

SCOTTISH  
FUTURES  
TRUST

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND  
GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

**SC348382**

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

## Contents

CHAIRMAN'S STATEMENT .....	1
CHAIRMAN'S STATEMENT (continued) .....	2
STRATEGIC REPORT .....	3
DIRECTORS' REPORT .....	9
REPORT ON CORPORATE GOVERNANCE .....	11
STATEMENT ON INTERNAL CONTROL .....	15
STATEMENT ON INTERNAL CONTROL (continued) .....	16
REPORT ON DIRECTORS' REMUNERATION .....	17
REPORT OF THE GROUP AUDIT COMMITTEE.....	19
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED.....	22
GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2020 .....	29
COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2020 .....	30
GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020 .....	31
COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020 .....	31
GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 .....	32
COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 .....	33
GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020.....	34
COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020.....	35
NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 .....	36
OFFICERS AND PROFESSIONAL ADVISORS .....	73

## **CHAIRMAN'S STATEMENT**

On behalf of the Board, it is my pleasure to present the Annual Report and Group Financial Statements of the Scottish Futures Trust (SFT) for the year ending 31 March 2020.

At this time our priority is the health and wellbeing of our staff and supporting our public and private sector partners as they deal with the COVID-19 pandemic.

For more than a decade SFT has been at the forefront of improving public sector infrastructure across Scotland. Established by Scottish Government as a centre of infrastructure expertise, SFT provides additional skills, resources and knowledge to public sector organisations, supporting them in better planning, funding, delivering and managing their construction projects and buildings.

This Annual Report is the first within SFT's new 2019-24 Corporate Plan period during which infrastructure delivery is seen as a high priority. In doing so, the plan reflects the Scottish Government's National Infrastructure Mission which is to increase investment so that it will be £1.5bn per year higher in 2025-26 than in 2019-20.

Working towards that goal, SFT's Options Appraisal on Profit Sharing Finance Schemes was completed in May 2019, recommending the Mutual Investment Model as the best value-for-money option to deliver additionality over and above current capital and public borrowing sources of investment.

In addition, recognising the important and strategic role infrastructure plays in the Scottish Government's new National Performance Framework (NPF), SFT's Corporate Plan has focused on ten infrastructure-related outcomes that support the NPF. In measuring the impact of SFT's work during this new Corporate Plan period, a new approach has been adopted to recognise and measure the positive impact SFT's actions and infrastructure programmes have had across Scotland that are linked to those ten specific infrastructure outcomes.

Over the past 12 months, SFT has worked with public and private sector partners to deliver progress on all ten of the infrastructure outcomes. During 2019/20. the total value of public infrastructure projects under construction, made possible through SFT's innovative funding and financing approaches, exceeded £500m. Investment in private infrastructure continued to be unlocked with projects valued at over £2bn on site in 2019/20. In addition, over the past 12 months our work contributing towards a net-zero carbon economy, has also continued, reducing infrastructure-related CO2 emissions by 5,000 tonnes.

Some tangible examples of SFT's work over the past 12 months include:

- Recognising the huge economic and social impact which enhanced digital capabilities would have across Scotland, SFT helped establish the Scotland 5G Centre to provide leadership in this transformative technology

**CHAIRMAN'S STATEMENT (continued)**

- SFT's land team supported City of Glasgow College and Scottish Funding Council on the sale of the iconic Met Tower in Glasgow City Centre delivering a £100m development that will make a significant economic and physical contribution to the city centre
- The SFT-managed hub programme completed and handed over 17 community infrastructure projects worth nearly £300m during the 2019/20 financial year, taking the total number of projects completed since the hub programme began to 195, worth over £2.2bn, with a further £600m of projects under construction
- SFT supported Scottish Government and all local authorities with the roll-out of the plans for Early Learning and Childcare expansion
- As a strategic member of the Low Carbon Infrastructure Transition Programme, SFT supported a £30m fund to create low-carbon heating infrastructure projects
- SFT launched its Infrastructure Technology Navigator to help the public sector use the many different technology applications available on the market to improve infrastructure performance and,
- SFT managed the Scotland's Schools for the Future programme, which opened the 100th school in the programme.

During the closing weeks of the 2019/20 financial year, SFT and its work was impacted when on 16 March 2020 the "stay at home" advice was issued due to the coronavirus. As a result, change will happen over time, not only for SFT and its many partners across the public and private sectors, but also in how infrastructure is planned, financed, delivered and used.

SFT is a resilient organisation and is functioning well with all staff now working from home. We expect to be able to continue to function in that way and continue with a mixture of business as usual and planning activities for a speedy and ambitious infrastructure recovery.

As is always the case, our work can only be achieved with the continued support of our public and private sector partners. While the immediate future does remain uncertain due to the COVID-19 pandemic, SFT's continued success very much lies in building on the strong partnerships it has developed over the years.



Ian Russell  
Chairman

Date: 21 September 2020

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### STRATEGIC REPORT

The directors present their Annual Report and the Consolidated Financial Statements for the year ended 31 March 2020 of the Scottish Futures Trust Limited Group (incorporating the wholly owned subsidiary, Scottish Futures Trust Investments Limited “SFTi” and the Company, Scottish Futures Trust Limited “SFT”).

The directors consider the Annual Report and Financial Statements taken as a whole, to be fair, balanced, understandable and to provide the information necessary to assess the Group and Company’s performance, business model and strategy.

During the closing weeks of the 2019/20 financial year SFT, like every organisation across the UK, was impacted by coronavirus. Following the 16 March 2020 “stay at home” advice all staff moved overnight to working from home, implementing a rehearsed business continuity plan and using resilient, fully cloud-based ICT systems. The organisation has been able to maintain productivity and enhance its well embedded flexible working arrangements and focus on staff wellbeing. The Directors expect the business to be able to continue to operate remotely, with a mixture of business as usual and taking steps towards a speedy and ambitious infrastructure recovery in collaboration with our partners across the public sector and private industry.

### PRINCIPAL ACTIVITY

As an arm’s length company owned by Scottish Government, our aim is:

*‘to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland, and hence contribute to the Scottish Government’s long term ambitions for inclusive economic growth, net zero carbon emissions and building sustainable places.’*

In working towards that aim, employing and developing the right teams of people is crucial and SFT has built a 70+ strong professional team who have the specific skills and expertise to deliver, support and improve public sector infrastructure investment, right across Scotland.

Our teams contribute significantly to creating award-winning buildings and other infrastructure investments, delivered through innovative programmes which secure additional investment and support economic growth.

### SFT OUTCOMES

Improving infrastructure planning, development, delivery and use brings many societal, environmental and economic benefits for Scotland. SFT has developed ten infrastructure outcomes linked to the National Performance Framework (NPF) which we monitor progress against. The information on these outcomes and monitoring is available on SFT’s outcomes website.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**STRATEGIC REPORT (continued)**

**SFT OUTCOMES (continued)**

As an example, capital investment into Scotland is important for the economy and we have worked with partners to deliver additional investment into public and private infrastructure. During 2019/20, the total value of public infrastructure projects under construction exceeded £1.4bn, with over £500m of this made possible through SFT’s funding and financing approaches. Investment in private infrastructure also continued to be unlocked, with projects valued at over £2bn on site in 2019/20. Progress towards net zero is vital for the global environment. The current expected impact of SFT’s work with partners in this area is for a reduction in infrastructure related CO2 emissions exceeding 400,000 tonnes by the end of the corporate plan period, with the new annual savings of over 5,000 tonnes recorded this year, contributing cumulatively to this. Effective public asset portfolio is key to enabling efficient service delivery. SFT’s Smarter Ways of Working Programme has been at the heart of transforming how the public-sector estate across Scotland operates. Through our interventions, 32 Local Authorities and Public Bodies have already embraced smarter ways of working with a further 25 working towards doing so in the near future.

**FINANCIAL REVIEW & RESULTS**

SFT follows International Financial Reporting Standards (IFRS) and applies the best practice in Corporate Governance required by the Financial Reporting Council’s “UK Corporate Governance Code.” The financial information provided within these Financial Statements is consistent with these standards and provides transparency over where and how public money is invested and expended.

SFT has recorded the following funding within the Financial Statements:

<b>Source of Funds</b>	<b>2019/20 £'m</b>	<b>2018/19 £'m</b>
Scottish Government revenue funding received to meet operating expenses	8.9	9.0
SFTi Investment Returns	1.9	1.6
Miscellaneous income from secondments and director fees	0.3	0.3
<b>Income used to fund Operating Expenses and support SFT projects and programmes</b>	<b>11.1</b>	<b>10.9</b>
Deferred income (2019: accrued income) relating to SFT’s pension scheme (Note: this is a non-cash accounting entry recognising the fact Scottish Government underwrite SFT’s membership in their pension scheme. It covers the IAS19 pension costs charged to Operating expenses (wages and salaries) and those charged directly to Other Comprehensive Income).	(0.5)	1.1
<b>Total Income recognised within the Group Statement of Comprehensive Income</b>	<b>10.6</b>	<b>12.0</b>
Financial Transactions repayable grant received to fund investments in the sub-ordinated debt of hub projects	-	1.4
<b>Total Funds Received</b>	<b>10.6</b>	<b>13.4</b>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**STRATEGIC REPORT (continued)**

**FINANCIAL REVIEW & RESULTS (continued)**

During 2019/20, SFT applied its funding to the following expenditure:

Application of Funds	2019/20 £'m	2018/19 £'m
Operating costs	10.9	10.7
Corporation Tax payable	0.2	0.2
<b>Total operating costs including taxation</b>	<b>11.1</b>	<b>10.9</b>
Movement in pension fund funding position:		
Included in staff costs (IAS 19 current service cost charge)	0.9	0.6
(Credited)/Charged to the Statement of Comprehensive Income – actuarial (gain)/loss	(1.4)	0.5
Total Pension Scheme (credit) / costs arising from the application of accounting standards to SFT's Pension Scheme	(0.5)	1.1
<b>Total operating costs and pension charges</b>	<b>10.6</b>	<b>12.0</b>
Hub programme funding:		
<ul style="list-style-type: none"> <li>• Subordinate debt investments in hub projects (funded through repayable grant received from Scottish Government)</li> </ul>		1.4
SFTi profits retained for future infrastructure investment and development (SFTi profit less dividend to SFT in year)	-	-
<b>Total Funds Applied</b>	<b>10.6</b>	<b>13.4</b>

SFT, the company, had a profit of £nil in the financial year with SFTi generating a profit of £842,908. Included within SFT's results was dividend income from SFTi of £872,000. As a result of receiving this dividend, SFT reduced its drawdown of income from the Scottish Government by £872,000 in order to achieve a break-even position.

As part of the preparation of the group financial statements, intergroup transactions, including this dividend are removed, thus the £872,000 was deducted from the cumulative individual profit of £842,908 to give an overall group loss of £29,092. The decision regarding the amount of dividend to be paid out from SFTi to SFT in 2019/20 was taken in early March, after considering the amount of distributable reserves as at 1 April 2019.

## **STRATEGIC REPORT (continued)**

### **FINANCIAL REVIEW & RESULTS (continued)**

The Group Statement of Financial Position (Balance Sheet) shows no movement in net assets from £8.2m as at 31 March 2019 to £8.2m as at 31 March 2020. However, within that overall position there were a number of increases and decreases including:

- **A decrease in non-current assets of £1.2m:** reflecting a:
  - £0.2m increase in investments in the subordinated debt of hub projects and accrued dividend income due from these investments;
  - £0.6m decrease in investments in subordinated debt of hub projects due to repayment of principal;
  - a £0.5m decrease in the deferred grant which would be payable by Scottish Government if the pension scheme liability crystallised; and
  - £0.2m decrease in investments due to the requirement for a fair value accounting adjustment under IFRS 9. This was as a result of returns crystallised as project dividends during the year
  - £0.1m release in the right of use asset
  
- **A £0.4m increase in current assets:** largely due to an increased cash balance
  
- **A £0.2m decrease in current liabilities** due to a reduction in trade creditors
  
- **A £0.6m decrease in long term liabilities:** representing a:
  - £0.5m decrease in the forecast pension deficit; and
  - £0.1m decrease in repayable grant due to Scottish Government

Under the terms of its Memorandum and Articles of Association, the Company cannot distribute profits to its shareholders. Investments will make a return over time and these revenues will be used to offset costs in the Company and/or make further investments in infrastructure.

### **RISKS AND MITIGATION**

The Group maintains a strategic risk register which is derived from the high-level risks of the projects and programmes in which SFT is involved, along with corporate risks within the Group. Risks are evaluated by considering their probability of occurring along with their potential to impact on the outcomes expected of SFT, the Group's operations and its stakeholders. The risks and management's mitigating actions are reviewed by the Group Audit Committee at every meeting (3 times a year).

The table below details the significant Group operational risks and the Group's approach to managing and mitigating these. SFT is working with stakeholders to mitigate these risks but does not have complete control over them.



**STRATEGIC REPORT (continued)**

**RISKS AND MITIGATION (continued)**

<b>Significant Operational Risks</b>	<b>Approach to Management and Mitigation of Risks</b>
Limited resource levels in central Government and procuring authorities to take forward priority projects in a timely manner.	SFT supports authorities by ensuring that resource needs are fully understood and where appropriate ensuring resource needs are incorporated into funding agreements for future projects.
The financial and economic standing of key delivery partners deteriorates impacting project delivery	SFT works with a wide range of delivery partners. On many major projects, SFT has board level representation which would provide early warning of any such issues. However, the risk cannot be fully mitigated.
A building project which SFT has been involved with in the past, has an issue over the course of its life which could adversely affect SFT's reputation.	SFT ensures reporting lines and responsibilities are clear between all parties involved in projects. SFT deploys resources into the areas needed when any problems arise. SFT proactively ensures key stakeholders are kept up to date.
RHCYP/DCN Public Inquiry. There is a risk that the inquiry will affect SFT in any/all of three ways: staff resource, reputation and/or cost of legal fees	SFT can mitigate the impact but not the probability which is outwith our control. The impact can be mitigated by providing a contingency budget for the legal fees and ensuring that the resource diverted to deal with the inquiry, is back-filled.

**RISK MANAGEMENT AND INTERNAL CONTROL**

The directors monitor SFT's risk management and internal control systems as detailed within the Statement of Internal Control. During the financial year 2019/20, three external reviews were undertaken of SFT's internal controls in the following areas: corporate governance and board effectiveness; financial management information systems and processes; and records management, with no major issues being identified.

**GOING CONCERN AND VIABILITY STATEMENT**

The directors believe it is appropriate for the SFT Financial Statements to adopt the going concern basis of accounting. This is based on confirmation of SFT's funding from its sole Shareholder, the Scottish Government, for the financial year 2020/21; SFT's role in delivering long-term programmes of investment with associated investment income forecast for a period in excess of 20 years; and, the regular discussion between the Board and the Scottish Government regarding SFT's future activities.

As such, the directors believe SFT will be able to continue in operation and meet its liabilities taking account of its current position and principal risks and issues, as detailed above, and within the Report of the Group Audit Committee.

**SCOTTISH FUTURES TRUST LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

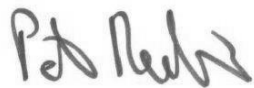
**STRATEGIC REPORT (continued)**

**FUTURE PLANS**

The Group's long-term plans are described in its [2019-2024 Corporate Plan](#) which can be found on [SFT's Website](#). The Group's priorities and detailed objectives are set out in its [2020/21 Business Plan which can be found on SFT's website](#). Outcomes against these objectives are also published on the website.

The 2020/21 operating budget has been set at £10.3m, reflecting £1.7m of post-tax third party income and £8.6m of Scottish Government grant. It is anticipated by the directors that the budget will be fully utilised in the forthcoming year.

The Strategic Report is approved by the Board of Directors and signed on its behalf by:



**Peter Reekie  
Chief Executive**

**Date: 21 September 2020**

# SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

## DIRECTORS' REPORT

### Directors

The business review of the Group is included in the Strategic Report in accordance with the Companies Act 2006 s.414 (C11).

The Directors who held office during the year and up to the signing of these financial statements are as follows:

Ian Russell	Chairman
Peter Reekie	Executive Director
Ann Allen	Non-Executive Director
Ann Faulds	Non-Executive Director
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director

The Company is wholly owned by the Scottish Ministers. Under section 251 of the Companies Act 2006, the Scottish Ministers are considered to be a Shadow Director of the Company.

### Disclosure of Information to the Auditor

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditor is unaware and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Auditor and AGM

During 2019/20 the appointed auditor, Scott-Moncrieff, tendered their resignation and were replaced by Azets Audit Services following the acquisition of Scott Moncrieff by Cogital Group Limited which owns Azets Audit Services.

The SFT Group has elected to dispense with the holding of the AGM, the laying of financial statements in a general meeting and the annual appointment of the auditor, as meetings between the sole shareholder, the Scottish Ministers and the Group occur on a regular basis.

## STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial period. Under that law they have elected to prepare the Group and Company's Financial Statements in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's and Parent Company's results for that period.

**SCOTTISH FUTURES TRUST LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**DIRECTORS' REPORT (continued)**

**STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS (continued)**

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Parent Company and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a Report on Corporate Governance as if the Group were required to comply with the Listing Rules of the Financial Conduct Authority in relation to those matters.

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

On behalf of the Board:



**Peter Reekie  
Chief Executive**

**Date: 21 September 2020**

## **REPORT ON CORPORATE GOVERNANCE**

The Group is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the accounting year ending 31 March 2020, the Group has complied with all the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council as best practice guidance, except as explained below, notwithstanding that the Group is not a listed group to which the provisions are directed. The following exceptions are noted:

- there is no Nominations Committee as non-executive Board appointments, including their terms and conditions of employment, are determined by the Group's sole shareholder, the Scottish Ministers. However Executive director appointments to the Board are decided by the Board;
- directors are not subject to election or re-election at General Meetings as required by the Code. Non-executive directors are appointed to the Board by the Scottish Ministers - these appointments are made under a system regulated and monitored by the Commissioner for Ethical Standards in Public Life in Scotland whose policies on term of office and diversity are available on its website;
- In view of the Group's responsibilities to take account of the provisions set out in the Management Statement and Financial Memorandum (MSFM) agreed with the Scottish Government, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration be transparent, stretching and rigorously applied. The Board carries out the role of a Remuneration Committee as remuneration of non-executive directors is set by Scottish Government;
- The Board has not identified a Senior Independent Director, as the shareholder appoints and appraises the performance of the Chairman, and the Chairman is considered independent and has no financial interest in the performance of the Company;
- The Board has requested the Group Audit Committee to regularly review the need for an internal audit function. For the last 3 years, the Internal Audit division of Baldwins Holdings Limited (formerly Scott Moncrieff prior to the acquisition in May 2019 of Scott-Moncrieff by Cogital Group Limited, who own Baldwins Holdings Limited) has carried out the programme of Internal Control Reviews for the Group. However, due to the new ethical standards effective from 15 March 2020, Baldwins Holdings Limited as it is in the same group as Azets Audit Services Limited, the Group's external auditor, can no longer act as internal auditor. The Audit Committee therefore agreed at its June 2020 meeting to procure a new internal audit firm to carry out the internal control reviews for the next 3 years.

### **Board of Directors**

The Board is the principal decision-making forum. It has overall responsibility for leading and controlling the Group and is accountable to the Group's sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Group strategy and monitors performance. The Board has adopted a formal schedule of matters specifically reserved for its decision, which is reviewed on an annual basis.

The roles of the Chairman and the Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all the directors. The Chief Executive has responsibility for all operational business and acts in accordance with the authority delegated from the Board. Responsibility for the implementation of policy, strategy and operational management is delegated to the Chief Executive.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**REPORT ON CORPORATE GOVERNANCE (continued)**

**Board of Directors (continued)**

The Chairman's other significant commitments are: chairman of HICL Infrastructure plc; chairman of Herald Investment Trust plc and chairman of National Museums Scotland.

Board meetings take place regularly throughout each period. Board meetings are structured to allow open discussion and all directors participate in discussing the Group's strategic aims and performance and financial and risk management. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Group's business activities. Six Board meetings were held during the year.

**Board Balance and Independence**

As at 31 March 2020, the Board included six non-executive directors (including the Chairman). The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors are independent. The non-executive directors combine broad business and commercial experience with independent and objective judgement and constructively challenge and assist development of strategic matters. The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Group's level of business and associated responsibilities.

The Board aims to achieve a balance between non-executive and executive directors so as to promote clear and effective leadership and maintain the highest standards of integrity and professionalism across the Group's business activities.

**Election of Directors**

The non-executive directors have been appointed by Scottish Ministers in accordance with the Office for the Commissioner for Ethical Standards in Public Life in Scotland's 2013 Code of Practice for Ministerial Appointments to Public Bodies in Scotland, and related guidance on its application.

**Secretary and Meeting Minutes**

As permitted by the Companies Act 2006, the Board has dispensed with the appointment of a Company Secretary. The Chairman is responsible for advising the directors on all governance matters and for ensuring that Board procedures are followed. All directors are entitled to obtain independent professional advice at the Group's expense. Minutes of Board and Group Audit Committee meetings are available on the SFT website following their approval.

**Performance Evaluation**

The performance of non-executive directors is assessed by the Chairman and the performance of the Chief Executive is assessed by the Chairman and the non-executive directors. The Chairman's performance is assessed by the Scottish Government.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**REPORT ON CORPORATE GOVERNANCE (continued)**

**Board Committees**

To provide effective overview and leadership, the Board can establish Committees composed of non-executive directors with specific governance responsibilities. The Committees' Chairmanship and Membership will be refreshed on a regular basis. Executive directors and senior managers are invited to attend Board and Committee Meetings as appropriate. During 2019/20 the only Board Committees were the Group Audit Committee and SFTi's Investment Committee.

Given the low volume of investments planned and made in the year, SFTi's Investment Committee (comprising all board members other than the Chair) did not meet in the year with all investments being approved directly by the Board. As of 21 September 2020, SFTi's Investment Committee was dissolved.

**Attendance at Board and Committee Meetings**

Attendance by Board Members at Board and Committee meetings held during the year was as follows:

	<b>SFT Board</b>	<b>Group Audit Committee</b>	<b>SFTi Board</b>
<b>Number of meetings</b>	<b>6</b>	<b>3</b>	<b>3</b>
Ian Russell	6	2*	3
Ann Faulds	6	2	3
Graham Watson	6	3	3
Bill Matthews	6	3	3
Ann Allen	4	3	1
Pauline Mills	6	2	3
Peter Reekie	6	3*	3

\*In attendance, not members of the Committee

**Relations with Sole Shareholder**

As disclosed in the Directors' Report, the Group's sole shareholder, the Scottish Ministers, is considered to be a Shadow Director of the Group. The Chairman and Chief Executive, on behalf of the directors have met with Scottish Ministers and officials during the year and post year end to understand their views and have reported these to the Board.

**Gender Balance**

The Table below discloses the gender balance of SFT's Board, Leadership Team and their Direct Reports. SFT believes there is an appropriate balance as demonstrated within the table below:

<b>Gender split as at 31 March 2020</b>	<b>Number and Percentage of Females</b>	<b>Number and Percentage of Males</b>	<b>Number and Percentage of "Preferred not to say"</b>
Board	3 43%	4 57%	0 0%
Leadership Team	4 57%	3 43%	0 0%
Direct Reports	14 44%	18 56%	0 0%

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**REPORT ON CORPORATE GOVERNANCE (continued)**

On behalf of the Board:

A handwritten signature in black ink, appearing to read "Peter Reekie".

**Peter Reekie**  
**Chief Executive**

**Date: 21 September 2020**



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### STATEMENT ON INTERNAL CONTROL

The key elements of the system of internal control are as follows:

#### Control Structure

Given the nature and size of the Group, SFT's control structure is the responsibility of directors and managers at all levels and there is no current need for a separate internal audit function although this will be kept under review. However for the last 3 years, the Internal Audit division of Baldwins Holdings Limited (formerly Scott Moncrieff prior to the acquisition in May 2019 of Scott-Moncrieff by Cogital Group Limited, who own Baldwins Holdings Limited) has carried out the programme of Internal Control Reviews for the Group. However, due to the new ethical standards effective from 15 March 2020, Baldwins Holdings Limited as it is in the same group as Azets Audit Services Limited, the Group's external auditor, can no longer act as internal auditor. The Audit Committee therefore agreed at its June 2020 meeting to procure a new internal audit firm to carry out the internal control reviews for the next 3 years

The organisation has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied. In addition, the Group's external auditor presents reports to the Audit Committee which include any significant internal control matters which they have identified.

Separate controls and governance structures are in place across SFT's programmes. The Audit Committee receives an annual update on these.

#### Identification and Monitoring of Business Risks

The Group has adopted a risk-based approach to internal control by evaluating the probability and impact of risks and putting in place appropriate levels of control to mitigate each risk. Procedures include an ongoing process of identifying, evaluating and managing key risks and, where appropriate, enhancing the systems which manage these risks. A formal risk register is kept and regularly reviewed by the Leadership Team, the Group Audit Committee and ultimately the Board.

In addition, the Board has developed a formal Risk Policy which describes SFT's risk appetite and the formal responsibilities across the organisation for risk management. It also describes how workstream level risks should be managed and, if appropriate, escalated to the leadership team for possible inclusion in the corporate risk register.

#### Corporate Information Systems

The Group operates a budgeting and financial reporting system, which includes the preparation of a business plan containing detailed annual budgets. The system provides monthly comparison of actual results against financial year budget and regularly revised forecasts, all of which are reviewed by the Board. Financial control procedures are in place which provide assurance on the integrity of the Group's finances.

#### Effectiveness of Internal Controls

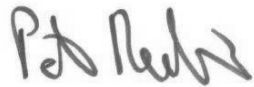
The directors are responsible for reviewing the effectiveness of the Group's system of internal control, including internal financial control, which is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. The directors do this through a range of internal control reviews currently conducted by a separate team from the Group's auditor. In 2019/20, this included a review of: Corporate Governance and Board Effectiveness, Records Management and Financial Management

**SCOTTISH FUTURES TRUST LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**STATEMENT ON INTERNAL CONTROL (continued)**

Information Processes operated by SFT, with no significant issues noted. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'Peter Reekie', is positioned below the text 'On behalf of the Board:'. The signature is written in a cursive, slightly slanted style.

**Peter Reekie  
Chief Executive**

**Date: 21 September 2020**

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**REPORT ON DIRECTORS' REMUNERATION**

Details of the Board's responsibilities for remuneration are set out within the Report on Corporate Governance. Details of directors' remuneration are as follows:

**Directors' Remuneration**

In the year to 31 March 2020, the Company's non-executive directors were paid fees for their services to the Group. Each non-executive director has a letter of appointment outlining their expected time commitment and details of the per diem rate set by Scottish Government for non-executive directors of £325. Ian Russell has waived his remuneration for the role of Chairman of SFT and SFTi.

The fees received by the other directors in the years to 31 March 2020 and 31 March 2019 for duties provided to the Group are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Ann Faulds	<b>7,800</b>	<b>7,800</b>
Graham Watson	<b>7,800</b>	<b>7,800</b>
Bill Matthews (appointed 1 January 2019)	<b>7,800</b>	<b>1,950</b>
Ann Allen (appointed 1 January 2019)	<b>7,800</b>	<b>1,950</b>
Pauline Mills (appointed 1 January 2019)	<b>7,800</b>	<b>1,950</b>
Fiona Mackenzie (resigned 31 December 2018)	-	<b>5,850</b>
Carolyn Dwyer (resigned 31 December 2018)	-	<b>5,850</b>

The total expenses reimbursed during the year were £651 (2018/19: £458).

Peter Reekie was appointed as Executive Director on 29 June 2010 and became Chief Executive on 10 January 2018. His remuneration for the year was:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Salary	<b>177,460</b>	<b>175,760</b>
Pension	<b>31,588</b>	<b>35,152</b>
Car Allowance	<b>12,600</b>	<b>12,600</b>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**REPORT ON DIRECTORS' REMUNERATION (continued)**

**Directors' Remuneration (continued)**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Highest paid director's total remuneration	<b>190,060</b>	<b>188,360</b>
Median total remuneration	<b>77,868</b>	<b>68,916</b>
Ratio	<b>2.44</b>	<b>2.73</b>

The ratio has decreased slightly due to the employment of new staff at a certain level, the impact of which was to increase the median pay in the year. Total remuneration includes salary and car allowance. There were no bonuses or benefits in kind in financial years 2019/20 or 2018/19.

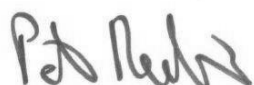
**Pensions**

SFT has established a pension scheme with Lothian Pension Fund which is administered by the City of Edinburgh Council. The Company's pension scheme is a contributory defined benefit scheme where contributions paid by the employee and the Company operate on a sliding scale.

In the year ended 31 March 2020, 66 of the Company's employees including one director were members of the pension fund.

The highest paid director's pension has a transfer value of £343,394 (2018/19: £295,554).

On behalf of the Board:



**Peter Reekie**  
**Chief Executive**

**Date: 21 September 2020**

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### REPORT OF THE GROUP AUDIT COMMITTEE

#### Role and Responsibilities

The Group Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the financial affairs of the Group, the arrangements for accounting, financial reporting and regulatory compliance, the standards and effectiveness of internal control, the arrangements for identifying, evaluating and managing the significant risks faced by the Group and the arrangements for external audit. The Group Audit Committee meets regularly throughout the accounting year and, in addition, it meets the external auditor privately.

#### Composition

Members of the Group Audit Committee for the financial year were:

- Graham Watson is a Chartered Accountant and experienced investment banker bringing extensive strategic leadership and financial expertise to the board. Graham was appointed chair of the Group Audit Committee from 1 September 2017.
- Ann Allen MBE is a chartered surveyor with over 35 years' experience and was Director of Estates at the University of Glasgow leading the team delivering the campus development before her retirement on 30 April 2020.
- Ann Faulds was a partner in the law firm, CMS and has 30 years' experience in consenting processes for developments and infrastructure projects.
- Bill Matthews a Chartered Engineer with governance knowledge across a variety of policy areas and organisations. He was the founding Chair of hub West Scotland and has significant infrastructure development experience.
- Pauline Mills is a chartered town planner and member of the Royal Town Planning Institute. She is currently Land and Planning Director at Taylor Wimpey, responsible for managing the firm's land assets across the regional Board of which she is a member.

In the year ended 31 March 2020, there were three meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

#### Responsibilities

During the year the principal activities of the Audit Committee included:

- considering and recommending to the Board for approval the Annual Financial Statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- selecting and appointing the external auditor;
- reviewing and monitoring the independence of the external auditor in relation to non-audit assignments, taking into account relevant ethical guidance;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the efficiency of the external audit process and the independence and quality of the audit engagement partner and the audit team;
- reviewing the appropriateness of the Group's accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

**SCOTTISH FUTURES TRUST LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**REPORT OF THE GROUP AUDIT COMMITTEE (continued)**

**Auditor and Audit Tenure**

During 2019/20 the appointed auditor, Scott-Moncrieff, tendered their resignation and were replaced by Azets Audit Services following the acquisition of Scott Moncrieff by Cogital Group Limited which owns Azets Audit Services.

**Safeguarding the Auditor’s Objectivity and Independence**

The Group has a policy in place whereby their Auditor can provide non-audit services to a value not exceeding 50% of the agreed external audit fee if authorised by the Corporate Services Director. The Audit Committee can authorise non-audit services up to 100% of the audit fee. The Auditor cannot provide non-audit services to a value exceeding 100% of the external audit fee. This is intended to ensure the auditor’s objectivity and independence.

There were non-audit services provided to the Company by Baldwins Holdings Limited, a company in the same group as the Auditor in the year. These related to corporation tax compliance work, iXBRL tagging of the financial statements for submission to HMRC, VAT advice and a review of the Group’s internal controls. These services were performed by staff from Baldwins Holdings Limited, who had no involvement with the external audit, thus the objectivity and independence of the external auditor was not compromised. The total fees paid to the auditor can be found in note 7 to the Financial Statements. The audit and corporation tax fees for SFTi were paid by SFT and recharged via the management charge. From 15 March 2020, and in accordance with the FRC’s revised Ethical Standard, Baldwins Holdings Limited will no longer undertake any internal financial controls work for the Group.

**Significant Issues Considered Regarding the Annual Report and the Financial Statements**

During the year, the Audit Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan and concluded that the appropriate areas of audit risk relevant to the Group had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the Financial Statements as a whole would be free of material misstatements.

Significant issue	How the issue was addressed
Income being over or understated in the Financial Statements.	<p>The group has two main sources of income:</p> <ol style="list-style-type: none"> <li>1) The funding provided by the Scottish Government; and</li> <li>2) The interest it receives on the working capital loans and subordinated debt invested in the hub Companies and the Design Build Finance Maintain (DBFM) Special Purpose Vehicles (SPV) companies.</li> </ol> <p>The Audit Committee reviews, through the Internal Control and Financial Procedures Manual, the process of the monthly drawdown from the Scottish Government and confirms that it has been accounted for correctly via oversight of the quarterly management accounts process and the annual Financial Statements.</p> <p>The Audit Committee members as members of the SFTi Board review each investment made and monitor their performance. In addition, confirmation of all interest income due is received from external third parties verifying the completeness of the amounts recorded within the financial statements.</p>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**REPORT OF THE GROUP AUDIT COMMITTEE (continued)**

**Significant Issues Considered Regarding the Annual Report and the Financial Statements  
(continued)**

<b>Significant issue</b>	<b>How the issue was addressed</b>
Accounting for the defined benefit pension scheme.	The assumptions used in the IAS 19 pension valuation are provided by the actuary to the scheme and reviewed each year by the Audit Committee to ensure that the assumptions used are appropriate. The Audit Committee through discussions with the finance team and the external auditor ensure that the pension is accounted for and disclosed in accordance with IAS 19.
Funding from the Scottish Government.	The Audit Committee members as members of the SFT board are involved in year round communication with the Scottish Government including in relation to future funding and consider the funding levels agreed when assessing the Group's and the Company's going concern status.
The risk that investments are not consolidated in SFT group accounts when they should be.	Through discussions with the auditor, the Audit Committee reviews the criteria regarding consolidation and the relationship the Group has with the companies the Group has invested in, in order to establish if consolidation is required.
Risk of the recoverability of investments in terms of repayment of loans and interest receivable.	The SFTi Board reviews investment performance. SFT also has board representation on all hubCos and DBFM SPV companies which provides additional reassurance regarding the performance of the companies to whom SFTi provides working capital loans or subordinated debt to.
The risk that the fair value of investments is over or under stated in the financial statements	The Group implemented IFRS 9 <i>Financial Instruments</i> last year which required the equity investments, in companies delivering infrastructure as part of wider SFT programmes, to be held at fair value. The fair value calculations are based on the discounted value of future cashflows. The future cashflows are based on operational models provided bi-annually by the companies in which SFTi holds the equity. These companies have a SFT nominated Director on their Boards who confirms the reasonableness of the operating models. The directors gain reassurance that the fair value calculations are reasonable based on the above controls.
Risk of incorrect accounting of repayable grants from the Scottish Government to SFT which are then on-lent to SFTi.	SFT draws down repayable grants from the Scottish Government which are then granted on to SFTi to make investments in the subordinated debt and share capital of DBFM SPV companies. The SFTi Board approves each investment made by SFTi and the funding that is drawn down from the Scottish Government and then granted on to SFTi to fund these investments. Through the review of the management accounts and the statutory financial statements, the Board ensure that all repayable grants from the Scottish Government by SFT which are granted to SFTi, are recorded and disclosed correctly.

On behalf of the Group Audit Committee:



**Graham Watson**  
**Chairman**  
**Group Audit Committee**

**Date: 21 September 2020**

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED

#### Opinion

We have audited the Financial Statements of Scottish Futures Trust Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2020 which comprise the Group and the Company Statements of Comprehensive Income, the Group and the Company Statements of Changes in Equity, the Group and the Company Statements of Financial Position, the Group and the Company Statements of Cash Flows and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's and Parent Company's results for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included our review of the funding letter provided by the Scottish Government which confirms that the Group will receive sufficient funds to operate in 2020/21. Although, at this time, no funding letter is in place for 2021/22, the Board anticipates continued support from the Scottish Government in 2021/22 and beyond and thus the Board has prepared the Financial Statements on a going concern basis. Given the relationship that SFT has with the Scottish Government, the important role SFT plays in public sector investment and given there is no evidence to the contrary we are satisfied that the financial statements should be prepared on a going concern basis.

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



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED (continued)

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Our approach to the audit

Each of the key audit matters noted below were identified at the planning stage of the audit and as such procedures designed to mitigate the risk of material misstatement were selected at planning. In our audit, we tested and examined information using sampling and other audit techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

#### Key audit matters

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

#### Income Recognition

- **The risk:** There is a risk that income is misstated as a result of the accounting policies adopted or as a result of the Group or Parent Company recognising income transactions in such a way as to lead to a material misstatement in the reported income.
- **Our response:** We performed a reconciliation of income recognised as being received from the Scottish Government in the financial statements to confirmation from the Scottish Government. The Group also receives interest and dividend income in respect of investments, working capital loans and subordinated debt invested in the hub companies and DBFM SPV companies and through reviewing the underlying agreements and the sums invested we confirmed the interest and dividend income recognised in the year was accurate.
- **Our findings:** From the work performed we gained assurance in respect of the recognition of income in the year.

#### Defined Benefit Pension Scheme

- **The risk:** There is a risk that the movement in the defined benefit pension scheme and the closing pension liability is not recorded and disclosed in the Financial Statements accurately. There is also a risk that the actuarial assumptions used to determine the pension valuation are not appropriate.
- **Our response:** We reviewed the actuarial assumptions used in the IAS 19 valuation and considered their appropriateness and ensured that the pension liability was accounted for and disclosed within the financial statements in accordance with IAS 19.
- **Our findings:** The actuarial assumptions are appropriate, and the pension liability has been recorded and disclosed in the financial statements in accordance with IAS 19.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED (continued)

#### Future funding

- **The risk:** SFT requires funding from the Scottish Government to operate. Without this funding, SFT would not be able to continue to operate in its current form and may not be deemed a going concern.
- **Our response:** We reviewed the funding letter provided by the Scottish Government which confirms that the Group will receive sufficient funds to operate in 2020/21. Although, at this time, no funding letter is in place for 2021/22, the Board anticipates continued support from the Scottish Government in 2021/22 and beyond and thus the Board has prepared the Financial Statements on a going concern basis. Given the relationship that SFT has with the Scottish Government, the important role SFT plays in public sector investment and given there is no evidence to the contrary we are satisfied that the financial statements should be prepared on a going concern basis.
- **Our findings:** The Scottish Government has confirmed that resources will be provided to SFT to allow the Group to continue in 2020/21. The expectation at the date of signing the Financial Statements is that this funding from the Scottish Government will continue into 2021/22 and beyond and thus the financial statements have been correctly prepared on a going concern basis.

#### Treatment of investments made by Scottish Futures Trust Investments Limited

- **The risk:** There is a risk that the Group accounts of Scottish Futures Trust Limited (consisting of SFT and SFTi) are incomplete as they may not include all entities that SFTi has invested in, which may be deemed subsidiaries or associates of SFTi.
- **Our response:** We performed a detailed review of the investments held in order to establish to what extent, if any, SFTi exerts significant influence or control over the financial and operational decisions of the investee. This included detailed discussions with the Audit Committee and Leadership Team and a review of underlying agreements.
- **Our findings:** The investments held were reviewed and we concluded that no significant influence or control existed and therefore consolidation was not required for any of the investments held.

#### Recoverability of investments in terms of the repayment of the loans and interest receivable

- **The risk:** Capital investments and working capital loans in hub companies and special purpose investment vehicles in terms of both share capital and subordinated debt are impaired.
- **Our response:** We discussed the risk of impairment with the senior management team and the directors. We also performed a detailed review of Board and Audit Committee minutes where the performance of investments is reported to identify any impairment indicators which would suggest an unrecorded impairment.
- **Our findings:** No unrecorded impairment has been identified in respect of any of the Group's investments.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED**  
**(continued)**

**The recognition of the equity investments at fair value in accordance with IFRS 9 *Financial Instruments***

- **The risk:** Equity investments are not recorded at their fair value.
- **Our response:** We reviewed the fair valuation calculations and are satisfied that the equity investments are held at fair value and that the movement in the fair value in the year has been accounted for correctly.
- **Our findings:** The equity investments are held at fair value in line with the requirements of IFRS 9 *Financial Instruments* and the movement in the fair value in the year has been accounted for correctly.

**Repayable grants from the Scottish Government to SFT which are then granted on to SFTi**

- **The risk:** There is a risk that repayable grants received by SFT from the Scottish Government which are then granted on to SFTi to fund the investment in sub-ordinated debt and the share capital of DBFM SPV companies are not correctly recorded in the financial statements of SFT or SFTi.
- **Our response:** There was no further drawdown from the Scottish Government however there was £152,600 of repayable grant paid by SFT to SFTi, from SFT's cash reserves to fund an investment made in the year. This has been accounted for correctly.
- **Our findings:** From the work performed, we have gained assurance over the repayable grants received in the year from SFT and the closing balance at the year end.

**Our Application of Materiality**

The materiality for the Group Financial Statements as a whole was set at £105,000. This has been assessed with reference to a benchmark of 1% of other income which we consider to be the principal consideration for the Member of the Group in assessing the financial performance of the Group.

The materiality for the Parent Company Financial Statements as a whole was set at £105,000. This has been assessed with reference to a benchmark of 1% of the Parent Company's other income less the dividend income of £872,000 from SFTi and the management charge to SFTi of £608,964.

We set a performance (testing) materiality for high risk areas, which we assessed as being 75% of the overall materiality. All balances and transactions above 75% of overall materiality were audited. We tested smaller balances and transactions as we deemed necessary.

We agreed with the Audit Committee to report to it the following misstatements that we identified through our audit: (i) all material corrected misstatements; (ii) uncorrected misstatements with a value in excess of 5% of materiality so £5,250 for the Group and £5,250 for the Parent company; and (iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED**  
**(continued)**

**Other information**

The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and these reports have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Corporate governance statement**

We are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and Parent's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

## **SCOTTISH FUTURES TRUST LIMITED**

### **ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED** **(continued)**

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 7);
- The Directors' explanation as to the assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate (set out on page 8);
- The Directors' statement on fair, balanced and understandable (set out on page 3);
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on pages 6 and 7);
- The section of the annual report that describes the review of effectiveness of risk management and internal financial controls set out on page 7);
- The section describing the work of the Audit Committee (set out on pages 19 to 21).

#### **Responsibilities of the directors**

As explained more fully in the directors' responsibilities statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company'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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant are those that relate to the form and content of the financial statements, such as the Group accounting policies, International Financial Reporting Standards (IFRS), the UK Companies Act 2006 and the UK Corporate Governance Code.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST LIMITED**  
**(continued)**

**Auditor's responsibilities for the audit of the financial statements**

We understood how Scottish Futures Trust Limited is complying with those frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and a strong emphasis placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by making an assessment of the key fraud risks to the Group and the manner in which such risks may manifest themselves in practice, based on our previous knowledge of the Group and Parent Company as well as an assessment of the current business environment.

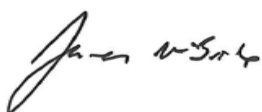
Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud.

In addition to our audit of the Financial Statements, the directors have engaged us to review their Report on Corporate Governance as if the Group was required to comply with the Listing Rules of the Financial Conduct Authority in relation to those matters. We review whether the Report on Corporate Governance reflects the Group's compliance with the UK Corporate Governance Code specified for our review by those rules, and we report if it does not. We are not required by the terms of our engagement to consider whether the Board's Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](http://www.frc.org.uk/auditorsresponsibilities) at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Use of our report**

This report is made solely to the Parent Company's sole Member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's Member, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's Member, as a body, for our audit work, for this report, or for the opinions we have formed.



**James McBride (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services, Statutory Auditor**  
**Exchange Place 3, Semple Street**  
**Edinburgh, EH3 8BL**

**Date: 21 September 2020**

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
<b>Continuing operations</b>			
<b>Revenue</b>		-	-
Cost of sales		-	-
		<u>-</u>	<u>-</u>
<b>Gross profit</b>		-	-
Other income	5	10,661,530	12,082,521
Capital grant income	6	1	-
Operating expenditure	7	(11,743,208)	(11,295,332)
Capital grant expenditure	8	-	-
		<u>-</u>	<u>-</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,081,677)	787,189
		<u>-</u>	<u>-</u>
Taxation on ordinary activities	9	(202,040)	(206,376)
		<u>-</u>	<u>-</u>
<b>Net (loss)/profit for the year</b>		(1,283,717)	580,813
<b>Other comprehensive income:</b>			
Those that are not recyclable net of tax:			
Actuarial gains/(losses) on post-employment benefit obligations	17	1,417,000	(561,000)
(Loss)/gain on fair value on SPV investments	11	(162,375)	18,060
		<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year after tax</b>		1,254,625	(542,940)
		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss)/income for the year</b>		(29,092)	37,873
		<u>-</u>	<u>-</u>
<b>Attributable to:</b>			
Equity holder of the company		(29,092)	37,873
		<u>-</u>	<u>-</u>
Distributed as follow:			
Transferred to retained earnings		(29,092)	37,873
		<u>-</u>	<u>-</u>
<b>Profits available for distribution</b>		-	-
		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
<b>Continuing operations</b>			
<b>Revenue</b>		-	-
Cost of sales		-	-
		<u>          </u>	<u>          </u>
<b>Gross profit</b>		-	-
Other income	5	10,290,180	11,856,241
Capital grant income	6	1	-
Operating expenditure	7	(11,707,180)	(11,295,241)
Capital grant expenditure	8	(1)	-
		<u>          </u>	<u>          </u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,417,000)	561,000
Taxation on ordinary activities	9	-	-
		<u>          </u>	<u>          </u>
<b>Net (loss)/profit for the year</b>		(1,417,000)	561,000
<b>Other comprehensive income:</b>			
Those that are not recyclable net of tax:			
Actuarial gains/(losses) on post-employment benefit obligations	17	1,417,000	(561,000)
		<u>          </u>	<u>          </u>
<b>Other comprehensive income for the year after tax</b>		1,417,000	(561,000)
		<u>          </u>	<u>          </u>
<b>Total comprehensive income for the year</b>		-	-
		<u>          </u>	<u>          </u>
<b>Attributable to:</b>			
Equity holder of the company		-	-
		<u>          </u>	<u>          </u>
Distributed as follow:			
Transferred to retained earnings		-	-
		<u>          </u>	<u>          </u>
<b>Profits available for distribution</b>		-	-
		<u>          </u>	<u>          </u>

The accompanying notes are an integral part of these financial statements.



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020**

<b>As at 31 March 2020</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Fair Value Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2019	2	7,497,440	686,237	8,183,679
Total comprehensive loss for the year	-	(29,092)	-	(29,092)
Transfer between reserves	-	162,375	(162,375)	-
	<u>2</u>	<u>7,630,723</u>	<u>523,862</u>	<u>8,154,587</u>

<b>As at 31 March 2019</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Other Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2018 as previously stated	2	7,477,627	-	7,477,629
IFRS 9 transitional adjustment	-	668,177	-	668,177
	<u>2</u>	<u>8,145,804</u>	<u>-</u>	<u>8,145,806</u>
At 1 April 2018 as restated	2	8,145,804	-	8,145,806
Total comprehensive income for the year	-	37,873	-	37,873
Transfer between reserves	-	(686,237)	686,237	-
	<u>2</u>	<u>7,497,440</u>	<u>686,237</u>	<u>8,183,679</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020**

<b>As at 31 March 2020</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2019	2	-	2
Total comprehensive income for the year	-	-	-
	<u>2</u>	<u>-</u>	<u>2</u>

<b>As at 31 March 2019</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2018	2	-	2
Total comprehensive income for the year	-	-	-
	<u>2</u>	<u>-</u>	<u>2</u>

The accompanying notes are an integral part of these financial statements

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

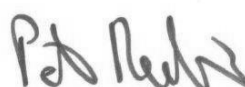
	Note	2020	2019
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10a	642	11,068
Right of use asset	10b	29,319	117,274
Investments	11	16,605,332	17,242,383
Trade and other receivables in more than 1 year	12	1,923,663	1,859,102
Accrued income in respect of pension liabilities	16	3,381,000	3,867,000
		<u>21,939,956</u>	<u>23,096,827</u>
<b>Current assets</b>			
Trade and other receivables in less than 1 year	12	516,275	838,114
Cash and cash equivalents	13	1,770,691	1,048,464
		<u>2,286,966</u>	<u>1,886,578</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,189,154)	(1,439,141)
Deferred income	16	(653,560)	(582,070)
Current tax liabilities	9	(202,040)	(206,376)
		<u>(2,044,754)</u>	<u>(2,227,587)</u>
<b>Net current assets/(liabilities)</b>		<u>242,212</u>	<u>(341,009)</u>
<b>Non-current liabilities</b>			
Repayable grants from the Scottish Government	15	(10,646,581)	(10,704,497)
Deferred income	16	-	(642)
Pension liabilities	17	(3,381,000)	(3,867,000)
		<u>(14,027,581)</u>	<u>(14,571,539)</u>
<b>Net assets</b>		<u><b>8,154,587</b></u>	<u><b>8,183,679</b></u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	7,630,723	7,497,440
Fair value reserve	18	523,862	686,237
		<u>8,154,587</u>	<u>8,183,679</u>
<b>Total shareholder's funds</b>		<u><b>8,154,587</b></u>	<u><b>8,183,679</b></u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 September 2020 and authorised for issue on its behalf by:



**Ian Russell**  
**Chairman**



**Peter Reekie**  
**Chief Executive**

Registered Company Number: SC348382

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

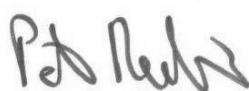
	Note	2020	2019
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10a	642	11,068
Right of use asset	10b	29,319	117,274
Investments	11b	1	1
Repayable grants due from subsidiary	12a	10,799,181	10,704,497
Accrued income in respect of pension liabilities	16	3,381,000	3,867,000
		<u>14,210,143</u>	<u>14,699,840</u>
<b>Current assets</b>			
Trade and other receivables in less than 1 year	12	1,204,314	1,664,959
Cash and cash equivalents	13	455,470	225,933
		<u>1,659,784</u>	<u>1,890,892</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,188,784)	(1,436,521)
Deferred income	16	(653,560)	(582,070)
		<u>(1,842,344)</u>	<u>(2,018,591)</u>
<b>Net current liabilities</b>			
		<u>(182,560)</u>	<u>(127,699)</u>
<b>Non-current liabilities</b>			
Repayable grants from the Scottish Government	15	(10,646,581)	(10,704,497)
Deferred income	16	-	(642)
Pension liabilities	17	(3,381,000)	(3,867,000)
		<u>(14,027,581)</u>	<u>(14,571,939)</u>
<b>Net assets</b>			
		<u><u>2</u></u>	<u><u>2</u></u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	-	-
		<u>2</u>	<u>2</u>
<b>Total shareholder's funds</b>			
		<u><u>2</u></u>	<u><u>2</u></u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 September 2020 and authorised for issue on its behalf by:



**Ian Russell**  
**Chairman**



**Peter Reekie**  
**Chief Executive**

Registered Company Number: SC348382

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax from operations for the period		(1,081,677)	787,189
Expected credit loss provision		36,000	-
Depreciation of plant and equipment	10	10,426	46,507
Depreciation of ROU asset	10b	87,955	87,955
IAS19 pension charge	17	931,000	606,000
Increase/(decrease) in trade and other receivables	12	220,226	(528,737)
Decrease in trade and other payables	14	(166,807)	(158,340)
Increase/(decrease) in net accrued income/deferred income	16	556,848	(1,748,738)
Grants repaid in the year netted off within receipts from the Scottish Government		(141,096)	-
<b>Net cash from operating activities</b>		<u>452,875</u>	<u>(908,164)</u>
<b>Corporation tax paid</b>	9	<u>(206,376)</u>	<u>(169,707)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments and SPV share capital	11	(1)	(121)
Disposal of investments	11	1	-
Repayment of subordinated debt	11	628,328	158,272
Repayable grants due to Scottish Government	15	-	1,360,058
Provision of working capital loans and subordinated debt investments	11	(152,600)	(1,360,057)
		<u>475,728</u>	<u>158,152</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		722,227	(919,719)
<b>Cash and cash equivalents at beginning of period</b>	13	1,048,464	1,968,183
<b>Cash and cash equivalents at end of period</b>	13	<u>1,770,691</u>	<u>1,048,464</u>

The accompanying notes are an integral part of these financial statements.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020	2019
		£	£
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax from operations for the period		(1,417,000)	561,000
Depreciation of property, plant and equipment	10	10,426	46,507
Depreciation of ROU asset	10b	87,955	87,955
IAS 19 pension charge	17	931,000	606,000
Decrease/(increase) in trade and other receivables	12	518,561	(274,667)
Decrease in trade and other payables	14	(164,557)	(160,609)
Increase/(decrease) in net accrued income/deferred income	16	556,848	(1,748,738)
Grants repaid in the year netted off within receipts from the Scottish Government		(141,096)	-
<b>Net cash from operating activities</b>		<u>382,137</u>	<u>(882,552)</u>
<b>Cash flows from investing activities</b>			
Repayable grants from Scottish Government	15	-	1,360,058
Repayable grants to subsidiary for investment in hub projects	12a	(152,600)	(1,360,058)
<b>Net cash used in investing activities</b>		<u>(152,600)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		229,537	(882,552)
<b>Cash and cash equivalents at beginning of period</b>	13	225,933	1,108,485
<b>Cash and cash equivalents at end of period</b>	13	<u>455,470</u>	<u>225,933</u>

The accompanying notes are an integral part of these financial statements.

# SCOTTISH FUTURES TRUST LIMITED

## ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 1. Basis of preparation and accounting policies

The Group Financial Statements of Scottish Futures Trust Limited which include Scottish Futures Trust Investments Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006.

The Financial Statements are presented in British Pounds since this is the functional currency of the Group and Parent Company.

Scottish Futures Trust Limited is a Company limited by shares, incorporated and domiciled in United Kingdom. The address of its registered office is 11 – 15 Thistle Street, Edinburgh, EH2 1DF.

The report is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where specifically stated (for example the defined benefit pension and equity investments), current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Inter-group transactions and balances between Group companies are eliminated. Accounting policies are consistent across the Group.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### **Going Concern**

On the basis of the information available to them, the directors have a reasonable expectation that the Group will continue to receive funding from the Scottish Government. The Group, through its subsidiary SFTi, is also due to receive investment income from sub-ordinated debt invested in hub projects for a period in excess of 20 years. Consequently, the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements. This assessment of going concern includes the expected impact of COVID-19 to the entity in the 12 months following the signing of these financial statements.

#### **Basis of consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost. The only subsidiary is Scottish Futures Trust Investments Limited.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**1. Basis of preparation and accounting policies (continued)**

**Financial instruments**

**Classification, recognition and measurement**

The Group classifies its financial assets in the loans and receivables category. Management determines the classification of its financial assets at initial recognition.

**Investments**

Equity investments are held at fair value. An irrevocable election has been made to recognise the fair value movements through Other Comprehensive Income.

**Impairment**

The company reviews its investments for impairment based on changes in expected future cash flows. Where the discounted value of future cash flows exceeds the carrying value of investments no impairment is recognised; where it is less a provision is made for future expected credit losses.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method.

**De-recognition**

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

**Cash and cash equivalents**

In the Group and Parent Company Statement of Cash Flows, cash includes cash on hand and deposits with banks or financial institutions. It also can include cash held on behalf of the Group and Parent Company by its lawyers in connection with transactions straddling the year end.

**Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised at cost.

**Accrued income/Deferred income**

Accrued income in these financial statements represents grant income due from the Scottish Government in respect of incurred expenditure. Deferred income represents grant income received from the Scottish Government in advance of incurring expenditure. As SFT is a non-profit making it does not recognise this income until the associated expenditure is recognised. Deferred income includes capital funding received which is released over the expected life of the fixed asset the grant funding has been used to purchase.

In addition, Scottish Ministers have underwritten SFT's participation in its pension scheme. As such, any pension liability is matched by a commitment from the Scottish Government to fund this liability. This commitment is recognised in the financial statements via accrued income included in non-current assets.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**1. Basis of preparation and accounting policies (continued)**

**Revenue**

The Group receives funding from the Scottish Government. The funding that covers the revenue expenditure of the Group is recognised in other income when the Group is entitled to the funding. The funding received which is either invested in infrastructure projects or distributed to third parties for capital projects is disclosed as capital grant income. This is recognised once received.

The Group recognises revenue when the amount of revenue can be reliably measured, all performance conditions have been met and it is probable that future economic benefits will flow to the Group.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective rate.

**Repayable grants**

The Scottish Government provides repayable grants to SFT who in turn grants these onto SFTi to fund investments. These repayable grants have been accounted for as deferred income. The amount expected to be repaid within 12 months is included in current liabilities with the balance in non-current liabilities. Repayment to the Scottish Government via SFT may occur as capital repayments are received from the investment.

**Employee entitlements**

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees in the Statement of Financial Position. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Contributions are made by the Group to employee pension funds and are charged as expenses when incurred.

**Property, plant and equipment**

A de-minimis level for capitalisation of £5,000 is applied by the Group. Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**1. Basis of preparation and accounting policies (continued)**

**Property, plant and equipment (continued)**

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

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

Office equipment - over 3 years

Furniture and fixtures - over 5 years

**De-recognition and disposal**

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

**Leases**

The group early adopted IFRS 16 during the previous year ended 31 March 2019. IFRS 16 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. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments discounted using the interest rate implicit in the lease.

A lessee recognises depreciation of the right-of-use asset using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The lease asset is shown separately on the face of the statement of financial position.

**Retirement benefits obligations**

The Group operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers. In accordance with 'IAS 19 – Employee Benefits', the expected costs of providing pensions under this Scheme, as calculated by qualified actuaries using the projected unit credit method, is charged to the Statement of Comprehensive Income so as to spread the cost over the service lives of the current employees.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**1. Basis of preparation and accounting policies (continued)**

**Retirement benefits obligations (continued)**

A Retirement Benefit Obligation recognised in the Statement of Financial Position represents the present value of the Defined Benefit Obligation as reduced by the fair value of Scheme Assets. Where the fair value of the Scheme Assets exceeds the present value of the Obligation, the Asset is only recognised in the Statement of Financial Position where the Group has an unconditional right to a refund or reduction in future contributions.

**Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, unless it relates to items recognised directly in reserves in which case it is recognised in reserves. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Dividends**

Dividends announced during the year are accrued if not paid by the year end.

**Share capital**

Ordinary shares are classified as equity.

**2. New and amended standards adopted by the Group**

No new or amended IFRSs had a material impact on the 2019/20 financial statements.

**3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

**Guidance in Issue but not in Force – EU Endorsed**

There is no guidance in issue but not in force and that has been EU Endorsed which we consider will have a material effect on the financial statements of SFT.

**Guidance in Issue but not in Force – not EU Endorsed**

There is no guidance in issue but not in force and that has not been EU Endorsed which we consider will have a material effect on the financial statements of SFT.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. 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. If in the future should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

##### **Defined benefit scheme**

The Company has a defined benefit scheme for its employees. The present value of the scheme's liabilities recognised at the Statement of Financial Position date has been calculated based on key assumptions and estimates of future events as set out in note 17.

##### **Fair value of investments**

SFTi holds equity investments in a range of Special Purpose Vehicles ("SPVs") whose purpose is to contribute to the delivery of SFT's wider programmes of infrastructure investment. In accordance with IFRS 9, this equity is valued at fair value. The fair value is calculated based on the future cash flows expected to be generated from the SPVs discounted at 11%, the Group's risk rate of return. The fair value calculations are based on bi-annual operating models provided by the SPVs which indicate the latest profile of forecast dividends. SFT appoints a Director to each of these companies providing reassurance regarding the reasonableness of the cash flow forecasts.

##### **Expected Credit Loss**

As at 31 March 2020 a provision of £36,000 was required in relation to working capital loans.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**5. Other income**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Release of Scottish Government funding relating to depreciation on property, plant and equipment	10,426	46,507
Scottish Government funding to compensate for expenses incurred	9,943,725	9,538,173
Scottish Government accrued funding (derecognised)/recognised to compensate for actuarial (gains)/losses on employment benefit obligations	(1,417,000)	561,000
Secondment charges	46,138	96,266
Inter-company dividend	872,000	860,000
Management fee due from SFTi	608,964	545,823
Other income	225,927	208,472
<b>Total company other income</b>	<b>10,290,180</b>	<b>11,856,241</b>
Interest received on sub-debt investment	1,692,808	1,617,057
Project Dividend income	143,951	-
Bank interest	491	432
Other income	15,064	14,614
Inter-company dividend (eliminated on consolidation)	(872,000)	(860,000)
Management fee due from SFTi (eliminated on consolidation)	(608,964)	(545,823)
<b>Total group other income</b>	<b>10,661,530</b>	<b>12,082,521</b>

Under the terms of its Management Statement and Financial Memorandum (MSFM) with the Scottish Government, and its Memorandum and Articles of Association, Scottish Futures Trust Limited is non profit distributing. As such the income recognised within the Statement of Comprehensive Income is adjusted to reflect the impact of timing differences between the receipt of income and related expenditure; for the timing of non-cash items and for the movement on the pension scheme provision, to ensure it breaks even. These adjustments are on the basis that Scottish Futures Trust Limited is non-profit-distributing and recognises that the Scottish Government underwrite Scottish Futures Trust Limited's participation in its pension scheme (note 22).

SFT charge SFTi a Management fee which reflects the time SFT employees incur on managing SFTi investments.

In 2019/20, dividend income was provided by SFT's subsidiary to fund wider group infrastructure activities.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**6. Capital Grant Income – Company and Group**

	Note	2020	2019
		£	£
Capital grant for SFTI investments	11	1	-
		<u>1</u>	<u>-</u>

In 2019/20, £1 (2018/19: £nil) was received in grant funding to fund investment by SFTi in a housing partnership LLP.

**7. Operating Expenditure**

	2020	2019
	£	£
Profit before taxation is stated after charging:		
Non-executive director fees	39,000	33,150
Salaries and associated costs	8,640,800	8,072,480
Agency, seconded & interim staff	188,619	142,954
Auditor's remuneration		
- SFT audit fee	17,467	15,808
- SFTi audit fee	5,000	5,000
- taxation services	2,046	2,142
- other services	12,955	8,387
Operating leases in respect of land and buildings	22,959	17,058
Depreciation		
- plant & equipment	10,426	46,507
- right of use asset	87,955	87,955
Corporate Professional fees	51,851	53,039
Recruitment fees	42,272	81,878
Advisory fees	1,200,189	1,285,869
Grants made	444,678	442,446
Other operating costs	940,963	1,000,568
	<u>11,707,180</u>	<u>11,295,241</u>
<b>Company operating expenditure</b>	<b>11,707,180</b>	<b>11,295,241</b>
SFTi operating expenditure	28	91
Expected credit loss provision	36,000	-
	<u>36,000</u>	<u>-</u>
<b>Group operating expenditure</b>	<b>11,743,208</b>	<b>11,295,332</b>

Operating costs include £931,000 (2019: £606,000) within salary costs in respect of the IAS 19 pension movement (note 17).

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**7. Operating Expenditure (continued)**

The average number of full time equivalent employees employed in the year was 72 (2018/19: 70) broken down as 7 (2018/19: 7) Leadership Team, 51 (2018/19: 50) programme delivery, and 14 (2018/19: 13) corporate services and business support.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,894,473	5,736,622
National Insurance	717,664	697,497
Pension costs (including IAS 19 charge)	2,028,663	1,638,361
	<u>8,640,800</u>	<u>8,072,480</u>

Pension costs included an additional contribution of £200,000 (2019: £150,000). Also included in pension costs is £931,000 (2019: £606,000) in respect of the IAS 19 pension movement (note 17).

The emoluments of the key management personnel, comprising directors and leadership team was £1,239,631 (2019: £1,233,911).

**8. Capital Grant Expenditure**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Group Capital enabling grant for hub projects	-	-
Capital grant for SFTi investments in LLPs	1	-
	<u>1</u>	<u>-</u>
<b>Company capital grant expenditure</b>	<u><u>1</u></u>	<u><u>-</u></u>

**9. Taxation**

The corporation tax charge is in respect of the surplus generated by Scottish Futures Trust Investments Limited as a result of the interest on working capital loans and sub-ordinated debt exceeding the operating costs.

	<b>2020</b>	<b>2019</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Profit for the year before taxation for SFTi	1,207,323	1,086,189
Less: dividends not subject to tax	(143,951)	-
	<u>1,063,372</u>	<u>1,086,189</u>
Taxable profit	<u>1,063,372</u>	<u>1,086,189</u>
Corporation tax charge @ 19% (2019: 19%)	<u>202,040</u>	<u>206,376</u>

**Company**

No taxable profit was generated by Scottish Futures Trust Limited and thus no corporation tax was due.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**10a. Plant and equipment – Group and Company**

	<b>Office equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 April 2018	322,004	197,166	519,170
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 April 2019	322,004	197,166	519,170
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>322,004</u>	<u>197,166</u>	<u>519,170</u>
<b>Depreciation</b>			
At 1 April 2018	292,373	169,222	461,595
Charge for the year	29,631	16,876	46,507
	<hr/>	<hr/>	<hr/>
At 1 April 2019	322,004	186,098	508,102
Charge for the year	-	10,426	10,426
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>322,004</u>	<u>196,524</u>	<u>518,528</u>
<b>Net book value</b>			
At 31 March 2020	-	642	642
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	11,068	11,068
	<hr/>	<hr/>	<hr/>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

**10b. Right of use asset – Group and Company**

	<b>Office premises</b>	<b>Office premises</b>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 April	205,229	-
Transitional adjustment to IFRS 16	-	205,229
	<u>205,229</u>	<u>205,229</u>
Additions	-	-
	<u>205,229</u>	<u>205,229</u>
At 31 March	<u><u>205,229</u></u>	<u><u>205,229</u></u>
<b>Depreciation</b>		
At 1 April	87,955	-
Transitional adjustment to IFRS 16	-	-
	<u>87,955</u>	<u>-</u>
Charge for the year	87,955	87,955
	<u>175,910</u>	<u>87,955</u>
At 31 March	<u><u>175,910</u></u>	<u><u>87,955</u></u>
<b>Net book value</b>		
At 31 March	<u><u>29,319</u></u>	<u><u>117,274</u></u>



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11. Investments – Group**

**Capital Management**

The Scottish Government grants SFT capital funds which SFT grants on to SFTi for investment in subordinated debt and share capital in special purpose vehicles and working capital in hub Cos. The Scottish Government also provides repayable grant to SFT which SFT then grants onto SFTi for investment in subordinated debt and share capital in special purpose vehicles.

	hub Co & NHT LLP share capital	hub Co working capital	Subordinated debt (note 11a)	Total
	£	£	£	£
<b>Cost and Net book value</b>				
At 1 April 2019	687,160	200,000	16,355,223	17,242,383
Additions	1	-	152,600	152,601
Disposals	(1)	-	-	(1)
Interest capitalised	-	-	37,052	37,052
Principal repaid in the year	-	-	(628,328)	(628,328)
Loss on fair value revaluation	(162,375)	-	-	(162,375)
Expected credit loss provision	-	(36,000)	-	(36,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2020	<u>524,785</u>	<u>164,000</u>	<u>15,916,547</u>	<u>16,605,332</u>

**Share capital**

SFTi invested £1 (2018/19: £nil) in housing partnership LLPs and £nil (2018/19: £121) in share capital of SPVs in connection with sub debt investments. One LLP was disposed of (2018/19: nil).

Share capital investments cannot be classified in any other category of financial asset. There is no intention to dispose of any of these investments.

**Fair Value**

Equity investments are held at fair value based upon the forecast dividend returns. As at 31 March 2020 their estimated fair value was £525k compared to £687k as at 31 March 2019. The variation in fair value of £162k reflects the aggregate impact of: project dividends received in the year which decreased the fair value by £144k; movements in the dividends forecast by projects which resulted in a net decrease of £70k in the fair value, and the effect of discounting where SFTi is, in general, one year closer to receiving dividend income which increased the fair value by £52k.

**Hub Co Working Capital**

**Working Capital Loans – non-current assets**

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility was available until 16 November 2017 but was extended to 16 November 2018 and then further extended to 15 November 2021 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11. Investments – Group (continued)**

All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 6% p.a. on all other sums. Interest is payable semi-annually (on 31 December and 30 June). This item was treated as a non-current asset at 31 March 2020.

SFTi loaned working capital of £100,000 to hub West Scotland Limited on 27 April 2012. This working capital facility was available until 26 April 2017 but was extended to 31 December 2018 and further extended to 31 March 2022 by which date the full amount of the working capital facility plus any capitalised interest shall be due and payable on demand unless a renewal or extension is agreed. An expected credit loss provision of £36,000 has been recognised this year in respect of this working capital loan due to the potential for the company not to be able to repay the loan in full when it falls due if its unsecured pipeline of work is not delivered according to its base-case.

All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 2.5% p.a. on all other sums. Interest is payable semi-annually (on 31 December and 30 June). This item was treated as a non-current asset at 31 March 2020.

Working capital loans are held as investments – loans and receivables.

**11a. Investments – Subordinated debt (Group)**

During 2019/20, SFTi invested £152,600 (2018/19: £1,360,057) as subordinated debt within the following hub project:

- Clydebank Health & Care Facility for Greater Glasgow and Clyde Health Board (Total capital cost: £17.2m), a project change to the existing Greenock and Stobhill Health Centres Project.

During the year accrued interest was capitalised and new loan notes issued in relation to one South West territory investment as detailed in the tables below.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Further details on SFTI’s investment in the subordinated debt of hub projects, including details of the principal invested, the coupon and the redemption dates can be found in the tables below, analysed by each hubCo.

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub North</b>			£	£			
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan	£576,191 less £4,054 principal repaid totals £572,137	£1,142	£96,131	10.2%	04/2012	2039
hub North Scotland (FWT) Ltd (Forres/Tain/Woodside Health Centre Bundle)	Fixed coupon unsecured loan	£133,884 less £19,170 principal repaid totals £114,714	£18,375	£14,534	10.2%	04/2013	2039
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan	£747,036 less £48,166 principal repaid totals £698,870	£8,978	£79,361	10.2%	05/2014	2040
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan	£1,568,509 less £170,229 principal repaid totals £1,398,280	£2,896	£422,349	10.2%	12/2014	2042
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan	£342,962 less £27,750 principal repaid totals £315,212	£3,362	£83,214	10.2%	07/2015	2043
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan	£253,654 less £68,533 principal repaid totals £185,121	£2,198	£75,143	10.2%	02/2016	2043
hub North Scotland (O & C) Ltd (Oban & Campbeltown High Schools)	Fixed coupon unsecured loan	£491,691 less £132,230 principal repaid totals £359,461	3,940	£172,764	10.2%	03/2016	2043
hub North Scotland (New Academy - South of the City)	Fixed coupon unsecured loan	£321,672 less £4,672 principal repaid totals £317,000	£3,212	£71,165	10.2%	06/2016	2043
hub North Scotland (I & F) Ltd (Inverurie & Forresterhill Health Centres)	Fixed coupon unsecured loan	£167,168 less £1,406 principal repaid totals £165,762	£948	£26,511	10.2%	12/2016	2044

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub North</b>							
hub North Scotland (Inverurie Community Campus) Ltd ( <i>Inverurie Community Campus</i> )	Fixed coupon unsecured loan	£470,061	£1,879	£23,039	2.45% during construction and 10.2% during operation	04/2018	2044
<b>Hub North territory total</b>		<b>£4,596,618</b>	<b>£46,930</b>	<b>£1,064,211</b>			

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub South East</b>							
James Gillespie's Campus Subhub Holdings Ltd	Fixed coupon unsecured loan	£1,252,424 less £48,934 principal repaid totals £1,203,490	£62,215	£472,407	10.87%	12/2013	2041
REH Phase 1 Subhub Holdings Ltd (Royal Edinburgh Hospital)	Fixed coupon unsecured loan	£410,685 less £3,432 principal repaid totals £407,253	£10,558	£43,305	2.48% during construction and 10.75% during operation	12/2014	2042
Newbattle DBFM Holdco Ltd (Newbattle High School)	Fixed coupon unsecured loan	£310,265 less £5,087 principal repaid totals £305,178	£10,207	£39,984	3.35% during construction and 10.5% during operation	02/2016	2043
KHS DBFM Holdco Ltd (Kelso High School)	Fixed coupon unsecured loan	£205,150 less £3,755 principal repaid totals £201,395	£7,062	£23,113	3.35% during construction and 10.5% during operation	02/2016	2042
LBP DBFM Holdco Ltd (NHS Lothian Health Centre Bundle)	Fixed coupon unsecured loan	£243,750 less £5,262 principal repaid totals £238,488	£10,639	£26,086	3.37% during construction and 10.45% during operation	04/2016	2042
ELCH DBFM Holdco Ltd (East Lothian Community Hospital)	Fixed coupon unsecured loan	£600,797	£22,331	£74,531	2.98% during construction and 10.45% during operation	09/2016	2044
WCHS DBFM Holdco Ltd (West Calder High School)	Fixed coupon unsecured loan	£286,654 less £3,732 principal repaid totals £282,922	£17,885	£31,142	3.47% during construction and 10.45% during operation	12/2016	2043
QHS DBFM Holdco Ltd (Queensferry High School)	Fixed coupon unsecured loan	£340,774	£3,885	£22,081	3.49% during construction and 10.3% during operation	06/2018	2045
JICC DBFM Holdco Ltd (Jedburgh Community Campus)	Fixed coupon unsecured loan	£290,222	£6,320	£16,746	3.40% during construction and 10.3% during operation	10/2018	2045
<b>Hub South East territory total</b>		<b>£3,870,519</b>	<b>£151,102</b>	<b>£749,395</b>			

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub South West</b>							
Hub SW NHSL Holdco Ltd (NHS Lanarkshire Health Centre Bundle)	Fixed coupon unsecured loan	£401,729 less £5,474 principal repaid totals £396,255	£19,959	£22,946	10.5%	12/2013	2040
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan	£298,253 less £3,571 principal repaid totals £294,682	£14,088	£15,550	2.33% during construction and 10.5% during Operation	01/2015	2041
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan	£506,610 less £2,866 principal repaid totals £503,744	£13,401	£26,886	3.78% during construction and 10.65% during operation	01/2016	2042
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan	£224,300 less £2,414 principal repaid totals £221,886	£3,651	£12,070	3.62% during construction and 10.85% during operation	01/2016	2042
Hub SW EALC Holdco Ltd (East Ayrshire Learning Campus)	Fixed coupon unsecured loan	£368,416 less £2,070 principal repaid plus £37,052 accrued interest capitalised in the year totals £403,398	£23,502	£21,237	3.26% during construction and 10.5% during operation	02/2016	2043
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan	£422,510 less £1,139 principal repaid totals £421,371	£37,605	£21,443	3.41% during construction and 10.15% during operation	05/2016	2043
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan	£310,007	£11,307	£31,270	3.52% during construction and 10.40% during operation	06/2017	2044
Hub SW QMA Holdco Ltd (Queen Margaret Academy)	Fixed coupon unsecured loan	£233,662	£4,411	£19,993	3.46% during construction and 10.45% during operation	11/2017	2044

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

<b>Investment In</b>	<b>Investment Type</b>	<b>Value</b>	<b>Fair Value of Equity</b>	<b>Interest Receivable As at 31/03/2020</b>	<b>Interest Rate</b>	<b>Financial Close Date</b>	<b>Redemption Date</b>
<b>Hub South West</b>							
S W HubCo	Working Capital Loan			£7,310	6%		
<b>Hub South West territory total</b>		<b>£2,785,005</b>	<b>£127,924</b>	<b>£178,705</b>			

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable as at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub West territory</b>							
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centre Bundle)</i>	Fixed coupon unsecured loan	£186,042 less £10,133 principal repaid totals £175,909	£48,597	£38,478	9.75%	10/2014	2041
Hub West Scotland Project Company (No.2) Ltd <i>(Inverclyde Care Home)</i>	Fixed coupon unsecured loan	£70,413 less £2,451 principal repaid totals £67,962	£7,022	£14,147	9.75%	02/2016	2042
Hub West Scotland Project Company (No.3) Ltd <i>(Barrhead High School)</i>	Fixed coupon unsecured loan	£213,748 less £22,390 principal repaid totals £191,358	£10,280	£47,692	9.75%	03/2016	2042
Hub West Scotland Project Company (No.4) Ltd <i>(Our Lady &amp; St Patrick's High School)</i>	Fixed coupon Unsecured loan	£228,400 less £20,665 principal repaid totals £207,735	£11,161	£50,128	9.75%	03/2016	2042
Hub West Scotland Project Company (No.5) Ltd <i>(Gorbals/Woodside Health Centre)</i>	Fixed coupon unsecured loan	£288,202 less principal repaid £5,029 totals £283,173	£18,196	£65,227	9.75%	04/2017	2043
Hub West Scotland Project Company (No.6) Ltd <i>(Blairdardie &amp; Carntyne Primary Schools)</i>	Fixed coupon unsecured loan	£149,300 less £9,411 principal repaid totals £139,889	£9,419	£31,658	9.75%	10/2017	2043
Hub West Scotland Project Company (No.7) Ltd <i>(Greenock &amp; Stobhill Health Centres)</i>	Fixed coupon unsecured loan	£411,600	£15,758	£38,005	9.75%	12/2018 and 12/2019 respectively	2045
W HubCo	Working Capital Loan			£26,933	2.5%		
<b>Hub West territory total</b>		<b>£1,477,626</b>	<b>£120,433</b>	<b>£312,268</b>			



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In	Investment Type	Value	Fair Value of Equity	Interest Receivable as at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>Hub East</b>							
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan	£1,608,000 less £177,381 principal repaid totals £1,430,619	£19,013	£nil	10%	12/2014	2041
Hub East Central Scotland (Baldragon) Ltd	Fixed coupon unsecured loan	£299,790	£12,992	£nil	10%	02/2016	2042
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan	£364,200 less £26,530 principal repaid totals £337,670	£12,404	£nil	10%	06/2015	2041
Hub East Central (SCV) Ltd (Stirling Care Village)	Fixed coupon unsecured loan	£354,500	£8,975	£nil	10%	12/2016	2044
Hub East Central (PSS) Ltd (Pharmaceutical Special Services)	Fixed coupon unsecured loan	£276,200	£11,547	£nil	10%	12/2016	2043
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan	£332,500	£9,839	£nil	10%	09/2017	2044
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan	£155,500	£3,626	£nil	10%	11/2017	2043
<b>Hub East territory total</b>		<b>£3,186,779</b>	<b>£78,396</b>	<b>£nil</b>			
<b>Total sub-ordinated debt</b>		<b>£15,916,547</b>	<b>£524,785</b>	<b>£2,304,579</b>			

**Summary of Subordinated Debt Investments**

<b>2020</b>	
<b>Cost and Net Book Value</b>	<b>£</b>
<b>Original cost of investments</b>	<b>16,550,972</b>
Interest capitalised into subordinated debt	229,708
Principal repaid	(864,133)
<b>Net Book Value of investments</b>	<b>15,916,547</b>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

The most significant risk to the Company is investment performance. Three projects, all in various stages of construction, are being closely monitored due to the impact of COVID-19. One operational project where ancillary works was delayed due to COVID-19. Funders require this work to be completed before sub-ordinated debt and dividend payments can be made to the project sponsors including SFTi which has delayed its first payments. The Board do not anticipate any losses as payments are anticipated to be received and hence with the exception of minor re-profiling, investments are performing according to their base cases and making returns as anticipated.

**11b. Investments in subsidiary – Company**

	<b>Investment in Subsidiary</b>
	<b>£</b>
<b>Cost and Net book value</b>	
At 31 March 2019 and 31 March 2020	1

The Company's investment is in the share capital of Scottish Futures Trust Investments Limited, registered in Scotland.

<b>Nature of business</b>	To hold investments in infrastructure companies, assets and projects across Scotland		
<b>Class of Share Holding</b>	<b>Ordinary 100%</b>	<b>2020 £</b>	<b>2019 £</b>
Aggregate capital and reserves		8,154,586	8,183,678
Profit for the year		842,908	897,873

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**12. Trade and other receivables**

	<b>Group 2020</b>	<b>Company 2020</b>	<b>Group 2019</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Due in more than 1 year</b>				
Accrued interest income from sub-ordinated debt investments	1,923,663	-	1,859,102	-
<b>Due in less than 1 year</b>				
Other receivables	78,448	76,391	90,346	90,346
Prepayments and accrued interest income	437,827	56,911	747,768	27,694
Amounts due from subsidiary – SFTi	-	872,000	-	1,405,823
Repayable Grant due from subsidiary – SFTi (note 12a)	-	199,012	-	141,096
	<u>516,275</u>	<u>1,204,314</u>	<u>838,114</u>	<u>1,664,959</u>

**12a. Repayable grants due from subsidiary**

	<b>Company 2020</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>
At beginning of the year	10,845,593	9,485,535
Increase in period	152,600	1,360,058
At 31 March 2020	<u>10,998,193</u>	<u>10,845,593</u>

SFT made a repayable grant of £152,600 (2019: £1,360,058) to SFTi during the year. £152,600 (2019: £1,360,058) was used to invest in subordinated debt in the year.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**12a. Repayable grants due from subsidiary (continued)**

The expected repayment profile of the repayable grants is:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
< 1 year	199,012	141,096
1-2 years	62,196	98,135
2-5 Years	185,542	361,125
>5 years	10,551,443	10,245,237
	<u>10,998,193</u>	<u>10,845,593</u>
At 31 March 2020	<u>10,998,193</u>	<u>10,845,593</u>
Disclosed as		
Current assets	199,012	141,096
Non-current assets	10,799,181	10,704,497
	<u>10,998,193</u>	<u>10,845,593</u>

**12b. Investments - Group**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Working Capital Loans</b>		
<b>Cost and Net book value</b>		
At 1 April 2019	-	100,000
Transferred to non-current assets (note 11)	-	(100,000)
	<u>-</u>	<u>-</u>
At 31 March 2020	<u>-</u>	<u>-</u>

**13. Cash and cash equivalents**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank	1,770,388	455,168	1,048,277	225,746
Cash on hand	303	302	187	187
	<u>1,770,691</u>	<u>445,470</u>	<u>1,048,464</u>	<u>225,933</u>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**14. Trade and other payables**

	<b>Group 2020</b>	<b>Company 2020</b>	<b>Group 2019</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other payables (operational expenditure)	373,647	373,647	463,794	463,794
Other taxes and social security	231,169	230,827	246,835	244,245
Other creditors and accruals	526,422	526,394	587,416	587,386
Repayable grants due to the Scottish Government (note 15)	57,916	57,916	141,096	141,096
	<u>1,189,154</u>	<u>1,188,784</u>	<u>1,439,141</u>	<u>1,436,521</u>

**15. Repayable grant due to the Scottish Government**

	<b>Group 2020</b>	<b>Company 2020</b>	<b>Group 2019</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of the year	10,845,593	10,845,593	9,485,535	9,485,535
Increase in the period	-	-	1,360,058	1,360,058
Repaid in the period	(141,096)	(141,096)	-	-
As at 31 March 2020	<u>10,704,497</u>	<u>10,704,497</u>	<u>10,845,593</u>	<u>10,845,593</u>

The repayable grants are repayable to Scottish Government between September 2017 and March 2044. The expected repayment profile is:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<1 year	57,916	141,096
1-2 years	62,196	98,135
2-5 Years	185,542	361,125
>5 years	10,398,843	10,245,237
At 31 March 2020	<u>10,704,497</u>	<u>10,845,593</u>
Disclosed as	<b>£</b>	<b>£</b>
Current assets	57,916	141,096
Non-current assets	10,646,581	10,704,497
	<u>10,704,497</u>	<u>10,845,593</u>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**16. Accrued income/deferred income – Group and Company**

Accrued income/deferred income relates to funding received from Scottish Government in an accounting period which is not matched with the corresponding expenditure within the Financial Statements. As SFT is non-profit making such income is recognised as accrued income if costs exceed the funding provided, or deferred income when funding is received in advance of costs being incurred. Deferred income balances also include funding received to purchase fixed assets.

Included in accrued income greater than one year is funding that will be drawn down in the future from the Scottish Government to meet the pension liability as the Scottish Government has underwritten SFT's participation in the pension scheme.

The accrued/deferred income balances comprise:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Non-current asset</b>		
Accrued income in respect of the pension liability underwritten by the Scottish Government (note 17)	3,381,000	3,867,000
<b>Current liability</b>		
Deferred income arising as a result of receiving funding from the Scottish Government in advance of costs being incurred.	(652,918)	(571,644)
Deferred income arising on capital funding received which is released over the expected life of the fixed asset funded in less than one year	(642)	(10,426)
	(653,560)	(582,070)
	<b>£</b>	<b>£</b>
<b>Non-current liability</b>		
Deferred income arising on capital funding received which is released over the expected life of the fixed asset funded in more than one year.	-	(642)

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**16. Accrued income/deferred income – Group and Company (continued)**

The movement on the deferred funding relating to the funding of fixed assets is:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Fixed asset deferred income</b>		
As at beginning of period	(11,068)	(57,575)
Released to statement of income and retained earnings	10,426	46,507
	<hr/>	<hr/>
As at period end	(642)	(11,068)
	<hr/> <hr/>	<hr/> <hr/>
Split		
Current liabilities	(642)	(10,426)
Non-current liabilities	-	(642)
	<hr/>	<hr/>
	(642)	(11,068)
	<hr/> <hr/>	<hr/> <hr/>

**17. Retirement benefits obligation – Group and Company**

The Company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid, and from which pensions, lump sums and superannuation benefits are paid out. Contributions to the scheme are charged to the Statement of Comprehensive Income, so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The most recent formal triennial valuation of the fund was at 31 March 2017 by Hymans Robertson, independent actuaries.

The group financial statements include the results of the IAS 19 valuation carried out, by Hymans Robertson, as at 31 March 2020 which projects forward the results of the 2017 triennial valuation and adjusts for changes in assumptions. SFT's contributions due to the Scheme will be funded by the drawdown of grant from the Scottish Government. The assumptions used in this analysis are determined by Lothian Pension Fund on the advice of Lothian Pension Fund Actuaries, Hymans Robertson, taking into account the requirements of accounting standards.

Each employee is allocated to a duration category (the length of time, from the date of the actuarial report, of the pension obligation), as defined below:

<b>Weighted average duration</b>	<b>Discount rate category</b>
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**17. Retirement benefits obligation – Group and Company (continued)**

As at 31 March 2020, there were 63 active members, 15 deferred members (former employees of SFT who retain benefits in the pension scheme but no longer pay contributions into the scheme) and 4 pensioner members. The defined benefit obligation has a duration of 26 (2019: 26) years and thus, a long term discount rate has been applied. The main assumptions used are:

	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation / Pension Increase Rate	1.8%	2.4%
Salary Increase Rate	3.4%	4.1%
Discount Rate	2.3%	2.5%

**Mortality**

Life expectancy is based on the Funds Vita Curves, with improvements in line with the CMI 2016 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

**Assets (Employer)**

	<b>31 March 2020</b>
	<b>Assets</b>
	<b>£ 000</b>
Equities	9,887
Bonds, Debt securities and Funds	5,053
Property	1,186
Cash	1,928
Total Market Value of Assets	<b>18,054</b>
Present Value of Scheme of Liabilities	<b>(21,435)</b>
Net Pension Liability	<b>(3,381)</b>



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**17. Retirement benefits obligation – Group and Company (continued)**

	<b>31 March 2019</b>
	<b>Assets</b>
	<b>£ 000</b>
Equities	10,011
Bonds, Debt securities and Funds	4,806
Property	1,182
Cash	1,456
	<hr/>
Total Market Value of Assets	<b>17,455</b>
	<hr/>
Present Value of Scheme of Liabilities	<b>(21,322)</b>
	<hr/>
Net Pension Liability	<b>(3,867)</b>
	<hr/> <hr/>

**Recognition in the Income Statement:**

	<b>31 March 2020</b>		<b>31 March 2019</b>	
	<b>£ (000)</b>	<b>% of Pay</b>	<b>£ (000)</b>	<b>% of Pay</b>
Current service cost	(1,788)	30.3%	(1,553)	27.1%
Past service costs	(119)	2.0%	-	-
Net interest income	(121)	2.0%	(80)	0.1%
Contributions paid in year per IAS 19 valuation	1,097	18.6%	1,027	17.9%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total (charge)/income included in the Statement of Comprehensive Income</b>	<b>(931)</b>	<b>15.8%</b>	<b>(606)</b>	<b>10.6%</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The IAS 19 pension charge (above) is included within salaries and associated costs in note 7 of the financial statements. The employer's contribution rate approximates to 20% and the employee's contribution rate ranges from 5.5% to 10.8%.

**McCloud Case (Public service pensions age discrimination cases):** The judgement in this case ruled that transitional arrangements put in place to help members of the pension scheme when it moved from final salary to career average provisions in 2015 were discriminatory. In the 2019 financial statements this was disclosed as a contingent liability but has been recognised in the closing pension liability at 31 March 2020, as past service costs.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

**17. Retirement benefits obligation – Group and Company (continued)**

**Analysis of the amount recognised in other comprehensive income**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£ (000)</b>	<b>£ (000)</b>
Actual return less expected return on pension scheme assets	(1,206)	1,035
Changes in financial assumptions and other experience underlying the present value of scheme liabilities	2,623	(1,596)
Actuarial gain/(loss)	<u>1,417</u>	<u>(561)</u>

**Recognition of defined benefit obligations:**

<b>Year Ended</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Defined Benefit Obligations</b>	<b>21,322</b>	<b>17,408</b>	<b>15,374</b>	<b>9,676</b>
Current Service Cost	1,788	1,553	1,699	1,101
Interest Cost	571	494	442	375
Contributions by Members	408	402	434	447
Actuarial (Gains)/Losses	(2,622)	1,596	(455)	3,791
Past Service Costs/(Gains)	119	-	-	-
Estimated benefits paid	(151)	(131)	(86)	(16)
<b>Closing Defined Benefit Obligations</b>	<b><u>21,435</u></b>	<b><u>21,322</u></b>	<b><u>17,408</u></b>	<b><u>15,374</u></b>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**17. Retirement benefits obligation – Group and Company (continued)**

**Reconciliation of fair value of employer assets:**

<b>Year Ended</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>17,455</b>	<b>14,708</b>	<b>13,157</b>	<b>9,382</b>
Expected Return on Assets	451	414	375	364
Contributions by Members	408	402	434	447
Contribution by Employer	1,097	1,027	1,147	1,063
Actuarial (Losses)/Gains	(1,206)	1,035	(319)	1,917
Estimated Benefits Paid	(151)	(131)	(86)	(16)
<b>Closing Fair Value of Employer Assets</b>	<b>18,054</b>	<b>17,455</b>	<b>14,708</b>	<b>13,157</b>
<b>Closing (Liability)</b>	<b>(3,381)</b>	<b>(3,867)</b>	<b>(2,700)</b>	<b>(2,217)</b>

Projected IAS 19 charge to be charged to the Statement of Comprehensive Income for the year ended 31 March 2021:

	<b>31 March 2021</b>	
	<b>£ (000)</b>	<b>% of pay</b>
Projected Current Service Cost	(1,541)	(33.6%)
Interest on Obligation	(519)	(11.3%)
Interest on Plan Assets	424	9.2%
	<b>(1,636)</b>	
Estimated Employer's contribution for the year ended 31 March 2021	897	
	<b>(739)</b>	

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

**17. Retirement benefits obligation – Group and Company (continued)**

**Sensitivity analysis:**

Sensitivities at 31 March 2020	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	3,022
0.5% increase in the Salary Increase Rate	3%	612
0.5% increase in the Pension Increase Rate	11%	2,360

**18. Share capital and retained earnings – Group and Company**

	Group & Company 2020	Group & Company 2019
	£	£
<b>Share capital</b>		
<b>Authorised, issued and fully paid – ordinary shares of £1 each</b>		
As at the beginning and end of the period	2	2

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**18. Share capital and retained earnings – Group and Company (continued)**

The shares have attached to them full voting and capital distribution (including on winding up) rights. The shares do not confer any rights of redemption and do not confer any rights to a dividend.

The retained earnings reserve comprises the cumulative profits of the group.

The fair value reserve comprises the fair value movement of the equity investments. As this unrealised gain is not distributable it has been transferred to the fair value reserve.

**19. Related party transactions**

**Scottish Ministers**

The Company is wholly owned by Scottish Ministers. Details of transactions with the Scottish Government are included below.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Scottish Government Funding received</u></b>		
Revenue government funding cash received	9,094,000	9,052,000
Capital grant income	1	-
	<u>9,094,001</u>	<u>9,052,000</u>

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Comprehensive Income</u></b>		
Release of deferred capital grants in respect of fixed assets	10,426	46,507
Revenue government funding recognised	8,526,725	10,099,173
Capital grant income	1	-
	<u>8,537,152</u>	<u>10,145,680</u>

Scottish Government funding is recognised within the Statement of Comprehensive Income to match the corresponding expenditure. Further details are provided in note 5.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Repayment of repayable grant	141,096	-
	<u>141,096</u>	<u>-</u>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**19. Related party transactions (continued)**

**Scottish Ministers (continued)**

The figures above are reflected in the financial statements as follows:

	<b>2020</b>	<b>2019</b>
	£	£
<b>Statement of Financial Position</b>		
Accrued income in respect of the pension liability (note 16)	3,381,000	3,867,000
Deferred income – funding received in advance of costs incurred (note 16)	(653,560)	(582,712)
Repayable grants from the Scottish Government (note 15)	10,704,497	10,845,593
	<u>                    </u>	<u>                    </u>

**Remuneration in respect of the directors was as follows:**

	<b>2020</b>	<b>2019</b>
	£	£
<b>Executive directors' emoluments</b>		
Emoluments	190,060	188,360
Pension costs	31,588	35,152
	<u>                    </u>	<u>                    </u>
	221,648	223,512
	<u>                    </u>	<u>                    </u>
<b>Non-executive directors' fees</b>	39,000	33,150
	<u>                    </u>	<u>                    </u>
Emoluments (including employers NIC) paid to key management personnel which is the directors and the leadership team	1,239,631	1,233,911
	<u>                    </u>	<u>                    </u>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**19. Related party transactions (continued)**

**Hub South East Territory**

SFTi holds 10% of the share capital of hub South East Scotland Limited and the various special purpose project companies within this territory which are detailed in note 11a.

A Senior Associate Director of SFT, is a non-executive director of hub South East Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them. Details of material transactions with these joint ventures are included below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	3,870,519	3,899,769
Trade and other receivables – accrued interest income	749,395	696,690
Trade and other receivables – hub director fees	2,056	1,995
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	3,427	3,328
Other income – Interest income	387,977	364,513
	<u>                    </u>	<u>                    </u>

**Hub North Scotland Territory**

SFTi holds 10% of the share capital of hub North Scotland Limited and the various special purpose project companies within this territory which are detailed in note 11a.

A Senior Associate Director of SFT, is a non-executive director of hub North Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them. Details of material transactions with these joint ventures are included below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	4,596,618	4,929,619
Trade and other receivables – accrued interest income	1,064,211	1,441,760
<b><u>Statement of Comprehensive Income</u></b>		
Other income – Interest income	549,789	563,644
	<u>                    </u>	<u>                    </u>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**19. Related party transactions (continued)**

**Hub East Central Scotland Territory**

SFTi holds 10% of the share capital of hub East Central Scotland Limited and the various special purpose project companies within this territory which are detailed in note 11a.

A Senior Associate Director of SFT, is a non-executive director of hub East Central Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them. Details of material transactions with these joint ventures are included below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	3,186,779	3,390,690
<b><u>Statement of Comprehensive Income</u></b>		
Other income – interest income	339,070	339,883
Other income – dividend income	119,963	-
	<u>                    </u>	<u>                    </u>

**Hub West Scotland Territory**

SFTi holds 10% of the share capital of hub West Scotland Limited and the various special purpose project companies within this territory which are detailed in note 11a.

A Senior Associate Director of SFT, is a non-executive director of hub West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them. Details of material transactions with these joint ventures are included below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – working capital loans	64,000*	100,000
Financial assets – subordinated debt	1,477,626	1,369,658
Trade and other receivables – accrued interest income	312,268	257,342
<b><u>Statement of Comprehensive Income</u></b>		
Other income – interest income (including working capital loan interest)	156,943	131,428
Expected credit loss provision (See Note 11)	36,000	-
	<u>                    </u>	<u>                    </u>

**\*Includes £36,000 expected credit loss provision.**



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**19. Related party transactions (continued)**

**Hub South West Scotland Territory**

SFTi holds 10% of the share capital of hub South West Scotland Limited and the various special purpose project companies within this territory which are detailed in note 11a.

A Senior Associate Director of SFT, is a non-executive director of hub South West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them. Details of material transactions with these joint ventures are included below:

	<b>2020</b>	<b>2019</b>
	£	£
<b><u>Statement of Financial Position</u></b>		
Financial assets – working capital loans	100,000	100,000
Financial assets- subordinated debt	2,785,005	2,765,487
Trade and other receivables – accrued interest income	178,705	181,387
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	11,637	11,286
Other income – interest income (including working capital loan interest)	259,029	217,589
Other income - dividends	23,988	-
	<u>                    </u>	<u>                    </u>

**LAR Housing Trust**

LAR Housing Trust was incorporated as a Scottish Charitable Incorporated Organisations (“SCIO”) on 25 April 2014 to assist in the provision of mid market rent housing. SFTi has the right to appoint a Partner Trustee to the organisation who is one of six Trustees – four being Independent Trustees and one an Executive Trustee. A Senior Associate Director of SFT is currently SFTi’s nominated Trustee. There were no financial transactions between SFTi and LAR.

**The Edinburgh Homes Delivery Partnership**

The Edinburgh Homes Delivery Partnership is a joint venture between City of Edinburgh Council and SFTi to create two LLPs for the delivery of mid-market and market rent accommodation. SFTi does not have joint control or significant influence over either joint venture as SFTi is merely an investor in these joint ventures.

**The East Lothian Housing Delivery Partnership**

The East Lothian Housing Delivery Partnership is a joint venture between East Lothian Council and SFTi to create an LLP for the delivery of mid-market and market rent accommodation. SFTi does not have joint control or significant influence over the joint venture as SFTi is merely an investor in this joint venture.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**19. Related party transactions (continued)**

**Hub Community Foundation**

The Hub Community Foundation was incorporated as a Scottish Charitable Incorporated Organisation (“SCIO”) on 10 December 2015 to assist in the delivery of community benefits through the hub programme and to provide finance to specific projects delivered by the hub programme. SFTi has the right to appoint a Partner Trustee to the organisation who is one of five Trustees – three being Independent Trustees and one Trustee representing the Private Sector Development Partners. A Senior Associate Director of SFT is currently SFTi’s nominated Trustee. There were no financial transactions between SFT and Hub Community Foundation or its fully owned subsidiary, HCF Investments Limited.

**20. Financial Instruments**

The Group’s financial instruments comprise of cash resources which arise directly from its operations and repayable grant from the Scottish Government, subordinated debt issued to hub companies and working capital loans made to hub companies. The Group has not entered into derivatives transactions. Each of the main risk exposures related to financial instruments are considered below.

**Interest rate risk**

As the Group has no borrowings subject to interest or significant amounts of cash on deposit, for significant periods of time, it has no significant exposure to interest rate risk. Interest rates in respect of subordinated debt investment and working capital loans are fixed.

**Credit Risk**

The Group does not have a significant concentration of credit risk. Bank deposits are held with major national banks and the principal funder is the Scottish Government.

**Liquidity Risk**

The Group operates within a budget agreed with the Scottish Government and as such liquidity is not seen as a major risk area.

**Fair value of financial assets and liabilities**

The directors consider that there is no significant difference between the book value and fair value of the Company’s financial assets and liabilities except for equity investments in hub projects whose fair value is estimated to be £524,785 as at 31 March 2020 (£687,160 as at 31 March 2019), as disclosed in Note 11, compared with a historic cost of £923 (2018/19: £923). The reduction of £162,375 between 2018/19 and 2019/20 can be seen in the Statement of Comprehensive Income.

**21. Ultimate Controlling Party**

The Company is wholly-owned by the Scottish Ministers.

**22. Contingent asset**

The Company became an admitted body of the Lothian Pension Fund on 1 May 2009. A Deed of Guarantee and Indemnity exists with Scottish Ministers whereby any default by the Company of monies owed to the Fund will be met by Scottish Ministers.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**OFFICERS AND PROFESSIONAL ADVISORS**

**Directors**

**Ian Russell** (Chairman)

**Peter Reekie** (Executive Director)

**Ann Allen** (Non-executive Director)

**Ann Faulds** (Non-executive Director)

**Bill Matthews** (Non-executive Director)

**Pauline Mills** (Non-executive Director)

**Graham Watson** (Non-executive Director)

**Chief Executive**

Peter Reekie

**Registered Office & Principal Place of Business**

11-15 Thistle Street

Edinburgh

EH2 1DF

**Registered Company Number**

SC348382

**Auditor**

**Azets Audit Services**

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

**Bankers**

**The Royal Bank of Scotland plc**

36 St Andrews Square

Edinburgh

EH2 2YB

**Website**

[www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk)