

Annual Report and Accounts

Year ended 31 March 2024

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SCOTTISH
FUTURES
TRUST

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

Contents

Chair's Statement	2
Chief Executive Statement	3
Section 1. Performance Report	5
1.1 Performance Overview	5
1.2 Performance Analysis	13
Section 2. Accountability Report	19
2.1 Corporate Governance Report	19
2.2 Remuneration and Staff Report	31
2.3 Parliamentary Accountability and Audit Report	38
Section 3. Independent Auditor's Report to the Members of Scottish Futures Trust Limited, the Auditor General for Scotland and the Scottish Parliament	40
Section 4. Financial Statements	45
Group Statement of Comprehensive Net Expenditure	45
Scottish Futures Trust Statement of Net Expenditure	46
Group Statement of Financial Position	47
Scottish Futures Trust Statement of Financial Position	48
Group Statement of Cash Flows	49
Scottish Futures Trust Statement of Cash Flows	50
Group Statement of Changes in Taxpayers' Equity	51
Scottish Futures Trust Statement of Changes in Taxpayers' Equity	52
Section 5. Statement of Accounting Policies and Notes to the Accounts	53
Section 6. Accounts Direction	83

CHAIR'S STATEMENT

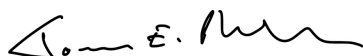
I was appointed Chair of Scottish Futures Trust (SFT) in April, taking over from Ian Russell CBE. I would like to thank Ian for his 7 years leading the Board and guiding the team that has made SFT the success that it is today.

Since its formation in 2008, SFT has made a positive impact in delivering the infrastructure that is needed in Scotland not only to support economic growth and the delivery of public services, but also to provide a better environment for the people of Scotland. Since 2008 SFT has, with our partners:

- Delivered 117 new and refurbished schools in the Scotland's Schools for the Future Programme and is now managing the 47 schools in the Learning Estate Investment Programme with many available for community use
- Managed the Scotland-wide hub Programme that has seen 280 community projects completed and open with a further 70 in construction or development supporting 6,000 jobs, the majority of which with local SMEs
- Provided expertise on the sale of over 170 surplus public buildings which will see c. 10,000 homes built on that land
- Helped secure over £2bn of inward investment through its Growth Accelerator programme to deliver the St James Quarter in Edinburgh and the Dundee V&A museum

Against a backdrop of significant geopolitical volatility and a challenging economic environment, it is more important than ever that SFT, with partners from the public and private sectors, continues to deliver high quality infrastructure in a sustainable and cost effective manner for the people of Scotland.

I am looking forward to working, in my role as Chair, with the board and the executive team over the coming years.



Joe Philippsz

Chair

Date: 02 September 2024

CHIEF EXECUTIVE'S STATEMENT

It is recognised the world over that the right infrastructure in the right places underpins a country's economy, allowing it to function and flourish. In Scotland we must use the infrastructure we already have effectively and maintain it well, and we must invest wisely in the infrastructure we need for the future.

To maximise the economic, social and environmental benefits delivered by Scotland's infrastructure, in 2008 Scottish Government established the Scottish Future Trust as a centre of infrastructure expertise, where we work closely with our many partners towards our vision of 'world class infrastructure for the people of Scotland'.

This work involves:

- Delivering and managing net zero infrastructure and finance programmes that drive inclusive economic growth and build resilient places
- Working to improve outcomes for the construction industry, recognising the sector as a vital element of Scotland's economy, and
- Attracting investment into Scotland's towns, cities and communities to deliver housing, improve public service delivery and contribute towards Scotland's net zero carbon target

As ever, 2023/24 was a busy year where our teams of experts working with partners, continued to deliver across Scotland, with some key highlights listed below:

- In managing the Learning Estate Investment Programme more schools opened, notably Wallyford Campus in East Lothian which incorporates many community facilities including a Community Agriculture Academy and was delivered by hub South East
- As a strategic partner in the Construction Leadership Forum, we supported the formation of the 11 working groups within the Transformation Action Plan along with the subsequent publication of the Action Plan
- We worked closely with NHS Lothian on the sale of Liberton Hospital to the City of Edinburgh Council that is set to deliver at least 380 net zero, energy-efficient homes for sale and rent, with up to 50% classed as affordable
- Through the effective management of the 4G infill programme, the 55th and last mast in the programme was installed, each mast providing a lifeline for rural and remote communities
- During the year we moved to Thistle House in Haymarket in Edinburgh, a building wholly owned by the public sector. Our new office is approximately 20% smaller than our previous one and moving into this space means the public sector is benefitting financially and our carbon footprint is smaller
- Our Net Zero Buildings team produced a report outlining various delivery models and recommendations that would increase the pace and scale of investment in heat networks across Scotland
- The Stornoway Deep Water Terminal opened, part-funded through the Growth Accelerator programme, and will be a huge financial and tourism boost to the island community by allowing more cruise ships to dock

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

All our work is focused on our three corporate priorities of, place, net zero and inclusive economic growth, and ultimately contribute to the ten infrastructure-related outcomes as published in our 2019-24 Corporate Plan. Our annually updated Outcomes website reflects much more widely the work being delivered on the ground across Scotland as well as quantified deliverables including:

- The value of public infrastructure projects under construction made possible through our innovative funding and financing approaches totalled £250m (22/23: £290m)
- Investment in private infrastructure continued to be unlocked with projects valued at over £2.3bn (22/23: £2.5bn) on site
- Over the past 12 months our work continued to contribute towards a net-zero carbon economy, with 29,000 tonnes (22/23: 16,000 tonnes) of infrastructure-related CO2 saved in the year

Just after the end of the year Ian Russell, our Chair since 2017, stood down and Joe Philipsz was appointed by Scottish Government as his successor from April 2024.

I, along with fellow members of the SFT Board, would like to thank Ian for his time as Chair. His commitment to the role, together with his commercial expertise and extensive business insight has helped the organisation continue on its path of delivering quality infrastructure and be the success it is today.

I am pleased to present the 2023/24 Annual Report and Group Financial Statements for the Scottish Futures Trust.



Peter Reekie

Chief Executive

Date: 02 September 2024

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 2023/24 financial year, SFT staff have been working in a hybrid manner splitting their time between home, our office in Edinburgh and stakeholder locations. We moved into a new public sector owned office in Haymarket, Edinburgh in October 2023, which has been configured to offer individual workstations, collaborative spaces, quiet zones and meeting rooms. The Directors expect the organisation to continue to test out 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. 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.

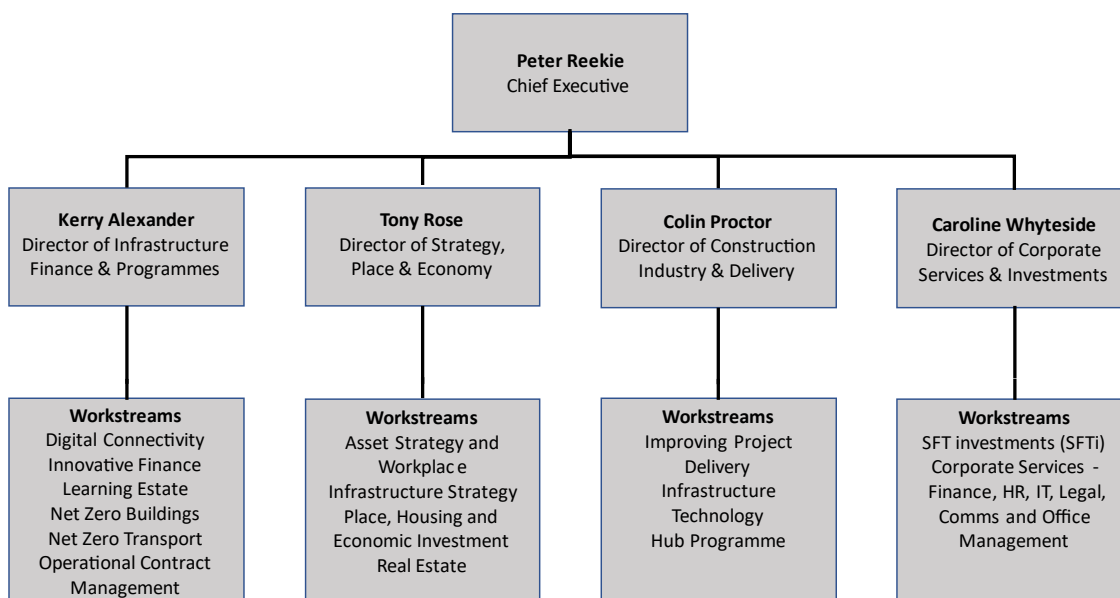
During 2023/24 we started work on our new Corporate Plan which will be published in March 2025.

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

1.1.2 Organisational Structure and Business Model

During 2023/24, 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 & Procurement, Communications and Office Management.



SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

The 14 workstreams are described below.

	Workstream
1	<p>Infrastructure Strategy</p> <p>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. This includes working with colleagues in Scottish government to help progress the improved investment prioritisation framework detailed within the Infrastructure Investment Plan 2021/26 and the ambitions of the National Planning Framework 4 delivery programme.</p>
2	<p>Asset Strategy & Workplace</p> <p>Our Asset Strategy & Workplace team is supporting Scottish Government deliver its asset strategy ambitions as set out in its 2021/26 Infrastructure Investment Plan (IIP). In particular, the team is working with public sector organisations on the development of their asset and workplace strategies with an emphasis on the practical application of the IIP’s investment hierarchy to guide future decision making.</p>
3	<p>Real Estate</p> <p>The Real Estate 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. The team also provides real estate support to public sector partners on strategic sites and major development projects to support delivery of the Scottish Government’s strategic projects and programmes.</p>
4	<p>Place, Housing & Economic Investment (PHEI)</p> <p>PHEI utilises its skills to improve Scotland’s places, communities and environments. Our activity is 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. We support this activity through approaches such as Growth Accelerator and TIF. Our housing focus looks to maximise the delivery and impact of affordable homes (and other tenures), employing different approaches and innovations to do this</p>
5	<p>Investments</p> <p>Through investee company board representation and internal monitoring, the Investments workstream manage the portfolio of DBFM and hub investments. Its main aims are to (i) deliver target returns on the DBFM portfolio to SFTi (which in turn contributes to the operational costs of SFT); and (ii) protect SFTi’s investments in the hub companies through proactively supporting the companies in the development and delivery of community infrastructure. It also works closely with other SFT workstreams, notably in supporting the transition to net zero with a focus on the DBFM portfolio.</p>
6	<p>hub</p> <p>The hub Programme operates across Scotland and serves the public sector in the development and delivery of community infrastructure projects. The programme thrives on a partnership between the public and private sectors with emphasis placed on improving the delivery of public services. We maintain a focus on net zero carbon, place, and inclusive economic growth, embedding such priorities from the early stage of project scoping. SFT’s role as Programme Manager is to work with the public and private sector stakeholders to encourage achievement of the hub programme objectives. We have developed several tools and processes to advance these aims and deploy support from the wider SFT workstreams.</p>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

	Workstream
7	<p>Improving Project Delivery</p> <p>This workstream provides support to the public sector and industry to enable them to operate effectively and efficiently and improve project delivery and asset performance. In delivering this work, we are involved at a national, organisational, thematic, sector, programme, and project level. This will lead to the delivery of improved outcomes for the construction industry and enhance the contribution that improved infrastructure makes to resilient sustainable places, and an inclusive net zero carbon economy. We continue to align our work to the Scottish Construction Accord, which provides a collective ambition for the construction sector.</p>
8	<p>Infrastructure Technology</p> <p>This workstream continues to provide a centre of expertise in digital and data management, working across the Scottish public sector and industry within the built environment.</p>
9	<p>Net Zero Buildings</p> <p>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>
10	<p>Net Zero Transport</p> <p>Working across three key areas - encouraging the acceleration of standalone private investment into high powered charging, developing a programme (EV Infrastructure Fund) of public private partnerships for public charging provision in areas where the private sector are not expected to invest on a standalone basis and support in accelerating the rate of transition towards zero emission buses.</p>
11	<p>Learning Estate</p> <p>The team work with Scottish Government, local authorities, and private sector delivery partners to drive forward programmes of investment in the learning estate. The team works to embed the guiding principles of the 2019 Learning Estate Strategy and promote best practice and latest thinking in learning estate development and design.</p>
12	<p>Digital Connectivity</p> <p>The team focussed on the delivery of digital connectivity programmes, and supporting SG policy development, working with stakeholders such as local authorities, public bodies and industry to establish an informed view on the current technology and deployment trajectory, and what parts of Scotland and use cases could still require further digital infrastructure initiatives and support.</p>
13	<p>Operational Contract Management</p> <p>The team provides commercial and technical support to the public sector in the management of their PPP estate. The team support efficient and effective management of PPP assets to support service delivery. The team delivers its support to health PPP projects in a joint arrangement with NHS Assure (formerly Health Facilities Scotland) (Specialist Support Team).</p>
14	<p>Innovative Finance</p> <p>Providing support for long term innovative funding and financing models to mobilise private capital toward priority areas of additional infrastructure – in particular driving greater private investment towards assets that aid the transition to net zero.</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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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

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, that we set out in our [23/24 Business Plan](#), the following are our 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 23/24 Business Plan also set out the main activities that each of our 14 workstreams planned to focus on.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 three Group risks. SFT is working with stakeholders to mitigate these risks but does not have complete control over them.

- Cuts to SFT's 24/25 Funding (pre Grant letter).
- Changes in Public Sector Landscape.
- Central Government and Procuring Authorities Constrained Resources.

Below are the top two strategic issues we are currently dealing with.

- Hospitals Public Inquiry
- Hub Programme – Procurement Risk

Risk Themes and Risk Appetite Statements

During the year the Leadership team worked with the Board to develop eight overarching risk themes and their associated risk appetites. We have incorporated these into the latest version of the Corporate Risk Policy which all staff have access to.

The directors monitor SFT's risk management and internal control systems as detailed within the Corporate Governance Report (pages 28 and 29).

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 2024/25; 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 4 years SFT added more case studies, taking the total by March 2024 to over 120.

The quantitative measures for 2023/24 include the following:

- The value of public infrastructure projects under construction made possible through our innovative funding and financing approaches exceeded £250m (22/23: £290m);
- Investment in private infrastructure continued to be unlocked with projects valued at over £2.3bn (22/23: £2.5bn) on site;
- Over the past 12 months our work has continued to contribute towards a net-zero carbon economy, with 29,000 (22/23: 16,000) 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 2023/24, the total value of public infrastructure projects under construction that SFT is involved in, exceeded £1.3bn (2022/23 £1.1bn), with, as noted above, over £250m (2022/23 £290m) 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 525,000 (2022/23 500,000) tonnes by the end of the corporate plan period, with, as noted above, the new annual savings of over 29,000 (2022/23 16,000) tonnes recorded this year, contributing cumulatively to this.

Workstreams

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

SFT's activity across 14 workstreams has taken significant steps towards our vision of 'world class infrastructure for the people of Scotland' during 2023/24 despite ongoing challenging market and funding conditions.

We have progressed economic and demographic scenario modelling for long-term national infrastructure planning and co-created the Planning Infrastructure and Place Advisory Group (PIPAG) as a follow-up action to the Infrastructure Commission for Scotland. We have worked with around half of Local Authorities and a range of public bodies on asset strategies and shared workplace developments and have identified and funded 13 separate projects in the island programme.

Working across teams in SFT we have secured millions of pounds of income from surplus asset disposals and made sites available for affordable housing, along with supporting nationally significant developments and town centre living proposals. We have continued to innovate in housing delivery with local authorities and

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

the economic agencies focussing on mid-market rental and key worker housing, bringing aggregated procurement and modern methods of construction to the sector.

The hub programme has increased its pipeline to deliver high-quality social infrastructure through the year, including securing the majority of the ten projects in Phase 3 of the Learning Estate Investment Programme which our learning estate team managed during the year. A further delivery milestone was the completion of the 55th and final mast in the Scottish 4G infill programme using Scottish Government and European funding which SFT has supported from its inception.

We have deepened our work with the construction sector including supporting the launch of the Transformation Action Plan, establishing a tender price panel for Scotland and focussing on improved quality through our Construction Quality Improvement Collaborative, and the briefing and evaluation framework which has now been adopted for NHS projects.

Across the innovative financing landscape we saw the opening of Stornoway deep water harbour funded through our Growth Accelerator model and the development of a new workstream to leverage investment over the longer term into hydrogen infrastructure across Scotland. This work was underpinned by financing skills we continue to deploy in support of the delivery and management of partnership investment models in multiple sectors.

Overall, our teams have published over a dozen pieces of thought leadership to drive progress towards net zero infrastructure with a focus on heat networks and EV charging, improved project delivery, extended use of infrastructure technology and PPP project hand back to name but a few.

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 2023/24.

There is a separate detailed end of year 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 2023-24

SFT has worked with public and private sector partners to deliver progress on all ten of the infrastructure outcomes agreed, including delivering over £250m of additional investment in public infrastructure, unlocking over £2.3bn 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.

- *£250m additionality delivered through SFT led innovative funding & financing approaches.*
- *£1.3bn of public infrastructure projects on site involving SFT.*

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

- *£2.3bn 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.*

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

- **525,000 tonnes** reduction in CO₂e emissions by the end of the Corporate Plan period with over **29,000 tonnes** of CO₂e emissions saved this year.
- **£105m** 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 **98,000 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 **£235m being raised in capital receipts.**
- This will lead to an estimated **38 new homes** being built with an associated construction value of over **£4.5m.**

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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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

- **£1.8bn worth of projects** either in development or operation have implemented BIM, delivering a **return on investment of £14m** during the design, construction and operational phases,
- To date, the Standard information management plan has been adopted on **53 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**.

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 **£3.7bn** of ongoing investment in **15** infrastructure programmes involving SFT.
- **One** project from Phase 1 and **nine** projects from Phase 2 of the **£2.5bn** Learning Estate Investment Programme started on site in the last year, along with **four** Phase 1 projects and **one** Phase 2 project becoming operational.
- 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 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](#). SFT are currently developing our 2025–2020 Corporate Plan. The Group's priorities and detailed activities for the new year are set out in its [2024/25 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 2024/25 operating budget has been set at £9.7m, reflecting £1.5m of third-party income and £8.2m of Scottish Government grants. It is anticipated by the directors that the budget will be fully utilised in the forthcoming year.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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 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.

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

Income and Expenditure Account	2024 £000s	2023 £000s
Income		
SG Grant Income	8,403	8,450
Investment Income	1,787	1,845
Other Income	235	590
Total Income	10,425	10,885
Expenditure		
Salaries	7,540	7,230
External Consultancy	880	1,216
Corporate Costs	1,740	2,184
Total Expenditure	10,160	10,630
Net Income/(Expenditure) before taxation	265	255

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 45) as follows:

Reconciled to SOCE:	2024 £000s	2023 £000s
Net Income/(Expenditure) before taxation per above	265	255
Taxation (note 7)	(312)	432
Net Income/(Expenditure) after taxation	(47)	687
Finance credit/(charge) (DB Pension) (note 15)	131	(128)
Pension costs in respect of the IAS 19 pension movement (note 15)	(37)	(1,100)
Depreciation and expected credit loss movement	(88)	(111)
Gain/(loss) on fair value of investment through profit and loss (note 5)	168	(2,910)
SG Grant Income removed – taken to SOCTE	(8,403)	(8,450)
Net expenditure after tax	(8,276)	(12,012)
Actuarial (loss)/gain on post-employment benefit obligations (note 15)	(2,862)	8,130
Gain/(loss) on fair value of investment through OCE (note 9)	146	(63)
Total comprehensive net expenditure for the year per SOCE	(10,992)	(3,945)

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

Within operating expenditure above, there are consultancy fees within SFT of £0.88m (2023: £1.22m) a decrease of £340k. This decrease is mainly due to one off consultancy work carried out and completed in 22/23 in connection with consultancy to support the Scottish Government's objective for transitioning to zero emissions transport and consultancy support for future digital connectivity strategies of the Scottish Government.

Within operating expenditure above there are corporate and professional fees of £509k (2023: £626k), a decrease of £117k. This decrease is made up of a decrease in HR consultancy of £27k, a decrease of £185k in the costs associated with the Scottish Hospitals Inquiry, both of which are offset by an increase in legal advice in connection with the Hub programme of £95k.

The Hymans pension report for 23/24 showed a pension asset of £7.8m. However, the IAS19 Employee Benefits Accounting Standard imposes a limit on the maximum amount of pension surplus (net asset) which can be recognised on the employer's Statement of Financial Position. As a result, similar to last year's annual accounts, an Asset Ceiling calculation has been carried out to determine the maximum amount of surplus which can be recognised. This calculation has resulted in a pension asset of nil being recognised as at 31 March 2024 (2023: £2.8m). This result is due to assumptions from the new 2023 triennial valuation being used for the 2024 calculation, whereas assumptions from the 2020 triennial valuation were used for the 2023 asset ceiling calculation. In particular, the increase in primary rate contribution from 20.3% to 26.5% had a greater impact in the calculation than the reduction in the overall rate from 19.4% to 17.6%. This all resulted in a negative asset which has been capped at nil. This movement has resulted in the loss on post-employment benefit obligations shown in the SOCE above.

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 £695k (22/23: £761k) was distributed by SFTi to SFT.

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, pro rata for part-time employees.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 2023/24 can be viewed on our website here [2023/24 Sustainability Report](#).

In addition, every three years we publish a Biodiversity Report which describes our impact in that area for the previous three years. Our latest report published in January 2024 is for the period January 2021 to December 2023 and is on our website here [SFT 2021-23 Biodiversity 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

Date: 02 September 2024

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 (resigned 11 April 2024)
Joe Philipsz	Chairman (appointed 11 April 2024)
Peter Reekie	Executive Director
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director
Stella Matko	Non-Executive Director
Nick Rowan	Non-Executive Director
Stephen Slessor	Non-Executive Director

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

Ian Russell's other significant commitments during the 2023/24 financial year was his role as chairman of the National Museums of Scotland.

Joe Philipsz has no other significant commitments of time at present.

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

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 - Corporate Services & Investments
Tony Rose	Director - Strategy, Place & Economy
Kerry Alexander	Director - Infrastructure Finance & Programmes
Colin Proctor	Director - Construction Industry & Delivery

2.1.2 STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Accountable Officer'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 (FReM) 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 (FReM) 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.

Statement by the Accountable Officer on his Responsibilities

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, 23/24 Business Plan and 24/25 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

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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.

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, the Internal Controls and Financial Procedures Manual and the SFTi Investment Management Policy. 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. Seven Board meetings and one Board Strategy day were held during the 2023/24 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 met three times in 23/24, mainly to manage and monitor SFTi's investment in the 41 DBFM companies, the 5 hub companies and 13 Housing LLPs.

Board Balance and Independence

As at 31 March 2024, 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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 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 2023/24 there were two Board Committees which were the Group Audit Committee and the Special Committee of the SFT Group: Conflicts.

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.
- 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 Technical 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 working career has been in the Higher Education sector

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

delivering in excess of £1billion of Capital Projects. She currently holds the post of Director of Estates at the University of Strathclyde, which she has held for the past 10 years.

- 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. He currently holds the senior level position of Director of New Business at Balfour Beatty's building and civil engineering business in Scotland.
- 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 CEO of the RSE Group, an Engineering group of companies. With over 25 years of infrastructure project delivery, he has particular expertise in transformation based on digital and net zero.

In the year ended 31 March 2024, 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.

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
Number of meetings	7	3	3
Ian Russell	6	N/A	3
Graham Watson	6	3	3
Bill Matthews	5	3	2
Pauline Mills	7	3	3
Stella Matko	7	2	3
Nick Rowan	7	3	3
Stephen Slessor	5	3	3
Peter Reekie	7	3*	3

* In attendance, not a member of the Committee.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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

RSM took on the role of internal auditor and internal audit plans for 22/23 and 23/24.

During the 2023/24 financial year, three internal audits were undertaken of SFT's internal controls in the following area: Governance (quality of Board and Audit Committee reporting), Key Financial Controls (general ledger and payroll controls) and Procurement. 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.

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 strategic risk themes and 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.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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 2023/24, this included Governance (quality of Board and Audit Committee reporting), Key Financial Controls (general ledger and payroll controls) and Procurement. 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 2024 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.

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.

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 one of: not meeting expectations, meeting expectations or exceeding expectations.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 February 2024 contained very positive results.

SFT received its highest ever response rate at 96%, and the overall engagement score remains high at 73%, although slightly lower than in the previous survey. The results compare very favourably with our Business and Professional Services benchmark.

Theme	SFT 2024 Results	Business and Professional Services Benchmark
Engagement	73%	74%
Scottish Futures Trust	74%	71%
Your Job	74%	68%
Your Manager	78%	62%
The Leadership Team	63%	66%
Performance	61%	60%
Health & Wellbeing	88%	72%
Employee Engagement	74%	75%

The Leadership Team and individual teams have developed actions plans which will be monitored throughout the year to ensure we are on target to achieve what we have set out to do.

IT

SFT's systems are now wholly in the Cloud, including our 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 Plus accreditation.

Data Protection

The Data Protection Officer (DPO), who is a qualified solicitor, 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 2023/24 SFT had no reportable data breaches reported 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 submitted a PUR to the NRS on the 30th April 2024. A response was received on the 7th May to advise that it had been received and that the Keeper's Assessment Team will consider the PUR and will aim to supply us with a draft report within 4 months. We are then due to provide a full new Records Management Plan by January 2025.

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. Our landlord is Scottish Legal Aid Board and the office is smaller, set up for hybrid working.

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>Cuts to SFT's 24/25 core and programme funding (pre grant letter)</p> <p>Cause: SFT receives most of its funding from Scottish Government and this can vary each year.</p> <p>Effect: We will have to reduce activities and resources and not be able to deliver our Business Plan</p>	<p>We align Business planning objectives with national priorities and work with SG programme areas to secure programme funding. Work with IID to secure core funding.</p> <p>Work with Sponsor Minister to ensure they have the information to have constructive conversations with SG directorates on our programme funding.</p> <p>Regular dialogue with sponsor teams, IID, annual meeting with sponsor group, monthly minister meetings. Regular reporting against SFT activities.</p>
<p>Changes in Public Sector Landscape</p> <p>Changes in public sector landscape (organisations, departments, roles & responsibilities and individuals), can impact on our business approach and delivery of workstreams.</p>	<p>The risk is managed by the Leadership Team ensuring there are discussions at forums such as IAG and IIB that reinforces SFT's value.</p> <p>These topics are also actively discussed at weekly meetings with the SG sponsor team, monthly meetings with Sponsor ministers and annual meetings with the sponsor DG.</p> <p>The Leadership Team also discuss these topics at the monthly Corporate and Strategic LT meetings.</p>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

<p>Some changes could pose a threat to SFT’s collaborations and current or future opportunities.</p> <p>Cause: SFT works closely with many parts of the public sector.</p> <p>Effect: This will lead to uncertainty and difficulty in achieving our Business Plan activities.</p>	<p>We regularly engage with SG funders to understand their needs and with other organisations with linked remits to monitor opportunities, risk of overlap and potential threats.</p>
<p>Central Government and Procuring Authorities Constrained Resources Many SFT workstreams rely on Scottish Government and other 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 programmes proposed, that central government resources and governance frameworks are insufficient to support the pace of new and existing programmes or the scope of existing programmes where SFT leads or supports eg Heat Networks, Electrical Vehicle Infrastructure Fund, Learning Estate Investment Programme.</p> <p>Cause: SFT works closely with many parts of the public sector.</p> <p>Effect: This will lead to uncertainty and difficulty in achieving our Business Plan activities.</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. Where serious concerns exist, these will be escalated to SRO level and if unresolved SFT will consider its options for example, providing additional resource; or reviewing its continued role on the programmes.</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 2024 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.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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 2023/24, 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 UK LLP. SFTi has appointed a separate commercial team from Grant Thornton UK LLP to undertake the audit of SFTi.

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 2024.

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 2024, 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 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 2024 and 31 March 2023 for duties provided to the Group are as follows:

	2024	2023
	£	£
Graham Watson	7,800	7,800
Bill Matthews	7,800	7,800
Ann Allen*	-	5,850
Pauline Mills	7,800	7,800
Stella Matko**	7,800	1,950
Nick Rowan**	7,800	1,950
Stephen Slessor**	7,800	1,950

The total expenses reimbursed during the year were £547 (2022/23: £907).

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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 2024 is as follows:

	Salary	Pension (to nearest £1000)	Car Allowance (to nearest £1000)*	Total - 2024
	£000s	£000s	£000s	£000s
Peter Reekie	175 - 180	35	13	225 - 230
Tony Rose	140 - 145	28	10	180 - 185
Kerry Alexander	135 - 140	27	10	170 - 175
Colin Proctor	135 - 140	27	10	170 - 175
Caroline Whyteside	110 - 115	22	10	140 - 145

* Non pensionable

Remuneration of the Leadership Team members for the year ended 31 March 2023 are 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
Colin Proctor	130 - 135	26	10	1	165 - 170
Kerry Alexander	130 - 135	26	10	1	165 - 170
Caroline Whyteside	105 - 110	21	10	1	135 - 140

* Non pensionable

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

Retirement Benefits of the Leadership Team

In the year ended 31 March 2024, 64 of the Company's employees, including one Board executive director, were members of the pension fund.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

Retirement benefits of the Leadership Team for the year ended 31 March 2024 are as follows:

	Accrued pension at normal retirement age as at 31 March 2024	Lump sum	Cash Equivalent Transfer Value		
			At 31 March 2024	At 31 March 2023	Increase in transfer value during the year
	£000s	£000s	£000s	£000s	£000s
Peter Reekie*	40 – 45	-	640	472	168
Tony Rose**	40 – 45	-	635	473	162
Colin Proctor	35 - 40	-	752	593	159
Kerry Alexander***	25 - 30	-	435	305	130
Caroline Whyteside	0 - 5	-	90	42	48

*This is the pension after a scheme pay of £12k has been deducted and the net CETV after a scheme pay offset of £170k has been deducted

**This is the pension after a scheme pay of £2k has been deducted and the net CETV after a scheme pay offset of £22k 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 £6k 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:

	2024	2023
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
Median total remuneration	77,991	70,500
Ratio	2.45	2.72
	2024	2023
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
25 th percentile total remuneration	49,374	38,062
Ratio	3.88	5.03
	2024	2023
	£	£
Highest paid director's total remuneration	190,000-195,000	190,000-195,000
75 th percentile total remuneration	99,088	96,700
Ratio	1.93	1.98

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 decreased. A pay rise of 5% was awarded to all staff with the exception of the highest paid director, the impact of which was to raise the median pay in the year.

The 25th percentile ratio has decreased. A pay rise of 5% was awarded to all staff with the exception of the highest paid director resulting in a higher 25th percentile salary in the year.

The 75th percentile ratio has remained within 0.05 of 2023 ratio highlighting minimal increase in those staff on higher salaries during this year.

2.2.8 Staff Report

Staff Costs (audited)

Staff costs comprise:

	2024	2023
	£	£
Wages and salaries	5,641,409	5,472,169
National Insurance	680,871	690,529
Pension costs (including IAS 19 charge)	966,636	2,000,412
Non-executive director fees	46,800	35,100
Agency, seconded & interim staff	240,791	131,223
	<u>7,576,507</u>	<u>8,329,433</u>

Pension costs included an additional contribution of £nil (2023: £nil). Also included in pension costs is £37,000 (2023: £1,100,000) in respect of the IAS 19 pension movement (note 15). A finance charge is shown on the face of the Statement of Comprehensive Expenditure.

Included within Agency, seconded and interim staff costs above, is a £2k amount relating to temporary (non payroll) staff costs in the year. The remaining balance relates to inward secondment costs.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

Consultancy Costs

Consultants included within Corporate Professional fees are categorised below:

	2024	2023
	£	£
IT consultancy	75,035	72,954
Marketing and Communications consultancy	6,000	7,110
Legal consultancy	121,511	41,860
Human Resources consultancy	10,560	43,980
	<u>213,106</u>	<u>165,904</u>

Consultants included within external consultancy costs are a combination of technical consultancy and advice in relation to ongoing programmes and projects totalling £880,376 (2022/23: £1,216,054).

Bonus payments

No bonuses were paid in 2023/24 (2022/23: £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 2023/24 the employer element of this value was £3,265 (2022/23: £2,486).

Staff Composition

The average number of full time equivalent employees employed in the year was 67 (2022/23: 67) broken down as 5 (2022/23: 5) Leadership Team, 49 (2022/23: 49) programme delivery, and 13 (2022/23: 13) 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 2024	Number and Percentage of Females	Number and Percentage of Males	Number and Percentage of “Preferred not to say”
Board	2 29%	5 71%	0 0%
Leadership Team (excluding the Chief Executive who is included under Board)	2 50%	2 50%	0 0%
Direct Reports	10 42%	14 58%	0 0%

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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 2024 was 286 (2023:207.5) sick days out of a possible 18,720 (2023:19,240) working days representing a lost time through sickness absence of 1.4% (2023:1.1%).

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 2024 (2023: none).

Staff Turnover

Staff turnover for SFT for the year ended 31 March 2024 was 6.9% (2023:10.5%).

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, Data Insights group, peer groups and a social committee 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.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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.

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 Office Manager, who acts as 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 apart from discussion around the lone working policy. There have been no recorded incidents in the 23/24 financial 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.

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 under-spend against its total allocated budget for the year to 31 March 2024 was £0.702m. This is made up of:

- £0.037m underspend relating to the IAS 19 service costs being lower than the budget allocation letter
- £0.170m not drawn down following the spending controls implemented by the Scottish Government in the final quarter of 2023/24.
- £0.288m underspend relating to the corporation tax being a lower charge than per the budget allocation letter on SFTi income
- £0.310m underspend relating to the gain on fair value on equity and sub debt investments compared to nil in the budget allocation letter
- £0.028m underspend on operating costs compared to nil in the budget allocation letter

Less:

- £0.131m overspend on finance costs relating to the DB pension per IAS 19

SFT drew down Grant in Aid of £8,402,556, after deducting £31,444 in relation to the partial repayment of the "other reserve – capital grants for investments" and not drawing down £170,000 of core funding, following the spending controls implemented by the Scottish Government in the final quarter of 2023/24.

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	10,066	(2,022)	8,044	8,604	(560)
Financial Transactions income *	-	-	-	-	-
Ring fenced resource – expected credit losses	(2)	-	(2)	-	(2)
Non cash costs including depreciation	90	-	90	90	-
Total	10,154	(2,022)	8,132	8,694	(562)
Annually managed expenditure **	2,860	-	2,860	3,000	(140)
Total Budget	13,014	(2,022)	10,992	11,694	(702)

* 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 23/24 is a net income amount that is primarily due to a corporation tax charge of £312k, £2.862m actuarial loss on pension and a £314k increase in value of Fair Value Assets resulting in a gain on valuation.

Appointed auditor and audit fee (audited)

The Auditor General for Scotland has appointed Grant Thornton UK LLP 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 £41,220 (2023: £42,900) 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 2023/24 the level of debt over 90 days was £nil (2022/23, £250) with £nil (2022/23, £nil) written off relating to individual debt of greater than £3,000.

During 2023/24, we made no special payments¹ (2022/23, no payments) and no fruitless payments² (none, 2022/23).

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 2024 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 liabilities³.



Peter Reekie
Accountable Officer

Date: 02 September 2024

¹ Any payment outwith the normal range of activities

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

³ Where a contingent loss is less than 50% chance of occurring

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 its group for the year ended 31 March 2024 under the Public Finance and Accountability Act (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 material accounting policy information. 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 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the company and its group as at 31 March 2024 and of the 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 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006.

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 company and its group 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 company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

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 ability of the company and its group 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.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the company and its group. However, we report on the company'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 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 ability of the company and its group 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 company'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 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006 are significant in the context of the company;

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

- 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 company;
- inquiring of the Accountable Officer concerning the company'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 company'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 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. 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. In our opinion, the audited parts of the Remuneration and Staff Report have been properly

SCOTTISH FUTURES TRUST LIMITED

ANNUAL REPORT AND ACCOUNTS

prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

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 prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006; 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 directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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.

Angela Pieri

Angela L Pieri (for and on behalf of Grant Thornton UK LLP)
110 Queen Street
Glasgow
G1 3BX

Date: 03 September 2024

Section 4. FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR YEAR ENDED 31 MARCH 2024

	Note	2024	2023
		£	£
Expenditure			
Operating expenditure	5	2,621,145	3,399,999
Net management expenditure on staff costs	5	7,576,507	8,329,433
Other management expenditure	5	(79,806)	3,021,268
Finance charge (DB Pension)	15	(131,000)	128,000
		<u>9,986,846</u>	<u>14,878,700</u>
Income			
Income from activities	6	(235,174)	(590,734)
		<u>(235,174)</u>	<u>(590,734)</u>
Net Operating Expenditure		<u>9,751,672</u>	<u>14,287,966</u>
Income from investments	6	(1,787,644)	(1,844,723)
Net Expenditure after interest		<u>7,964,028</u>	<u>12,443,243</u>
Taxation	7	312,360	(431,676)
Net Expenditure after taxation		<u>8,276,388</u>	<u>12,011,567</u>
Other comprehensive net expenditure:			
Items that will not be classified to net expenditure:			
Actuarial losses/(gains) on post-employment benefit obligations	15	2,862,000	(8,130,000)
(Gain)/loss on fair value on investments	9	(146,306)	63,290
Total comprehensive net expenditure for the year		<u><u>10,992,082</u></u>	<u><u>3,944,857</u></u>
Attributable to:			
Taxpayers' Equity		<u><u>10,992,082</u></u>	<u><u>3,944,857</u></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 2024

	Note	2024	2023
		£	£
Expenditure			
Operating expenditure	5	2,530,296	3,399,954
Net management expenditure on staff costs	5	7,576,507	8,329,433
Other management expenditure	5	90,032	114,832
Finance charge (DB Pension)	15	(131,000)	128,000
		<u>10,065,835</u>	<u>11,972,219</u>
Income			
Income from activities	6	(235,174)	(590,734)
Other income	6	(613,733)	(629,621)
		<u>(848,907)</u>	<u>(1,220,355)</u>
Net Operating Expenditure		<u>9,216,928</u>	<u>10,751,864</u>
Income from investments	6	(695,000)	(761,000)
Net Expenditure after interest		<u>8,521,928</u>	<u>9,990,864</u>
Taxation on ordinary activities	7	-	-
Net Expenditure after taxation		<u>8,521,928</u>	<u>9,990,864</u>
Other comprehensive net expenditure:			
Items that will not be classified to net expenditure:			
Actuarial losses/(gains) recognised in retirement benefit scheme	15	2,862,000	(8,130,000)
Total comprehensive expenditure for the year		<u><u>11,383,928</u></u>	<u><u>1,860,864</u></u>
Attributable to:			
Taxpayers' Equity		<u><u>11,383,928</u></u>	<u><u>1,860,864</u></u>

The accompanying notes are an integral part of these accounts.

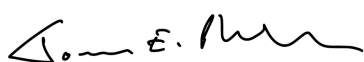
SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024	2023
		£	£
Non-current assets			
Right of use asset	8	334,605	59,613
Investments	9	19,572,876	19,401,242
Trade and other receivables in more than 1 year	10	1,542,393	1,679,747
Pension asset	14	-	2,768,000
Total non-current assets		21,449,874	23,908,602
Current assets			
Trade and other receivables in less than 1 year	10	626,505	1,116,629
Investments	10b	60,000	10,000
Cash and cash equivalents	11	2,541,502	1,999,372
Total current assets		3,228,007	3,126,001
Current liabilities			
Trade and other payables	12	(1,319,274)	(1,496,335)
Current tax liabilities	7	(357,531)	(249,264)
		(1,676,805)	(1,745,599)
Non current assets plus net current assets		23,001,076	25,289,004
Non-current liabilities			
Repayable grants from the Scottish Government	13	(10,407,536)	(10,472,071)
Lease liability	12	(224,396)	-
Pension liabilities	15	-	-
Deferred tax provision	7	(579,812)	(438,075)
Total non current liabilities		(11,211,744)	(10,910,146)
Assets less liabilities		11,789,332	14,378,858
Equity			
Called up share capital	16	2	2
General reserve	16	2,410,986	2,515,112
Pension reserve	16	-	2,768,000
Other reserve – Capital Grants for Investments	16	5,308,627	5,340,071
Fair value reserve	16	4,069,717	3,755,673
Total equity		11,789,332	14,378,858

The accompanying notes are an integral part of these accounts.

These Annual Report and Accounts were approved by the Board of Directors on 2 September 2024 and authorised for issue on its behalf by:



Joe Philippsz
Chairman 02 September 2024



Peter Reekie
Chief Executive 02 September 2024

Registered Company Number: SC348382

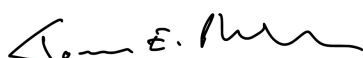
SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024	2023
Non-current assets		£	£
Right of use asset	8	334,605	59,613
Investments	9b	1	1
Investment in subsidiary	10a	10,674,708	10,674,708
Pension asset	14	-	2,768,000
Total non-current assets		11,009,314	13,502,322
Current assets			
Trade and other receivables in less than 1 year	10	97,712	318,781
Cash and cash equivalents	11	476,512	847,034
Total current assets		574,224	1,165,815
Total assets		11,583,538	14,668,137
Current liabilities			
Trade and other payables	12	(1,232,847)	(1,495,935)
Total current liabilities		(1,232,847)	(1,495,935)
Non-current assets plus net current assets		10,350,691	13,172,202
Non-current liabilities			
Repayable grants from the Scottish Government	13	(10,407,536)	(10,472,071)
Lease liability	12	(224,396)	-
Pension liabilities	15	-	-
Total non current liabilities		(10,631,932)	(10,472,071)
Assets less liabilities		(281,241)	2,700,131
Taxpayers' equity			
Called up share capital	16	2	2
General reserve	16	(281,243)	(67,871)
Pension reserve	16	-	2,768,000
Total equity		(281,241)	2,700,131

The accompanying notes are an integral part of these accounts.

These Annual Report and Accounts were approved by the Board of Directors on 2 September 2024 and authorised for issue on its behalf by:



Joe Philipasz
Chairman 02 September 2024



Peter Reekie
Chief Executive 02 September 2024

Registered Company Number: SC348382

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024	2023
		£	£
Cash flows from operating activities			
Net expenditure after interest		(7,964,028)	(12,443,243)
Adjustments for:			
Expected credit loss provision	5	(2,100)	(4,026)
(Gain)/loss on fair value of sub debt investment		(167,738)	2,910,462
Depreciation of ROU asset	8	90,032	114,832
IAS19 pension (credit)/charge and finance charge	15	(94,000)	1,228,000
Decrease in trade and other receivables	10	627,478	28,175
Decrease in trade and other payables	12	(332,188)	(266,647)
		<u>(7,842,544)</u>	<u>(8,432,447)</u>
Net cash outflow from operating activities		<u>(7,842,544)</u>	<u>(8,432,447)</u>
Corporation tax paid	7	(62,356)	(242,371)
		<u>(62,356)</u>	<u>(242,371)</u>
Cash flows from investing activities			
Disposal of investments	9	6	-
Repayment of subordinated debt	9	84,504	158,385
Repayment of working capital loan	10b	10,000	60,000
		<u>94,510</u>	<u>218,385</u>
Net cash inflow from investing activities		<u>94,510</u>	<u>218,385</u>
Cash flows from financing activities			
Grants from the Scottish Government		8,402,556	8,450,067
Repayment of grant to Scottish Government		(50,036)	(62,278)
		<u>8,352,520</u>	<u>8,387,789</u>
Net cash inflow from financing activities		<u>8,352,520</u>	<u>8,387,789</u>
Net increase/(decrease) in cash and cash equivalents		542,130	(68,644)
Cash and cash equivalents at beginning of the year	11	1,999,372	2,068,016
Cash and cash equivalents at end of the year	11	<u>2,541,502</u>	<u>1,999,372</u>

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 2024

	Note	2024	2023
		£	£
Cash flows from operating activities			
Net expenditure after interest		(8,521,928)	(9,990,864)
Depreciation of ROU asset	8	90,032	114,832
IAS 19 pension (credit)/charge and finance charge	15	(94,000)	1,228,000
Decrease in trade and other receivables	10	221,069	487,435
Decrease in trade and other payables	12	(418,215)	(266,666)
Net cash outflow from operating activities		(8,723,042)	(8,427,263)
Cash flows from investing activities			
Investment in subsidiary	10a	-	62,278
Net cash inflow from investing activities		-	62,278
Cash flows from financing activities			
Grants from the Scottish Government		8,402,556	8,450,067
Repayment of grant to Scottish Government		(50,036)	(62,278)
Net cash inflow from financing activities		8,352,520	8,387,789
Net (decrease)/increase in cash and cash equivalents		(370,522)	22,804
Cash and cash equivalents at beginning of the year	11	847,034	824,230
Cash and cash equivalents at end of the year	11	476,512	847,034

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 2024

As at 31 March 2024 and 31 March 2023	Share Capital	General Reserve	Pension Reserve	Other Reserve – Capital Grants for Investments	Fair Value Reserve	Total
	£	£	£	£	£	£
At 1 April 2023	2	2,515,112	2,768,000	5,340,071	3,755,673	14,378,858
Net expenditure after taxation for the year	-	(8,276,388)	-	-	-	(8,276,388)
Net measurement gains recognised in retirement benefit scheme	-	(94,000)	(2,768,000)	-	-	(2,862,000)
Movement on fair value reserve	-	-	-	-	146,306	146,306
Grant in Aid from the Scottish Government	-	8,402,556	-	-	-	8,402,556
Transfer between reserves	-	(136,294)	-	(31,444)	167,738	-
At 31 March 2024	2	2,410,986	-	5,308,627	4,069,717	11,789,332
As at 1 April 2022	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)	-
At 31 March 2023	2	2,515,112	2,768,000	5,340,071	3,755,673	14,378,858

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

Pension reserve - SFT have 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 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 2024

As at 31 March 2024	Share Capital	General Reserve	Pension Reserve	Total
	£	£	£	£
At 1 April 2023	2	(67,871)	2,768,000	2,700,131
Net expenditure after taxation for the year	-	(8,521,928)	-	(8,521,928)
Net measurement gains recognised in retirement benefit scheme	-	(94,000)	(2,768,000)	(2,862,000)
Grant in Aid from the Scottish Government	-	8,402,556	-	8,402,556
At 31 March 2024	2	(281,243)	-	(281,241)

As at 31 March 2023	Share Capital	General Reserve	Pension Reserve	Total
	£	£	£	£
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

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 shown in a pension reserve.

The accompanying notes are an integral part of these accounts.

Section 5. NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

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 on consolidation. 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:

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.

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 (SOI) 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.

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.

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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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.

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.

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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.

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 8.25% (2023: 8.5%) has been used, which reflects an assessment of the risk profile of the various concessions and current market conditions. This has resulted in a gain through the operating profit in the year of £168k (2023: £2.9m 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 (2023: £1.5m). A 1% decrease in the discount rate would result in an increase in the value of the subordinated debt investments of approximately £1.7m (2023: £1.7m).

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.

It was 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 (8.25% for 2024 and 8.5% for 2023). This has resulted in a gain through other comprehensive income in the year of £146k (2023: £63k loss). A 1% increase in the discount rate would result in a decrease in the value of equity investments of approximately £156k (2023: £144k). A 1% decrease in the discount rate would result in an increase in the value of equity investments of approximately £185k (2023: £173k).

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 and therefore cost is deemed to reflect the fair value of the equity.

Expected Credit Loss

SFTi holds working capital loans in two hubcos. The working capital loans provided to the 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 hubCos' business and the likelihood of a default on part of the working capital loan based upon a range of scenarios. As at 31 March 2024 a provision of £5k (2023: £7k) for hub West was required and nil was required for hub South West.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

5. Operating Expenditure

	Group	Company	Group	Company
	2024	2024	2023	2023
	£	£	£	£
Operating Expenditure				
Auditor's remuneration – SFT audit fee	41,220	41,220	42,900	42,900
– SFTi audit fee	54,900	-	90,000	90,000
Operating leases in respect of land and buildings	55,791	55,791	20,343	20,343
Corporate Professional fees	508,990	508,990	626,341	626,341
Recruitment fees	57,572	57,572	77,534	77,534
External consultancy fees	880,376	880,376	1,216,054	1,216,054
Digital Connectivity Infrastructure				
Accelerator (DCIA) costs	-	-	382,883	382,883
Public Interest Director payroll costs	185,328	185,328	110,118	110,118
Grants made	64,880	64,880	179,998	179,998
Office running costs	163,437	163,437	109,679	109,679
IT services	99,589	99,589	122,192	122,192
IT software	84,878	84,878	107,152	107,152
IT hardware	62,911	62,911	83,010	83,010
Marketing	81,865	81,865	97,861	97,861
Office relocation costs	85,059	85,059	-	-
Travel and subsistence	48,763	48,763	40,623	40,623
Other operating costs	145,586	109,637	93,311	93,266
Total operating expenditure	2,621,145	2,530,296	3,399,999	3,399,954
Management expenditure				
Management expenditure on staff costs (note 5a)	7,576,507	7,576,507	8,329,433	8,329,433
Total net management expenditure on staff costs	7,576,507	7,576,507	8,329,433	8,329,433
Other management expenditure				
Depreciation - right of use asset	90,032	90,032	114,832	114,832
Expected credit loss provision	(2,100)	-	(4,026)	-
(Gain)/loss on fair value of sub debt investments	(167,738)	-	2,910,462	-
Total other management expenditure	(79,806)	90,032	3,021,268	114,832
Total expenditure	10,117,846	10,196,835	14,750,700	11,844,219

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 (2022/23: 67) broken down as 5 (2022/23: 5) Leadership Team, 49 (2022/23: 49) programme delivery, and 13 (2022/23: 13) corporate services and business support.

	Group and Company 2024	Group and Company 2023
	£	£
Wages and salaries	5,641,409	5,472,169
National Insurance	680,871	690,529
Pension costs (including IAS 19 charge)	966,636	2,000,412
Non-executive director fees	46,800	35,100
Agency, seconded & interim staff	240,791	131,223
	<hr/>	<hr/>
Net management expenditure on staff costs	<u>7,576,507</u>	<u>8,329,433</u>

Pension costs included an additional contribution of £nil (2023: £nil). Also included in pension costs is £37,000 (2023: £1,100,000) in respect of the IAS 19 pension movement (note 15).

The emoluments of the key management personnel, comprising directors and leadership team was £991,887 (2023: £972,615).

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

6. Income

	Group	Company	Group	Company
	2024	2024	2023	2023
	£	£	£	£
Income from activities				
UK Government grant - DCIA income	-	-	436,484	436,484
Recharge of Public Interest Director payroll	185,328	185,328	110,118	110,118
Other income	49,846	49,846	44,132	44,132
	<u>235,174</u>	<u>235,174</u>	<u>590,734</u>	<u>590,734</u>
Other income				
Management fee due from SFTi	-	613,733	-	629,621
	<u>-</u>	<u>613,733</u>	<u>-</u>	<u>629,621</u>
Income from investments				
Inter-company dividend	-	695,000	-	761,000
Interest received on sub-debt investment	1,759,920	-	1,789,284	-
Working capital loan interest	2,193	-	2,437	-
Project Dividend income	3,460	-	35,200	-
Bank interest	3,487	-	1,132	-
Other income	18,584	-	16,670	-
	<u>1,787,644</u>	<u>695,000</u>	<u>1,844,723</u>	<u>761,000</u>
Total income	<u><u>2,022,818</u></u>	<u><u>1,543,907</u></u>	<u><u>2,435,457</u></u>	<u><u>1,981,355</u></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 2023/24, 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.

	2024	2023
Group	£	£
Profit/(loss) for the year before taxation for SFTI	1,252,900	(1,691,379)
Less: dividends not subject to tax	(3,460)	(35,200)
	<hr/>	<hr/>
Taxable profit	1,249,440	(1,726,579)
	<hr/> <hr/>	<hr/> <hr/>
Corporation tax charge @ 25% (2022/23 (credit): @ 19%)	312,360	(328,050)
Over provision in previous year	-	(31)
Short term timing differences	-	(103,595)
	<hr/>	<hr/>
Corporation tax charge/(credit) in statement of comprehensive net expenditure	312,360	(431,676)
	<hr/> <hr/>	<hr/> <hr/>
Corporation tax creditor in 2024 (per above)	312,360	-
Timing differences not recognised in the above calculation	(141,737)	-
	<hr/>	<hr/>
Corporation tax creditor in 2024 after timing differences	170,623	-
Under provision in 2022	-	62,483
Under provision in prior years	186,908	186,781
	<hr/>	<hr/>
	357,531	249,264
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax provision		
Balance as at 1 April (using future tax rate of 25%)	438,075	869,720
Losses and short term timing differences	141,737	(431,645)
	<hr/>	<hr/>
Balance as at 31 March	579,812	438,075
	<hr/> <hr/>	<hr/> <hr/>

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

	2024	2023
	£	£
Over provision in previous year	-	(31)
Current tax charge for the year	312,360	-
Movement in deferred tax relating to IFRS9 charges	(141,737)	(144,954)
Deferred tax on unutilised tax losses arising	141,737	(286,691)
	<hr/>	<hr/>
	312,360	(431,676)
	<hr/> <hr/>	<hr/> <hr/>

Company

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

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

8. Right of use asset – Group and Company

	Office premises	Office premises
	2024	2023
	£	£
Cost		
At 1 April	365,832	574,161
Additions	365,024	-
Disposals/exercise of lease break	(365,832)	(208,329)
	<u>365,024</u>	<u>365,832</u>
At 31 March	<u>365,024</u>	<u>365,832</u>
Depreciation		
At 1 April	306,219	191,387
Charge for the year	90,032	114,832
Released on disposal	(365,832)	-
	<u>30,419</u>	<u>306,219</u>
At 31 March	<u>30,419</u>	<u>306,219</u>
Net book value		
At 31 March	<u>334,605</u>	<u>59,613</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). SFT moved to publicly owned property at Haymarket Terrace, Edinburgh in October 2023.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

9. Investments – Group

Capital Management

In previous years, the Scottish Government has granted SFT capital funds which SFT has provided to SFTi as capital contributions for investment in share capital (equity) and subordinated debt in hub companies and special purpose vehicles and working capital in hub companies.

	hub Co & housing LLP share capital (note 9a)	hub Co working capital	Subordinated debt (note 9a)	Total
	£	£	£	£
Cost and Net book value				
At 1 April 2023	1,114,055	120,588	18,166,599	19,401,242
Additions	-	-	-	-
Disposals	(6)	-	-	(6)
Transferred to current assets (note 10b)	-	(60,000)	-	(60,000)
Principal repaid in the year	-	-	(84,504)	(84,504)
Gain on fair value revaluation	146,306	-	167,738	314,044
Movement on expected credit loss provision	-	2,100	-	2,100
At 31 March 2024	1,260,355	62,688	18,249,833	19,572,876

Share capital

During the year SFTi invested £nil (2022/23: £nil) in housing partnership LLPs and £nil (2022/23: £nil) in share capital of SPVs in connection with sub debt investments. Five Housing LLPs were disposed of during 2023/24 and SFTi resigned from another one LLP during 23/24 (2022/23: none).

Share capital investments cannot be classified in any other category of financial asset. There is no intention to dispose of any of the existing hub 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 was reduced by 50% to £50,000 with a new expiry date of 30 November 2024 on which date the full amount of the outstanding 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 sums. Interest is accrued-semi-annually (on 31 December and 30 June) and added to the loan.

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 for the year ended 31 March 2024.

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 31st March each year (commencing 31st 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 £6,900 as at March 2023 and has been further reduced to £4,800 as at 31 March 2024.

Working Capital Loans - Current Assets

£10,000 of the remaining working capital loan for hub West Scotland is to be repaid by 31 March 2025 and this amount has been treated as an investment current asset in the year ended 31 March 2024 (see note 10b).

The loan principal to be repaid by hub South West Scotland has been treated as an Investment current asset in the year ended 31 March 2024 with interest receivable recognised within current debtors as it is to be repaid by 30 November 2024 (see note 10b).

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

9a. Investments – Subordinated debt (Group)

During 2023/24, SFTi invested £nil (2022/23: £nil) as subordinated debt.

Further information on SFTi's investment in the subordinated debt of hub projects, can be found in the table 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		2024: £4,526,159 2023: £4,526,159	2024: £5,315,603 2023: £5,354,035	2024: £123,868 2023: £123,736	2024: £931,334 2023: £1,109,721	2024: £559,409 2023: £573,097	2024: £1,774 2023: £19,107
hub South East territory total		2024: £3,827,351 2023: £3,827,351	2024: £4,701,552 2023: £4,617,283	2024: £246,159 2023: £208,634	2024: £740,212 2023: £769,558	2024: £461,903 2023: £463,907	2024: £Nil 2023: £Nil
hub South West territory total		2024: £2,721,449 2023: £2,753,922	2024: £3,256,272 2023: £3,245,636	2024: £243,244 2023: £231,878	2024: £155,342 2023: £144,216	2024: £287,509 2023: £289,565	2024: £Nil 2023: £8,193
hub West territory total		2024: £1,453,202 2023: £1,453,202	2024: £1,596,501 2023: £1,567,461	2024: £310,730 2023: £229,019	2024: £214,498 2023: £275,019	2024: £156,064 2023: £159,920	2024: £1,686 2023: £Nil
hub East Central territory total		2024: £2,911,396 2023: £2,963,427	2024: £3,379,905 2023: £3,382,184	2024: £336,354 2023: £320,788	2024: £27,443 2023: £176,792	2024: £295,035 2023: £302,795	2024: £Nil 2023: £7,900
Grand total		2024: £15,439,557 2023: £15,524,061	2024: £18,249,833 2023: £18,166,599	2024: £1,260,355 2023: £1,114,055	2024: £2,068,829 2023: £2,475,306	2024: £1,759,920 2023: £1,789,284	2024: £3,460 2023: £35,200

Investments are performing according to their base cases and making returns as anticipated, however, at the year end two projects forecast that they will be unable to repay subordinated loan notes in full by their expiry dates. This is due to the impact of the increase in inflation over the last few years and corporation tax rates. Another factor that impacts the valuation of investments through the impact on the discount rate is the underlying interest rate. The Board will continue to monitor the impact of macroeconomic changes on the portfolio.

An adjustment was made to reduce the fair value of equity for the five sub-hub project companies to nil at 31 March 2024. Dividends are forecast to be paid from the sub-hub companies to their relevant hub company shareholder. SFTi is a 10% shareholder in each of the hub companies, however, the decision to distribute dividends is at the discretion of the directors of the hub companies and subject to hub company reserves and therefore for the purposes of calculation the fair value of equity these have not been included.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

9b. Investments in subsidiary – Company

	Investment in Subsidiary
	£
Cost and Net book value	
At 31 March 2023 and 31 March 2024	1

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

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

Class of Share Holding	Ordinary 100%	2024 £	2023 £
Aggregate capital and reserves		22,745,282	22,353,436
Profit/(loss) for the year		940,540	(1,259,703)
Total comprehensive income for the year		1,086,846	(1,322,993)

10. Trade and other receivables

	Group 2024 £	Company 2024 £	Group 2023 £	Company 2023 £
Due in more than 1 year				
Accrued income from sub-ordinated debt investments and working capital loans	1,542,393	-	1,679,747	-
Due in less than 1 year				
Other receivables	37,856	35,499	242,279	239,990
Prepayments and accrued income	588,649	62,213	874,350	78,791
	626,505	97,712	1,116,629	318,781

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

10a. Investment in subsidiary

	Company 2024	Company 2023
	£	£
At beginning of the year	10,674,708	10,736,986
(Decrease) in the year	-	(62,278)
At 31 March	<u>10,674,708</u>	<u>10,674,708</u>

SFT made a repayable grant of £nil (2023: £nil) to SFTi during the year. £nil (2023: £nil) was used to invest in subordinated debt in the year.

10b. Investments (current assets) - Group

	2024	2023
	£	£
Working Capital Loans		
Cost and Net book value		
At 1 April 2023	10,000	60,000
Repaid in the year	(10,000)	(60,000)
Transferred from non-current assets (note 9)	60,000	10,000
At 31 March 2024	<u>60,000</u>	<u>10,000</u>

11. Cash and cash equivalents

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Cash at bank	2,541,230	476,240	1,999,053	846,715
Cash on hand	272	272	319	319
	<u>2,541,502</u>	<u>476,512</u>	<u>1,999,372</u>	<u>847,034</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

12. Trade and other payables

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
Other payables (operational expenditure)	468,470	468,470	779,349	779,349
Other taxes and social security	195,388	194,995	196,118	195,737
Other creditors and accruals	590,881	504,847	470,832	470,813
Repayable grants due to the Scottish Government (note 13)	64,535	64,535	50,036	50,036
	<u>1,319,274</u>	<u>1,232,847</u>	<u>1,496,335</u>	<u>1,495,935</u>

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

	2024	2023
	£	£
< 1 year	74,150	61,683
1-2 years	60,257	-
2-5 years	164,139	-
At 31 March 2024	<u>298,546</u>	<u>61,683</u>
Disclosed as		
Current liabilities	74,150	61,683
Non-current liabilities	224,396	-
	<u>298,546</u>	<u>61,683</u>

13. Repayable grant due to the Scottish Government

	Group 2024	Company 2024	Group 2023	Company 2023
	£	£	£	£
At beginning of the year	10,522,107	10,522,107	10,584,385	10,584,385
Increase in the period				
Repaid in the period	(50,036)	(50,036)	(62,278)	(62,278)
As at 31 March 2024	<u>10,472,071</u>	<u>10,472,071</u>	<u>10,522,107</u>	<u>10,522,107</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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

	2024	2023
	£	
< 1 year	64,535	50,036
1-2 years	82,544	69,098
2-5 Years	227,183	235,491
> 5 years	10,097,809	10,167,482
At 31 March 2024	<u>10,472,071</u>	<u>10,522,107</u>
Disclosed as	£	£
Current liabilities	64,535	50,036
Non-current liabilities	10,407,536	10,472,071
	<u>10,472,071</u>	<u>10,522,107</u>

14. Pension Asset – Group and Company

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 by Hymans Robertson to calculate the maximum amount of surplus which can be recognised.

	2024	2023
	£	£
Non-current asset		
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 2024 which projects forward the results of the 2023 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

SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND ACCOUNTS

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 2024, there were 64 active members, 41 deferred members (former employees of SFT who retain benefits in the pension scheme but no longer pay contributions into the scheme) and 10 pensioner members. The defined benefit obligation has a duration of 20 (2023: 25) years and thus, a long-term discount rate has been applied. The main assumptions used are:

	31 Mar 2024	31 Mar 2023
	% p.a.	% p.a.
Inflation / Pension Increase Rate	2.75%	2.95%
Salary Increase Rate	3.45%	3.45%
Discount Rate	4.85%	4.75%

Mortality

Life expectancy is based on the Funds Vita Curves, with improvements in line with the CMI 2022 model, with a 25% weighting, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.5% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	25.0 years
Future pensioners	24.2 years	25.6 years

	31 March 2024
	Assets £ 000
Equities	16,644
Bonds, Debt securities and Funds	10,677
Property	1,639
Cash	1,117
Total Market Value of Assets	30,077
Present Value of Scheme of Liabilities	22,283
Net Pension Asset	7,794

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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 £nil and not the £7,794,000 shown above.

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

Recognition in the Income Statement:

	31 March 2024		31 March 2023	
	£ (000)	% of Pay	£ (000)	% of Pay
Current service cost	(955)	16.9%	(2,000)	36.5%
Past service costs				
Net interest charge	131	2.3%	(128)	2.3%
Contributions paid in year per IAS 19 valuation	918	16.3%	900	16.4%
	<hr/>	<hr/>	<hr/>	<hr/>
Total credit/(charge) included in the Statement of Comprehensive Net Expenditure	94	1.7%	(1,228)	22.4%
	<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%.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

Analysis of the amount recognised in other comprehensive net expenditure

	31 March 2024	31 March 2023
	£ (000)	£ (000)
Actual return less expected return on pension scheme assets	384	(151)
Changes in financial assumptions and other experience underlying the present value of scheme liabilities	(478)	12,756
Changes in effect of the asset ceiling	(2,768)	(4,475)
Actuarial (loss)/gain	<u>(2,862)</u>	<u>8,130</u>

Recognition of defined benefit obligations:

Year Ended	31 March 2024	31 March 2023	31 March 2022	31 March 2021
	£	£ (000)	£ (000)	£ (000)
Opening Defined Benefit Obligations	20,261	29,955	29,577	21,435
Current Service Cost	955	2,000	2,239	1,529
Interest Cost	990	853	631	512
Contributions by Members	409	408	417	405
Actuarial (Gains)/Losses	(47)	(12,756)	(2,724)	5,922
Past Service Costs/(Gains)			-	-
Estimated benefits paid	(285)	(199)	(185)	(226)
Closing Defined Benefit Obligations	<u>22,283</u>	<u>20,261</u>	<u>29,955</u>	<u>29,577</u>

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

Reconciliation of fair value of employer assets:

Year Ended	31 March 2024	31 March 2023	31 March 2022	31 March 2021
		£ (000)	£ (000)	£ (000)
Opening Fair Value of Employer Assets	27,504	25,821	22,030	18,054
Expected Return on Assets	1,334	725	465	427
Contributions by Members	409	408	417	405
Contribution by Employer	918	900	1,099	891
Actuarial Gains/(Losses)	197	(151)	1,995	2,479
Estimated Benefits Paid	(285)	(199)	(185)	(226)
Closing Fair Value of Employer Assets	30,077	27,504	25,821	22,030
Closing Asset / (Liability) before any asset ceiling adjustment	7,794	7,243	(4,134)	(7,547)

Projected IAS 19 charge to be charged to the Statement of Comprehensive Net Expenditure for the year ended 31 March 2025:

	31 March 2025	
	£ (000)	% of pay
Projected Current Service Cost	(1,022)	(21.6%)
Interest on Obligation	(1,108)	(23.4%)
Interest on Plan Assets	1,481	31.3%
	(649)	
Estimated Employer's contribution for the year ended 31 March 2025	832	
	183	

Sensitivity analysis:

Sensitivities at 31 March 2024	Approximate % increase to Employer Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	471
0.1% increase in the Salary Increase Rate	0%	17
0.1% increase in the Pension Increase Rate	2%	463
1 year increase in member life expectancy	4%	891

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

16. Share capital and reserves – Group and Company

	Group & Company 2024	Group & Company 2023
	£	£
Share capital		
Authorised, issued and fully paid – ordinary shares of £1 each		
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.

Pension reserve - SFT have 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.

	2024	2023
	£	£
<u>Statement of Changes in Taxpayers' Equity</u>		
Revenue funding received from the Scottish Government	8,402,556	8,450,067
	8,402,556	8,450,067

	2024	2023
	£	£
<u>Statement of Financial Position</u>		
Repayment of repayable grant	50,036	62,278
	50,036	62,278

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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

	2024	2023
	£	£
Statement of Financial Position		
Repayable grants from the Scottish Government (note 13)	10,472,071	10,522,107

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 8c. SFT have appointed non-executive directors to hub South East Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these joint ventures are included below:

	2024	2023
	£	£
Statement of Financial Position		
Financial assets – subordinated debt	4,701,552	4,617,283
Trade and other receivables – accrued interest income	740,212	769,558
Trade and other receivables – hub director fees	2,357	2,289
Statement of Comprehensive Net Expenditure		
Income from investments – hub director fees	3,928	3,814
Income from investments – Interest income	461,903	463,907

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 8c. SFT have appointed non-executive directors to hub North Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these joint ventures are included below:

	2024	2023
	£	£
Statement of Financial Position		
Financial assets – subordinated debt	5,315,603	5,354,035
Trade and other receivables – accrued interest income	931,334	1,109,721
Statement of Comprehensive Net Expenditure		
Income from investments – Interest income	559,409	573,097
Income from investments – dividend income	1,774	19,107

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 8c. SFT have appointed non-executive directors to hub East Central Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these joint ventures are included below:

	2024	2023
	£	£
<u>Statement of Financial Position</u>		
Financial assets – subordinated debt	3,379,905	3,382,184
Trade and other receivables – accrued interest income	27,443	176,792
<u>Statement of Comprehensive Net Expenditure</u>		
Income from investments – interest income	295,035	302,795
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 8c. SFT have appointed non-executive directors to hub West Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these joint ventures are included below:

	2024	2023
	£	£
<u>Statement of Financial Position</u>		
Financial assets – working capital loans	72,688*	80,588*
Financial assets – subordinated debt	1,596,501	1,567,461
Trade and other receivables – accrued interest income	214,498	275,019
<u>Statement of Comprehensive Net Expenditure</u>		
Income from investments – interest income (including working capital loan interest)	158,257	162,357
Income from investments – dividend income	1,686	-
	<u> </u>	<u> </u>

***Includes £4,800 expected credit loss provision (2023: £6,900).**

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 8c. SFT have appointed non-executive directors to hub South West Scotland Limited and the various special purpose project companies. The individuals appointed as non-executive directors do not hold financial interests in these companies.

Details of material transactions with these joint ventures are included below:

	2024	2023
	£	£
<u>Statement of Financial Position</u>		
Financial assets – working capital loans	50,000	50,000
Financial assets- subordinated debt	3,256,272	3,245,636
Trade and other receivables – accrued interest income	154,621	144,216
<u>Statement of Comprehensive Net Expenditure</u>		
Income from investments – hub director fees	14,656	12,856
Income from investments – interest income	287,509	289,565
Income from investments - dividends	-	8,193

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

The Group has no borrowings subject to interest or significant amounts of cash on deposit, for significant periods of time. Interest rates in respect of subordinated debt investment and working capital loans are fixed. Exposure to interest rate risk on Group income and costs is therefore limited, however, underlying interest rates do have an impact on the discount rate applied to calculate the fair value of investments, it has no significant exposure to interest rate risk.

Credit Risk

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

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 8.25% (2023: 8.5%), 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 £19,510,188 as at 31 March 2024 (£19,280,654 as at 31 March 2023), as disclosed in Note 9, compared to a historical cost of £15,440,466 (£15,524,976 as at 31 March 2023). An increase in fair value of the subordinated debt of £167,738 can be seen in the Statement of Comprehensive Net Expenditure under other management expenditure and a further increase in the fair value of the equity investments of £146,306 can be seen in the Statement of Comprehensive Net Expenditure under Other Comprehensive Net Expenditure.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

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:

	Group 2024	Company 2024	Group 2023	Company 2023
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
	£	£	£	£
<i>Financial assets – investments</i>				
Fair value through other comprehensive net expenditure (note 9)	1,260,355	-	1,114,055	-
Fair value through the profit and loss account (note 9)	18,249,833	-	18,166,599	-
Amortised cost assets due within more than one year (note 9)	62,688	-	120,588	-
Amortised cost assets due within one year (note 10b)	60,000	-	10,000	-
<i>Financial assets</i>				
Accrued interest income due in more than one year (note 10)	1,542,393	-	1,679,747	-
Accrued interest income due within one year (note 10)	526,436	-	795,559	-
Other receivables (note 10)	37,856	35,499	242,279	239,990
Cash and cash equivalents (note 11)	2,541,502	476,513	1,999,372	847,034
	<u>24,281,063</u>	<u>512,012</u>	<u>24,128,199</u>	<u>1,087,024</u>

The table below details the contractual maturities of financial liabilities.

SCOTTISH FUTURES TRUST LIMITED
ANNUAL REPORT AND ACCOUNTS

	Group 2024	Company 2024	Group 2023	Company 2023
	Held at cost	Held at cost	Held at cost	Held at cost
	£	£	£	£
Other payables (note 12)	468,470	468,470	779,349	779,349
Repayable grant due to Scottish Government due within one year (note 13)	64,535	64,535	50,036	50,036
Lease liability due within one year (note 12)	74,150	74,150	61,683	61,683
Lease liability due in more than one year (note 12)	224,396	224,396	-	-
Repayable grant due to Scottish Government due in more than one year (note 13)	10,407,536	10,407,536	10,472,071	10,472,071
	<u>11,239,087</u>	<u>11,239,087</u>	<u>11,363,139</u>	<u>11,363,139</u>

19. Ultimate Controlling Party

The Company is wholly-owned by the Scottish Ministers.

20. 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.

21. Post Balance Sheet events

Our new Chair was appointed on 11 April 2024.

After the year end SFTi received notification from HMRC of interest due on late payment of corporation tax for the years ended 31 March 2020 and 31 March 2021 following the decision during the prior year audit to record the subordinated debt investments at fair value. These amounts totalled £31,120 and, though not material, management made the decision to accrue these amounts as at 31 March 2024 within the accounts of SFTi.

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

24th July 2023