

Annual Report and Financial Statements

Year ended 31 March 2024

SC381388

SCOTTISH
FUTURES
TRUST
investments

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

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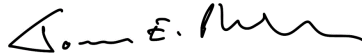
CHAIR'S STATEMENT

I took over as Chair of Scottish Futures Trust investments (SFTi) and Scottish Futures Trust from Ian Russell CBE, after being appointed by Scottish Government in April 2024. During Ian's seven years as Chair, SFT successfully completed its investment in the hub Design, Build, Finance and Maintain (DBFM) programme. The Board and I are extremely grateful for his stewardship during his tenure.

The purpose of SFTi, which is a wholly owned subsidiary of Scottish Futures Trust Limited (SFT), is to make and hold long-term investments in revenue-funded DBFM community infrastructure projects delivered through the SFT-managed hub Programme as well as in SFT's National Housing Trust programme and Housing Delivery Partnerships, with returns on investment contributing significantly to SFT's income stream.

In total, SFTi has invested £16.5m in 41 hub DBFM projects. The company made a profit before tax and fair value movements of £1.1m (22/23 £1.2m) which the Board considers to be an important financial indicator for SFTi given our intention to hold all DBFM investments to maturity.

In my role as the new Chair, I am very much looking forward to working with fellow Board members to drive value and improved outcomes from our investments over the coming years.



Joe Philipsz
Chair

Date: 2/9/2024

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STRATEGIC REPORT

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

Principal Activity

SFTi is a wholly owned subsidiary of SFT, and its sole activity is to act as an investment company. The Company has no employees or other operations. Investments made by SFTi are managed by its directors. SFT staff and an externally appointed director represent the SFTi directors on the boards of companies in which SFTi invests, and also provide finance, governance and other corporate services to SFTi. SFTi pays SFT a management charge for providing this service.

Strategy

SFTi's strategy is to invest in companies to support the long-term development of infrastructure in Scotland. To date, this has been mainly focused upon investing funds provided by the Scottish Government as equity and subordinated debt into Design, Build, Finance and Maintain (DBFM) projects in the SFT managed hub programme. Returns from these investments deliver cash income to the SFT Group and these returns will be used to support the operations of the Group.

SFTi also invests small amounts in Housing LLPs to support the development of affordable and mid-market housing in Scotland.

Together with our parent company we are fully committed to cutting greenhouse gas emissions. Whilst climate change has minimal direct impact on SFTi we strive to ensure that sustainability issues are addressed both in our own operations and in conjunction with those businesses we support. Our parent company's sustainability report for 2023/24 can be viewed on SFT's website. In addition, every three years our parent company publishes a Biodiversity Report which describes our impact in that area for the previous three years. Our latest report published in January 2024 is for the period January 2021 to December 2023 and is on our website here [SFT 2021-23 Biodiversity Report](#).

Business Review

Overall Results

The results for the year are shown on page 13 in the Statement of Comprehensive Income. Income consists mainly of investment returns from the 41 projects SFTi is invested in. Further details on amounts received are provided within Note 5 and on operating expenditure within Note 6. Profit on ordinary activities before taxation but after fair value movement on subordinated debt was £1.2m, which resulted in a tax charge of £312k.

The Company generated a healthy return from its investment portfolio before tax and fair value movements of £1.1m (2023: £1.2m). Returns are transferred, as appropriate, to the parent company via dividend and applied to help fund its activities. In the current year, dividends of £695k were distributed by SFTi to SFT. The Directors intend to hold the equity and subordinated debt investments to maturity and not crystallise any fair value gains or losses. They therefore consider the return before fair value movements to be an important financial indicator for the Company

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The net assets on page 14 in the Statement of Financial Position have increased by £0.4m from £22.4m as at 31 March 2023 to £22.8m as at 31 March 2024. The main reason for this is due to the increase in fair value of both subordinated debt investments of £168k less repayments of principal in the year of £84k and the increase in fair value of equity investments of £146k as detailed below. Cash reserves have also increased by £0.9m in the year.

Hub DBFM Project Investments

In line with guidance contained within IFRS9 and the terms of the subordinated debt instruments entered into, we consider the subordinated debt to be a contractually linked instrument which does not meet all of the SPPI (solely payments of principal and interest) cashflow characteristic tests, and it is therefore deemed appropriate that these instruments are held at fair value through profit or loss.

As of 31 March 2024 the subordinated debt estimated fair value was £18.3m compared to £18.2m as of 31 March 2023. The increase in fair value of £0.1m reflects the aggregate impact of: subordinated cashflows received during the year of £1.9m, movements in the subordinated debt forecasts by projects which resulted in a net increase of £0.1m in the fair value, an increase in fair value of £0.4m due to the decision taken to decrease the discount rate from 8.5% to 8.25% and the effect of discounting where SFTi is, in general, one year closer to receiving the subordinated debt cashflows which increased the fair value by £1.5m.

In line with IFRS9, equity investments are held at fair value based upon the forecast dividend returns.

As of 31 March 2024 their estimated fair value was £1.2m compared to £1.1m as of 31 March 2023. The increase in fair value of £146k (2023 £63k loss) reflects the aggregate impact of: project dividends received in the year which decreased the fair value by £3k, movements in the dividends forecast by projects which resulted in a net increase of £12k in the fair value, an increase in fair value of £41k due to the decision taken to decrease the discount rate from 8.5% to 8.25% and the effect of discounting where SFTi is, in general, one year closer to receiving dividend income which increased the fair value by £96k.

In line with IFRS9, the movement in the fair value of equity investments is shown below the net profit figure, under other comprehensive income.

Housing Investments

In addition to hub DBFM projects, SFTi also invests in Limited Liability Partnerships (LLPs) under the Housing Delivery Partnership (HDP) programme, which aims to increase the supply of affordable housing in conjunction with Local Authority partners. SFTi also remains invested in the National Housing Trust (NHT) programme.

Together, the NHT and HDP programmes have 13 LLPs in place across the country with an equity valuation of £13, 5 of which, as at 31 March 2024, are fully operational, 1 is dormant, 2 are in liquidation and the remaining 5 no longer own homes and will be wound up in the future.

The NHT and HDP LLP investments are not anticipated to make material financial returns to the Company.

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Risks and Mitigation

The most significant financial risk to the Company is investment performance on its DBFM investments. For financial year 2023/24, the main risks to investment performance were macro-economic factors such as inflation and corporation tax.

The DBFM companies' facilities management partners have continued to perform well during the financial year. At 31st March 2024 one project (Dalbeattie) had distributions withheld due to the lender's position on an ongoing performance matter. The effect on the valuation as at 31st March 2024 of this withheld distribution, was negligible. All other DBFM projects have made distributions as forecast during the year.

Factors that may affect future DBFM dividend returns and valuation of equity, are inflation, underlying interest rates and tax charges. As of April 2023 the corporation tax for companies generating taxable profits of more than £250,000 (with marginal rates being applied at various profit bandings) is 25%. Due to the tax rate being higher than originally forecast at contract close, some projects are forecasting re-profiling of future subordinated debt repayments, however, it is noted that these profiles may change further with future changes in macro economic factors and currently the portfolio is making returns as anticipated. The DBFM companies pay a fixed interest rate on senior and subordinated debt, however, the underlying interest rate impacts interest received for cash on deposit and the discount rate applied to calculate the investment valuations. Regarding inflation, the unitary charge payable by procuring authorities is structured in such a way to ensure the project is robust to upward and downward movements in RPI. Actual and future tax, interest rate and inflation assumptions for all project investments require to be agreed every 6 months with senior lenders and the current valuation is based on agreed senior lender assumptions.

The investment risk is mitigated by:

- a SFTi representative on the Board of each territory hub Company, which gives clear visibility of investment pipeline and delivery capabilities. Previously this person was an employee but is now a an externally appointed director appointed by SFTi;
- investing through a well understood and closely controlled Design, Build, Finance and Maintain contract structure, which passes significant risk to sub-contractors outwith the investment vehicle; and
- close operational management of investments by the relevant SFT staff member (and his/her alternates), who is a director of the special purpose vehicle (SPV) companies established to deliver each project.
- use of a Portfolio Monitoring Model which records the payment profiles for both dividends and subordinated debt for each DBFM project based on the original financial close model and the operational models. An independent commercial review of the model is undertaken annually by an external party for purpose of identifying potential financial risks within the portfolio of projects.

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Both DBFM and housing investments carry reputational risk, particularly around the relationship with partners and the lack of direct control by SFTi.

As an investment company SFTi does not maintain separate non-financial key performance indicators.

Going Concern and viability statement

The directors believe it is appropriate for the SFTi Financial Statements to adopt the going concern basis of accounting. This is based on the investments held and related income streams which are expected to generate income for a period in excess of 20 years.

As such, the directors have reviewed the sensitivities and reverse stress test to the end of March 2026 and believe SFTi 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.

Future Plans

SFTi will continue to invest, as the opportunities arise and as funding allows, in SPV companies which support the development of infrastructure in areas such as housing, schools and other community or economic infrastructure projects. There will be no further investments made in hub DBFM projects as that financed investment programme has come to an end.

For housing, we will continue to work with partners to achieve positive exit strategies from the National Housing Trust LLPs, which will eventually decrease to nil over the next few years. Existing Housing Delivery Partnership LLPs will continue to invest in new homes, and we will continue to look for opportunities to establish more instances of this structure with local authorities. We continue to pursue other innovative finance and delivery approaches to housing investment. However, this will also be affected by the wider context of uncertain investment appetite due to the wider fiscal, economic and regulatory environment.

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



Peter Reekie
Executive Director

Date: 2/9/2024

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DIRECTORS' REPORT

Directors

The business review of the Company 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 (resigned 11 April 2024)
Joe Philipsz	Chairman (appointed 11 April 2024)
Peter Reekie	Executive Director
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director
Stella Matko	Non-Executive Director
Nick Rowan	Non-Executive Director
Stephen Slessor	Non-Executive Director

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

Statement of 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 year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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The directors confirm that:¹

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

Post balance sheet events


There are no post balance sheet events requiring disclosure.

Auditor and AGM

The Auditor General for Scotland appointed Grant Thornton as SFT's external auditor for the five year period from 2022/23 to 2026/2027 and accordingly, the directors of SFTi appointed Grant Thornton as the Company's auditor for 2022/23 and 2023/24. The fee for this service for 2023/24 was £54,900 including VAT (2022/23: £90,000), which related solely to the provision of the statutory audit service.

The Company 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 Company's sole shareholder, Scottish Futures Trust and its sole shareholder, the Scottish Government, occur on a regular basis.

On behalf of the Board:



Peter Reekie
Executive Director

Date: 2/9/2024

¹ This statement is required by section 418, Companies Act 2006. It is included in the Directors' Responsibility Statement if it is not included elsewhere in the annual report and accounts.

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

Opinion

We have audited the financial statements of Scottish Futures Trust Investments Limited (the 'company') for the year ended 31 March 2024, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, and Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements 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 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the high inflationary environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. 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 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.

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

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 annual 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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.

Opinions on other matters prescribed by 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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

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Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 6, 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 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 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We have obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and industry in which it operates through our general commercial and sector experience and discussions with management. We determined the following laws and regulations were most significant: International Financial Reporting Standards and the Companies Act 2006;
- We have enquired with management as to any instances of non-compliance with any of the applicable laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We have assessed the susceptibility of the financial statements to material misstatement, including how fraud may occur:
 - Identifying and testing journal entries, with a focus on large or unusual journals, considered by the engagement team to carry a higher risk of fraud;
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the following:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
 - Knowledge and experience of the industry in which the client operates; and

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

- Understanding of the requirements of IFRS, the Companies Act 2006 and the application of the legal and regulatory requirements to the Company
- In assessing the potential risk of material misstatement, we have obtained an understanding of:
 - The Company's operations, including the nature of its income sources, to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 company's members, 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 company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Lorraine Macphail
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
2/9/2024

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024	2023
		£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
		<u>-</u>	<u>-</u>
Gross Profit		<u>-</u>	<u>-</u>
Other income	5	1,787,644	1,844,723
Operating expenditure	6	(534,744)	(3,536,102)
		<u>1,252,900</u>	<u>(1,691,379)</u>
Profit/(loss) on ordinary activities before taxation		1,252,900	(1,691,379)
Tax (charge)/credit on profit/(loss) on ordinary activities	7	(312,360)	431,676
		<u>940,540</u>	<u>(1,259,703)</u>
Net profit/(loss) for the year		940,540	(1,259,703)
Other comprehensive income			
Gain/(loss) on fair value of equity investments	8a	146,306	(63,290)
		<u>146,306</u>	<u>(63,290)</u>
Other comprehensive income for the year		146,306	(63,290)
Total comprehensive profit/(loss) for the year		<u>1,086,846</u>	<u>(1,322,993)</u>
Attributable to Equity holder of the Company		<u>1,086,846</u>	<u>(1,322,993)</u>

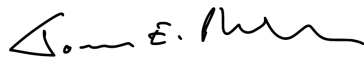
The accompanying notes form an integral part of these financial statements

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024	2023
		£	£
ASSETS			
Non-current assets			
Investments - share capital (equity)	8a	1,260,355	1,114,055
Investments - working capital loans	8b	62,688	120,588
Investments - subordinated debt	8c	18,249,833	18,166,599
Trade and other receivables in more than one year	9	1,542,393	1,679,747
		<u>21,115,269</u>	<u>21,080,989</u>
Current assets			
Trade and other receivables in less than one year	9	528,793	797,848
Investments - working capital loans	8b	60,000	10,000
Cash and cash equivalents	10	2,064,989	1,152,338
		<u>2,653,782</u>	<u>1,960,186</u>
Current liabilities			
Trade and other payables	11	(86,426)	(400)
Current tax liabilities	7	(357,531)	(249,264)
		<u>(443,957)</u>	<u>(249,664)</u>
Net current assets		2,209,825	1,710,522
Non-current liabilities			
Deferred taxation provision	7	(579,812)	(438,075)
		<u>(579,812)</u>	<u>(438,075)</u>
Net assets		<u>22,745,282</u>	<u>22,353,436</u>
Equity			
Called up share capital	12	1	1
Retained earnings	12	2,692,229	2,582,983
Other reserve – Tranche 1	12	5,308,627	5,340,071
Other reserve – Tranche 2	12	10,674,708	10,674,708
Fair value reserve	12	4,069,717	3,755,673
		<u>22,745,282</u>	<u>22,353,436</u>
Total shareholder's funds		<u>22,745,282</u>	<u>22,353,436</u>

These financial statements were approved by the Board of Directors on 2/9/2024 and authorised for issue on its behalf by:


Joe Philipsz
Chair


Peter Reekie
Executive Director

Registered Company Number: SC381388

The accompanying notes form an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY

As at 31 March 2024 and 31 March 2023	Share Capital	Retained Earnings	Other Reserve – Tranche 1	Other Reserve – Tranche 2	Fair Value Reserve	Total
	£	£	£	£	£	£
At 1 April 2023	1	2,582,983	5,340,071	10,674,708	3,755,673	22,353,436
Total comprehensive income for the year	-	1,086,846	-	-	-	1,086,846
Dividend paid	-	(695,000)	-	-	-	(695,000)
Transfer between reserves	-	(282,600)	(31,444)	-	314,044	-
At 31 March 2024	1	2,692,229	5,308,627	10,674,708	4,069,717	22,745,282
At 1 April 2022- restated	1	1,658,091	5,375,204	10,736,986	6,729,425	24,499,707
Total comprehensive loss for the year	-	(1,322,993)	-	-	-	(1,322,993)
Dividend paid	-	(761,000)	-	(62,278)	-	(823,278)
Transfer between reserves	-	3,008,885	(35,133)	-	(2,973,752)	-
At 31 March 2023	1	2,582,983	5,340,071	10,674,708	3,755,673	22,353,436

Other Reserve – Tranche 1 is funding received pre 2015 from SFT to fund capital investments.

Other Reserve – Tranche 2 is funding received post 2015 from SFT to fund capital investments.

The accompanying notes form an integral part of these financial statements

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024	2023
Cash flows from operating activities		£	£
Profit/(loss) on ordinary activities before taxation		1,252,900	(1,691,379)
Expected credit loss provision	6	(2,100)	(4,026)
(Gain)/loss on fair value of sub debt	8c	(167,738)	2,910,462
Decrease in trade and other receivables	9	406,409	90,861
Increase/(decrease) in trade and other payables	11	86,026	(550,102)
		<hr/>	<hr/>
Net cash generated from operating activities		1,575,497	755,816
Corporation tax paid	7	(62,356)	(242,371)
Cash flows from investing activities			
Dividend paid		(695,000)	(823,278)
Disposal of LLPs	8a	6	-
Repayment of subordinated debt	8c	84,504	158,385
Repayment of working capital loan	8b	10,000	60,000
		<hr/>	<hr/>
Net cash (used) in investing activities		(600,490)	(604,893)
		<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents		912,651	(91,448)
Cash and cash equivalents at beginning of year	10	1,152,338	1,243,786
		<hr/>	<hr/>
Cash and cash equivalents at end of year	10	2,064,989	1,152,338
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. Basis of Preparation and Accounting Policies

The financial statements of Scottish Futures Trust Investments Limited have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards and IFRIC interpretations. The financial statements are presented in British Pounds since this is the functional currency of the Company.

Scottish Futures Trust Investments Limited is a Company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Thistle House, Fourth Floor, 91 Haymarket Terrace, Edinburgh, EH12 5HE

The report is prepared on an accruals basis and is based on historical costs. It does not take into account changing money values or, except where specifically stated (for example equity and sub debt 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.

The following significant accounting policies 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 Company will continue to receive the forecast income due from its investment activities. This is based on detailed models of investments held and related income streams which are expected to generate income for a period in excess of 20 years. Consequently, in managing this capital, the Company 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. As such, the directors have reviewed the sensitivities and reverse stress test to the end of March 2026 and believe SFTi 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.

Share capital

The ordinary share capital of SFTi is classified as equity.

Other Reserve – Tranche 1

This reserve is funding received from SFT which was used to fund investments.

Other Reserve – Tranche 2

This reserve is funding from SFT which was also used to fund investments.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

Financial Instruments

Classification, recognition and measurement

The Company classifies its financial assets as investments, loans and receivables. Management determines the classification of its financial assets at initial recognition.

Investments

Equity investments are investments by SFTi in hub companies, DBFM SPV companies and limited liability partnerships. An irrevocable election has been made to recognise the fair value movements on equity investments in DBFM SPV companies through Other Comprehensive Income. Subordinated debt investments are investments by SFTi in subordinated debt loans to DBFM SPV companies. Fair value movements on subordinated debt investments are recognised through the Statement of Comprehensive Income (SOCi) within operating expenditure. SFTi has no intention of disposing of these hub investments.

Equity investments in the five hub companies and the limited liability partnerships are held at amortised cost as these investments do not generate a financial return for SFTi and therefore cost is deemed to reflect the fair value of the equity. SFTi has no intention of disposing of the hub investments.

Investments in working capital loans are held at amortised cost.

Impairment

The Company reviews its working capital loans to hub West and hub South West, for impairment. Analysis is undertaken on expected future hub company cash flows, with a downside sensitivity scenario being applied to calculate the expected credit loss allowance.

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 derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Cash and Cash Equivalents

In the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash. SFTi does not hold any of these.

Trade and other Payables

Trade payables are obligations to pay for goods and 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.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

Income

Income comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognises income when the amount of income can be reliably measured, and it is probable that future economic benefits will flow to the Company.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company 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.

Capital Grants for investments

Prior to 2015, SFT provided capital contributions to SFTi to fund investments. These amounts are held in Other Reserve – Tranche 1.

Post 2015, funding provided from SFT was also used to fund investments. This is treated as a capital contribution from SFT. These amounts are held in Other Reserve – Tranche 2.

Taxation

The tax (expense)/credit for the year comprises current and deferred tax. Tax is recognised in the income statement.

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 Statement of Financial Position date.

Dividends

Dividends approved by the Board during the year are recognised within the intergroup balance if not paid by the year end.

2. New and Amended Standards Adopted by the Company

No new or amended IFRSs had a material impact on the 2023/24 financial statements.

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

Guidance in Issue but not in Force – EU or UK Endorsed

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

Guidance in Issue but not in Force – not EU or UK Endorsed

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

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements under IFRS requires the Company 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 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:

Fair value of investments

SFTi holds equity and subordinated debt 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 13, the income valuation approach is used to value these investments. Under this approach, future subordinated debt and equity investment cashflows are discounted to a fair value which reflects current market expectations. Therefore the value of the investments increase or decrease each year and related gains or losses are recognised in line with market movements.

Under IFRS 13, financial instruments are categorised within the fair value hierarchy between:

- Level 1 where quoted market prices from an active market are available;
- Level 2 where the valuation incorporates inputs that are observable from transactions in an active market; and
- Level 3 where the valuation incorporates inputs that are not based on observable market data (unobservable inputs).

As SFTi has not sold any of the investments in the year and there are not any quoted market prices for the sale of hub DBFM assets, the fair value calculations are classed as level 3 within the fair value hierarchy.

Subordinated debt:

Subordinated debt investments are recognised in the Statement of Financial Position at fair value with movements in fair value recognised through the operating profit/loss in the Statement of Comprehensive Income.

As the fair value of the investments is calculated by discounting future subordinated debt cashflows from the investments. The main drivers of the valuations are therefore:

- i) Expected future cashflows from investments; and
- ii) The discount rate applied to the cashflows.

i) Expected future cashflows are taken from operating models provided by the SPVs which indicate the latest profile of forecast investment cashflows. There is a degree of uncertainty in terms of the amount and timing of cashflows as the underlying investments are exposed to risks in some macro-economic changes, for example tax rates, and in relation to deductions that may be incurred for

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

underperformance. The cashflows are updated by the SPVs for actual figures periodically and are reviewed by senior debt providers and as such, provide the most reliable estimate of future cashflows. SFT also appoints a Director to each of these companies providing reassurance regarding the reasonableness of the cash flow forecasts.

ii) As SFTi has not sold any of the investments in the year and there are not any quoted market prices for the sale of hub DBFM assets, judgement has to be applied to determine an appropriate discount rate. The fair value of the cashflows is measured at the reporting date by discounting the future value of the cashflows. A discount rate of 8.25% (2023: 8.5%) has been used, which reflects an assessment of the risk profile of the various concessions and current market conditions. This has resulted in a gain through the operating profit in the year of £168k (2023: £2.9m loss). A 1% increase in the discount rate would result in a decrease in the value of the subordinated debt investments of approximately £1.5m (2023: £1.5m). A 1% decrease in the discount rate would result in an increase in the value of the subordinated debt investments of approximately £1.7m (2023: £1.7m).

Equity:

On transition to IFRS 9, an irrevocable election was taken to recognise the equity investments at fair value through other comprehensive income. Gains/losses are recognised through Other Comprehensive Income and the Fair value reserve.

It was deemed appropriate, with the change to the subordinated debt valuation methodology in the prior year to apply the same 'market' discount rate to the equity investments in respect of the fair value of these investments (8.25% for 2024 and 8.5% for 2023). This has resulted in a gain through other comprehensive income in the year of £146k (2023: £63k loss). A 1% increase in the discount rate would result in a decrease in the value of equity investments of approximately £156k (2023: £144k). A 1% decrease in the discount rate would result in an increase in the value of equity investments of approximately £185k (2023: £173k).

It is deemed appropriate that for the purposes of the fair value of equity calculations, dividends are not recognised for the five sub-hub project companies (Forres Woodside Tain, Alford Campus, Aberdeen Community Health, James Gillespie's High School, and NHS Lanarkshire Health bundle) since it is noted that the decision to distribute dividends is at the discretion of the directors of the hub companies and subject to hub company reserves.

Equity held in the hub companies and housing LLPs are still held at cost as these investments do not generate a financial return for SFTi and therefore cost is deemed to reflect the fair value of the equity.

Expected Credit Loss

SFTi holds working capital loans in two hubcos. The working capital loans provided to the hubCos are held at cost and reviewed annually to establish if an expected credit loss is required. This analysis is based on a judgment of the hubCos' business and the likelihood of a default on part of the working capital loan based upon a range of scenarios. As at 31 March 2024 a provision of £5k (2023: £7k) for hub West was required and nil was required for hub South West.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
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5. Other income

	2024	2023
	£	£
Interest income from:		
Subordinated debt (note 8c)	1,759,920	1,789,284
Working capital loan interest	2,193	2,437
Bank interest	3,487	1,132
Other income – directors’ fees	18,584	16,670
Other income - dividends (from equity investments)	3,460	35,200
	<u>1,787,644</u>	<u>1,844,723</u>

6. Operating expenditure

	2024	2023
	£	£
Profit before taxation is stated after charging:		
Management fee payable to SFT (includes SFTi audit fee recharged in 2023)	613,733	629,621
Audit fee (included within management fee in 2023)	54,900	-
Bank charges	74	45
Interest on late payment of corporation tax	35,875	-
Expected credit loss provision movement (see note 8b)	(2,100)	(4,026)
(Gain)/loss on fair value of sub debt investments	(167,738)	2,910,462
	<u>534,744</u>	<u>3,536,102</u>

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
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7. Taxation

	2024	2023
	£	£
Profit/(loss) on ordinary activities before tax	1,252,900	(1,691,379)
Less: dividends not subject to tax	(3,460)	(35,200)
	<u>1,249,440</u>	<u>(1,726,579)</u>
Taxable profit/(loss)	1,249,440	(1,726,579)
Corporation tax charge @ 25% (2022/23 (credit): @ 19%)	312,360	(328,050)
Over provision in previous year	-	(31)
Remeasurement of deferred tax for changes in tax rates	-	(103,595)
	<u>312,360</u>	<u>(431,676)</u>
Corporation tax charge/(credit) in statement of comprehensive income	312,360	(431,676)
Corporation tax creditor in 2024 (per above)	312,360	-
Timing differences not recognised in the above calculation	(141,737)	-
	<u>170,623</u>	<u>-</u>
Corporation tax creditor in 2024 after timing differences	170,623	-
Under provision in 2022	-	62,483
Under provision in prior years	186,908	186,781
	<u>357,531</u>	<u>249,264</u>
Deferred tax provision		
Balance as at 1 April	438,075	869,720
Losses and short term timing differences	141,737	(431,645)
	<u>579,812</u>	<u>438,075</u>

Reconciliation of tax charge/(credit) is made up as follows:

	2024	2023
	£	£
Over provision in previous year	-	(31)
Current tax charge for the year	312,360	-
Movement in deferred tax relating to IFRS9 charges	(141,737)	(144,954)
Deferred tax on unutilised tax losses arising	141,737	(286,691)
	<u>312,360</u>	<u>(431,676)</u>

The corporation tax charge/(credit) is in respect of the profit/loss generated as a result of the interest on working capital loans and sub-ordinated debt plus any fair value movement on sub-ordinated debt plus other income, exceeding/falling short of the administration expenses of the Company.

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
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8. Investments

Capital Management

In previous years, the Scottish Government has granted SFT capital funds which SFT has provided to SFTi as capital contributions for investment in share capital (equity) and subordinated debt in hub companies and special purpose vehicles and working capital in hub companies.

8. a) Investments – Share Capital (equity)

	2024	2023
	£	£
Fair Value:		
At beginning of year	1,114,055	1,177,345
Disposals	(6)	-
Gain/(loss) on revaluation	146,306	(63,290)
	<u>1,260,355</u>	<u>1,114,055</u>
At 31 March 2024 (see note 8c for further details)	<u>1,260,355</u>	<u>1,114,055</u>

SFTi invested £nil (2023/24: £nil) in housing partnership LLPs during the current year and £nil in share capital of SPVs in connection with sub debt investments (2022/23: £nil). Five Housing LLPs were disposed of during 2023/24 and SFTi resigned from another one LLP during 23/24 (2022/23: none).

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

8. b) Investments - Working Capital Loans

	2024	2023
	£	£
Non-current assets		
Cost and Net book value		
At beginning of year	120,588	126,562
Transferred to current assets	(60,000)	(10,000)
Movement in expected credit loss provision	2,100	4,026
	<u>62,688</u>	<u>120,588</u>
At 31 March 2024	<u>62,688</u>	<u>120,588</u>
	2024	2023
	£	£
Current assets		
Cost and Net book value		
At beginning of year	10,000	60,000
Repaid in the year	(10,000)	(60,000)
Transferred from non-current assets (investments)	60,000	10,000
	<u>60,000</u>	<u>10,000</u>
At 31 March 2024	<u>60,000</u>	<u>10,000</u>

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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, initially to 16 November 2018, and then to 15 November 2021. The loan commitment was reduced by 50% to £50,000 with a new expiry date of 30 November 2024 on which date the full amount of the outstanding working capital facility shall be due and payable. All providers of working capital loans agreed to extend these facilities (at a 50% reduced commitment) 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 accrued semi-annually (on 31 December and 30 June) and added to the loan.

SFTi does not expect hub South West Scotland Limited to access the Working Capital Loan facility before expiry in November 2024 and the facility can be repaid therefore no expected credit loss is calculated for the year ended 31 March 2024.

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, initially to 31 December 2018, then to 31 March 2022 and to 31 March 2028. The most recent extension incorporated annual repayments of £10,000 to be made on 31st March each year (commencing 31st March 2022), with the remaining sums due being repaid in full on 31 March 2028. 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 annually on 31 March. The general credit loss provision was reduced to £6,900 as at March 2023 and has been further reduced to £4,800 as at 31 March 2024.

Working Capital Loans - Current Assets

£10,000 of the remaining working capital loan for hub West Scotland is to be repaid by 31 March 2025 and this amount has been treated as an investment current asset in the year ended 31 March 2024.

The loan principal to be repaid by hub South West Scotland has been treated as an Investment current asset in the year ended 31 March 2024 with interest receivable recognised within current debtors as it is to be repaid by 30 November 2024.

Working capital loans are held as financial assets – loans and receivables.

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8 c) Investments – Subordinated Debt

	2024	2023
Fair Value:	£	£
At beginning of year	18,166,599	21,235,446
Principal repaid in year	(84,504)	(158,385)
Gain/(loss) on revaluation	167,738	(2,910,462)
At 31 March 2024	<u>18,249,833</u>	<u>18,166,599</u>

During 2023/24, SFTi invested £nil (2022/23: £nil) as subordinated debt.

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, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub North territory							
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2039	£576,191 less £5,010 principal repaid totals £571,181	2024: £687,246 2023: £676,619	2024: £31 2023: £7,677	2024: £90,778 2023: £94,372	2024: £68,004 2023: £67,969	2024: £Nil 2023: £Nil
hub North Scotland (FWT) Ltd <i>(Forres/Tain/Woodside Health Centre Bundle)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption Date 2039	£133,884 less £22,640 principal repaid totals £111,244	2024: £129,373 2023: £128,120	2024: £29 2023: £12,204	2024: £2,584 2023: £14,721	2024: £12,368 2023: £12,332	2024: £Nil 2023: £Nil
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2040	£747,036 less £61,703 principal repaid totals £685,333	2024: £803,563 2023: £786,341	2024: £26 2023: £23	2024: £31,877 2023: £46,395	2024: £74,593 2023: £76,165	2024: £Nil 2023: £Nil
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan Interest Rate 10.2% Redemption date 2042	£1,568,509 less £198,001 principal repaid totals £1,370,508	2024: £1,500,583 2023: £1,613,434	2024: £24 2023: £813	2024: £350,206 2023: £467,853	2024: £177,674 2023: £179,160	2024: £Nil 2023: £Nil
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£342,962 less £30,040 principal repaid totals £312,922	2024: £387,602 2023: £379,906	2024: £20,682 2023: £17,908	2024: £74,735 2023: £76,945	2024: £39,777 2023: £39,928	2024: £Nil 2023: £3,142

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised coat value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub North territory							
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£253,654 less £71,832 principal repaid totals £181,822	2024: £230,752 2023: £225,670	2024: £14,373 2023: £13,222	2024: £69,702 2023: £71,283	2024: £25,835 2023: £25,884	2024: £Nil 2023: £1,203
hub North Scotland (O & C) Ltd <i>(Oban & Campbeltown High Schools)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£491,691 less £146,586 principal repaid totals £345,105	2024: £443,613 2023: £433,288	2024: £38,357 2023: £34,879	2024: £158,940 2023: £162,730	2024: £51,747 2023: £52,043	2024: £1,115 2023: £5,045
hub North Scotland <i>(New Academy – South of the City)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£321,672 less £8,238 principal repaid totals £313,434	2024: £384,907 2023: £378,898	2024: £21,762 2023: £19,110	2024: £71,957 2023: £64,192	2024: £38,532 2023: £38,791	2024: £71 2023: £6,633
hub North Scotland (I & F) Ltd <i>(Inverurie & Forresterhill Health Centres)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2044	£167,168 less £2,619 principal repaid totals £164,549	2024: £202,051 2023: £198,042	2024: £16,584 2023: £14,592	2024: £22,554 2023: £23,883	2024: £19,215 2023: £19,324	2024: £588 2023: £3,084
hub North Scotland (Inverurie Campus) Ltd <i>(Inverurie Community Campus)</i>	Fixed coupon unsecured loan Interest rate 2.45% during construction and 10.2% during operation Redemption date 2044	£470,061	2024: £545,913 2023: £533,717	2024: £12,000 2023: £3,308	2024: £58,001 2023: £87,347	2024: £51,664 2023: £61,501	2024: £Nil 2023: £Nil
hub North territory total		2024: £4,526,159 2023: £4,526,159	2024: £5,315,603 2023: £5,354,035	2024: £123,868 2023: £123,736	2024: £931,334 2023: £1,109,721	2024: £559,409 2023: £573,097	2024: £1,774 2023: £19,107

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
Hub South East territory							
James Gillespie’s Campus Subhub Holdings Ltd	Fixed coupon unsecured loan Interest rate 10.87% Redemption date 2041	£1,252,424 less £75,456 principal repaid totals £1,176,968	2024: £1,472,553 2023: £1,444,016	2024: £10 2023: £14,443	2024: £422,518 2023: £441,532	2024: £165,805 2023: £167,379	2024: £Nil 2023: £Nil
REH Phase 1 Subhub Holdings Ltd (Royal Edinburgh Hospital)	Fixed coupon unsecured loan Interest rate 2.48% during construction and 10.75% during operation Redemption date 2042	£410,685 less £4,867 principal repaid totals £405,818	2024: £504,632 2023: £497,642	2024: £23,664 2023: £16,551	2024: £40,613 2023: £42,069	2024: £45,697 2023: £45,708	2024: £Nil 2023: £Nil
Newbattle DBFM Holdco Ltd (Newbattle High School)	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2043	£310,265 less £7,154 principal repaid totals £303,111	2024: £373,243 2023: £367,095	2024: £29,636 2023: £22,909	2024: £38,286 2023: £38,784	2024: £33,965 2023: £34,096	2024: £Nil 2023: £Nil
KHS DBFM Holdco Ltd (Kelso High School)	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2042	£205,150 less £4,441 principal repaid totals £200,709	2024: £245,503 2023: £241,801	2024: £22,378 2023: £16,780	2024: £20,647 2023: £21,480	2024: £22,183 2023: £22,209	2024: £Nil 2023: £Nil
LBP DBFM Holdco Ltd (NHS Lothian Health Centre Bundle)	Fixed coupon unsecured loan Interest rate 3.37% during construction and 10.45% during operation Redemption date 2042	£243,750 less £9,859 principal repaid totals £233,891	2024: £282,620 2023: £278,476	2024: £30,436 2023: £24,299	2024: £22,730 2023: £24,100	2024: £25,555 2023: £25,641	2024: £Nil 2023: £Nil

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
Hub South East territory							
ELCH DBFM Holdco Ltd <i>(East Lothian Community Campus)</i>	Fixed coupon unsecured loan Interest rate 2.98% during construction and 10.45% during operation Redemption date 2044	£600,797 less £2,106 principal repaid totals £598,691	2024: £742,733 2023: £728,987	2024: £66,877 2023: £57,039	2024: £93,119 2023: £94,322	2024: £68,925 2023: £68,865	2024: £Nil 2023: £Nil
WCHS DBFM Holdco Ltd <i>(West Calder High School)</i>	Fixed coupon unsecured loan Interest rate 3.47% during construction and 10.45% during operation Redemption date 2043	£286,654 less £8,862 principal repaid totals £277,792	2024: £335,491 2023: £330,548	2024: £34,773 2023: £25,504	2024: £19,866 2023: £24,521	2024: £29,758 2023: £30,136	2024: £Nil 2023: £Nil
QHS DBFM Holdco Ltd <i>(Queensferry High School)</i>	Fixed coupon unsecured loan Interest rate 3.49% during construction and 10.3% during operation Redemption date 2045	£340,774 less £85 principal repaid totals £340,689	2024: £404,297 2023: £395,343	2024: £17,475 2023: £13,502	2024: £52,842 2023: £52,978	2024: £38,652 2023: £38,571	2024: £Nil 2023: £Nil
JICC DBFM Holdco Ltd <i>(Jedburgh Community Campus)</i>	Fixed coupon unsecured loan Interest rate 3.40% during construction and 10.3% during operation Redemption date 2045	£290,222 less £540 principal repaid totals £289,682	2024: £340,480 2023: £333,375	2024: £20,910 2023: £17,607	2024: £29,591 2023: £29,772	2024: £31,363 2023: £31,302	2024: £Nil 2023: £Nil
hub South East territory total		2024: £3,827,351 2023: £3,827,351	2024: £4,701,552 2023: £4,617,283	2024: £246,159 2023: £208,634	2024: £740,212 2023: £769,558	2024: £461,903 2023: £463,907	2024: £Nil 2023: £Nil

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub South West territory							
Hub SW NHSL Holdco Ltd (NHS Lanarkshire Health Centre Bundle)	Fixed coupon unsecured loan Interest rate 10.5% Redemption date 2040	£401,729 less £40,626 principal repaid totals £361,103	2024: £414,670 2023: £419,810	2024: £nil 2023: £38,920	2024: £19,010 2023: £19,343	2024: £38,195 2023: £38,937	2024: £Nil 2023: £Nil
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan Interest rate 2.33% during construction and 10.5% during operation Redemption date 2041	£298,253 less £22,126 principal repaid totals £276,127	2024: £320,120 2023: £323,830	2024: £27,379 2023: £19,576	2024: £14,536 2023: £14,738	2024: £29,218 2023: £29,688	2024: £Nil 2023: £1,693
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.78% during construction and 10.65% during operation Redemption date 2042	£506,610 less £5,876 principal repaid totals £500,734	2024: £618,134 2023: £608,653	2024: £30,742 2023: £25,207	2024: £26,737 2023: £26,599	2024: £53,480 2023: £53,365	2024: £Nil 2023: £Nil
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.62% during construction and 10.85% during operation Redemption date 2042	£224,300 less £12,351 principal repaid totals £211,949	2024: £255,884 2023: £255,785	2024: £10,260 2023: £8,345	2024: £23,781 2023: £11,556	2024: £23,780 2023: £23,261	2024: £Nil 2023: £6,500
Hub SW EALC Holdco Ltd (East Ayrshire Learning Campus)	Fixed coupon unsecured loan Interest rate 3.26% during construction and 10.5% during operation Redemption date 2043	£405,468 less £17,973 principal repaid totals £387,495	2024: £469,302 2023: £466,429	2024: £58,018 2023: £47,165	2024: £20,399 2023: £20,751	2024: £40,732 2023: £41,282	2024: £Nil 2023: £Nil
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.41% during construction and 10.15% during operation Redemption date 2043	£422,510 less £15,982 principal repaid totals £406,528	2024: £481,871 2023: £478,474	2024: £57,669 2023: £46,870	2024: £20,688 2023: £20,803	2024: £41,549 2023: £41,844	2024: £Nil 2023: £Nil
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.52% during construction and 10.40% during Operation Redemption date 2044	£310,007 less £12,314 principal repaid plus £31,739 accrued interest capitalised totals £329,432	2024: £394,500 2023: £392,773	2024: £33,479 2023: £27,116	2024: £17,193 2023: £17,322	2024: £34,469 2023: £34,826	2024: £Nil 2023: £Nil

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub South West territory							
Hub SW QMA Holdco Ltd <i>(Queen Margaret Academy)</i>	Fixed coupon unsecured loan Interest rate 3.46% during construction and 10.45% during operation Redemption date 2044	£233,662 less £9,439 principal repaid plus £23,858 accrued capitalised interest totals £248,081	2024: £301,791 2023: £299,882	2024: £25,697 2023: £18,679	2024: £12,998 2023: £13,104	2024: £26,086 2023: £26,362	2024: £Nil 2023: £Nil
hub South West territory total		2024: £2,721,449 2023: £2,753,922	2024: £3,256,272 2023: £3,245,636	2024: £243,244 2023: £231,878	2024: £155,342 2023: £144,216	2024: £287,509 2023: £289,565	2024: £Nil 2023: £8,193

Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub West territory							
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centre Bundle)</i>	Fixed coupon secured loan Interest rate 9.75% Redemption date 2041	£186,042 less £13,313 principal repaid totals £172,729	2024: £187,467 2023: £184,362	2024: £80,067 2023: £73,557	2024: £26,877 2023: £43,127	2024: £18,707 2023: £19,688	2024: £Nil 2023: £Nil
Hub West Scotland Project Company (No.2) Ltd <i>(Inverclyde Care Home)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£70,413 less £3,511 principal repaid totals £66,902	2024: £73,665 2023: £72,144	2024: £19,536 2023: £17,555	2024: £10,637 2023: £16,243	2024: £7,250 2023: £7,583	2024: £1,686 2023: £Nil
Hub West Scotland Project Company (No.3) Ltd <i>(Barrhead High School)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£213,748 less £31,164 principal repaid totals £182,584	2024: £202,369 2023: £198,538	2024: £31,657 2023: £21,557	2024: £35,081 2023: £37,201	2024: £20,345 2023: £20,516	2024: £Nil 2023: £Nil
Hub West Scotland Project Company (No.4) Ltd <i>(Our Lady & St Patrick's High School)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£228,400 less £25,202 principal repaid totals £203,198	2024: £223,816 2023: £219,742	2024: £37,799 2023: £22,432	2024: £38,535 2023: £41,443	2024: £22,608 2023: £22,841	2024: £Nil 2023: £Nil

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub West territory							
Hub West Scotland Project Company (No.5) 64 (Gorbals/Woodside Health Centre)	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 04/2017	£288,202 less principal repaid £8,973 totals £279,229	2024: £307,371 2023: £301,588	2024: £33,608 2023: £31,072	2024: £50,954 2023: £75,183	2024: £30,900 2023: £32,325	2024: £Nil 2023: £Nil
Hub West Scotland Project Company (No.6) Ltd (Blairdardie & Carntyne Primary Schools)	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 10/2017	£149,300 less £12,340 principal repaid totals £136,960	2024: £150,312 2023: £147,489	2024: £18,015 2023: £13,435	2024: £22,811 2023: £25,746	2024: £14,970 2023: £15,198	2024: £Nil 2023: £Nil
Hub West Scotland Project Company (No.7) Ltd (Greenock & Stobhill Health Centres and Clydebank Health & Care Facility)	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 12/2018 and 12/2019 respectively	£411,600	2024: £451,501 2023: £443,598	2024: £90,048 2023: £49,411	2024: £29,603 2023: £36,076	2024: £41,284 2023: £41,769	2024: £Nil 2023: £Nil
hub West territory total		2024: £1,453,202 2023: £1,453,202	2024: £1,596,501 2023: £1,567,461	2024: £310,730 2023: £229,019	2024: £214,498 2023: £275,019	2024: £156,064 2023: £159,920	2024: £1,686 2023: £Nil

Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub East Central territory							
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2041	£1,608,000 less £328,215 principal repaid totals £1,279,785	2024: £1,483,804 2023: £1,496,962	2024: £190,143 2023: £191,319	2024: £Nil 2023: £88,163	2024: £130,447 2023: £134,599	2024: £Nil 2023: £Nil
Hub East Central Scotland (Baldrigon) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2042	£299,790 less £38,039 principal repaid totals £261,751	2024: £304,862 2023: £302,565	2024: £25,239 2023: £23,033	2024: £Nil 2023: £14,534	2024: £26,360 2023: £26,618	2024: £Nil 2023: £3,500

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub East Central territory							
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2041	£364,200 less £46,029 principal repaid totals £318,171	2024: £368,749 2023: £366,995	2024: £28,883 2023: £25,269	2024: £Nil 2023: £18,691	2024: £32,087 2023: £32,533	2024: £Nil 2023: £Nil
Hub East Central (SCV) Ltd <i>(Stirling Care Village)</i>	Fixed coupon unsecured loan Interest rate 10% Redemption date 2044	£354,500 less £29,105 principal repaid totals £325,395	2024: £379,429 2023: £378,779	2024: £28,311 2023: £24,724	2024: £Nil 2023: £41,426	2024: £32,944 2023: £35,450	2024: £Nil 2023: £2,400
Hub East Central (PSS) Ltd <i>(Pharmaceuticals Special Services)</i>	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£276,200 less £34,796 principal repaid totals £241,404	2024: £281,637 2023: £280,517	2024: £22,736 2023: £19,818	2024: £Nil 2023: £13,978	2024: £24,397 2023: £24,795	2024: £Nil 2023: £2,000
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2044	£332,500	2024: £385,276 2023: £379,572	2024: £28,553 2023: £23,741	2024: £16,579 2023: £Nil	2024: £33,250 2023: £33,250	2024: £Nil 2023: £Nil
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£155,500 less £3,110 principal repaid totals £152,390	2024: £176,148 2023: £176,794	2024: £12,489 2023: £12,884	2024: £10,864 2023: £Nil	2024: £15,550 2023: £15,550	2024: £Nil 2023: £Nil
hub East Central territory total		2024: £2,911,396 2023: £2,963,427	2024: £3,379,905 2023: £3,382,184	2024: £336,354 2023: £320,788	2024: £27,443 2023: £176,792	2024: £295,035 2023: £302,795	2024: £Nil 2023: £7,900

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Summary totals by hub territory

Investment In:		Amortised cost value	Fair Value of sub debt	Fair Value of Equity (per note 8c)	Interest Receivable (per SOFP)	Interest income (per SOCI)	Dividend Income
hub North territory total		2024: £4,526,159 2023: £4,526,159	2024: £5,315,603 2023: £5,354,035	2024: £123,868 2023: £123,736	2024: £931,334 2023: £1,109,721	2024: £559,409 2023: £573,097	2024: £1,774 2023: £19,107
hub South East territory total		2024: £3,827,351 2023: £3,827,351	2024: £4,701,552 2023: £4,617,283	2024: £246,159 2023: £208,634	2024: £740,212 2023: £769,558	2024: £461,903 2023: £463,907	2024: £Nil 2023: £Nil
hub South West territory total		2024: £2,721,449 2023: £2,753,922	2024: £3,256,272 2023: £3,245,636	2024: £243,244 2023: £231,878	2024: £155,342 2023: £144,216	2024: £287,509 2023: £289,565	2024: £Nil 2023: £8,193
hub West territory total		2024: £1,453,202 2023: £1,453,202	2024: £1,596,501 2023: £1,567,461	2024: £310,730 2023: £229,019	2024: £214,498 2023: £275,019	2024: £156,064 2023: £159,920	2024: £1,686 2023: £Nil
hub East Central territory total		2024: £2,911,396 2023: £2,963,427	2024: £3,379,905 2023: £3,382,184	2024: £336,354 2023: £320,788	2024: £27,443 2023: £176,792	2024: £295,035 2023: £302,795	2024: £Nil 2023: £7,900
Grand total		2024: £15,439,557 2023: £15,524,061	2024: £18,249,833 2023: £18,166,599	2024: £1,260,355 2023: £1,114,055	2024: £2,068,829 2023: £2,475,306	2024: £1,759,920 2023: £1,789,284	2024: £3,460 2023: £35,200

Investments are performing according to their base cases and making returns as anticipated, however, at the year end two projects forecast that they will be unable to repay subordinated loan notes in full by their expiry dates. This is due to the impact of the increase in inflation over the last few years and corporation tax rates. Another factor that impacts the valuation of investments through the impact on the discount rate is the underlying interest rate. The Board will continue to monitor the impact of macroeconomic changes on the portfolio.

An adjustment was made to reduce the fair value of equity for the five sub-hub project companies (Forres Woodside Tain, Alford Campus, Aberdeen Community Health, James Gillespie's High School, and NHS Lanarkshire Health bundle) to nil at 31 March 2024. Dividends are forecast to be paid from the sub-hub companies to their relevant hub company shareholder. SFTi is a 10% shareholder in each of the hub companies, however, the decision to distribute dividends is at the discretion of the directors of the hub companies and subject to hub company reserves and therefore for the purposes of calculation the fair value of equity these have not been included.

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9 Trade and other Receivables

	2024	2023
	£	£
Due in more than 1 year		
Accrued income from sub-ordinated debt investments and working capital loans	1,542,393	1,679,747
Due in less than 1 year		
Accrued income from sub-ordinated debt investments and working capital loans	526,436	795,559
Other debtors	2,357	2,289
	<u>528,793</u>	<u>797,848</u>

10 Cash and Cash Equivalents

	2024	2023
	£	£
Cash at bank	2,064,989	1,152,338

11 Trade and other Payables

	2024	2023
	£	£
Other taxes and social security	392	381
Accruals	86,034	19
	<u>86,426</u>	<u>400</u>

12 Capital and reserves

	2024	2023
	£	£
Share capital		
Authorised, issued but not yet fully paid – 1 ordinary share of £1 each:		
As at 31 March	1	1

The share has attached to it full voting, dividend and capital distribution (including on winding up) rights; it does not confer any rights of redemption.

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The retained earnings reserve comprises the cumulative surpluses of the Company which represent the interest earnings net of tax and operating expenses, less the movement in the year on the fair value and other reserves, less dividends declared/paid to SFT, less transfers of unrealised gains to other reserves.

The fair value reserve comprises the IFRS9 fair value movement of the equity investments and sub debt investments. As this unrealised gain is not distributable it has been transferred to the fair value reserve. The tax impact of the fair value movements are shown in Note 7 above.

Other Reserve – Tranche 1 is funding received by SFT pre 2015 from the Scottish Government to fund capital investments. This was provided from SFT to SFTi as a capital contribution.

Other Reserve – Tranche 2 is funding received by SFT post 2015 to fund capital investments. This was provided from SFT to SFTi as a capital contribution.

13. Related Party Transactions

During the year there were no salaried executive directors. No fees were paid to non-executive directors. Details of other transactions with related parties are included below:

Scottish Futures Trust Limited

The Company is wholly owned by Scottish Futures Trust Limited which is a company wholly owned by Scottish Ministers. Details of transactions with the Scottish Futures Trust Limited are included below.

	2024	2023
Statement of Comprehensive Income	£	£
<i>Payments made to Scottish Futures Trust Limited</i>		
SFT Management Fee (note 6)	613,733	629,621

Hub South East Scotland 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 8c. SFT have appointed non-executive directors to hub South East Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

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Details of material transactions with these companies are included below:

	2024	2023
<u>Statement of Financial Position</u>	£	£
Financial assets – subordinated debt	4,701,552	4,617,283
Trade and other receivables – accrued interest income	740,212	769,558
Trade and other receivables – hub director fees	2,357	2,289
<u>Statement of Comprehensive Income</u>		
Other income – hub director fees	3,928	3,814
Other income – Interest income	461,903	463,907

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 8c. SFT have appointed non-executive directors to hub North Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these companies are included below:

	2024	2023
<u>Statement of Financial Position</u>	£	£
Financial assets – subordinated debt	5,315,603	5,354,035
Trade and other receivables – accrued interest income	931,334	1,109,721
<u>Statement of Comprehensive Income</u>		
Other income – Interest income	559,409	573,097
Other income – dividend income	1,774	19,107

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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 8c. SFT have appointed non-executive directors to hub East Central Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these companies are included below:

	2024	2023
<u>Statement of Financial Position</u>	£	£
Financial assets – subordinated debt	3,379,905	3,382,184
Trade and other receivables – accrued interest income	27,443	176,792
<u>Statement of Comprehensive Income</u>		
Other income – Interest income	295,035	302,795
Other income – dividend income	-	7,900
	<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 8c. SFT have appointed non-executive directors to hub West Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these companies are included below:

	2024	2023
<u>Statement of Financial Position</u>	£	£
Financial assets – working capital loans	72,688*	80,588*
Financial assets – subordinated debt	1,596,501	1,567,461
Trade and other receivables – accrued interest income	214,498	275,019
<u>Statement of Comprehensive Income</u>		
Other income – Interest income (including working capital loan interest)	158,257	162,357
Other income – dividend income	1,686	-
	<u> </u>	<u> </u>

***Includes £4,800 expected credit loss provision (2023: £6,900).**

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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 8c. SFT have appointed non-executive directors to hub South West Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these companies are included below:

	2024	2023
<u>Statement of Financial Position</u>	£	£
Financial assets – working capital loans	50,000	50,000
Financial assets – subordinated debt	3,256,272	3,245,636
Trade and other receivables – accrued interest income (including capital loan note interest)	155,342	144,216
<u>Statement of Comprehensive Income</u>		
Other income – hub director fees	14,656	12,856
Other income – Interest income	287,509	289,565
Other income - dividends	-	8,193
	<u> </u>	<u> </u>

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 is represented on the Board of Members and Board of Management, but does not have joint control or significant influence over either joint venture.

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 accommodation. SFTi is represented on the Board of Members and Board of Management, but does not have joint control or significant influence over either joint venture.

NHT LLPs

NHT LLPs are formed of either: a developer, a participating local authority and SFTi; or of a participating local authority and SFTi – for the delivery and operation of mid-market rent accommodation under the National Housing Trust programme delivered with Scottish Government. The programme is operationally time-bound and all LLPs eventually conclude their programme activity. As at 31 March 2024, ten NHT LLPs remain, with two of these in voluntary member liquidation proceedings but not yet fully disposed of. Of the remainder, three operate the homes within the programme as at 31 March 2024. SFTi is represented on the Board of Members and Board of Management of each NHT LLP but does not have joint control or significant influence over any.

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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 SFTi and Hub Community Foundation.

14. Financial Instruments

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

Interest rate risk - The Company has no borrowings subject to interest rates and a comparatively small amount of cash on deposit. Interest rates in respect of subordinated debt investment and working capital loans are fixed. Exposure to interest rate risk on Company income and costs is therefore limited, however, underlying interest rates do have an impact on the discount rate applied to calculate the fair value of investments.

Credit Risk - The Company does not have a significant concentration of credit risk. Bank deposits are held with major national banks and the principal customer is the Scottish Government.

Liquidity Risk - The Company operates within a budget agreed with the Scottish Government and as such liquidity is not seen as a major risk area. Interest rates in respect of subordinated debt investment and working capital loans are fixed.

Fair value of financial assets and liabilities – There is a significant difference between the book value and fair value of the Company’s financial assets and liabilities for equity investments and sub debt investments in hub projects, whose fair value is estimated to be £19.5m as at 31 March 2024 (£19.3m as at 31 March 2023), as disclosed in Note 8a and 8c. The only financial assets not held at fair value are the working capital loans of £123k (£131k as at 31 March 2023) which are held at amortised cost.

15. Ultimate Controlling Party

The Company is wholly owned by Scottish Futures Trust Limited which is a company wholly-owned by the Scottish Ministers.

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OFFICERS AND PROFESSIONAL ADVISORS

Directors

Ian Russell (Chairman – resigned 11 April 2024)
Joe Philipsz (Chairman - appointed 11 April 2024)
Peter Reekie (Executive Director)
Bill Matthews (Non-Executive Director)
Pauline Mills (Non-Executive Director)
Graham Watson (Non-Executive Director)
Stella Matko (Non-Executive Director)
Nicholas Rowan (Non-Executive Director)
Stephen Slessor (Non-Executive Director)

Chief Executive

Peter Reekie

Registered Office & Principal Place of Business

Thistle House
Fourth Floor
91 Haymarket Terrace
Edinburgh
EH12 5HE

Registered Company number

SC381388

Auditor

Grant Thornton UK LLP
Monteith House
110 Queen Street
Glasgow
G1 3BX

Bankers

The Royal Bank of Scotland plc
36 St Andrews Square
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Website

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