

**SCOTTISH  
FUTURES  
TRUST**

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND  
GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2021**

**SC348382**

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

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## **CHAIRMAN'S STATEMENT**

As chairman of the Scottish Futures Trust, it is my pleasure to present the Company's Annual Report and Group Financial Statements for the year ending 31 March 2021.

Established by Scottish Government in 2008 as a centre of infrastructure expertise, the Scottish Futures Trust (SFT) continues to perform an active leadership role across Scotland. We collaborate with partners across the public and private sector and bring our unique mix of skills, experience, resource and knowledge to maximise the social, economic and environmental impact of infrastructure in Scotland.

The construction sector like many, was heavily impacted by the pandemic. But it is widely acknowledged that the sector has a pivotal role to play in Scotland's economic recovery. As a key participant in the Scottish Construction Leadership Forum, I was proud that together with numerous public sector organisations, trade bodies, unions and business leaders from across sector, SFT took a lead role to develop, publish and implement the actions in the Scottish Construction Industry Recovery Plan. This vital work continues.

But despite the pandemic and thanks to the constant support of our many partners, substantial progress continued to be made with some notable achievements being:

- The success of the SFT-managed hub community infrastructure programme was recognised in an independent evaluation report, confirming that the programme has performed well against its original aims and objectives, having delivered substantial social impacts and community benefits, and with strong support for it to continue
- hub South East completed the largest project by value in the national Programme - the £69m East Lothian Community Hospital in Haddington
- The 117<sup>th</sup> and last school in the SFT-managed Scotland's Schools for the Future programme (Lossiemouth High School) was completed and handed over to Moray Council by hub North
- Helping accelerate investment into Scotland's datacentre sector, Host in Scotland, (SFT's datacentre workstream), published industry reports identifying key locations that could quickly and easily become large-scale datacentre facilities
- We published guidance aimed at helping the public sector manage the impact of COVID-19 on the performance of operational PPP contracts
- We launched the Infralink programme, aimed at breaking down complex barriers that can negatively impact on the rollout of 4G and 5G infrastructure across Scotland
- In collaboration with a number of public bodies, we published the Net Zero Public Sector Buildings Standard, aimed at supporting public bodies meet their net zero commitments for their new build and major refurbished projects

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**CHAIRMAN'S STATEMENT (continued)**

In addition, working closely with many organisations across the public and private sectors, during 2020/21 the total value of public infrastructure projects under construction made possible through our innovative funding and financing approaches exceeded £250m; investment in private infrastructure continued to be unlocked with projects valued at over £2.4bn on site, and over the past 12 months our work continued to contribute towards a net-zero carbon economy, saving 12,000 tonnes of infrastructure-related CO2 emissions during 2020/21.

The Coronavirus pandemic has proved to be a challenge for everyone, but as an organisation we were well prepared for the extraordinary demands that were placed upon us, and we remain so. The Board is enormously grateful to our employees for their work during the past 12 months. We will continue to adopt hybrid working practices, recognising that for many of us, much of our work can be delivered just as effectively working from home. We will review the role of the office and to understand how we can use it best to support our culture, collaboration and innovation.

I, along with my fellow Board members very much value the benefits from creating and building strong, long-lasting relationships across the public and private sectors where we share a common goal. We look forward to seeing those relationships flourish further, working towards our purpose of maximising the economic, social, and environmental benefits from Scotland's infrastructure.

A handwritten signature in blue ink, appearing to read 'Ian Russell', is written over a light yellow rectangular background.

**Ian Russell**  
**Chairman**

**Date:** 13<sup>th</sup> September 2021

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

### STRATEGIC REPORT

The directors present their Annual Report and the Consolidated Financial Statements for the year ended 31 March 2021 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.

During the whole of the 2020/21 financial year, SFT staff have been working remotely due to the global pandemic. During this time, the organisation has been able to maintain productivity and enhance its well embedded flexible working arrangements and focus on staff wellbeing. The Directors expect the business to be able to continue to operate remotely in the short-term whilst putting in place arrangements for testing out future ways of working. We look forward to taking steps towards a speedy and ambitious infrastructure recovery in collaboration with our partners across the public sector and private industry.

### 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 long term ambitions for inclusive economic growth, net zero carbon emissions and building sustainable places.’*

In working towards that aim, employing and developing the right teams of people is crucial and 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.

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 OUTCOMES

Improving infrastructure planning, development, delivery and use brings many societal, environmental and economic benefits for Scotland. SFT has developed ten infrastructure outcomes linked to the National Performance Framework (NPF) which we monitor progress against. The information on these outcomes and monitoring is available on SFT’s outcomes website.

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**STRATEGIC REPORT (continued)**

**SFT OUTCOMES (continued)**

As an example, capital investment into Scotland is important for the economy and we have worked with partners to deliver additional investment into public and private infrastructure. During 2020/21, the total value of public infrastructure projects under construction exceeded £1 billion (2019/20 £1.4bn), with over £250m (2019/20 £500m) of this made possible through SFT’s funding and financing approaches. Investment in private infrastructure also continued to be unlocked, with projects valued at over £2.4bn (2019/20 £2bn) on site in 2020/21. Progress towards net zero is vital for the global environment. The current expected impact of SFT’s work with partners in this area is for a reduction in infrastructure related CO2 emissions exceeding 500,000 (2019/20 400,000) tonnes by the end of the corporate plan period, with the new annual savings of over 12,000 (2019/20 5,000) tonnes recorded this year, contributing cumulatively to this. Effective public asset portfolio is key to enabling efficient service delivery.

**FINANCIAL REVIEW & RESULTS**

SFT follows International Financial Reporting Standards (IFRS) 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 has recorded the following funding within the Group Financial Statements:

<b>Source of Funds</b>	<b>2020/21 £'m</b>	<b>2019/20 £'m</b>
Scottish Government revenue funding received to meet operating expenses	8.9	8.9
SFTi Investment Returns	1.9	1.9
Miscellaneous income from secondments and director fees	0.4	0.3
<b>Income used to fund Operating Expenses and support SFT projects and programmes</b>	<b>11.2</b>	<b>11.1</b>
Accrued Income (2020: deferred income) 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. It covers the IAS19 pension costs charged to Operating expenses (wages and salaries) and those charged directly to Other Comprehensive Income).	4.1	(0.5)
<b>Total Income recognised within the Group Statement of Comprehensive Income</b>	<b>15.3</b>	<b>10.6</b>
<b>Total Funds Recognised</b>	<b>15.3</b>	<b>10.6</b>

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**STRATEGIC REPORT (continued)**

**FINANCIAL REVIEW & RESULTS (continued)**

During 2020/21, SFT applied its funding to the following expenditure:

<b>Application of Funds</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'m</b>	<b>£'m</b>
Operating costs	10.6	10.9
Corporation Tax payable	0.2	0.2
<b>Total operating costs including taxation</b>	<b>10.8</b>	<b>11.1</b>
Movement in pension fund funding position:		
Included in staff costs (IAS 19 current service cost charge)	0.7	0.9
(Credited)/Charged to the Statement of Comprehensive Income – actuarial (gain)/loss	3.4	(1.4)
Total Pension Scheme (credit) / costs arising from the application of accounting standards to SFT's Pension Scheme	4.1	(0.5)
<b>Total operating costs and pension charges</b>	<b>14.9</b>	<b>10.6</b>
SFTi profits retained for future infrastructure investment and development (SFTi profit less dividend to SFT in year)	0.4	-
<b>Total Funds Applied</b>	<b>15.3</b>	<b>10.6</b>

Within operating expenditure above, there is advisory fees within SFT of £1.7m (2020: £1.2m) an increase of c£500k. This increase is mainly due to expenditure related to additional funding, including: £225k for Electric vehicles work, £70k in relation to the 5G Centre and £22k in relation to costs funded by Construction Scotland Innovation Centre. In addition, the hub impact assessment costs of £56k were deferred from 2019/2020.

Within the operating expenditure above there is corporate and professional fees of £468k (2020: £52k) an increase of £416k with £373k of this increase due to costs associated with the Hospitals Inquiry.

SFT, the Company, had a profit of £nil (19/20: £nil) in the financial year with SFTi generating a profit of £1,113,105 (19/20: £842,908).

SFTi now generates a healthy return from its investment portfolio. Part of these profits is now transferred over to SFT via a dividend with these funds used by SFT to help fund its activities. In the current year a dividend of £770K (19/20: £872k) was distributed by SFTi to SFT. This reduces the level of funding required from Scottish Government as the SFT group now self-funds part of its operations.

## **STRATEGIC REPORT (continued)**

### **FINANCIAL REVIEW & RESULTS (continued)**

As part of the preparation of the group financial statements, intergroup transactions, including this dividend are removed, thus the £770,000 (19/20: £872,000) was deducted from the cumulative individual profit of £1,113,105 (2019/20: £842,908) to give an overall group profit of £343,105 (19/20: £29,092 loss). The decision regarding the amount of dividend to be paid out from SFTi to SFT in 2020/21 was taken in March, after considering the amount of distributable reserves as at 1 April 2020.

The Group Statement of Financial Position (Balance Sheet) shows a movement in net assets from £8.2m as at 31 March 2020 to £8.5m as at 31 March 2021. However, within that overall position there were a number of increases and decreases including:

- **An increase in non-current assets of £4.4m:** reflecting a:
  - £0.2m decrease in investments in subordinated debt of hub projects due to repayment of principal;
  - a £4.1m increase in the deferred grant which would be payable by Scottish Government if the pension scheme liability crystallised;
  - £0.1m increase in investments due to the requirement for a fair value accounting adjustment under IFRS 9. This was as a result of returns crystallised as project dividends during the year; and
  - £0.4m increase in the right of use asset
  
- **A £0.8m increase in current assets:** largely due to an increased cash balance
  
- **A £0.8m increase in current liabilities** due to an increase in trade creditors
  
- **A £4.1m increase in long term liabilities:** representing a:
  - £4.1m increase in the forecast pension deficit

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 the high-level risks of the projects and programmes in which SFT is involved, along with corporate risks within the Group. Risks are evaluated by considering their probability of occurring along with 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 Group Audit Committee at every meeting (3 times a year) and by the Leadership Team monthly.



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**STRATEGIC REPORT (continued)**

**RISKS AND MITIGATION (continued)**

The table below details the significant Group operational risks and the Group’s approach to managing and mitigating these. SFT is working with stakeholders to mitigate these risks but does not have complete control over them.

<b>Significant Operational Risks</b>	<b>Approach to Management and Mitigation of Risks</b>
Hospitals Public Inquiry. There is a risk that the inquiry will affect SFT in any/all of three ways: staff resource, reputation and/or cost of legal fees	SFT can mitigate the impact but not the probability which is outwith our control. The impact is being mitigated by advance preparation and document management and ensuring there is budget and additional funding set aside for legal fees.
Limited resource levels in central Government and procuring authorities to take forward priority projects in a timely manner.	SFT supports authorities by aiming to understand resource needs and where appropriate trying to make sure 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.
A project which SFT has been involved with in the past, has an issue over the course of its life which could adversely affect SFT’s reputation.	SFT ensures reporting lines and responsibilities are clear between all parties involved in projects. SFT deploys resources into the areas needed when any problems arise. SFT proactively ensures key stakeholders are kept up to date.

**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 2020/21, one external review was undertaken of SFT’s internal controls in the following area: “Remote Working - Risk of working from home during lockdown”, 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 2021/22; 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 Group Audit Committee.

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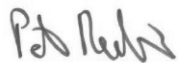
**STRATEGIC REPORT (continued)**

**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 [21/22 Business Plan](#) which can be found on SFT's website. Outcomes achieved against these objectives are published on the associated microsite [SFT Outcomes](#).

The 2021/22 operating budget has been set at £10.5m, reflecting £1.7m of third party income and £8.8m 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:** 13<sup>th</sup> September 2021

# SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

## 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	Executive Director
Ann Allen	Non-Executive Director
Ann Faulds	Non-Executive Director
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director

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 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 Group's auditor is aware of that information.

### Auditor and AGM

In June 2020, Azets Audit Services were appointed for a further 2 years (after the completion of an initial 3 year contract), to carry out the 2021 and 2022 external audits.

The SFT 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, the Scottish Ministers and the Group 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. For the financial year ended 31 March 2022, the Group will prepare its financial statements in accordance with IFRS as adopted by the UK.

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 results for that period.

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ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**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:

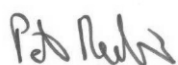
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

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:** 13<sup>th</sup> September 2021

## **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 2021, 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. However Executive director appointments to the Board are decided 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 its 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 (GAC) to regularly review the need for an internal audit function. At its June 2021 meeting the GAC agreed that it would continue with a programme of internal control reviews rather than a formal internal audit function for the period 2021/22 to 2022/23. RSM were appointed in September 2020 to carry out the internal control reviews over the 3 year period 2020/21-2022/23. Prior to this, the internal audit division of Azets, SFT's external auditors, carried out this role.

### **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 Chief Executive 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 Chief Executive.

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**REPORT ON CORPORATE GOVERNANCE (continued)**

**Board of Directors (continued)**

The Chairman's other significant commitments are: chairman of HICL Infrastructure plc and chairman of National Museums of 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 plus one Board Strategy day.

**Board Balance and Independence**

As at 31 March 2021, the Board included six 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.

**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.

**Secretary and Meeting Minutes**

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 the Chief Executive 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. During 2020/21 the only Board Committee was the Group Audit Committee.

**Attendance at Board and Committee Meetings**

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

	<b>SFT Board</b>	<b>Group Audit Committee</b>	<b>SFTi Board</b>
<b>Number of meetings</b>	<b>6</b>	<b>3</b>	<b>3</b>
Ian Russell	6	N/A	3
Ann Faulds	6	3	3
Graham Watson	6	3	2
Bill Matthews	6	3	3
Ann Allen	6	3	3
Pauline Mills	5	3	2
Peter Reekie	6	3*	3

\*In attendance, not members of the Committee

**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 and Chief Executive, on behalf of the directors have met with Scottish Ministers and officials during the year and post year end to understand their views and have reported these to the Board.

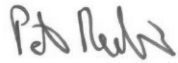
**Gender Balance**

The Table below discloses the gender balance of SFT's Board, Leadership Team and their Direct Reports. SFT believes there is an appropriate balance as demonstrated within the table below:

<b>Gender split as at 31 March 2021</b>	<b>Number and Percentage of Females</b>	<b>Number and Percentage of Males</b>	<b>Number and Percentage of "Preferred not to say"</b>
Board	3 43%	4 57%	0 0%
Leadership Team	4 57%	3 43%	0 0%
Direct Reports	13 42%	18 58%	0 0%

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**REPORT ON CORPORATE GOVERNANCE (continued)**

On behalf of the Board:

A handwritten signature in black ink, appearing to read "Peter Reekie".

**Peter Reekie**  
**Chief Executive**

**Date:** 13<sup>th</sup> September 2021



## **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 although this will be kept under review. RSM were appointed in September 2020 to carry out a series of internal control reviews over the 3 year period 2020/21-2022/23. Prior to this, the internal audit division of Azets, SFT's external auditors, carried out this role.

The organisation has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied.

Separate controls and governance structures are in place across SFT's programmes. The Audit Committee receives an update on these at each of its meetings (three times a year).

### **Identification and Monitoring of Business Risks**

The Group has adopted a risk-based approach to internal control by evaluating the probability and impact of risks 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. A formal risk register is kept and regularly reviewed by the Leadership Team, the Group Audit Committee and ultimately the Board.

In addition, the Board has developed a formal Risk Policy which describes SFT's risk appetite and the formal responsibilities across the organisation for risk management. It also describes how workstream level risks should be managed and, if appropriate, escalated to the leadership team for possible inclusion in the corporate risk register.

### **Corporate Information Systems**

The Group operates a budgeting and financial reporting system, which includes the preparation of a business plan and detailed annual budgets. The system provides monthly comparisons of actual results against budget and regularly revised year-end 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.

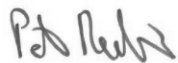
**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**STATEMENT ON INTERNAL CONTROL (continued)**

**Effectiveness of Internal Controls**

The directors are responsible for reviewing the effectiveness of the Group's system of internal control, including internal financial control, which is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. The directors do this through a range of internal control reviews currently conducted by RSM Risk Assurance Services LLP. In 2020/21, this included a review of: Remote Working, with no significant issues noted. 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:** 13<sup>th</sup> September 2021

**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 2021, 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 2021 and 31 March 2020 for duties provided to the Group are as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Ann Faulds	<b>7,800</b>	<b>7,800</b>
Graham Watson	<b>7,800</b>	<b>7,800</b>
Bill Matthews	<b>7,800</b>	<b>7,800</b>
Ann Allen	<b>7,800</b>	<b>7,800</b>
Pauline Mills	<b>7,800</b>	<b>7,800</b>

The total expenses reimbursed during the year were £nil (2019/20: £651).

Peter Reekie was appointed as Executive Director on 29 June 2010 and became Chief Executive on 10 January 2018. His remuneration for the year was:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Salary	<b>177,460</b>	<b>177,460</b>
Pension	<b>31,588</b>	<b>31,588</b>
Car Allowance	<b>12,600</b>	<b>12,600</b>

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**  
**REPORT ON DIRECTORS' REMUNERATION (continued)**

**Directors' Remuneration (continued)**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Highest paid director's total remuneration	<b>190,000- 195,000</b>	<b>190,000-195,000</b>
Median total remuneration	<b>77,363</b>	<b>77,868</b>
Ratio	<b>2.49</b>	<b>2.44</b>

The ratio has increased slightly due to the reduction in staff at a certain level, the impact of which was to decrease the median pay in the year. The median pay is assessed with reference to total remuneration which includes gross salary and car allowance but excludes employer pension contributions. There were no bonuses or benefits in kind in financial years 2020/21 or 2019/20.

**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 defined benefit scheme where contributions paid by the employee and the Company operate on a sliding scale.

In the year ended 31 March 2021, 62 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 £371,389 (2019/20: £343,394).

On behalf of the Board:



**Peter Reekie**  
**Chief Executive**

**Date:** 13<sup>th</sup> September 2021

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

### 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 a Chartered Accountant and 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 Allen MBE is a chartered surveyor with over 35 years' experience. She is CEO of the Chartered Institution of Civil Engineering Surveyors (CICES) and Chair of Architecture and Design Scotland.
- Ann Faulds was a partner in the law firm, CMS and has 30 years' experience in consenting processes for developments and infrastructure projects.
- Bill Matthews 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.
- Pauline Mills 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.

In the year ended 31 March 2021, there were three meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

#### Responsibilities

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;
- 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.

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

**REPORT OF THE GROUP AUDIT COMMITTEE (continued)**

**Auditor and Audit Tenure**

In June 2020, Azets Audit Services were appointed for a further 2 years (after the completion of an initial 3 year contract), to carry out the 2021 and 2022 external audits.

**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 & Investments. 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 Baldwins Holdings Limited, a company in the same group as the Auditor in the year. These related to corporation tax compliance work, iXBRL tagging of the financial statements for submission to HMRC and VAT advice. These services were performed by staff from Azets Holdings Limited, who had no involvement with the external audit, thus the objectivity and independence of the external auditor 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"> <li>1) The funding provided by the Scottish Government; and</li> <li>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.</li> </ol> <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 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 GROUP AUDIT COMMITTEE (continued)**

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

<b>Significant issue</b>	<b>How the issue was addressed</b>
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 Group's and 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> last 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.	In previous years, SFT has drawn 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 SFTi Board 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.

On behalf of the Group Audit Committee:



**Graham Watson**  
**Chairman**  
**Group Audit Committee**

**Date:** 13<sup>th</sup> September 2021

## 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 2021 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 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 2021 and of the Group's and the Parent Company's results for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted in the European Union; 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 going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included our review of the funding letter provided by the Scottish Government which confirms that the Group will receive sufficient funds to operate in 2021/22. Although, at this time, no funding letter is in place for 2022/23, the Board anticipates continued support from the Scottish Government in 2022/23 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.



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

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

In relation to the Group and Parent Company reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors' considered it appropriate to adopt the going concern basis of accounting.

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

#### Our approach to the audit

Each of the key audit matters noted below 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.

#### 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 and dividend income in respect of investments, 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 and dividend 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.

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

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

#### 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 2021/22. Although, at this time, no funding letter is in place for 2022/23, the Board anticipates continued support from the Scottish Government in 2022/23 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 2021/22. The expectation at the date of signing the Financial Statements is that this funding from the Scottish Government will continue into 2022/23 and beyond and thus the financial statements have been correctly prepared on a going concern basis.

#### 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 and working capital loans in hub companies and special purpose investment vehicles in terms of both share capital and subordinated debt are impaired.
- **Our response:** We discussed the risk of impairment with the senior management team and the directors. We also performed a detailed review of Board and Audit Committee minutes where the performance of investments is reported to identify any impairment indicators which would suggest an unrecorded impairment.
- **Our findings:** No unrecorded impairment has been identified in respect of any of the Group's investments.

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

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

**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 movement in the fair value in the year 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* and the movement in the fair value in the year has been accounted for correctly.

**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:** There was no further drawdown from the Scottish Government in the year.
- **Our findings:** From the work performed, we have gained assurance over the repayable grants received in the year from SFT and the closing balance at the year end.

**Our Application of Materiality**

The materiality for the Group Financial Statements as a whole was set at £150,000. This has been assessed with reference to a benchmark of 1% 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 £106,000. This has been assessed with reference to a benchmark of 1% of the Parent Company's other income less the dividend income of £770,000 from SFTi and the management charge to SFTi of £578,514, with materiality capped at £106,000.

We set a performance (testing) materiality for high risk areas, which we assessed as being 75% of the overall materiality. All balances and transactions above 75% of overall materiality were audited. 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 5% of materiality so £7,500 for the Group and £5,300 for the Parent Company; and (iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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

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

**Other information**

The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**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 these reports 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.

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.

**Corporate governance statement**

We are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

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

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 7);
- The Directors' explanation as to the assessment of the Group's and the Parent Company's prospects, the period this assessment covers and why the period is appropriate (set out on page 8);
- The Directors' statement on the Annual Report and financial statements as a whole being fair, balanced and understandable (set out on page 3);
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on pages 6 and 7);
- The section of the annual report that describes the review of effectiveness of risk management and internal financial controls (set out on page 7);
- The section describing the work of the Audit Committee (set out on pages 19 to 21).

#### Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on pages 9 and 10, 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.

#### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

#### The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Group and Parent Company, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and Parent Company is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of

**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**

the risk of acts by the Group and Parent Company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and Parent Company through discussions with directors and other management, and from our commercial knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and Parent Company, including the Companies Act 2006, the UK Corporate Governance code, IFRS, taxation legislation and data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the Group's and Parent Company's legal advisors.

We assessed the susceptibility of the financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

**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**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

*Azets Audit Services*

**James McBride (Senior Statutory Auditor)  
For and on behalf of Azets Audit Services, Statutory Auditor  
Exchange Place 3, Semple Street  
Edinburgh, EH3 8BL**

**Date: 30 September 2021**

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

**GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2021**

	Note	2021	2020
		£	£
<b>Continuing operations</b>			
<b>Revenue</b>		-	-
Cost of sales		-	-
		<u>-</u>	<u>-</u>
<b>Gross profit</b>		-	-
Other income	5	15,261,868	10,661,530
Capital grant income	6	-	1
Operating expenditure	7	(11,319,937)	(11,743,208)
Capital grant expenditure	8	-	-
		<u>3,941,931</u>	<u>(1,081,677)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		3,941,931	(1,081,677)
Taxation on ordinary activities	9	(234,874)	(202,040)
		<u>3,707,057</u>	<u>(1,283,717)</u>
<b>Net profit/(loss) for the year</b>		3,707,057	(1,283,717)
<b>Other comprehensive income:</b>			
Those that are not recyclable net of tax:			
Actuarial (losses)/gains on post-employment benefit obligations	17	(3,443,000)	1,417,000
Gain/(loss) on fair value on SPV investments	11	79,048	(162,375)
		<u>(3,363,952)</u>	<u>1,254,625</u>
<b>Other comprehensive income for the year after tax</b>		(3,363,952)	1,254,625
<b>Total comprehensive income for the year</b>		<u>343,105</u>	<u>(29,092)</u>
<b>Attributable to:</b>			
Equity holder of the company		<u>343,105</u>	<u>(29,092)</u>
Distributed as follow:			
Transferred to retained earnings		<u>343,105</u>	<u>(29,092)</u>
<b>Profits available for distribution</b>		<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 2021**

	Note	2021 £	2020 £
<b>Continuing operations</b>			
<b>Revenue</b>		-	-
Cost of sales		-	-
		<u>-</u>	<u>-</u>
<b>Gross profit</b>		-	-
Other income	5	14,762,897	10,290,180
Capital grant income	6	-	1
Operating expenditure	7	(11,319,897)	(11,707,180)
Capital grant expenditure	8	-	(1)
		<u>3,443,000</u>	<u>(1,417,000)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		3,443,000	(1,417,000)
Taxation on ordinary activities	9	-	-
		<u>3,443,000</u>	<u>(1,417,000)</u>
<b>Net profit/(loss) for the year</b>		3,443,000	(1,417,000)
<b>Other comprehensive income:</b>			
Those that are not recyclable net of tax:			
Actuarial (losses)/gains on post-employment benefit obligations	17	(3,443,000)	1,417,000
		<u>(3,443,000)</u>	<u>1,417,000</u>
<b>Other comprehensive income for the year after tax</b>		(3,443,000)	1,417,000
		<u>(3,443,000)</u>	<u>1,417,000</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Attributable to:</b>			
Equity holder of the company		-	-
		<u>-</u>	<u>-</u>
Distributed as follow:			
Transferred to retained earnings		-	-
		<u>-</u>	<u>-</u>
<b>Profits available for distribution</b>		<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 2021**

<b>As at 31 March 2021 and 31 March 2020</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Other Reserve – Capital Grants for Investments</b>	<b>Fair Value Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>
At 1 April 2020	2	7,630,723	-	523,862	8,154,587
Total comprehensive income for the year	-	343,105	-	-	343,105
Transfer between reserves	-	(5,489,951)	5,410,903	79,048	-
At 31 March 2021	2	2,483,877	5,410,903	602,910	8,497,692
At 1 April 2019	2	7,497,440	-	686,237	8,183,679
Total comprehensive income for the year	-	(29,092)	-	-	(29,092)
Transfer between reserves	-	162,375	-	(162,375)	-
At 31 March 2020	2	7,630,723	-	523,862	8,154,587

The Other reserve – Capital Grants for Investments, is funding received pre 2015 from the Scottish Government to fund capital investments. This has been moved from retained earnings where it was in the 2019/2020 accounts to a separate reserve in these accounts. As the capital is returned to SFTi, the Board of SFT will discuss and agree with Scottish Government regarding any funds to be returned via a distribution to the Scottish Government.

**COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2021**

<b>As at 31 March 2021</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2020	2	-	2
Total comprehensive income for the year	-	-	-
At 31 March 2021	2	-	2
At 1 April 2019	2	-	2
Total comprehensive income for the year	-	-	-
At 31 March 2020	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 2021**

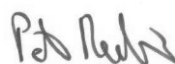
	Note	2021	2020
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10a	-	642
Right of use asset	10b	459,523	29,319
Investments	11	16,446,491	16,605,332
Trade and other receivables in more than 1 year	12	1,928,336	1,923,663
Accrued income in respect of pension liabilities	16	7,547,000	3,381,000
		<u>26,381,350</u>	<u>21,939,956</u>
<b>Current assets</b>			
Trade and other receivables in less than 1 year	12	641,476	516,275
Investments	12b	110,000	-
Cash and cash equivalents	13	2,358,693	1,770,691
		<u>3,110,169</u>	<u>2,286,966</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,686,450)	(1,189,154)
Deferred income	16	(568,081)	(653,560)
Current tax liabilities	9	(235,007)	(202,040)
		<u>(2,489,538)</u>	<u>(2,044,754)</u>
<b>Net current assets</b>		<u>620,631</u>	<u>242,212</u>
<b>Non-current liabilities</b>			
Repayable grants from the Scottish Government	15	(10,584,385)	(10,646,581)
Finance lease liability	14	(372,904)	-
Pension liabilities	17	(7,547,000)	(3,381,000)
		<u>(18,494,289)</u>	<u>(14,027,581)</u>
<b>Net assets</b>		<u><b>8,497,692</b></u>	<u><b>8,154,587</b></u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	2,483,877	7,630,723
Other reserve – Capital Grants for Investments	18	5,410,903	-
Fair value reserve	18	602,910	523,862
		<u>8,497,692</u>	<u>8,154,587</u>
<b>Total shareholder's funds</b>		<u><b>8,497,692</b></u>	<u><b>8,154,587</b></u>

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

These financial statements were approved by the Board of Directors on 13 September 2021 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 2021**

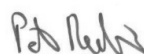
	Note	2021	2020
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10a	-	642
Right of use asset	10b	459,523	29,319
Investments	11b	1	1
Repayable grants due from subsidiary	12a	10,736,986	10,799,181
Accrued income in respect of pension liabilities	16	7,547,000	3,381,000
		<u>18,743,510</u>	<u>14,210,143</u>
<b>Current assets</b>			
Trade and other receivables in less than 1 year	12	1,080,220	1,204,314
Cash and cash equivalents	13	934,719	455,470
		<u>2,014,939</u>	<u>1,659,784</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,686,077)	(1,188,784)
Deferred income	16	(568,081)	(653,560)
		<u>(2,254,158)</u>	<u>(1,842,344)</u>
<b>Net current liabilities</b>		<u>(239,219)</u>	<u>(182,560)</u>
<b>Non-current liabilities</b>			
Repayable grants from the Scottish Government	15	(10,584,385)	(10,646,581)
Finance lease liability	14	(372,904)	-
Pension liabilities	17	(7,547,000)	(3,381,000)
		<u>(18,494,289)</u>	<u>(14,027,581)</u>
<b>Net assets</b>		<u><u>2</u></u>	<u><u>2</u></u>
<b>Equity</b>			
Called up share capital	18	2	2
Retained earnings	18	-	-
		<u>2</u>	<u>2</u>
<b>Total shareholder's funds</b>		<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 13 September 2021 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 2021**

	Note	2021	2020
		£	£
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax from operations for the period		3,941,931	(1,081,677)
Expected credit loss provision			36,000
Depreciation of plant and equipment	10	642	10,426
Depreciation of ROU asset	10b	100,015	87,955
IAS19 pension charge	17	723,000	931,000
(Increase)/decrease in trade and other receivables	12	(219,278)	220,226
Increase/(decrease) in trade and other payables	14	335,701	(166,807)
(Decrease)/increase in net accrued income/deferred income	16	(4,251,479)	556,848
Grants repaid in the year netted off within receipts from the Scottish Government		(57,916)	(141,096)
<b>Net cash from operating activities</b>		<u>572,616</u>	<u>452,875</u>
<b>Corporation tax paid</b>	9	<u>(201,907)</u>	<u>(206,376)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments and SPV share capital	11	-	(1)
Disposal of investments	11	-	1
Repayment of subordinated debt	11	217,293	628,328
Provision of working capital loans and subordinated debt investments	11	-	(152,600)
		<u>217,293</u>	<u>475,728</u>
<b>Net increase in cash and cash equivalents</b>		588,002	722,227
<b>Cash and cash equivalents at beginning of period</b>	13	<u>1,770,691</u>	<u>1,048,464</u>
<b>Cash and cash equivalents at end of period</b>	13	<u>2,358,693</u>	<u>1,770,691</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 2021**

	Note	2021	2020
		£	£
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax from operations for the period		3,443,000	(1,417,000)
Depreciation of property, plant and equipment	10	642	10,426
Depreciation of ROU asset	10b	100,015	87,955
IAS 19 pension charge	17	723,000	931,000
(Increase)/decrease in trade and other receivables	12	(12,722)	518,561
Increase/(decrease) in trade and other payables	14	335,698	(164,557)
(Decrease)/increase in net accrued income/deferred income	16	(4,251,479)	556,848
Grants repaid in the year netted off within receipts from the Scottish Government		(57,916)	(141,096)
<b>Net cash from operating activities</b>		<b>280,238</b>	<b>382,137</b>
<b>Cash flows from investing activities</b>			
Repayable grants to subsidiary for investment in hub projects	12a	-	(152,600)
Repayment of repayable grant from subsidiary	12a	199,011	-
<b>Net cash used in investing activities</b>		<b>199,011</b>	<b>(152,600)</b>
<b>Net increase in cash and cash equivalents</b>		<b>479,249</b>	<b>229,537</b>
<b>Cash and cash equivalents at beginning of period</b>	13	<b>455,470</b>	<b>225,933</b>
<b>Cash and cash equivalents at end of period</b>	13	<b>934,719</b>	<b>455,470</b>

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 2021

#### 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted in the European Union and IFRIC interpretations.

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. This assessment of going concern includes the expected impact of COVID-19 to the entity in the 12 months following the signing of these 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 2021 (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 recognised; 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.



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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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 for investments**

Prior to 2015, the Scottish Government provided grants to SFT which SFT then granted on to SFTi to fund investments. These grants were recognised as income by SFTi when the investment was made. As the capital is returned to SFTi, the Board of SFT will discuss and agree with Scottish Government regarding any funds to be returned via a distribution to Scottish Government.

**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.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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**

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.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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**

No new or amended IFRSs had a material impact on the 2020/21 financial statements.

**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 or UK Endorsed**

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

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

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

##### **Expected Credit Loss**

As at 31 March 2021 a provision of £36,000 (2020: £36,000) was required in relation to working capital loans.

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**5. Other income**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Release of Scottish Government funding relating to depreciation on property, plant and equipment	642	10,426
Scottish Government funding to compensate for expenses incurred	9,574,837	9,943,725
Scottish Government accrued funding recognised/(derecognised) to compensate for actuarial losses/(gains) on employment benefit obligations	3,443,000	(1,417,000)
Secondment charges	47,662	46,138
Inter-company dividend	770,000	872,000
Management fee due from SFTi	578,514	608,964
Other income	348,242	225,927
<b>Total Company other income</b>	<b>14,762,897</b>	<b>10,290,180</b>
Interest received on sub-debt investment	1,793,009	1,690,272
Working capital loan interest	6,874	2,536
Project Dividend income	32,052	143,951
Bank interest	117	491
Other income	15,433	15,064
Inter-company dividend (eliminated on consolidation)	(770,000)	(872,000)
Management fee due from SFTi (eliminated on consolidation)	(578,514)	(608,964)
<b>Total Group other income</b>	<b>15,261,868</b>	<b>10,661,530</b>

Under the terms of its Management Statement and Financial Memorandum (MSFM) with the Scottish Government, and its Memorandum and Articles of Association, Scottish Futures Trust Limited is non profit distributing. 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, to ensure it breaks even. These adjustments are on the basis that Scottish Futures Trust Limited is non-profit-distributing and recognises that the Scottish Government underwrite Scottish Futures Trust Limited's participation in its pension scheme (note 22).

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

In 2020/21, dividend income was provided by SFT's subsidiary to fund wider group infrastructure activities.

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**6. Capital Grant Income – Company and Group**

	Note	2021	2020
		£	£
Capital grant for SFTI investments	11	-	1
		-	1

In 2020/21, £nil (2019/20: £1) was received in grant funding to fund investment by SFTi in a housing partnership LLP.

**7. Operating Expenditure**

	2021	2020
	£	£
Profit before taxation is stated after charging:		
Non-executive director fees	39,000	39,000
Salaries and associated costs	8,131,301	8,640,800
Agency, seconded & interim staff	77,695	188,619
Auditor's remuneration		
- SFT audit fee	17,467	17,467
- SFTi audit fee	5,000	5,000
- taxation services	2,046	2,046
- other services	2,543	12,955
Operating leases in respect of land and buildings	2,336	22,959
Depreciation		
- plant & equipment	642	10,426
- right of use asset	100,015	87,955
Corporate Professional fees	468,143	51,851
Recruitment fees	12,470	42,272
Advisory fees	1,721,707	1,200,189
Grants made	118,054	444,678
Other operating costs	621,478	940,963
<b>Company operating expenditure</b>	<b>11,319,897</b>	<b>11,707,180</b>
SFTi operating expenditure	40	28
Expected credit loss provision	-	36,000
<b>Group operating expenditure</b>	<b>11,319,937</b>	<b>11,743,208</b>

Operating costs include £723,000 (2020: £931,000) within salary costs in respect of the IAS 19 pension movement (note 17).

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**7. Operating Expenditure (continued)**

The average number of full time equivalent employees employed in the year was 71 (2019/20: 72) broken down as 7 (2019/20: 7) Leadership Team, 50 (2019/20: 51) programme delivery, and 14 (2019/20: 14) corporate services and business support.

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,814,122	5,894,473
National Insurance	702,953	717,664
Pension costs (including IAS 19 charge)	1,614,226	2,028,663
	<u>8,131,301</u>	<u>8,640,800</u>

Pension costs included an additional contribution of £nil (2020: £200,000). Also included in pension costs is £723,000 (2020: £931,000) in respect of the IAS 19 pension movement (note 17).

The emoluments of the key management personnel, comprising directors and leadership team was £1,275,451 (2020: £1,239,631).

**8. Capital Grant Expenditure**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Group Capital enabling grant for hub projects	-	-
Capital grant for SFTi investments in LLPs	-	1
	<u>-</u>	<u>1</u>
<b>Company capital grant expenditure</b>	<u>-</u>	<u>1</u>

**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.

	<b>2021</b>	<b>2020</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Profit for the year before taxation for SFTi	1,268,931	1,207,323
Less: dividends not subject to tax	(32,052)	(143,951)
	<u>1,236,879</u>	<u>1,063,372</u>
Taxable profit	<u>1,236,879</u>	<u>1,063,372</u>
Corporation tax charge @ 19% (2019/20: @ 19%)	235,007	202,040
Overprovision in previous year	(133)	-
	<u>234,874</u>	<u>202,040</u>
Corporation tax charge in statement of comprehensive income	<u>234,874</u>	<u>202,040</u>
Corporation tax creditor	<u>235,007</u>	<u>202,040</u>

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**9. Taxation (continued)**

**Company**

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

**10a. Plant and equipment – Group and Company**

	Office equipment	Furniture & fixtures	Total
	£	£	£
<b>Cost</b>			
At 1 April 2019	322,004	197,166	519,170
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 April 2020	322,004	197,166	519,170
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2021	<u>322,004</u>	<u>197,166</u>	<u>519,170</u>
<b>Depreciation</b>			
At 1 April 2019	322,004	186,098	508,102
Charge for the year	-	10,426	10,426
	<hr/>	<hr/>	<hr/>
At 1 April 2020	322,004	196,524	518,528
Charge for the year	-	642	642
	<hr/>	<hr/>	<hr/>
At 31 March 2021	<u>322,004</u>	<u>197,166</u>	<u>519,170</u>
<b>Net book value</b>			
At 31 March 2021	<u>-</u>	<u>-</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>-</u>	<u>642</u>	<u>642</u>
	<hr/>	<hr/>	<hr/>



**SCOTTISH FUTURES TRUST LIMITED**  
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NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

**10b. Right of use asset – Group and Company**

	<b>Office premises</b>	<b>Office premises</b>
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 April	205,229	205,229
Additions	530,219	-
Disposals	(205,229)	-
	<hr/>	<hr/>
At 31 March	530,219	205,229
	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>		
At 1 April	175,910	87,955
Charge for the year	100,015	87,955
Released on disposal	(205,229)	-
	<hr/>	<hr/>
At 31 March	70,696	175,910
	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>		
At 31 March	459,523	29,319
	<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 2021 (continued)**

**11. Investments – Group**

**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.

	hub Co & NHT LLP share capital	hub Co working capital	Subordinated debt (note 11a)	Total
	£	£	£	£
<b>Cost and Net book value</b>				
At 1 April 2020	524,785	164,000	15,916,547	16,605,332
Additions	-	-	-	-
Disposals	(5)	-	-	(5)
Transferred to current assets (note 12b)	-	(110,000)	-	(110,000)
Interest capitalised	-	33,807	55,597	89,404
Principal repaid in the year	-	-	(217,293)	(217,293)
Gain on fair value revaluation	79,053	-	-	79,053
At 31 March 2021	603,833	87,807	15,754,851	16,446,491

**Share capital**

SFTi invested £nil (2019/20: £1) in housing partnership LLPs and £nil (2019/20: £nil) in share capital of SPVs in connection with sub debt investments. One LLP was disposed of (2019/20: one).

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

**Fair Value**

Equity investments are held at fair value based upon the forecast dividend returns. As at 31 March 2021 their estimated fair value was £604k compared to £525k as at 31 March 2020. The variation in fair value of £79k reflects the aggregate impact of: project dividends received in the year which decreased the fair value by £32k; movements in the dividends forecast by projects which resulted in a net increase of £71k in the fair value, taking account of tax changes resulting in a decrease of £22k and the effect of discounting where SFTi is, in general, one year closer to receiving dividend income which increased the fair value by £62k.

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11. Investments – Group (continued)**

**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 6% p.a. on all other sums. Interest is payable semi-annually (on 31 December and 30 June). This item was treated as a current asset at 31 March 2021 (see note 12b.).

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 31 March 2022 and further extended to 31 March 2028 by which date the full amount of the working capital facility plus any capitalised interest shall be due and payable on demand unless a renewal or extension is agreed. An expected credit loss provision of £36,000 was recognised in 2019/20 in respect of this working capital loan and this remains appropriate in 2020/21 due to £26,319 of it relating to the capital conversion to enabling funds as at 30 April 2021 and £9,681 of it as a general credit loss provision. £10,000 of the remaining working capital loan is to be repaid by 31 March 2022 and this amount has been treated as a current asset in the year ended 31 March 2021 (see note 12b).

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 2021.

Working capital loans are held as investments – loans and receivables.

**11a. Investments – Subordinated debt (Group)**

During 2020/21, SFTi invested £nil (2019/20: £152,000) as subordinated debt.

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

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – 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 hubCo.

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub North territory</b>							
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2039	£576,191 less £5,010 principal repaid totals £571,181	£Nil	2021: £1,315 2020: £1,141	2021: £96,131 2020: £96,131	2021: £68,144 2020: £68,221	2021: £Nil 2020: £Nil
hub North Scotland (FWT) Ltd (Forres/Tain/Woods ide Health Centre Bundle)	Fixed coupon unsecured loan Interest rate 10.2% Redemption Date 2039	£133,884 less £22,640 principal repaid totals £111,244	£Nil	2021: £19,424 2020: £18,375	2021: £14,534 2020: £14,534	2021: £13,102 2020: £13,430	2021: £Nil 2020: £Nil
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2040	£747,036 less £61,703 principal repaid totals £685,333	£Nil	2021: £8,596 2020: £8,978	2021: £79,361 2020: £79,361	2021: £79,196 2020: £80,831	2021: £Nil 2020: £Nil
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan Interest Rate 10.2% Redemption date 2042	£1,568,509 less £198,001 principal repaid totals £1,370,508	£100	2021: £3,070 2020: £2,896	2021: £422,349 2020: £422,349	2021: £184,954 2020: £187,752	2021: £Nil 2020: £Nil
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£342,962 less £30,040 principal repaid totals £312,922	£100	2021: £3,659 2020: £3,362	2021: £83,214 2020: £83,214	2021: £40,528 2020: £40,864	2021: £Nil 2020: £Nil
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£253,654 less £71,832 principal repaid totals £181,822	£100	2021: £2,403 2020: £2,198	2021: £75,143 2020: £75,143	2021: £26,387 2020: £26,585	2021: £Nil 2020: £Nil
hub North Scotland (O & C) Ltd (Oban & Campbeltown High Schools)	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£491,691 less £146,586 principal repaid totals £345,105	£100	2021: £4,394 2020: £3,940	2021: £172,764 2020: £172,764	2021: £53,126 2020: £60,597	2021: £Nil 2020: £Nil
hub North Scotland (New Academy – South of the City)	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£321,672 less £8,238 principal repaid totals £313,434	£100	2021: £3,463 2020: £3,212	2021: £71,165 2020: £71,165	2021: £39,526 2020: £39,843	2021: £Nil 2020: £Nil

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub North territory (continued)</b>							
hub North Scotland (I & F) Ltd ( <i>Inverurie &amp; Forresterhill Health Centres</i> )	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2044	£167,168 less £2,619 principal repaid totals £164,549	£100	2021: £1,202 2020: £948	2021: £26,511 2020: £26,511	2021: £19,560 2020: £19,702	2021: £Nil 2020: £Nil
hub North Scotland (Inverurie Campus) Ltd ( <i>Inverurie Community Campus</i> )	Fixed coupon unsecured loan Interest rate 2.45% during construction and 10.2% during operation Redemption date 2044	£470,061	£100	2021: £966 2020: £1,879	2021: £74,690 2020: £23,039	2021: £51,651 2020: £11,964	2021: £Nil 2020: £Nil
<b>hub North territory total</b>		<b>2021: £4,526,159 2020: £4,596,618</b>	<b>£700</b>	<b>2021: £48,492 2020: £46,929</b>	<b>2021: £1,115,862 2020: £1,064,211</b>	<b>2021: £576,174 2020: £549,789</b>	<b>2021: £Nil 2020: £Nil</b>
<b>Hub South East territory</b>							
James Gillespie's Campus Subhub Holdings Ltd	Fixed coupon unsecured loan Interest rate 10.87% Redemption date 2041	£1,252,424 less £65,887 principal repaid totals £1,186,537	£Nil	2021: £64,654 2020: £62,215	2021: £471,015 2020: £472,407	2021: £171,350 2020: £173,663	2021: £Nil 2020: £Nil
REH Phase 1 Subhub Holdings Ltd ( <i>Royal Edinburgh Hospital</i> )	Fixed coupon unsecured loan Interest rate 2.48% during construction and 10.75% during operation Redemption date 2042	£410,685 less £4,434 principal repaid totals £406,251	£10	2021: £11,213 2020: £10,558	2021: £43,125 2020: £43,305	2021: £45,861 2020: £46,091	2021: £Nil 2020: £Nil
Newbattle DBFM Holdco Ltd ( <i>Newbattle High School</i> )	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2043	£310,265 less £6,711 principal repaid totals £303,554	£10	2021: £10,543 2020: £10,207	2021: £39,805 2020: £39,984	2021: £34,284 2020: £34,599	2021: £Nil 2020: £Nil

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>Hub South East territory (continued)</b>							
KHS DBFM Holdco Ltd <i>(Kelso High School)</i>	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2042	£205,150 less £4,424 principal repaid totals £200,726	£10	2021: £7,398 2020: £7,062	2021: £23,016 2020: £23,113	2021: £22,355 2020: £22,497	2021: £Nil 2020: £Nil
LBP DBFM Holdco Ltd <i>(NHS Lothian Health Centre Bundle)</i>	Fixed coupon unsecured loan Interest rate 3.37% during construction and 10.45% during operation Redemption date 2042	£243,750 less £8,392 principal repaid totals £235,358	£10	2021: £11,410 2020: £10,639	2021: £25,851 2020: £26,086	2021: £26,028 2020: £26,420	2021: £Nil 2020: £Nil
ELCH DBFM Holdco Ltd <i>(East Lothian Community Campus)</i>	Fixed coupon unsecured loan Interest rate 2.98% during construction and 10.45% during operation Redemption date 2044	£600,797 less £1,384 principal repaid totals £599,413	£10	2021: £24,459 2020: £22,331	2021: £96,276 2020: £74,531	2021: £69,838 2020: £28,439	2021: £Nil 2020: £Nil
WCHS DBFM Holdco Ltd <i>(West Calder High School)</i>	Fixed coupon unsecured loan Interest rate 3.47% during construction and 10.45% during operation Redemption date 2043	£286,654 less £7,057 principal repaid totals £279,597	£10	2021: £18,272 2020: £17,885	2021: £30,883 2020: £31,142	2021: £30,928 2020: £31,352	2021: £Nil 2020: £Nil
QHS DBFM Holdco Ltd <i>(Queensferry High School)</i>	Fixed coupon unsecured loan Interest rate 3.49% during construction and 10.3% during operation Redemption date 2045	£340,774	£10	2021: £3,938 2020: £3,885	2021: £36,569 2020: £22,081	2021: £14,488 2020: £12,471	2021: £Nil 2020: £Nil

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>Hub South East territory (continued)</b>							
JICC DBFM Holdco Ltd (Jedburgh Community Campus)	Fixed coupon unsecured loan Interest rate 3.40% during construction and 10.3% during operation Redemption date 2045	£290,222 less £421 principal repaid totals £289,800	£10	2021: £6,547 2020: £6,320	2021: £30,139 2020: £16,746	2021: £31,355 2020: £12,445	2021: £Nil 2020: £Nil
<b>hub South East territory total</b>		<b>2021: £3,842,010 2020: £3,870,519</b>	<b>£80</b>	<b>2021: £158,434 2020: £151,102</b>	<b>2021: £796,679 2020: £749,395</b>	<b>2021: £446,487 2020: £387,977</b>	<b>2021: £Nil 2020: £Nil</b>
<b>hub South West territory</b>							
Hub SW NHSL Holdco Ltd (NHS Lanarkshire Health Centre Bundle)	Fixed coupon unsecured loan Interest rate 10.5% Redemption date 2040	£401,729 less £11,523 principal repaid totals £390,206	£Nil	2021: £20,934 2020: £19,959	2021: £20,457 2020: £22,946	2021: £39,077 2020: £43,955	2021: £Nil 2020: £Nil
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan Interest rate 2.33% during construction and 10.5% during operation Redemption date 2041	£298,253 less £7,512 principal repaid totals £290,741	£Nil	2021: £15,294 2020: £14,088	2021: £15,222 2020: £15,550	2021: £30,597 2020: £31,156	2021: £Nil 2020: £Nil
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.78% during construction and 10.65% during operation Redemption date 2042	£506,610 less £4,245 principal repaid totals £502,365	£Nil	2021: £14,096 2020: £13,401	2021: £26,678 2020: £26,886	2021: £53,542 2020: £53,805	2021: £Nil 2020: £Nil
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.62% during construction and 10.85% during operation Redemption date 2042	£224,300 less £4,888 principal repaid totals £219,412	£Nil	2021: £3,830 2020: £3,651	2021: £11,871 2020: £12,070	2021: £23,875 2020: £24,203	2021: £Nil 2020: £Nil

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub South West territory (continued)</b>							
Hub SW EALC Holdco Ltd ( <i>East Ayrshire Learning Campus</i> )	Fixed coupon unsecured loan Interest rate 3.26% during construction and 10.5% during operation Redemption date 2043	£405,468 less £6,111 principal repaid totals £399,357	£Nil	2021: £24,701 2020: £23,502	2021: £21,096 2020: £21,237	2021: £42,124 2020: £42,675	2021: £Nil 2020: £Nil
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.41% during construction and 10.15% during operation Redemption date 2043	£422,510 less £4,713 principal repaid totals £417,797	£Nil	2021: £40,956 2020: £37,605	2021: £21,145 2020: £21,443	2021: £42,531 2020: £42,944	2021: £Nil 2020: £23,988
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.52% during construction and 10.40% during Operation Redemption date 2044	£310,007 less £651 principal repaid plus £31,739 accrued interest capitalised in the year totals £341,095	£Nil	2021: £12,044 2020: £11,307	2021: £17,688 2020: £31,270	2021: £34,305 2020: £11,722	2021: £Nil 2020: £Nil
Hub SW QMA Holdco Ltd ( <i>Queen Margaret Academy</i> )	Fixed coupon unsecured loan Interest rate 3.46% during construction and 10.45% during operation Redemption date 2044	£233,662 less £201 principal repaid plus £23,858 accrued capitalised interest in the year totals £257,319	£Nil	2021: £5,948 2020: £4,411	2021: £13,408 2020: £19,993	2021: £19,486 2020: £8,569	2021: £Nil 2020: £Nil
<b>hub South West territory total</b>		<b>2021: £2,818,292 2020: £2,785,005</b>	<b>£ Nil</b>	<b>2021: £137,803 2020: £127,924</b>	<b>2021: £147,565 2020: £171,395</b>	<b>2021: £285,537 2020: £259,029</b>	<b>2021: £Nil 2020: £23,988</b>



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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub West territory</b>							
Hub West Scotland Project Company (No.1) Ltd ( <i>Eastwood/Maryhill Health Centre Bundle</i> )	Fixed coupon secured loan Interest rate 9.75% Redemption date 2041	£186,042 less £13,313 principal repaid totals £172,729	£Nil	2021: £70,831 2020: £48,597	2021: £38,352 2020: £38,478	2021: £19,630 2020: £20,067	2021: £Nil 2020: £Nil
Hub West Scotland Project Company (No.2) Ltd ( <i>Inverclyde Care Home</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£70,413 less £3,511 principal repaid totals £66,902	£1	2021: £10,302 2020: £7,022	2021: £14,126 2020: £14,147	2021: £7,559 2020: £7,676	2021: £Nil 2020: £Nil
Hub West Scotland Project Company (No.3) Ltd ( <i>Barrhead High School</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£213,748 less £31,164 principal repaid totals £182,584	£1	2021: £19,042 2020: £10,280	2021: £47,231 2020: £47,692	2021: £21,588 2020: £22,507	2021: £Nil 2020: £Nil
Hub West Scotland Project Company (No.4) Ltd ( <i>Our Lady &amp; St Patrick's High School</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£228,400 less £25,202 principal repaid totals £203,198	£1	2021: £19,302 2020: £11,161	2021: £49,578 2020: £50,128	2021: £23,628 2020: £24,264	2021: £Nil 2020: £Nil
Hub West Scotland Project Company (No.5) Ltd ( <i>Gorbals/Woodside Health Centre</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 04/2017	£288,202 less principal repaid £8,973 totals £279,229	£Nil	2021: £22,663 2020: £18,196	2021: £65,227 2020: £65,227	2021: £32,120 2020: £32,559	2021: £Nil 2020: £Nil

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub West territory (continued)</b>							
Hub West Scotland Project Company (No.6) Ltd ( <i>Blairdardie &amp; Carntyne Primary Schools</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 10/2017	£149,300 less £12,340 principal repaid totals £136,960	£1	2021: £11,144 2020: £9,419	2021: £31,400 2020: £31,658	2021: £15,735 2020: £16,385	2021: £Nil 2020: £Nil
Hub West Scotland Project Company (No.7) Ltd ( <i>Greenock &amp; Stobhill Health Centres and Clydebank Health &amp; Care Facility</i> )	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 12/2018 and 12/2019 respectively	£411,600	£1	2021: £30,557 2020: £15,758	2021: £84,867 2020: £38,005	2021: £46,862 2020: £30,949	2021: £Nil 2020: £Nil
<b>hub West territory total</b>		<b>2021: £1,453,202 2020: £1,477,626</b>	<b>£5</b>	<b>2021: £183,841 2020: £120,433</b>	<b>2021: £330,781 2020: £285,335</b>	<b>2021: £167,122 2020: £154,407</b>	<b>2021: £Nil 2020: £Nil</b>

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
<b>hub East Central territory</b>							
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2041	£1,608,000 less £213,547 principal repaid totals £1,394,453	£Nil	2021: £18,081 2020: £19,013	£Nil	2021: £142,198 2020: £160,800	2021: £Nil 2020: £47,158
Hub East Central Scotland (Baldragon) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2042	£299,790 less £30,125 principal repaid totals £269,665	£10	2021: £9,552 2020: £12,992	£Nil	2021: £29,980 2020: £29,980	2021: £6,430 2020: £9,659
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2041	£364,200 less £31,830 principal repaid totals £332,370	£Nil	2021: £13,037 2020: £12,404	£Nil	2021: £33,641 2020: £36,420	2021: £2,250 2020: £18,474
Hub East Central (SCV) Ltd <i>(Stirling Care Village)</i>	Fixed coupon unsecured loan Interest rate 10% Redemption date 2044	£354,500	£10	2021: £11,295 2020: £8,975	£Nil	2021: £35,450 2020: £35,450	2021: £8,400 2020: £8,074
Hub East Central (PSS) Ltd <i>(Pharmaceuticals Special Services)</i>	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£276,200	£10	2021: £7,819 2020: £11,548	£Nil	2021: £27,620 2020: £27,620	2021: £7,000 2020: £11,515
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2044	£332,500	£10	2021: £11,143 2020: £9,839	£Nil	2021: £33,250 2020: £33,250	2021: £4,572 2020: £17,384
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£155,500	£10	2021: £4,336 2020: £3,626	£Nil	2021: £15,550 2020: £15,550	2021: £3,400 2020: £7,699
<b>hub East Central territory total</b>		<b>2021: £3,115,188 2020: £3,186,779</b>	<b>£50</b>	<b>2021: £75,263 2020: £78,397</b>	<b>2021: £Nil 2020: £Nil</b>	<b>2021: £317,689 2020: £339,070</b>	<b>2021: £32,052 2020: £119,963</b>

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**11a. Investments – Subordinated debt (Group) (continued)**

**Summary totals by hub territory**

Investment In:		Value	Historical cost of Equity	Fair Value of Equity 31/3/2021	Interest Receivable 31/03/2021	Interest income	Dividend Income
hub North territory total		2021: £4,526,159 2020: £4,596,618	£700	2021: £48,492 2020: £46,929	2021: £1,115,862 2020: £1,064,211	2021: £576,174 2020: £549,789	2021: £Nil 2020: £Nil
hub South East territory total		2021: £3,842,010 2020: £3,870,519	£80	2021: £158,434 2020: £151,102	2021: £796,679 2020: £749,395	2021: £446,487 2020: £387,977	2021: £Nil 2020: £Nil
hub South West territory total		2021: £2,818,292 2020: £2,785,005	£ Nil	2021: £137,803 2020: £127,924	2021: £147,565 2020: £171,395	2021: £285,537 2020: £259,029	2021: £Nil 2020: £23,988
hub West territory total		2021: £1,453,202 2020: £1,477,626	£5	2021: £183,841 2020: £120,433	2021: £330,781 2020: £285,335	2021: £167,122 2020: £154,407	2021: £Nil 2020: £Nil
hub East Central territory total		2021: £3,115,188 2020: £3,186,779	£50	2021: £75,263 2020: £78,397	2021: £Nil 2020: £Nil	2021: £317,689 2020: £339,070	2021: £32,052 2020: £119,963
<b>Grand total sub-ordinated debt</b>		<b>2021: £15,754,851 2020: £15,916,547</b>	<b>£835</b>	<b>2021: £603,833 2020: £524,875</b>	<b>2021: £2,390,887 2020: £2,270,336</b>	<b>2021: £1,793,009 2020: £1,690,272</b>	<b>2021: £32,052 2020: £143,951</b>

**Summary of Subordinated Debt Investments**

	2021	2020
	£	£
<b>Original cost of investments</b>	<b>15,916,547</b>	<b>16,550,972</b>
Interest capitalised into subordinated debt	55,597	229,708
Principal repaid	(217,293)	(864,133)
<b>Net Book Value of investments</b>	<b>15,754,851</b>	<b>15,916,547</b>

The most significant risk to the subsidiary is investment performance. The Board do not anticipate any losses as payments are anticipated to be received in all cases and hence except for 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 2021 (continued)**

**11b. Investments in subsidiary – Company**

	<b>Investment in Subsidiary</b>
	<b>£</b>
<b>Cost and Net book value</b>	
At 31 March 2020 and 31 March 2021	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

<b>Class of Share Holding</b>	<b>Ordinary 100%</b>	<b>2021 £</b>	<b>2020 £</b>
Aggregate capital and reserves		8,497,691	8,154,586
Profit for the year		1,034,057	1,005,283
Total comprehensive income for the year		1,113,105	842,908

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**12. Trade and other receivables**

	Group 2021	Company 2021	Group 2020	Company 2020
	£	£	£	£
<b>Due in more than 1 year</b>				
Accrued interest income from sub-ordinated debt investments and working capital loans	1,928,336	-	1,923,663	-
<b>Due in less than 1 year</b>				
Other receivables	110,835	108,717	78,448	76,391
Prepayments and accrued interest income	530,641	60,780	437,827	56,911
Amounts due from subsidiary – SFTi	-	848,527	-	872,000
Repayable Grant due from subsidiary – SFTi (note 12a)	-	62,196	-	199,012
	<u>641,476</u>	<u>1,080,220</u>	<u>516,275</u>	<u>1,204,314</u>

**12a. Repayable grants due from subsidiary (current and non-current liabilities)**

	Company 2021	Company 2020
	£	£
Non-current assets	10,736,986	10,799,181
Current assets	62,196	199,012
	<u>10,799,182</u>	<u>10,998,193</u>
At beginning of the year	10,998,193	10,845,593
(Decrease)/increase in period	(199,011)	152,600
At 31 March 2021	<u>10,799,182</u>	<u>10,998,193</u>

SFT made a repayable grant of £nil (2020: £152,600) to SFTi during the year. £nil (2020 £152,600) was used to invest in subordinated debt in the year.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**12a. Repayable grants due from subsidiary (continued)**

The expected repayment profile of the repayable grants is:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
< 1 year	62,196	199,012
1-2 years	66,302	62,196
2-5 Years	200,625	185,542
>5 years	10,470,059	10,551,443
	<hr/>	<hr/>
At 31 March 2021	10,799,182	10,998,193
	<hr/> <hr/>	<hr/> <hr/>

**12b. Investments - Group**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Working Capital Loans</b>		
<b>Cost and Net book value</b>		
At 1 April 2020	-	-
Transferred from non-current assets (note 11)	110,000	-
	<hr/>	<hr/>
At 31 March 2021	110,000	-
	<hr/> <hr/>	<hr/> <hr/>

**13. Cash and cash equivalents**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank	2,358,390	934,416	1,770,388	455,168
Cash on hand	303	303	303	302
	<hr/>	<hr/>	<hr/>	<hr/>
	2,358,693	934,719	1,770,691	445,470
	<hr/> <hr/>	<hr/> <hr/>	<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 2021 (continued)**

**14. Trade and other payables**

	<b>Group 2021</b>	<b>Company 2021</b>	<b>Group 2020</b>	<b>Company 2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other payables (operational expenditure)	832,957	832,957	373,647	373,647
Other taxes and social security	242,006	241,654	231,169	230,827
Other creditors and accruals	549,291	549,270	526,422	526,394
Repayable grants due to the Scottish Government (note 15)	62,196	62,196	57,916	57,916
	<u>1,686,450</u>	<u>1,686,077</u>	<u>1,189,154</u>	<u>1,188,784</u>

The expected repayment profile of the finance lease liability, included in other creditors and accruals is:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
< 1 year	108,304	-
1-2 years	112,716	-
2-5 years	260,188	-
	<u>481,208</u>	<u>-</u>
At 31 March 2021	<u>481,208</u>	<u>-</u>
Disclosed as		
Current assets	108,304	-
Non-current assets	372,904	-
	<u>481,208</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 2021 (continued)**

**15. Repayable grant due to the Scottish Government**

	<b>Group 2021</b>	<b>Company 2021</b>	<b>Group 2020</b>	<b>Company 2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of the year	10,704,497	10,704,497	10,845,593	10,845,593
Increase in the period	-	-	-	-
Repaid in the period	(57,916)	(57,916)	(141,096)	(141,096)
As at 31 March 2021	<u>10,646,581</u>	<u>10,646,581</u>	<u>10,704,497</u>	<u>10,704,497</u>

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<1 year	62,196	57,916
1-2 years	66,302	62,196
2-5 Years	200,625	185,542
>5 years	10,317,458	10,398,843
At 31 March 2021	<u>10,646,581</u>	<u>10,704,497</u>
Disclosed as	<b>£</b>	<b>£</b>
Current assets	62,196	57,916
Non-current assets	10,584,385	10,646,581
	<u>10,646,581</u>	<u>10,704,497</u>

**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 exceed 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 drawn down 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.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

The accrued/deferred income balances comprise:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Non-current asset</b>		
Accrued income in respect of the pension liability underwritten by the Scottish Government (note 17)	7,547,000	3,381,000
	<u>7,547,000</u>	<u>3,381,000</u>
<b>Current liability</b>		
Deferred income arising as a result of receiving funding from the Scottish Government in advance of costs being incurred.	(568,081)	(652,918)
Deferred income arising on capital funding received which is released over the expected life of the fixed asset funded in less than one year	-	(642)
	<u>(568,081)</u>	<u>(653,560)</u>

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Fixed asset deferred income</b>		
As at beginning of period	(642)	(11,068)
Released to statement of income and retained earnings	642	10,426
	<u>-</u>	<u>(642)</u>
As at period end	-	(642)
<b>Split</b>		
Current liabilities	-	(642)
Non-current liabilities	-	-
	<u>-</u>	<u>(642)</u>

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**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 2020 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 2021 which projects forward the results of the 2020 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:

<b>Weighted average duration</b>	<b>Discount rate category</b>
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 2021 (continued)**

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

As at 31 March 2021, there were 66 active members, 26 deferred members (former employees of SFT who retain benefits in the pension scheme but no longer pay contributions into the scheme) and 7 pensioner members. The defined benefit obligation has a duration of 25 (2020: 26) years and thus, a long-term discount rate has been applied. The main assumptions used are:

	<b>31 Mar 2021</b>	<b>31 Mar 2020</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation / Pension Increase Rate	2.8%	1.8%
Salary Increase Rate	3.3%	3.4%
Discount Rate	2.05%	2.3%

**Mortality**

Life expectancy is based on the Funds Vita Curves, with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data 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:

	<b>Males</b>	<b>Females</b>
Current pensioners	20.5 years	23.3 years
Future pensioners	21.9 years	25.2 years

**Assets (Employer)**

	<b>31 March 2021</b>
	<b>Assets</b>
	<b>£ 000</b>
Equities	16,433
Bonds, Debt securities and Funds	2,162
Property	1,160
Cash	2,275
Total Market Value of Assets	<b>22,030</b>
Present Value of Scheme of Liabilities	<b>(29,577)</b>
Net Pension Liability	<b>(7,547)</b>

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

	<b>31 March 2020</b>
	<b>Assets</b>
	<b>£ 000</b>
Equities	9,887
Bonds, Debt securities and Funds	5,053
Property	1,186
Cash	1,928
	<hr/>
Total Market Value of Assets	<b>18,054</b>
	<hr/>
Present Value of Scheme of Liabilities	<b>(21,435)</b>
	<hr/>
Net Pension Liability	<b>(3,381)</b>
	<hr/> <hr/>

**Recognition in the Income Statement:**

	<b>31 March 2021</b>		<b>31 March 2020</b>	
	<b>£ (000)</b>	<b>% of Pay</b>	<b>£ (000)</b>	<b>% of Pay</b>
Current service cost	(1,529)	26.3%	(1,788)	30.3%
Past service costs	-	-	(119)	2.0%
Net interest income	(85)	1.5%	(121)	2.0%
Contributions paid in year per IAS 19 valuation	891	15.3%	1,097	18.6%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total (charge)/income included in the Statement of Comprehensive Income</b>	<b>(723)</b>	<b>12.4%</b>	<b>(931)</b>	<b>15.8%</b>
	<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%.

**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. In the 2019 financial statements this was disclosed as a contingent liability but has been recognised in the closing pension liability at 31 March 2020, as past service costs.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

**Analysis of the amount recognised in other comprehensive income**

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£ (000)</b>	<b>£ (000)</b>
Actual return less expected return on pension scheme assets	2,479	(1,206)
Changes in financial assumptions and other experience underlying the present value of scheme liabilities	(5,922)	2,623
Actuarial (loss)/gain	<u>(3,443)</u>	<u>1,417</u>

**Recognition of defined benefit obligations:**

<b>Year Ended</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Defined Benefit Obligations</b>	<b>21,435</b>	<b>21,322</b>	<b>17,408</b>	<b>15,374</b>
Current Service Cost	1,529	1,788	1,553	1,699
Interest Cost	512	571	494	442
Contributions by Members	405	408	402	434
Actuarial (Gains)/Losses	5,922	(2,622)	1,596	(455)
Past Service Costs/(Gains)	-	119	-	-
Estimated benefits paid	(226)	(151)	(131)	(86)
<b>Closing Defined Benefit Obligations</b>	<b><u>29,577</u></b>	<b><u>21,435</u></b>	<b><u>21,322</u></b>	<b><u>17,408</u></b>

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

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

<b>Year Ended</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>18,054</b>	<b>17,455</b>	<b>14,708</b>	<b>13,157</b>
Expected Return on Assets	427	451	414	375
Contributions by Members	405	408	402	434
Contribution by Employer	891	1,097	1,027	1,147
Actuarial (Losses)/Gains	2,479	(1,206)	1,035	(319)
Estimated Benefits Paid	(226)	(151)	(131)	(86)
<b>Closing Fair Value of Employer Assets</b>	<b>22,030</b>	<b>18,054</b>	<b>17,455</b>	<b>14,708</b>
<b>Closing (Liability)</b>	<b>(7,547)</b>	<b>(3,381)</b>	<b>(3,867)</b>	<b>(2,700)</b>

Projected IAS 19 charge to be charged to the Statement of Comprehensive Income for the year ended 31 March 2022:

	<b>31 March 2022</b>	
	<b>£ (000)</b>	<b>% of pay</b>
Projected Current Service Cost	(2,198)	(48.3%)
Interest on Obligation	(631)	(13.9%)
Interest on Plan Assets	463	10.2%
	<b>(2,366)</b>	
Estimated Employer's contribution for the year ended 31 March 2022	883	
	<b>(1,483)</b>	

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

**Sensitivity analysis:**

<b>Sensitivities at 31 March 2021</b>	<b>Approximate % increase to Employer Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in Real Discount Rate	13%	3,725
0.5% increase in the Salary Increase Rate	2%	462
0.5% increase in the Pension Increase Rate	11%	3,183

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

	<b>Group &amp; Company 2021</b>	<b>Group &amp; Company 2020</b>
	£	£
<b>Share capital</b>		
<b>Authorised, issued and fully paid – ordinary shares of £1 each</b>		
As at the beginning and end of the period	2	2

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.



**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

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.

Other reserve – Capital Grants for Investments represents grants received from Scottish Government prior to 2015 which were used to fund capital investments. As the capital is returned to SFTi, the Board of SFT will discuss and agree with Scottish Government regarding any funds to be returned via a distribution to Scottish Government.

**19. Related party transactions**

**Scottish Ministers**

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

	<b>2021</b>	<b>2020</b>
	£	£
<b><u>Scottish Government Funding received</u></b>		
Revenue government funding cash received	8,767,000	9,094,000
Capital grant income	-	1
	<u>8,767,000</u>	<u>9,094,001</u>
	<u>£</u>	<u>£</u>
<b><u>Statement of Comprehensive Income</u></b>		
Release of deferred capital grants in respect of fixed assets	642	10,426
Revenue government funding recognised	13,017,837	8,526,725
Capital grant income	-	1
	<u>13,018,479</u>	<u>8,537,152</u>

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

	<b>2021</b>	<b>2020</b>
	£	£
<b><u>Statement of Financial Position</u></b>		
Repayment of repayable grant	57,916	141,096
	<u>57,916</u>	<u>141,096</u>

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**19. Related party transactions (continued)**

**Scottish Ministers (continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Statement of Financial Position</b>		
Accrued income in respect of the pension liability (note 16)	7,547,000	3,381,000
Deferred income – funding received in advance of costs incurred (note 16)	(568,081)	(653,560)
Repayable grants from the Scottish Government (note 15)	10,646,581	10,704,497
	<u>                    </u>	<u>                    </u>

**Remuneration in respect of the directors was as follows:**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Executive directors' emoluments</b>		
Emoluments	190,060	190,060
Pension costs	31,588	31,588
	<u>                    </u>	<u>                    </u>
	221,648	221,648
	<u>                    </u>	<u>                    </u>
<b>Non-executive directors' fees</b>	39,000	39,000
	<u>                    </u>	<u>                    </u>
Emoluments (including employers NIC) paid to key management personnel which is the directors and the leadership team	1,275,451	1,239,631
	<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 2021 (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:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	3,842,010	3,870,519
Trade and other receivables – accrued interest income	796,679	749,395
Trade and other receivables – hub director fees	2,118	2,056
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	3,530	3,427
Other income – Interest income	446,487	387,977

**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:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	4,526,159	4,596,618
Trade and other receivables – accrued interest income	1,115,862	1,064,211
<b><u>Statement of Comprehensive Income</u></b>		
Other income – Interest income	576,174	549,789

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Statement of Financial Position</b>		
Financial assets – subordinated debt	3,115,188	3,186,779
<b>Statement of Comprehensive Income</b>		
Other income – interest income	317,689	339,070
Other income – dividend income	32,052	119,963

**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:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Statement of Financial Position</b>		
Financial assets – working capital loans	97,807*	64,000*
Financial assets – subordinated debt	1,453,202	1,477,626
Trade and other receivables – accrued interest income	330,781	312,268
<b>Statement of Comprehensive Income</b>		
Other income – interest income (including working capital loan interest)	173,996	156,943
Expected credit loss provision (See Note 11)	-	36,000

**\*Includes £36,000 expected credit loss provision (2020: £36,000).**

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – working capital loans	100,000	100,000
Financial assets- subordinated debt	2,818,292	2,785,005
Trade and other receivables – accrued interest income	154,875	178,705
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	11,903	11,637
Other income – interest income (including working capital loan interest)	285,537	259,029
Other income - dividends	-	23,988

**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.

**The East Lothian Housing Delivery Partnership**

The East Lothian Housing Delivery Partnership is a joint venture between East Lothian Council and SFTi to create an LLP for the delivery of mid-market and market rent accommodation. SFTi does not have joint control or significant influence over the joint venture as SFTi is merely an investor in this joint venture.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**19. Related party transactions (continued)**

**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.

**20. 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 £603,833 as at 31 March 2021 (£524,785 as at 31 March 2020), as disclosed in Note 11, compared with a historic cost of £918 (2019/20: £923). The increase of £79,048 between 2019/20 and 2020/21 can be seen in the Statement of Comprehensive Income.

**21. Ultimate Controlling Party**

The Company is wholly-owned by the Scottish Ministers.

**22. 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** (Executive Director)

**Ann Allen** (Non-executive Director)

**Ann Faulds** (Non-executive Director)

**Bill Matthews** (Non-executive Director)

**Pauline Mills** (Non-executive Director)

**Graham Watson** (Non-executive Director)

**Chief Executive**

Peter Reekie

**Registered Office & Principal Place of Business**

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Edinburgh

EH2 1DF

**Registered Company Number**

SC348382

**Auditor**

**Azets Audit Services**

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

**Bankers**

**The Royal Bank of Scotland plc**

36 St Andrews Square

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**Website**

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