs (Chair)*1	1 April 2020		1 April 2023
Jane Morrison-Ross (Chief Executive)	22 February 2021		
Alistair Cameron	9 March 2020		9 March 2024
Helen Forsyth	9 March 2020		9 March 2024
Duncan McConchie	9 March 2020		9 March 2024
Jeremy Sainsbury*2	9 March 2020	30 May 2025	9 March 2024
Emma Guy*3	1 April 2022		1 April 2026
Kirsten Hannay*4	1 April 2022	31 August 2025	
Paul Winstanley*5	1 April 2022		1 April 2026
Rory Christie	9 March 2024		
Mary Thomson	9 March 2024		
Anna Austin	1 April 2025		
Co-opted Member			
Vivienne Cockburn*6	1 April 2025		

*1 Russel Griggs has been reappointed as Chair for a further 4 years to 2027
*2 Jeremy Sainsbury resigned due to other commitments
*3 Emma Guy has been re-appointed for a 4 Year period.
*4 Kirsten Hannay resigned due to other commitments
*5 Paul Winstanley has been re-appointed for 6 months until 30 September 2026
*6 Following Vivienne Cockburn's Board term ending 31 March 2025, Viv was appointed as a Co-opted Member, the term has been extended until March 2027

There was one Board appointment in 2025 -26 and a former Board member was appointed as a Co-opted member mentoring the Audit and Risk Committee.

Senior Leadership Team

The Senior Leadership Team is responsible for the day-to-day management of SOSE operations and activities. The Chief Executive is a member of both the Board and the Senior Leadership Team. The Senior Leadership Team membership is shown below:

Name	Job title	Appointed	Leaver
Jane Morrison-Ross	Chief Executive	22 February 2021	
Karen Jackson	Director of Strategy, Partnership and Engagement Director of Strategy and Insight	9 December 2019 2 June 2025	
Anthony Daye	Director of Finance and Corporate Resources Acting Director of Place and Enterprise Director of Investment, Business and Entrepreneurship	9 March 2020 15 January 2024 2 June 2025	24 October 2025
Martin Valenti	Director of Net Zero, Nature and Entrepreneurship Director of Investment and Sustainability	5 July 2021 2 June 2025	
Allan Harrow	Interim Director of Finance and Corporate Resources Director of Business Enablement	15 January 2024 2 June 2025	
Donna Marshall	Interim Director of Investment, Business and Entrepreneurship	13 October 2025	12 June 2026
Andy King	Director of Investment, Business and Entrepreneurship	15 June 2026	

Register of Board members' interests

SOSE supports the highest standards of corporate governance and has in place codes of conduct both for Board members and staff. In compliance with the Ethical Standards in Public Life etc. (Scotland) Act 2000, the SOSE Code of Conduct for Board Members is published on our website, together with details of company directorships and other significant interests held by Board members:
https://www.southofscotlandenterprise.com/who-we-are/our-board
https://www.southofscotlandenterprise.com/media/fwkfc04f/board-members-register-of-interests-april-2026.pdf

Data loss

There were no reported data losses or reportable data breach incidents in the year 2025/26 (nil 2024/25).

Appointment of auditors

Under the Public Finance and Accountability (Scotland) Act 2020, the Auditor General for Scotland has appointed Audit Scotland to carry out the external audit for the year ended 31 March 2026. The accounts of SOSE are audited by auditors appointed by the Auditor General for Scotland.

Fees chargeable for audit services provided by Audit Scotland amounted to £124,860. (2024/25: £119,670). There were no fees payable to Audit Scotland for non-audit work during the year.

Severance payments

There are no severance payments to report in 2025/26, detail of the prior year payments is included within the exit packages section of the Remuneration and Staff Report, page 68.

The Statement of Accountable Officer's Responsibilities

Under section 15 of the South of Scotland Act 2019, Scottish Ministers have directed South of Scotland Enterprise to prepare, in respect of each financial year, a statement of accounts, and to send a copy of the statement to the Auditor General for Scotland, for auditing. In addition, SOSE must, after each financial year, prepare and publish a report of its activities during the year and send a copy of the report to the Scottish Ministers to be laid before the Scottish Parliament. The accounts are prepared on an accruals basis and must give a true and fair view of the situation of SOSE and of its Income and Expenditure, Statement of Financial Position and Cash Flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Scottish Public Finance Manual (SPFM) and the Government Financial Reporting Manual (FReM) and to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that the Accountable Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accountable Officer for the Scottish Government has designated me as the Chief Executive and as the Accountable Officer of SOSE. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am, as Accountable Officer, answerable, for keeping proper records and for safeguarding SOSE's assets, are as set out in Managing Public Money published by HM Treasury.

As Accountable Officer I am responsible for signing the accounts and ultimately responsible to the Scottish Parliament. I am both Chief Executive of SOSE and the appointed Accountable Officer and the appointment as Chief Executive does not detract from the overall responsibility as Accountable Officer for SOSE's accounts. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

In these statements, as Accountable Officer, I confirm:

- That the annual report and accounts as a whole is fair, balanced and understandable
- The propriety and regularity of SOSE's finances and confirm that there are adequate and effective arrangements for internal control and risk management
- That the resources of SOSE as a public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole
- Compliance with relevant guidance issued by Scottish Ministers, in particular the SPFM.

Governance Statement

As Accountable Officer, I Jane Morrison-Ross, have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of SOSE's aims and objectives, set out in the South of Scotland Enterprise Act 2019 by Scottish Ministers, whilst safeguarding the public funds and assets for which I am responsible, in accordance with the responsibilities assigned to me.

Framework

SOSE operates under the sponsorship of the Scottish Government and the Chair of the Board and Chief Executive meet regularly with Government officials and Sponsor Team to deliver on the SOSE Act and to lead as the Economic and Community Development Agency for Dumfries and Galloway and Scottish Borders.

This statement reports on SOSE's overall governance framework including risk management and internal control systems and the main components that were in place and operating effectively in 2025/26.

The governance of SOSE is directed and overseen by the Board, led by the Chair. In addition to Board responsibility for strategic direction and oversight of SOSE's financial and operational delivery, two Committees undertook the governing responsibilities on behalf of the Board during 2025/26.

- Audit and Risk Committee
- People and Organisational Development Committee

Board, committee and executive management structure

The following Board, committee and executive structure underpins and supports:

- the activities which ensure compliance with legislation, regulations, standards, codes and policies, and provide assurance to Scottish Government, partners, clients and the public
- an appropriate level of scrutiny and challenge
- the opportunity for innovative and creative thinking to take place.

Committee	Comprises	Meeting frequency	Conducted
Board	The Board comprises a total of eleven members	6 times per year plus ad hoc	Face to Face or virtual by exception. Board meetings are carried out within the community throughout the region
Audit and Risk Committee (ARC)	Committee Chair plus two SOSE Board Members, with Auditors and officers in attendance	5 times per year plus ad hoc	Virtually and face to face
People and Organisational Development Committee (POD)	Committee Chair plus two SOSE Board Members, with officers in attendance	3 times per year plus ad hoc	Virtually and face to face

SOSE Board is further supported by executive management structures including a Property Board including Health and Safety Committee, Programme Board for the major project Mountain Bike Innovation Centre and Appraisal Panel. These groups report to the Senior Leadership Team, Committees and Board.

Board delegates its authority for strategic delivery and operational management to the Chief Executive and four Directors across three Directorates. Together, the Chief Executive, Director of Business Enablement, Director of Investment and Sustainable Enterprise, Director of Investment, Business and Entrepreneurship and Director of Strategy and Insight, form the Senior Leadership Team (SLT). SLT is further supported by the Senior Management Team.

Corporate Governance

SOSE complies with the Scottish Public Finance Manual (SPFM), follows the Government Financial Reporting Manual (FReM), and applies good practice and relevant guidance related to governance matters.

SOSE's governance arrangements include the reporting structure of Board, Committees and Senior Leadership Team, with governance related policies and clear roles and responsibilities and delegated authority arrangements which are transparent and supported by a clear evidence base.

The key components of the Governance Framework in SOSE are:

- Board and Committee terms of reference and forward plans
- Delegations to the Chief Executive and Senior Leadership Team through Board and Committees
- SLT Terms of Reference
- Delegated Authority Policy
- Accounting Policies
- Corporate Policies
- Assurance Framework including Risk Management Framework
- Internal Audit Strategy and Annual Plan
- Annual Internal Controls Certification prepared, reviewed, and signed by Executive Directors and reviewed by the Chief Executive as Accountable Officer.

SOSE Board

The Board continued to lead SOSE throughout the year by its leadership, guidance, and support and in practice, through its schedule of meetings as well as ad-hoc meetings, visits, and engagements.

The Board, led by the Chair, Russel Griggs OBE, drive forward the vision and strategy of SOSE to promote the South of Scotland as a leader in innovation and entrepreneurship and centre of opportunity and growth.

Board Members comply with the latest Model Code of Conduct for Members of Devolved Public Bodies, December 2021, including compliance with declarations of interest and they adopt the principles of the Ethical Standards in Public Life (Scotland) Act 2000.

Board Members appraisals were conducted by the Chair.

Risk

Strategic direction by the SOSE Board

The Board's strategic responsibilities include ensuring that appropriate governance arrangements are in place, including effective internal audit and risk management frameworks. During 2025/26, the Board maintained strategic oversight of the organisation's principal risks and the effectiveness of risk management arrangements, and sought assurance that the framework supported the identification, assessment and management of risk in line with Scottish Government guidance.

The Board reviewed the Corporate Risk Register and agreed the organisation's risk appetite for the year. The Board also considered the outcomes of horizon scanning activity and noted the Audit and Risk Committee's review and approval of the Corporate Risk Register and the Risk and Internal Audit Policy.

Supervision and oversight by the Audit and Risk Committee (ARC)

The Audit and Risk Committee (ARC) support the Board in discharging its responsibilities for risk management, internal control and corporate governance. During 2025/26, ARC provided oversight of the operation and ongoing development of the risk management framework, receiving reports from the Head of Governance and Assurance on a twice-yearly basis to consider the adequacy of arrangements for identifying, assessing and managing risk, with particular focus on the Corporate Risk Register. ARC also undertook targeted 'deep dive' reviews to obtain additional assurance over key areas of exposure, including Directorate risks, major project risks and emerging issues.

Management by the Senior Leadership Team (SLT)

During 2025/26, the Senior Leadership Team (SLT) reviewed corporate risks at least quarterly and undertook horizon scanning activity using the PESTELS framework on at least a twice-yearly basis. SLT reviewed and, where necessary, updated the Corporate Risk Register, including the escalation of risks from Directorate and project registers and the de-escalation of risks where appropriate.

Individual SLT members are responsible for maintaining oversight of Directorate Risk Registers and relevant project risk registers within their portfolios. SLT is accountable for ensuring that the risk management framework is appropriately resourced, and Executive Directors are responsible for implementing effective arrangements to support the management and control of risks within their areas of responsibility.

Risk Management Framework

The Risk Management Framework utilised in SOSE is compliant with Scottish Government good practice guidelines and the Scottish Public Finance Manual (SPFM).

Risks identified from across the business are captured and managed in the Ideagen risk management database which supports monitoring and reporting to SLT, ARC and Board and contains the risk registers, with planned actions for mitigating risk maintained by risk owners. Escalated from operational teams or projects or identified from horizon scanning at SLT, ARC and Board, corporate risks, with their rating, mitigations and relevant risk appetite are considered as part of decision making on projects, funding support, and other intervention decisions. Risk registers drive decision making so that business decisions are made, and risk is taken within tolerable risk appetite as set by Board, so that the impact of mitigations to manage risks improves the likelihood of successful outcomes and positive future outcomes.

Annual risk register refreshes for 2025/26 were conducted across all Project, Directorate and Corporate Risk Registers, this process was overseen by the Audit and Risk Committee, with the risk appetite being updated and approved by Board.

Both, major investment project, Mountain Bike Project, and major business project, MySOSE, were reported throughout the year to Programme Boards, SLT, Audit and Risk Committee and Board.

The risk management and internal control systems set out in this report have been in place for the year 2025/26 and up to the date of approval of the annual report and accounts.

Significant Risks

In 2025/26, monthly reviews of strategic level corporate risks took place allowing for SLT, ARC and Board to update, note, monitor and review the Corporate Risk Register. At the end of the financial year the Corporate Risk Register included the following risks (see page 10 for additional details):

- Cyber Security
- Mountain Bike Project
- MySOSE Project
- Resource Capacity
- Pipeline Data Management
- Staff Resilience
- Strategic Direction
- Shared Service Arrangements

Business Continuity Framework

In 2025/26, SOSE developed our Business Continuity Management System (BCMS) which contains all Business Continuity Policies, Procedures and Plans.

SOSE use the UK Government Inform system which allows SOSE to issue emergency response communications in the event of business disruption. We continue to operate in a hybrid working environment which serves as a disaster recovery back-up should offices be unavailable. The Business Continuity Steering group met regularly throughout the year to help implement the new framework which is maintained and co-ordinated by the Business Continuity Lead for the business, supported by the Business Continuity Coordinators across the business who have helped assess the business needs.

The progress of this Framework development has been reported on regularly to the SLT, Audit and Risk Committee and Board.

Information Systems Assurance

The key risk management and internal control systems are further supported by internal Information Systems Assurance activities, with regular monitoring review and assurance from Internal Audit.

SOSE continues to obtain assurances on the security and integrity of its IT systems, principally from the Shared Services contractual arrangements in place with Skills Development Scotland (SDS/EIS), for its core business systems. Key controls over information management include access to file sharing apps being controlled centrally and the IT Usage Policy, which with other policies and procedures, ensures the physical security of devices.

A major business project for SOSE was completed during 2025-26 with the successful delivery and go-live of MySOSE, our new Customer Relationship Management (CRM) system. MySOSE replaces the legacy SE CRM and has been designed specifically to reflect how SOSE operates and how we engage with and support our clients. The project began in 2022-23 and reached go-live in April 2025, with MySOSE now established as SOSE's core system for managing client interactions and support activity.

The solution is built on existing, proven technology, meets the Digital Scotland Service Standards (DSSS), and provides a flexible platform that supports ongoing enhancement and continuous improvement in line with organisational needs.

SOSE is a member of the Partner-wide EIS Security Group and obtains assurance on the security and integrity of its IT systems. An ongoing cyber security programme ensures that tooling is continually reviewed and enhanced, further mitigating against the ever-evolving cyber threat.

Cyber awareness training brings continuous improvements to SOSE's security with high staff engagement, positive feedback and good results when carrying out regular phishing exercises.

Cyber Essentials Plus accreditation continues to be achieved on an ongoing annual basis along with our partners and managed by EIS.

There have been no major instances of information loss or other data breaches during the year.

Health and Safety

SOSE's Senior Leadership Team and Board are fully committed to meeting their responsibilities under the Health and Safety at Work etc. Act 1974. The Chief Executive, as Accountable Officer, is ultimately responsible for ensuring that SOSE complies with all relevant Health and Safety legislation.

Responsibility for Health and Safety management at an operational and delivery level is delegated to Directors. Oversight is provided through the Health and Safety Committee, which includes Board representation. Health and Safety updates are a standing weekly agenda item at the Senior Leadership Team meetings and a standing agenda item at the SOSE Board.

During the year, SOSE delivered Health and Safety induction training for all new employees and refresher training for existing staff. The organisation also carried out a Display Screen Equipment (DSE) assessment and a working from home checklist refresher to support safe working arrangements.

There were no Health and Safety incidents during the year that required reporting to the Health and Safety Executive.

Value for Money and Business Improvement

SOSE achieves value for money as an integral part of its financial and business planning and service delivery. Achieving this aim is also central to promoting Fair Work and Net Zero aims as well as digital connectivity, improved transport and infrastructure, sustainable and efficient use and reuse of resources and promoting efficient and innovative commerce and industry.

Efficiency in procurement, following best value principles and in delivering core business systems was achieved in the year through collaborative partnering arrangements. Shared Services Agreements continued with Scottish Enterprise and Skills Development Scotland for core finance and business systems and contracted Internal Audit services from Scottish Enterprise and corporate office system support from EIS.

Strategic Planning and Performance Measures

As part of the strategic planning remit SLT are responsible for measuring performance of the organisation, regular updates on the Performance Measurement Framework (PMF) measures are brought to SLT by the Head of Performance and Pipeline detailing our successful performance and effectiveness. Key activities are drawn from the overall corporate aims and targets to meet our operating and strategic priorities, and these are cascaded into Directorate Plans and individual performance objectives which are monitored by line and Directorate management. Details of the Performance Measurement Framework in SOSE are at page 11.

Managing Public Money

The Finance team are responsible for regular Budget monitoring, working with all Budget holders to forecast and manage expenditure. The finance team including Finance Business Partners have continued to implement and develop our monitoring and reporting in the year which includes regular reporting to budget holders, SLT and Board, capturing and analysing data through the Power BI application and reporting.

Fraud Prevention

SOSE aligns to the Scottish Government's Scottish Public Finance Manual in relation to fraud prevention and follows that guidance on the approach to, and methodology for counter fraud, anti-corruption and bribery including reporting. There were no frauds reported in 2025/26 (2024/25: nil).

SOSE's Counter Fraud Policy was reviewed and updated in the year following an Internal Audit of Counter Fraud Arrangements in SOSE. The policy covers the breadth of probity requirements which SOSE is subject to within the public sector, including fraud prevention, anti-bribery, anti-money laundering, cyber fraud, probity around gifts and hospitality and declarations of interest, whistleblowing, and reporting.

Internal Audit

Internal Audit in SOSE is provided by Scottish Enterprise within the Shared Service Framework. Their Annual Programme of work, approved by ARC, is drawn from a three-year Strategic Priorities Plan, which in turn is aligned to SOSE's strategic priorities and key risks.

The Internal Audit Annual Programme for 2025/26 was delivered and included audit reviews of the following and included follow up of previous reviews:

- Counter-Fraud Arrangements
- Shared Services
- Project Reviews
- Strategic Direction
- MySOSE
- EIS Partnership Review:
  - Cloud Strategy Phase 1
  - Cloud Strategy Phase 2
  - Data Governance
  - IT Resilience and Disaster Recovery
  - Third Party Risk Management

All Internal Audit reports are reported in full to ARC. Areas of concern are reported by ARC to Board, highlighting issues, action plans and progress on achievement of recommendations to remedy and improve internal controls to a satisfactory level. One area of limited assurance was reported in relation to project management administration surrounding the MYSOSE project, this was reported to ARC and the Board in June 2026, all actions are being implemented.

For 2025/26 the conclusion of internal audit work carried out, and reported to the SOSE Audit and Risk Committee, identified an overall moderate level of assurance on SOSE's framework of governance, risk management and management control.

External Audit

SOSE's external auditor is Audit Scotland. Specifically, the individuals acting on behalf of the Auditor General for Scotland, are responsible for auditing these financial statements for 2025/26. External Audit has reviewed this governance statement for its consistency with evidence collected during their annual audit and with other information gathered by them during the year.

Conclusion

As Accountable Officer, I confirm that I am satisfied with the effectiveness of SOSE's arrangements to ensure appropriate standards of corporate governance and effective risk management are met. I also confirm there were no significant control weaknesses, losses or identified data security incidents or data breaches during the year ended 31 March 2026 and to the date of signature of the accounts.

Remuneration and Staff Report

The sections marked (Audited) in this Remuneration and staff report are subject to separate opinion by Audit Scotland. The other sections were reviewed by Audit Scotland to ensure they were consistent with the financial statements.

People and Organisational Development Committee

The People and Organisational Development Committee reviews and determines the remuneration of the Chief Executive and Directors of the agency on an annual basis and within the context of budgetary constraints and Scottish Government (SG) pay policy.

The SG finance pay policy team determines that the above decisions are subject to SG approval.

Remuneration of Board Members

Board members of SOSE are appointed by Scottish Ministers normally for a period of four years. Under certain circumstances Board members may be eligible for re-appointment for a second term. Their remuneration is set by the Scottish Government and is not pensionable. £2.8k benefits in kind were made to members of the Board during the year ended 31 March 2026 in relation to travel expenses (2024/25: £1.6k).

Remuneration of the SOSE Board members for the year ended 31 March (Audited)

	2025/26	2024/25	Appointment expires
	£000	£000	
Russel Griggs*1	60-65	55-60	31 March 2027
Alistair Cameron	5-10	5-10	8 March 2028
Helen Forsyth	5-10	5-10	8 March 2028
Duncan McConchie	5-10	5-10	8 March 2028
Jeremy Sainsbury	0-5	5-10	Resigned effective 30 May 2025
Emma Guy *3	5-10	5-10	31 March 2030
Kirsten Hannay	0-5	5-10	Resigned effective 31 August 2025
Paul Winstanley *3	5-10	5-10	30 September 2026
Rory Christie	5-10	5-10	8 March 2028
Mary Thomson *4	5-10	5-10	8 March 2028
Anna Austin	5-10	-	31 March 2029
Vivienne Cockburn*2	0-5*	5-10	Leaver effective 31 March 2025 *Co-opted adviser to ARC – March 2027

*1 Russel Griggs, has been reappointed as Chair for a further 4 years to 2027.

*2 Vivienne Cockburn ended her term with the Board on 31 March 2025, becoming a Co-opted member to mentor ARC until March 2027

*3 The appointments of Emma Guy and Paul Winstanley, which were due to end on 31 March 2026, have been extended to 31 March 2030 and 30 September 2026 respectively.

*4 Mary Thomson's remuneration has been waived and paid directly to Scotland's Rural College (SRUC).

Remuneration of Members of the Leadership Team

The contracts of members of the SOSE Leadership Team (SLT) are permanent and have a three-month notice period. There are no early termination payment clauses within these contracts. SOSE offer an electric vehicle salary sacrifice scheme, 2 members of the SLT have sacrificed their salary totalling £14.7k (2024/25: £17.3k). No other benefits in kind were made to senior members of the SOSE Leadership Team (2024/25: £0.6k). All members of the SOSE Leadership Team are members of the Scottish Borders Council Local Government Pension Scheme (LGPS).

SOSE contribute 19.4% for all members of the Scottish Borders Council LGPS with the employee's contribution rate dependent on individuals' rate of pay. The scale for employees' contribution range between 5.5% and 12% on individual's pensionable pay.

Remuneration of the SOSE Leadership Team for the year ended 31 March (Audited)

	Actual for year to 31 March 2026					Actual For year to 31 March 2025				
	Salary FTE[*1]	Salary	Non-cash benefit	Pension benefit	Total	Salary FTE[*1]	Salary	Non-cash Benefit	Pension benefit	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Jane Morrison-Ross	130-135	130-135	-	51	180-185	125-130	125-130	-	43	165-170
Karen Jackson	105-110	105-110	-	44	150-155	105-110	105-110	0.6	37	140-145
Anthony Daye[*2]	105-110	55-60	5.0	50	110-115	105-110	95-100	7.5	39	140-145
Martin Valenti	105-110	100-105	9.7	68	175-180	105-110	95-100	9.8	21	125-130
Allan Harrow	95-100	95-100	-	38	135-140	90-95	90-95	-	31	120-125
Donna Marshall[*3]	95-100	40-45	-	20	60-65	-	-	-	-	-

[*1] FTE – Full time equivalent (prior to salary sacrifice deduction).

[*2] Anthony Daye left the organisation on 24 October 2025

[*3] Interim Director Position, in 2025/26 actual salary and pension benefit relates only to period in the SLT

The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation and are net of contributions made by the individual.

Salary information (Audited)

In the year remuneration, including the highest paid member of the SLT (CEO), ranged from £26k - £131k (2024/25: £25k - £125k). No employee received remuneration in excess of the CEO.

Fair pay salary disclosures

	2025/26		2024/25	
	Salary	% change	Salary	% change
Highest paid director	£131,496	5.0%	£125,233	5.0%
Average all employees	£58,175	6.2%	£54,779	4.1%

Reporting bodies are required to disclose the relationship between the salary of the most highly paid director in their organisation and the 25th and 75th percentile and median earnings of the organisation's workforce, this data is shown in the table below:

	2025/26			2024/25		
	Salary	Ratio*	% change	Salary	Ratio*	% change
Median total remuneration	£54,930	2.4	4.0%	£52,817	2.4	3.0%
25th percentile	£47,910	2.7	9.8%	£43,643	2.9	3.0%
75th Percentile	£64,918	2.0	4.0%	£62,421	2.0	3.0%

*Ratio against highest paid director

The movement in pay ratios are consistent with SOSE's pay and progression policies available to all staff. The change in 25th percentile is in part due to the timing of apprenticeship leavers and current staffing profile, plus progression.

Employee benefit disclosure

In 2025/26, 22 employees are opted into the salary sacrifice electric vehicle scheme exchanging £162k (2024/25: £138k) of their gross salary and 8 employees utilised the cycle to work scheme sacrificing £7.6k (2024/25: £8k). The sacrificed amounts are included within the gross salary figure stated on page 66; no other benefits were paid to employees.

Accrued Pension Benefits

Pension benefits for employees are provided through the Local Government Pension Scheme (Scotland), administered by the Scottish Borders Council Pension Fund.

The LGPS is a registered Public Service Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.

The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.
The LGPS is a CARE (Career Average Revalued Earnings) scheme. This means that pension benefits are worked out on the pensionable years' earnings, and added to the member's accrued benefits to date. At the end of every scheme year the total amount of pension in the members account is adjusted to take into account the cost of living.
The accrual rate (currently 1/49th) guarantees a pension based on career average earnings revalued annually in line with inflation.

Normal retirement age is linked to the member's individual State Pension Age.
Contribution rates are set annually for all employees. LGPS members with pre-01/04/2009 service have an automatic entitlement to a lump-sum. Members with only post 01/04/2009 service have no automatic entitlement to a lump sum.

Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

McCloud Judgement

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment.

In the Local Government Pension Scheme (Scotland), where a protected member takes their pension, the pension from the career average scheme, compared with the pension that would have built up in the final salary scheme. The member receives the higher amount. This protection is called the "underpin".

The Public Service Pensions Remedy ("underpin") applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022.

Senior Officials Pension (Audited)

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by SOSE.

2025/26

	Accrued pension at pension age at 31 March 2026	Accrued lump sum at pension age at 31 March 2026	Real increase in pension for period to 31 March 2026	Real increase /(decrease) in lump sum for period to 31 March 2026	CETV*1 at 31 March 2026	CETV*1 at 31 March 2025	Real increase in CETV
	Band £5000	Band £5000	Band £2500	Band £2500	£000	£000	£000
Jane Morrison-Ross	10-15	-	2.5-5.0	-	209	164	46
Anthony Daye	35-40	-	2.5-5.0	-	561	509	52
Allan Harrow	5-10	-	0-2.5	-	117	84	33
Karen Jackson	10-15	-	2.5-5.0	-	191	152	39
Donna Marshall	15-20	-	0-2.5	-	253	221	32
Martin Valenti	40-45	30-35	2.5-5.0	0-2.5	819	755	64

*1 CETV – Cash equivalent transfer value

The above table does not cast as figures are not rounded in the remuneration report.

Cash equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total pensionable service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

1. the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
2. the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

Staff Costs:

	2025/26			2024/25		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	7,953	228	8,181	7,569	168	7,737
Compensation and exit packages	-	-	-	34	-	34
Pension costs	1,494	44	1,538	1,431	33	1,464
Social security costs	1,070	24	1,094	858	13	871
Apprenticeship levy	26	-	26	24	-	24
Holiday pay accrual	(39)	3	(36)	59	(1)	58
Salary sacrifice savings pass back	42	-	42	47	-	47
Less: Capitalised staff costs	(106)	(33)	(139)	(151)	(29)	(180)
Board Members' remuneration*1	151	-	151	151	-	151
Net staff costs in SOCNE	**10,591**	**266**	**10,857**	**10,022**	**184**	**10,206**
IAS 19 pension service cost	-	-	(389)	-	-	718
Net management expenditure on staff costs (Note 6, page 96)	**-**	**-**	**10,468**	**-**	**-**	**10,924**

*1 Board member remuneration includes £3k for Board co-opted adviser to ARC

Secondments out

Wages and salaries include a secondment out including salary, employer's national insurance and employer's pension contributions totalling £37k (2024/25: £47k). The secondment ended on 19 September 2025

Employee numbers and gender

Average number of employees between 1 April and 31 March:

	2025/26			2024/25		
	Permanent Staff	Other Staff	Total Staff	Permanent Staff	Other Staff	Total Staff
Senior Leadership Team	5.0	-	5.0	5.0	-	5.0
Senior Management Team	15.9	-	15.9	16.0	-	16.0
Front Line Workers	107.8	5.9	113.7	108.6	5.1	113.7
Administration/Support Staff	8.1	-	8.1	8.7	-	8.7
Total	**136.8**	**5.9**	**142.7**	**138.3**	**5.1**	**143.4**

Board members and employees by gender at 31 March:

	2025/26			2024/25		
	Male	Female	Total	Male	Female	Total
Board	5	4	9	6	5	11
Co-opted adviser to ARC	-	1	1	-	-	-
Employees						
Leadership Team	2	3	5	3	2	5
Other employees	49	87	136	51	89	140
Total Employees	**51**	**90**	**141**	**54**	**91**	**145**

The system collects data for male, female, other, prefer not to say, the above represents the responses received.

Sickness Absence

The attendance record for SOSE for the year 31 March 2026 was 1098.10 days[*1] sick leave (2024/25: 810.8 days) out of a total of 30,455 possible working days representing a time lost through rate of 3.6% (2024/25: 2.7%)

[*1] Based on a 7-hour day

Turnover rate

During the year there was 7% staff turnover (2024/25: 4.2%)

Compensation and exit packages

No member of SOSE staff left under severance terms between 1 April 2025 and 31 March 2026, (2024/25: 1 member of staff, cost £34,485).

	2025/26			2024/25		
	Compulsory or voluntary redundancy	Other departures agreed	Total	Compulsory or voluntary redundancy	Other departures agreed	Total
Exit package cost band						
<£10,000	-	-	-	-	-	-
£ 10,001 - £25,000	-	-	-	-	-	-
£ 25,001 - £50,000	-	-	-	-	1	1
£ 50,001 - £100,000	-	-	-	-	-	-

Trade Union

The Joint Consultation and Negotiation Committee (JCNC) meets regularly and involves members of our Senior Leadership Team and representatives from our recognised trade union, PCS. Through this we share information, discuss issues of mutual concern, consult and, where appropriate, negotiate on policies, procedures and terms and conditions of employment, recognising the benefits of a positive and open relationship with our recognised trade union.

Statutory requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017 should therefore be considered in the context of the benefits both for the workforce and the employer. As part of our commitment to working in partnership, we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties.

Investing in our people and culture

Information on the following can be found in the Performance Report, page 23.

- Inclusion, diversity and equality
- Our people and culture
- Learning and development

Parliamentary Accountability Report and Audit Report

The results for the year to 31 March 2026 are contained in the attached accounts which have been prepared in accordance with the South of Scotland Enterprise Act 2019 and are in the form directed by Scottish Ministers. SOSE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. In addition to this SOSE also generates a small income from rental property, interest received and funded positions.

Grant in Aid allocation

	Resource Departmental Expenditure Limits	Capital Departmental Expenditure Limits	Financial Transactions	Total
	£000	£000	£000	£000
2025/26				
Original Budget	14,390	14,097	-	28,487
SBR Final Allocation	16,279	14,422	-	30,701
Movement	1,889	325	-	2,214
2024/25				
Original Budget	14,310	13,000	-	27,310
SBR Final Allocation	15,841	13,004	-	28,845
Movement	1,531	4	-	1,535

During the financial year, the Scottish Government provided SOSE with Grant in Aid totalling £30.701m (2024/25: £28.845m). Of this amount, £30.107m (2024/25: £28.057m) was drawn down. The amount drawn was less than the total available due to SOSE deducting income received from FT repayments of £0.712 million*. These repayments were required to be returned to the Scottish Government in accordance with funding arrangements.

For the 2026/27 financial year, the Scottish Government has allocated a budget of £32.168 million to SOSE. This allocation comprises both Grant in Aid and a non-cash budget provision.

The figures presented in the above table do not include non-cash items. Separate budgets have been provided for these, as outlined in the Summary of Outturn table on the following page.

* The FT figure for deduction from the GIA drawdown was estimated before year-end and includes a small prior year adjustment, the actual FT loan value repaid in year was £739k (Note 2, page 93).

Summary of Outturn 2025/26

	Expenditure	Income	Outturn	GIA & grant allocation	(Over)/Under spend
	£000	£000	£000	£000	£000
Resource budget	16,542	(1,743)	14,799	14,775	(24)
Resource Pathways ring-fenced budget	1,585	-	1,585	1,504	(81)
Capital budget	17,691	(3,191)	14,500	14,422	(78)
Total Department Expenditure Limit	**35,818**	**(4,934)**	**30,884**	**30,701**	**(183)**
Financial Transactions	-	(739)	(739)	-	739
Cash funded outturn	**35,818**	**(5,673)**	**30,145**	**30,701**	**556**
Non-cash costs including depreciation	551	-	551	600	49
Annually Managed Expenditure	439	-	439	-	(439)
Total	**36,808**	**(5,673)**	**31,135**	**31,301**	**166**

Summary of Outturn 2024/25

	Expenditure	Income	Outturn	GIA & grant allocation	(Over)/Under spend
	£000	£000	£000	£000	£000
Resource budget	15,949	(1,639)	14,310	14,341	31
Resource Pathways ring-fenced budget	1,429	-	1,429	1,500	71
Capital budget	13,560	(341)	13,219	13,004	(215)
Total Department Expenditure Limit	**30,938**	**(1,980)**	**28,958**	**28,845**	**(113)**
Financial Transactions	-	(474)	(474)	-	474
Cash funded outturn	**30,938**	**(2,454)**	**28,484**	**28,845**	**361**
Non-cash costs including depreciation	281	-	281	385	104
Annually managed expenditure	130	-	130	526	396
Total	**31,349**	**(2,454)**	**28,895**	**29,756**	**861**

Budget Outturn 2025/26

Resource

- SOSE's original 2025/26 resource GIA allocation was £14.390m (2024/25: £14.310m). In-year budget transfers increased the resource allocation by £1.889m at ABR and SBR, mainly relating to Pathways £1.504m (2024/25: £1.500m), Small Producer Pilot activity and other additional SG funding.
- The final outturn shows a small net overspend of £0.105m (2024/25: £0.031m core resource underspend, £0.071m Pathways underspend) which included pre-agreed additional funding for 2 projects, £81k Pathways (funding approved £0.087m) and Regional Intelligence Hub £0.030m (funding approved £0.030m)
- Overall, the resource position was managed close to balance, with pressures and savings across individual lines offsetting at total level.

Capital

- SOSE's original 2025/26 capital GIA allocation was £14.097m (2024/25: £13.000m). The SBR increased the allocation by £0.325m, relating to the Small Producer Pilot capital allocation, resulting in a final capital GIA allocation of £14.422m (2024/25: £13.004m). At final outturn, SOSE recorded a small overspend of £0.078m (2024/25: £0.215m overspend), attributed to the timing of delivery over year-end.
- SOSE delivered a comprehensive programme of capital grants and projects during the year, supporting businesses and organisations across the South of Scotland. The minor overspend reflected successful project delivery within the year, with expenditure monitored closely as the year-end position evolved. SG was kept informed of SOSE's budget position on a timely basis, including the emerging overspend.

Financial Transactions

- Financial Transactions (FT) income relates to loan repayments where loans were issued in prior years from FT funding, £0.739m underspend (2024/25: £0.474m underspend).

Non-Cash and Annually Managed Expenditure

- Non-cash is a ring-fenced budget including depreciation, utilisation for the year totalled £0.551m (2024/25: £0.281m), £0.049m lower than the provision provided by the Scottish Government (2024/25: £0.104m). This related to timing of the amortisation for the internal Customer Relationship Management system
- Annually Managed Expenditure reflects the movements for year-end pension adjustments, property impairments and tax movements in year totalling £0.439m, (2024/25: £0.396m).

Other disclosures

- **Losses and Special Payments** – due to the nature of SOSE's investments, there are occasions when it is required to write off balances which are no longer recoverable. The Scottish Public Finance Manual (SPFM) requires total losses and special payments exceeding £0.3m to be disclosed, there are none to report.
- **Fees and charges** - The fees and charges guidance in the SPFM require charges at market rates whenever applicable. SOSE has nothing to report for the year to 31 March 2026 (nil 2024/25) relating to fees and charges.
- **Gifts** - The SPFM requires gifts to be reported and individual gifts of more than £0.250m to be noted separately. SOSE has nothing to report for the year to 31 March 2026 (nil 2024/25).
- SOSE has no **contingent liabilities** to report.

Reconciliation of Outturn to Total Comprehensive Net Expenditure

Reconciliation To Total Comprehensive Net Expenditure	2025/26	2024/25
	£000	£000
Total Comprehensive Net Expenditure	**24,480**	**27,564**
Pension (IAS 19)	-	(241)
Revaluation – property and land	(394)	127
Revaluation reserve	-	25
Depreciation and amortisation	(551)	(289)
Non-current asset additions	1,708	393
Non-current asset disposal	(8)	-
Right of use assets – IFRS16	12	-
Right-of-use asset disposal	-	(10)
Held for sale asset disposal	-	(110)
Construction in progress	2,637	744
Intangible additions	350	359
Expected credit loss for trade debt (AME)	1	5
Tax provision and charges (AME)	-	(46)
Net expenditure funded by SG Departmental Expenditure Limit (DEL)	**28,235**	**28,521**
Loan funding issued in year	2,009	710
Loan repayments in year	(824)	(747)
Equity	725	-
Investments funded through DEL	**1,910**	**(37)**
Total DEL and FT funded by SG	**30,145**	**28,484**

The Outturn figure for Resource and Capital Departmental Expenditure Limit and Financial Transactions reconciles to the Segmental Reporting in Note 2, page 93.

Jane Morrison-Ross

J Morrison-Ross
Chief Executive and Accountable Officer
South of Scotland Enterprise
20 August 2026

Independent Auditor's Report

Independent auditor's report to the members of South of Scotland Enterprise, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of South of Scotland Enterprise for the year ended 31 March 2026 under the South of Scotland Enterprise Act 2019. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity 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 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2026 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 FReM; and
- have been prepared in accordance with the requirements of the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be six years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the central government sector to identify that the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my 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 my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Other information

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

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

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

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

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the South of Scotland Enterprise Act 2019 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pauline Gillen

Pauline Gillen
Audit Director
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT
20 August 2026

Financial Statements

South of Scotland Enterprise

Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

		2026	2025
	Notes	£000	£000
Expenditure from activities			
Operating expenditure	4	14,964	16,588
Net management expenditure on staff costs	6	10,468	10,924
Other management expenditure	6	2,565	2,118
Depreciation and impairment	6	991	316
		28,988	**29,946**
Income			
Income from activities	3	(449)	(459)
Other income	3	(4,000)	(946)
		(4,449)	**(1,405)**
Net operating expenditure		**24,539**	**28,541**
Other finance charges	5	(11)	5
Interest receivable	5	(402)	(366)
Net expenditure after interest		**24,126**	**28,180**
Taxation	7	-	46
Net expenditure		**24,126**	**28,226**
Other comprehensive (income) / expenditure			
Items that will not be reclassified to net expenditure			
Deferred tax arising on revaluation of buildings	7	-	-
Actuarial (gain) / losses recognised in retirement benefit scheme	17	400	(482)
Revaluation (gain) / loss on land and property	8	(46)	(180)
Other comprehensive expenditure for the year		**354**	**(662)**
Total comprehensive net expenditure for the year		**24,480**	**27,564**

The notes on page 83 to 116 form part of these accounts.

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2026

		2026	2025
	Notes	£000	£000
Non-current assets			
Property, plant, and equipment	8	9,759	6,017
Right-of-use assets	18	84	127
Intangible assets	10	2,474	2,426
Financial assets	9	2,619	1,763
Retirement benefit asset	17	-	-
		14,936	**10,333**
Current assets			
Trade and other receivables	12	3,532	751
Cash and cash equivalents	13	2,043	1,970
Assets classified as held for sale	14	244	228
Current financial assets	9	1,743	922
Taxation receivable	12	130	88
Deferred tax	7	-	-
Total current assets		**7,692**	**3,959**
Total assets		**22,628**	**14,292**
Current liabilities			
Trade payables and other current liabilities	15	(5,965)	(3,313)
Lease liabilities	18	(47)	(52)
Total current liabilities		**(6,012)**	**(3,365)**
Non-current assets plus current assets less current liabilities		**16,616**	**10,927**
Non-current liabilities			
Trade payables and other liabilities	16	(1,439)	(2,052)
Lease liabilities	18	(30)	(67)
Total non-current liabilities		**(1,469)**	**(2,119)**
Assets less liabilities		**15,147**	**8,808**

South of Scotland Enterprise

Statement of Financial Position as at 31 March 2026

		2026	2025
	Notes	£000	£000
Taxpayers' equity			
General reserve		10,322	3,627
Revaluation reserve	8	584	540
Pension reserve	17	4,241	4,641
Total equity		**15,147**	**8,808**

The notes on page 83 to 116 form part of these accounts.

The Accountable Officer authorised these financial statements for issue on 20 August 2026

Jane Morrison-Ross

J Morrison-Ross
Chief Executive and Accountable Officer
South of Scotland Enterprise
20 August 2026

South of Scotland Enterprise

Statement of Cash Flows for the year ended 31 March 2026

		2026	2025
	Notes	**£000**	**£000**
Cash flow from operating activities			
Net expenditure before taxation		**(24,126)**	**(28,180)**
Adjustments for:			
Depreciation and amortisation	8,10,18	551	289
Property impairment	8	440	27
Asset transfer	3	(254)	-
Provision for expected credit losses	9	238	133
Movement in pension	17	(400)	723
Gain on sale of land	8,14	-	(65)
Interest receivable	5	(402)	(366)
Write-off		-	3
(Increase) / decrease in trade and other receivables	12	(2,821)	(156)
Provision for irrecoverable debts and losses	12	-	(5)
Increase / (decrease) in trade and other payables	15,16	2,345	(1,529)
Net cash outflow from operating activities		**(24,429)**	**(29,126)**
Cash flows from investing activities			
Proceeds from sale of land	14	-	175
Purchase of intangible asset	10	(409)	(651)
Payments to acquire property, plant and equipment	8	(3,628)	(1,440)
Interest received in year	9	396	353
Purchase of equity investment	9	(725)	-
Loans advanced in year	9	(2,009)	(710)
Loans repaid in year (capital)	9	824	747
Net cash outflow from investing activities		**(5,551)**	**(1,526)**
Cash flows from financing activities			
Grant and Grant in Aid from Scottish Government		30,107	28,057
Repayment of lease liabilities	18	(54)	(59)
Net cash inflow from financing activities		**30,053**	**27,998**
Net (decrease) / increase in cash and cash equivalents	**13**	**73**	**(2,654)**
Cash and cash equivalents at beginning of the year	13	1,970	4,624
Cash and cash equivalents at end of the year	**13**	**2,043**	**1,970**

The notes on page 83 to 116 form part of these accounts.

South of Scotland Enterprise

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2026

	£000	£000	£000	£000
	General Reserve	Revaluation Reserve	Pension Reserve	Total Reserves
Opening balance at 1 April 2024	**3,291**	**386**	**4,159**	**7,836**
Net expenditure during the year	(28,226)	-	-	(28,226)
(Loss) / gain on revaluation of property, plant, and equipment	-	179	-	179
Actuarial gain / (loss)	-	-	482	482
Deferred tax current year credit	-	-	-	-
Transfer between reserves	25	(25)	-	-
Total recognised income and expense	**(28,201)**	**154**	**482**	**(27,565)**
Grant in Aid from Scottish Government*	28,537	-	-	28,537
Closing balance at 31 March 2025	**3,627**	**540**	**4,641**	**8,808**
Opening balance at 1 April 2025	**3,627**	**540**	**4,641**	**8,808**
Net expenditure during the year	(24,126)	-	-	(24,126)
(Loss) / gain on revaluation of property, plant, and equipment	-	46	-	46
Actuarial gain / (loss)	-	-	(400)	(400)
Deferred tax current year credit	-	-	-	-
Transfer between reserves	2	(2)	-	-
Total recognised income and expense	**(24,124)**	**44**	**(400)**	**(24,480)**
Grant in Aid from Scottish government*	30,819	-	-	30,819
Closing balance at 31 March 2026	**10,322**	**584**	**4,241**	**15,147**

***Grant in aid summary**	2026	2025
	£000	£000
Grant in Aid per Summary Outturn (page 70)	**30,701**	**28,537**
Funding for approved overspend	118	-
Recognised in taxpayers' equity*	30,819	28,537
FT funding deducted	(712)	(480)
GIA from SG recognised in cashflow (page 81)	**30,107**	**28,057**

Notes to the accounts

1. Accounting policies

Basis of preparation
The SOSE accounts are prepared in accordance with Section 15(B) of the South of Scotland Enterprise Act 2019 and the Accounts Direction from the Scottish Ministers.

The financial statements have been prepared in accordance with the 2025/26 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

The preparation of accounts in conformity with the FReM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in "Critical accounting estimates and key judgements", page 90.

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

- Retirement benefit assets (Note 17)
- Land and property (Note 8)
- Expected credit losses (Note 9).

Assets classified as held for sale are held at the lower of carrying amount or fair value less costs to sell. (Note 14)

In preparing the annual report and accounts management have reviewed and considered new accounting standards not yet effective and concluded these are currently not applicable.

Going Concern
The Board and Accountable Officer have considered the resource budget for 2026/27, comprising Grant in Aid and 'non-cash' budget provision, supplemented by SOSE's business income from rental properties and deem this an adequate resource to continue operational existence to undertake the aims as set out for SOSE by Scottish Government in our Letter of Guidance and in our Operating Plan. Considering available budget together with SOSE's closing Statement of Financial Position as at 31 March 2026 which records net assets of £15.147m (2024/25 £8.808m), the annual financial statements have been prepared on a "going concern" basis.

Funding
SOSE receives Grant in Aid from the Scottish Ministers on an annual basis coincident with the entities financial year to fund its net operating costs. Grant in Aid is credited to the General Reserve and the net cost of activities funded by Grant in Aid is charged to this reserve.

From 1 April 2024 SOSE no longer received Financial Transactions funding from the Scottish Government for the specific purpose of financing equity investments and the provision of loans. Financial Transactions funding received in prior years is repayable over variable periods and is recognised as a current or long-term liability in accordance with the repayment terms determined at the time each tranche of the funding is drawn down from the Scottish Government.

Property, plant, and equipment

During the year SOSE held property, land, IT assets, equipment and fixtures and fittings.

- Land and Property

Property for commercial lease and SOSE's own use and land held for or under development, are held at fair value and valued annually in accordance with The Royal Institution of Chartered Surveyors Valuation Standards 2025 (Red Book) and in accordance with FReM and IFRS.

From 1 April 2025 HM Treasury changed the requirements in the FReM in respect of revaluations of property requiring where entities do not have a rolling programme of revaluations in place entities revalue their assets every five years with annual indexation applied to assets during the four intervening years. SOSE continued with an annual external valuation in 2025/26 and will adopt the new FREM requirements in 2026/27, changing to a quinquennial revaluation supplemented by annual indexation in intervening years.

In line with IAS 16, SOSE capitalises any costs directly attributable to bringing the property to the condition necessary for it to be used in the manner intended.

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

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

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

Buildings incur a monthly depreciation charge applied from the month of acquisition and no charge is made in the month in which it is disposed. Land is not depreciated.

Depreciation is charged to the Statement of Comprehensive Net Expenditure on the revalued amount of each property less the estimated residual value on a straight-line basis over their expected useful lives of up to a maximum of 50 years. Where an item of property has significant components, the components are depreciated separately, in accordance with their useful lives. The useful lives of property assets are determined in consultation with Chartered Surveyors. The properties' residual values and useful lives are reviewed, and adjusted if appropriate, on an annual basis at the date of the Statement of Financial Position.

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

Assets under construction and land under development are shown at cost. Once complete these assets are reclassified into land and buildings and are revalued at fair value. Increases or decreases in value at the time of the first professional revaluation are accounted for on the same basis as other revaluation movements noted above. Depreciation is only applied once the asset has been transferred out of assets under construction.

- Non property assets

As permitted by the FReM, non-property assets are carried at depreciated historic cost as a proxy for current value in existing use or fair value. SOSE consider that all the assets in these categories have short useful lives, and the depreciation rates provide a realistic reflection of consumption and reduction in carrying value.

Non-property assets are capitalised when an individual item value is in excess of £500 where the item is expected to have a useful life greater than one year.

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

- Plant and Equipment (except specialised) over 4 years
- Specialised Equipment over 10 years
- Information Technology over 3 years
- Furniture and Fittings over 4 years

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

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

Assets transferred that meet the initial recognition criteria will be capitalised within PPE, valuing at depreciated replacement cost due to having no active market for valuation, recognising the corresponding credit (income) within asset income.

- Subsequent expenditure

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

- Impairment

Assets that have an indefinite useful life, for example land, are not subject to depreciation or amortisation and in 2025/26 were subject to an external valuation on an annual basis. From 2026/27 this will change to a quinquennial revaluation supplemented by annual indexation in intervening years.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Intangible Assets

When capitalising internally developed software, only directly attributable costs are included where it is deemed the asset will generate future economic benefits.   Associated research costs are expensed as incurred.

- In Development

In line with the development criteria specified in IAS 38 an intangible asset in development, software, is recognised on the balance sheet at cost using the cost model.   Continued development and enhancements meeting the standards capitalisation criteria will be capitalised as in development when spend is incurred.

- Software asset available for use

Amortisation will only commence once the asset or enhancements are available for use, amortising over the estimated useful life of 8 years.

Non-current assets held for sale

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

In accordance with the criteria specified in IFRS 5 non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale and a sale within a period of 12 months is considered highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated.

Financial assets – loans

Loans are financial assets held to collect contractual cash flows (capital and interest), these are carried at amortised cost using the effective interest method less provision for impairment. Financial assets are recognised in current assets except for maturities greater than 12 months after the date of the Statement of Financial Position which are classed as non-current assets. Interest income from these financial assets is recognised in other finance income in the Statement of Comprehensive Net Expenditure. Convertible loan notes are initially recognised as loans under IFRS 9 and accounted for in accordance with their contractual terms until conversion or redemption occurs.

Financial assets – equity

Equity investments represent minority shareholdings held for strategic or policy purposes, including economic development and market making and are classified as financial assets under IFRS 9. On initial recognition, equity investments are measured at fair value; where fair value cannot be measured reliably at the reporting date, investments are measured at cost. Subsequent measurement will be recognised at fair value through the Statement of Comprehensive Net Expenditure, in accordance with IFRS 9. Equity investments are derecognised when the contractual rights to the asset expire or the investment is disposed of.

Financial assets - trade and other receivables

Trade and other receivables, where payment is due within one year, are initially recognised on the balance sheet at transaction price. Due to the short-term nature of trade and other receivables the carrying amount is considered to be the same as their fair value. This value is adjusted for any measurement for potential credit loss.

Financial asset – expected credit loss

On a forward-looking basis SOSE assesses the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk. For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For expected credit losses associated with trade receivables, SOSE applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognised from initial recognition of the receivables.

SOSE will write off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no longer prospect of recovery. Should subsequent recovery be achieved this would be recognised in the Statement of Comprehensive Net Expenditure.

Cash and cash equivalents

Cash and cash equivalents solely comprise cash at bank that is available on demand.

Trade and other payables

Trade and other payables within one year are obligations to pay for goods or services that have been acquired during the year. The liability is recognised on the balance sheet at transaction price. The carrying amounts of trade and other payables are considered to be the same as their fair value.

Payables are generally paid within 10 days of receipt of an approved invoice in line with the Scottish Government target.

Provisions

Provisions are liabilities of an uncertain nature and will be recognised where an event is probable, only recognising a liability once there is certainty over the event. Creation of a provision is recognised in Resource AME, transferring to DEL when utilised.

Income

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

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

Income is stated net of VAT where applicable.

Irrecoverable income

Irrecoverable income is written off at the earliest opportunity. Provision is made for income which is considered unlikely to be recovered. See section on expected credit loss above.

Other grant funding

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

Grants

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

Taxation

SOSE's principal income comes from Grant in Aid received from the Scottish Ministers and is not taxable. Profit or losses arising from business activities are taxable (principally issuing of loans and tenanted properties).

Tax on the net expenditure for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Net Expenditure. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the rates enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions for corporation tax on gains, profits, and losses, as computed for tax purposes, arising from business activities on the basis of amounts expected to be paid to the tax authorities. A deferred tax asset is not recognised to the extent that it is not probable that taxable profit will be available against which the tax deductions can be offset.

VAT

Income is accounted for net of output VAT.

Expenditure is accounted for net of recoverable input VAT. SOSE can recover 100% input VAT when the expenditure is exclusively related to business activity. No input VAT is recoverable on non-business activity expenditure. SOSE has a partial exemption special method approved by HMRC, applicable from 1 April 2022.

Contingent Asset

A contingent asset is a potential asset whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly under the control of SOSE. A contingent asset is not recognised on the balance sheet until it is virtually certain it will be received. Until this point, it is reported in the financial statement notes.

Employee benefits

- Retirement benefits

Employees of the company are members of a defined benefit pension scheme providing benefits on a career average revalued earnings basis, this is provided by Scottish Borders Council Pension Fund.

The Scheme is accounted for on a defined benefit basis under IAS 19 Employee Benefits. Assets and liabilities of the schemes are held separately from those of the entity. The schemes assets are measured using market values and the schemes liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond. Contributions to these schemes are calculated to spread the cost of pensions over employees' working lives with the entity. The contributions are determined by an actuary on the basis of triennial valuations. The actuaries also review the progress of the schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the income statement on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 Employee Benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The income statement also includes the net impact of returns on the schemes' assets and interest on the schemes' liabilities, which is disclosed as other finance income. A pension scheme asset is recognised on the balance sheet only to the extent the surplus may be recovered by reduced further contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date. A pension scheme liability is recognised to the extent that the entity has a legal or constructive obligation to settle the liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within Other Comprehensive Income within the Statement of Comprehensive Net Expenditure in the year in which they arise.

Past-service costs are recognised immediately in income and expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

- Short term employee benefits

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

- Salary sacrifice

SOSE operate a salary sacrifice electric vehicle scheme. IFRS 16 is not applicable as the risk and reward from the leased asset belongs to the employee entering the agreement. Therefore, SOSE does not have a right of use asset to recognise. The costs are reported through staff cost under salaries and included in the Remuneration Report, page 62. SOSE is responsible for making the sacrificed pay deduction and facilitating payment to the leasing company. An element of SOSE's cost saving incurred as a result of the salary sacrifice is passed back to the employee through a reduction in the cost of the lease, included in the Staff Report, page 64.

Leases – IFRS 16

Under FReM IFRS 16 an entity reports a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.

New contracts are reviewed to determine when it contains a lease. Where identified SOSE will recognise a right-of-use asset and a corresponding lease liability for lease arrangements where SOSE is the lessee. The lease liability is initially measured at the fair value of the lease payments that are not paid at the commencement date. Subsequent to initial measurement, the liability will be reduced for payments made and will be remeasured to reflect any lease reassessment or modification.

Right-of-use assets are initially recognised on the balance sheet under the cost model, the amount of the total lease liability. The cost may be subsequently adjusted to reflect any remeasurement of the lease liability due to lease modifications. This initial cost is depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Right-of-use assets have not been measured at the discount rate as outlined in the Public Expenditure System notification for the relating period due to being immaterial.

VAT on leases is expensed as incurred, along with relating service charge costs.

Lease details including payments variations, extension and termination options are included in Note 18, page 109.

Critical accounting estimates and key judgements

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

Judgements deal with the application of accounting policies. SOSE also uses judgements and assumptions whilst developing estimates. Estimates are the monetary amounts calculated when financially measuring uncertainty.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the accounts are as follows:

Expected credit loss on financial assets (loans issued by SOSE)

Accounting judgement has been used to form a basis to calculate the expected credit loss of Financial Assets and assessing the risk associated with each client's loan. Management considers known financial information about the companies and recognise a risk stage deemed appropriate for each client to ensure a prudent credit loss provision.

SOSE is currently in its 4th year of issuing loans and management estimate probability default percentages utilising historic trend information. Estimates are adjusted where security is in place against the loan.

Sensitivity analysis of the current loan book:

Total Loan Value	Highest Value Loan	Lowest Value Loan
£4.503m	**£0.960m**	**£0.001m**

Change	Amount of change	Monetary effect on ECL provision
Change in provision %	5%	+/- £0.174m
Change in provision %	10%	+/- £0.347m
Value in security	With no security	+ £0.144m

Valuation of non-current assets

Each year SOSE commissions a valuation of its land and buildings. The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available on the 31 March 2025 and can be relied upon.

Sensitivity analysis of land and building value:

Land And Buildings Value*	Impact of 5% change	Impact of 10% change
£1.528m	**+ / - £0.076m**	**+ / - £0.153m**

*Not including under development or under construction, these are valued at cost until available for use.

Retirement benefit scheme

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

Through the advice received from Hymans Robertson who act as the pension actuaries, SOSE determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit scheme. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit scheme.

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

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	2025/26		2024/25	
Change in assumptions at 31 March *	Approximate % increase to employer liability	Approximate monetary amount £000	Approximate % increase to employer liability	Approximate monetary amount £000
0.1% decrease in real discount rate	2%	318	2%	283
0.1% increase in the salary increase rate	0%	12	0%	12
0.1% increase in the pension increase rate/revaluation rate (CPI)	2%	306	2%	278
1 year increase in member life expectancy	4%	542	4%	457

*The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit scheme to significant actuarial assumptions the same method has been applied as when calculating the scheme obligations recognised in the statement of financial position.

Effects of accounting estimates and judgements

The financial statements contain estimated figures that are based on assumptions made by SOSE where there is an element of uncertainty. When forming estimates consideration is taken for historical information, trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The Statement of Financial Position of SOSE at 31 March 2026 includes the following items for which there is significant risk of material adjustment in the forthcoming financial year:

Item	Uncertainty	Effect if results differ from assumptions
LGPS Pension Asset	Estimation of the net asset / liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. When the pension scheme is in a surplus position, judgement is required in assessing the asset ceiling test under IFRIC 14, management exercise judgement in assessing availability of the economic benefit taking into accounts the scheme and funding rules. SOSE, through its pension provider Scottish Borders Council has engaged the services of Hymans Robertson actuaries to provide expert advice about the assumptions applied and the impact of the asset ceiling restriction.	The impact of changes in assumptions used to calculate the pension asset and the asset ceiling treatment has been assessed by the actuaries as described in Note 17, page 105.

2. Segmented Information

Under IFRS 8 operating segments are identified in line with internal reporting, segments will be regularly reviewed by the chief operating decision maker to monitor and allocate resources. SOSE's principal activity is economic and community development, all income and expenditure incurred is attributed directly to this activity. The Chief Executive and senior leadership team monitor expenditure by project and programme expenditure and directorate expenditure. Other expenditure is monitored separately, and income is reviewed by income source.

Segmental Information

For the year ending 31 March 2026

	2026	2025
	£000	£000
Expenditure:		
Grants, projects and strategic activity - revenue	3,518	3,800
Grants, projects and strategic activity – capital[*1]	13,619	12,280
Client loans – paid in year - capital	2,009	710
Total project and programme expenditure	**19,146**	**16,790**
Financial transactions loans – repaid in year	(739)	(474)
Capital (CDEL) loans – repaid in year	(85)	(273)
Directorate expenditure		
Operating Expenditure	1,108	997
Total directorate expenditure	**1,108**	**997**

[*1] Capital grants, projects and strategic activity include the below costs recognised within non-current assets on the Statement of Financial Position:

- £2.637m – (2024/25 - £0.744m) project spend on the Mountain Bike Innovation Centre
- £0.725m – (2024/25 – nil) Equity investment

Segmental Information continued

For the year ending 31 March 2026

	2026	2025
	£000	£000
Other expenditure		
Provision for expected credit loss	238	133
Payroll expenditure	10,706	10,055
Board meeting and Board Member costs	164	164
Estate expenditure & facilities	976	997
Travel	95	89
Collaborative partnerships	1,321	1,146
Tangible asset additions	1,709	393
Intangible asset additions	350	359
Lease capital additions (IFRS 16)	12	-
Total other expenditure	**15,571**	**13,336**
Total gross expenditure	**35,001**	**30,376**
Income		
Grants and other income	(3,998)	(946)
Estates income	(449)	(394)
Bank interest	(48)	(80)
Loan interest income	(353)	(286)
Disposal of lease obligation	-	(11)
Proceeds for sale of land	(8)	(175)
Total other income	**(4,856)**	**(1,892)**
Net expenditure funded by core SG income	**30,145**	**28,484**

3. Income from operating activities

Income, which is shown net of Value Added Tax (VAT):

	2026	2025
	£000	£000
Income from activities		
Property income	449	394
Gain on sale of land	-	65
	449	**459**
Other income		
Grant income*1	3,378	525
Other funding contributions	368	421
Income recognised against transfer of assets*2	254	-
	4,000	**946**
Total income from operating activities	**4,449**	**1,405**

*1 Grant income includes £2.8m in relation to Borderlands grant claim for MTBIC

*2 SOSE acquired specialised equipment during the acquisition of the Hawick Building for Borderlands Deep Tech Accelerator Hub. The assets were acquired at nil cost and have been revalued at the time of the transfer based on depreciated original cost, to offset this specialised equipment addition "grant" income is recognised in line with the FReM.

4. Expenditure on operating activities

Expenditure is shown net of Value Added Tax (VAT) except where the VAT is irrecoverable:

	2026	2025
	£000	£000
Expenditure from activities		
Project expenditure	13,777	15,336
Business properties expenditure*	709	752
Operating activities		
Directorate expenditure	478	500
Total expenditure on operating activities	**14,964**	**16,588**

*Ettrick Riverside, Selkirk and Carmont in Dumfries are occupied by both SOSE and other tenants. Costs have been apportioned to other management expenditure for accommodation occupied by SOSE based on the floor space occupied by SOSE.

5. Other finance (income) / charges

	2026	2025
	£000	£000
Interest receivable		
Loan interest receivable	(353)	(286)
Bank interest receivable	(48)	(80)
Other interest receivable	(1)	-
Total interest receivable	**(402)**	**(366)**
Other finance (income) / charges		
Interest income on retirement benefit assets	(948)	(676)
Interest on retirement benefit scheme obligations	937	681
Total other finance charges	**(11)**	**5**

6. Administration and management charges

	2026	2025
	£000	£000
Continuing operations		
Staff and board member salaries[*1]	10,878	10,148
IAS 19 holiday accrual	(21)	58
IAS 19 adjustment in relation to pension service costs	(389)	718
Net management expenditure on staff costs	**10,468**	**10,924**
Travel and subsistence – board members	10	8
Travel and subsistence – staff	17	13
Audit fees[*2]	185	188
Movement in provision for irrecoverable trade debts	(1)	(5)
Movement in expected credit loss provision	238	133
Other admin costs	2,116	1,781
Other management expenditure	**2,565**	**2,118**
Depreciation of fixed assets	194	228
Depreciation of intangible assets	303	-
Depreciation of right of use assets	54	61
Impairment of land and property (non-current and held for sale)	440	27
Depreciation and impairment	**991**	**316**
Total administration and management charges	**14,024**	**13,358**

[*1] Details of staff and board members salaries' can be found in the Remuneration and Staff Report, page 66
[*2] Includes fees for external audit services provided by Audit Scotland, £124,860 (2024/25 £119,670)

7. Taxation

	2026	2025
	£000	£000
Taxation per statement of comprehensive net expenditure		
Current tax on profits for the year	-	-
Deferred tax		
Origination and reversal of timing differences	-	46
Prior period adjustment	-	-
Effect of changes in tax rates	-	-
Total deferred tax	**-**	**46**
Tax per statement of comprehensive net expenditure	-	46
Other comprehensive (income) / expenditure		
Deferred tax current year charge	-	-
Tax per other comprehensive (income) / expenditure	**-**	**-**

	2026	2025
	£000	£000
Current tax on profits for the year		
Taxable profit for the period	(603)	(604)
Tax on profit at standard UK tax rate of 25%	(151)	(151)
Effects of:		
Expenses not deductible	35	103
Gains / rollover release	-	16
Income not taxable	-	(23)
Deferred tax not recognised	116	101
Tax charge for the period	**-**	**46**

Corporation tax is chargeable at 25% on SOSE's profit on business activities.

7. Taxation (continued)

	2026	2025
	£000	**£000**
Statement of financial position		
Deferred tax asset at 1 April	-	46
Deferred tax charge to income statement for year	-	(46)
Deferred tax charge in OCI for year	-	-
Deferred tax asset at 31 March	**-**	**-**
Deferred tax not recognised		
Deferred tax in year effect not recognised	116	101

A deferred tax assets £557k (2024/25: £373k) has not been recognised in respect of losses and timing differences as it is not considered probable that future taxable profits will be available against which the assets can be utilised.

8. Property, plant and equipment

SOSE revalue land and buildings on an annual basis, the most recent external valuation was undertaken for year ending 31 March 2026 conducted by Montague Evans LLP, Chartered Surveyors.

Revaluation

The revaluation resulted in the following movements:

- a decrease of £91k to land
- an increase of £5k to the building in Gretna
- an increase of £10k to the building in Annan
- a decrease of £290k to the building in Selkirk
- a decrease of £62k to the building in Hawick

A total impairment of £440k was recognised after adjusting against the relating revaluation reserves and prior impairments recognised.

Reclassification

- Five plots of land have been transferred from 'held for sale' back to 'non-current assets' assets as the sale is no longer anticipated to complete within the next year (£228k)
- Ettrick Riverside and Cargenbridge plot C have been transferred to 'held for sale' assets as the sales are anticipated to complete within the next year (244k)
- £82k in relation to land has transferred to land under development.

Additions - donated assets

SOSE acquired specialised equipment during the acquisition of the Hawick Building for Borderlands Deep Tech Accelerator Hub. The assets were acquired at nil cost and have been recognised at fair value based on depreciated original cost, £254k, to offset the addition income has been recognised within the Statement of Comprehensive Net Expenditure in line with the FReM. These assets are recorded in assets under construction until they are available for use.

8. Property, plant, and equipment (continued)

	Land	Land under development	Buildings	Assets under construction	IT Equip	Fixtures & fittings	Plant & Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost and valuation								
At 1 April 2024	1,275	146	875	2,424	434	301	14	5,469
Additions	-	389	-	744	1	-	4	1,138
Disposal	-	-	-	-	-	(1)	-	(1)
Revaluation	130	-	(10)	-	-	-	-	120
Reclassification*	(528)	300	-	-	-	-	-	(228)
At 31 March 2025	**877**	**835**	**865**	**3,168**	**435**	**300**	**18**	**6,498**
Depreciation								
At 1 April 2024	-	-	-	-	(195)	(86)	(4)	(285)
Charged in year	-	-	(32)	-	(122)	(70)	(4)	(228)
Disposal	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	32	-	-	-	-	32
At 31 March 2025	**-**	**-**	**-**	**-**	**(317)**	**(156)**	**(8)**	**(481)**
Net book value								
At 31 March 2025	**877**	**835**	**865**	**3,168**	**118**	**144**	**10**	**6,017**
Cost and valuation								
At 1 April 2025	877	835	865	3,168	435	300	18	6,498
Additions	-	1,090	312	2,637	8	43	2	4,092
Transfer	-	-	-	254	-	-	-	254
Disposal	-	-	-	-	(3)	(5)	-	(8)
Revaluation	(91)	-	(337)	-	-	-	-	(428)
Reclassification*	87	82	(185)	-	-	-		(16)
At 31 March 2026	**873**	**2,007**	**655**	**6,059**	**440**	**338**	**20**	**10,392**
Depreciation								
At 1 April 2025	-	-	-	-	(317)	(156)	(8)	(481)
Charged in year	-	-	(34)	-	(91)	(64)	(5)	(194)
Disposal	-	-	-	-	3	5	-	8
Eliminated on disposal	-	-	34	-	-	-	-	34
At 31 March 2026	**-**	**-**	**-**	**-**	**(405)**	**(215)**	**(13)**	**(633)**
Net book value								
At 31 March 2026	**873**	**2,007**	**655**	**6,059**	**35**	**123**	**7**	**9,759**

*Reclassification for land held for sale – in line with criteria in IFRS 5 where the land is actively marketed, and a sale is anticipated to complete within one year – land held for sale (Note 14, page 103)

The above table includes some rounding differences

9. Financial Assets

During the year SOSE issued capital funding to businesses in the form of loans, a convertible loan and equity.

Financial assets comprise a minority holding of unlisted ordinary shares and a convertible loan. As these investments have no fixed maturity or contractual repayment of principal, these are accounted for under IFRS 9 as financial assets measured at fair value through profit and loss, with cost considered an appropriate estimate of fair value in 2025/26.

Loans are shown at amortised cost after allowing for any expected credit loss. Impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows. SOSE considers this method provides a valuation which is equivalent to the fair value.

	2026	2025
Financial Assets	£000	£000
Financial assets at fair value through profit and loss		
Unlisted equity shares	725	-
Convertible loan	950	
Closing balance 31 March	**1,675**	**-**

Loans		
Cost - Loans		
Opening balance 1 April	3,312	3,337
Additions	1,059	710
Repayments	(1,171)	(1,020)
Disposals	-	-
Amortisation adjustment	353	285
Reclassification	-	-
Written off	-	-
Closing balance 31 March	**3,553**	**3,312**
Expected credit loss		
Opening balance 1 April	628	494
Increase in provision	238	133
Utilised in year	-	-
Closing balance 31 March	**866**	**627**
Net book value at 31 March	**2,687**	**2,685**
Due within 1 year	793	922
Due over 1 year	1,894	1,763
Net book value at 31 March	**2,687**	**2,685**

10. Intangible Assets

SOSE continued investment in bespoke software development relating to MySOSE, a Customer Relationship Management (CRM) system, which went live in April 2025. Capitalised development costs are amortised over their estimated useful lives.

Further expenditure relating to ongoing enhancements and continuous improvement was incurred during the year and will be amortised once available for use.

	2026			2025	
	£000			£000	
	Software	Asset under development	Total	Software	Asset under development
Cost					
Opening balance 1 April	-	2,426	2,426	-	2,067
Additions	-	351	351	-	359
Reclassification	2,426	(2,426)	-	-	-
Disposal	-	-	-	-	-
Closing balance 31 March	**2,426**	**351**	**2,777**	**-**	**2,426**
Amortisation					
Opening balance 1 April	-	-	-	-	-
Charged in year	(303)	-	(303)	-	-
Reclassification	-	-	-	-	-
Disposal	-	-	-	-	-
Closing balance 31 March	**(303)**	**-**	**(303)**	**-**	**-**
Closing net book value 31 March	**2,123**	**351**	**2,474**	**-**	**2,426**

11. Contingent Assets

SOSE recognise a number of off-balance sheet contingent assets that have the potential to give rise to an asset in the future but due to the nature of their uncertainty are not recognised at this point. These assets relate to repayable and convertible grants of amounts which individually are not material to the financial statements.

12. Trade and Other Receivables

	2026	2025
	£000	£000
Trade receivables	207	149
Allowance for credit loss	(3)	(4)
Prepayments	153	340
Accrued income[*1]	3,069	191
Other receivables	106	75
Taxation (VAT)	130	88
Total trade and other receivables	**3,662**	**839**

[*1] Accrued income includes Mountain Bike Innovation Centre accrued income recognised in relation to the future Borderlands grant claim delivered through Dumfries and Galloway Council.

Analysis of trade and other receivables within boundaries for whole government accounts		
Balances with local authorities	297	171
Balance with similar public bodies	54	41
Balances with other central government bodies	3,083	168
Balances with bodies external to government	228	459
Total trade and other receivables	**3,662**	**839**

13. Cash and Cash Equivalents

	2026	2025
	£000	£000
Opening balance 1 April	1,970	4,624
Net change in cash and cash equivalent balances	73	(2,654)
Closing balance 31 March	**2,043**	**1,970**

14. Assets Classified as Held for Resale

In line with the criteria specified in IFRS 5, land available for sale where the sale is anticipated to complete within one year is accounted for as a current asset at the lower of carrying amount or fair value.

	Land	Buildings	Total
	£000	£000	£000
Opening balance 1 April 2024	110	-	110
Transfer to/(from) assets held for resale	228	-	228
Other costs associated with sale of assets	-	-	-
Revaluation of held for sale	-	-	-
Disposals of non-current assets held for sale	(110)	-	(110)
Closing balance 31 March 2025	**228**	**-**	**228**
Opening balance 1 April 2025	228	-	228
Transfer to/(from) assets held for resale	(54)	70	16
Other costs associated with sale of assets	-	-	-
Revaluation of held for sale	-	-	-
Disposals of non-current assets held for sale	-	-	-
Closing balance 31 March 2026	**174**	**70**	**244**

Revaluation

Plots reclassed into held for sale have been revalued at fair value before transferring to current assets.

Disposals

There was no land or building disposals in year.

Reclassification in year

One commercial land plot at Cargenbridge Business Park and Ettrick Riverside are under offer and meet the definition of IFRS 5. Accordingly, they have been classified as held for resale, fair value £244k.

Plots that no longer meet the definitions within IFRS 5 have been transferred back to non-current assets £228k, giving a total reclassification net effect in year of £16k. (2024/25 £228k).

15. Trade Payables and Other Payables: falling due within one year

	2026	2025
	£000	**£000**
Trade and other payables	1,521	1,473
Accruals	1,326	1,025
Deferred income	34	27
Financial transaction funding due to SG	689	788
Other funding due to SG*	2,000	-
Other payables	163	-
Other taxation and social security	232	-
Total trade payables and other payables: falling due within one year	**5,965**	**3,313**
Analysis of trade and other payables within boundaries for whole government accounts		
Balances with central government bodies	2,921	788
Balances with local authorities	728	81
Balances with similar public bodies	303	438
	3,952	**1,307**
Balances with bodies external to government	2,013	2,006
Total trade payables and other payables: falling due within one year	**5,965**	**3,313**

*£2m Other funding due to SG was in relation to cashflow funding to MTBIC payments ahead of Borderlands funding.

16. Trade Payables and Other Payables: falling due after one year

Previously SG provided SOSE with funding for financial transactions, the obligation was recognised upon receipt of funding. This is recognised as other payable falling due after more than one year in line with loan funding receipts due to be repaid to SOSE.

	2026	2025
	£000	**£000**
Financial transaction funding due to SG	1,439	2,052
Total trade payables and other payables falling after one year	**1,439**	**2,052**
Analysis of trade and other payables within boundaries for whole government accounts		
Balances with central government bodies	1,439	2,052
Total trade payables and other payables falling after one year	**1,439**	**2,052**

17. Retirement Benefit Scheme

Pension benefits for employees are provided through the Local Government Pension Scheme (Scotland) (LGPS), administered by the Scottish Borders Council Pension Fund (SBC).

New employees are immediately eligible and automatically enrolled into the scheme unless they choose to opt out.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004. The LGPS meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The LGPS is a CARE (Career Average Revalued Earnings) scheme. This means that pension benefits are worked out on the pensionable years' earnings and added to the member's accrued benefits to date. At the end of every scheme year the total amount of pension in the members account is adjusted to consider the cost of living. The accrual rate (currently 1/49th) guarantees a pension based on career average earnings revalued annually in line with inflation based on Consumer Price Index (CPI). Normal retirement age is linked to the member's individual State Pension Age.

Contribution rates are set annually for all employees. During the period SOSE contributed 19.4% (2024/25: 19.4%) to all members of the LGPS with the employee's contribution rate dependent on individuals' rate of pay.

For employees who have transferred into the scheme, LGPS members with pre-01/04/2009 service have an automatic entitlement to a lump-sum. Members with only post 01/04/2009 service have no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Pension disclosure under IAS19

The assets of the scheme are held by Scottish Borders Council Pension Fund and are invested by pension and investment managers in accordance with the members' best interests.

A triennial funding valuation was carried out on the 31 March 2023, and the results have been prepared by Hymans Robertson LLP using the projected unit credit method of valuation and roll-forward to 31 March 2026. The triennial fund valuations establish the level of employee and employer contributions required to meet the future obligations of the scheme.

Valuation

The valuation at 31 March 2026 indicates an asset of £4.689m (2024/25: £3.774m asset) in the SOSE pension fund. However, due to asset ceiling considerations, where an entity must restrict the amount of surplus recognised, as required by IAS 19 and IFRIC 14 the value in the Statement of Financial Position is restricted a nil balance (2024/25: nil), see page 108 for further details on the asset ceiling calculation.

The required employer contribution rate during 2025/26 was 19.4% on pensionable salaries, remaining constant for 2026/27. In 2026/27, employer's contributions to LGPS are expected to be £1.539m.

An allowance for the following has been included within the triennial funding valuation:

- GMP equalisation / indexation treatment
- McCloud treatment

The major assumptions used by the actuary are summarised below:

Assumptions (% per annum)	31 March 2026	31 March 2025
Rate of salary increases	3.70%	3.40%
Rate of pension increase (CPI)	3.00%	2.70%
Discount rate	6.30%	5.85%

The assets in the scheme and expected rate of return were:

Assets expected rate of return	31 March 2026	31 March 2025
	£000	**£000**
Equity securities	5,194	4,740
Debt securities	3,704	3,102
Private Equity	2,713	2,103
Real estate	1,970	1,858
Investment funds and unit trusts	4,106	3,148
Cash and cash equivalents	540	259
Fair value of plan assets	**18,227**	**15,210**
Present value of scheme liabilities	(13,538)	(11,436)
Net pension asset / (liability)	**4,689**	**3,774**

Retirement benefit scheme

Analysis of the amount charged to SOCNE	31 March 2026	31 March 2025
	£000	£000
Current service cost	1,150	1,569
Past service cost	-	615
Interest income on retirement benefit assets	(948)	(676)
Interest on retirement benefit scheme obligations & asset ceiling	937	681
Net pension scheme expense	**1,139**	**2,189**
Analysis of the amount recognised In SOCEs		
Return on assets excluding net interest	(46)	408
Other experience losses arising on the scheme liabilities	118	(116)
Changes in demographic assumptions underlying the present value of scheme liabilities	69	(23)
Changes in financial assumptions underlying the present value of scheme liabilities	(435)	(3,228)
Changes in the effect of the asset ceiling restriction	694	(1,297)
Asset ceiling restriction	-	3,774
Defined benefit cost recognised in SOCE	**400**	**(482)**
Reconciliation of defined benefit scheme		
Opening of defined benefit scheme	11,436	11,490
Movement in year:		
Current service cost	1,150	1,569
Past service cost	-	615
Interest cost on defined benefit scheme	716	621
Contributions from members	562	539
Benefits paid	(78)	(31)
Changes in assumptions*[1]	(366)	(3,251)
Other experience	118	(116)
Closing of defined benefit scheme	**13,538**	**11,436**
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	(15,210)	(12,968)
Movement in year:		
Contributions from members	(562)	(539)
Benefits paid	78	31
Contributions by employer	(1,539)	(1,466)
Interest income on plan assets	(948)	(676)
Return on plan assets	(46)	408
Closing fair value of plan assets	**(18,227)**	**(15,210)**

Asset ceiling adjustment	31 March 2026	31 March 2025
Net pension asset before asset ceiling adjustment	**4,689**	**3,774**
Asset ceiling adjustment	4,689	3,774
Net pension (asset) / liability	**-**	**-**

*1 Changes in assumptions in 2024/25 were materially affected by the corporate bond yield rising over the period, resulting in an increase of 1% in the discount rate assumption (1% 2024/25), leading to a gain of £3.040m.

Asset ceiling

To calculate the asset ceiling, assumptions were made on the present value of the economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan.

- No economic benefit has been recognised with regards to a refund as the employer has no unconditional right to a refund from the Fund.
- The economic benefit associated with a reduction in future contributions, recognising a minimum funding requirement for future service, has been estimated as the present value of employer future service costs less the present value of future employer contributions.

SOSE has recognised the economic benefit available as a reduction in future contributions at £4.689m (2024/25 £3.774m) in the Statement of Financial Position by calculating the present value of employer future service costs of £44,090m (2024/25 £46.251m) less the present value of employer future contributions of £64.998m (2024/25 £65.397m). As employer future contributions exceed future service costs no asset is recognised, a liability is not recognised because SOSE can reduce future contributions.

Expenditure recognised in the statement of comprehensive net expenditure

	2026	2025
	£000	**£000**
Net management expenditure on staff costs*1	(389)	718
Other finance charges	(11)	5

*1 2024/25 includes an adjustment for an ill-health retirement strain through past service cost

The total loss amount recognised in the statement of other comprehensive net income / expenditure in respect of the actuarial loss is £0.400m (2024/25 £0.482m gain) including asset ceiling movement, total asset ceiling £3.774m (2024/25 £4.689m).

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% per annum. Based on these assumptions, the average future life expectancies at age 65 are:

	2026		2025	
	Male	**Female**	**Male**	**Female**
Current pensioners	20.2 years	23.4 years	19.8 years	23.3 years
Future pensioners*	23.1 years	25.7 years	22.8 years	25.6 years

*Figures assume members aged 45 as at the last formal value date

Sensitivity around key assumptions for retirement benefit scheme are based in part on current market conditions. Additional information is disclosed in Note 1, page 83.

18. Right-of-Use Assets and Leases

- Right of use assets are recognised in relation to leases held for SOSE offices:
    - Eyemouth is a 3-year lease expiry date 2 June 2028, with annual rent reviews
    - Carmont is a 5-year lease expiry date 30 September 2027, with annual rent reviews.

Right-of-use assets			2025/26			2024/25
	Property	Vehicles	Total	Property	Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
Opening balance 1 April	262	-	262	278	29	307
Additions in year	12	-	12	-	-	-
Disposal in year	(11)	-	(11)	(16)	(29)	(45)
Closing balance 31 March	**263**	**-**	**263**	**262**	**-**	**262**
Depreciation						
Opening balance 1 April	(136)	-	(136)	(85)	(23)	(108)
Charged in year	(54)	-	(54)	(55)	(6)	(61)
Disposal in year	11	-	11	5	29	34
Closing balance 31 March	**(179)**	**-**	**(179)**	**(135)**	**-**	**(135)**
ROU asset carrying amount						
Closing balance 31 March	**84**	**-**	**84**	**127**	**-**	**127**
Lease Liabilities						
Opening balance 1 April	119	-	119	184	6	190
Additions in year	12	-	12	-	-	-
Payments in year	(54)	-	(54)	(54)	(5)	(59)
Disposal in year	-	-	-	(11)	(1)	(12)
Lease liabilities 31 March	**77**	**-**	**77**	**119**	**-**	**119**
Lease liabilities < 1 Year	47	-	47	52	-	52
Lease liabilities > 1 Year	30	-	30	67	-	67
Lease liabilities 31 March	**77**	**-**	**77**	**119**	**-**	**119**

Future lease payments – IFRS 16

	2025/26	2024/25
	Property	Property
	£000	£000
Obligations under IFRS16 lease		
Within one year	47	52
Within two to five years	30	67
In over five years	-	-
Total lease obligation	**77**	**119**

Future minimum rentals receivable under non-cancellable operating leases

SOSE owned property in Annan, Gretna and Selkirk is available for commercial lease to third parties, managed by Colliers Property Management Limited. Ettrick Riverside, Selkirk is in part available to third parties and also occupied by SOSE for office accommodation. The table below outlines all non-cancellable operating leases with third parties in relation to rent of SOSE properties.

Ettrick Riverside, Selkirk is currently on the market and relating lease rentals will transfer to a new owner upon sale.

	At 31 March 2026	At 31 March 2025
	Property	Property
	£000	£000
Receivable under operating and similar leases		
Within one year	147	161
Within two to five years	179	270
Over five years	-	-
Total receivable under operating and similar leases	**326**	**431**

19. Commitments

SOSE undertake programmes (including grant funding) and strategic commitments extending beyond one financial year. The below committed expenditure is not recognised as a liability. The future of these is dependent upon successful completion of the project prerequisites (i.e. evidencing grant criteria) and will be met from SOSE's future Grant in Aid funding from the Scottish Government.

Commitments - 31 March 2026	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£000	£000	£000	£000	£000	£000
Programme & strategic commitments:						
Capital commitments	7,689	4,925	1,498	25	-	14,137
Revenue commitments	668	100	-	-	-	768
MTBIC* commitments	9,739	118	153	-	-	10,010
Total programme commitments	**18,096**	**5,143**	**1,651**	**25**	**-**	**24,915**

*Mountain Bike Innovation Centre commitment is matched to secured grant contributions from Borderlands Growth Deal

Material future years commitments:

- MTBIC £10.0m
- Pickstock Telford Limited £4.7m
- Tweed Forum – Destination Tweed £2.3m
- Arla Food Limited Partnership £1.5m
- Annan Harbour Action Group £1.2m
- Scottish Borders Council – Borders Innovation Park £0.7m

Commitments - 31 March 2025	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£000	£000	£000	£000	£000	£000
Programme & strategic commitments						
Capital commitments	8,371	1,006	816	63	25	10,281
Revenue commitments	1,103	740	100	-	-	1,943
MTBIC commitments	74	-	-	-	-	74
Total programme commitments	**9,548**	**1,746**	**916**	**63**	**25**	**12,298**

*MTBIC commitments reflect the firm commitments in advance of full business case approval

20. Transactions involving Board Members' and Directors Registered Interests

During the year, the following transactions were made by SOSE with businesses in which Board members or senior management had an interest.

Transactions where a Board member or Director had a financial interest (in year):

Business	Approved /awarded in year	Amount paid* / (received)	Nature of transaction	Purpose	Board member	Interest
Scotmas Group Ltd	2021/22	(89,317)	Loan/interest repayments	Repayment of loan	A Cameron	CEO
Scotland's Rural College (SRUC)	2023/24	62,672	Grant payment	Transformation project to foster innovation in the dairy sector	M Thomson	Vice Principal
Scotland's Rural College (SRUC)	2025/26	21,184	Procurement	College Partnership and events	M Thomson	Vice Principal
Scotland's Rural College (SRUC)	2025/26	8,818	SOSE Board member pay	SOSE Board member pay, payment made to SRUC	M Thomson	Vice Principal
Caelaverock Estate	2025/26	£7,901	Grant payment	Grant to support agreement framework for tenant farmers participating voluntarily in the Caerlaverock Cluster nature restoration project	A Austin	Estate Manager

Organisations which received funding in the year and in which the Board members, key management staff or other related parties had a non-financial interest include:

- Biosphere
- Borders College
- Economic Development Association Scotland (EDAS)
- Edinburgh Innovations Ltd (Interface)
- Scottish Renewables Forum Ltd
- Southern Uplands Partnership
- Southern Uplands Partnership Services
- SRUC
- The Crichton Trust

21. Related Party Transactions

SOSE is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year SOSE has had material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as the parent body.

In addition, SOSE has had a number of transactions with other Government departments, central government bodies, local government, non-departmental public bodies or similar organisations.

Transactions have taken place with:

- Audit Scotland
- Borders College
- Cumberland Council
- Dumfries and Galloway Council
- Dumfries and Galloway College
- Edinburgh Napier University
- Her Majesty's Revenue and Customs
- Highlands and Islands Enterprise
- Historic Environment Scotland
- Registers of Scotland (land)
- Scottish Borders Council
- Scottish Enterprise
- Scottish Funding Council
- Scottish Futures Trust Limited
- Scottish Government
- Scottish Water
- Skills Development Scotland
- The Open University in Scotland
- The Scottish Parliament

22. Financial Instruments

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

1. Liquidity risk
2. Credit risk
3. Market risk

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

The Senior Leadership Team has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee oversee how management monitors compliance with SOSE risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by SOSE. SOSE has no derivative financial assets or liabilities.

Liquidity risk

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

Liquidity is managed using the operating plan and by monitoring actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities:

	2025/26	2024/25
	£000	£000
	Within one year	Within one year
Financial liabilities		
Trade payables and other liabilities*	6,012	3,365
	Greater than one year	**Greater than one year**
Trade payables and other liabilities*	1,469	2,119
Total financial liabilities	**7,481**	**5,484**

*Includes lease liability

Credit risk

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

SOSE invest in a variety of companies by issuing loans from grant in aid capital funding. Appropriate due diligence is completed prior to offering loan funding, in order to mitigate the credit risk associated with loan transactions. Security will be held over loans, where available and appropriate to do so.

Credit risk arising from SOSE's normal operations, including holding non-current financial assets, is controlled by individual business units and receipts from rentals are managed by Colliers International Property Consultants Ltd (Colliers). Checks on potential tenants are conducted by Colliers in advance of them making recommendations to SOSE. SOSE use the recommendation from Colliers to make an informed decision before approving a new lease. The checks are in place to control the credit risk SOSE will have from any single counterparty.

SOSE operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and estimation of collecting overdue debts.

The maximum exposure to credit risk is represented by the carrying amount in the Statement of Financial Position.

Cash and cash equivalents are held with banks which are covered by the Financial Conduct Authority.

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

The maximum exposure to credit risk at 31 March was:

	2025/26	2024/25
	£000	£000
	Greater than one year	Greater than one year
Financial assets-non-current assets		
Financial assets	2,619	1,763
Financial assets-current assets	**Within one year**	**Within one year**
Trade and other receivables	3,532	751
Cash and cash equivalents	2,043	1,970
Current other financial assets	1,743	922
	7,318	**3,643**
Total financial assets	**9,937**	**5,406**

The aging of trade and other receivables was:

	2025/26		2024/25	
	£000	£000	£000	£000
	Gross	Provisions	Gross	Provisions
Not passed due	3,424	-	734	-
Past due 0 to 30 days	85	-	3	-
Past due 31 to 90 days	25	(2)	12	(1)
Past due more than 90 days	1	(1)	6	(3)
Total trade and other receivables	**3,535**	**(3)**	**755**	**(4)**

Market risk

Market risk is the risk that market prices such as interest rates and foreign exchange rates will affect income or the valuation of financial assets.

- ### Interest rate risk

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

	2025/26	2024/25
	£000	£000
	Within one year	Within one year
Variable rate instruments		
Cash and cash equivalents	2,043	1,970

SOSE do not believe our Financial Assets are significantly affected by market risk. During the year, the cash and cash equivalents received bank interest, this is subject to variation based on movements in the Bank of England base rate and associated interest rates. To assess sensitivity of financial instruments, assuming all other variables remain constant, a change of 100 basis points in interest rate at the time of reporting would have resulted in the below effect.

- **Interest rate risk sensitivity**

	2025/26		2024/25	
	£000	£000	£000	£000
Cash and cash equivalents	**Increase**	**Decrease**	**Increase**	**Decrease**
31 March	29	29	37	37

- **Currency risk**

SOSE is exposed to currency risk on transactions and balances denominated in currencies other than Sterling. Whenever practical, SOSE enters into agreements in its functional currency in order to minimise risk. At 31 March 2026, there were no balances in the Statement of Financial Position held out with functional currency.

23. Events after the Reporting Period

Subsequent to 31 March 2026, SOSE completed the disposal of Ettrick Riverside, Selkirk, selling the property at market value. This is treated as a non-adjusting post-balance sheet event. Future minimum rentals receivable under non-cancellable operating leases noted within note 18 have reduced by the following:

	Commitment reduction
	Ettrick Riverside
	£000
Receivable under operating and similar leases	
Within one year	87
Within two to five years	111
Over five years	-
Total receivable under operating and similar leases	**198**

Accounts Direction by the Scottish Ministers

South of Scotland Enterprise

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 15 of the South of Scotland Enterprise Act 2019 hereby give the following direction.

2. The statement of accounts for the financial period from the date of establishment of South of Scotland Enterprise to 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.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts.

J Pickstone

Signed by the authority of the Scottish Ministers

Dated 15/06/2021

Contact Us

Find out more at
www.southofscotlandenterprise.com

Or get in touch to find out how we can tailor our support to your individual needs and circumstances
www.southofscotlandenterprise.com/contact-us
0300 304 8888

To request this document in an alternative format, such as large print, different language or on coloured paper please get in touch with us.

AI has been used to enhance sections of the report

Correct as of May 2026

SOUTH of SCOTLAND ENTERPRISE