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Registered Company Number: SC348382

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND  
GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

**SCOTTISH  
FUTURES  
TRUST**

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

**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**CHAIRMAN'S STATEMENT**

I am glad to present the third Annual Report of the Scottish Futures Trust Limited (SFT), a Company with arm's length operational independence, which is limited by shares, and wholly owned by Scottish Ministers. I believe that we can report a year of strong progress and real delivery.

The progress SFT has made during 2010-11 has been demonstrated clearly by the £129m of independently verified benefits and savings to infrastructure in Scotland from SFT's work. The benefits and savings of £129m adds to the excellent start made with an initial £111m of net benefits and savings delivered during 2009-10 to give total verified net benefits and savings of £240m which SFT has delivered for the taxpayer. Our Chief Executive Barry White, and the fine team he leads, deserve real credit for that achievement.

Our purpose is to improve the effectiveness of infrastructure investment in Scotland. We work collaboratively with public bodies and commercial enterprises seeking to deliver better value for money and providing the opportunity to maximise investment in the fabric of Scotland. We have worked hard to achieve the structures and relationships which enable us to operate decisively and effectively. We have collated our key functions, often embedded in dysfunctional locations in the public sector, and added to them. SFT's progress was recognised by the Independent Budget Review in July 2010 with a call for SFT's role to be enhanced. Following this, in its 2011-12 Budget, the Scottish Government asked SFT to deliver a £2.5bn programme of additional investment in partnership with the Scottish Government and other public bodies, using the Non-Profit Distributing financing method; to pilot a new asset management approach; and to develop improved ways of managing risk and contingency in projects. These, together with operational PPP management, are priority areas to be taken forward in 2011-12.

Wide ranging progress has also been made throughout the year, including: building work starting in the schools and hub programmes; the National Housing Trust moving into procurement which will allow building work to take place this year, and the SFT-led Tax Incremental Financing (TIF) which continues to lead the UK in this innovative method of financing infrastructure to support economic growth.

2010-11 also saw SFT establish an investment subsidiary, SFT Investments (SFTI), an investment vehicle, the creation of which was a key objective in SFT's 2009-14 Corporate Plan. The Company will hold investments made by SFT in infrastructure projects across Scotland. It will provide, over time, a source of income to offset costs in the Group and for reinvestment in other priority projects. Initial investments have been made in two hub companies established during the financial year. This report includes the consolidated Group position.

Delivering value for money has never been more important than at present. Across the UK, capital budgets are being reduced. For Scotland, this means that finance for infrastructure projects will fall by more than 35% over the next few years. The capability developed by SFT, with commercial expertise sitting at the heart of public sector procurement, is a vital strength in us facing that challenge, along with our other public sector partners.

At the end of the 2010-11 financial year, SFT was addressing a total infrastructure programme of some £9bn in value. Of this £3bn is additional investment over and above capital budgets, allowing vital investment in infrastructure to continue. The additional investment programme is, in relative terms, one of the biggest in Europe and will allow schools, colleges, hospitals and roads to be built which would otherwise have had to wait many years before construction could start.

We therefore have clear grounds to be confident that SFT will continue to add further benefits and savings for the Scottish taxpayer. We have laid strong foundations which are a platform for our ambitions to set a benchmark for performance in the public sector in Scotland.

A handwritten signature in black ink, reading "Angus Grossart", enclosed in a thin black rectangular border.

**Sir Angus Grossart**  
**Chairman**

27 June 2011

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

The directors present their Annual Report and consolidated financial statements for the year ended 31 March 2011.

**Principal Activity**

The principal activity of the Company is to support the efficiency and effectiveness of public infrastructure investment and procurement across Scotland.

The Group made a profit for the period before tax of £205,912 as grant income was utilised within the Group to make investments by SFTI. The Company made a profit before tax of £nil. The Company is not permitted by its Memorandum and Articles of Association to make distributions, other than on winding up. No dividends have been paid or are proposed.

**Business Review**

The past year has been one of building on the progress of the previous year, taking on new challenges and promoting flexibility and initiative at a time when public sector budgets face unprecedented financial pressures.

The Board is pleased to announce £129m of net benefits and savings to infrastructure in Scotland from SFT's work during 2010-11. These net benefits and savings are made up of £93m of Efficiency Gains, £38m of Additional Investment and £2m of Avoided Costs, and are expressed after deducting the £4m operating costs of SFT during the 2010-11 financial year. These have been independently and externally validated by Grant Thornton LLP, as well as a team of academics from the London School of Economics and Political Science (LSE). SFT has worked throughout 2010-11 in partnership with many groups right across the public sector. These £129m of net benefits is the amount attributable to SFT alone and represents around 43% of the £313m in total benefit to infrastructure investment in Scotland achieved from SFT's work with these partner organisations during 2010-11. This £129m in net benefits is on top of the £111m of benefits and savings SFT announced for 2009-2010 so that SFT's work over the past two years has delivered total benefits and savings of £240m to infrastructure in Scotland. As set out in the Business Plan for 2010-11, SFT's target was to deliver annual benefits of £100-150 million.

These benefits come from a wide portfolio of work. In April 2010, the value of projects SFT was managing and supporting was £5.5bn. Although at that time the portfolio was predicted to grow to £7.3bn, it has increased even further, and SFT is currently managing and supporting a portfolio of £9bn of projects across Scotland. This large increase demonstrates clearly the recognition by other Scottish public sector bodies of SFT's expertise and how SFT can help them achieve greater value for money for their projects. Within this portfolio of £9bn, SFT is leading the financing of £3bn of investment spending, funded in addition to traditional capital spending.

In July 2010 the Independent Budget Review (IBR), set up by the Scottish Government reported that:

*“The Scottish Government faces significant challenges in managing its capital programme, including the need to prioritise capital spending that delivers the greatest boost to economic growth. In seeking to address these challenges the Scottish Government should consider a central role for the Scottish Futures Trust in addressing the significant task of prioritising and maximising benefit from the capital investment programme.”*

The IBR report called for the role of SFT to be enhanced with three of its six recommendations on infrastructure spending using SFT as the delivery mechanism. Following the IBR report the Scottish Government as part of its budget process asked SFT to: deliver a £2.5bn programme of additional investment partnership with the Scottish Government and other public bodies. using the Non-Profit Distributing model; pilot a new asset management approach; and develop improved ways of managing risk and contingency in projects. This investment includes £1bn of transport schemes, £750m in health projects and a further £750m in education projects in schools and further education colleges.

During 2010-11, work on site started in several key projects SFT is managing or supporting. SFT manages the £1.25bn Scotland’s Schools for the Future programme. The first school, Pumpherston and Uphall Primary School, in West Lothian, will be ready for use in October 2011. This school will be the first of 35 schools in phase one of this programme to be completed. Across the programme SFT has already achieved significant savings which will mean five high-quality, sustainable schools can be built for the previous cost of four.

Drumbrae Library and Community hub was the first hub project to start work on site. Hub, which is being managed by SFT on behalf of the Scottish Government, will deliver better public buildings to support improved and more cost effective public services. As part of the 2011-12 Budget, a £200m portfolio of revenue-financed healthcare projects is to be developed through hub. The hub programme will continue to pursue actively opportunities for SME involvement across the wide range of projects.

Scotland continues to lead the way in the UK on Tax Incremental Financing (TIF) which is used frequently in the US to fund regeneration, SFT has developed the approach in Scotland and is working with three pilot projects, the first of which, the Edinburgh Waterfront development, was approved by the Cabinet Secretary for Finance and Sustainable Growth in September 2010. The second project at Ravenscraig in North Lanarkshire was also granted provisional approval by the Finance Secretary in March 2011. SFT is working with local authorities to develop further pilot projects.

SFT has also developed the opportunity for additional investment by working, with Scottish Government and local authorities, to deliver affordable housing for rent through the National Housing Trust (NHT). Phase one of NHT is in procurement and during the next financial year SFT will seek to develop wider opportunities for the delivery of affordable housing.

SFT has also become a centre of expertise in waste procurement and during 2011-2012 SFT will support the waste infrastructure needs of local authorities that account for at least 40% of all household waste in Scotland. Around £1bn of waste treatment infrastructure will be needed in Scotland during the next decade.

Given the economic challenges and growing need for savings in the public sector, there is a clear need for a comprehensive approach to property asset management to minimise costs and maximise value. We are confident that there is significant and potentially realisable financial value in most of the

public sector property estate. SFT is seeking benefits from improved asset management, along with new approaches to risk and contingency management which will lead to tighter budgetary controls of projects. SFT is also working with the Infrastructure Investment Board (IIB) on all major infrastructure projects to ensure that projects are scrutinised at an early stage.

Recommendations from Audit Scotland, the National Audit Office and others have emphasised the importance of commercial skills and strong capital project and programme management; expertise which SFT is providing. Improving value for money and developing innovative ways to finance infrastructure are imperative. They are the key to SFT's growing contribution towards improving sustainable economic growth in Scotland.

Our central aim, as set out in our Management Statement and Financial Memorandum, remains:

*“To improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and commercial enterprises, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland and hence contribute to the Scottish Government’s single overarching purpose to increase sustainable economic growth.”*

SFT Investments (SFTI), a subsidiary of SFT, was incorporated on 2 July 2010 and establishes an investment vehicle, which was one of the objectives in our 2009-14 Corporate Plan. The Company will hold investments by SFT in infrastructure projects across Scotland and provide, over time, a source of income to offset costs in the Group and for reinvestment in other priority projects.

In the SFT Business Plan for 2010-11, SFT set out its business plan objectives and corporate objectives. Some 48 out of 50 of these objectives for 2010-2011 were completed within the business year and work continues to complete the others. A summary of the objectives is available on our website.<sup>1</sup>

Much of SFT's work involves working in partnership with public sector bodies as well as with the private sector. SFT has built solid working relationships with partners in more than 60 public sector bodies including all Scottish Councils and Health Boards, the Emergency Services as well as Transport Scotland.

The £129m net benefits and savings generated during 2010-2011 shows that SFT's work is delivering clear value for the taxpayer. SFT has now built the strong foundations needed to generate further benefits and substantial savings in 2011-2012. The future prospects, while challenging, are major and achievable.

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<sup>1</sup> <http://www.scottishfuturestrust.org.uk>

## Directors

The directors who held office during the year and their appointment dates are as follows:

Sir Angus Grossart	Chairman	Appointed 10 September 2008
Graeme Bissett	Non-Executive Director	Appointed 16 December 2008
James Fletcher	Non-Executive Director	Appointed 7 November 2008
Fiona Mackenzie	Non-Executive Director	Appointed 23 January 2009
Colin Maclean	Non-Executive Director	Appointed 17 November 2008 *
Carolyn Dwyer	Non-Executive Director	Appointed 1 March 2011
Barry White	Chief Executive	Appointed 1 May 2009
Peter Reekie	Director of Finance & Structures	Appointed 29 June 2010

\* Colin Maclean resigned as Non-Executive Director on 31 December 2010.

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

## Disclosure of Information to 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.

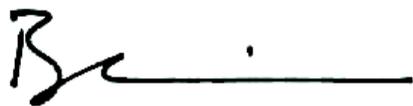
## Auditors

Following a tendering process conducted in May 2009, the Audit Committee appointed Scott-Moncrieff, Chartered Accountants as auditors to the Company. The Company has elected to dispense with the holding of the AGM, the laying of financial statements in 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 Government and, consequently, 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**  
Chief Executive

27 June 2011

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP 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 period ending 31 March 2011, the Company has complied with all the relevant provisions of the Combined Code on Corporate Governance issued in June 2008 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 sole shareholder, the Scottish Ministers;
- in view of the Company's responsibilities to take account of the provisions set out in the MSFM, compliance is not appropriate with the provision in the Combined Code that performance-related elements of remuneration should form a significant proportion of Executive Directors' total pay package; and
- the Remuneration Committee does not have delegated responsibility for setting the remuneration level of the Chief Executive as its recommendations require the approval of Scottish Ministers.

#### **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 sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Company strategy and monitors performance. The Board has adopted a formal schedule of matters specifically reserved for its decision, which is reviewed on an annual basis.

The roles of the Chairman and the Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all the Directors. 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 Limited (and related entities), Scotland International Limited, Fine Art Society Plc, Lyon & Turnbull Limited, Wright Health Group Limited, Edinburgh Partners Limited and The National Museums of Scotland. The Chairman is also a non-executive director of Culture and Sport Glasgow.

Board Meetings take place regularly throughout each period. 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. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Company's business activities.

Seven Board meetings were held during the year. The directors also participated in other meetings and aspects of the Company during the year.

### **Board balance and independence**

In the year ended 31 March 2011, the Board comprised five non-executive directors (including the Chairman) with the exception of the period 1 January 2011 to 28 February 2011 during which there were four non-executive directors. The Board considers that, based on the criteria set out in the provisions of the Combined Code, all non-executive directors are independent. The non-executive directors combine broad business and commercial experience with independent and objective judgement and constructively challenge and assist development of strategic matters.

The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the 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.

### **Re-election of Directors**

The non-executive directors have been appointed and re-appointed by Scottish Ministers in accordance with the Office for the Commissioner for Public Appointments in Scotland (OCPAS) Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

### **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 approval.

### **Performance evaluation**

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

### **Board Committees**

To provide effective overview and leadership, the Board has established a number of Committees composed of non-executive directors with specific governance responsibilities. The Committee Chairmanship and Membership will be refreshed on a regular basis. Executive directors and senior managers will be invited to attend Board Committee Meetings as appropriate.

### Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the financial affairs of the Company, 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 Audit Committee meets regularly throughout the accounting period and, in addition, it meets the external auditors privately.

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

The 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 Audit Committee are: Graeme Bissett (chair) and James Fletcher.

In the period to the year ended 31 March 2011 the Committee has met twice.

Following the incorporation of the subsidiary SFTI, the Audit Committee now takes the form of a Group Audit Committee. The Group Audit Committee held its first meeting on 4 May 2011.

The Board is satisfied that the Committee membership has relevant financial and business experience.

### Remuneration Committee

The primary function of the Remuneration Committee is to make recommendations to the Board on directors' pay and conditions, taking due account of the guidelines issued from time to time by the Scottish Ministers in respect of bodies in the public sector. In particular, the main items in respect of which the Committee makes its recommendations are as follows:

- basic remuneration levels for executive and non-executive directors;
- any matters concerning terms and conditions of service of executive and non-executive directors; and
- any policy matters concerning benefits for executive directors.

The basic remuneration levels of non-executive directors are set by the Scottish Ministers annually.

There were no meetings of the Committee during the year. The functions of the Remuneration Committee were undertaken by the Board during the year ended 31 March 2011.

### 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	Remuneration Committee *
<b>Number of meetings</b>	<b>7</b>	<b>2</b>	<b>0</b>
Sir Angus Grossart	7	-	-
Graeme Bissett	7	2	-
Carolyn Dwyer	1+1 **	-	-
James Fletcher	7	2	-
Colin Maclean	3	-	-
Fiona MacKenzie	6	-	-
Barry White	7	-	-
Peter Reekie	5 ***	-	-

Notes:

\* Activities undertaken by Board during year ended 31 March 2011.

\*\* Carolyn Dwyer attended one Board Meeting prior to being appointed as Non-Executive Director on 1 March 2011.

\*\*\* Peter Reekie became a Board member on 29 June 2010.

### Relations with Sole Shareholder

As disclosed in the Directors' Report, the Company's sole 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 LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**STATEMENT ON INTERNAL CONTROL**

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

**Control Structure**

Given the nature and size of the Company, SFT's control structure is the responsibility of directors and managers at all levels and there is no current need for a separate internal audit function, 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.

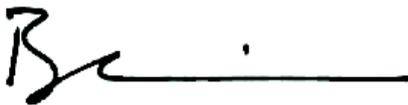
**Corporate Information Systems**

The Company operates a budgeting and financial reporting system, which includes the preparation of a business plan containing detailed annual budgets. The system provides monthly comparison of actual results against financial year budget, regularly revised forecasts, balance sheet, cash flow and variance analysis, all of which are regularly reviewed by the Board. 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 reviewing the effectiveness of the Company's system of internal control, including internal financial control. This 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**  
**Chief Executive**

27 June 2011

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND GROUP 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 (IFRSs) 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 LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**REPORT ON DIRECTORS' REMUNERATION**

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

**Directors' Remuneration**

In the period to 31 March 2011, the Company's non-executive directors were paid fees for their services to the Company. Each non-executive director has a letter of appointment outlining their expected time commitment and details of the per diem rate for non-executive directors of £325. Sir Angus Grossart did not receive payment from the Scottish Futures Trust Limited for his services as Chairman totalling 42 days over the period. Expenses of £6,862 were paid to Noble Grossart Limited, which is controlled by Sir Angus Grossart, in respect of administrative support services provided.

The fees and expenses received by each director in the period to 31 March 2011 for duties provided to the Company are as follows:

	<b>Fees</b>	<b>Expenses</b>
	<b>£</b>	<b>£</b>
Sir Angus Grossart	-	960
Colin Maclean	5,850	-
James Fletcher	7,800	-
Graeme Bissett	7,800	-
Fiona MacKenzie (paid to NHS Forth Valley)	7,800	-
Carolyn Dwyer *	2,600	40

\* Fees of £1,625 were paid to Carolyn Dwyer prior to her appointment on 1 March 2011 for duties provided to the Company.

Barry White was appointed as Chief Executive on 1 May 2009. His remuneration for the period 1 April 2010 to 31 March 2011 was:

	<b>£</b>
Salary	180,000
Pension	36,000
Car Allowance	10,000
Expenses	2,792

Peter Reekie was appointed as Executive Director on 29 June 2010. His remuneration for the period 29 June 2010 to 31 March 2011 was:

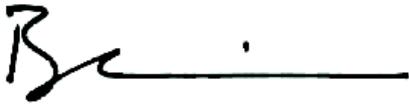
	<b>£</b>
Salary	90,000
Pension	18,000
Car Allowance	6,000
Expenses	1,872

### Pensions

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

In the year ended 31 March 2011, the Company had 25 employees including 2 directors who were members of the pension fund.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Barry White', followed by a horizontal line extending to the right.

**Barry White**  
**Chief Executive**

27 June 2011

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SCOTTISH  
FUTURES TRUST LIMITED**

We have audited the financial statements of the Scottish Futures Trust Limited for the year ended 31 March 2011 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group and Parent Company Statement of Changes in Equity, Group and Parent Company Balance Sheet, Group and Parent Company Cash Flow Statement 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 and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective Responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 12 the directors are responsible for the preparation of the Annual Report and the financial statements and for being satisfied that they 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 (APB'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 Group and Parent 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 all 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 implication on 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 nine provisions of the 2008 Combined 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 Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements 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**  
**Seemple Street**  
**Edinburgh**  
**EH3 8BL**

27 June 2011

**SCOTTISH FUTURES TRUST LIMITED**

**GROUP INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
<b>Continuing operations</b>			
<b>Revenue</b>		-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Other income	3	4,454,124	3,299,033
Capital grant income	4	2,112,960	-
Administrative expenditure	5	(4,454,124)	(3,299,033)
Capital grant expenditure	6	(1,907,048)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		205,912	-
Taxation on profit ordinary activities	7	-	-
		<hr/>	<hr/>
<b>Net profit for the period</b>		205,912	-
		<hr/> <hr/>	<hr/> <hr/>
Distributed as follows:			
Transferred to retained earnings		205,912	-
		<hr/>	<hr/>
<b>Profits available for distribution</b>		-	-
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 24 to 43 are an integral part of these financial statements.

**SCOTTISH FUTURES TRUST LIMITED**  
**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**FOR YEAR ENDED 31 MARCH 2011**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Actuarial gain / (loss) on defined benefit pension scheme	109,000	(101,000)
Actuarial (gain) / loss (released) / recognised in income statement	(90,000)	82,000
	<hr/>	<hr/>
Net gain / (loss) recognised directly in equity	19,000	(19,000)
Net profit for the period	205,912	-
	<hr/>	<hr/>
Total recognised income / (expense) for the period	224,912	(19,000)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to :		
Equity holders of the Company	224,912	(19,000)
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 24 to 43 are an integral part of these financial statements.

**SCOTTISH FUTURES TRUST LIMITED**

**GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2011**

	<b>Share Capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
At 31 March 2010	2	(19,000)	(18,998)
Net profit for the period	-	205,912	205,912
Net gain on defined benefit pension scheme	-	19,000	19,000
	<hr/>	<hr/>	<hr/>
At 31 March 2011	2	205,912	205,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SCOTTISH FUTURES TRUST LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2011**

	<b>Share Capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
At 31 March 2010	2	(19,000)	(18,998)
Net profit for the period	-	-	-
Net gain on defined benefit pension scheme	-	19,000	19,000
	<hr/>	<hr/>	<hr/>
At 31 March 2011	2	-	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 24 to 43 are an integral part of these financial statements

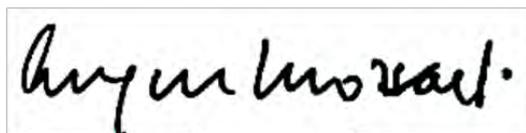
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SCOTTISH FUTURES TRUST LIMITED

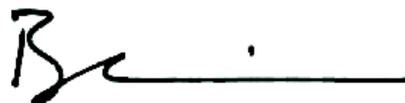
GROUP BALANCE SHEET AS AT 31 MARCH 2011

	Note	2011 £	2010 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	9	205,912	-
Property, plant and equipment	8	80,731	43,016
		<u>286,643</u>	<u>43,016</u>
<b>Current assets</b>			
Trade and other receivables	11	2,002,566	649,852
Cash and cash equivalents	15	133,082	203,450
		<u>2,135,648</u>	<u>853,302</u>
<b>Current liabilities</b>			
Trade and other payables	13	(1,937,244)	(706,495)
Deferred income	16	(224,904)	(167,804)
		<u>(2,162,148)</u>	<u>(874,299)</u>
<b>Net current liabilities</b>		(26,500)	(20,997)
<b>Non-current liabilities</b>			
Pension liabilities	17	-	(19,000)
Deferred income	16	(54,229)	(22,017)
		<u>(54,229)</u>	<u>(22,017)</u>
<b>Net assets / (liabilities)</b>		<u>205,914</u>	<u>(18,998)</u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	205,912	(19,000)
		<u>205,914</u>	<u>(18,998)</u>
<b>Total shareholder's funds</b>		<u>205,914</u>	<u>(18,998)</u>

These financial statements were approved by the Board of directors and authorised for issue on 27 June 2011 on its behalf by:



Sir Angus Grossart  
Chairman



Barry White  
Chief Executive

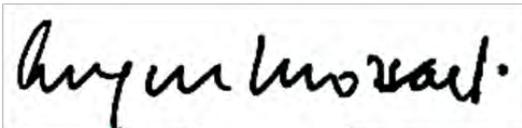
The accompanying notes on pages 24 to 43 are an integral part of these financial statements

SCOTTISH FUTURES TRUST LIMITED

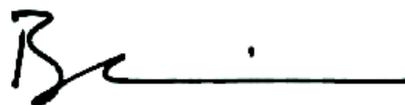
COMPANY BALANCE SHEET AS AT 31 MARCH 2011

	Note	2011 £	2010 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	10	1	-
Property, plant and equipment	8	80,731	43,016
		<u>80,732</u>	<u>43,016</u>
<b>Current assets</b>			
Trade and other receivables	12	2,015,295	649,852
Cash and cash equivalents	15	133,082	203,450
		<u>2,148,377</u>	<u>853,302</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,949,974)	(706,495)
Deferred income	16	(224,904)	(167,804)
		<u>(2,174,878)</u>	<u>(874,299)</u>
<b>Net current liabilities</b>		(26,501)	(20,997)
<b>Non-current liabilities</b>			
Pension liabilities	17	-	(19,000)
Deferred income	16	(54,229)	(22,017)
		<u>(54,229)</u>	<u>(22,017)</u>
<b>Net assets / (liabilities)</b>		<u>2</u>	<u>(18,998)</u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	-	(19,000)
		<u>2</u>	<u>(19,000)</u>
<b>Total shareholder's funds</b>		<u>2</u>	<u>(18,998)</u>

These financial statements were approved by the Board of directors and authorised for issue on 27 June 2011 on its behalf by:



**Sir Angus Grossart**  
Chairman



**Barry White**  
Chief Executive

The accompanying notes on pages 24 to 43 are an integral part of these financial statements

**SCOTTISH FUTURES TRUST LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Profit from operations for the period		205,912	-
Increase in depreciation of property, plant and equipment	8	25,590	16,523
Increase in trade and other receivables	11	(1,352,714)	(541,789)
Decrease in inventories		-	277
Increase in trade and other payables	13	1,230,749	589,428
Increase in deferred income	16	89,312	161,827
		<u>198,849</u>	<u>226,266</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(63,305)	(31,545)
Purchase of investments	9	(30)	
Provision of working capital loans	9	(205,882)	-
		<u>(269,217)</u>	<u>(31,545)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(70,368)	194,721
<b>Cash and cash equivalents at beginning of period</b>		203,450	8,729
<b>Cash and cash equivalents at end of period</b>	15	<u>133,082</u>	<u>203,450</u>

The accompanying notes on pages 24 to 43 are an integral part of these financial statements

**SCOTTISH FUTURES TRUST LIMITED**  
**COMPANY CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Profit from operations for the period		-	-
Depreciation of property, plant and equipment	8	25,590	16,523
Increase in trade and other receivables	12	(1,365,443)	(541,789)
Decrease in inventories		-	277
Increase in trade and other payables	14	1,243,479	589,428
Increase in deferred income	16	89,312	161,827
		<u>(7,062)</u>	<u>226,266</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(63,305)	(31,545)
Purchase of investments	10	(1)	-
		<u>(63,306)</u>	<u>(31,545)</u>
<b>Net cash used in investing activities</b>			
		(70,368)	194,721
<b>Net (decrease) / increase in cash and cash equivalents</b>			
		203,450	8,729
<b>Cash and cash equivalents at beginning of period</b>			
		<u>133,082</u>	<u>203,450</u>
<b>Cash and cash equivalents at end of period</b>			

The accompanying notes on pages 24 to 43 are an integral part of these financial statements

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

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

The Group financial statements of Scottish Futures Trust Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in British Pounds since this is the functional currency of the Company.

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

The report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, 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 International Accounting Standards Board has issued a number of new and revised Accounting Standards that apply in future periods. The Group has not early adopted any of these Standards.

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

**Basis of consolidation**

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

Investments in subsidiaries are accounted for at cost.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies are consistent across the Group.

No income statement has been prepared for the Company as provided by section 408 of the Companies Act 2006.

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2011**

**Financial instruments**

***Classification***

The Group classifies its financial assets in the available for sale and loans and receivables category. 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.

***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 Group has transferred substantially all risks and rewards of ownership.

**Cash and cash equivalents**

In the Group 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 or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised at cost.

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**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 Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

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

**Current income tax**

The tax expense for the period comprises current tax. Tax is 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.

**Property, plant and equipment**

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Office equipment - over 3 years

Furniture and fixtures - over 5 years

A *de minimis* cost of £1,000 is set for property, plant and equipment assets.

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

*Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**Leases**

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Employee entitlements**

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

**Changes in accounting standards**

The principal accounting standards set out below have been consistently applied to all financial reporting periods presented in these Group financial statements, unless otherwise stated.

*New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for this financial period.

- IAS 27 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Retirement benefits obligations**

The Company operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers. In accordance with 'IAS 19 – Employee Benefits', the expected costs of providing pensions under this Scheme, as calculated by qualified actuaries using the projected unit credit method, is charged to the Income Statement so as to spread the cost over the service lives of the current employees. The Company recognises actuarial losses through the income statement to the extent that contributions made exceed IAS 19 charges, resulting in faster recognition of actuarial gains and losses than required. Actuarial gains are recognised in full in the Statement of Comprehensive Income as they are incurred.

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

**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:

**Defined benefit scheme**

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

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

<b>3. Other income – Group</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Release of Scottish Government funding relating to non-current assets (Note 16)	28,446	16,523
Scottish Government funding received to compensate for expenses incurred	3,928,692	2,996,981
Recognised actuarial gain	90,000	-
Interest received on working capital loans	2,541	-
Other income	404,445	285,529
	<u>4,454,124</u>	<u>3,299,033</u>
<b>4. Capital Grant Income – Group</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
SG capital grant for SFTI investments in hubCos	205,912	-
SG capital grant for hub participants investments in hubCos	254,166	-
SG capital enabling grant for hub projects	1,652,882	-
	<u>2,112,960</u>	<u>-</u>
<b>5. Administrative Expenditure – Group</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Profit before taxation is stated after charging:		
Chair and non-executive fees (inc NI)	33,593	33,264
Salaries and associated costs	2,286,043	859,684
Agency, seconded & interim staff	304,737	903,145
Auditors remuneration	11,868	12,625
- SFT audit fee	3,588	-
- SFTI audit fee	2,585	2,573
- taxation services	2,938	6,657
- other services	108,624	84,697
Operating leases in respect of land and buildings	28,446	16,523
Depreciation of owned assets	148,266	6,256
Corporate Professional fees	14,228	150,438
Recruitment fees	514,319	115,824
Advisory fees	139,592	668,189
Hub PDO Fees	404,445	217,103
Hub Territory Costs	450,852	222,055
Other administrative costs	<u>4,454,124</u>	<u>3,299,033</u>

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

<b>6. Capital Grant Expenditure – Group</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Capital grant for hub participants investments in hubCos	254,166	-
Capital enabling grant for hub projects	1,652,882	-
	<u>1,907,048</u>	<u>-</u>

**7. Taxation – Group**

There is no tax or deferred tax charge in respect of either period.

**8. Property, plant and equipment – Group and Company**

	<b>Office equipment £</b>	<b>Furniture &amp; Fixtures £</b>	<b>Total £</b>
<b>Cost</b>			
At 31 March 2010	62,998	-	62,998
Adjust 1 April 2011*	(9,935)	-	(9,935)
Additions	35,238	38,002	73,240
	<u>88,301</u>	<u>38,002</u>	<u>126,303</u>
<b>Depreciation</b>			
At 31 March 2010	19,982	-	19,982
Adjust 1 April 2011*	(2,856)	-	(2,856)
Charge for period	23,379	5,067	28,446
	<u>40,505</u>	<u>5,067</u>	<u>45,572</u>
<b>Net book value</b>			
At 31 March 2011	<u>47,796</u>	<u>32,935</u>	<u>80,731</u>
At 31 March 2010	<u>43,016</u>	<u>-</u>	<u>43,016</u>

\* At 1 April 2011, the Company updated its accounting policies to reflect a *de minimis* cost for property, plant and equipment assets to be recognised. Opening values have been adjusted accordingly.

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**9. Investments – Group**

	<b>Hub Co Share Capital £</b>	<b>Hub Co Working Capital £</b>	<b>Total £</b>
<b>Cost</b>			
At 31 March 2010	-	-	-
Additions	30	205,882	205,912
	<hr/>	<hr/>	<hr/>
At 31 March 2011	30	205,882	205,912
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Revaluation</b>			
At 31 March 2010	-	-	-
Adjustment for period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>			
At 31 March 2011	30	205,882	205,912
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2010	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group 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 Group also made an additional investment of £3 share capital in hub North Scotland Limited during the period.

Share capital investments cannot be classified in any other category of financial asset and, notwithstanding that there is no intention to dispose of them, are held as financial assets - available for sale.

The Group loaned working capital of £100,000 to hub South East Scotland Limited on 30 July 2010, and working capital of £90,000 to hub North Scotland Limited on 28 January 2011. The Group also made an additional loan of £15,882 working capital loan to hub North Scotland Limited during the period.

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

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2011**

<b>10. Investments – Company</b>	<b>Investment in Subsidiary £</b>
<b>Cost</b>	
At 31 March 2010	-
Additions	1
	<hr/>
At 31 March 2011	1
	<hr/> <hr/>
<b>Revaluation</b>	
Revaluation adjustment in year	-
	<hr/>
At 31 March 2011	-
	<hr/> <hr/>
<b>Net book value</b>	
At 31 March 2011	1
	<hr/> <hr/>
At 31 March 2010	-
	<hr/> <hr/>

On the 2 July 2010 the Company acquired 100% of the share capital of the Scottish Futures Trust Investments Limited. The investment in the subsidiary is measured at cost.

<b>11. Trade and other receivables – Group</b>	<b>2011 £</b>	<b>2010 £</b>
Other receivables (SG funding re operational expenditure)	588,453	352,915
Other receivables (SG funding re hub projects enabling grant)	1,395,629	-
Amount receivable from the Hub territory	-	285,455
Prepayments and accrued income	18,484	11,482
	<hr/>	<hr/>
	2,002,566	649,852
	<hr/> <hr/>	<hr/> <hr/>

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

<b>12. Trade and other receivables – Company</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other receivables (SG funding re operational expenditure)	588,453	352,915
Other receivables (SG funding re hub projects enabling grant)	1,395,629	-
Amount receivable from the Hub territory	-	285,455
Prepayments and accrued income	31,213	11,482
	<u>2,015,295</u>	<u>649,852</u>
	<u><u>2,015,295</u></u>	<u><u>649,852</u></u>
<b>13. Trade and other payables – Group</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other payables (operational expenditure)	257,187	302,012
Other payables (hub projects enabling grant)	1,395,629	-
Other taxes and social security	75,972	93,576
Other creditors and accruals	208,456	310,907
	<u>1,937,244</u>	<u>706,495</u>
	<u><u>1,937,244</u></u>	<u><u>706,495</u></u>
<b>14. Trade and other payables – Company</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other payables (operational expenditure)	257,187	302,012
Other payables (hub projects enabling grant)	1,395,629	-
Other taxes and social security	75,972	93,576
Other creditors and accruals	221,186	310,907
	<u>1,949,974</u>	<u>706,495</u>
	<u><u>1,949,974</u></u>	<u><u>706,495</u></u>
<b>15. Cash and cash equivalents – Group and Company</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Cash at bank	132,991	203,442
Cash on hand	91	8
	<u>133,082</u>	<u>203,450</u>
	<u><u>133,082</u></u>	<u><u>203,450</u></u>

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

16. Deferred income – Group and Company

	2011 £	2010 £
As at beginning of period	43,016	27,994
Increase in period	66,161	31,545
Released to statement of income and retained earnings	(28,446)	(16,523)
	<u>80,731</u>	<u>43,016</u>
Deferred income above relates to capital funding received released over the expected life of the asset.		
As at beginning of period	-	-
Increase in period	7,500	-
Released to statement of income and retained earnings	-	-
	<u>7,500</u>	<u>-</u>
Deferred income above relates to funding received to provide for dilapidation over the expected life of the premises.		
Deferred income from Scottish Government relating to funding received in advance of costs incurred	190,902	146,805
<b>Total deferred income</b>	<u>279,133</u>	<u>189,821</u>
<b>Split as follows:</b>		
Current liabilities	224,904	167,804
Non-current liabilities	<u>54,229</u>	<u>22,017</u>

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

17. Retirement benefits obligation – Group and Company

*Defined benefit scheme*

The Company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent formal valuation of the fund was at 31 March 2011 by Hymans Robertson, independent actuaries. Liabilities are valued on an actuarial basis using the projected unit method, which assess the future liabilities of the fund discounted to their present value.

The main assumptions used in the calculations are:

<b>Assumptions as at</b>	<b>31 Mar 2011 % p.a.</b>	<b>31 Mar 2010 % p.a.</b>
Inflation / Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Expected Return on Assets	7.0%	7.3%
Discount Rate	5.5%	5.5%

**Mortality**

Life expectancy is based on the PMA92 and PFA92 tables, with mortality improvements projected based on members individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	20.8	24.1
Future Pensioners	22.3	25.7

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

<b>Assets (Employer)</b>	<b>31 March 2011</b>	
	<b>Long Term Return % p.a.</b>	<b>Assets £000</b>
Equities	7.5%	791
Bonds	4.9%	80
Property	5.5%	100
Cash	4.6%	30
		<hr/>
Total Market Value of Assets		1,001
Present Value of Scheme of Liabilities		792
		<hr/>
Net Pension Asset		<u>209</u>

**Recognition in the Income Statement:**

<b>Year Ended</b>	<b>31 March 2011</b>	
	<b>£(000)</b>	<b>% of Pay</b>
Current service cost	283	16.3%
Interest on obligation	38	2.2%
Expected return on Employer assets	(52)	(3.0%)
Past Service Cost / (Gain)	(76)	(4.4%)
	<hr/>	
<b>Total included in Income Statement</b>	<b>193</b>	
	<hr/>	
Actual Return on Plan Assets	40	

**Recognition of defined benefit obligation:**

<b>Year Ended</b>	<b>31 March 2011</b>	
	<b>£(000)</b>	
<b>Opening Defined Benefit Obligation</b>	<b>498</b>	
Current Service Cost	283	
Interest Cost	38	
Contributions by Members	173	
Actuarial Losses/(Gains)	(124)	
Past Service Costs/(Gains)	(76)	
	<hr/>	
<b>Closing Defined Benefit Obligation</b>	<b>792</b>	

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2011**

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

<b>Year Ended:</b>	<b>31 March 2011</b>
	<b>£(000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>479</b>
Expected Return On Assets	52
Contributions by Members	173
Contribution by Employer	312
Actuarial Gains/(Losses)	(15)
<b>Closing Fair Value of Employer Assets</b>	<b>1,001</b>

**Amounts for the current and previous accounting periods:**

<b>Year Ended:</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£(000)</b>	<b>£(000)</b>
Fair Value of Employer Assets	1,001	479
Present Value of Defined Benefit Obligation	(792)	(498)
Asset / (Liability)	209	(19)
Experience Gains/(Losses) on Assets	(15)	285
Experience Gains/(Losses) on Liabilities	(2)	(364)
Actuarial Gains/(Losses) on Employer Assets	(15)	285
Actuarial Gains/(Losses) on Obligation	124	(386)
Actuarial Gains/(Losses) recognised in SCI	109	(101)

**Amount Recognised in Statement of Comprehensive Income (SCI):**

<b>Year Ended:</b>	<b>31 March 2011</b>
	<b>£(000)</b>
Actuarial Gains/(Losses) on Plan Assets	(15)
Actuarial Gains/(Losses) on Obligation	124
Actuarial Gains/(Losses) Recognised in SCI	109
Cumulative Actuarial Gains/(Losses) Recognised in SCI	8

The pension charge for the period was £192,581 (2010: £40,000). The contribution of the company was £311,581 (2010: £122,000).

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Projected amount to be charged to Income Statement for the year ended 31 March 2012:**

Year Ended:	31 March 2012	
	£(000)	% of pay
Projected Current Service Cost	294	13.4%
Interest on Obligation	57	2.6%
Expected Return on Plan Assets	(91)	(4.2%)
<b>Total</b>	<b>260</b>	<b>11.8%</b>

The estimated Employer's contributions for the year ended 31 March 2012 are £438,000.

**Sensitivity analysis:**

Sensitivities at 31 March 2011	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	15%	119
1 year increase in member life expectancy	3%	24
0.5% increase in the Salary Increase Rate	8%	61
0.5% increase in the Pension Increase Rate	6%	46

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2011**

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Share capital</b>		
<b>Allotted and fully paid – ordinary shares of £1 each</b>		
As at beginning of period	2	2
Issued in the period	-	-
	<u>2</u>	<u>2</u>
As at period end	<u>2</u>	<u>2</u>
<b>Retained earnings – Group</b>		
As at beginning of period	(19,000)	-
Net profit for the period	205,912	-
Net actuarial gain / (loss) on defined benefit pension scheme	19,000	(19,000)
	<u>205,912</u>	<u>(19,000)</u>
As at period end	<u>205,912</u>	<u>(19,000)</u>
<b>Retained earnings – Company</b>		
As at beginning of period	(19,000)	-
Net profit for the period	-	-
Net actuarial gain / (loss) on defined benefit pension scheme	19,000	(19,000)
	<u>-</u>	<u>(19,000)</u>
As at period end	<u>-</u>	<u>(19,000)</u>

**SCOTTISH FUTURES TRUST LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2011**

**19. Related party transactions**

Details of fees paid to non-executive directors and the salary of the two executive directors are included in the Directors Remuneration Report on page 13. Details of other transactions with related parties are included below.

**Scottish Ministers**

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b><u>Scottish Government Funding received</u></b>		
Capital government funding received	63,305	31,545
Revenue government funding received	3,928,692	2,996,981
	3,991,997	3,028,526
<b><u>Nature of government funding receipt</u></b>		
Payments made monthly to SFT	3,403,454	2,675,611
Year end receivable	588,543	352,915
	3,991,997	3,028,526

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

**Income statement**

Capital government funding income – released in period	28,446	16,523
Revenue government funding received	3,928,692	2,996,981
	3,957,138	3,013,504

**Balance Sheet**

Balance included in other receivables	588,543	352,915
Deferred income - capital	80,731	43,016
Deferred income - funding received in advance of costs incurred	198,401	146,805
Deferred income - dilapidations	7,500	-
	1,075,175	542,736

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Scottish Futures Trust Investments Limited**

Scottish Futures Trust Investments Limited was incorporated on 2 July 2010 as a 100% wholly owned subsidiary of Scottish Futures Trust Limited. Details of transactions with the Scottish Futures Trust Investments Limited are included below:

	<b>Period 2 July 2010 to 31 March 2011 £</b>
<b><u>Scottish Futures Trust Funding</u></b>	
Operational grant funding paid	12,730
Investment grant funding paid	205,912
Share capital investment	1
	<hr style="border-top: 1px solid black;"/>
	218,643
	<hr style="border-top: 3px double black;"/>
<b><u>Payments made by Scottish Futures Trust Investments</u></b>	
SFT Management Fee	15,271
	<hr style="border-top: 3px double black;"/>
<b><u>Nature of funding receipt</u></b>	
Payments made directly by SFT on behalf of SFTI	205,912
Period end payable	12,731
	<hr style="border-top: 1px solid black;"/>
	218,643
	<hr style="border-top: 3px double black;"/>
The figures above are reflected in the Group financial statements as follows:	
<b><u>Income statement</u></b>	
Profit for the period	205,912
	<hr style="border-top: 3px double black;"/>
<b><u>Balance Sheet</u></b>	
Retained earnings	205,912
	<hr style="border-top: 3px double black;"/>

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Noble Grossart Limited**

Sir Angus Grossart, the chairman of the Scottish Futures Trust Limited, is an ultimate controlling shareholder of Noble Grossart Limited.

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b><u>Income Statement</u></b>		
Expense for secretarial and administrative support	6,862	7,179
	<u>6,862</u>	<u>7,179</u>
<b><u>Balance Sheet</u></b>		
Balance included in other creditors and accruals	3,369	7,179
	<u>3,369</u>	<u>7,179</u>
Remuneration in respect of directors was as follows:-		
<b>Directors' emoluments</b>		
Emoluments *	290,664	206,006
Pension costs	54,000	33,000
	<u>344,664</u>	<u>239,006</u>

\* Including Salary, Car Allowance and Expenses as outlined in the Directors' Remuneration Report.

**20. Commitments under operating leases – Group and Company**

At 31 March 2011 the Company had outstanding total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Office Premises</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Due less than one year	80,538	27,495
Due in more than one year and less than five years	268,461	-
Due in more than five years	-	-
	<u>348,999</u>	<u>27,495</u>

**SCOTTISH FUTURES TRUST LIMITED**

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2011**

**21. Financial Instruments**

The Group's financial instruments comprise of cash resources which arise directly from its operations and available for sale investments and loans and receivables. The Group has not entered into derivatives transactions. The Group has no borrowings. Each of the main risk exposures related to financial instruments are considered below.

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

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

**Fair value of financial assets and liabilities** - The Group recognises financial assets and liabilities at fair value where appropriate. No revaluation has arisen during the period.

**22. Ultimate Controlling Party**

The Company is wholly-owned by the Scottish Ministers.

**23. Contingent asset**

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

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP 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)  
Colin Maclean (Non-Executive Director) (to 31 December 2010)  
Carolyn Dwyer (Non-Executive Director) (from 1 March 2011)  
Barry White (Chief Executive)  
Peter Reekie (Director of Finance and Structures) (from 29 June 2010)

**Chief Executive**

Barry White

**Registered Office & Principal Place of Business**

11-15 Thistle Street  
Edinburgh  
EH2 1DF

**Registered Company number**

SC348382

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