
Registered Company Number: SC381388

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2012

SCOTTISH
FUTURES
TRUST
investments

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

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SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
CHAIRMAN'S STATEMENT

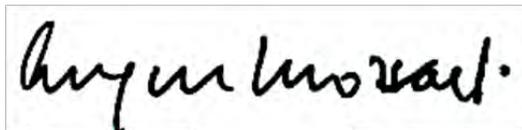
I am pleased to present the second Annual Report of Scottish Futures Trust Investments Limited (SFTi), a company limited by shares and wholly owned by the Scottish Futures Trust Limited (SFT).

This year has been marked by another milestone for SFTi, with our first investment in an infrastructure project. The Aberdeen Health Village is the first financed project in the hub programme to reach financial close with SFTi investing around 40% (£576k) of the required subordinated debt. SFTi was pleased to invest alongside our public and private sector partners, NHS Grampian and alba Community Partnerships (comprising Miller and Cyril Sweett).

SFTi also invested in the third hub territory, hub East Central during the year, and we appointed a Director to its Board. A further investment has since been made in hub West as that partnership was concluded after the year end. The final hub territory investment in hub South West is anticipated during 2012/13.

Looking forward, I anticipate further investment in the pipeline of financed hub projects, principally in the primary healthcare and schools sectors. The returns on these investments will both offset management costs and potentially provide seed funding for future investments.

It is clear that the future economic and budgetary conditions for infrastructure investment will remain challenging for some time. This underlines the role and importance of SFT in continuing to innovate and to maximise investment and value for money.



Sir Angus Grossart
Chairman

26 June 2012

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
DIRECTORS' REPORT

The directors present their Annual Report and financial statements for the year ended 31 March 2012.

Principal Activity

The principal activity of the Company is to hold investments in infrastructure companies, assets and projects across Scotland.

The Company made a profit for the year before tax of £676,205 (2011: £205,912) as grant income was utilised to make investments. No dividends have been paid or are proposed. Profits are transferred to retained earnings and utilised to make investments.

Business Review

SFTi is a wholly owned subsidiary of SFT and its sole activity is as an investment company. The Company has no staff or other operations. Investments in SFTi are managed by its Directors, who are represented on Companies in which SFTi invests by members of the SFT staff.

During the year SFTi invested share capital of £14 in, and made a working capital loan of £100,000 to hub East Central Scotland Limited on 7 February 2012. This represents a 10% holding in the company with the public participant bodies holding a further 30% and a private development partner selected following open competition holding the remaining 60%. The structure and percentage holdings mirror those of the two existing investments in hub South East Scotland Limited and hub North Scotland Limited. All equity investments are held at par with working capital loans attracting a modest interest income.

It is not anticipated that these investments will deliver very substantial returns over their life as their intention is to create a corporate and associated governance structure within which investment projects are undertaken. The holding in hub companies gives SFTi the right to invest 10% of the subordinated debt into all future design build, finance and maintain (DBFM) projects undertaken by the company with up to a further 30% if rights are not taken up by public sector participants.

It is these substantive investments in projects that are anticipated to deliver returns over the 25-year contract durations of each DBFM project. The first DBFM agreement was entered into in the hub North territory during March 2012 and as a result £576,191 of subordinated debt was taken up by the Company in the special purpose company wholly owned by hub North Scotland Limited to develop the £24m Aberdeen Community Health and Care Village. The investment is in the form of 10.2% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

Directors

The directors who held office during the year and post year end are as follows:

| | |
|--------------------|------------------------|
| Sir Angus Grossart | Chairman |
| Graeme Bissett | Non-Executive Director |
| James Fletcher | Non-Executive Director |
| Fiona Mackenzie | Non-Executive Director |
| Carolyn Dwyer | Non-Executive Director |
| Barry White | Executive Director |
| Peter Reekie | 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 a Shadow Director of the Company.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

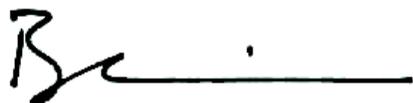
Auditors

Following a tendering process conducted in May 2009, the Audit Committee appointed Scott-Moncrieff, Chartered Accountants as auditors to the parent company, Scottish Futures Trust Limited. Scott-Moncrieff are also auditors of Scottish Futures Trust Investments Limited. 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 auditors.

Going Concern

On the basis of the information available to them, the directors have a reasonable expectation that the Company will continue to receive properly budgeted and controlled funding from the Scottish Futures Trust Limited and has forecasted income to be received from investments activities. Consequently, 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.

On behalf of the Board



Barry White
Executive Director
26 June 2012

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
REPORT ON CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

Throughout the accounting year ending 31 March 2012, the Company has complied with all the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council as best practice guidance, except as explained below, notwithstanding that the Company is not a listed company to which the provisions are directed. The following exceptions are noted:

- there is no Nominations Committee as non-executive Board appointments, including their terms and conditions of employment, are determined by the Company's ultimate shareholder, the Scottish Ministers;
- in view of the Company's responsibilities to take account of public sector guidelines, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration should form a significant proportion of Executive Directors' total pay package; and
- there is no Remuneration Committee as the Company has no direct employees.

Board of Directors

The Board is the principal decision-making forum. It has overall responsibility for leading and controlling the Company and is accountable to the Company's ultimate shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Company strategy, authorises key investment decisions and monitors performance. The Board has adopted a formal schedule of matters, in accordance with those matters reserved by the Board of the Parent Company, SFT, which are specifically reserved for its decision, which is reviewed on an annual basis.

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

The Chairman's other significant commitments are chairmanship of: Noble Grossart Ltd (and related entities), Scotland International Ltd, Fine Art Society Plc, Lyon & Turnbull Ltd, Wright Health Group Ltd, Edinburgh Partners Ltd and The National Museums of Scotland. The Chairman is also a non-executive director of Culture and Sport Glasgow.

Board Meetings take place throughout each year as regularly as is required for the specific investment business that the Company undertakes. Board Meetings are structured to allow open discussion and all Directors participate in discussing the Company's strategic aims and performance and financial and risk management.

Three Board meetings were held during the year.

Board balance and independence

In the year ended 31 March 2012, the Board comprised five non-executive directors (including the Chairman). The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors (including the Chairman at the time of his appointment) are independent. The non-executive directors combine broad business and commercial experience gained in the private and public sectors with independent and objective judgement and constructively challenge and assist development of strategic matters.

The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Company's level of business and associated responsibilities.

The Board aims to achieve a balance between Non-Executive and Executive Directors so as to promote clear and effective leadership and maintain the highest standards of integrity and professionalism across the Company's business activities.

Election of Directors

The Board of SFTi is the same as, and follows the same election process as, the Board of the parent company, SFT.

Information

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

Performance evaluation

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

Board Committees

Due to the restricted nature of its business, the Company Board does not have an extensive committee structure. There is an Audit Committee whose membership follows that of the parent company.

Group Audit Committee

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

The Group Audit Committee reviews and monitors the independence of the external auditors in relation to non-audit assignments, taking into account relevant ethical guidance.

The Group Audit Committee undertakes an annual evaluation to assess the independence and objectives of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

Members of the Group Audit Committee are: Graeme Bissett (chair) and James Fletcher.

In the year ended 31 March 2012 there were three meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

Attendance at Board and Committee meetings

Attendance by board members at board and committee meetings held during the year was as follows:

| | Board | Audit Committee |
|---------------------------|-----------|--------------------|
| Number of meetings | 3* | 3 |
| Sir Angus Grossart | 2 | - |
| Graeme Bissett | 3 | 3 |
| Carolyn Dwyer | 3 | - |
| James Fletcher | 2 | 3 |
| Fiona MacKenzie | 2 | - |
| Barry White | 2 | - |
| Peter Reekie | 3 | - |

* One telephone Board meeting required for final approval of an investment was arranged to be quorate but not have all Directors present.

Relations with Ultimate Shareholder

As disclosed in the Directors' Report, the Company's ultimate shareholder, the Scottish Ministers, is considered to be a Shadow Director of the Company. The Chairman, on behalf of the Directors has met with Scottish Ministers regularly during the period to understand their views and has reported these to the Board.

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF INTERNAL CONTROL**

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

Control Structure

SFTi has in place the same internal control system as SFT. Given the nature and size of the Company, SFTi's control structure is the responsibility of the directors and there is no current need for a separate internal audit function, though this will be kept under review. The organisation has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied. In addition, the Company's external auditors present reports to the Audit Committee which include any significant internal control matters which they have identified.

Identification and Monitoring of Business Risks

The Company has adopted a risk-based approach to internal control by evaluating the likelihood and impact of risk and putting in place appropriate levels of control to mitigate each risk. Procedures include an ongoing process of identifying, evaluating and managing key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks is undertaken by the Audit Committee and ultimately the Board.

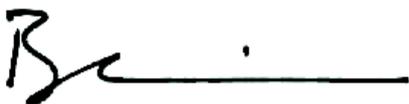
Corporate Information Systems

The Company operates a budgeting and financial reporting system appropriate to its business as an investment vehicle. Standard financial control procedures are in place which provides assurance on the integrity of the Company's finances.

Effectiveness of Internal Controls

The directors are responsible for, and for reviewing the effectiveness of, the Company's system of internal control, including internal financial control, which is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

On behalf of the Board



**Barry White
Executive Director**

26 June 2012

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

**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 period. Under that law they have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union.

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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.

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
REPORT ON DIRECTORS' REMUNERATION**

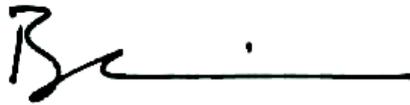
Details of directors' remuneration are as follows:

Directors' Remuneration

None of the Directors receive remuneration for their service to SFTi.

Directors are remunerated through SFTi's parent company, SFT.

On behalf of the Board



**Barry White
Executive Director**

26 June 2012

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SCOTTISH
FUTURES TRUST INVESTMENTS LIMITED**

We have audited the financial statements of Scottish Futures Trust Investments Limited for the year ended 31 March 2012 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with section 495 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.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors' are responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the company were required to comply with the Listing Rules of the Financial Services Authority in relation to those matters. We review whether the Corporate Governance Statement reflects the company's compliance with the UK Corporate Governance Code specified for our review by those rules, and we report if it does not. We are not required by the terms of our engagement to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on other matters

In our opinion:

- the Corporate Governance Statement reflects the company's compliance with the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Nick Bennett (Senior Statutory Auditor)
For and on behalf of Scott Moncrieff Chartered Accountants and Statutory Auditors
Exchange Place 3
Seiple Street
Edinburgh
EH3 8BL

26 June 2012

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

| | Note | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|------------------------------------------------------|------|-----------------------------------------------|------------------------------------------------|
| Continuing operations | | | |
| Revenue | | - | - |
| Cost of sales | | - | - |
| | | <hr/> | <hr/> |
| Gross profit | | - | - |
| Other income | 3 | 29,693 | 15,271 |
| Capital grant income | 4 | 676,205 | 205,912 |
| Administrative expenditure | 5 | (29,693) | (15,271) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 676,205 | 205,912 |
| Taxation on profit ordinary activities | 6 | - | - |
| | | <hr/> | <hr/> |
| Net profit for the year | | 676,205 | 205,912 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Distributed as follows: | | | |
| Transferred to retained earnings | | 676,205 | 205,912 |
| | | <hr/> | <hr/> |
| Profits available for distribution | | - | - |
| | | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes on pages 16 to 26 are an integral part of these financial statements

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|---------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| Profit for the year | 676,205 | 205,912 |
| Total recognised income for the year | <u>676,205</u> | <u>205,912</u> |
| Attributable to : | | |
| Equity holders of the Company | <u>676,205</u> | <u>205,912</u> |

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2012

| | Share Capital £ | Investment Reserve £ | Total £ |
|-------------------------|--------------------------------|-------------------------------------|--------------------|
| At 1 April 2011 | 1 | 205,912 | 205,913 |
| Net profit for the year | - | 676,205 | 676,205 |
| Share capital issued | - | - | - |
| At 31 March 2012 | <u>1</u> | <u>882,117</u> | <u>882,118</u> |

The accompanying notes on pages 16 to 26 are an integral part of these financial statements

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

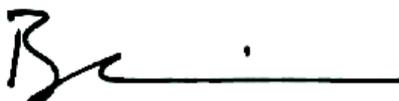
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

| | Note | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|------------------------------------------|------|-----------------------------------------------------|------------------------------------------------|
| ASSETS | | | |
| Non current assets | | | |
| <i>Investments</i> | | | |
| Investments in share capital | 7 | 44 | 30 |
| Financial assets – subordinated debt | 8b | 576,191 | - |
| Financial assets - Working capital loans | 8a | 305,882 | 205,882 |
| | | <u>882,117</u> | <u>205,912</u> |
| Current assets | | | |
| Trade and other receivables | 9 | 44,965 | 15,272 |
| Cash and cash equivalents | 10 | - | - |
| | | <u>44,965</u> | <u>15,272</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | (44,964) | (15,271) |
| | | <u>(44,964)</u> | <u>(15,271)</u> |
| Net current assets | | <u>1</u> | <u>1</u> |
| Net assets | | <u><u>882,118</u></u> | <u><u>205,913</u></u> |
| Equity | | | |
| Called up share capital | 12 | 1 | 1 |
| Retained earnings | 12 | 882,117 | 205,912 |
| | | <u>882,118</u> | <u>205,913</u> |
| Total shareholders funds | | <u><u>882,118</u></u> | <u><u>205,913</u></u> |

These financial statements were approved by the Board of directors and signed on 26 June 2012 on its behalf by:



Sir Angus Grossart
Chairman



Barry White
Executive Director

Registered Company Number: SC381388

The accompanying notes on pages 16 to 26 are an integral part of these financial statements

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR TO 31 MARCH 2012**

| | Note | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|------------------------------------------------|------|--------------------------------------------------|---------------------------------------------------|
| Cash flows from operating activities | | | |
| Profit from operations for the year | | 676,205 | 205,912 |
| Increase in trade and other receivables | 9 | (29,693) | (15,272) |
| Increase in trade and other payables | 11 | 29,693 | 15,271 |
| | | <u>676,205</u> | <u>205,911</u> |
| Net cash from operating activities | | <u>676,205</u> | <u>205,911</u> |
| Cash flows from investing activities | | | |
| Purchase of investments | 7 | (14) | (30) |
| Provision of working capital loans | 8 | (676,191) | (205,882) |
| | | <u>(676,205)</u> | <u>(205,912)</u> |
| Net cash used in investing activities | | <u>(676,205)</u> | <u>(205,912)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | 12 | - | 1 |
| | | <u>-</u> | <u>1</u> |
| Net cash from financing activities | | <u>-</u> | <u>1</u> |
| Net increase in cash and cash equivalents | | | - |
| Cash and cash equivalents at beginning of year | | - | - |
| Cash and cash equivalents at end of year | 10 | <u>-</u> | <u>-</u> |

The accompanying notes on pages 16 to 26 are an integral part of these financial statements

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2012**

1. Basis of preparation and accounting policies

The financial statements of Scottish Futures Trust Investments Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006.

The financial statements are presented in British Pounds since this is the functional currency of the 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 11 – 15 Thistle Street, Edinburgh, EH2 1DF.

The report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The International Accounting Standards Board has issued a number of new and revised Accounting Standards in the year and have also issued standards that will become effective in future periods. The Company has not adopted any of these standards early. These standards have been reviewed and do not have a material impact on the financial statements of SFTi.

The following significant accounting policies have been adopted in the preparation of this report:

Financial instruments

Classification

The Company classifies its financial assets in the loans and receivables and available for sale categories. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any other category of financial asset. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

Recognition and measurement

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value with the exception of unquoted equity instruments where fair value cannot be measured reliably. Such instruments are measured at cost.

Derecognition

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 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.

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.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenues when the amount of revenue 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.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

Current income tax

The tax expense for the year comprises current tax. Tax recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Share capital

Ordinary shares are classified as equity.

2. 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 should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change.

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

None identified during the year relevant to the Company.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

| 3. Other income | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|----------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| SFT funding received to compensate for expenses incurred | 27,403 | 12,730 |
| Interest income from working capital loans | 2,290 | 2,541 |
| | 29,693 | 15,271 |
| | 29,693 | 15,271 |

| 4. Capital grant income | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| SFT capital grant received for SFTi investments in hubCo's | 676,205 | 205,912 |
| | 676,205 | 205,912 |
| | 676,205 | 205,912 |

| 5. Administrative expenditure | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|--------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| Profit before taxation is stated after charging: | | |
| Management fee payable to SFT | 29,693 | 15,271 |
| | 29,693 | 15,271 |
| | 29,693 | 15,271 |

6. Taxation

There is no tax or deferred tax charge in respect of the current year.

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012**

7. Investments – Share capital

| | Year | Period |
|------------------------|------------------------|-----------------------|
| | 1 April 2011 to | 2 July 2010 to |
| | 31 March 2012 | 31 March 2011 |
| | £ | £ |
| Cost | | |
| At beginning of year | 30 | - |
| Additions | 14 | 30 |
| | <hr/> | <hr/> |
| At 31 March | 44 | 30 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Revaluation | | |
| At beginning of period | - | - |
| Adjustment for period | - | - |
| | <hr/> | <hr/> |
| At 31 March | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |
| Net book value | | |
| At start of period | 30 | - |
| | <hr/> <hr/> | <hr/> <hr/> |
| At end of year | 44 | 30 |
| | <hr/> <hr/> | <hr/> <hr/> |

SFTi invested share capital of £10 in hub South East Scotland Limited on 30 July 2010, and share capital of £17 in hub North Scotland Limited on 28 January 2011. The Company also made an additional investment of £3 share capital in hub North Scotland Limited during the period to 31 March 2011.

SFTi invested share capital of £14 in hub East Central Scotland Limited on 7 February 2012.

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

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

8a. Financial assets - working capital loans

| | Year | Period |
|-------------------------|---------------------|--------------------|
| | 1 April 2011 | 2 July 2010 |
| | to 31 March | to 31 March |
| | 2012 | 2011 |
| | £ | £ |
| Cost | | |
| At beginning of period | 205,882 | - |
| Additions | 100,000 | 205,882 |
| | <u>305,882</u> | <u>205,882</u> |
| At end of year | <u>305,882</u> | <u>205,882</u> |
| Revaluation | | |
| Adjustment for the year | - | - |
| | <u>-</u> | <u>-</u> |
| At end of year | <u>-</u> | <u>-</u> |
| Net Book Value | | |
| At start of period | 205,882 | - |
| | <u>205,882</u> | <u>-</u> |
| At end of year | <u>305,882</u> | <u>205,882</u> |

SFTi loaned working capital of £100,000 to hub South East Scotland Limited on 30 July 2010. This working capital facility is available until 30 July 2015 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the amount of interest (net of tax) received where amounts are held in a reserve account, or 5% p.a. on all other sums.

SFTi loaned working capital of £90,000 to hub North Scotland Limited on 28 January 2011. This working capital facility is available until 27 January 2016 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in a reserve account, and 4.5% p.a. on all other sums. Interest will be payable semi- annually (on 31 December and 30 June).

The Company also made an additional loan of £15,882 working capital loan to hub North Scotland during the period to 31 March 2011.

SFTi loaned working capital of £100,000 to hub East Central Scotland Limited on 7 February 2012. This working capital facility is available until 6 February 2017 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 5% p.a. on all other sums. Interest will be payable semi- annually (on 31 December and 30 June).

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

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

8b. Financial assets – subordinated debt

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|-------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| Cost | | |
| At beginning of period | - | - |
| Additions | 576,191 | - |
| | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| At end of year | 576,191 | - |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Revaluation | | |
| Adjustment for the year | - | - |
| | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| At end of year | - | - |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Net Book Value | | |
| At start of period | - | - |
| | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| At end of year | 576,191 | - |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

SFTI made its first investment in a project in March 2012 when it invested in Aberdeen Community Health Village DBFM, a special purpose company wholly owned by hub North Scotland Limited, in the form of 10.2% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

9. Trade and other receivables

| | Year 1 April 2011 To 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|--------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| Amount receivable from related party – SFT | 40,134 | 12,731 |
| Accrued interest income | 4,831 | 2,541 |
| | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| | 44,965 | 15,272 |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

10. Cash and cash equivalents

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|--------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Cash at bank | - | - |
| Cash on hand | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

11. Trade and other payables

| | Year 1 April 2011 To 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|---------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Amount payable to related party – SFT | 44,964 | 15,271 |
| | <u>44,964</u> | <u>15,271</u> |
| | <u>44,964</u> | <u>15,271</u> |

12. Called up share capital and investment reserve

| | Year 1 April 2011 To 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Share capital | | |
| Shares issued but not yet fully paid – ordinary shares of £1 each | | |
| As at beginning of period | 1 | - |
| Issued in the period | - | 1 |
| | <u>1</u> | <u>1</u> |
| As at 31 March | 1 | 1 |
| | <u>1</u> | <u>1</u> |
| Retained Earnings | | |
| As at beginning of period | 205,912 | - |
| Profit for the period transferred to retained earnings | 676,205 | 205,912 |
| | <u>882,117</u> | <u>205,912</u> |
| As at 31 March | 882,117 | 205,912 |
| | <u>882,117</u> | <u>205,912</u> |

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012**

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.

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|---------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|
| <u>Scottish Futures Trust Limited Funding received</u> | | |
| Operational grant funding received | 27,403 | 12,730 |
| Capital grant funding received for investment | 676,205 | 205,912 |
| Share capital | - | 1 |
| | 703,608 | 218,643 |
| <u>Payments made to Scottish Futures Trust Limited</u> | | |
| SFT Management Fee | 29,693 | 15,271 |
| <u>Nature of funding receipt</u> | | |
| Payments made directly by SFT on behalf of SFTi | 676,205 | 205,912 |
| Period end receivable | 27,403 | 12,731 |
| | 703,608 | 218,643 |

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

Income statement

| | | |
|------------------------------------|----------|----------|
| SFT Management Fee | (29,693) | (15,271) |
| Operational grant funding received | 27,403 | 12,730 |

Statement of Financial Position

| | | |
|---------------------------------------|----------|----------|
| Balance included in other receivables | 40,134 | 12,731 |
| Balance included in other payables | (44,964) | (15,271) |
| Called up share capital | 1 | 1 |
| Retained earnings | 882,117 | 205,912 |

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012**

13. Related party transactions (continued)

Hub South East Scotland Limited

Peter Reekie is a non-executive director of hub South East Scotland Limited.

Details of transactions with hub South East Scotland Limited are included below:

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|-----------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|
| <u>Income statement</u> | | |
| Other income | 1,678 | 2,453 |
| | <hr/> | <hr/> |
| <u>Statement of Financial Position</u> | | |
| Investments in share capital | 10 | 10 |
| Financial assets – Working capital loans | 100,000 | 100,000 |
| Accrued interest income | 4,131 | 2,453 |
| | <hr/> | <hr/> |

Hub North Scotland Limited

Andrew Bruce, an associate director of SFT, is a non-executive director of hub North Scotland Limited. Details of transactions with hub North Scotland Limited are included below:

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|-----------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|
| <u>Income statement</u> | | |
| Other income | 529 | 88 |
| | <hr/> | <hr/> |
| <u>Statement of Financial Position</u> | | |
| Investments in share capital | 20 | 20 |
| Financial assets – Working capital loans | 105,882 | 105,882 |
| Financial assets – subordinated debt | 576,191 | - |
| Accrued interest income | 617 | 88 |
| | <hr/> | <hr/> |

Hub East Central Scotland Limited

Tony Rose, a senior management team member of SFT, is a non-executive director of hub East Central Scotland Limited.

Details of transactions with hub East Central Scotland Limited are included below:

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 MARCH 2012

13. Related party transactions (continued)

| | Year 1 April 2011 to 31 March 2012 £ | Period 2 July 2010 to 31 March 2011 £ |
|-----------------------------------------------|-----------------------------------------------|------------------------------------------------|
| <u>Income statement</u> | | |
| Other income | 83 | - |
| | 83 | - |
| <u>Statement of Financial Position</u> | | |
| Investments in share capital | 14 | - |
| Financial assets – Working capital loans | 100,000 | - |
| Accrued interest income | 83 | - |
| | 114,097 | - |

14. Financial Instruments

The Company's financial instruments comprise of cash resources which arise directly from its operations. The Company has not entered into derivatives transactions. The Company has no borrowings. Each of the main risk exposures related to financial instruments are considered below.

Interest rate risk - As the Company has no borrowings or significant amounts of cash on deposit it has no significant exposure to interest rate risk.

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.

Fair value of financial assets and liabilities - The directors consider that there is no significant difference between the book value and fair value of the Company's financial assets and liabilities.

15. Post balance sheet event

Post year end an investment of £400,040 was made in hub West Scotland Limited by SFTi in respect of an investment in share capital and working capital loans.

16. Ultimate Controlling Party

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

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

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Sir Angus Grossart (Chairman)
Graeme Bissett (Non-Executive Director)
James Fletcher (Non-Executive Director)
Fiona Mackenzie (Non-Executive Director)
Carolyn Dwyer (Non-Executive Director)
Barry White (Executive Director)
Peter Reekie (Executive Director)

Chief Executive

Barry White

Registered office & Principal Place of Business

11-15 Thistle Street
Edinburgh
EH1 2DF

Registered Company number

SC381388

Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

The Royal Bank of Scotland plc
36 St Andrews Square
Edinburgh
EH2 2YB

Website

www.scottishfuturestrust.org.uk