
Registered Company Number: SC348382

SCOTTISH FUTURES TRUST LIMITED

**ANNUAL REPORT AND
GROUP FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2013

**SCOTTISH
FUTURES
TRUST**

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

I am pleased to present Scottish Futures Trust's fifth annual report.

SFT is wholly owned by the Scottish Government, but is an independent company, with operating autonomy, established in 2008 with a responsibility to deliver value-for-money across public infrastructure investment in Scotland.

SFT has achieved much over a challenging 12 months. UK-wide reductions in capital spending, constraints on bank lending, together with low growth in the economy have combined to reduce the public and private sector demand for construction. SFT has a key role in responding to this challenge.

Developing and delivering innovative but pragmatic financing to bring additional sustainable investment over and above that allowed by capital budgets has been SFT's key focus for 2012/13. This will continue for the year ahead. Asset management activity has also gained real momentum with a strong team established to take leadership of concrete actions to rationalise the public sector estate and asset base across Scotland along with disposing of surplus properties.

SFT continues to make good progress against its objective of delivering value for money to the taxpayer. In the year 2012/13, SFT delivered benefits and savings totalling £132.1m. Cumulatively, the total benefits and savings SFT has achieved since it was established in 2008 amounts to over £500m or, over double that amount including the share of overall benefit attributed to the partners across the public sector with whom we work.

Whilst much is made of the quantitative benefits delivered, non-financial outcomes are just as important. Protecting and creating jobs and providing training opportunities within local communities, while delivering a contribution to carbon reduction targets through energy efficient buildings and a new low-carbon work stream are very much part of SFT's raison d'etre.

The work achieved to date and the collaborative approach SFT has created has been embraced by public and private sector partners alike across Scotland and we are very grateful to them.



Sir Angus Grossart
Chairman

25 June 2013

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

The directors present their Annual Report and the consolidated financial statements for the year ended 31 March 2013 of the Scottish Futures Trust Group (incorporating the wholly owned subsidiary Scottish Futures Trust Investment Limited "SFTi" and the Company, Scottish Futures Trust Limited "SFT").

Principal Activity

The principal activity of the Group is to support the efficiency and effectiveness of public infrastructure investment and procurement across Scotland. Its central aim, as set out in the Management Statement and Financial Memorandum (MSFM) with the sole shareholder remains:

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

The Group made a surplus for the year after tax of £185,078 (2012: £676,205). This surplus arose within the subsidiary, SFT Investments (SFTi) as explained in the Financial Review below. The Company made a profit before tax of £nil (2012: £nil). The Company is not permitted by its Memorandum and Articles of Association to make distributions, other than on winding up. No dividends have been paid or are proposed.

Business Review

The past year has been one of continued delivery, with notable achievements during the year, being:

- Contracting for the 1,000th home to be let at affordable rent under the National Housing Trust initiative;
- Appointing private sector development partners for the remaining two hub territories – West and South West ;
- Taking major NPD projects now valued at over £1.7bn into procurement, with preferred bidders appointed for a number in record time;
- Establishing and staffing an asset management team to deliver a smarter, greener, leaner and more cost-effective public sector property portfolio;
- Publishing the Street Lighting Toolkit to help Scotland's local authorities achieve savings of more than £300m, by investing in new LED technology;
- Construction starting on the first TIF-enabled project at the Buchanan Quarter in Glasgow; and

- Leading the schools investment programme to deliver improved value with 67 schools to be built within an original budget set for 55, and completing the first five primary schools allowing 1,800 children to enjoy modern, bright and inspiring surroundings.

These milestones for 2012/13 and the associated programmes are clearly illustrated in SFT's 2013/14 Business Plan which is available on SFT's website.

Financial Review

The SFT Group is structured with an operating company, SFT, which employs the staff and undertakes the day-to-day business and a wholly owned subsidiary SFTi. SFTi holds investments in hub companies and infrastructure projects delivered by those hub companies in order to separate that investment business from the operational aspects of the main company. This document comprises the Annual Report and Financial Statements of the Group (being SFT and SFTi together) and the top level Company, SFT. As is required by law, a separate Annual Report and Financial Statements are prepared for SFTi which can be viewed on SFT's website.

SFT follows International Financial Reporting Standards (IFRSs) and applies the best practice in Corporate Governance required by the Financial Reporting Council's "UK Corporate Governance Code", formerly known as the Combined Code. Each of these sets of standards imposes significant and very structured requirements of information that must be included in this document. SFT takes seriously the Financial Reporting Council's initiative on making reports less complex and more focused on material information. The Group has presented information as simply and concisely as possible, which is consistent with these standards and gives users transparency over where and how public money is expended and invested. Pages 1-5 comprise the Directors' report on the activities and finances of the Group. Pages 6-14 comprise a description of corporate governance arrangements and the role of our external auditors along with their opinion on the financial statements and corporate governance statement. Pages 15-20 comprise the key financial statements of the Group and Company whilst pages 21-41 contain detailed notes accompanying the financial statements to explain the numbers in more detail and meet the requirements of applicable International Financial Reporting Standards.

The Group works to lead, develop and support delivery of major infrastructure investment programmes as discussed in the Business Review above. The funds associated with these projects do not generally flow through SFT as they come from the Scottish Government and a variety of other sources, and are granted directly to procuring public sector bodies such as Local Authorities, Health Boards and Scottish Government Agencies with whom SFT works with. These funds are then used by the public sector body to pay for the works procured from private sector contractors. SFT's accounts therefore reflect the costs of staff time and other internal and external resources engaged in playing our role on infrastructure projects and programmes, some capital grants from Scottish Government passed on to other public bodies by SFT, and the investments we ourselves make in a small number of those projects.

Total Group income in 2012/13 was £11,334,563 (2012: £6,241,197). This comprised £5,511,319 (2012: £4,785,230) of general operating income principally in the form of Grant from the Scottish Government and further described in note 3, and £5,823,244 (2012: £1,455,967) of capital grant from the Scottish Government for investment in infrastructure (note 4). Of that, £5,639,090 (2012: £779,762) was expended through granting on by SFT to other public bodies for investment in hub companies and as enabling funds for projects and £375,057 (2012: £672,205) was invested directly by SFT. Of this, £200,039 represents assets of the group and this contributed to an overall group accounting surplus of £185,078 (2012: £676,205).

Under the terms of its Memorandum and Articles of Association, the Company cannot distribute profits to its shareholders and currently surpluses are in the form of investment values and not cash. 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.

The allocated operating budget for 2012/13 from Scottish Government was £5,550,000 (2012: £5,550,000) plus an additional in-year allocation of £200,000 for the establishment of a low-carbon work stream. Of this, £5,486,249 (2012: £5,108,760) was received. This reflects an under spend against budget of £263,751 (2012: £441,240) whilst delivering the objectives and benefits set out in the Business Review above. The difference between the operating income and Scottish Government budget received is due to capitalisation of certain equipment for which budget was received, year-end adjustments for pensions and other matters; and movements in working capital.

The range of operating expenses in the Company totalling £5,510,164 (2012: £4,785,230) is detailed in note 5, with 73% (2012: 68%) being staff costs.

A capital budget of £1m to enable asset management activities was allocated in 2012/13 none of which has been capitalised in SFT. A sum of £575,819 (2012: £nil) was received from the Scottish Government and granted on as capital to Other Bodies (see note 4). The remaining budget was unutilised.

The 2013/14 budget and subsequent year has been set by Scottish Government as £5,550,000. As SFT continues to recruit, principally to undertake the asset management activities described in the Business Review it is anticipated by the Directors that the budget will be fully utilised in the forthcoming years. Additional budget has been secured to undertake feasibility studies on new approaches to energy efficiency across the public sector estate of £200,000 for quarter one in 2013-14. A further £600,000 has been agreed for the remainder of 2013/14 and £848,000 for 2014/15. As set out in SFT's 2013/14 Business Plan, the Company continues to aim to deliver between £100m and £150m of savings and benefits to infrastructure investment in Scotland on an annual basis.

Directors

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

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

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.

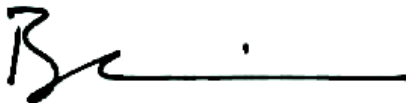
Disclosure of Information to the Auditor

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 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 Audit Committee retained Scott-Moncrieff, Chartered Accountants as auditor to the Group for the 2012/13 year. 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 Government and the Company occur on a regular basis.

On behalf of the Board



Barry White
Chief Executive
25 June 2013

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
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 2013, 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;
- in view of the Group's responsibilities to take account of the provisions set out in the MSFM, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration should form a significant proportion of Executive Directors' total pay package;
- The Board carries out the role of a Remuneration Committee as remuneration of Non-Executive Directors is set by Scottish Government; and the Board makes recommendations for setting the remuneration level of the Chief Executive, which require the approval of Scottish Ministers;
- The Board has not identified a Senior Independent Director as the shareholder appoints and appraises the performance of the Chairman, and the Chairman was independent on his appointment and has no financial interest in the performance of the Company; and
- The Board has requested the Audit Committee to regularly review the need for an internal audit function. Due principally to the size and nature of the organisation, alongside a clear controls framework the Audit Committee has to date not identified such a need.

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. Executive Directors have responsibility for all operational business and act in accordance with the authority delegated from the Board. Responsibility for the implementation of policy, strategy and operational management is delegated to the Executive Directors.

The Chairman's other significant commitments are chairmanship of: Noble Grossart Limited (and related entities), Scotland International Limited, Fine Art Society Plc, Lyon & Turnbull Limited, Wright

Health Group Limited, Edinburgh Partners Limited and the Burrell Renaissance. The Chairman is also a non-executive director of Culture and Sport Glasgow.

Board Meetings take place regularly throughout each period. Board Meetings are structured to allow open discussion and all Directors participate in discussing the 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.

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

Board balance and independence

In the year ended 31 March 2013, the Board comprised five non-executive directors (including the Chairman). The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors 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.

Re-election of Directors

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

Information

As permitted by the Companies Act 2006, the Board has dispensed with the appointment of a Company Secretary. The Chairman is responsible for advising the directors on all governance matters and for ensuring that Board procedures are followed. All directors are entitled to obtain independent professional advice at the Group's expense. Minutes of Board and Sub-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 directors is assessed by the Chairman and the non-executive directors. The Chairman's performance is assessed by the Scottish Government.

Board Committees

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

Audit Committee

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 period and, in addition, it meets the external auditors privately.

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

The Group Audit Committee undertakes an annual evaluation to assess the independence and objectives of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The group audit committee advises the Board in relation to the appointment, re-appointment and removal of external auditors.

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

In the period to the year ended 31 March 2013 the Committee met 2 times.

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

Attendance at Board and Committee meetings

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

	Board	Audit Committee
Number of meetings	7	2
Sir Angus Grossart	7	-
Graeme Bissett	7	2
Carolyn Dwyer	7	-
James Fletcher	7	2
Fiona MacKenzie	4	-
Barry White	7	-
Peter Reekie	7	-

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 regularly during the period to understand their views and has reported these to the Board.

SCOTTISH FUTURES TRUST LIMITED
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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 auditors present reports to the Audit Committee which include any significant internal control matters which they have identified.

Identification and Monitoring of Business Risks

The 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.

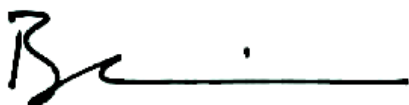
Corporate Information Systems

The Company operates a budgeting and financial reporting system, which includes the preparation of a business plan containing detailed annual budgets. The system provides monthly comparison of actual results against financial year budget, regularly revised forecasts, Statement of Financial Position, Cash Flow and variance analysis, all of which are regularly reviewed by the Board. Standard financial control procedures are in place which provides assurance on the integrity of the 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. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

On behalf of the Board



Barry White
Chief Executive
25 June 2013

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the 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 profit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and 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 Group 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 (formerly the Financial Services Authority) in relation to those matters.

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

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

Details of the 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 2013, 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. Sir Angus Grossart did not receive payment from Scottish Futures Trust for his services as Chairman which totalled 42 days over the period. Expenses of £6,738 (2012: £6,738) were paid to Noble Grossart Limited, which is controlled by Sir Angus Grossart, in respect of administrative support services provided.

The fees received by the other directors in the years to 31 March 2013 and 31 March 2012 for duties provided to the Group are as follows:

	2013	2012
	£	£
James Fletcher	7,800	7,800
Graeme Bissett	7,800	7,800
Fiona MacKenzie (paid to NHS Forth Valley)	7,800	7,800
Carolyn Dwyer	7,800	7,800

The total expenses reimbursed during the year were £139 (2012:£nil).

Barry White was appointed as Chief Executive on 1 May 2009. His remuneration for the year was:

	2013	2012
	£	£
Salary	180,000	180,000
Pension	36,000	36,000
Car Allowance	10,000	10,000

Peter Reekie was appointed as Executive Director on 29 June 2010. His remuneration for the year was:

	2013	2012
	£	£
Salary	130,000	123,333
Pension	26,000	24,667
Car Allowance	8,000	8,000

Directors' Remuneration (continued)

	2013	2012
	£	£
Highest paid Director's total Remuneration	£190,000	£190,000
Median total Remuneration	£73,250	£77,000
Ratio	2.59	2.47

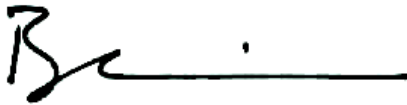
The ratio has increased due to the employment of more staff lowering median pay in the year. Total remuneration includes salary, car allowance and severance pay of £5,250 paid to an employee in 2012/13 (2011/12: £nil). There were no bonuses or benefits in kind in 2011/12 or 2012/13.

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 2013, the Company had 39 employees including 2 directors who were members of the pension fund.

On behalf of the Board



Barry White
Chief Executive

25 June 2013

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

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

We have audited the financial statements of Scottish Futures Trust Limited for the year ended 31 March 2013 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group and Parent Company Statements of Changes in Equity, Group and Parent Company Statements of Financial Position, Group and Parent Company Statements of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective Responsibilities of Directors and Auditor

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

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

Scope of the audit of the financial statements

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

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the Group were required to comply with the Listing Rules of the Financial Conduct Authority (formerly the Financial Services Authority) in relation to those matters. We review whether the Corporate Governance Statement 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 statements on internal control cover 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Opinion on other matters

In our opinion the Corporate Governance Statement reflects the Company's compliance with the UK Corporate Governance Code.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nick Bennett (Senior Statutory Auditor)

For and on behalf of Scott Moncrieff Chartered Accountants and Statutory Auditors

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

25 June 2013

SCOTTISH FUTURES TRUST LIMITED

GROUP INCOME STATEMENT FOR YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Continuing operations			
Revenue		-	-
Cost of sales		-	-
		<u> </u>	<u> </u>
Gross profit		-	-
Other income	3	5,511,319	4,785,230
Capital grant income	4	5,823,244	1,455,967
Administrative expenditure	5	(5,510,164)	(4,785,230)
Capital grant expenditure	6	(5,639,090)	(779,762)
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation		185,309	676,205
Taxation on profit ordinary activities	7	(231)	-
		<u> </u>	<u> </u>
Net profit for the period		<u>185,078</u>	<u>676,205</u>
Distributed as follows:			
Transferred to retained earnings		<u>185,078</u>	<u>676,205</u>
Profits available for distribution		<u> </u>	<u> </u>

The accompanying notes on pages 21 to 41 are an integral part of these financial statements.

SCOTTISH FUTURES TRUST LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 MARCH 2013**

	2013	2012
	£	£
Actuarial loss on defined benefit pension scheme	(191,000)	(97,000)
Actuarial loss recognised in income statement	191,000	97,000
	<hr/>	<hr/>
Net gain recognised directly in equity	-	-
Net profit for the period	185,078	676,205
	<hr/>	<hr/>
Total recognised income for the period	185,078	676,205
	<hr/> <hr/>	<hr/> <hr/>
Attributable to :		
Equity holders of the Company	185,078	676,205
	<hr/> <hr/>	<hr/> <hr/>

SCOTTISH FUTURES TRUST LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2013

	Share Capital	Retained earnings	Total
	£	£	£
At 31 March 2012	2	882,117	882,119
Net profit for the period	-	185,078	185,078
	<hr/>	<hr/>	<hr/>
At 31 March 2013	2	1,067,195	1,067,197
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SCOTTISH FUTURES TRUST LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2013

	Share Capital	Retained Earnings	Total
	£	£	£
At 31 March 2012	2	-	2
Net profit for the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2013	2	-	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

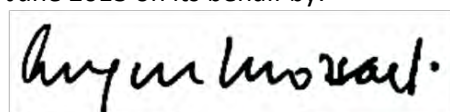
The accompanying notes on pages 21 to 41 are an integral part of these financial statements.

SCOTTISH FUTURES TRUST LIMITED

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

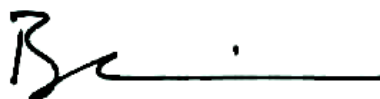
	Note	2013 £	2012 £
ASSETS			
Non-current assets			
Investments	9a	1,066,271	882,117
Property, plant and equipment	8	127,670	93,901
		<u>1,193,941</u>	<u>976,018</u>
Current assets			
Trade and other receivables	10	1,874,051	885,436
Available-for-sale financial assets	11	175,018	-
Cash and cash equivalents	13	347,528	871,877
		<u>2,396,597</u>	<u>1,757,313</u>
Current liabilities			
Trade and other payables	12	(1,472,043)	(819,642)
Deferred income	14	(941,948)	(958,954)
		<u>(2,413,991)</u>	<u>(1,778,596)</u>
Net current liabilities		(17,394)	(21,283)
Non-current liabilities			
Pension liabilities	15	-	-
Deferred income	14	(109,350)	(72,616)
		<u>(109,350)</u>	<u>(72,616)</u>
Net assets		<u>1,067,197</u>	<u>882,119</u>
Equity			
Called up share capital	16	2	2
Retained earnings	16	1,067,195	882,117
		<u>1,067,197</u>	<u>882,119</u>
Total shareholder's funds		<u>1,067,197</u>	<u>882,119</u>

These financial statements were approved by the Board of directors and authorised for issue on 25 June 2013 on its behalf by:



Sir Angus Grossart
Chairman

Registered Company Number: SC348382



Barry White
Chief Executive

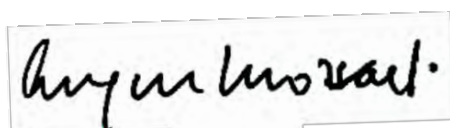
The accompanying notes on pages 21 to 41 are an integral part of these financial statements

SCOTTISH FUTURES TRUST LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

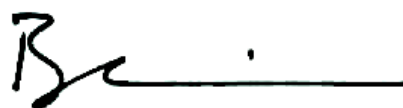
	Note	2013 £	2012 £
ASSETS			
Non-current assets			
Investments	9b	1	1
Property, plant and equipment	8	127,670	93,901
		<u>127,671</u>	<u>93,902</u>
Current assets			
Trade and other receivables	10	1,916,260	925,570
Cash and cash equivalents	13	344,297	871,877
		<u>2,260,557</u>	<u>1,797,447</u>
Current liabilities			
Trade and other payables	12	(1,336,928)	(859,777)
Deferred income	14	(941,948)	(958,954)
		<u>(2,278,876)</u>	<u>(1,818,731)</u>
Net current liabilities		(18,319)	(21,284)
Non-current liabilities			
Deferred income	14	(109,350)	(72,616)
		<u>2</u>	<u>2</u>
Net assets		<u>2</u>	<u>2</u>
Equity			
Called up share capital	16	2	2
		<u>2</u>	<u>2</u>
Total shareholder's funds		<u>2</u>	<u>2</u>

These financial statements were approved by the Board of directors and authorised for issue on 25 June 2013 on its behalf by:



Sir Angus Grossart
Chairman

Registered Company Number: SC348382



Barry White
Chief Executive

The accompanying notes on pages 21 to 41 are an integral part of these financial statements.

SCOTTISH FUTURES TRUST LIMITED

**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
Cash flows from operating activities			
Profit from operations for the period		185,078	676,205
Increase in depreciation of property, plant and equipment	8	39,722	38,536
Loss on sale of office equipment		1,105	-
Transfer of ownership of investment	9	15,885	-
(Increase) / Decrease in trade and other receivables	10	(988,615)	1,117,130
Increase / (Decrease) in trade and other payables	12	652,401	(1,117,602)
Increase in deferred income	14	19,728	752,437
		<u> </u>	<u> </u>
Net cash from operating activities		<u>(74,696)</u>	<u>1,466,706</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(74,596)	(51,706)
Purchase of investments	9	(39)	(14)
Provision of working capital loans and subordinated debt	9	(200,000)	(676,191)
Available-for -sale financial assets	11	(175,018)	-
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(449,653)</u>	<u>(727,911)</u>
Net (decrease) / increase in cash and cash equivalents		(524,349)	738,795
Cash and cash equivalents at beginning of period		<u>871,877</u>	<u>133,082</u>
Cash and cash equivalents at end of period	13	<u>347,528</u>	<u>871,877</u>

The accompanying notes on pages 21 to 41 are an integral part of these financial statements.

SCOTTISH FUTURES TRUST LIMITED

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
Cash flows from operating activities			
Profit from operations for the period		-	-
Depreciation of property, plant and equipment	8	39,722	38,536
Loss on sale of equipment		1,105	-
(Increase) / Decrease in trade and other receivables	10	(990,690)	1,089,725
Increase / (Decrease) in trade and other payables	12	477,151	(1,090,197)
Increase in deferred income	14	19,728	752,437
		<u> </u>	<u> </u>
Net cash from operating activities		<u>(452,984)</u>	<u>790,501</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(74,596)	(51,706)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(74,596)</u>	<u>(51,706)</u>
		<u> </u>	<u> </u>
Net (decrease) / increase in cash and cash equivalents		(527,580)	738,795
Cash and cash equivalents at beginning of period		871,877	133,082
		<u> </u>	<u> </u>
Cash and cash equivalents at end of period	13	<u>344,297</u>	<u>871,877</u>

The accompanying notes on pages 21 to 41 are an integral part of these financial statements.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

1. Basis of preparation and accounting policies

The Group financial statements of Scottish Futures Trust Limited which include Scottish Future Trust Investment 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 historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

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

The International Accounting Standards Board has issued a number of new and revised Accounting Standards in the year and have also issued standards that will become effective in future periods. The Company has not adopted any of these standards early. The only standard that will have a material impact on SFT is IAS 19 – Employee benefits. This is effective for annual periods beginning on or after 1 January 2013 and therefore will impact on the financial statements of SFT for the year ended 31 March 2014. This revised accounting standard will no longer allow the actuarial gain or loss in the defined benefit pension scheme to be included within the Income Statement and instead all actuarial gains or losses will be accounted for through the Statement of Comprehensive Income.

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

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

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

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

1. Basis of preparation and accounting policies (continued)

Going Concern

On the basis of the information available to them, the directors have a reasonable expectation that the Company will continue to receive funding from the Scottish Government. Consequently, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

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

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

Financial instruments

Classification, recognition and measurement

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any other category of financial asset. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are measured at fair value with the exception of unquoted equity instruments where fair value cannot be measured reliably. Such instruments are measured at cost.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

1. Basis of preparation and accounting policies (continued)

Financial instruments (continued)

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 statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions. It also includes cash held on behalf of the Group by its lawyers.

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.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

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 then distributed to third parties for capital projects are disclosed as capital grant income. This is recognised once received.

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

Current income tax

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

SCOTTISH FUTURES TRUST LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

1. Basis of preparation and accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Property, plant and equipment

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

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

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

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

Office equipment - over 3 years

Furniture and fixtures - over 5 years

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

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 Income Statement in the year the asset is derecognised.

Leases

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

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

1. Basis of preparation and accounting policies (continued)

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.

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 Income Statement so as to spread the cost over the service lives of the current employees. The Group recognises actuarial gains and losses through the Income Statement resulting in faster recognition of actuarial gains and losses than required.

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.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of 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 15.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

3. Other income – Group	2013	2012
	£	£
Release of Scottish Government funding relating to non-current assets (Note 14)	39,722	38,536
Scottish Government funding received to compensate for expenses incurred	5,179,027	4,705,370
Interest received on working capital loans	72,589	2,290
Other income (mainly secondment recharges)	219,981	39,034
	<u>5,511,319</u>	<u>4,785,230</u>
	<u><u>5,511,319</u></u>	<u><u>4,785,230</u></u>
4. Capital Grant Income – Group	2013	2012
	£	£
SG capital grant for Asset Management NWOW Pilot	575,819	-
SG capital grant for SFTI investments in hubCos	375,057	676,205
SG capital grant for hub participants investments in hubCos	425,042	300,042
SG capital enabling grant for hub projects	4,447,326	479,720
	<u>5,823,244</u>	<u>1,455,967</u>
	<u><u>5,823,244</u></u>	<u><u>1,455,967</u></u>

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

5. Administrative Expenditure – Group	2013	2012
	£	£
Profit before taxation is stated after charging:		
Chair and non-executive fees (inc NI of £129)	31,329	31,501
Chair expenses for secretarial and administrative support	6,738	6,738
Salaries and associated costs	3,821,676	2,884,172
Agency, seconded & interim staff	225,580	382,863
Auditors remuneration		
- SFT audit fee	12,048	15,527
- SFTI audit fee	4,800	3,600
- taxation services	1,200	2,520
- other services	1,800	-
Operating leases in respect of land and buildings	97,535	100,104
Depreciation of owned assets	39,722	38,536
Corporate Professional fees	38,837	145,230
Recruitment fees	30,036	104,696
Advisory fees	547,426	615,855
Hub PDO Fees	31,932	12,373
Other administrative costs	428,505	344,515
Recognised actuarial loss	191,000	97,000
	5,510,164	4,785,230
	5,510,164	4,785,230

The number of full time equivalent employees employed in the year was 39 (2012: 31).

6. Capital Grant Expenditure – Group	2013	2012
	£	£
Capital grant for NWOW pilot	575,819	-
Capital grant for hub participants investments in hubCos	631,830	300,042
Capital enabling grant for hub projects	4,431,441	479,720
	5,639,090	779,762
	5,639,090	779,762

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

7. Taxation – Group

	2013	2012
	£	£
Corporation tax charge	231	-
	<u>231</u>	<u>-</u>

The corporation tax charge is in respect of the surplus generated as a result of the interest on working capital loans and sub-ordinated debt exceeding the administration expenses of the group.

8. Property, plant and equipment – Group and Company

	Office equipment	Furniture & Fixtures	Total
	£	£	£
Cost			
At 31 March 2012	129,586	48,423	178,009
Additions	15,817	58,779	74,596
Disposals	(5,022)	-	(5,022)
	<u>140,381</u>	<u>107,202</u>	<u>247,583</u>
At 31 March 2013	140,381	107,202	247,583
	<u>140,381</u>	<u>107,202</u>	<u>247,583</u>
Depreciation			
At 31 March 2012	71,094	13,014	84,108
Charge for period	29,861	9,861	39,722
Eliminated on disposal	(3,917)	-	(3,917)
	<u>97,038</u>	<u>22,875</u>	<u>119,913</u>
At 31 March 2013	97,038	22,875	119,913
	<u>97,038</u>	<u>22,875</u>	<u>119,913</u>
Net book value			
At 31 March 2013	43,343	84,327	127,670
	<u>43,343</u>	<u>84,327</u>	<u>127,670</u>
At 31 March 2012	58,492	35,409	93,901
	<u>58,492</u>	<u>35,409</u>	<u>93,901</u>

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

9a. Investments – Group

	hub Co share capital	hub Co working capital	hub Co subordinated debt	Total
	£	£	£	£
Cost and Net book value				
At 31 March 2012	44	305,882	576,191	882,117
Additions	39	200,000	-	200,039
Transfer of ownership	(3)	(15,882)	-	(15,885)
	<u>80</u>	<u>490,000</u>	<u>576,191</u>	<u>1,066,271</u>

share capital

SFTi transferred £3 of share capital held in hub North Scotland Limited to Shetland Islands ownership during the year ended 31 March 2013. This is included in capital grant expenditure.

SFTi invested share capital of £10 in hub West Scotland during the year to 31 March 2013.

SFTi invested share capital of £10 in hub South West Scotland during the year to 31 March 2013.

SFTi invested £1 in nineteen separate housing partnership LLPs during the year.

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

hub Co working capital

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

SFTi loaned working capital of £90,000 to hub North Scotland Limited on 28 January 2011. This working capital facility is available until 27 January 2016 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in a reserve account, and 4.5% p.a. on all other sums. Interest will be payable semi-annually (on 31 December and 30 June). The Company also made an additional loan of £15,882 working capital loan to hub North Scotland during the period to 31 March 2011. This was transferred to Shetland Islands ownership during year ended 31 March 2013. This transfer is included in capital grant expenditure.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

9a. Investments – Group (continued)

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

SFTi loaned working capital of £100,000 to hub West Scotland Limited on 27 April 2012. This working capital facility is available until 26 April 2017 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 6.5% p.a. on all other sums. Interest will be payable semi- annually (on 31 December and 30 June).

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility is available until 16 November 2017 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 6% p.a. on all other sums. Interest will be payable semi- annually (on 31 December and 30 June).

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

hub Co subordinated debt

The Group made its first investment in a project in March 2012 when it invested £576,191 in Aberdeen Community Health Village DBFM in the form of 10.2% fixed coupon unsecured loan notes. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

Subordinated debt is held as financial assets - loans and receivables.

9b. Investments – Company

	Investment in Subsidiary £
Cost and Net book value	
At 31 March 2012	
and 31 March 2013	1

The investment is 100% of the share capital of Scottish Futures Trust Investments Limited, a company incorporated in Scotland. The investment in the subsidiary is measured at cost.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

10. Trade and other receivables	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Other receivables (SG funding re operational expenditure)	1,101,750	1,101,750	779,219	779,219
Other receivables (SG funding re NWOW pilot)	575,819	575,819	-	-
Other receivables	30,596	30,596	21,853	21,853
Prepayments and accrued income	165,886	91,703	84,364	79,534
Amounts due from subsidiary - SFTI	-	116,392	-	44,964
	<u>1,874,051</u>	<u>1,916,260</u>	<u>885,436</u>	<u>925,570</u>

11. Available-for-sale financial assets	Group 2013 £	Group 2012 £
Shareholding in hub Companies	18	-
Working capital loans	175,000	-
	<u>175,018</u>	<u>-</u>

SFTi holds additional share capital of £15 in hub West Scotland Limited and has provided an additional working capital loan of £150,000. SFTi also holds additional share capital of £3 in hub South West Scotland Ltd and has provided an additional working capital loan of £25,000. These assets are held on behalf of other public sector participants and will be transferred over by SFTi in 2013/14 and therefore have been included in available-for sale financial assets within the financial statements.

12. Trade and other payables	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Other payables (operational expenditure)	164,316	164,316	310,357	310,357
Other payables (NWOW Pilot)	575,819	575,819	-	-
Other taxes and social security	117,641	117,410	92,666	92,666
Other creditors and accruals	614,267	439,230	416,619	416,620
Amounts due from subsidiary - SFTI	-	40,153	-	40,134
	<u>1,472,043</u>	<u>1,336,928</u>	<u>819,642</u>	<u>859,777</u>

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

13. Cash and cash equivalents	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Cash at bank	205,722	202,491	471,581	471,581
Cash on deposit held by lawyer	141,693	141,693	400,040	400,040
Cash on hand	113	113	256	256
	<u>347,528</u>	<u>344,297</u>	<u>871,877</u>	<u>871,877</u>

14. Deferred income – Group and Company

	2013 £	2012 £
As at beginning of period	93,901	80,731
Increase in period	74,596	51,706
Loss on sale of office equipment	(1,105)	-
Released to statement of income and retained earnings	(39,722)	(38,536)
As at period end	<u>127,670</u>	<u>93,901</u>
Deferred income above relates to capital funding received which is released over the expected life of the asset.		
As at beginning of period	17,500	7,500
Increase in period	10,000	10,000
As at period end	<u>27,500</u>	<u>17,500</u>
Deferred income above relates to funding received to provide for the dilapidation over the expected life of the premises.		
Deferred income from the Scottish Government relating to funding received in advance of costs incurred	896,128	920,169
Total deferred income	<u>1,051,298</u>	<u>1,031,570</u>
Split as follows:		
Current liabilities	<u>941,948</u>	<u>958,954</u>
Non-current liabilities	<u>109,350</u>	<u>72,616</u>

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

15. Retirement benefits obligation – Group and Company

Defined benefit scheme

The Company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Contributions to the scheme are charged to the Income Statement so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Liabilities are valued on an actuarial basis using the projected unit method, which assess the future liabilities of the fund discounted to their present value. The most recent formal triennial valuation of the fund was at 31 March 2011 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 2013 which projects forward the results of the 2011 triennial valuation and adjusts for changes in assumptions.

The main assumptions used in the calculations are:

Assumptions as at	31 Mar 2013 % p.a.	31 Mar 2012 % p.a.
Inflation / Pension Increase Rate	2.8%	2.5%
Salary Increase Rate	5.1%	4.8%
Expected Return on Assets	4.5%	5.8%
Discount Rate	4.5%	4.8%

Mortality

Life expectancy is based on the PXA92 table, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.4	22.8
Future Pensioners	22.6	25.4

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

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

Assets (Employer)	31 March 2013	
	Long Term Return % p.a.	Assets £000
Equities	4.5%	2,225
Bonds	4.5%	225
Property	4.5%	253
Cash	4.5%	113
		2,816
Total Market Value of Assets		2,816
		2,618
Present Value of Scheme of Liabilities		2,618
		198
Net Pension Asset		198

As stated in the retirement benefits obligations accounting policy, a pension asset is only recognised in the Statement of Financial Position where the Company has an unconditional right to a refund or reduction in future contributions. This is not the case and thus the pension asset is not recognised in the Statement of Financial Position.

Recognition in the Income Statement:

Year Ended	31 March 2013		31 March 2012	
	£(000)	% of Pay	£(000)	% of Pay
Current service cost	398	16.8%	263	13.4%
Interest on obligations	87	3.7%	56	2.9%
Expected return on Employer assets	(123)	(5.2%)	(90)	(4.6%)
Total included in Income Statement	362	15.3%	229	11.7%
Actual Return on Plan Assets	330		27	

The IAS 19 pension charge (above) is included within salaries and associated costs in note 5 of the financial statements. The actual pension contribution of the company paid as part of the payroll was £497,133 (2012: £388,244). The employer's contribution rate is 20% and the employee's contribution rate ranges from 5% to 10.8%.

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

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

Recognition of defined benefit obligations:

Year Ended	31 March 2013	31 March 2012	31 March 2011	31 March 2010
	£(000)	£(000)	£(000)	£(000)
Opening Defined Benefit Obligations	1,490	792	498	-
Current Service Cost	398	263	283	41
Interest Cost	87	56	38	10
Contributions by Members	252	181	173	61
Actuarial Losses/(Gains)	394	199	(124)	386
Past Service Costs/(Gains)	-	-	(76)	-
Estimated benefits paid	(3)	(1)	-	-
Closing Defined Benefit Obligations	2,618	1,490	792	498

Reconciliation of fair value of employer assets:

Year Ended:	31 March 2013	31 March 2012	31 March 2011	31 March 2010
	£(000)	£(000)	£(000)	£(000)
Opening Fair Value of Employer Assets	1,766	1,001	479	-
Expected Return On Assets	123	90	52	11
Contributions by Members	252	181	173	61
Contribution by Employer	474	393	312	122
Actuarial Gains/ (Losses)	203	102	(15)	285
Estimated Benefits Paid	(2)	(1)	-	-
Closing Fair Value of Employer Assets	2,816	1,766	1,001	479
Closing Asset	198	276	209	19

The actuarial losses have been recognised in the Income Statement.

Projected IAS 19 charge to be charged to the Income Statement for the year ended 31 March 2014:

Year Ended:	31 March 2014	
	£(000)	% of pay
Projected Current Service Cost	592	22.4%
Interest on Obligation	136	5.1%
Expected Return on Plan Assets	(143)	(5.4%)
Total	585	22.1%

The estimated Employer's contributions for the year ended 31 March 2014 are £477,000.

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

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

Sensitivity analysis:

Sensitivities at 31 March 2013	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	379
1 year increase in member life expectancy	3%	79
0.5% increase in the Salary Increase Rate	7%	187
0.5% increase in the Pension Increase Rate	7%	179

16. Share capital and retained earnings – Group and Company

	Group & Company 2013 £	Group & Company 2012 £
Share capital		
Authorised , issued and fully paid – ordinary shares of £1 each		
As at beginning of period	2	2
Issued in the period	-	-
	<hr/>	<hr/>
As at period end	2	2
	<hr/> <hr/>	<hr/> <hr/>

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.

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Retained earnings				
As at beginning of period	882,117	-	205,912	-
Net profit for the period	185,078	-	676,205	-
	<hr/>	<hr/>	<hr/>	<hr/>
As at period end	1,067,195	-	882,117	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The retained earnings reserve comprises the cumulative

profits of the group.

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

17. Related party transactions

Scottish Ministers

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

	2013	2012
	£	£
<u>Scottish Government Funding received</u>		
Capital government funding received	74,596	51,706
Revenue government funding received	5,179,027	4,705,370
Capital grant income	5,823,244	1,455,967
	11,076,867	6,213,043
	11,076,867	6,213,043
<u>Nature of government funding receipt</u>		
Payments made monthly to SFT	4,151,873	3,977,857
Year end receivable	1,677,588	779,219
Capital grant	5,247,406	1,455,967
	11,076,867	6,213,043
	11,076,867	6,213,043
The figures above are reflected in the financial statements as follows:		
<u>Income statement</u>		
Capital government funding income – released in period	39,722	38,536
Revenue government funding received	5,179,027	4,705,230
Capital grant income	5,823,244	1,455,967
	11,041,993	6,500,733
	11,041,993	6,500,733
<u>Statement of Financial Position</u>		
Balance included in other receivables	1,677,569	779,219
Deferred income - capital	127,670	93,901
Deferred income - funding received in advance of costs incurred	941,948	920,169
Deferred income - dilapidations	27,500	17,500
	3,774,687	1,810,799
	3,774,687	1,810,799

SCOTTISH FUTURES TRUST LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

17. Related party transactions (continued)

Noble Grossart Limited

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

	2013	2012
	£	£
<u>Income Statement</u>		
Expense for secretarial and administrative support	6,738	6,738
	<u>6,738</u>	<u>6,738</u>
<u>Statement of Financial Position</u>		
Balance included in other creditors and accruals	6,738	6,738
	<u>6,738</u>	<u>6,738</u>

Remuneration in respect of the directors was as follows:-

	2013	2012
	£	£
Executive directors' emoluments		
Emoluments	328,000	321,333
Pension costs	62,000	60,667
	<u>390,000</u>	<u>382,000</u>
Non-executive directors' fees	<u>31,200</u>	<u>31,200</u>

Hub South East Scotland Limited

John Hope, a senior management team member of SFT, is a non-executive director of hub South East Scotland Ltd. Details of material transactions with hub South East Scotland Ltd are included below:

	2013	2012
	£	£
<u>Statement of Financial Position</u>		
Financial assets – Working capital loans	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

17. Related party transactions (continued)

Hub North Scotland Limited

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

	2013	2012
	£	£
<u>Statement of Financial Position</u>		
Financial assets – Working capital loans	90,000	105,882
Financial assets – subordinated debt	576,191	576,191
	<u> </u>	<u> </u>

Hub East Central Scotland Limited

Tony Rose, a senior management team member of SFT, is a non-executive director of hub East Central Scotland Ltd. Details of material transactions with hub East Central Scotland Ltd are included below:

	2013	2012
	£	£
<u>Statement of Financial Position</u>		
Financial assets – Working capital loans	100,000	100,000
	<u> </u>	<u> </u>

Hub West Scotland Limited

Alistair Young, an associate director of SFT, is a non-executive director of hub West Scotland Ltd. Details of material transactions with hub South East Scotland Limited are included below:

	2013	2012
	£	£
<u>Statement of Financial Position</u>		
Financial assets – Working capital loans	100,000	-
Available-for-sale financial assets	150,000	-
	<u> </u>	<u> </u>

SCOTTISH FUTURES TRUST LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

17. Related party transactions (continued)

Hub South West Scotland Limited

John Hope, a senior management team member of SFT, is a non-executive director of hub South West Scotland Limited. Details of material transactions with hub South West Scotland Limited are included below:

	2013	2012
	£	£
<u>Statement of Financial Position</u>		
Financial assets – Working capital loans	100,000	-
Available-for-sale financial assets	25,000	-
	<u>125,000</u>	<u>-</u>

18. Commitments under operating leases – Group and Company

At 31 March 2013 the Company had outstanding total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Office Premises	
	2013	2012
	£	£
Due less than one year	99,651	99,651
Due in more than one year and less than five years	131,275	230,926
	<u>230,926</u>	<u>330,577</u>

19. Financial Instruments

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

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

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

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

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

SCOTTISH FUTURES TRUST LIMITED

**NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013**

20. Ultimate Controlling Party

The Company is wholly-owned by the Scottish Ministers.

21. Contingent asset

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

22. Post balance sheet event

After the year-end an investment of £133,884 was made in Forres, Tain and Woodside DBFM by SFTi, a special purpose company wholly owned by hub North Scotland Limited.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
OFFICERS AND PROFESSIONAL ADVISORS

Directors

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

Chief Executive

Barry White

Registered Office & Principal Place of Business

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Edinburgh
EH2 1DF

Registered Company number

SC348382

Auditor

Scott-Moncrieff
Exchange Place 3
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EH3 8BL

Bankers

The Royal Bank of Scotland plc
36 St Andrews Square
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