MINUTES

Meeting of:	Scottish Futures Trust Investments Limited – Board
Date & Time:	Monday 19 March 2018, 1.30pm
Place:	11-15 Thistle Street, Edinburgh
Present:	Ian Russell (IR) (Chairman) Carolyn Dwyer (CD) Fiona Mackenzie (FM) Ann Faulds (AF) Graham Watson (GW) Peter Reekie (PR)
In attendance:	Nial Gemmell (NG) Vivienne Cockburn (VC) (part meeting) Liz Petrie (minutes)

1 APOLOGIES & DECLARATION OF DIRECTORS' INTERESTS

There were no apologies nor new declarations of interest.

2 MINUTE OF PREVIOUS MEETINGS AND MATTERS ARISING

The Board approved the minutes of the meetings of 09 October 2017 and 29 January 2018 as correct records.

3 INVESTMENT PERFORMANCE AND PIPELINE

The Board noted the report reviewing the Company's performance for the financial year ending 31 March 2018 and the pipeline of projects for the coming year.

NG presented the new format of the report, listing risks relating to hub investments and mitigants together with a dashboard summarising portfolio performance.

The Board discussed the report in particular the high risk highlighted of contractor insolvency. It was noted that financial analysis on the main tier one contractor is carried out prior to investment including forward analysis and market scrutiny and acknowledged that audited annual accounts cannot be relied on as a sole basis for financial assessment.

[redacted]

The Board reviewed the hub investments planned for the forthcoming 6 months to 30 September 2018, showing the maximum potential subordinated debt investments by the

Company. It was noted that it is assumed that the Company will continue to invest a minimum of 10% of the subdebt.

The Board reviewed the pipeline of 5 investments to December 2018 and requested that the tier 1 contractor and senior funder for two of the projects be confirmed prior to giving approval in principle.

The Board approved in principle the proposed subdebt investments for the period to 30 September 2018 as laid out in Annex A and noted that appropriate meetings of the Investment Committee would be scheduled in accordance with the scheme of delegation approved at the Board meeting of 20 August 2013.

It was agreed that the revised format of the report provided a robust and methodical monitoring tool. It was agreed that emerging risks should be reported to directors by exception between board meetings and PR was asked to consider if this could be carried out through the Chief Executive's report at the main SFT board.

PR to consider reporting by exception between meetings.

The Board further noted that new accounting standards in relation to how investments are reported in the annual accounts is currently under discussion. This will include reporting on an expected credit loss and how we value our equity investments. The impact of the change in accounting policy will require to be disclosed in the 17/18 accounts and applied in the 18/19 accounts.

4 DIVIDEND PAYMENT

The Board noted the report outlining factors leading to a high level of retained earnings in SFTi and the SFT Group balance sheet and the proposal that the Company pay a dividend of a proportion of the Company's retained earnings relating to the profit on investing activities to SFT.

VC outlined that the proposed dividend would ensure that retained earning within both the Company and SFT Group balance sheets relate primarily to capital grant income received from Scottish Government for investing activities rather than appearing as unutilised profits. VC further explained the impact of the proposed dividend on both the Company's and the Group's accounts.

The Board discussed the proposal, noting the build up in retained reserves since 2011 from which no dividend had been paid. After discussion the Board agreed to pay a dividend to SFT relating only to the current year's operating profit. The Board approved a dividend of £590,000 approximating to the current year's operating profit forecast as £0.58m.

5 **AOB**

The Board noted that three National Housing Trust LLPs have been wound up reducing the Company's investment in the programme to £26.