

SCOTTISH  
FUTURES  
TRUST

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

**SC348382**

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

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## **CHAIRMAN AND CHIEF EXECUTIVE'S JOINT STATEMENT**

From the schools and health centres we use and the homes we live in, to the new types of infrastructure Scotland needs - either for charging electric vehicles or improving digital connectivity – quality infrastructure, in all its forms is a fundamental building block of a wellbeing economy.

The Scottish Futures Trust was established by Scottish Government as a centre of infrastructure expertise to innovate and lead collaborations across the public and private sectors. Our aim is to maximise the economic, social and environmental benefits delivered by Scotland's infrastructure through:

- Developing national, organisational and place-based infrastructure and asset strategies along with investment prioritisation approaches which will give industry, public services and communities the infrastructure they need for the future
- Bringing innovation to the funding and financing of infrastructure, with a focus on enabling private sector investment in sustainable places and the new asset classes / retrofitting needed for the net-zero transition
- Structuring infrastructure investment to improve delivery and bringing expertise to manage complex programmes and projects which maximise benefits for clients, supply chain businesses, workforce, environment and communities.

There is no question that the past 12 months have been tough with soaring energy costs and inflation at a level many have never seen before. But despite the particularly challenging year for us and our many partners, substantial progress continued to be made across our workstreams, in particular:

- Our Operational Contract Management team supported the public and private sector on adopting a systematic approach to the delivery of net zero in the PPP sector, where we published our 'Guidance on pathways to net zero for assets delivered under PPP contracts'
- Our Net Zero Transport team led a range of measures in collaboration with Transport Scotland to make EV charging infrastructure an attractive investment opportunity for private sector funders.
- Our Place, Housing and Economic Investment team provided Scottish Government with expertise on the £30m Islands Programme that will deliver positive outcomes to island communities with the first projects announced
- The first project in the £2bn, SFT-managed, outcomes-based Learning Estate Investment programme opened – Newton Farm Primary School in Cambuslang, South Lanarkshire
- Our Digital Infrastructure team produced its Infralink-Exchange Playbook - a tool to help the public sector better engage with the mobile communications industry to identify assets they own to have mobile network equipment installed

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- And through the SFT-managed hub Programme, hub West completed Glasgow's largest Passivhaus-certified social housing development, guaranteeing low energy bills for tenants

Our outcomes review of the year includes case studies on these actions and quantified deliverables including:

- The value of public infrastructure projects under construction made possible through our innovative funding and financing approaches totalled £290m (21/22: £250m);
- Investment in private infrastructure continued to be unlocked with projects valued at over £2.5bn (21/22: £2.4bn) on site;
- Over the past 12 months our work continued to contribute towards a net-zero carbon economy, with 16,000 (21/22: 20,000) tonnes of infrastructure-related CO2 saved in the year.

All the projects and programmes we manage are aligned to our three corporate priorities of place, net zero, and inclusive economic growth, and ultimately contribute to the ten infrastructure-related outcomes in our 2019-24 Corporate Plan which are directly linked to Scottish Government's National Performance Framework.

As has been the case since we were established in 2008, our continued success lies in our ability to forge strong partnerships across the public and private sectors applying a unique mix of commercial and technical infrastructure skills from one organisation inside the public sector. These successful collaborations are critical to us achieving our goals and we continue to nurture and build on those strong relationships, working towards our vision of world class infrastructure for the people of Scotland.

We are pleased to present the 2022/23 Annual Report and Group Financial Statements for the Scottish Futures Trust.

*Ian Russell*

Ian Russell, Chairman of the Scottish Futures Trust

Peter Reekie, Chief Executive of the Scottish Futures Trust

*Peter Reekie*

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

# Section 1. PERFORMANCE REPORT

### 1.1 PERFORMANCE OVERVIEW

The purpose of this overview is to provide a summary of Scottish Futures Trust Limited (SFT) Group's purpose, our main objectives and strategies, the main risks affecting how we achieve our objectives and how we performed over the year.

#### 1.1.1 Purpose and Activities

In 2008 the Scottish Government established SFT as a centre of infrastructure expertise to work with its many public and private sector partners, creating innovative solutions to improve the economic, social and environmental outcomes from Scotland's infrastructure.

Scottish Futures Trust Investments Limited (SFTi) is a wholly owned subsidiary of SFT and its sole activity is as an investment company. SFTi has no employees or other operations. Investments by SFTi are managed by its directors. SFT staff represent the directors on the boards of companies in which SFTi invests. SFTi pays SFT a management charge for providing this service. As is required by law, a separate Annual Report and Accounts is prepared for SFTi which can be viewed on SFT's website.

During the 2022/23 financial year, SFT staff have been working in a hybrid manner following the global pandemic. We have reconfigured our office to create more collaborative spaces and staff are spending much more time in the office. The Directors expect the business to continue to test out new ways of working during the upcoming year.

As an arm's length company owned by the 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 ultimately improved public services.'*

In working towards that aim, employing and developing the right team of people is crucial. Since becoming fully operational in 2009, SFT has built a c70-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.

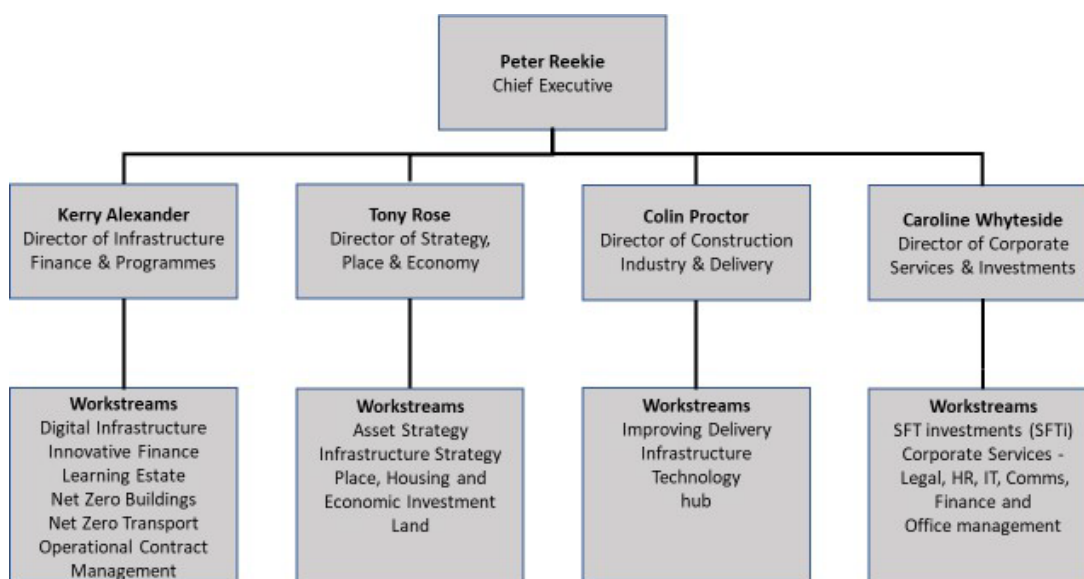
All SFT's activities are aligned with our three corporate priorities of place, net zero, and inclusive economic growth, and ultimately contribute to the ten infrastructure-related outcomes in our 2019-24 Corporate Plan.

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### 1.1.2 Organisational Structure and Business Model

During 2022/23, SFT’s leadership team comprised of the Chief Executive and four executive directors. Each executive director leads one of four business areas: Infrastructure, Finance & Programmes; Construction Industry & Delivery; Strategy, Place & Economy; and Corporate Services & Investments.

Reporting to the leadership team are 14 workstreams, each headed up by a Senior Associate Director, and a Corporate Services Team, covering Finance, HR, IT, Legal, Communications and Office Management.



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The 14 workstreams are described below.

1	<p><b>Innovative Finance</b> Providing support for long term innovative funding and financing models to mobilise private capital toward priority areas of additional infrastructure.</p>
2	<p><b>Net Zero Buildings</b> Working with partners on the decarbonisation of the built environment. This work is underpinned by Scottish Government's Heat in Buildings Strategy which is a key driver for both decarbonising heat and ensuring our buildings use less energy.</p>
3	<p><b>Net Zero Transport</b> Working across a number of key areas including: encouraging the acceleration of provision in EV chargepoints, in particular through support to the Electric Vehicle Charging Infrastructure Fund and, support in accelerating the rate of transition towards the zero emission buses.</p>
4	<p><b>Learning Estate</b> The team work with Scottish Government, local authorities, and private sector delivery partners to drive forward programmes of investment in the learning estate.</p>
5	<p><b>Digital Infrastructure</b> The team focusses on the development and delivery of digital connectivity programmes, the supporting of future connectivity related government strategies and work with stakeholders to identify business and use cases to enable future digital infrastructure initiatives.</p>
6	<p><b>Operational Contract Management</b> The team provides commercial and technical support to the public sector in the management of their PPP estate.</p>
7	<p><b>Improving Delivery</b> This workstream helps public sector organisations improve the delivery of their projects. The work is developing, delivering, and scaling the use of innovative industry initiatives that support the public sector and industry to operate effectively and efficiently and improve asset performance.</p>
8	<p><b>hub</b> The hub Programme operates across Scotland and serves the public sector in the development and delivery of community infrastructure projects. The programme is based on a partnership between the public and private sectors. SFT's role as Programme Manager is to work with the public and private sector stakeholders to encourage achievement of the hub programme objectives</p>
9	<p><b>Infrastructure Technology</b> This workstream continues to provide a centre of expertise in digital and data management, working across the Scottish public sector and industry across the built environment.</p>
10	<p><b>Asset Strategy</b> Our Asset Strategy team is supporting Scottish Government deliver its asset strategy ambitions as set out in its 2021-26 Infrastructure Investment Plan (IIP).</p>
11	<p><b>Land</b> The Land Team works with public sector partners on the sale and reuse of surplus assets, together with longer term strategies for rationalisation in keeping with the Scottish Government's Infrastructure Investment Plan.</p>

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12	<p><b>Place, Housing &amp; Economic Investment (PHEI)</b> PHEI utilises its skills to improve Scotland’s places, communities and environments, underpinned by ‘Place’. We work with partners to strengthen Scotland’s economy, using wider public sector investment, enhanced public service delivery and coordinated infrastructure activity to build solutions that deliver positive impacts.</p>
13	<p><b>Infrastructure Strategy</b> The Infrastructure Strategy team has a focus on developing the evidence base to support infrastructure decision-making and the collaborative framework to drive integrated policy delivery.</p>
14	<p><b>Investments</b> Through investee company board representation and internal monitoring, the Investments workstream manage the portfolio of Design, Build, Finance &amp; Maintain (DBFM) and hub investments.</p>

### 1.1.3 Strategy and Objectives

SFT’s current Corporate Plan is the [2019-24 Corporate Plan](#) .

The plan sets out SFT’s Purpose, Vision , Values and Outcomes to be delivered. These are summarised below.

#### Purpose

The Scottish Government’s aim for SFT is:

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

#### Vision

To guide the team in working towards that aim we developed a vision statement which is:

“World class infrastructure for the people of Scotland”

#### Values

We also developed a set of values which are:

**BOLD** Believing in what we do, with commitment and courage to enable successful outcomes

**AMBITIOUS** Striving to excel and inspire by raising expectations

**COLLABORATIVE** Sharing knowledge, experience and working in partnerships to achieve more for Scotland’s communities

**DYNAMIC** Accelerating positive outcomes by promoting innovation and being a catalyst for change



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### Outcomes

The Scottish Government has developed a National Performance Framework to describe the kind of Scotland it aims to create, with a set of 11 outcomes.

There is no single outcome from these for which infrastructure is the focus, so SFT has developed a set of ten infrastructure outcomes which are supportive of the national outcomes in the framework. Details of our outcomes are in our current Corporate Plan. Progress on the impact we have delivered against these outcomes are reported in our [Annual Outcomes Report](#).

Taking into account the long-term trends of climate emergency, digitalisation and demographic change, we set out in our [2022/23 Business Plan](#), the following three corporate priorities:

**Enabling the transition to net zero emissions** (focus on leading the way with coordinated decarbonisation of public sector assets to catalyse necessary industry transition)

**Driving inclusive economic growth** (focus on delivering additionality of investment and accelerating appropriate development activity in current economic context)

**Building resilient and sustainable places** (focus on showing leadership in the shift to collaborative and place-based ways of working).

The 22/23 Business Plan also set out the main activities that each of our 14 workstreams planned to focus on.

### 1.1.4 Key Issues and Risks

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.

Below are the top four Group risks. SFT is working with stakeholders to mitigate these risks but does not have complete control over them.

- Cuts to SFT's future Core and Programme funding
- Changes in Public Sector Landscape
- Central Government and Procuring Authorities Constrained Resources
- Hub Programme – Strategic Delivery Risk

The directors monitor SFT's risk management and internal control systems as detailed within the Governance Report.

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### 1.1.5 Going Concern

The directors believe it is appropriate for the SFT Annual Report and Accounts 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 2023/24; SFT's role in improving outcomes from infrastructure across Scotland 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 Accountability Report.

### 1.1.6 Performance Summary

#### Outcomes

SFT's main way of demonstrating the impact of its work is through its annual outcomes report. In November 2020 SFT produced its first Outcomes website that contained both quantitative and qualitative measures.

The qualitative measures included over 30 case studies spread across the ten outcomes highlighting the progress SFT and its partners had made. Over the following 3 years SFT added more case studies, taking the total by March 2023 to over 100.

The quantitative measures for 2022/23 include the following:

- The value of public infrastructure projects under construction made possible through our innovative funding and financing approaches exceeded **£290m** (21/22: £250m);
- Investment in private infrastructure continued to be unlocked with projects valued at over **£2.5bn** (21/22: £2.4bn) on site;
- Over the past 12 months our work has continued to contribute towards a net-zero carbon economy, with **16,000** (21/22: 20,000) tonnes of infrastructure-related CO2 emissions saved during the year.

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 2022/23, the total value of public infrastructure projects under construction that SFT is involved in, exceeded £1.1bn (2021/22 £1.0bn), with, as noted above, over £290m (2021/22 £250m) of this made possible through SFT's funding and financing approaches.

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 (2021/22 500,000) tonnes by the end of the corporate plan period, with, as noted above, the new annual savings of over 16,000 (2021/22 20,000) tonnes recorded this year, contributing cumulatively to this.

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### Workstreams

The other way for SFT to demonstrate its work is to describe the achievements of its workstreams.

The 22/23 financial year has been another successful year for SFT. The key achievements of the 14 workstreams are summarised below.

- Providing technical and commercial innovation as a founding partner of the Heat Networks Support Unit alongside Scottish Government and Zero Waste Scotland
- Exploring new business models and setting out financing approaches for investments in heat decarbonisation as part of its co-secretariat role to the Green Heat Finance Taskforce.
- Delivering the UK Government funded Infralink programme to develop and share models for private mobile communications industry to engage with public sector asset owners more effectively
- Leading the Edinburgh Homes Demonstrator programme to create standardised home designs for modern methods of construction and the business models to deliver them
- Leading the development of innovative evidence-based investment prioritisation methodologies across infrastructure sectors
- Developing the Net Zero Standard for Public Buildings to include retrofit as well as new-build
- Developing and sharing leading practices in operational PPP contract management, focussing on preparation for hand back and OOO buildings decarbonisation
- Deliver national guidance on development of asset strategies in line with the principles of the Infrastructure Investment Plan and share emerging practices on new frontiers for smarter office working
- Progressing the development and adoption of a Standard Information Management Plan (SIMP) across public sector projects to promote digitalisation of delivery and asset management
- Progressing a range of local sustainability projects under the innovatively financed Green Growth Accelerator programme which we lead
- Leading delivery of the Learning Estates Investment Programme with 9 projects in construction and a new phase under development in challenging market conditions
- Transferring SFT management of the Scottish 4G Infill programme from the end of the delivery phase to close-out to Scottish Government with successful mast deployment to programme and utilisation of European funding
- Continuing programme management of the highly-successful hub programme delivering dozens of community infrastructure projects across Scotland

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### 1.2 PERFORMANCE ANALYSIS

#### 1.2.1 Results Against Key Performance Measures

SFT has two key ways of measuring performance:

- **Outcomes.** By measuring progress and impact made against the 10 outcomes in our Corporate Plan
- **Workstreams.** By noting the key achievements in the year against the activities set out in our annual Business Plan

The section below describes those results for the outcomes for the financial year 2022/23. There is a separate detailed year end workstream report published on our website.

#### Outcomes

SFT's main way of demonstrating the impact of its work is through its annual outcomes report.

The section below highlights the impact of SFT's work against the ten outcomes in our Corporate Plan.

#### SFT Outcomes – Demonstrating our Impact in 2022-23

**SFT has worked with public and private sector partners to deliver progress on all ten of the infrastructure outcomes agreed, including delivering over £290m of additional investment in public infrastructure, unlocking over £2.5bn of private capital investment across Scotland and reducing infrastructure-related CO2 emissions.**

**Infrastructure investment is sustainable and affordable with an increased use of innovative funding and financing approaches.**

- **£290m** additionality delivered through SFT led innovative funding & financing approaches.
- **£1.1bn** of public infrastructure projects on site involving SFT.

**There is improved coherence, pace and placemaking across major private commercial, industrial and housing development.**

- **£2.5bn** of investment in private sector development over the coming years unlocked on site. Much in areas where regeneration, typically through leveraged public investment, is creating new opportunities for economic activity or meeting new levels and types of housing demand.

**Internationally mobile capital is drawn in to invest in projects and places across Scotland.**

- **Over £850m** of capital investment drawn into Scotland. It is also anticipated that a significant portion of these investments will lead to new foreign companies relocating their business to Scotland.

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**Infrastructure-related carbon dioxide and other greenhouse gas emissions are reduced, supporting Scotland's transition to a low carbon economy.**

- **500,000 tonnes** reduction in CO<sub>2</sub>e emissions by the end of the Corporate Plan period with over **15,000 tonnes** of CO<sub>2</sub>e emissions saved this year.
- **£60m** worth of capital investment in energy efficiency measures resulting in almost **£9m/annum** saving in energy costs.

**Public asset condition and performance is improved through more effective whole-estate management and maintenance.**

- Over **100,000 children** are now benefiting from new learning environments and over **10,000 people** are benefiting from new affordable homes, as a result of infrastructure investment programmes involving SFT.
- Our Operational Contract Management team provides commercial and technical support to the public sector in the management of their Public Private Partnership (PPP) estate and this year has continued to work closely with public bodies on PPP '**handback**' guidance and preparation for the **26 PPP contracts expected to expire over the next nine years**.
- Since the publication of this year's updated [New Frontiers for Smarter Working - 2023 and Beyond](#) guidance, many organisations have taken on the report's recommendations with the Asset Strategy Team providing specialist advice around how hybrid working can support organisations and the services they deliver.

**The public asset portfolio is effective and place-based, driving collaborative service transformation with under-utilised public assets re-deployed to meet other policy objectives or divested to stimulate economic activity.**

- Over the past year, SFT-enabled programmes disposed of two surplus NHS sites and one Scottish Funding Council site resulting in almost **£230m being raised in capital receipts**.
- This will lead to an estimated **100 new homes** being built with an associated construction value of over **£10m**.

**We have a clear picture of Scotland's future economic and social infrastructure needs.**

- Our Infrastructure Strategy team is helping fill gaps in understanding of the role infrastructure plays in supporting inclusive growth outcomes.
- During 2021 we established a **Net Zero Transport team** who are working closely with Transport Scotland, local authorities and the public and private sector to deliver alternative business models for public Electric Vehicle (EV) infrastructure in Scotland.

**We have innovative technology-enabled construction, asset management and usage optimisation at a place, portfolio, and network level as well as for individual assets.**

- **£1.9bn worth of projects** either in development or operation have implemented BIM, delivering a **return on investment of £13m** during the design, construction and operational phases,
- To date, the Standard information management plan has been adopted on **54 projects** across **23 local authorities**. In the past year, SFT facilitated a client/ contractor working group to deliver a standard approach for building handover through the development of **SIMP v2**.

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**We have a vibrant, innovative construction industry with increased productivity delivering well designed, high-quality products and fair work.**

- Took a leadership role in the development and implementation of the **Construction Recovery Plan** and its working groups. This has led into the development of the **Construction Accord**.
- Since launching the **Construction Pipeline Forecast Tool** in summer 2021, the value of construction projects in its latest update has **jumped nearly 50% to £13.4bn** and is providing industry with a clear sight of over **1,700** public sector construction projects.

**Programme and project procurement and delivery is effective, with highly skilled teams deployed where they are needed.**

- Over **£3.4bn** of ongoing investment in **17** infrastructure programmes involving SFT.
- The **five** projects from Phase 1 and **one** project from Phase 2 of the **£2.5bn** Learning Estate Investment Programme started on site in the last year.
- Continued to support public bodies in the early stages of challenging projects, helping to improve their approach, and set projects up for success.

To visit the Outcomes website and view the over 100 case studies click [here](#).

### 1.2.2 Future Developments

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 activities for the new year are set out in its [23/24 Business Plan](#) which also can be found on SFT's website. The impact of SFT's work is demonstrated through its annual outcomes report which is contained in the associated microsite [SFT Outcomes](#).

The 2023/24 operating budget has been set at £10m, reflecting £1.7m of third-party income and £8.3m of Scottish Government grants. It is anticipated by the directors that the budget will be fully utilised in the forthcoming year.

### 1.2.3 Financial Performance

#### Financial Position

The Group Annual Report and Accounts of Scottish Futures Trust Limited which include Scottish Futures Trust Investments Limited have, for the first time this year, been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury, and the Companies Act 2006 applicable to entities reporting under International Accounting Standards and International Financial Reporting Standards and IFRIC interpretations.

The Grant in Aid allocation is intended to cover revenue expenditure (on an accruals basis) net of in year income from sources such as investment income. In addition, there are ringfenced budget allocations for non-cash costs, such as depreciation. A further budget allocation for Annually Managed Expenditure (AME) is made by the Scottish Government to cover volatile costs such as the pension fund liability.

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The Group's operational income and expenditure is simplified below:

Income and Expenditure Account	2023 £000s	2022 (Restated) £000s
<b>Income</b>		
SG Grant Income	8,450	9,141
Investment Income	1,845	1,865
Other Income	590	614
<b>Total Income</b>	<b>10,885</b>	<b>11,620</b>
<b>Expenditure</b>		
Salaries	7,230	7,825
External Consultancy	1,216	1,474
Corporate Costs	2,184	2,063
<b>Total Expenditure</b>	<b>10,630</b>	<b>11,362</b>
<b>Net Income/(Expenditure) before taxation</b>	<b>255</b>	<b>258</b>

The net income shown above is before depreciation, any IAS 19 pension service costs or fair value movements on both equity and subordinated debt are taken into account. The simplified income and expenditure account is reconciled to the Statement of Comprehensive Expenditure (SOCE) in the Group Accounts (page 41) as follows:

Reconciled to SOCE:	2023 £000s	2022 (Restated) £000s
<b>Net Income/(Expenditure) before taxation per above</b>	<b>255</b>	<b>258</b>
Taxation (note 7)	432	(160)
<b>Net Income/(Expenditure) after taxation</b>	<b>687</b>	<b>98</b>
Finance charge (DB Pension) (note 15)	(128)	(166)
Pension costs in respect of the IAS 19 pension movement (note 15)	(1,100)	(1,100)
Depreciation and expected credit loss movement	(111)	(122)
(Loss)/Gain on fair value of investment through profit and loss (note 5)	(2,910)	(250)
SG Grant Income removed – taken to SOCTE	(8,450)	(9,141)
<b>Net expenditure after tax</b>	<b>(12,012)</b>	<b>(10,681)</b>
Actuarial gain on post-employment benefit obligations (note 15)	8,130	4,719
(Loss)/Gain on fair value of investment through OCE (note 9)	(63)	(18)
<b>Total comprehensive net expenditure for the year per SOCE</b>	<b>(3,945)</b>	<b>(5,980)</b>

Within operating expenditure above, there is advisory fees within SFT of £1.22m (2022: £1.47m) a decrease of £250k. This decrease is mainly due to one-off advisory work carried out and completed in 21/22 in connection with a review of the Scottish Government Estate and advisory to support Scottish Government's objective for net zero carbon public sector building standards.

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Within operating expenditure above there are corporate and professional fees of £620k (2022: £521k), an increase of £99k. This increase relates to costs associated with IT project consultancy (£39k), procurement advice (£15k), technical support for our payroll system (£4k), digital transformation consultancy in preparation for SFT's new website (£6k), advice in connection with the Hub initiative (£25k) and an increase of £21k in the costs associated with the Scottish Hospitals Inquiry which amounted to £368k during 22/23 (21/22: £347k), offset by a reduction in non audit fees in the year of £11k.

SFTi generates a healthy return from its investment portfolio. Part of these profits is transferred over to SFT via a dividend, with these funds being used by SFT to help fund its activities. In the current year a dividend of £761k (21/22: £814k) was distributed by SFTi to SFT. SFTi accounts this financial year are more complicated due to our decision to change our accounting policy on subordinated debt investments. This impacts the SFT group accounts.

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.

### Payment Policy

SFT has a stated commitment to pay all properly authorised invoices relating to transactions with suppliers in accordance with the SPFM and in doing so shall seek wherever possible and appropriate to meet the Scottish Government's target for the payment of invoices within 10 working days of their receipt.

### 1.2.4 Anti-corruption and anti-bribery

SFT has well developed policies and procedures to address anti-corruption and anti-bribery matters. All SFT staff are required to act honestly and with integrity and to safeguard the public resources for which they are responsible. SFT will not accept any level of fraud or corruption. SFT's commitment to ethical standards is outlined within its code of business conduct policy and Whistleblowing Policy.

### 1.2.5 Corporate Social Responsibility

SFT's volunteering policy allows colleagues to use up to 15 hours paid community leave per year.

### 1.2.6 Environmental Matters

SFT is fully committed to cutting greenhouse gas emissions. We strive to ensure that sustainability issues are addressed both in our own operations and in conjunction with those businesses we support. Our sustainability report for 2022/23 can be viewed on our website. [2022/23 Sustainability Report](#).

### 1.2.7 Diversity

SFT has an Equality, Diversity and Inclusion policy. More details are in the Accountability Report.

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



**Peter Reekie**

**Accountable Officer**

16/11/2023

**Date:**



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

# Section 2. ACCOUNTABILITY REPORT

## 2.1 CORPORATE GOVERNANCE REPORT

### 2.1.1 DIRECTORS' REPORT

#### Directors

The Directors who held office during the year and up to the signing of these Annual Report and Accounts are as follows:

Ian Russell	Chairman
Peter Reekie	Executive Director
Ann Allen	Non-Executive Director (resigned 31 December 2022)
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director
Stella Matko	Non-Executive Director (appointed 16 January 2023)
Nick Rowan	Non-Executive Director (appointed 16 January 2023)
Stephen Slessor	Non-Executive Director (appointed 16 January 2023)

Peter Reekie became Chief Executive on 10 January 2018.

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

#### Register of Board Members' Interests

The Chairman's other significant commitments are: chairman of HICL Infrastructure plc (resigned 20<sup>th</sup> July 2022) and chairman of National Museums of Scotland.

The SFT Board register of interests is published on our website at this link [Board Register of Interests](#).

Board Members adhere to a Code of Conduct which is on our website at this link [Code of Conduct](#).

#### Leadership Team

The Leadership Team is responsible for the day to day management of the operations and activities of SFT. The Chief Executive is an executive director of the Board and a member of the Leadership Team. Leadership Team members who held office during the year were as follows:

Peter Reekie	Chief Executive
Caroline Whyteside	Director of Corporate Services & Investments
Tony Rose	Director of Strategy, Place & Economy
Kerry Alexander	Director of Infrastructure Finance & Programmes
Colin Proctor	Director of Construction Industry & Delivery

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### **2.1.2 STATEMENT OF ACCOUNTABLE OFFICERS'S RESPONSIBILITIES**

The Scottish Ministers have directed SFT to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SFT and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FRM) and in particular to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FRM) have been followed, and disclose and explain any material departures in the Annual Report and Accounts;
- prepare the Annual Report and Accounts on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable; and
- take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accountable Officer for The Scottish Administration has designated the Chief Executive of SFT as its Accountable Officer. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety, regularity and value for money of the public finances for which he is answerable, and for the keeping of proper records, are set out in the SFT Framework Agreement and in the Memorandum to Accountable Officers of Other Public Bodies published by the Scottish Government.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that SFT's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Furthermore I confirm that the annual report and accounts as a whole is fair, balanced and as understandable as it can be given the requirements of International Accounting Standards in respect of the investment subsidiary which has been consolidated into the group accounts, and accounting for our membership of the local government pension scheme.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 2.1.3 GOVERNANCE STATEMENT BY ACCOUNTABLE OFFICER

#### Introduction

As Accountable Officer, I have responsibility for maintaining a governance framework which supports the achievement of SFT's policies, aims and objectives, set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

As Accountable Officer I have specific responsibility in relation to:

- Best Value, including the concepts of corporate governance and continuous improvement;
- Planning, performance management and monitoring;
- Advising the Board;
- Managing risk and resources; and
- Accounting for SFT's activities.

#### Accounting

I confirm that I am personally responsible for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

#### Governance Arrangements

Based on my own review and independent assurances received, it is my view that SFT has in place effective governance arrangements which are working well and comply with generally accepted best practice and relevant guidance. The review of arrangements are outlined as part of the narrative in the relevant sections of the Governance statement that follows.

Our Governance framework has our aims, objectives and values at its core. Our accountability and decision making processes along with our operational management framework and assurance mechanisms are designed to ensure these are achieved.

#### Aims and Objectives

SFT's 2019-24 Corporate Plan, 22/23 Business Plan and 23/24 Business Plan set out how we will work collaboratively with public sector partners and private industry to make a valuable contribution to maximising the economic, social and environmental outcomes from Scotland's infrastructure.

#### Values

SFT has developed four values to guide the team in working towards our aims and objectives. Both staff and Board members are guided by these values:

**BOLD.** Believing in what we do, with commitment and courage to enable successful outcomes

**COLLABORATIVE.** Sharing knowledge, experience and working in partnerships to achieve more for Scotland's communities

**AMBITIOUS.** Striving to excel and inspire by raising expectations

**DYNAMIC.** Accelerating positive outcomes by promoting innovation and being a catalyst for change

#### Accountabilities and Decision Making

With effect from 14 November 2022 SFT complies with the Scottish Public Finance Manual (SPFM) and the Framework Agreement, which governs the relationship between SFT and the Scottish Government.

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

There are also key internal documents within SFT which define accountabilities and decision making, including the Board Membership and Reserved Powers document, the Procurement and Contract Policy and the Internal Controls and Financial Procedures Manual. These are made readily accessible to staff on the company intranet.

### **SFT Board**

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.

Board meetings take place regularly throughout the year. Board meetings are structured to allow open discussion and all directors participate in discussing the Group's strategic aims, 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 22/23 financial year.

### **SFTi Board**

There is also a separate SFTi Board which has responsibility for all matters relating to SFTi, SFT's investment subsidiary. The Board members of SFTi are the same as of the parent company and it meets twice a year, mainly to manage and monitor SFTi's investment in the 41 DBFM companies, the 5 hub companies and 19 Housing LLPs.

### **Board Balance and Independence**

As at 31 March 2023, the Board included 7 non-executive directors (including the Chairman). The Board considers that all non-executive directors are independent. The non-executive directors combine broad business and commercial experience with specialist infrastructure knowledge. They bring independent and objective judgement to 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 the Scottish Ministers in accordance with the Office for the Commissioner for Ethical Standards in Public Life in Scotland's 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 applicable law and regulation 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

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

advice at the Group's expense. Minutes of Board meetings are available on the SFT website following their approval.

### Board 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.

### Board Committees

To provide effective overview and leadership, the Board can establish Committees composed of non-executive directors with specific governance responsibilities. Executive directors and senior managers are invited to attend Board and Committee Meetings as appropriate.

During 2022/23 there was only one Board Committee which was the Group Audit Committee.

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.

The Board carries out the role of a Remuneration Committee and considers staff annual pay increases and staff salary scales annually in March. Remuneration scales, including both maximums and minimums, for non-executive directors is set by the Scottish Government.

### Group Audit Committee

The Group Audit Committee is responsible for assisting the SFT and SFTi Boards in discharging their 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 and internal audit. The Group Audit Committee meets three times during the accounting year and, in addition, it meets the external and internal auditors privately.

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 Director of Innovation and Campus Development at the University of Leeds and Chair of Architecture and Design Scotland (resigned 31 December 2022).
- 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.
- Stella Matko is an experienced architect who has worked in the private, commercial and public sectors in excess of 30 Years. The majority of her career working has been in the Higher Education sector delivering in excess of £1billion of Capital Projects. Stella currently holds the post of Director of Estates at the University of Strathclyde, which she has held for the past 9 years. (appointed 30 January 2023).

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- Nick Rowan has nearly 30 years' experience in the construction industry and brings knowledge and input from a tier one contracting perspective to the SFT board. Nick currently holds the senior level position of Director of New Business at Balfour Beatty's building and civil engineering business in Scotland (appointed 30 January 2023).
- Stephen Slessor is an experienced director, policy maker and surveyor, with a track record in advising public and private sector clients on key strategic issues. He is a Director of CECA Scotland. With over 25 years of infrastructure project delivery, he has particular expertise in transformation based on digital and net zero which will help bring new ideas and drive forward key changes in delivering modern infrastructure across Scotland (appointed 30 January 2023).

In the year ended 31 March 2023, there were three meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

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

- considering and recommending to the Board for approval the Annual Report and Accounts and reviewing the external auditors' reports thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of 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 and approving the internal auditor's annual plan, individual internal audit reports and the annual internal audit report and opinion;
- reviewing the organisation's risk arrangements;
- reviewing the appropriateness of the Group's accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

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### Attendance at Board and Committee Meetings

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

	SFT Board	Group Audit Committee	SFTi Board
<b>Number of meetings</b>	<b>6</b>	<b>3</b>	<b>2</b>
Ian Russell	6	N/A	2
Graham Watson	5	3	1
Bill Matthews	6	3	2
Ann Allen*	1	1	-
Pauline Mills	5	2	2
Stella Matko**	2	-	1
Nick Rowan**	2	-	1
Stephen Slessor**	2	-	1
Peter Reekie	6	3***	2

\*Ann Allen resigned from the Board on 31 December 2022 with her term covering 4 SFT Board meetings, 1 SFTi Board meeting, and 2 Group Audit Committee meetings.

\*\*Appointed to the SFT Board on 16 January 2023 and to the SFTi Board and Group Audit Committee on 30 January 2023 with their terms covering 2 SFT Board meetings, 1 SFTi Board meeting and no Group Audit Committee meetings.

\*\*\* In attendance, not a member 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.

### Statement of Internal Controls

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

#### Control Structure

Prior to the adoption of the Framework Agreement with the Scottish Government on 1 April 2022, RSM were appointed to carry out a series of internal control reviews. Since then, RSM were asked to formally take on the role of internal auditor and an internal audit plan for 22/23 was subsequently agreed.

During the financial year, three internal audits were undertaken of SFT's internal controls in the following area: Budgetary management, HR recruitment and retention and Risk management and governance. There were no significant issues noted. The annual internal audit opinion from our internal auditors RSM was that "The organisation has an adequate and effective framework for risk management, governance and internal control", which is the most positive annual opinion that can be awarded.

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 once a year.

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### **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 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.

The Group also operates an HR and payroll system which calculates monthly staff pay, tax and Ni figures and annual figures for statutory returns to HMRC.

### **Disclosure of Information to the Auditor**

I confirm as Accountable Officer that, so far as I am aware, there is no relevant audit information of which the auditor is unaware and I have taken all the steps that I have ought reasonably to have taken to make myself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### **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. As mentioned above the directors do this through a range of internal audits currently conducted by RSM Risk Assurance Services LLP. In 2022/23, this included Budgetary management, HR recruitment and retention and Risk management and governance. There were 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. The systems of internal controls have been in place for the year ended 31 March 2023 and up to the authorised date of issue of these accounts.

### **Operational Management Framework**

The delivery of SFT's aims and objectives is supported by an operational framework comprising of key corporate business processes and a wide range of control mechanisms which ensure that: policies and strategies are put in place; values are met; high quality support is delivered; laws and regulations are complied with; processes are in place and complied with; and financial statements and other published information are accurate, timely and comply with relevant standards and best practice.

These form an essential part of the overall system of internal control which is in place. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.



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These processes span SFT's entire range of activities and include:

### **Strategy and Planning**

The Scottish Government's National Performance Framework (NPF) and Infrastructure Investment Plan (IIP) along with the annual Scottish Budget are key drivers of SFT's activities. In developing SFT's Corporate and Business Plans, there is a clear framework in which SFT Board members and the Leadership team take a leading role.

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### Resource Management

SFT always seeks to ensure that our financial and people resources are being deployed to maximise the benefits to our stakeholders. Under-pinning that objective is SFT's recruitment control mechanisms, project Initiation documents (PIDs), budgetary allocation and control systems and financial reporting systems. These provide assurances that SFT's resources are being used effectively and efficiently.

### Performance Management

The SFT Business Plan sets out SFT's key activities, behind which is a fuller performance framework that is used to track and monitor not only what SFT delivers, but how we deliver it. This framework encompasses our monthly workstream reporting to the Leadership team and Board, our Annual Outcomes report which measures our impact and quarterly staff performance reviews culminating in an annual review where staff are assessed as: not meeting expectations, meeting expectations or exceeding expectations.

### Budgetary Control

Budgets are approved on an annual basis as part of the Business Planning process. The budgets are allocated to workstreams and corporate teams to ensure clear accountability for the delivery of the budget. The Leadership Team and Board receives monthly reports on expenditure against budget together with regularly updated year end forecasts. This also includes proposed corrective action where necessary to ensure financial objectives are met.

### Human Resources

The HR Policies clearly set out staff responsibilities and the behaviours expected. These are reviewed regularly. An employee opinion survey is issued every two years and SFT's most recent survey in 2022 contained very positive results.

SFT received its highest ever response rate, as well as the highest ever engagement score.

Theme	SFT 2022 Results	SFT 2020 Results	Business and Professional Services Benchmark
Engagement	83%	74%	76%
Scottish Futures Trust	79%	71%	72%
Your Job	79%	68%	66%
Your Manager	83%	63%	59%
The Leadership Team	65%	55%	65%
Performance	69%	55%	63%
Health & Wellbeing	90%	83%	72%
Employee Engagement	83%	74%	76%

### IT

SFT's systems are now wholly in the Cloud, including its Finance, HR, Document Management and Expenses systems. This provides resilience, speed and security. SFT has an inhouse IT manager who manages an external Managed Service provider. SFT has Cyber Essentials accreditation.

### Data Protection

The Data Protection Officer (DPO), who is also the Head of Legal, has overall responsibility for ensuring adherence to policy, process and legislative compliance on Data Protection across the organisation. This includes reporting reportable data protection breaches to the Information Commissioner's Office (ICO). During 2022/23 SFT had no reportable data breaches made to the ICO.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### Records Management

SFT continues to regularly submit a Progress Update Review (PUR) for assessment and comment by the Public Records (Scotland) Act 2011 Assessment Team in the National Records for Scotland (NRS). SFT's most recent submission in October 2022 was well received. It commented that; "Scottish Futures Trust continue to take their statutory obligations seriously and are working hard to bring all elements of their Records Management Plan into full compliance with the Act". Our next submission is due in October 2023.

### Estate Management

SFT manages its one operational office in full accordance with the Scottish Government's Asset Management Policy. SFT moved to a new, publicly owned, office in October 2023.

### Risk Management

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.

The table below details the significant Group 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.

Principal Risks	Approach to Management and Mitigation of Risks
<p><b>Cuts to SFT's future core and programme funding</b></p> <p>SFT receives most of its funding from Scottish Government and this can vary each year.</p> <p>The effect of this would be that we would have to reduce activities and resources and not be able to deliver our Business Plan</p>	<p>Align Business planning objectives with national priorities and work with Scottish Government (SG) programme areas to secure programme funding. Work with sponsor team to secure core funding.</p> <p>Work with Sponsor Minister to ensure she has the information to have constructive conversations with SG directorates on our programme funding.</p> <p>Regular dialogue with sponsor teams, core sponsor team, annual meeting with sponsor group, regular minister meetings. Regular reporting against SFT activities.</p>
<p><b>Changes in Public Sector Landscape</b></p> <p>Changes in public sector landscape (organisations, departments, roles &amp; responsibilities and individuals), can impact on our business approach and delivery of workstreams.</p>	<p>The risk is managed by the Leadership Team preparing papers on wider strategic issues for discussion at forums such as Infrastructure Advisory Group (IAG) and Infrastructure Investment Board (IIB) that reinforces SFT's value.</p> <p>These topics are also actively discussed at weekly meetings with the core sponsor team, monthly meetings with Sponsor ministers and annual meetings with the sponsor DG.</p> <p>The LT also discuss these topics at the monthly Corporate and Strategic LT meetings.</p>
<p><b>Central Government and Procuring Authorities Constrained Resources</b></p>	<p>Work proactively with Scottish Government and other Authority teams, agreeing approaches to be adopted and recommending the appropriate skills and resources required to deliver the programmes.</p> <p>Where serious concerns exist, these will be escalated to SRO level and if unresolved SFT will consider its options for example, providing</p>

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<p>Many SFT workstreams rely on Scottish Government and other public Authority resources (their money and staff) and governance structures</p> <p>There is a risk that, due to prioritisation or existing commitments and the volume, scale and technical complexity of these projects and programmes, that central government and / or other public Authority resources and governance frameworks are insufficient to support the anticipated pace</p>	<p>additional resource; or reviewing its continued role on the programmes</p>
<p><b>Hub Programme – Strategic Delivery Risk</b></p> <p>There are ongoing strategic delivery risks associated with interpretation and application of procurement regulations which led to publication of VEAT notices in 2020.</p>	<p>Work is ongoing with the hub National Programme Board to understand and manage these risks with appropriate communication via Territory Partnering Board Chairs to all programme Participants.</p>

### Assurance

The SFT Board has established a Group Audit Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Group Audit Committee seeks assurances from several sources mainly via management, internal audit and external audit. This assurance draws attention to the aspects of risk management, governance and internal control that are functioning effectively and those that require attention/improvement.

As Accountable Officer, I am required to input into a Certificate of Assurance for SFT's sponsor team in the Scottish Government on an annual basis. I can confirm that for the year ended 31 March 2023 and up to the authorised date of issue of these accounts, the governance arrangements and systems of internal control have been in place and have operated effectively.

Internal Audit provides independent assurance on the adequacy and effectiveness of the whole system of controls, financial management and others which have been established to manage SFT's business in a proper manner and ensure accountability for public funds. This assurance is mainly based on a risk-based programme of audits which is approved by the Group Audit Committee. Overall sufficient assurance work has been carried out, in accordance with the Public Sector Internal Audit Standards, to enable a reasonable conclusion to be formed on the adequacy and effectiveness of the internal control environment. For 2022/23, the conclusion of internal audit work carried out by RSM, identifies an overall adequate and effective level of assurance on SFT's framework of governance, risk management and management control.

The Auditor General for Scotland is responsible for auditing SFT's consolidated accounts. The Auditor General has appointed Audit Scotland to undertake the statutory audit of SFT. Audit Scotland, in turn, have appointed Grant Thornton. SFTi has appointed a separate commercial team from Grant Thornton to undertake the audit of SFTi.

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### 2.2 REMUNERATION & STAFF REPORT

This report explains the remuneration policy of SFT for Board Members and for the Leadership Team and provides details of members' and Leadership Team remuneration for the year ended 31 March 2023.

#### 2.2.1 Scottish Futures Trust Board

SFT Board members, except for the Chief Executive, are appointed by the Scottish Ministers for a fixed period, normally three years. These non-executive members do not have contracts of service with SFT. However they do have letters of appointment.

The members of the Board are appointed from a variety of backgrounds based on their knowledge and experience gained in both the public and private sectors.

In the year to 31 March 2023, 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 the Scottish Government for non-executive directors of £325. Ian Russell has waived his remuneration for the role of Chairman of SFT and SFTi. Board members are eligible to reclaim travel expenses to attend meetings.

#### 2.2.2 Board members' Remuneration (audited)

The fees received by the non-executive directors in the years to 31 March 2023 and 31 March 2022 for duties provided to the Group are as follows:

	2023	2022
	£	£
Ann Faulds	-	5,200
Graham Watson	7,800	7,800
Bill Matthews	7,800	7,800
Ann Allen*	5,850	7,800
Pauline Mills	7,800	7,800
Stella Matko**	1,950	-
Nick Rowan**	1,950	-
Stephen Slessor**	1,950	-

The total expenses reimbursed during the year were £907 (2021/22: £399).

\*Ann Allen resigned at the end of December 2022.

\*\*Appointed 16 January 2023

The Board determines, the framework or broad policy for the remuneration of the Leadership Team and employees. This policy is set within the context of private sector and public sector benchmarks and applicable Government guidelines.

#### 2.2.3 Leadership Team

The Leadership Team is responsible for the day to day management of SFT's activities and operations. The Chief Executive, is a member of both the Board and the Leadership Team. The Leadership Team members, excluding the Chief Executive, are on standard SFT contracts of employment. Their contracts provide for a notice period of 6 months. If a Leadership Team member's employment with SFT is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will

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apply, as long as they have service of more than 2 years. This basis is identical to that applied for all other employees.

### 2.2.4 Leadership Team Remuneration (audited)

SFT aims to ensure that the remuneration packages offered to Leadership Team members:-

- enables SFT to attract, retain and motivate high calibre executives;
- remunerates individuals fairly for individual responsibility and contribution; and
- takes account of salary policy within the rest of SFT and the relationship that should exist between the remuneration of the Leadership Team and that of other employees.

Basic salaries are reviewed annually on 1 April. Salary levels are established after taking into account external market levels and performance. Annual reviews also take in to account public sector pay policy but are not bound by it. Salary payments are made at the end of every month.

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

**Remuneration of the Leadership Team members for the year ended 31 March 2023 is as follows:**

	Salary	Pension (to nearest £1000)	Car Allowance (to nearest £1000)**	Non-consolidated payment (to nearest £1000)*	Total - 2023
	£000s	£000s	£000s	£000s	£000s
Peter Reekie	175 - 180	35	13	-	225 - 230
Tony Rose	135 - 140	27	10	1	175 - 180
Kerry Alexander	130 - 135	26	10	1	165 - 170
Colin Proctor	130 - 135	26	10	1	165 - 170
Caroline Whyteside	105 - 110	21	10	1	135 - 140

\*Non pensionable cost of living increase paid as a non consolidated payment.

\*\*Non pensionable

**Remuneration of the Leadership Team members for the year ended 31 March 2022 are as follows:**

	Salary	Pension (to nearest £1000)	Car Allowance (to nearest £1000)**	Total - 2022
	£000s	£000s	£000s	£000s
Peter Reekie	175 - 180	35	13	225 - 230
Tony Rose	135 - 140	26	10	175 - 180
Christa Reekie (to 18 Feb 2022)	135 - 140****	25	9	170 - 175
Colin Proctor	130 - 135	26	10	165 - 170
Kerry Alexander	125 - 130	25	10	160 - 165
Caroline Whyteside	100 - 105***	6	10	115 - 120
Viv Cockburn (to 30 June 2021)	30 - 35*****	6	2	40 - 45

\*\*Non pensionable

\*\*\*includes £10K in lieu of pension

\*\*\*\*includes £8K holiday pay upon leaving

\*\*\*\*\*includes £2K holiday pay upon leaving

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### Retirement Benefits of the Leadership Team

In the year ended 31 March 2023, 66 of the Company's employees including one director were members of the pension fund.

Retirement benefits of the Leadership Team for the year ended 31 March 2023 are as follows:

	Accrued pension at normal retirement age as at 31 March 2023	Lump sum	Cash Equivalent Transfer Value		
			At 31 March 2023	At 31 March 2022	Increase in transfer value during the year
	£000s	£000s	£000s	£000s	£000s
Peter Reekie*	35 - 40	-	472	424	48
Tony Rose***	35 - 40	-	473	402	71
Colin Proctor	35 - 40	-	593	505	88
Kerry Alexander**	25 - 30	-	305	249	56
Caroline Whyteside	0 - 5	-	42	10	32
Christa Reekie (to 18 Feb 2022)	-	-	-	571	n/a
Viv Cockburn (to 30 June 2021)	-	-	-	299	n/a

\*This is the pension after a scheme pay of £11k has been deducted and the net CETV after a scheme pay offset of £130k has been deducted

\*\*This is the pension after a scheme pay of £0.5k has been deducted and the net CETV after a scheme pay offset of £5k has been deducted

\*\*\*This is the pension after a scheme pay of £1k has been deducted and the net CETV after a scheme pay offset of £17k has been deducted

### 2.2.5 Compensation on early retirement or loss of office

None

### 2.2.6 Payments to past directors

None

### 2.2.7 Fair Pay Disclosure (audited)

The relationship between the remuneration of the highest paid member of the Leadership Team and the median remuneration of the employees of SFT is as follows:

	2023	2022
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
Median total remuneration	70,500	73,802
Ratio	2.72	2.59
	2023	2022
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
25 <sup>th</sup> percentile total remuneration	38,062	31,402

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

Ratio	5.03	6.08
	2023	2022
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
75 <sup>th</sup> percentile total remuneration	96,700	95,793
Ratio	1.98	1.99

The median remuneration of SFT's employees is based on the annualised full time equivalent salary of the employees at the appropriate year end which includes gross salary and car allowance but excludes employer pension contributions.

The median ratio has increased due to staff leaving during the year and not being replaced immediately or being employed at a lower salary, the impact of which was to lower the median pay in the year.

The 25<sup>th</sup> percentile ratio has decreased due to staff leaving during the year and not being replaced such that fewer staff are being paid in a lower bracket than in 2022 resulting in a higher 25<sup>th</sup> percentile salary in the year.

The 75<sup>th</sup> percentile ratio has remained within 0.01 of 2022 ratio highlighting minimal increase in those staff on higher salaries during this year.

### 2.2.8 Staff Report

#### Staff Costs (audited)

Staff costs comprise:

	2023	2022
	£	£
Wages and salaries	5,472,169	5,804,572
National Insurance	690,529	699,723
Pension costs (including IAS 19 charge)	2,000,412	2,239,187
Non-executive director fees	35,100	36,400
Agency, seconded & interim staff	131,223	145,649
	<u>8,329,433</u>	<u>8,925,531</u>

Pension costs included an additional contribution of £nil (2022: £200,000). Also included in pension costs is £1,100,000 (2022: £1,140,000) in respect of the IAS 19 pension movement (note 15). A finance charge is shown on the face of the Statement of Comprehensive Expenditure.

There were no temporary (non payroll) staff cost in the year other than the secondment costs detailed above.

#### Consultancy Costs

Consultants included within Corporate Professional fees are categorised below:



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
IT consultancy	72,954	34,950
Marketing and Communications consultancy	7,110	-
Legal consultancy	41,860	
Human Resources consultancy	43,980	26,479
	<hr/>	24,588
	165,904	<hr/>
	<hr/> <hr/>	86,017

Consultants included within Advisory costs are a combination of technical consultancy and advice in relation to ongoing programmes and projects totalling £1,216,054 (2021/22: £1,473,535).

### Bonus payments

No bonuses were paid in 2022/23 (2021/22: £nil)

### Benefits in kind

The monetary value of benefits in kind covers employees who have enrolled in the electric car salary sacrifice scheme provided by the employer and taxed by His Majesty's Revenue and Customs as taxable emoluments. In 2022/23 the employer element of this value was £2,486 (2021/22: £552).

### Staff Composition

The average number of full time equivalent employees employed in the year was 67 (2021/22: 71) broken down as 5 (2021/22: 6) Leadership Team, 49 (2021/22: 51) programme delivery, and 13 (2021/22: 14) corporate services and business support.

### Gender Balance

The Table below discloses the gender balance of SFT's Board, Leadership Team and their Direct Reports. SFT will continue to take steps to promote gender equality:

Gender split as at 31 March 2023	Number and Percentage of Females	Number and Percentage of Males	Number and Percentage of "Preferred not to say"
Board	3 38%	5 62%	0 0%
Leadership Team (excluding the Chief Executive who is included under Board)	2 50%	2 50%	0 0%
Direct Reports	10 38%	16 62%	0 0%

### Staff absence data

The absence record for SFT employees for the year ended 31 March 2023 was 207.5 (2022:142) sick days out of a possible 19,240 (2022:19,836) working days representing a lost time through sickness absence of 1.1% (2022:0.8%).

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

### **Exit Packages and Settlement Agreement (audited)**

No member of staff left or agreed to leave SFT under voluntary severance in the year to 31 March 2023 (2022: one member of staff agreed to leave under voluntary severance in the exit package band of £40k - £50k).

### **Staff Turnover**

Staff turnover for SFT for the year ended 31 March 2023 was 10.5% (2022:11%).

### **Trade Union Facility Time**

SFT employees are not members of any trade unions.

### **Staff policies**

SFT's culture is generally flexible, however we want to ensure that we have the support and processes in place to allow our people to work effectively and flexibly. To support this, there have been a number of policies implemented.

### **New Ways of Working Guidance**

These principles provide a guide for employees to embrace how we work at SFT. All employees have access to this guidance note through our company intranet.

### **Employee Engagement**

How people feel about working at SFT is important to us and listening and acting on their feedback is a key part of that. We offer a wide range of opportunities to hear and engage our employees so they can shape all aspects of how we work and what we do.

In addition to formal staff surveys, there are a number of employee groups including Wellbeing, Social Impact, grade specific groups, social as well as other informal groups.

### **Equality, Diversity & Inclusion**

Our success lies with the professionals we employ. Recruited from both the public and private sectors, we have been able to attract, develop and retain the finest talent from the infrastructure world.

The strength of the organisation lies in bringing together a mix of skillsets all under one roof. We have architects, surveyors, low carbon and telecoms specialists, designers, economists, engineers, accountants, lawyers, project managers, commercial property professionals and financiers, all of whom innovate and deliver significant infrastructure programmes across Scotland.

SFT is committed to encouraging equality, diversity and inclusion among our workforce, and eliminating unlawful discrimination.

The aim is for our employees to feel respected and able to give their best.

### **Personal Performance and Development**

Our people are critical to the success of the Scottish Futures Trust (SFT) and achieving our vision of 'World class infrastructure for the people of Scotland'. The way we work encompasses our values of Ambitious, Bold, Collaborative and Dynamic and supports our aim of an empowered professional organisation that values and develops our people.

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

### **Health & Safety**

SFT's Health & Safety Committee meet twice annually with staff representatives as members of the Committee. The Chief Executive acts as the Health and Safety representative on behalf of the Board and the Health and Safety manager ensures regular monthly checks as required. No health and safety concerns have been raised by staff members of the Committee and there have been no recorded incidents in the year.

SFT continues to support employees with their Health and Wellbeing with regular communication and activities co-ordinated by the Wellbeing Group within SFT. SFT is satisfied that all necessary steps have been and are being taken to ensure compliance with the requisite legislation, and adequate measures are in place for safe and healthy working in and outside the SFT office environment.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 2.3 PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

#### 2.3.1 Summary of Resource Outturn

SFT achieved its main financial objective for the year which is to ensure that the financial outturn for the year, excluding pension service costs under IAS19, is within the Resource Budget allocated by the Scottish Ministers.

SFT's net over-spend against its total allocated budget for the year to 31 March 2023 was £946,000. This is made up of:

- £1.1m underspend relating to the IAS 19 service costs being lower than the budget allocation letter
- £0.9m underspend relating to the corporation tax being a credit rather than a charge compared to the charge per the budget allocation letter on SFTi income
- £3.0m overspend relating to the loss on fair value on equity and sub debt investments compared to nil in the budget allocation letter
- £0.1m underspend on operating costs compared to nil in the budget allocation letter

SFT drew down Grant in Aid of £8,450,067, having deducted £35,133 in relation to the partial repayment of the "other reserve – capital grants for investments".

SFT's outturn against the elements of the budget allocation from the Scottish Government was as follows:

	Expenditure	Income	Outturn	Allocation	Variance
	£000	£000	£000	£000	£000
Resource Budget	11,857	(2,435)	9,422	8,485	937
Financial Transactions income *	-	-	-	-	-
Ring fenced resource – expected credit losses	(4)	-	(4)	-	(4)
Non cash costs including depreciation	115	-	115	106	9
<b>Total</b>	<b>11,968</b>	<b>(2,435)</b>	<b>9,533</b>	<b>8,591</b>	<b>942</b>
Annually managed expenditure **	2,542	-	2,542	2,538	4
<b>Total Budget</b>	<b>14,510</b>	<b>(2,435)</b>	<b>12,075</b>	<b>11,129</b>	<b>946</b>

\* Financial Transactions income represents returns from investments for which the original cost was met from the Financial Transactions budget, and which was repaid to the Scottish Government.

\*\* Annually managed expenditure outturn for 22/23 is a net income amount that is primarily due to a corporation tax credit of £432k and a £2,974k decrease in value of Fair Value Assets resulting in a loss on valuation.

#### Appointed auditor and audit fee (audited)

The Auditor General for Scotland has appointed Grant Thornton as our external auditor for the five year period from 2022/23 to 2026/27. The fee for this service for SFT the company was £42,900 (2022: £21,830) which related solely to the provision of the statutory audit service.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 2.3.2 Losses and special payments

The following losses and special payments have been included in the accounts:

At the end of 2022/23 the level of debt over 90 days was £250 (2021/22, £nil) with £nil (2021/22, £nil) written off relating to individual debt of greater than £3,000.

During 2022/23, we made no special payments<sup>1</sup> (2021/22, no payments) and no fruitless payments<sup>2</sup> (none, 2021/22).

### 2.3.3 Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250,000 to be noted separately. SFT has nothing to report for the year ended 31 March 2023 in respect of gifts.

### 2.3.4 Fees and Charges

As required by the Fees and Charges guidance in the Scottish Public Finance Manual, SFT charges market rates whenever applicable.

### 2.3.5 Remote Contingent Liabilities (audited)

Contingent liabilities that meet the disclosure requirements in IAS37 Provisions and Contingent Liabilities are included in the Notes to the Accounts. There are currently no remote contingent liabilities.

**Peter Reekie**  
**Accountable Officer**



**Date:**

16/11/2023

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<sup>1</sup> Any payment outwith the normal range of activities

<sup>2</sup> A payment which cannot be avoided because the recipient is entitled to it even though nothing of use will be received in return

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

# Section 3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FUTURES TRUST LIMITED, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

## Reporting on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Scottish Futures Trust Limited (the 'Company') and the Group for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Company Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Cash Flows, Company Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Company Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and directions made thereunder by the Scottish Ministers.

### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on 3 April 2023. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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 basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### Risks of Material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

### Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines 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 Accountable Officer is responsible for assessing the body'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 there is an intention to discontinue the body's operations.

### 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Companies Act 2006 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

### **Reporting on regularity of expenditure and income**

#### **Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report**

We have audited the parts of the Remuneration and Staff Report described as audited Remuneration and Staff Report. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Companies Act 2006 and directions made thereunder by the Scottish Ministers.

#### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

#### **Opinion prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

prepared in accordance with the Companies Act 2006 and directions made thereunder by the Scottish Ministers; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Companies Act 2006 and directions made thereunder by the Scottish Ministers.

### Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Conclusion on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

### Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Joanne Brown*

Joanne Brown, (for and on behalf of Grant Thornton UK LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
Date: 16/11/2023

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

## Section 4. FINANCIAL STATEMENTS

### GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR YEAR ENDED 31 MARCH 2023

	Note	2023	Restated 2022
		£	£
<b>Expenditure</b>			
Operating expenditure	5	3,399,999	3,536,311
Net management expenditure on staff costs	5	8,329,433	8,925,531
Other management expenditure	5	3,021,268	372,890
Finance charge (DB Pension)	15	128,000	166,000
		<u>14,878,700</u>	<u>13,000,732</u>
<b>Income</b>			
Income from activities	6	(590,734)	(613,925)
		<u>(590,734)</u>	<u>(613,925)</u>
<b>Net Operating Expenditure</b>		<u>14,287,966</u>	<u>12,386,807</u>
Income from investments	6	(1,844,723)	(1,865,272)
<b>Net Expenditure after interest</b>		<u>12,443,243</u>	<u>10,521,535</u>
Taxation	7	(431,676)	159,904
<b>Net Expenditure after taxation</b>		<u>12,011,567</u>	<u>10,681,439</u>
<b>Other comprehensive net expenditure:</b>			
Items that will not be classified to net expenditure:			
Actuarial gains on post-employment benefit obligations	15	(8,130,000)	(4,719,000)
Loss/(gain) on fair value on investments	9	63,290	17,825
<b>Total comprehensive net expenditure for the year</b>		<u>3,944,857</u>	<u>5,980,264</u>
<b>Attributable to:</b>			
Taxpayers' Equity		<u>3,944,857</u>	<u>5,980,264</u>

The accompanying notes are an integral part of these accounts.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**COMPANY STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR YEAR ENDED 31 MARCH 2023**

	Note	2023	Restated 2022
		£	£
<b>Expenditure</b>			
Operating expenditure	5	3,399,954	3,536,267
Net management expenditure on staff costs	5	8,329,433	8,925,531
Other management expenditure	5	114,832	120,691
Finance charge (DB Pension)	15	128,000	166,000
		<u>11,972,219</u>	<u>12,748,489</u>
<b>Income</b>			
Income from activities	6	(590,734)	(613,925)
Other income	6	(629,621)	(550,108)
		<u>(1,220,355)</u>	<u>(1,164,033)</u>
<b>Net Operating Expenditure</b>		<u>10,751,864</u>	<u>11,584,456</u>
Income from investments	6	(761,000)	(814,000)
<b>Net Expenditure after interest</b>		<u>9,990,864</u>	<u>10,770,456</u>
Taxation on ordinary activities	7	-	-
<b>Net Expenditure after taxation</b>		<u>9,990,864</u>	<u>10,770,456</u>
<b>Other comprehensive net expenditure:</b>			
Items that will not be classified to net expenditure:			
Actuarial gains recognised in retirement benefit scheme	15	(8,130,000)	(4,719,000)
<b>Total comprehensive expenditure for the year</b>		<u><u>1,860,864</u></u>	<u><u>6,051,456</u></u>
<b>Attributable to:</b>			
Taxpayers' Equity		<u><u>1,860,864</u></u>	<u><u>6,051,456</u></u>

The accompanying notes are an integral part of these accounts.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023**

			Restated	Restated
	Note	2023	2022	2021
		£	£	£
<b>Non-current assets</b>				
Right of use asset	8	59,613	382,774	459,523
Investments	9	19,401,242	22,539,353	22,841,784
Trade and other receivables in more than 1 year	10	1,679,747	1,763,779	1,928,336
Pension asset	14	2,768,000	-	-
<b>Total non-current assets</b>		<b>23,908,602</b>	<b>24,685,906</b>	<b>25,229,643</b>
<b>Current assets</b>				
Trade and other receivables in less than 1 year	10	1,116,629	1,060,772	641,476
Investments	10b	10,000	60,000	110,000
Cash and cash equivalents	11	1,999,372	2,068,016	2,358,693
<b>Total current assets</b>		<b>3,126,001</b>	<b>3,188,788</b>	<b>3,110,169</b>
<b>Current liabilities</b>				
Trade and other payables	12	(1,496,335)	(1,713,541)	(1,686,450)
Current tax liabilities	7	(249,264)	(491,666)	(421,788)
		(1,745,599)	(2,205,207)	(2,108,238)
<b>Non current assets plus net current assets</b>		<b>25,289,004</b>	<b>25,669,487</b>	<b>26,231,574</b>
<b>Non-current liabilities</b>				
Repayable grants from the Scottish Government	13	(10,472,071)	(10,522,107)	(10,584,385)
Lease liability	12	-	(270,012)	(372,904)
Pension liabilities	15	-	(4,134,000)	(7,547,000)
Deferred tax provision	7	(438,075)	(869,720)	(1,014,674)
<b>Total non current liabilities</b>		<b>(10,910,146)</b>	<b>(15,795,839)</b>	<b>(19,518,963)</b>
<b>Assets less liabilities</b>		<b>14,378,858</b>	<b>9,873,648</b>	<b>6,712,611</b>
<b>Equity</b>				
Called up share capital	16	2	2	2
General reserve	16	2,515,112	1,903,017	1,850,503
Pension reserve	16	2,768,000	(4,134,000)	(7,547,000)
Other reserve – Capital Grants for Investments	16	5,340,071	5,375,204	5,410,903
Fair value reserve	16	3,755,673	6,729,425	6,998,203
<b>Total equity</b>		<b>14,378,858</b>	<b>9,873,648</b>	<b>6,712,611</b>

The accompanying notes are an integral part of these accounts.

These Annual Report and Accounts were approved by the Board of Directors on **[Insert Date]** and authorised for issue on its behalf by:

*Ian Russell*  
**Ian Russell**  
**Chairman** 16/11/2023

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

*Peter Reekie*  
16/11/2023

Registered Company Number: SC348382

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023**

	Note	2023	Restated 2022	Restated 2021
<b>Non-current assets</b>		<b>£</b>	<b>£</b>	<b>£</b>
Right of use asset	8	59,613	382,774	459,523
Investments	9b	1	1	1
Investment in subsidiary	10	10,674,708	10,736,986	10,799,182
Pension asset	a	2,768,000	-	-
<b>Total non-current assets</b>		<b>13,502,322</b>	<b>11,119,761</b>	<b>11,258,706</b>
<b>Current assets</b>				
Trade and other receivables in less than 1 year	10	318,781	806,216	1,018,024
Cash and cash equivalents	11	847,034	824,230	934,719
<b>Total current assets</b>		<b>1,165,815</b>	<b>1,630,446</b>	<b>1,952,743</b>
<b>Total assets</b>		<b>14,668,137</b>	<b>12,750,207</b>	<b>13,211,449</b>
<b>Current liabilities</b>				
Trade and other payables	12	(1,495,935)	(1,713,160)	(1,686,077)
<b>Total current liabilities</b>		<b>(1,495,935)</b>	<b>(1,713,160)</b>	<b>(1,686,077)</b>
<b>Non-current assets plus net current assets</b>		<b>13,172,202</b>	<b>11,037,047</b>	<b>11,525,372</b>
<b>Non-current liabilities</b>				
Repayable grants from the Scottish Government	13	(10,472,071)	(10,522,107)	(10,584,385)
Lease liability	12	-	(270,012)	(372,904)
Pension liabilities	15	-	(4,134,000)	(7,547,000)
<b>Total non current liabilities</b>		<b>(10,472,071)</b>	<b>(14,926,119)</b>	<b>(18,504,289)</b>
<b>Assets less liabilities</b>		<b>2,700,131</b>	<b>(3,889,072)</b>	<b>(6,978,917)</b>
<b>Taxpayers' equity</b>				
Called up share capital	16	2	2	2
General reserve	16	(67,871)	244,926	568,081
Pension reserve	16	2,768,000	(4,134,000)	(7,547,000)
<b>Total equity</b>		<b>2,700,131</b>	<b>(3,889,072)</b>	<b>(6,978,917)</b>

The accompanying notes are an integral part of these accounts.

These Annual Report and Accounts were approved by the Board of Directors on 16 November 2023 and authorised for issue on its behalf by:

*Ian Russell*  
**Ian Russell**  
**Chairman** 16/11/2023

*Peter Reekie*  
**Peter Reekie**  
**Chief Executive** 16/11/2023

Registered Company Number: SC348382

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023	Restated 2022
		£	£
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(12,443,243)	(10,521,535)
Adjustments for:			
Expected credit loss provision	5	(4,026)	1,245
Loss on fair value of sub debt investment		2,910,462	250,954
Depreciation of ROU asset	8	114,832	120,691
IAS19 pension charge and finance charge	15	1,228,000	1,306,000
Increase/(decrease) in trade and other receivables	10	28,175	(254,739)
(Decrease)/increase in trade and other payables	12	(266,647)	(119,825)
<b>Net cash outflow from operating activities</b>		<b>(8,432,447)</b>	<b>(9,217,209)</b>
<b>Corporation tax paid</b>	<b>7</b>	<b>(242,371)</b>	<b>(234,981)</b>
<b>Cash flows from investing activities</b>			
Disposal of investments	9	-	3
Repayment of subordinated debt	9	158,385	72,405
Repayment of working capital loan	10b	60,000	10,000
<b>Net cash inflow from investing activities</b>		<b>218,385</b>	<b>82,408</b>
<b>Cash flows from financing activities</b>			
Grants from the Scottish Government		8,450,067	9,141,301
Repayment of grant to Scottish Government		(62,278)	(62,196)
<b>Net cash inflow from financing activities</b>		<b>8,387,789</b>	<b>9,079,105</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(68,644)</b>	<b>(290,677)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>11</b>	<b>2,068,016</b>	<b>2,358,693</b>
<b>Cash and cash equivalents at end of the year</b>	<b>11</b>	<b>1,999,372</b>	<b>2,068,016</b>

The accompanying notes are an integral part of these accounts.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023**

		<b>2023</b>	<b>Restated 2022</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(9,990,864)	(10,770,456)
Depreciation of ROU asset	8	114,832	120,691
IAS 19 pension charge and finance charge	15	1,228,000	1,306,000
Decrease/(increase) in trade and other receivables	10	487,435	211,808
(Decrease)/increase in trade and other payables	12	(266,666)	(119,833)
<b>Net cash outflow from operating activities</b>		<b>(8,427,263)</b>	<b>(9,251,790)</b>
<b>Cash flows from investing activities</b>			
Investment in subsidiary	10a	62,278	62,196
<b>Net cash inflow from investing activities</b>		<b>62,278</b>	<b>62,196</b>
<b>Cash flows from financing activities</b>			
Grants from the Scottish Government		8,450,067	9,141,301
Repayment of grant to Scottish Government		(62,278)	(62,196)
<b>Net cash inflow from financing activities</b>		<b>8,387,789</b>	<b>9,079,105</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,804</b>	<b>(110,489)</b>
<b>Cash and cash equivalents at beginning of the year</b>	11	<b>824,230</b>	<b>934,719</b>
<b>Cash and cash equivalents at end of the year</b>	11	<b>847,034</b>	<b>824,230</b>

The accompanying notes are an integral part of these accounts.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2023

As at 31 March 2023 and 31 March 2022	Share Capital	General Reserve	Pension Reserve	Other Reserve – Capital Grants for Investments	Fair Value	Total
	£	£	£	£	£	£
At 1 April 2022- restated	2	1,903,017	(4,134,000)	5,375,204	6,729,425	9,873,648
Net expenditure after taxation for the year		(12,011,567)	---	-	-	(12,011,567)
Net measurement gains recognised in retirement benefit scheme	-	1,228,000	6,902,000	-	-	8,130,000
Movement on fair value reserve		-	-	-	(63,290)	(63,290)
Grant in Aid from the Scottish Government	-	8,450,067	-	-	-	8,450,067
Transfer between reserves	-	2,945,595	-	(35,133)	(2,910,462)	-
<b>At 31 March 2023</b>	<b>2</b>	<b>2,515,112</b>	<b>2,768,000</b>	<b>5,340,071</b>	<b>3,755,673</b>	<b>14,378,858</b>
At 1 April 2021 - restated	2	3,051,958	(7,547,000)	5,410,903	6,998,203	7,914,066
Prior year adjustment		(1,201,455)	-	-	-	(1,201,455)
Revised balance as at 1 April 2021	2	1,850,503	(7,547,000)	5,410,903	6,998,203	6,712,611
Net expenditure after taxation for the year	-	(10,681,439)	-	-	-	(10,681,439)
Net measurement gains recognised in retirement benefit scheme	-	1,306,000	3,413,000	-	-	4,719,000
Movement on fair value reserve		-	-	-	(17,825)	(17,825)
Grant in Aid from the Scottish Government	-	9,141,301	-	-	-	9,141,301
Transfer between reserves	-	286,652	-	(35,699)	(250,953)	-
<b>At 31 March 2022 - restated</b>	<b>2</b>	<b>1,903,017</b>	<b>(4,134,000)</b>	<b>5,375,204</b>	<b>6,729,425</b>	<b>9,873,648</b>

The Other reserve – Capital Grants for Investments, is funding received pre 2015 from the Scottish Government to fund capital investments.

Pension reserve - moving to the FReM resulted in a review of our accounting treatments and we have now adopted the approach used by other public sector bodies where the Scottish Government underwrite the pension liability fully, in that any accrued/deferred income in respect of pension liabilities or assets is now shown in a pension reserve.

The general reserve comprises the cumulative profits of the group.

The accompanying notes are an integral part of these accounts.



**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**COMPANY STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2023**

<b>As at 31 March 2023</b>	<b>Share Capital</b>	<b>General Reserve</b>	<b>Pension Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2022	2	244,926	(4,134,000)	(3,889,072)
Net expenditure after taxation for the year	-	(9,990,864)	-	(9,990,864)
Net measurement gains recognised in retirement benefit scheme	-	1,228,000	6,902,000	8,130,000
Grant in Aid from the Scottish Government	-	8,450,067	-	8,450,067
At 31 March 2023	2	(67,871)	2,768,000	2,700,131

<b>As at 31 March 2022</b>	<b>Share Capital</b>	<b>General Reserve</b>	<b>Pension Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2021 - restated	2	568,081	(7,547,000)	(6,978,917)
Net expenditure after taxation for the year	-	(10,770,456)	-	(10,770,456)
Net measurement gains recognised in retirement benefit scheme	-	1,306,000	3,413,000	4,719,000
Grant in Aid from the Scottish Government	-	9,141,301	-	9,141,301
At 31 March 2022 - restated	2	244,926	(4,134,000)	(3,889,072)

The general reserve comprises the cumulative profits of the company.

Pension reserve - moving to the FReM resulted in a review of our accounting treatments and we have now adopted the approach used by other public sector bodies where the Scottish Government underwrite the pension liability fully, in that any accrued income in respect of pension liabilities is now shown in a pension reserve.

The accompanying notes are an integral part of these accounts.

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

## **Section 5. NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023**

### **1. Statement of Accounting Policies**

The Group Annual Report and Accounts of Scottish Futures Trust Limited which include Scottish Futures Trust Investments Limited have been prepared in accordance with the Financial Reporting Manual (FRoM) issued by HM Treasury and the Companies Act 2006 applicable to entities reporting under International Accounting Standards and International Financial Reporting Standards and IFRIC interpretations. The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate for the public sector.

Where the FRoM permits a choice of accounting policy, the accounting policy that has been judged to be the most appropriate to the circumstances of Scottish Futures Trust Limited, for the purpose of giving a true and fair value has been chosen.

The Annual Report and Accounts 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 Thistle House, Fourth Floor, 91 Haymarket Terrace, Edinburgh EH12 5HE.

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, equity investments and subordinated debt investments), current valuations of non-current assets.

Inter-group transactions and balances between Group companies are eliminated. Accounting policies of the Group including Scottish Futures Trust (the parent company) are consistent and follow the FRoM. The accounts of the 100% subsidiary (Scottish Futures Trust Investments Limited) are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards and IFRIC interpretations.

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

#### **Restatement of prior year**

Moving to the FRoM with effect from 1 April 2022 resulted in any deferred income being transferred to the general reserve within SFT and is summarised below:

#### Statement of Financial Position

	<b>Restated Group 2022</b>	<b>Restated Company 2022</b>	<b>Audited Group 2022</b>	<b>Audited Company 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred income	-	-	244,926	244,926
General reserve	3,022,001	244,926	2,777,075	-

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

Moving to the FReM resulted in a review of our accounting treatments and we have adopted the approach used by other public sector bodies where the Scottish Government underwrite the pension liability fully, in that any accrued income in respect of pension liabilities is now shown in a pension reserve, as summarised below:

### Statement of Financial Position

	Restated Group	Restated Company	Audited Group	Audited Company
	2022	2022	2022	2022
	£	£	£	£
Accrued income in respect of pension liabilities	-	-	4,134,000	4,134,000
Pension reserve	(4,134,000)	(4,134,000)	-	-

Subordinated debt was held at amortised cost in prior years, but on a further review of guidance contained within IFRS 9 and the terms of the subordinated debt instruments entered into, we consider the subordinated debt to be a contractually linked instrument which does not meet all of the SPPI (solely payments of principal and interest) cashflow characteristic tests, and it is therefore deemed appropriate that these instruments are held at fair value through profit or loss. Subordinated debt investments are recognised in the Statement of Financial Position at fair value, with movements in fair value recognised through the operating profit/loss in the Statement of Comprehensive Income. The prior year investment balance and fair value movements have therefore been restated.

In prior years, dividend cash flows relating to equity were discounted at 11% which approximated to the Blended Equity IRR of the DBFM projects. Following the change to the subordinated debt valuation methodology it was agreed to apply the same discount rate to the equity investments in respect of the fair value of these investments (8.5% for 2023 and 7% for 2022). This has resulted in a loss through the operating profit in the year of £63k (2022: restated £18k loss).

### Statement of Financial Position and Statement of Changes in Equity:

	Restated Group	Audited Group
	2022	2022
	£	£
<b>Investments</b>		
Investments – opening balance	22,841,784	16,446,491
Investments – closing balance	22,539,353	16,446,509
<b>Equity</b>		
Fair value reserve – opening balance	6,998,203	602,910
Fair value reserve – closing balance	6,729,425	636,581

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

The restated opening balance on investments has increased by £6,395,293 compared to the 2022 audited accounts, part due to a change in discount rate for equity investments (£591,337) and part due to the change in valuation methodology from amortised cost to fair value for subordinated debt (£5,803,956).

The restated closing balance reflects the movement in the Statement of Comprehensive Income (see table below) and principal repayments of £72,407. The LLPs are held at amortised cost of £19.

### Statement of Comprehensive Income:

	Restated Group	Audited Group
	2022	2022
<b>Operating income/expenditure</b>	<b>£</b>	<b>£</b>
Loss on fair value of sub debt investments	(250,954)	-
<b>Other Comprehensive income</b>		
(Loss)/Gain on fair value of equity investments	(17,825)	33,671

The restated loss on fair value of subordinated debt investments has increased by £250,954 compared to the 2022 audited accounts due to the change in valuation methodology from amortised cost to fair value.

The restated gain on fair value of share capital (equity investments) has reduced by £51,496 compared to the 2022 audited accounts due to a change in discount rate.

The revaluation of subordinated debt from amortised cost to fair value under IFRS 9 has also resulted in a deferred tax liability of £1,014,674 and underpaid corporation tax of £186,781 as at 1 April 2022 (see note 7). This combined with additional underpaid corporation tax of £62,483 for the year ended 31 March 2022 has increased the current tax liabilities as at 31 March 2022 to £491,666 while the deferred tax provision has been reduced by £144,954 for short term timing differences in the year to 31 March 2022. The deferred tax liability has arisen due to HMRC allowing tax to be spread over 10 years from the introduction of IFRS 9 (2019). The restatement of the financial statements for the prior year is summarised below:

### Statement of Financial Position

	Restated Group	Audited Group
	2022	2022
<b>Current liabilities</b>	<b>£</b>	<b>£</b>
Current tax liabilities	491,666	242,402
<b>Non-current liabilities</b>		
Deferred taxation provision	869,720	-
<b>Equity</b>		
General reserve	1,658,091	2,777,075

## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS**

### **Going Concern**

On the basis of the information available to them, the directors have a more than 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 subordinated 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 Annual Report and Accounts.

### **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.

### **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 and subordinated debt investments are investments by SFTi in hub companies, DBFM SPV companies and limited liability partnerships. Subordinated debt investments are investments by SFTi in subordinated debt loans to DBFM SPV companies. An irrevocable election has been made to recognise the fair value movements on equity investments through Other Comprehensive Income. Fair value movements on subordinated debt investments are recognised through the Statement of Comprehensive Income (SOCi) within operating expenditure. Investments in working capital loans and equity in hub companies and limited liability partnerships are held at amortised cost. SFTi has no intention of disposing of these investments.

#### **Impairment**

The Company reviews its working capital loans to hub West and hub South West for impairment. Analysis is undertaken on expected future hub company cash flows, with a downside sensitivity scenario being applied to calculate the expected credit loss allowance.

#### **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.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 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.

### Revenue

The Group receives funding from the Scottish Government. The funding that covers the revenue expenditure of the Group is recognised once received and is shown in the Statement of Changes in Taxpayers' Equity (SOCTE). The funding received which is either invested in infrastructure projects or distributed to third parties for capital projects is disclosed as capital grant income and also recognised once received and is shown in the Statement of Changes in Taxpayers' Equity (SOCTE).

The Group recognises other 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, SFT will return the funds via a distribution to the Scottish Government.

### Repayable grants

The Scottish Government provides repayable grants to SFT who in turn grants these onto SFTi to fund investments, mainly sub-debt in project companies. These repayable grants are held at cost with repayment to the Scottish Government via SFT occurring as capital repayments are received from the investment. The amount expected to be repaid within 12 months is included in current liabilities with the balance in non-current liabilities.

### 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.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 Net Expenditure (SOCNE) during the financial period in which they are incurred.

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

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

Office equipment - over 3 years

Furniture and fixtures - over 5 years

Right of use asset – 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.

### **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 Net Expenditure 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 Net Expenditure so as to spread the cost over the service lives of the current employees.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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.

Scottish Ministers have underwritten in full 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 Annual Report and Accounts via a pension reserve in the equity section in the statement of financial position.

### Taxation

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

### Dividends

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

### Share capital

Ordinary shares are classified as equity.

## 2. New and amended standards adopted by the Group

IFRS 17 implementation will now be effective from 1 January 2023. The previous IASB implementation date was 1 January 2022.

HM Treasury are consulting on the public sector interpretation of this Standard for FReM bodies. It expects implementation to be from 2025-26, with early adoption allowed in select cases. At present this standard has no expected impact on SFT.

## 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 that has been EU or UK Endorsed which we consider will have a material effect on the financial statements of the 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 Annual Report and Accounts of SFT.

## 4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Annual Report and Accounts 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.



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 pension scheme

The Company has a defined benefit pension scheme for its employees. The IAS 19 accounting standard imposes a limit on the maximum amount of surplus (net asset) which can be recognised on the employers statement of financial position. An asset ceiling calculation has been carried out to calculate the maximum amount of surplus which can be recognised. The International Financial Reporting Interpretations Committee (IFRIC) which is a committee of the International Accounting Standards Board (IASB) provides further guidance on standards. IFRIC 14 specifically provides guidance on the net asset ceiling. This calculation has been performed assuming that SFT as the employer will participate in the LGPS in perpetuity, and that the present value of the liability expected to arise from next years' service by scheme members less the present value of future employee contributions is equal to the projected current service cost multiplied by the projected payroll (note 14). The IAS 19 Results schedule for SFT is set out in note 15.

### Fair value of investments

SFTi holds equity and subordinated debt 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 13, the income valuation approach is used to value these investments. Under this approach, future subordinated debt and equity investment cashflows are discounted to a fair value which reflects current market expectations. Therefore the value of the investments increase or decrease each year and related gains or losses are recognised in line with market movements.

Under IFRS 13, financial instruments are categorised within the fair value hierarchy between:

- Level 1 where quoted market prices from an active market are available;
- Level 2 where the valuation incorporates inputs that are observable from transactions in an active market; and
- Level 3 where the valuation incorporates inputs that are not based on observable market data (unobservable inputs).

As SFTi has not sold any of the investments in the year and there are not any quoted market prices for the sale of hub DBFM assets, the fair value calculations are classed as level 3 within the fair value hierarchy.

### Subordinated debt:

Subordinated debt investments are recognised in the Statement of Financial Position at fair value with movements in fair value recognised through the operating profit/loss in the Statement of Comprehensive Income

As the fair value of the investments is calculated by discounting future subordinated debt cashflows from the investments. The main drivers of the valuations are therefore:

- i) Expected future cashflows from investments; and
- ii) The discount rate applied to the cashflows.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

i) Expected future cashflows are taken from operating models provided by the SPVs which indicate the latest profile of forecast investment cashflows. There is a degree of uncertainty in terms of the amount and timing of cashflows as the underlying investments are exposed to risks in some macro-economic changes, for example tax rates, and in relation to deductions that may be incurred for underperformance. The cashflows are updated by the SPVs for actual figures periodically and are reviewed by senior debt providers and as such, provide the most reliable estimate of future cashflows. SFT also appoints a Director to each of these companies providing reassurance regarding the reasonableness of the cash flow forecasts.

ii) As SFTi has not sold any of the investments in the year and there are not any quoted market prices for the sale of hub DBFM assets, judgement has to be applied to determine an appropriate discount rate. The fair value of the cashflows is measured at the reporting date by discounting the future value of the cashflows. A discount rate of 8.5% (2022: restated 7%) has been used, which reflects an assessment of the risk profile of the various concessions and current market conditions. This has resulted in a loss through the operating profit in the year of £2.9m (2022: restated £251k loss). A 1% increase in the discount rate would result in a decrease in the value of the subordinated debt investments of approximately £1.5m (2022: £1.9m). A 1% decrease in the discount rate would result in an increase in the value of the subordinated debt investments of approximately £1.7m (2022: £2.2m).

### **Equity:**

On transition to IFRS 9, an irrevocable election was taken to recognise the equity investments at fair value through other comprehensive income. Gains/losses are recognised through Other Comprehensive Income and the Fair value reserve.

In prior years, dividend cash flows relating to equity were discounted at 11% which approximated to the Blended Equity IRR of the DBFM projects. It is now deemed appropriate, with the change to the subordinated debt valuation methodology to apply the same 'market' discount rate to the equity investments in respect of the fair value of these investments (8.5% for 2023 and 7% for 2022). This has resulted in a loss through other comprehensive income in the year of £63k (2022: restated £18k loss). A 1% increase in the discount rate would result in a decrease in the value of equity investments of approximately £144k (2022: £176k). A 1% decrease in the discount rate would result in an increase in the value of equity investments of approximately £173k (2022: £213k).

Equity held in the hub companies and housing LLPs are still held at cost as these investments do not generate a financial return for SFTi.

### **Expected Credit Loss**

SFTi holds working capital loans in hubcos. The working capital loans provided to hubCos are held at cost and reviewed annually to establish if an expected credit loss is required. This analysis is based on an evaluation of the hubCo business and the likelihood of a default on part of the working capital loan based upon a range of scenarios. As at 31 March 2023 a provision of £7k (2022: £11k) was required.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 5. Operating Expenditure

			Restated	
	Group	Company	Group	Company
	2023	2023	2022	2022
	£	£	£	£
Operating Expenditure				
Auditor's remuneration – SFT audit fee	42,900	42,900	21,830	21,830
– SFTi audit fee	90,000	90,000	7,277	7,277
Operating leases in respect of land and buildings	20,343	20,343	55,119	55,119
Corporate Professional fees	626,341	626,341	520,640	520,640
Recruitment fees	77,534	77,534	83,767	83,767
Advisory fees	1,216,054	1,216,054	1,473,535	1,473,535
Digital Connectivity Infrastructure				
Accelerator (DCIA) costs	382,883	382,883	32,369	32,369
The 5G Centre costs	-	-	331,824	331,824
Public Interest Director payroll costs	110,118	110,118	6,250	6,250
Grants made	179,998	179,998	297,826	297,826
Office running costs	109,679	109,679	186,897	186,897
IT services	122,192	122,192	135,971	135,971
IT software	107,152	107,152	90,073	90,073
IT hardware	83,010	83,010	108,425	108,425
Marketing	97,861	97,861	78,764	78,764
Travel and subsistence	40,623	40,623	12,377	12,377
Other operating costs	93,311	93,266	93,367	93,323
<b>Total operating expenditure</b>	<b>3,399,999</b>	<b>3,399,954</b>	<b>3,536,311</b>	<b>3,536,267</b>
Management expenditure				
Management expenditure on staff costs (note 5a)	8,329,433	8,329,433	8,925,531	8,925,531
<b>Total net management expenditure on staff costs</b>	<b>8,329,433</b>	<b>8,329,433</b>	<b>8,925,531</b>	<b>8,925,531</b>
Other management expenditure				
Depreciation - right of use asset	114,832	114,832	120,691	120,691
Expected credit loss provision	(4,026)	-	1,245	-
Loss on fair value of sub debt investments	2,910,462	-	250,954	-
<b>Total other management expenditure</b>	<b>3,021,268</b>	<b>114,832</b>	<b>372,890</b>	<b>120,691</b>
<b>Total expenditure</b>	<b>14,750,700</b>	<b>11,844,219</b>	<b>12,834,732</b>	<b>12,582,489</b>

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 5a. Management expenditure on staff costs

The average number of full time equivalent employees employed in the year was 67 (2021/22: 71) broken down as 5 (2021/22: 6) Leadership Team, 49 (2021/22: 51) programme delivery, and 13 (2021/22: 14) corporate services and business support.

	<b>Group and Company</b>	<b>Group and Company</b>
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,472,169	5,804,572
National Insurance	690,529	699,723
Pension costs (including IAS 19 charge)	2,000,412	2,239,187
Non-executive director fees	35,100	36,400
Agency, seconded & interim staff	131,223	145,649
	<u>8,329,433</u>	<u>8,925,531</u>
Net management expenditure on staff costs	<u>8,329,433</u>	<u>8,925,531</u>

Pension costs included an additional contribution of £nil (2022: £200,000). Also included in pension costs is £1,100,000 (2022: £1,140,000) in respect of the IAS 19 pension movement (note 15).

The emoluments of the key management personnel, comprising directors and leadership team was £972,615 (2022: £1,176,429).

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 6. Income

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Income from activities				
Secondment charges	-	-	43,957	43,957
UK Government grant - DCIA income	436,484	436,484	32,369	32,369
The 5G Centre funding	-	-	331,824	331,824
Public Interest Director fee income	-	-	135,148	135,148
Recharge of Public Interest Director payroll	110,118	110,118	6,250	6,250
Other income	44,132	44,132	64,377	64,377
	<u>590,734</u>	<u>590,734</u>	<u>613,925</u>	<u>613,925</u>
Other income				
Management fee due from SFTi	-	629,621	-	550,108
	<u>-</u>	<u>629,621</u>	<u>-</u>	<u>550,108</u>
Income from investments				
Inter-company dividend	-	761,000	-	814,000
Interest received on sub-debt investment	1,789,284	-	1,808,854	-
Working capital loan interest	2,437	-	2,687	-
Project Dividend income	35,200	-	38,073	-
Bank interest	1,132	-	20	-
Other income	16,670	-	15,638	-
	<u>1,844,723</u>	<u>761,000</u>	<u>1,865,272</u>	<u>814,000</u>
<b>Total income</b>	<u>2,435,457</u>	<u>1,981,355</u>	<u>2,479,197</u>	<u>1,978,033</u>

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 and recognises that the Scottish Government underwrite in full Scottish Futures Trust Limited's participation in its pension scheme (note 15).

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

In 2022/23, dividend income was provided by SFT's subsidiary to fund wider group infrastructure activities.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 7. 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 plus other income exceeding the operating costs.

	<b>2023</b>	<b>Restated 2022</b>
<b>Group</b>	<b>£</b>	<b>£</b>
(Loss)/profit for the year before taxation for SFTi	(1,691,379)	1,062,921
Less: dividends not subject to tax	(35,200)	(38,073)
	<u>(1,726,579)</u>	<u>1,024,848</u>
Taxable profit	<u>(1,726,579)</u>	<u>1,024,848</u>
Corporation tax credit @ 19% (2021/22 charge: @ 19%)	(328,050)	194,721
Overprovision in previous year	(31)	(28)
Short term timing differences	(103,595)	(34,789)
	<u>(431,676)</u>	<u>159,904</u>
Corporation tax (credit)/charge in statement of comprehensive net expenditure	<u>(431,676)</u>	<u>159,904</u>
Corporation tax creditor	-	242,402
Under provision in 2022	62,483	62,483
Under provision in prior years	186,781	186,781
	<u>249,264</u>	<u>491,666</u>
Deferred tax provision		
Balance as at 1 April (using future tax rate of 25%)	869,720	1,014,674
Short term timing differences	(431,645)	(144,954)
	<u>438,075</u>	<u>869,720</u>

Reconciliation of tax (credit)/charge is made up as follows:

	<b>2023</b>	<b>Restated 2022</b>
	<b>£</b>	<b>£</b>
Over provision in previous year	(31)	(28)
Current tax charge for the year	-	304,886
Movement in deferred tax relating to IFRS9 charges		(144,954)
Deferred tax on unutilised tax losses arising	(144,954)	-
	<u>(286,691)</u>	<u>159,904</u>
	<u>(431,676)</u>	<u>159,904</u>

#### Company

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

**SCOTTISH FUTURES TRUST LIMITED**  
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**8. Right of use asset – Group and Company**

	<b>Office premises</b>	<b>Office premises</b>
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 April	574,161	530,219
Additions	-	43,942
Disposals/exercise of lease break	(208,329)	-
	<u>365,832</u>	<u>574,161</u>
At 31 March	<u>365,832</u>	<u>574,161</u>
<b>Depreciation</b>		
At 1 April	191,387	70,696
Charge for the year	114,832	120,691
Released on disposal	-	-
	<u>306,219</u>	<u>191,387</u>
At 31 March	<u>306,219</u>	<u>191,387</u>
<b>Net book value</b>		
At 31 March	<u>59,613</u>	<u>382,774</u>

SFT exercised a lease break in January 2023 to vacate First Floor, 11-15 Thistle Street, Edinburgh, EH2 1DF by 1 August 2023 which was extended to 31 October 2023 (see note 12 also).

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 9. 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 & housing LLP share capital	hub Co working capital	Subordinated debt (note 9a)	Total
	£	£	£	£
<b>Cost and Net book value</b>				
At 1 April 2022 - restated	1,177,345	126,562	21,235,446	22,539,353
Additions	-	-	-	-
Disposals	-	-	-	-
Transferred from current assets (note 10b)	-	(10,000)	-	(10,000)
Interest capitalised	-	-	-	-
Principal repaid in the year	-	-	(158,385)	(158,385)
Loss on fair value revaluation	-	-	(2,910,462)	(2,973,752)
Movement on expected credit loss provision	-	4,026	-	4,026
At 31 March 2023	1,114,055	120,588	18,166,599	19,401,242

#### Share capital

During the year SFTi invested £nil (2021/22: £nil) in housing partnership LLPs and £nil (2021/22: £nil) in share capital of SPVs in connection with sub debt investments. No Housing LLPs were disposed of during 2022/23 (2021/22: three).

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 and sub debt investments are held at fair value.

#### 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, initially to 16 November 2018, and then to 15 November 2021. The loan commitment has been reduced by 50% to £50,000 with a new expiry date of 30 November 2024 on which date the full amount of the working capital facility shall be due and payable. All providers of working capital loans agreed to extend these facilities (at a 50% reduced commitment) 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



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

sums. Interest is accrued-semi-annually (on 31 December and 30 June) and added to the loan. An expected credit loss provision of £3,000 was recognised in the year to 31 March 2022 in relation to the working capital loan of hub South West Scotland. SFTi does not expect hub South West Scotland Limited to access the Working Capital Loan facility before expiry in November 2024 and the facility can be repaid therefore no expected credit loss is calculated and the previous expected credit loss provision can be removed in the year ended 31 March 2023. The sum of £50,000 plus interest accrued to date was received in May 2022, in part repayment of the original loan of £100,000 and in line with the reduced loan commitment. This loan principal to be repaid has been treated as an Investment current asset in the year ended 31 March 2022 with interest receivable recognised within current debtors (see note 10b.), whereas the remaining £50,000 has been taken to non-current assets.

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, initially to 31 December 2018, then to 31 March 2022 and to 31 March 2028. The most recent extension incorporated annual repayments of £10,000 to be made on 31<sup>st</sup> March each year (commencing 31<sup>st</sup> March 2022), with the remaining sums due being repaid in full on 31 March 2028. 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 annually on 31 March. The general credit loss provision was reduced to £7,926 as at 31 March 2022 and has been further reduced to £6,900 as at 31 March 2023. £10,000 of the remaining working capital loan is to be repaid by 31 March 2024 and this amount has been treated as a current asset in the year ended 31 March 2023 (see note 10b).

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

### 9a. Investments – Subordinated debt (Group)

During 2022/23, SFTi invested £nil (2021/22: £nil) as subordinated debt.

Further information on SFTi's investment in the subordinated debt of hub projects, can be found in the tables below. More detailed information on the principal invested, the coupon and the redemption dates can be found in the SFTi Annual Report and Accounts.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### Summary totals by hub territory

Investment In:		Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub North territory total		2023: £4,526,159 2022: £4,526,159	2023: £5,354,035 2022: £6,324,474	2023: £123,736 2022: £167,845	2023: £1,109,721 2022: £1,103,569	2023: £573,097 2022: £571,206	2023: £19,107 2022: £19,932
hub South East territory total		2023: £3,827,351 2022: £3,827,351	2023: £4,617,283 2022: £5,399,513	2023: £208,634 2022: £247,349	2023: £769,558 2022: £798,391	2023: £463,907 2022: £466,997	2023: £Nil 2022: £Nil
hub South West territory total		2023: £2,753,922 2022: £2,783,484	2023: £3,245,636 2022: £3,730,246	2023: £231,878 2022: £282,051	2023: £144,216 2022: £145,745	2023: £289,565 2022: £292,583	2023: £8,193 2022: £16,384
hub West territory total		2023: £1,453,202 2022: £1,453,202	2023: £1,567,461 2022: £1,846,429	2023: £229,019 2022: £292,244	2023: £275,019 2022: £357,110	2023: £159,920 2022: £167,122	2023: £Nil 2022: £1,757
hub East Central territory total		2023: £2,963,427 2022: £3,092,250	2023: £3,382,184 2022: £3,934,784	2023: £320,788 2022: £187,856	2023: £176,792 2022: £154,148	2023: £302,795 2022: £310,336	2023: £7,900 2022: £Nil
<b>Grand total sub-ordinated debt</b>		<b>2023:</b> <b>£15,524,061</b> <b>2022:</b> <b>£15,682,446</b>	<b>2023:</b> <b>£18,166,599</b> <b>2022:</b> <b>£21,235,446</b>	<b>2023:</b> <b>£1,114,055</b> <b>2022:</b> <b>£1,177,345</b>	<b>2023:</b> <b>£2,475,306</b> <b>2022:</b> <b>£2,558,963</b>	<b>2023:</b> <b>£1,789,284</b> <b>2022:</b> <b>£1,808,854</b>	<b>2023:</b> <b>£35,200</b> <b>2022:</b> <b>£38,073</b>

The most significant risk to the Company is investment performance. Investments are performing according to their base cases and making returns as anticipated, however, at the year-end one project forecast that it will be unable to repay its subordinated loan notes in full by their expiry date. This is due to the impact of the recent increase in inflation and corporation tax rates. The Board took a view that this was not material enough to make an impairment adjustment. The Board will continue to monitor the impact of macroeconomic changes on the portfolio.

### 9b. Investments in subsidiary – Company

	Investment in Subsidiary
	£
<b>Cost and Net book value</b>	
At 31 March 2022 and 31 March 2023	1

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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

<b>Nature of business</b>	To hold investments in infrastructure companies, assets and projects across Scotland		
<b>Class of Share Holding</b>	<b>Ordinary 100%</b>	<b>2023 £</b>	<b>Restated 2022 £</b>
Aggregate capital and reserves		22,353,436	24,499,707
(Loss)/profit for the year		(1,259,703)	903,017
Total comprehensive income for the year		(1,322,993)	885,192

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 10. Trade and other receivables

	Group 2023	Company 2023	Group 2022	Restated Company 2022
	£	£	£	£
<b>Due in more than 1 year</b>				
Accrued income from sub-ordinated debt investments and working capital loans	1,679,747	-	1,763,779	-
<b>Due in less than 1 year</b>				
Other receivables	242,279	239,990	131,155	128,976
Prepayments and accrued income	874,350	78,791	911,809	109,312
VAT debtor	-	-	17,808	17,808
Amounts due from subsidiary – SFTi	-	-	-	550,120
	<u>1,116,629</u>	<u>318,781</u>	<u>1,060,772</u>	<u>806,216</u>

### 10a. Investment in subsidiary

	Company 2023	Restated Company 2022
	£	£
At beginning of the year	10,736,986	10,799,182
(Decrease) in the year	(62,278)	(62,196)
At 31 March	<u>10,674,708</u>	<u>10,736,986</u>

SFT made a repayable grant of £nil (2022: £nil) to SFTi during the year. £nil (2022 £nil) was used to invest in subordinated debt in the year.

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**10b. Investments (current assets) - Group**

	<b>2023</b>	<b>2022</b>
	£	£
<b>Working Capital Loans</b>		
<b>Cost and Net book value</b>		
At 1 April 2022	60,000	110,000
Repaid in the year	(60,000)	(10,000)
Transferred from non-current assets (note 9)	10,000	40,000
	<u>10,000</u>	<u>60,000</u>
At 31 March 2023	<u>10,000</u>	<u>60,000</u>

**11. Cash and cash equivalents**

	<b>Group 2023</b>	<b>Company 2023</b>	<b>Group 2022</b>	<b>Company 2022</b>
	£	£	£	£
Cash at bank	1,999,053	846,715	2,067,894	824,108
Cash on hand	319	319	122	122
	<u>1,999,372</u>	<u>847,034</u>	<u>2,068,016</u>	<u>824,230</u>

**12. Trade and other payables**

	<b>Group 2023</b>	<b>Company 2023</b>	<b>Group 2022</b>	<b>Company 2022</b>
	£	£	£	£
Other payables (operational expenditure)	779,349	779,349	901,285	901,285
Other taxes and social security	196,118	195,737	199,467	199,105
Other creditors and accruals	470,832	470,813	550,511	550,492
Repayable grants due to the Scottish Government (note 13)	50,036	50,036	62,278	62,278
	<u>1,496,335</u>	<u>1,495,935</u>	<u>1,713,541</u>	<u>1,713,160</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
< 1 year	61,683	122,841
1-2 years	-	123,963
2-5 years	-	146,049
	<hr/>	<hr/>
At 31 March 2023	61,683	392,853
	<hr/> <hr/>	<hr/> <hr/>
Disclosed as		
Current liabilities	61,683	122,841
Non-current liabilities	-	270,012
	<hr/>	<hr/>
	61,683	392,853
	<hr/> <hr/>	<hr/> <hr/>

### 13. Repayable grant due to the Scottish Government

	<b>Group 2023</b>	<b>Company 2023</b>	<b>Group 2022</b>	<b>Company 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of the year	10,584,385	10,584,385	10,646,581	10,646,581
Increase in the period			-	-
Repaid in the period	(62,278)	(62,278)	(62,196)	(62,196)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2023	10,522,107	10,522,107	10,584,385	10,584,385
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
< 1 year	50,036	62,278
1-2 years	69,098	50,036
2-5 Years	235,491	233,973
> 5 years	10,167,482	10,238,098
	<hr/>	<hr/>
At 31 March 2023	10,522,107	10,584,385
	<hr/> <hr/>	<hr/> <hr/>
Disclosed as		
Current assets	50,036	62,278
Non-current assets	10,472,071	10,522,107
	<hr/>	<hr/>
	10,522,107	10,584,385
	<hr/> <hr/>	<hr/> <hr/>

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### 14. Pension Asset – Group and Company

Accrued income/deferred income relating to funding received from Scottish Government in the accounting periods prior to the year ended 31 March 2023 which was not matched with the corresponding expenditure within the Annual Report and Accounts have been transferred to the general reserve (note 16) with effect from 1 April 2022.

A pension asset can be recognised under accounting guidelines, where it is likely that SFT will benefit from the asset position through reduced contributions and or a reimbursement from the Pension Fund.

The IAS 19 accounting standard imposes a limit on the maximum amount of surplus (net asset) which can be recognised on the employers statement of financial position. An asset ceiling calculation has been carried out to calculate the maximum amount of surplus which can be recognised.

	2023	2022
	£	£
<b>Non-current asset</b>		
Pension asset	2,768,000	-

### 15 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 Net Expenditure, 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 group Annual Report and Accounts include the results of the IAS 19 valuation carried out, by Hymans Robertson, as at 31 March 2023 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:

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

As at 31 March 2023, 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 (2022: 25) years and thus, a long-term discount rate has been applied. The main assumptions used are:

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

	31 Mar 2023	31 Mar 2022
	% p.a.	% p.a.
Inflation / Pension Increase Rate	2.95%	3.15%
Salary Increase Rate	3.45%	3.65%
Discount Rate	4.75%	2.75%

### Mortality

Life expectancy is based on the Funds Vita Curves, with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data assuming current rates of improvement have peaked and will converge to a long term rate of 1.5% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.9 years	22.9 years
Future pensioners	21.2 years	24.7 years

	31 March 2023
	Assets £ 000
Equities	15,625
Bonds, Debt securities and Funds	9,297
Property	1,283
Cash	1,299
<b>Total Market Value of Assets</b>	<b>27,504</b>
<b>Present Value of Scheme of Liabilities</b>	<b>20,261</b>
<b>Net Pension Asset</b>	<b>7,243</b>

As mentioned in note 14 the IAS 19 accounting standard imposes a limit on the maximum amount of surplus (net asset) which can be recognised on the employers statement of financial position. An asset ceiling calculation has been carried out to calculate the maximum amount of surplus which can be recognised. Therefore the amount recognised in the Statement of Financial Position is £2,768,000 and not the £7,243,000 shown above.



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	<b>31 March 2022</b>
	<b>Assets</b>
	<b>£ 000</b>
Equities	14,516
Bonds, Debt securities and Funds	7,031
Property	1,372
Cash	2,902
	<hr/>
Total Market Value of Assets	<b>25,821</b>
	<hr/>
Present Value of Scheme of Liabilities	<b>(29,955)</b>
	<hr/>
Net Pension Liability	<b>(4,134)</b>
	<hr/> <hr/>

**Recognition in the Income Statement:**

	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>£ (000)</b>	<b>% of Pay</b>	<b>£ (000)</b>	<b>% of Pay</b>
Current service cost	(2,000)	36.5%	(2,239)	38.6%
Past service costs			-	-
Net interest charge	(128)	2.3%	(166)	
Contributions paid in year per IAS 19 valuation	900	16.4%	1,099	18.9%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total (charge) included in the Statement of Comprehensive Net Expenditure</b>	<b>(1,228)</b>	<b>22.4%</b>	<b>(1,306)</b>	<b>22.5%</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The IAS 19 pension charge (above) is included within salaries and associated costs in note 5 of the Annual Report and Accounts. The employer's contribution rate approximates to 20% and the employee's contribution rate ranges from 5.5% to 10.8%.

**Analysis of the amount recognised in other comprehensive net expenditure**

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£ (000)</b>	<b>£ (000)</b>
Actual return less expected return on pension scheme assets	(151)	1,995
Changes in financial assumptions and other experience underlying the present value of scheme liabilities	12,756	2,724
	<hr/>	<hr/>
Actuarial gain/(loss)	<b>12,605</b>	<b>4,719</b>
	<hr/>	<hr/>

**SCOTTISH FUTURES TRUST LIMITED**  
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**Recognition of defined benefit obligations:**

<b>Year Ended</b>	<b>31 March 2023</b>	<b>31 March 2022</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Defined Benefit Obligations</b>	<b>29,955</b>	<b>29,577</b>	<b>21,435</b>	<b>21,322</b>
Current Service Cost	2,000	2,239	1,529	1,788
Interest Cost	853	631	512	571
Contributions by Members	408	417	405	408
Actuarial (Gains)/Losses	(12,756)	(2,724)	5,922	(2,622)
Past Service Costs/(Gains)		-	-	119
Estimated benefits paid	(199)	(185)		(151)
			(226)	
<b>Closing Defined Benefit Obligations</b>	<b>20,261</b>	<b>29,955</b>	<b>29,577</b>	<b>21,435</b>

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

<b>Year Ended</b>	<b>31 March 2023</b>	<b>31 March 2022</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>25,821</b>	<b>22,030</b>	<b>18,054</b>	<b>17,455</b>
Expected Return on Assets	725	465	427	451
Contributions by Members	408	417	405	408
Contribution by Employer	900	1,099	891	1,097
Actuarial Gains/(Losses)	(151)	1,995	2,479	(1,206)
Estimated Benefits Paid	(199)	(185)	(226)	(151)
<b>Closing Fair Value of Employer Assets</b>	<b>27,504</b>	<b>25,821</b>	<b>22,030</b>	<b>18,054</b>
<b>Closing Asset / (Liability)</b>	<b>7,243</b>	<b>(4,134)</b>	<b>(7,547)</b>	<b>(3,381)</b>

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

Projected IAS 19 charge to be charged to the Statement of Comprehensive Net Expenditure for the year ended 31 March 2024:

	31 March 2024	
	£ (000)	% of pay
Projected Current Service Cost	(936)	(20.2%)
Interest on Obligation	(989)	(21.3%)
Interest on Plan Assets	1,332	28.7%
	<b>(593)</b>	
Estimated Employer's contribution for the year ended 31 March 2024	900	
	<b>307</b>	

### Sensitivity analysis:

Sensitivities at 31 March 2023	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	484
0.1% increase in the Salary Increase Rate	0%	51
0.1% increase in the Pension Increase Rate	2%	441
1 year increase in member life expectancy	4%	810

## 16. Share capital and reserves – Group and Company

	Group & Company 2023	Group & Company 2022
	£	£
<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 general reserve comprises the cumulative profits of the group.

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

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

Pension reserve - moving to the FReM resulted in a review of our accounting treatments and we have now adopted the approach used by other public sector bodies where the Scottish Government underwrite in full the pension liability, in that any accrued income in respect of pension liabilities is now shown in a pension reserve

Other reserve – Capital Grants for Investments represents grants received from Scottish Government prior to 2015 which were used to fund capital investments.

### 17. Related party transactions

#### Scottish Ministers

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

	2023	2022
	£	£
<b>Statement of Changes in Taxpayers' Equity</b>		
Revenue funding received from the Scottish Government	8,450,067	9,141,301
	<u>8,450,067</u>	<u>9,141,301</u>
	<u><u>8,450,067</u></u>	<u><u>9,141,301</u></u>

	2023	2022
	£	£
<b>Statement of Financial Position</b>		
Repayment of repayable grant	62,196	57,916
	<u>62,196</u>	<u>57,916</u>
	<u><u>62,196</u></u>	<u><u>57,916</u></u>

The figures below are reflected in the Annual Report and Accounts as follows:

	2023	2022
	£	£
<b>Statement of Financial Position</b>		
Accrued income in respect of the pension liability (note 14)	-	-
Repayable grants from the Scottish Government (note 13)	10,522,107	10,584,385
	<u>10,522,107</u>	<u>10,584,385</u>
	<u><u>10,522,107</u></u>	<u><u>10,584,385</u></u>

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 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 9a.

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:

	2023	Restated 2022
	£	£
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	4,617,283	5,399,513
Trade and other receivables – accrued interest income	769,558	798,391
Trade and other receivables – hub director fees	2,289	2,180
<b><u>Statement of Comprehensive Net Expenditure</u></b>		
Income from investments – hub director fees	3,814	3,633
Income from investments – Interest income	463,907	466,997

### 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 9a.

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:

	2023	Restated 2022
	£	£
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	5,354,035	6,324,474
Trade and other receivables – accrued interest income	1,109,721	1,103,569
<b><u>Statement of Comprehensive Net Expenditure</u></b>		
Income from investments – Interest income	573,097	571,206
Income from investments – dividend income	19,107	19,932

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 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 9a.

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:

	2023	Restated 2022
	£	£
<b>Statement of Financial Position</b>		
Financial assets – subordinated debt	3,382,184	3,934,784
Trade and other receivables – accrued interest income	176,792	154,148
<b>Statement of Comprehensive Net Expenditure</b>		
Income from investments – interest income	302,795	310,336
Income from investments – dividend income	7,900	-
	<u>                    </u>	<u>                    </u>

### 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 9a.

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:

	2023	Restated 2022
	£	£
<b>Statement of Financial Position</b>		
Financial assets – working capital loans	80,588*	89,562*
Financial assets – subordinated debt	1,567,461	1,846,429
Trade and other receivables – accrued interest income	275,019	357,110
<b>Statement of Comprehensive Net Expenditure</b>		
Income from investments – interest income (including working capital loan interest)	162,357	170,419
Income from investments – dividend income	-	1,757
	<u>                    </u>	<u>                    </u>

\*Includes £6,900 expected credit loss provision (2022: £7,926).

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### 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 9a.

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:

	2023	Restated 2022
	£	£
<b><u>Statement of Financial Position</u></b>		
Financial assets – working capital loans	50,000*	97,000*
Financial assets- subordinated debt	3,245,636	3,730,246
Trade and other receivables – accrued interest income	144,216	153,055
<b><u>Statement of Comprehensive Net Expenditure</u></b>		
Income from investments – hub director fees	12,856	12,005
Income from investments – interest income	289,565	292,583
Income from investments - dividends	8,193	16,384

\*Includes £nil expected credit loss provision (2022: £3,000).

### The Edinburgh Homes Delivery Partnership

The Edinburgh Homes Delivery Partnership is a collaboration 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 limited liability partnership or a right to a share of the net assets as SFTi is merely an investor of £1 in the share capital of them both. There were no financial transactions between SFTi and the Edinburgh Homes Delivery Partnership.

### The East Lothian Housing Delivery Partnership

The East Lothian Housing Delivery Partnership is a collaboration 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 limited liability partnership or a right to a share of the net assets as SFTi is merely an investor of £1 in the share capital. There were no financial transactions between SFTi and the East Lothian Homes Delivery Partnership.

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

### Hub Community Foundation

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

### Scottish Futures Trust Investments Limited

SFTi is a wholly owned subsidiary of SFT, and its sole activity is to act as an investment company. The Company has no employees or other operations. Investments made by SFTi are managed by its directors. SFT staff represent the directors on the boards of companies in which SFTi invests. SFTi pays SFT a management charge for providing this service. (see note 9b.)

## 18. 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 Assets & Liabilities

Financial assets held as current assets (represented by debtors) and financial liabilities held as current liabilities (represented by creditors) are carried on the Balance Sheet at amortised cost. Financial assets and liabilities held as investments are required to be calculated at fair value. The hierarchy has 3 levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability



## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

All assets and liabilities are measured at level 3 (other than those at amortised cost or cost). The fair value of equity investments is calculated based on a discount rate of 8.5% (2022: 7%), which reflects an assessment of the risk profile of the various concessions and current market conditions.

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 and sub debt investments in hub projects whose fair value is estimated to be £19,280,654 as at 31 March 2023 (£22,412,791 as at 31 March 2022), as disclosed in Note 9, compared to a historical cost of £15,524,976 (£15,683,361 as at 31 March 2022). A decrease in fair value of the subordinated debt of £2,910,462 can be seen in the Statement of Comprehensive Net Expenditure under other management expenditure and a further decrease in the fair value of the equity investments of £63,290 can be seen in the Statement of Comprehensive Net Expenditure under Other Comprehensive Net Expenditure.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The maximum exposure to credit risk at 31 March was:

	<b>Group 2023</b>	<b>Company 2023</b>	<b>Restated Group 2022</b>	<b>Restated Company 2022</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><i>Financial assets – investments</i></b>				
Fair value through other comprehensive net expenditure	1,114,055	-	1,177,345	-
Fair value through the profit and loss account	18,166,599	-	21,235,446	-
Amortised cost assets due within one year	10,000	-	60,000	-
<b><i>Financial assets</i></b>				
Accrued interest income due in more than one year	1,679,747	-	1,763,779	-
Accrued interest income due within one year	795,559	-	802,497	-
Other receivables	242,279		131,155	
Cash and cash equivalents	1,999,372	239,990	2,068,016	128,976
	<u>                    </u>	<u>847,034</u>	<u>                    </u>	<u>824,230</u>
	<u>24,007,611</u>	<u>                    </u>	<u>27,238,238</u>	<u>                    </u>
	<u>                    </u>	<u>1,087,024</u>	<u>                    </u>	<u>953,206</u>

## SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

The table below details the contractual maturities of financial liabilities.

	<b>Group 2023</b>	<b>Company 2023</b>	<b>Group 2022</b>	<b>Company 2022</b>
	<b>Held at cost</b>	<b>Held at cost</b>	<b>Held at cost</b>	<b>Held at cost</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other payables	779,349	779,349	901,285	901,285
Repayable grant due to Scottish Government due within one year	50,036	50,036	62,278	62,278
Lease liability due within one year	61,683	61,683	122,841	122,841
Lease liability due in more than one year	-	-	270,012	270,012
Repayable grant due to Scottish Government due in more than one year	10,472,071	10,472,071	10,522,107	10,522,107
	<u>11,363,139</u>	<u>11,363,139</u>	<u>11,878,523</u>	<u>11,878,523</u>

### 19. Post balance sheet event

As mentioned under note 8 SFT exited the lease for 11-15 Thistle Street in October 2023 and moved into publicly owned premises at Haymarket Terrace, Edinburgh.

### 20. Ultimate Controlling Party

The Company is wholly-owned by the Scottish Ministers.

### 21. Contingent asset

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

**SCOTTISH FUTURES TRUST LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**

**Section 6. ACCOUNTS DIRECTION**



**Scottish Futures Trust**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2023, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared, and with the Companies Act 2006.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Deputy Director, Infrastructure & Investment Division  
On behalf of the Scottish Ministers

24<sup>th</sup> July 2023