

**SCOTTISH
FUTURES
TRUST**

SCOTTISH FUTURES TRUST LIMITED

**ANNUAL REPORT AND
GROUP FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

SC348382

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

It is my pleasure to present the Scottish Futures Trust (SFT) Annual Report and Group Financial Statements for the year ending 31 March 2019.

SFT is Scotland's infrastructure centre of expertise. While established and owned by Scottish Government, SFT operates independently from it and works with the public and private sectors to:

- Plan future infrastructure investment;
- Develop new approaches to infrastructure funding, financing and delivery;
- Deliver infrastructure projects and programmes to secure improved value; and
- Improve the management of existing infrastructure and their contracts.

Some examples of these activities during 2018/19 include:

- Our development and housing expertise helped unlock multimillion-pound levels of private sector investment into market and affordable housing in Winchburgh;
- As a strategic partner in the Low Carbon Infrastructure Transition Programme our work helped deliver Fife Council's district heating scheme in Markinch that will provide low carbon heat to council office buildings, local businesses and homes, contributing to climate change target;
- We established Host in Scotland as an umbrella organisation to represent and promote the interests of the Scottish datacentre industry. Data is one of the key utilities of the 21st century and datacentres will be the engine rooms of the knowledge economy;
- Our commercial property team supported Police Scotland and secured a multi-million-pound deal in the heart of Glasgow selling the former Strathclyde Police HQ that will see the site transformed into the largest, purpose-built Build to Rent development in Scotland; and
- The hub programme delivered 29 community infrastructure projects worth c.£400m.

This annual report is the last within the 2014-2019 Corporate Plan period and over the past five years SFT has delivered substantial contributions to the strategic objectives of Scottish Government including:

- provided advice and support to individual projects to be delivered via the Building Scotland Fund/Scottish National Investment Bank;
- engaged with the digital industry and its regulator to increase investment in Scotland;
- through the Scottish Energy Efficiency Programme, worked on the financing of private residential low carbon improvements; and
- working with Scottish Government and all 32 local authorities, is supporting the development of local Early Learning and Childcare expansion plans.

In establishing SFT, Scottish Government set the organisation a challenging target of achieving between £100m and £150m of savings per annum against agreed benchmarks. Over the first 10 years from 2009 to 2019, SFT secured £1.34bn of savings with £136m of savings secured these past 12 months.

In addition to financial savings, SFT has secured wider benefits for the economy, the environment and local communities. Through SFT's various infrastructure programmes:

- thousands of local jobs and apprenticeship opportunities were created;
- 19 more schools opened taking the total open in the Scotland's Schools for the Future programme to 102, the majority of which are open for communities to enjoy;

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CHAIRMAN'S STATEMENT (continued)

- hundreds of millions of pounds of private sector investment has been leveraged into numerous residential development sites right across Scotland; and
- many thousands of tonnes of CO2 have been saved through a variety of low carbon projects and programmes led by SFT.

SFT has embarked upon its new 2019-24 Corporate Plan period and has outlined how it will prioritise its resources working towards its vision of world-class infrastructure for the people of Scotland. These include supporting Scottish Government's National Infrastructure Mission which is focused on increasing infrastructure investment so it will be £1.5bn a year higher in 2025-26 than in 2019-20. SFT is at the very heart of that work, to devise and develop new financing programmes that will support the delivery of this large-scale investment in infrastructure.

In addition, during 2018/19 Scottish Government formed the Infrastructure Commission for Scotland (ICS). The ICS has been established to provide Ministers with impartial, informed advice on what the country's vision, ambition and priorities should be to create and deliver a 30-year infrastructure strategy to support inclusive economic growth and a low carbon economy. Recognising the importance of the ICS's work, SFT has provided dedicated resource to support the ICS's secretariat during 2018-19 and this will continue through 2019-20.

In December 2018, Fiona Mackenzie and Carolyn Dwyer stood down as SFT Board members after their official terms of appointment came to an end. I, along with my fellow Board members, would like to extend our thanks and gratitude to them for their outstanding contribution to SFT since joining the Board. Their replacements, Pauline Mills, Bill Matthews and Ann Allen were announced in January 2019 by the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay.



Ian Russell
Chairman

Date: 17 September 2019

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STRATEGIC REPORT

The directors present their Annual Report and the Consolidated Financial Statements for the year ended 31 March 2019 of the Scottish Futures Trust Limited Group (incorporating the wholly owned subsidiary Scottish Futures Trust Investments Limited “SFTi” and the Company, Scottish Futures Trust Limited “SFT”).

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

PRINCIPAL ACTIVITY

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

‘to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland and hence contribute to the Scottish Government’s overarching purpose to increase inclusive economic growth’

In working towards that aim, employing and developing the right team of people is crucial. Since becoming fully operational in 2009, SFT has built a 70-strong professional team who have the specific skills and expertise to deliver, support and improve public sector infrastructure investment, right across Scotland.

In following these guiding principles, our teams contribute significantly to creating award-winning buildings and other infrastructure investments, delivered through innovative programmes which secure additional investment and support economic growth.

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

SFT helps to plan infrastructure investment; to develop innovative solutions to create additional infrastructure investment; to manage the delivery of infrastructure programmes; and, to ensure existing infrastructure assets are used as efficiently and as effectively as possible.

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STRATEGIC REPORT (Continued)

FINANCIAL REVIEW & RESULTS

In order to deliver these benefits, SFT has recorded the following income within the Financial Statements:

Source of Income (£'m)	2018/19	2017/18
Scottish Government revenue funding received to meet operating expenses	9.0	9.3
SFTi Investment Returns	1.6	1.5
Scottish Government capital funding to invest in hub projects	-	0.4
Miscellaneous income from secondments and director fees	0.3	0.2
Income used to fund Operating Expenses and support SFT projects and programmes	10.9	11.4
Deferred grant recognised as due from Scottish Government relating to SFT's pension scheme (Note: this is a non-cash accounting entry recognising the fact Scottish Government underwrite SFT's membership in their pension scheme and has not been received during 2017/18. It covers the IAS19 pension costs charged to Operating expenses (wages and salaries) and those charged directly to Other Comprehensive Income)).	1.1	0.5
Total Income recognised within the Group Statement of Comprehensive Income	12.0	11.9
Financial Transactions repayable grant received to fund investments in the sub-ordinated debt of hub projects	1.4	1.5
Total funding	13.4	13.4

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STRATEGIC REPORT (continued)

FINANCIAL REVIEW & RESULTS (continued)

During 2018/19, SFT applied its funding to the following expenditure:

Application of Funds	2018/19	2017/18
	£'m	£'m
Operating costs	10.7	10.7
Corporation Tax payable	0.2	0.2
Total operating costs including taxation	10.9	10.9
Movement in pension fund funding position:		
Included in staff costs (IAS 19 current service cost charge)	0.6	0.6
Charged/(Credited) to the Statement of Comprehensive Income – actuarial loss / (gain)	0.5	(0.1)
Total Pension Scheme costs arising from the application of accounting standards to SFT's Pension Scheme	1.1	0.5
Total operating costs and pension charges	12.0	11.4
Hub programme funding:		
• Subordinate debt investments in hub projects (funded through repayable grant received from Scottish Government)	1.4	1.5
• Capital enabling funds for hub projects	-	0.4
SFTi profits retained for future infrastructure investment and development (SFTi profit less dividend to SFT in year)	-	0.1
Total Funds Recognised	13.4	13.4

The Group Balance Sheet shows an increase in net assets of £0.7m from £7.5m as at 31 March 2018 to £8.2m as at 31 March 2019. The major reasons for this movement include:

- **An increase in non-current assets of £3.2m:** reflecting a:
 - £1.4m increase in investments in the subordinated debt of hub projects and accrued dividend income due from these investments;
 - a £1.1m increase in the deferred grant which would be payable by Scottish Government if the pension scheme liability crystallised; and
 - £0.7m increase in investments due to fair value accounting under IFRS 9
- **A £2.5m increase in long term liabilities:** representing a:
 - £1.4m increase in the Repayable Grant provided by Scottish Government. This is used to finance the purchase of hub sub-ordinated debt; and
 - £1.1m increase in the forecast pension deficit.

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STRATEGIC REPORT (continued)

FINANCIAL REVIEW & RESULTS (continued)

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

RISKS AND MITIGATION

The Group maintains a strategic risk register which is derived from an aggregation of the high-level risks of the projects and programmes in which SFT is involved, along with operational risks within the Group. Risks are evaluated against their potential to impact on the outcomes expected of SFT, the Group's operations and its stakeholders. The risks and management's mitigating actions are reviewed by the Board regularly. The table below details the significant Group operational risks and the Group's approach to managing and mitigating these. SFT is working with procuring bodies to mitigate these risks but does not have complete control over them.

Significant Operational Risks	Approach to Management and Mitigation of Risks
Resource levels in central Government and procuring authorities to take forward priority projects in a timely manner.	SFT supports authorities by ensuring that resource needs are fully understood and where appropriate ensuring resource needs are incorporated into funding agreements for future projects.
The financial and economic standing of key delivery partners deteriorates impacting project delivery	SFT works with a wide range of delivery partners. On many major projects, SFT has board level representation which would provide early warning of any such issues. However, the risk cannot be fully mitigated.
Poor performance by bodies involved in delivering SFT infrastructure programmes lead to quality, programme, commercial or reputational issues during project delivery.	SFT provides operational team support for public bodies preparing for the operational phases of NPD projects and DBFM projects delivered through hub. SFT also ensures key stakeholders are regularly updated on project progress and specific delivery issues.
Delay in progressing projects due to budgetary pressures.	SFT promotes proactive management of programmes with clear, strong supporting evidence for the budgets required to ensure value for money is maximised and programmes continue to timetable.
Key staff retention	SFT's skilled staff are key to benefit delivery and have been recruited from a rare skills base. Failure to retain key staff remains a risk to benefit delivery. SFT will continue to focus on employee engagement and employee reward packages.

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STRATEGIC REPORT (continued)

RISK MANAGEMENT AND INTERNAL CONTROL

The directors monitor SFT's risk management and internal control systems as detailed within the Statement of Internal Control. During the financial year 2018/19, an external review was undertaken of SFT's internal controls over its Investment business with no major issues being identified.

GOING CONCERN AND VIABILITY STATEMENT

The directors believe it is appropriate for the SFT Financial Statements to adopt the going concern basis of accounting. This is based on confirmation of SFT's funding from its sole Shareholder, the Scottish Government, for the financial year 2019/20; SFT's role in delivering long-term programmes of investment with associated investment income forecast for a period in excess of 20 years; and, the regular discussion between the Board and the Scottish Government regarding SFT's future activities.

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

FUTURE PLANS

The Group's long-term plans are described in its [2019-2024 Corporate Plan](#) which can be found on [SFT's Website](#). The Group's priorities and detailed objectives are set out in its published [2019/20 Business Plan](#). Outcomes against these objectives are published on SFT's website.

The 2019/20 operating budget has been set at £10.6m, reflecting £1.5m of post tax third party income and £9.1m of Scottish Government grant. It is anticipated by the directors that the budget will be fully utilised in the forthcoming year.

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



Peter Reekie
Chief Executive

Date: 17 September 2019

SCOTTISH FUTURES TRUST LIMITED

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DIRECTORS' REPORT

Directors

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

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

Ian Russell	Chairman
Peter Reekie	Chief Executive
Ann Faulds	Non-Executive Director
Graham Watson	Non-Executive Director
Bill Matthews	Non-Executive Director (appointed 1 January 2019)
Ann Allen	Non-Executive Director (appointed 1 January 2019)
Pauline Mills	Non-Executive Director (appointed 1 January 2019)
Fiona Mackenzie	Non-Executive Director (resigned 31 December 2018)
Carolyn Dwyer	Non-Executive Director (resigned 31 December 2018)

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

Disclosure of Information to the Auditor

The directors 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 auditor is unaware and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487(2) of the Companies Act 2006. The Group has elected to dispense with the holding of the AGM, the laying of financial statements in a general meeting and the annual appointment of the auditor as meetings between the sole shareholder, Scottish Ministers and the Company occur on a regular basis.

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

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

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

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

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DIRECTORS' REPORT (continued)

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

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

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

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

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

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

On behalf of the Board:



Peter Reekie
Chief Executive

Date: 17 September 2019

SCOTTISH FUTURES TRUST LIMITED

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REPORT ON CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the accounting year ending 31 March 2019, the Group has complied with all the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council as best practice guidance, except as explained below, notwithstanding that the Group is not a listed group to which the provisions are directed. The following exceptions are noted:

- there is no Nominations Committee as non-executive Board appointments, including their terms and conditions of employment, are determined by the Group's sole shareholder, the Scottish Ministers. Executive director appointments are considered by the Board;
- directors are not subject to election or re-election at General Meetings as required by the Code. Non-executive directors are appointed to the Board by the Scottish Ministers - these appointments are made under a system regulated and monitored by the Commissioner for Ethical Standards in Public Life in Scotland whose policies on term of office and diversity are available on their website;
- In view of the Group's responsibilities to take account of the provisions set out in the Management Statement and Financial Memorandum (MSFM) agreed with the Scottish Government, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration be transparent, stretching and rigorously applied. The Board carries out the role of a Remuneration Committee as remuneration of non-executive directors is set by Scottish Government;
- The Board has not identified a Senior Independent Director as the shareholder appoints and appraises the performance of the Chairman, and the Chairman is considered independent and has no financial interest in the performance of the Company;
- The Board has requested the Group Audit Committee to regularly review the need for an internal audit function. The size and nature of the organisation, alongside a clear controls framework and a 3 year Internal Controls Review Plan, has led the Audit Committee to conclude to date that such a function is not required.

Board of Directors

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

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

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REPORT ON CORPORATE GOVERNANCE (continued)

Board of Directors (continued)

The Chairman's other significant commitments are: chairmanship of HICL Infrastructure Company Limited and director of Herald Investment Trust plc (being appointed Chair in April 2019); chairman of National Infrastructure Commission for Scotland and trustee of National Museums Scotland.

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

Six Board meetings were held during the year. The directors also participated in other meetings including a Strategy Day, relating to aspects of the Group's activities during the year.

Board Balance and Independence

As at 31 March 2019, the Board included six non-executive directors (including the Chairman). During the year, three non-executive directors were appointed on 1 January 2019 with two non-executive directors resigning in the year, following completion of their time in office. The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors are independent. The non-executive directors combine broad business and commercial experience with independent and objective judgement and constructively challenge and assist development of strategic matters. The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Group's level of business and associated responsibilities.

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

Election of Directors

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

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 Group's expense. Minutes of Board and Group Audit Committee meetings are available on the SFT website following their approval.

Performance Evaluation

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

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REPORT ON CORPORATE GOVERNANCE (continued)

Board Committees

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

Attendance at Board and Committee Meetings

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

	SFT Board	Group Audit Committee	SFTi Board	SFTi Investment Committee
Number of meetings	6	3	4	3
Ian Russell	6	3*	4	2*
Carolyn Dwyer ¹	4	2	2	-
Fiona Mackenzie ¹	4	2	2	3
Ann Faulds	6	3	4	1
Graham Watson	6	3	4	3
Bill Matthews ²	2	1	2	-
Ann Allen ²	2	-	1	-
Pauline Mills ²	2	1	2	-
Peter Reekie	6	3*	4	3

*In attendance, not members of the Committee

Attendance at SFTi Investment Committee is on the basis of the necessary quorum being present, reflecting the nature of the agenda and the frequency of the meetings.

Note 1: Carolyn Dwyer and Fiona Mackenzie resigned from all Boards and Committees on 31 December 2018. Number of meetings in this period: 4 SFT Boards, 2 Group Audit Committees, 2 SFTi Boards and 3 SFTi Investment Committees.

Note 2: Ann Allen, Bill Matthews and Pauline Mills were appointed to all Boards and Committees on 1 January 2019. Number of meetings in this period: 2 SFT Boards, 1 Group Audit Committee, 2 SFTi Boards and 0 SFTi Investment Committees.

Relations with Sole Shareholder

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

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REPORT ON CORPORATE GOVERNANCE (continued)

Gender Balance

The Table below discloses the gender balance of SFT's Board, Senior Management Team and Direct Reports. This reflects SFT's wish to be an early adopter of this element of the revised FRC's UK Corporate Governance Code published in July 2018. SFT believes there is an appropriate balance as demonstrated within the table below:

Gender split as at 31 March 2019	Number and Percentage of Females	Number and Percentage of Males
Board	3 43%	4 57%
Leadership Team	4 57%	3 43%
Direct Reports	15 50%	15 50%

On behalf of the Board:



Peter Reekie
Chief Executive
Date: 17 September 2019

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STATEMENT ON INTERNAL CONTROL

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

Control Structure

Given the nature and size of the Group, SFT's control structure is the responsibility of directors and managers at all levels and there is no current need for a separate internal audit function, 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 Group's external auditor presents reports to the Audit Committee which include any significant internal control matters which they have identified.

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

Identification and Monitoring of Business Risks

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

Effectiveness of Internal Controls

The directors are responsible for reviewing the effectiveness of the Group's system of internal control, including internal financial control. 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. The directors do this through a range of internal control reviews which cover investment management processes and the wider internal controls environment. 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:



Peter Reekie
Chief Executive

Date: 17 September 2019

SCOTTISH FUTURES TRUST LIMITED
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REPORT ON DIRECTORS' REMUNERATION

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

Directors' Remuneration

In the year to 31 March 2019, the Company's non-executive directors were paid fees for their services to the Group. Each non-executive director has a letter of appointment outlining their expected time commitment and details of the per diem rate set by Scottish Government for non-executive directors of £325. Ian Russell has waived his remuneration for the role of Chairman of SFT and SFTi.

The fees received by the other directors in the years to 31 March 2019 and 31 March 2018 for duties provided to the Group are as follows:

	2019	2018
	£	£
Ann Faulds	7,800	7,800
Graham Watson	7,800	7,800
Bill Matthews (appointed 1 January 2019)	1,950	-
Ann Allen (appointed 1 January 2019)	1,950	-
Pauline Mills (appointed 1 January 2019)	1,950	-
James Fletcher (resigned 31 December 2017)	-	5,850
Graeme Bissett (resigned 31 August 2017)	-	3,250
Fiona Mackenzie (resigned 31 December 2018)	5,850	7,800
Carolyn Dwyer (resigned 31 December 2018)	5,850	7,800

The total expenses reimbursed during the year were £458 (2017/18: £270).

Barry White was appointed as Chief Executive on 1 May 2009. He resigned on 9 January 2018. His remuneration for the nine months he was employed in the previous year was:

	2019	2018
	£	£
Salary for 9 months	-	153,983
Pension for 9 months	-	30,797
Car Allowance for 9 months	-	9,401

Peter Reekie was appointed as Executive Director on 29 June 2010 and became Deputy Chief Executive and Director of Investments on 18 August 2014. He was appointed Chief Executive on 10 January 2018. His remuneration for the year was:

	2019	2018
	£	£
Salary	175,760	164,940
Pension	35,152	32,988
Car Allowance	12,600	10,297

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REPORT ON DIRECTORS' REMUNERATION (continued)

Directors' Remuneration (continued)

	2019	2018
	£	£
Highest paid director's total remuneration	188,360	175,238
Median total remuneration	68,916	69,295
Ratio	2.73	2.53

The ratio has increased slightly due to (i) the highest paid Director remuneration reflecting a full year in role; and (ii) the employment of new staff, the impact of which was to decrease the median pay in the year. Total remuneration includes salary and car allowance. There were no bonuses or benefits in kind in financial years 2017/18 or 2018/19.

Pensions

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

In the year ended 31 March 2019, 63 of the Company's employees including one director were members of the pension fund.

The highest paid director's pension has a transfer value of £295,554 (2017/18: £264,411).

On behalf of the Board:



Peter Reekie
Chief Executive

Date: 17 September 2019

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REPORT OF THE GROUP AUDIT COMMITTEE

Role and Responsibilities

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

Composition

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

- Graham Watson is an experienced investment banker bringing extensive strategic leadership and financial expertise to the board. Graham was appointed chair of the Group Audit Committee from 1 September 2017.
- Ann Faulds was a partner in the law firm, CMS and has 30 years' experience in consenting processes for developments and infrastructure projects.
- Pauline Mills (appointed 1 January 2019) is a chartered town planner and member of the Royal Town Planning Institute. She is currently Land and Planning Director at Taylor Wimpey, responsible for managing the firm's land assets across the regional Board of which she is a member.
- Ann Allen MBE (appointed 1 January 2019) is a chartered surveyor with over 35 years' experience and is Director of Estates at the University of Glasgow who is currently leading the team delivering the campus development.
- Bill Matthews (appointed 1 January 2019) a Chartered Engineer with governance knowledge across a variety of policy areas and organisations. He was the founding Chair of hub West Scotland and has significant infrastructure development experience.
- Fiona MacKenzie (resigned 31 December 2018) is an honorary Professor of Management at Stirling University, was previously Chief Executive of Forth Valley NHS Board and has extensive experience of leading major public bodies.
- Carolyn Dwyer (resigned 31 December 2018) is the director of Built Environment at the City of London Corporation. She has over 30 years' experience in the Development Sector.

In the year ended 31 March 2019, there were three meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

Responsibilities and Review of the External Auditor

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

- considering and recommending to the Board for approval the Annual Financial Statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- selecting and appointing the external auditor;
- reviewing and monitoring the independence of the external auditor in relation to non-audit assignments, taking into account relevant ethical guidance;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

REPORT OF THE GROUP AUDIT COMMITTEE (continued)

- reviewing the efficiency of the external audit process and the independence and quality of the audit engagement partner and the audit team;
- reviewing the appropriateness of the Group’s accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

Auditor and Audit Tenure

Scott Moncrieff has been auditor since the Group’s incorporation in 2008. The Audit Committee reviews the auditor’s performance on a regular basis, taking into consideration the services and advice provided to the Group and the fees charged for these services. A formal re-tender exercise took place in 2017/18, with Scott-Moncrieff being re-appointed.

Safeguarding the Auditor’s Objectivity and Independence

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

There were non-audit services provided to the Company by the Auditor in the year. These related to corporation tax compliance work, iXBRL tagging of the financial statements for submission to HMRC, VAT advice, GDPR advice and a review of the group internal controls. These services were performed by staff from Scott-Moncrieff, who had no involvement with the external audit, thus the objectivity and independence of the external audit was not compromised. The total fees paid to the auditor can be found in note 7 to the Financial Statements. The audit and corporation tax fees for SFTi were paid by SFT and recharged via the management charge.

Significant Issues Considered Regarding the Annual Report and the Financial Statements

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

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

REPORT OF THE AUDIT COMMITTEE (continued)

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

Significant issue	How the issue was addressed
Accounting for the defined benefit pension scheme.	The assumptions used in the IAS 19 pension valuation are provided by the actuary to the scheme and reviewed each year by the Audit Committee to ensure that the assumptions used are appropriate. The Audit Committee through discussions with the finance team and the external auditor ensure that the pension is accounted for and disclosed in accordance with IAS 19.
Funding from the Scottish Government.	The Audit Committee members as members of the SFT board are involved in year round communication with the Scottish Government including in relation to future funding and consider the funding levels agreed when assessing the Company's going concern status.
The risk that investments are not consolidated in SFT group accounts when they should be.	Through discussions with the auditor, the Audit Committee reviews the criteria regarding consolidation and the relationship the Group has with the companies the Group has invested in, in order to establish if consolidation is required.
Risk of the recoverability of investments in terms of repayment of loans and interest receivable.	The SFTi Board reviews investment performance. SFT also has board representation on all hubCos and DBFM SPV companies which provides additional reassurance regarding the performance of the companies to whom SFTi provides working capital loans or subordinated debt to.
The risk that the fair value of investments is over or under stated in the financial statements	The Group implemented IFRS 9 <i>Financial Instruments</i> this year which required the equity investments, in companies delivering infrastructure as part of wider SFT programmes, to be held at fair value. The fair value calculations are based on the discounted value of future cashflows. The future cashflows are based on operational models provided bi-annually by the companies in which SFTi holds the equity. These companies have a SFT nominated Director on their Boards who confirms the reasonableness of the operating models. The directors gain reassurance that the fair value calculations are reasonable based on the above controls.
Risk of incorrect accounting of repayable grants from the Scottish Government to SFT which are then on-lent to SFTi.	SFT draws down repayable grants from the Scottish Government which are then granted on to SFTi to make investments in the subordinated debt and share capital of DBFM SPV companies. The Investment Committee approves each investment made by SFTi and the funding that is drawn down from the Scottish Government and then granted on to SFTi to fund these investments. Through the review of the management accounts and the statutory financial statements, the Board ensure that all repayable grants from the Scottish Government by SFT which are granted to SFTi are recorded and disclosed correctly.
The recognition of the operating lease for the office as a right of use asset and finance lease creditor in line with IFRS 16 <i>Leases</i>	IFRS 16 <i>Leases</i> has been early adopted in 2018/19. An audit technical paper detailing the relevant changes and how these should be implemented has been discussed and agreed with the Group Audit Committee.

On behalf of the Audit Committee:



Graham Watson
Chairman
Audit Committee

Date: 17 September 2019

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

Opinion

We have audited the Financial Statements of Scottish Futures Trust Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2019 which comprise the Group and the Company Statements of Comprehensive Income, the Group and the Company Statements of Changes in Equity, the Group and the Company Statements of Financial Position, the Group and the Company Statements of Cash Flows and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's and Parent Company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's or the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern is materially inconsistent with our knowledge obtained in the audit; and
- or the directors' explanation in the Annual Report as to how they have assessed the prospects of the Group and the Parent Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

Key audit matters

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

Income Recognition

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

Defined Benefit Pension Scheme

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

Future funding

- **The risk:** SFT requires funding from the Scottish Government to operate. Without this funding, SFT would not be able to continue to operate in its current form and may not be deemed a going concern.
- **Our response:** We reviewed the funding letter provided by the Scottish Government which confirms that the Group will receive sufficient funds to operate in 2019/20. Although, at this time, no funding letter is in place for 2020/21, the Board anticipates continued support from the Scottish Government in 2020/21 and beyond and thus the Board has prepared the Financial Statements on a going concern basis. Given the relationship that SFT has with the Scottish Government, the important role SFT plays in public sector investment and given there is no evidence to the contrary we are satisfied that the financial statements should be prepared on a going concern basis.
- **Our findings:** The Scottish Government has confirmed that resources will be provided to SFT to allow the Group to continue in 2019/20. The expectation at the date of signing the Financial Statements is that this funding from the Scottish Government will continue into 2020/21 and beyond and thus the financial statements have been correctly prepared on a going concern basis.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

Treatment of investments made by Scottish Futures Trust Investments Limited

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

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

- **The risk:** Capital investments in hub companies and special purpose investment vehicles in terms of both share capital and subordinated debt are impaired.
- **Our response:** From our review of investments we did not identify any indication of impairment.
- **Our findings:** No impairment has been identified in respect of any of the Group's investments.

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

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

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

- **The risk:** There is a risk that repayable grants received by SFT from the Scottish Government which are then granted on to SFTi to fund the investment in sub-ordinated debt and the share capital of DBFM SPV companies are not correctly recorded in the financial statements of SFT or SFTi.
- **Our response:** All repayable grants received from the Scottish Government by SFT in the year which were then granted on to SFTi to fund SFTi's investments were agreed to supporting documentation, the bank statements and both SFTi's and SFT's accounting systems.
Our findings: From the work performed, we have gained assurance over the repayable grants received from the Scottish Government in the year by SFT which were then granted on to SFTi.

Recognition of the operating lease for the office as a right of use asset and finance lease creditor in line with IFRS 16 *Leases*

- **The risk:** The right of use asset and finance lease creditor in respect of the operating lease are not correctly recognised.
- **Our response:** The right of use asset and finance lease creditor have been correctly recognised. We reviewed and agreed the transitional adjustments.
- **Our findings:** IFRS 16 *Leases* has been implemented correctly in respect of the operating lease for the office premises.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

Our Application of Materiality

The materiality for the Group Financial Statements as a whole was set at £240,000. This has been assessed with reference to a benchmark of 2% of other income which we consider to be the principal consideration for the Member of the Group in assessing the financial performance of the Group.

The materiality for the Parent Company Financial Statements as a whole was set at £210,000. This has been assessed with reference to a benchmark of 2% of the Parent Company's other income less the dividend income of £860,000 from SFTi and management charge to SFTi of £545,823.

We set a performance (testing) materiality for high risk areas, which we assessed as being 50% of the overall materiality. In respect of other areas, we performed audit procedures on all transactions and balances that exceeded our assessed low risk level performance materiality which was assessed as being 75% of the overall materiality. This meant that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement. All balances and transactions above 75% of overall materiality were audited whilst for higher risk items we tested all balances and transactions above 50% of overall materiality. We tested smaller balances and transactions as we deemed necessary.

We agreed with the Audit Committee to report to it the following misstatements that we identified through our audit: (i) all material corrected misstatements; (ii) uncorrected misstatements with a value in excess of £12,000 for the Group and £11,000 for the Parent company; and (iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement relating to the Group's voluntarily compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements:

- in the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes.

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

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

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on pages 8 and 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

Auditor's responsibilities for the audit of the financial statements

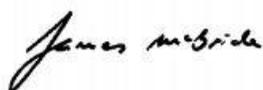
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee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

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

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

Use of our report

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



James McBride (Senior Statutory Auditor)
For and on behalf of Scott Moncrieff, Statutory Auditor
Exchange Place 3, Semple Street
Edinburgh, EH3 8BL

Date: 17 September 2019

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
		<u> </u>	<u> </u>
Gross profit		-	-
Other income	5	12,082,521	11,494,442
Capital grant income	6	-	431,267
Operating expenditure	7	(11,295,332)	(11,327,249)
Capital grant expenditure	8	-	(431,265)
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation		787,189	167,195
		<u> </u>	<u> </u>
Taxation on profit on ordinary activities	9	(206,376)	(169,707)
		<u> </u>	<u> </u>
Net profit/(loss) for the year		580,813	(2,512)
Other comprehensive income:			
Those that are not recyclable net of tax:			
Actuarial (losses)/gains on post-employment benefit obligations	17	(561,000)	136,000
Gain on fair value on SPV investments	11	18,060	-
		<u> </u>	<u> </u>
Other comprehensive income for the year after tax		(542,940)	136,000
		<u> </u>	<u> </u>
Total comprehensive income for the year		37,873	133,488
		<u> </u>	<u> </u>
Attributable to:			
Equity holder of the company		37,873	133,488
		<u> </u>	<u> </u>
Distributed as follow:			
Transferred to retained earnings		37,873	133,488
		<u> </u>	<u> </u>
Profits available for distribution		-	-
		<u> </u>	<u> </u>

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Continuing operations			
Revenue		-	-
Cost of sales		-	-
		<u>-</u>	<u>-</u>
Gross profit		-	-
Other income	5	11,856,241	11,191,159
Capital grant income	6	-	431,267
Operating expenditure	7	(11,295,241)	(11,327,159)
Capital grant expenditure	8	-	(431,267)
		<u>561,000</u>	<u>(136,000)</u>
Profit/(loss) on ordinary activities before taxation		561,000	(136,000)
Taxation on profit on ordinary activities	9	-	-
		<u>561,000</u>	<u>(136,000)</u>
Net profit/(loss) for the year		561,000	(136,000)
Other comprehensive income:			
Those that are not recyclable net of tax:			
Actuarial (losses)/gains on post-employment benefit obligations	17	(561,000)	136,000
		<u>(561,000)</u>	<u>136,000</u>
Other comprehensive income for the year after tax		(561,000)	136,000
		<u>(561,000)</u>	<u>136,000</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>
Attributable to:			
Equity holder of the company		-	-
		<u>-</u>	<u>-</u>
Distributed as follow:			
Transferred to retained earnings		-	-
		<u>-</u>	<u>-</u>
Profits available for distribution		<u>-</u>	<u>-</u>

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

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

As at 31 March 2018	Share Capital	Retained Earnings	Other Reserve	Total
	£	£	£	£
At 1 April 2017	2	7,344,139	-	7,344,141
Total comprehensive income for the year	-	133,488	-	133,488
At 31 March 2018	2	7,477,627	-	7,477,629

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

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

As at 31 March 2018	Share Capital	Retained Earnings	Total
	£	£	£
At 1 April 2017	2	-	2
Total comprehensive income for the year	-	-	-
At 31 March 2018	2	-	2

The accompanying notes are an integral part of these financial statements

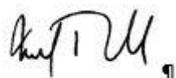
SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019	2018
		£	£
ASSETS			
Non-current assets			
Investments	11	17,242,383	15,222,860
Property, plant and equipment	10a	11,068	57,575
Right of use asset	10b	117,274	-
Trade and other receivables in more than 1 year	12	1,859,102	1,846,666
Accrued income in respect of pension liabilities	16	3,867,000	2,700,000
		<u>23,096,827</u>	<u>19,827,101</u>
Current assets			
Trade and other receivables in less than 1 year	12	838,114	353,193
Investments	12b	-	100,000
Cash and cash equivalents	13	1,048,464	1,968,183
		<u>1,886,578</u>	<u>2,421,376</u>
Current liabilities			
Trade and other payables	14	(1,439,141)	(1,374,873)
Deferred income	16	(582,070)	(1,153,382)
Current tax liabilities	9	(206,376)	(169,707)
		<u>(2,227,587)</u>	<u>(2,697,962)</u>
Net current liabilities			
		<u>(341,009)</u>	<u>(276,586)</u>
Deferred income	16	(642)	(11,068)
Pension liabilities	17	(3,867,000)	(2,700,000)
Repayable grants from the Scottish Government	15	(10,704,497)	(9,361,818)
		<u>(14,571,139)</u>	<u>(12,072,956)</u>
Net assets			
		<u>8,183,679</u>	<u>7,477,629</u>
Equity			
Called up share capital	18	2	2
Retained earnings	18	7,497,440	7,477,627
Fair value reserve	18	686,237	-
		<u>8,183,679</u>	<u>7,477,629</u>
Total shareholder's funds			
		<u>8,183,679</u>	<u>7,477,629</u>

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

These financial statements were approved by the Board of Directors on 17 September 2019 and authorised for issue on its behalf by:



Ian Russell
Chairman



Peter Reekie
Chief Executive

Registered Company Number: SC348382

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019	2018
		£	£
ASSETS			
Non-current assets			
Investments	11b	1	1
Property, plant and equipment	10a	11,068	57,575
Right of use asset	10b	117,274	-
Repayable grants due from subsidiary	12a	10,704,497	9,361,818
Accrued income in respect of pension liabilities	16	3,867,000	2,700,000
		<u>14,699,840</u>	<u>12,119,394</u>
Current assets			
Trade and other receivables in less than 1 year	12	1,664,959	1,372,913
Cash and cash equivalents	13	225,933	1,108,485
		<u>1,890,892</u>	<u>2,481,398</u>
Current liabilities			
Trade and other payables	14	(1,436,521)	(1,374,522)
Deferred income	16	(582,070)	(1,153,382)
		<u>(2,018,591)</u>	<u>(2,527,904)</u>
Net current liabilities		(127,699)	(46,506)
Non-current liabilities			
Deferred income	16	(642)	(11,068)
Pension liabilities	17	(3,867,000)	(2,700,000)
Repayable grants from the Scottish Government	15	(10,704,497)	(9,361,818)
		<u>(14,571,139)</u>	<u>(12,072,886)</u>
Net assets		<u><u>2</u></u>	<u><u>2</u></u>
Equity			
Called up share capital	18	2	2
Retained earnings	18	-	-
		<u>2</u>	<u>2</u>
Total shareholder's funds		<u><u>2</u></u>	<u><u>2</u></u>

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

These financial statements were approved by the Board of Directors on 17 September 2019 and authorised for issue on its behalf by:



Ian Russell
Chairman



Peter Reekie
Chief Executive

Registered Company Number: SC348382

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		£	£
Cash flows from operating activities			
Profit before tax from operations for the period		787,189	167,195
Depreciation of property, plant and equipment	10	46,507	74,459
Depreciation of ROU asset	10b	87,955	-
IAS19 pension charge	17	606,000	619,000
Increase in trade and other receivables	12	(528,737)	(440,990)
(Decrease)/increase in trade and other payables	14	(158,340)	150,421
(Decrease)/increase in net accrued income deferred income	16	(1,748,738)	645,211
		<u>(908,164)</u>	<u>1,215,296</u>
Net cash from operating activities		<u>(908,164)</u>	<u>1,215,296</u>
Corporation tax paid	9	(169,707)	(183,689)
Cash flows from investing activities			
Purchase of investments and SPV share capital	11	(121)	(23)
Disposal of investments	11	-	4
Repayment of subordinated debt	11	158,272	65,399
Repayable grants due to Scottish Government	15	1,360,058	1,469,189
Provision of working capital loans and subordinated debt investments	11	(1,360,057)	(1,469,171)
		<u>158,152</u>	<u>65,398</u>
Net (decrease)/increase in cash and cash equivalents		<u>(919,719)</u>	<u>1,097,005</u>
Cash and cash equivalents at beginning of period	13	1,968,183	871,178
		<u>1,048,464</u>	<u>1,968,183</u>
Cash and cash equivalents at end of period	13	<u>1,048,464</u>	<u>1,968,183</u>

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		£	£
Cash flows from operating activities			
Profit/(loss) before tax from operations for the period		561,000	(136,000)
Depreciation of property, plant and equipment	10	46,507	74,459
Depreciation of ROU asset	10b	87,955	-
IAS 19 pension charge	17	606,000	619,000
Increase in trade and other receivables	12	(274,667)	(769,635)
(Decrease)/increase in trade and other payables	14	(160,609)	150,415
(Decrease)/increase in net accrued income/deferred income	16	(1,748,738)	645,211
Net cash from operating activities		<u>(882,552)</u>	<u>583,450</u>
Cash flows from investing activities			
Repayable grants from Scottish Government	15	1,360,058	1,469,189
Repayable grants to subsidiary for investment in hub projects	12a	(1,360,058)	(1,469,189)
Net cash used in investing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(882,552)</u>	<u>583,450</u>
Cash and cash equivalents at beginning of period	13	1,108,485	525,035
Cash and cash equivalents at end of period	13	<u>225,933</u>	<u>1,108,485</u>

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

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Basis of preparation and accounting policies

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

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

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

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

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

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

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

Going Concern

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

Basis of consolidation

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

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

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Basis of preparation and accounting policies (continued)

Financial instruments

Classification, recognition and measurement

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

Investments

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

Impairment

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

Loans and receivables

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

De-recognition

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

Cash and cash equivalents

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

Trade and other payables

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

Accrued income/Deferred income

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Basis of preparation and accounting policies (continued)

Revenue

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

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

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

Capital grants

The Scottish Government provides, capital grants to SFT who then grants these onto SFTi to fund investments. These grants are not repayable to the Scottish Government with returns generated from the investments to be recycled to fund new investments. As such the grant funding is recognised as income by SFTi when the investment is made.

Repayable grants

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

Employee entitlements

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

Property, plant and equipment

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Basis of preparation and accounting policies (continued)

Property, plant and equipment (continued)

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

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

Office equipment - over 3 years

Furniture and fixtures - over 5 years

De-recognition and disposal

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

Leases

The group early adopted IFRS 16 for the year ended 31 March 2019. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments discounted using the interest rate implicit in the lease.

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

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

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

Retirement benefits obligations

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

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Basis of preparation and accounting policies (continued)

Retirement benefits obligations (continued)

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

Taxation

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

Dividends

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

Share capital

Ordinary shares are classified as equity.

2. New and amended standards adopted by the Group

IFRS 9 Financial instruments came into force for accounting periods beginning on or after 1 January 2018, thus SFT adopted this standard as part of its 2018/19 financial statements. The impact of this standard on the financial statements of SFT can be summarised as:

- Equity investments – the Group historically held equity investments in hub SPV project companies at cost. Under IFRS 9 there is no option to hold investments at cost and thus, these investments are held at their estimated fair value. The estimated fair value of the investments is based on the expected dividend income over the remaining life of each project company (each project is scheduled to last 25 years following completion of the construction phase of the project) discounted by the Group's estimated risk premium which has been estimated at 11%. The estimated fair value at 1 April 2018, the date of application, is £668,177 and this transitional accounting policy adjustment resulted in an increase in the value of equity to £668,177. The date of transition and initial application is 1 April 2018 and this is when the change in accounting policy was applied. The fair value of the share capital investments in respect of hubCos and NHT LLP have been taken as the nominal cost as no investment return is expected. The value of these investments is insignificant.
- Debt instruments – the Group has assessed whether a general expected credit loss provision is required for the sub debt investments that it holds. The sub debt investments are in SPV project companies. The performance of these SPVS are reviewed on a quarterly basis by the Board. Due to the underlying conditions within the sub debt the risk of non-payment of interest or capital is minimal and therefore no general expected credit loss provision is considered necessary. No specific expected lifetime credit loss provision is expected to be required as all projects are performing in line with initial expectations and SFT expects to receive the interest and capital repayments due.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. New and amended standards adopted by the Group (continued)

IFRS 16 'Leases' came into force for accounting periods beginning on or after 1 January 2019, however SFT has early adopted this standard as at 1 April 2018. The 'modified retrospective approach' was chosen which means the standard is applied as at 1 April 2018, with no restatement of the PY comparatives. The only operating lease that the Group/Parent Company has is the rental of its office premises, with the lease ending on 31 July 2020. Thus, the impact of any discounting would not be significant. A 'right of use' asset has been recognised in respect of this lease of £205,229 with a finance lease liability of £257,600 recognised and a release of the rent paid in advance creditor of £52,371. Thus, there is no impact to equity.

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

Guidance in Issue but not in Force – EU Endorsed

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

Guidance in Issue but not in Force – not EU Endorsed

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

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. If in the future should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change.

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

Defined benefit scheme

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

Fair value of investments

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Expected Credit Loss

SFTi holds sub-ordinated debt investments in SPVs responsible for delivering projects under the hub programme. The subordinated debt is held at cost and is reviewed annually to establish if an expected credit loss is required. This review focuses on projects where there has been a delay in the scheduled repayment of interest or principal. For these projects, the expected future returns from interest and principal are discounted at 11% the company's risk rate of return. If the discounted expected value of future cash flows is lower than the carrying value of the investment then an expected credit loss provision is created. As at 31 March 2019 no such provision was required.

5. Other income

	2019	2018
	£	£
Release of Scottish Government funding relating to depreciation on property, plant and equipment	46,507	74,459
Scottish Government funding received to compensate for expenses incurred	9,538,173	9,832,831
Scottish Government funding received to compensate for actuarial losses/(gains) on employment benefit obligations	561,000	(136,000)
Secondment charges	96,266	47,832
Dividend income	860,000	590,000
Management fee due from SFTi	545,823	569,405
Other income	208,472	212,632
Total company other income	11,856,241	11,191,159
Interest received on working capital loans	1,617,057	1,448,494
Bank interest	432	113
Other income	14,614	14,081
Inter-company dividend (eliminated on consolidation)	(860,000)	(590,000)
Management fee due from SFTi (eliminated on consolidation)	(545,823)	(569,405)
Total group other income	12,082,521	11,494,442

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

5. Other income (Continued)

Under the terms of its Memorandum with the Scottish Government, Scottish Futures Trust Limited is required to break even. As such the income recognised within the Statement of Comprehensive Income is adjusted to reflect the impact of timing differences between the receipt of income and related expenditure; for the timing of non-cash items and for the movement on the pension scheme provision. These adjustments are on the basis that Scottish Futures Trust Limited is non-profit-making and recognises that the Scottish Government underwrite Scottish Futures Trust Limited's participation in its pension scheme (note 23).

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

In 2018/19, dividend income was provided by SFT's subsidiary to fund wider group infrastructure activities.

6. Capital Grant Income – Group and Company

	Note	2019	2018
		£	£
Capital grant for SFTi investments	11	-	2
Capital enabling grant for hub projects	8	-	431,265
		<hr/>	<hr/>
		-	431,267
		<hr/> <hr/>	<hr/> <hr/>

In 2018/19, £nil (2017/18: £2) was received in grant funding to fund investment by SFTi in housing partnership LLPs.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

7. Operating Expenditure

	2019	2018
	£	£
Profit before taxation is stated after charging:		
Non-executive director fees	33,150	40,300
Salaries and associated costs	8,072,480	8,357,045
Agency, seconded & interim staff	142,954	420,906
Auditor's remuneration		
- SFT audit fee	15,808	13,043
- SFTi audit fee	5,000	5,000
- taxation services	2,142	2,100
- other services	8,387	11,089
Operating leases in respect of land and buildings	17,058	115,419
Depreciation		
- property, plant & equipment	46,507	74,459
- right of use asset	87,955	-
Corporate Professional fees	53,039	39,504
Recruitment fees	81,878	125,257
Advisory fees	1,285,869	1,003,441
Grants made	442,446	160,000
Other operating costs	1,000,568	959,596
	<hr/>	<hr/>
Company operating expenditure	11,295,241	11,327,159
SFTi operating expenditure	91	90
	<hr/>	<hr/>
Group operating expenditure	11,295,332	11,327,249
	<hr/> <hr/>	<hr/> <hr/>

Operating costs include £606,000 (2018: £619,000) within salary costs in respect of the IAS 19 pension movement (note 17).

The average number of full time equivalent employees employed in the year was 70 (2017/18: 72) broken down as 7 (2017/18: 8) Leadership Team, 50 (2017/18: 50) programme delivery and 13 (2017/18: 14) business support.

	2019	2018
	£	£
Wages and salaries	5,736,622	5,873,858
National Insurance	697,497	717,343
Pension costs (including IAS 19 charge)	1,638,361	1,765,844
	<hr/>	<hr/>
	8,072,480	8,357,045
	<hr/> <hr/>	<hr/> <hr/>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

7. Operating Expenditure (continued)

Pension costs included an additional contribution of £150,000 (2018: £200,000). Also included in pension costs is £606,000 (2018: £619,000) in respect of the IAS 19 pension movement (note 17).

The emoluments of the key management personnel, comprising directors and leadership team was £1,233,911 (2018: £1,401,840).

8. Capital Grant Expenditure

	2019	2018
	£	£
Group Capital enabling grant for hub projects	-	431,265
Capital grant for SFTi investments in LLPs	-	2
Company capital grant expenditure	-	431,267

9. Taxation

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

	2019	2018
Group	£	£
Profit for the year before taxation for SFTi	1,086,189	893,195
Corporation tax charge @ 19% (2018: 19%)	206,376	169,707

Company

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

10a. Property, plant and equipment – Group and Company

	Office equipment	Furniture & fixtures	Total
	£	£	£
Cost			
At 1 April 2017	322,004	197,166	519,170
Additions	-	-	-
At 1 April 2018	322,004	197,166	519,170
Additions	-	-	-
At 31 March 2019	322,004	197,166	519,170
Depreciation			
At 1 April 2017	247,487	139,649	387,136
Charge for the year	44,886	29,573	74,459
At 1 April 2018	292,373	169,222	461,595
Charge for the year	29,631	16,876	46,507
At 31 March 2019	322,004	186,098	508,102
Net book value			
At 31 March 2019	-	11,068	11,068
At 31 March 2018	29,631	27,944	57,575

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

10b. Right of use asset – Group and Company

	Office premises	Total
	£	£
Cost		
At 1 April 2018 as previously stated	-	-
Transitional adjustment to IFRS 16	205,229	205,229
	<hr/>	<hr/>
At 1 April 2018 as restated	205,229	205,229
Additions	-	-
	<hr/>	<hr/>
At 31 March 2019	205,229	205,229
	<hr/> <hr/>	<hr/> <hr/>
Depreciation		
At 1 April 2018 as previously stated	-	-
Transitional adjustment to IFRS 16	-	-
	<hr/>	<hr/>
At 1 April 2018 as restated	-	-
Charge for the year	87,955	87,955
	<hr/>	<hr/>
At 31 March 2019	87,955	87,955
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 31 March 2019	117,274	117,274
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2018	-	-
	<hr/> <hr/>	<hr/> <hr/>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Investments – Group

	hub Co & NHT LLP share capital	hub Co working capital	Subordinated debt (note 11a)	Total
	£	£	£	£
Cost and Net book value				
At 1 April 2018	802	100,000	15,122,058	15,222,860
Gain on transition to IFRS 9 (see note 2)	668,177	-	-	668,177
At 1 April 2018 as restated	668,979	100,000	15,122,058	15,891,037
Additions	121	-	1,360,057	1,360,178
Transferred from current assets (note 12b)	-	100,000	-	100,000
Interest capitalised	-	-	31,380	31,380
Principal repaid in the year	-	-	(158,272)	(158,272)
Gain on revaluation	18,060	-	-	18,060
At 31 March 2019	687,160	200,000	16,355,223	17,242,383

Share capital

SFTi invested £nil (2017/18: £2) in housing partnership LLPs and £121 (2017/18: £21) in share capital of SPVs in connection with sub debt investments.

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

Hub Co Working Capital

Working Capital Loans – non-current assets

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility was available until 16 November 2017 but was extended to 16 November 2018 and then further extended to 15 November 2021 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 2.5% p.a. on all other sums. Interest is payable semi-annually (on 31 December and 30 June). This item was treated as a non-current asset at 31 March 2019.

SFTi loaned working capital of £100,000 to hub West Scotland Limited on 27 April 2012. This working capital facility was available until 26 April 2017 but was extended to 31 December 2018 and further extended to 31 March 2022 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Investments – Group (continued)

All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 2.5% p.a. on all other sums. Interest is payable semi-annually (on 31 December and 30 June). This item was treated as a non-current asset at 31 March 2019.

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

Capital Management

The Scottish Government grants SFT capital funds which SFT grants on to SFTi for investment in subordinated debt and share capital in special purpose vehicles and working capital in hub Cos. The Scottish Government also provides repayable grant to SFT which SFT then grants onto SFTi for investment in subordinated debt and share capital in special purpose vehicles. These investments are detailed in note 11a.

11a. Financial assets – Subordinated debt (Group)

During 2018/19, SFTi invested £1,360,057 (2018:18: £1,469,171) as subordinated debt within the following hub projects:

- Inverurie Community Campus for Aberdeenshire Council (Total capital cost: £54m) - £470,061 invested
- Queensferry High School for the City of Edinburgh Council (Total capital cost: £38m) - £340,774 invested
- Jedburgh Intergenerational Community Campus for Scottish Borders Council (Total capital cost: £32m) - £290,222 invested
- Greenock and Stobhill Health Centres for Greater Glasgow and Clyde Health Board (Total capital cost: £29m) - £259,000 invested

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. Financial assets – Subordinated debt (Group) (continued)

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

Investment In	Investment Type	Value	Interest Rate	Financial Close Date	Redemption Date
Hub North territory					
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan	£576,191 less £3,288 principal repaid totals £572,903	10.2%	04/2012	2039
hub North Scotland (FWT) Ltd <i>(Forres/Tain/Woodside Health Centre Bundle)</i>	Fixed coupon unsecured loan	£133,884 less £14,460 principal repaid totals £119,424	10.2%	04/2013	2039
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan	£747,036 less £32,007 principal repaid totals £715,029	10.2%	05/2014	2040
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan	£1,568,509	10.2%	12/2014	2042
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan	£342,962 less £24,097 principal repaid totals £318,865	10.2%	07/2015	2043
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan	£253,654 less £67,783 principal repaid totals £185,871	10.2%	02/2016	2043
hub North Scotland (O & C) Ltd <i>(Oban & Campbeltown High Schools)</i>	Fixed coupon unsecured loan	£491,691	10.2%	03/2016	2043
hub North Scotland <i>(New Academy - South of the City)</i>	Fixed coupon unsecured loan	£321,672 less £1,574 principal repaid totals £320,098	10.2%	06/2016	2043
hub North Scotland (I & F) Ltd <i>(Inverurie & Forresterhill Health Centres)</i>	Fixed coupon unsecured loan	£167,168	10.2%	12/2016	2044
hub North Scotland (Inverurie Community Campus) Ltd <i>(Inverurie Community Campus)</i>	Fixed coupon unsecured loan	£470,061	2.45% during construction and 10.2% during operation	04/2018	2044
Hub North territory total		£4,929,619			

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. Financial assets – Subordinated debt (Group) (continued)

Investment In	Investment Type	Value	Interest Rate	Financial Close Date	Redemption Date
Hub South East territory					
James Gillespie's Campus Subhub Holdings Ltd	Fixed coupon unsecured loan	£1,252,424 less £32,474 principal repaid totals £1,219,950	10.87%	12/2013	2041
REH Phase 1 Subhub Holdings Ltd (Royal Edinburgh Hospital)	Fixed coupon unsecured loan	£410,685 less £1,891 principal repaid totals £408,794	2.48% during construction and 10.75% during operation	12/2014	2042
Newbattle DBFM Holdco Ltd (Newbattle High School)	Fixed coupon unsecured loan	£310,265 less £1,603 principal repaid totals £308,662	3.35% during construction and 10.5% during operation	02/2016	2043
KHS DBFM Holdco Ltd (Kelso High School)	Fixed coupon unsecured loan	£205,150 less £1,860 principal repaid totals £203,290	3.35% during construction and 10.5% during operation	02/2016	2042
LBP DBFM Holdco Ltd (NHS Lothian Health Centre Bundle)	Fixed coupon unsecured loan	£243,750 less £2,416 principal repaid totals £241,334	3.37% during construction and 10.45% during operation	04/2016	2042
ELCH DBFM Holdco Ltd (East Lothian Community Hospital)	Fixed coupon unsecured loan	£600,797	2.98% during construction and 10.45% during operation	09/2016	2044
WCHS DBFM Holdco Ltd (West Calder High School)	Fixed coupon unsecured loan	£286,654 less £708 principal repaid totals £285,946	3.47% during construction and 10.45% during operation	12/2016	2043
QHS DBFM Holdco Ltd (Queensferry High School)	Fixed coupon unsecured loan	£340,774	3.49% during construction and 10.3% during operation	06/2018	2045
JICC DBFM Holdco Ltd (Jedburgh Community Campus)	Fixed coupon unsecured loan	£290,222	3.40% during construction and 10.3% during operation	10/2018	2045
Hub South East territory total		£3,899,769			

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. Financial assets – Subordinated debt (Group) (continued)

Investment In	Investment Type	Value	Interest Rate	Financial Close Date	Redemption Date
Hub South West territory					
Hub SW NHSL Holdco Ltd (<i>NHS Lanarkshire Health Centre Bundle</i>)	Fixed coupon unsecured loan	£325,055 less £6,815 principal repaid plus £83,489 accrued interest capitalised in year totals £401,729	10.5%	12/2013	2040
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan	£271,509 less £5,565 principal repaid plus £32,308 accrued interest capitalised in year totals £298,252	2.33% during construction and 10.5% during Operation	01/2015	2041
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan	£490,168 less £13,107 principal repaid plus £29,550 accrued interest capitalised in year totals £506,611	3.78% during construction and 10.65% during operation	01/2016	2042
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan	£209,081 less £710 principal repaid plus £15,929 accrued interest capitalised in year totals £224,300	3.62% during construction and 10.85% during operation	01/2016	2042
Hub SW EALC Holdco Ltd (<i>East Ayrshire Learning Campus</i>)	Fixed coupon unsecured loan	£368,416	3.26% during construction and 10.5% during operation	02/2016	2043
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan	£391,130 plus £31,380 accrued interest capitalised in year totals £422,510	3.41% during construction and 10.15% during operation	05/2016	2043
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan	£310,007	3.52% during construction and 10.40% during operation	06/2017	2044
Hub SW QMA Holdco Ltd (<i>Queen Margaret Academy</i>)	Fixed coupon unsecured loan	£233,662	3.46% during construction and 10.45% during operation	11/2017	2044
Hub South West territory total		£2,765,487			

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. Financial assets – Subordinated debt (Group) (continued)

Investment In	Investment Type	Value	Interest Rate	Financial Close Date	Redemption Date
Hub West territory					
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centre Bundle)</i>	Fixed coupon unsecured loan	£186,042 less £5,896 principal repaid totals £180,146	9.75%	10/2014	2041
Hub West Scotland Project Company (No.2) Ltd <i>(Inverclyde Care Home)</i>	Fixed coupon unsecured loan	£70,413 less £1,038 principal repaid totals £69,375	9.75%	02/2016	2042
Hub West Scotland Project Company (No.3) Ltd <i>(Barrhead High School)</i>	Fixed coupon unsecured loan	£213,748 less £9,238 principal repaid totals £204,510	9.75%	03/2016	2042
Hub West Scotland Project Company (No.4) Ltd <i>(Our Lady & St Patrick's High School)</i>	Fixed coupon Unsecured loan	£228,400 less £9,275 principal repaid totals £219,125	9.75%	03/2016	2042
Hub West Scotland Project Company (No.5) Ltd <i>(Gorbals/Woodside Health Centre)</i>	Fixed coupon unsecured loan	£288,202	9.75%	04/2017	2043
Hub West Scotland Project Company (No.6) Ltd <i>(Blairdardie & Carntyne Primary Schools)</i>	Fixed coupon unsecured loan	£149,300	9.75%	10/2017	2043
Hub West Scotland Project Company (No.7) Ltd <i>(Greenock & Stobhill Health Centres)</i>	Fixed coupon unsecured loan	£259,000	9.75%	12/2018	2045
Hub West territory total		£1,369,658			

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. Financial assets – Subordinated debt (Group) (continued)

Investment In	Investment Type	Value	Interest Rate	Financial Close Date	Redemption Date
Hub East Central territory					
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan	£1,608,000	10%	12/2014	2041
Hub East Central Scotland (Baldragon) Ltd	Fixed coupon unsecured loan	£299,790	10%	02/2016	2042
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan	£364,200	10%	06/2015	2041
Hub East Central (SCV) Ltd (<i>Stirling Care Village</i>)	Fixed coupon unsecured loan	£354,500	10%	12/2016	2044
Hub East Central (PSS) Ltd (<i>Pharmaceutical Special Services</i>)	Fixed coupon unsecured loan	£276,200	10%	12/2016	2043
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan	£332,500	10%	09/2017	2044
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan	£155,500	10%	11/2017	2043
Hub East Central territory total		£3,390,690			
Total sub-ordinated debt		£16,355,223			

The most significant risk to the Group is investment performance. Three projects are being monitored closely where operational performance has led to delay in making subordinated debt interest payments. The Board do not anticipate any losses as payments are expected to be received in all cases and hence with the exception of minor re-profiling, investments are performing according to their base cases and making returns as anticipated.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11b. Investments in subsidiary – Company

	Investment in Subsidiary
	£
Cost and Net book value	
At 31 March 2018 and 31 March 2019	1

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

Nature of business To hold investments in infrastructure companies, assets and projects across Scotland

Class of Share Holding	Ordinary 100%	2019 £	2018 £
Aggregate capital and reserves		8,183,678	7,477,628
Profit for the year		897,873	723,488

12. Trade and other receivables

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Due in more than 1 year				
Accrued interest income from subordinated debt investments	1,859,102	-	1,846,666	-
Due in less than 1 year				
Other receivables	90,346	90,346	61,415	61,415
Prepayments and accrued interest income	747,768	27,694	291,778	28,376
Amounts due from subsidiary – SFTi	-	1,405,823	-	1,159,405
Repayable Grant due from subsidiary – SFTi (note 12a)	-	141,096	-	123,717
	838,114	1,664,959	353,193	1,372,913

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12a. Repayable grants due from subsidiary

	Company 2019	Company 2018
	£	£
At beginning of the year	9,485,535	8,016,346
Increase in period	1,360,058	1,469,189
At 31 March 2019	<u>10,845,593</u>	<u>9,485,535</u>

SFT made a repayable grant of £1,360,058 (2018: £1,469,189) to SFTi during the year. £1,360,058 (2018: £1,469,189) was used to invest in subordinated debt and share capital of SPVs in the year.

The expected repayment profile of the repayable grants is:

	2019	2018
	£	£
< 1 year	141,096	123,717
1-2 years	98,135	339,029
2-5 Years	361,125	362,556
>5 years	10,245,237	8,660,233
At 31 March 2019	<u>10,845,593</u>	<u>9,485,535</u>
Disclosed as		
Current assets	141,096	123,717
Non-current assets	10,704,497	9,361,818
	<u>10,845,593</u>	<u>9,485,535</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12b. Investments - Group

	2019	2018
	£	£
Working Capital Loans		
Cost and Net book value		
At 1 April 2018	100,000	100,000
Transferred to non-current assets (note 11)	(100,000)	-
	<u> </u>	<u> </u>
At 31 March 2019	<u> </u>	<u>100,000</u>

13. Cash and cash equivalents

	Group	Company	Group	Company
	2019	2019	2018	2018
	£	£	£	£
Cash at bank	1,048,277	225,746	1,968,073	1,108,375
Cash on hand	187	187	110	110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,048,464</u>	<u>225,933</u>	<u>1,968,183</u>	<u>1,108,485</u>

14. Trade and other payables

	Group	Company	Group	Company
	2019	2019	2018	2018
	£	£	£	£
Other payables (operational expenditure)	463,794	463,794	447,366	447,366
Other taxes and social security	246,835	244,245	268,924	268,601
Other creditors and accruals	587,416	587,386	534,866	534,838
Repayable grants due to the Scottish Government (note 15)	141,096	141,096	123,717	123,717
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,439,141</u>	<u>1,436,521</u>	<u>1,374,873</u>	<u>1,374,522</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Repayable grant due to the Scottish Government

	Group 2019	Company 2019	Group 2018	Company 2018
	£	£	£	£
At beginning of the year	9,485,535	9,485,535	8,016,346	8,016,346
Increase in the period	1,360,058	1,360,058	1,469,189	1,469,189
As at 31 March 2019	<u>10,845,593</u>	<u>10,845,593</u>	<u>9,485,535</u>	<u>9,485,535</u>

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

	2019	2018
	£	£
<1 year	141,096	123,717
1-2 years	98,135	339,029
2-5 Years	361,125	362,556
>5 years	10,245,237	8,660,233
At 31 March 2019	<u>10,845,593</u>	<u>9,485,535</u>

	2019	2018
	£	£
Disclosed as		
Current assets	141,096	123,717
Non-current assets	10,704,497	9,361,818
	<u>10,845,593</u>	<u>9,485,535</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

16. Accrued income/deferred income – Group and Company

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

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

The accrued/deferred income balances comprise:

	2019	2018
	£	£
Non-current asset		
Accrued income in respect of the pension liability underwritten by the Scottish Government (note 17)	3,867,000	2,700,000
Current liability		
Deferred income arising as a result of receiving funding from the Scottish Government in advance of costs being incurred.	(571,644)	(436,875)
Deferred income arising as a result of sub debt investment occurring in April 2018	-	(670,000)
Deferred income arising on capital funding received which is released over the expected life of the fixed asset funded in less than one year	(10,426)	(46,507)
	<u>(582,070)</u>	<u>(1,153,382)</u>
	£	£
Non-current liability		
Deferred income arising on capital funding received which is released over the expected life of the fixed asset funded in more than one year.	(642)	(11,068)

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

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

	2019	2018
Fixed asset deferred income	£	£
As at beginning of period	(57,575)	(132,034)
Released to statement of income and retained earnings	46,507	74,459
	<hr/>	<hr/>
As at period end	(11,068)	(57,575)
	<hr/> <hr/>	<hr/> <hr/>
Split		
Current liabilities	(10,426)	(46,507)
Non-current liabilities	(642)	(11,068)
	<hr/>	<hr/>
	(11,068)	(57,575)
	<hr/> <hr/>	<hr/> <hr/>

17. Retirement benefits obligation – Group and Company

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

The group financial statements include the results of the IAS 19 valuation carried out, by Hymans Robertson, as at 31 March 2019 which projects forward the results of the 2017 triennial valuation and adjusts for changes in assumptions. SFT's contributions due to the Scheme will be funded by the drawdown of grant from the Scottish Government. The assumptions used in this analysis are determined by Lothian Pension Fund on the advice of Lothian Pension Fund Actuaries, Hymans Robertson, taking into account the requirements of accounting standards.

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

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

As at 31 March 2019, there were only active and deferred members (former employees of SFT who retain benefits in the pension scheme but no longer pay contributions into the scheme); there were 4 pensioner members. The defined benefit obligation has a duration of 26 (2018: 25.1) years and thus, a long rate discount rate has been applied. The main assumptions used are:

	31 Mar 2019	31 Mar 2018
	% p.a.	% p.a.
Inflation / Pension Increase Rate	2.4%	2.3%
Salary Increase Rate	4.1%	4.0%
Discount Rate	2.5%	2.7%

Mortality

Life expectancy is based on the Funds Vita Curves, with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

Assets (Employer)

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	31 March 2018
	Assets
	£ 000
Equities	9,382
Bonds, Debt securities and Funds	3,496
Property	961
Cash	869
	<hr/>
Total Market Value of Assets	14,708
	<hr/>
Present Value of Scheme of Liabilities	17,408
	<hr/>
Net Pension Liability	(2,700)
	<hr/> <hr/>

Recognition in the Income Statement:

	31 March 2019		31 March 2018	
	£ (000)	% of Pay	£ (000)	% of Pay
Current service cost	(1,553)	27.1%	(1,699)	34.9%
Net interest income	(80)	0.1%	(67)	0.1%
Contributions paid in year per IAS 19 valuation	1,027	17.9%	1,147	23.6%
	<hr/>	<hr/>	<hr/>	<hr/>
Total (charge)/income included in the Statement of Comprehensive Income	(606)	10.6%	(619)	1%
	<hr/>	<hr/>	<hr/>	<hr/>

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Analysis of the amount recognised in other comprehensive income

	31 March 2019	31 March 2018
	£ (000)	£ (000)
Actual return less expected return on pension scheme assets	1,035	(319)
Changes in financial assumptions and other experience underlying the present value of scheme liabilities	(1,596)	455
Actuarial gain/(loss)	(561)	136

Recognition of defined benefit obligations:

Year Ended	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	£ (000)	£ (000)	£ (000)	£ (000)
Opening Defined Benefit Obligations	17,408	15,374	9,676	9,046
Current Service Cost	1,553	1,699	1,101	1,359
Interest Cost	494	442	375	328
Contributions by Members	402	434	447	453
Actuarial Losses/(Gains)	1,596	(455)	3,791	(1,497)
Past Service Costs/(Gains)	-	-	-	-
Estimated benefits paid	(131)	(86)	(16)	(13)
Closing Defined Benefit Obligations	21,322	17,408	15,374	9,676

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Reconciliation of fair value of employer assets:

Year Ended	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	£ (000)	£ (000)	£ (000)	£ (000)
Opening Fair Value of Employer Assets	14,708	13,157	9,382	7,375
Expected Return On Assets	414	375	364	270
Contributions by Members	402	434	447	453
Contribution by Employer	1,027	1,147	1,063	1,164
Actuarial Gains/(Losses)	1,035	(319)	1,917	133
Estimated Benefits Paid	(131)	(86)	(16)	(13)
Closing Fair Value of Employer Assets	17,455	14,708	13,157	9,382
Closing (Liability)	(3,867)	(2,700)	(2,217)	(294)

Projected IAS 19 charge to be charged to the Statement of Comprehensive Income for the year ended 31 March 2020:

	31 March 2020	
	£ (000)	% of pay
Projected Current Service Cost	(1,730)	(30.2%)
Interest on Obligation	(558)	(9.7%)
Interest on Plan Assets	450	7.8%
	(1,838)	
Estimated Employer's contribution for the year ended 31 March 2020	873	
	(965)	

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Sensitivity analysis:

Sensitivities at 31 March 2019	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	2,960
0.5% increase in the Salary Increase Rate	3%	671
0.5% increase in the Pension Increase Rate	10%	2,221

Contingent Liability:

McCloud Case (Public service pensions age discrimination cases): The judgement in this case ruled that transitional arrangements put in place to help members of the pension scheme when it moved from final salary to career average provisions in 2015 were discriminatory. The UK Government has indicated that this will impact the liabilities of all public sector pension schemes with the actuary estimating a potential increase in SFT's liabilities of £350k. As the exact impact of this is not yet known this is disclosed as a contingent liability.

GMP Equalisation:

A High Court judge has ruled that UK defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The Actuary has previously advised that the impact is likely to be small with impact assessments indicating an impact of less than 1% of the liabilities.

Neither of these contingent liabilities have been taken into account in the actuarial valuation and as such are disclosed as contingent liabilities associated with SFT's membership of the Lothian Pension Fund. Any contingent liability is covered by the Deed of Guarantee and Indemnity provided by Scottish Government in relation to SFT's membership of the Lothian Pension Fund (see note 23.)

18. Share capital and retained earnings – Group and Company

	Group & Company 2019	Group & Company 2018
	£	£
Share capital		
Authorised, issued and fully paid – ordinary shares of £1 each		
As at the beginning and end of the period	2	2

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

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

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

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

19. Related party transactions

Scottish Ministers

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

	2019	2018
	£	£
<u>Scottish Government Funding received</u>		
Revenue government funding cash received	9,052,000	10,019,491
Capital grant income	-	431,267
	<u>9,052,000</u>	<u>10,450,758</u>

	2019	2018
	£	£
<u>Statement of Comprehensive Income</u>		
Release of deferred capital grants in respect of fixed assets	46,507	74,459
Revenue government funding recognised	9,538,173	9,696,831
Capital grant income	-	431,267
	<u>9,584,680</u>	<u>10,202,557</u>

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Related party transactions (continued)

Scottish Ministers (continued)

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

	2019	2018
	£	£
Statement of Financial Position		
Accrued income in respect of the pension liability (note 16)	3,867,000	2,700,000
Deferred income – funding received in advance of costs incurred (note 16)	(582,712)	(1,164,450)
Repayable grants from the Scottish Government (note 15)	10,845,593	9,485,535
	<u> </u>	<u> </u>

Remuneration in respect of the directors was as follows:

	2019	2018
	£	£
Executive directors' emoluments		
Emoluments	188,360	338,621
Pension costs	35,152	63,785
	<u> </u>	<u> </u>
	223,512	402,406
	<u> </u>	<u> </u>
Non-executive directors' fees		
	33,150	40,300
	<u> </u>	<u> </u>
Emoluments (including employers NIC) paid to key management personnel which is the directors and the leadership team	1,233,911	1,401,840
	<u> </u>	<u> </u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Related party transactions (continued)

Hub South East Territory

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

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

	2019	2018
	£	£
<u>Statement of Financial Position</u>		
Financial assets – subordinated debt	3,899,769	3,293,154
Trade and other receivables – accrued interest income	696,690	625,747
Trade and other receivables – hub director fees	1,995	1,937
<u>Statement of Comprehensive Income</u>		
Other income – hub director fees	3,328	3,228
Other income – Interest income	364,513	295,424
Capital grant expenditure	-	424,730
	<u> </u>	<u> </u>

Hub North Scotland Territory

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

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

	2019	2018
	£	£
<u>Statement of Financial Position</u>		
Financial assets – subordinated debt	4,929,618	4,561,324
Trade and other receivables – accrued interest income	1,441,760	1,137,874
<u>Statement of Comprehensive Income</u>		
Other income – Interest income	563,644	518,355
	<u> </u>	<u> </u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Related party transactions (continued)

Hub East Central Scotland Territory

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

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

	2019	2018
	£	£
<u>Statement of Financial Position</u>		
Financial assets – subordinated debt	3,390,690	3,390,690
<u>Statement of Comprehensive Income</u>		
Other income – interest income	339,883	342,005

Hub West Scotland Territory

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

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

	2019	2018
	£	£
<u>Statement of Financial Position</u>		
Financial assets – working capital loans	100,000	100,000
Financial assets – subordinated debt	1,369,658	1,132,716
Trade and other receivables – accrued interest income	257,342	207,710
<u>Statement of Comprehensive Income</u>		
Other income – interest income (including working capital loan interest)	131,428	117,208

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Related party transactions (continued)

Hub South West Scotland Territory

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

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

	2019	2018
	£	£
<u>Statement of Financial Position</u>		
Financial assets – working capital loans	100,000	100,000
Financial assets- subordinated debt	2,765,487	2,744,174
Trade and other receivables – accrued interest income	181,387	136,800
<u>Statement of Comprehensive Income</u>		
Other income – hub director fees	11,286	10,853
Other income – interest income (including working capital loan interest)	217,589	175,502

LAR Housing Trust

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

The Edinburgh Homes Delivery Partnership

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

Hub Community Foundation

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. Commitments under operating leases – Group and Company

At 31 March 2019, the Company had outstanding total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Office Premises (rent and service charges)		
Due less than one year	-	132,855
Due in more than one year and less than five years	-	180,882
Due in more than five years	-	-
	<hr/>	<hr/>
	-	313,737
	<hr/> <hr/>	<hr/> <hr/>

21. Financial Instruments

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

Interest rate risk

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

Credit Risk

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

Liquidity Risk

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

Fair value of financial assets and liabilities

The directors consider that there is no significant difference between the book value and fair value of the Company's financial assets and liabilities except for equity investments in hub projects whose fair value is estimated to be £687,160 as at 31 March 2019, as disclosed in Note 11, compared with a historic cost of £923.

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 will be met by Scottish Ministers.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Ian Russell (Chairman)

Peter Reekie (Chief Executive)

Ann Faulds (Non-executive Director)

Graham Watson (Non-executive Director)

Bill Matthews (Non-executive Director) – appointed 1 January 2019

Ann Allen (Non-executive Director) – appointed 1 January 2019

Pauline Mills (Non-executive Director) – appointed 1 January 2019

Fiona Mackenzie (Non-executive Director) - resigned 31 December 2018

Carolyn Dwyer (Non-executive Director) - resigned 31 December 2018

Chief Executive

Peter Reekie

Registered Office & Principal Place of Business

11-15 Thistle Street

Edinburgh

EH2 1DF

Registered Company Number

SC348382

Auditor

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