

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

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

**CONTENTS**

CHAIRMAN'S STATEMENT.....	1
STRATEGIC REPORT.....	2
DIRECTORS' REPORT .....	11
REPORT ON CORPORATE GOVERNANCE.....	13
STATEMENT ON INTERNAL CONTROL.....	17
REPORT ON DIRECTORS' REMUNERATION .....	19
REPORT OF THE GROUP AUDIT COMMITTEE.....	20
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SCOTTISH FUTURES TRUST INVESTMENTS LIMITED .....	23
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020.....	30
STATEMENT OF CHANGES IN EQUITY .....	31
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020.....	32
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020.....	33
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 .....	34
OFFICERS AND PROFESSIONAL ADVISORS .....	55

## **CHAIRMAN'S STATEMENT**

It is my pleasure to present SFTi's annual report and accounts for the year ended 31 March 2020.

The purpose of SFTi, which is a wholly owned subsidiary of Scottish Futures Trust Limited, is to make and hold investments in infrastructure companies, assets and projects across Scotland. To date, this has involved supporting investment in community infrastructure through the hub programme and in housing through both the National Housing Trust initiative and Housing Delivery Partnerships.

In relation to the hub programme, SFTi has invested £16.4m in forty one projects of which thirty eight were operational at 31 March 2020. The operational projects are performing well and, although experiencing COVID-19 related challenges towards the end of the financial year, have proactively worked with procuring authorities to ensure the continuation of services. Three further projects were in the course of construction at the year end of which two were due to complete in March 2020 and the third in the summer of 2021. These have been delayed by the COVID-19 lockdown. At this time, it is not anticipated that the COVID-19 pandemic will materially impact the forecast investment returns for SFTi.

Following the publication of the Scottish Government's Medium Term Financial Strategy in 2019, no further investments are expected within the hub Design, Build, Finance and Maintain (DBFM) programme. However, SFTi will continue to invest in and support the delivery of other infrastructure programmes in which it is involved.

SFTi also continues to support actively the delivery and provision of mid market rent housing, working with Local Authorities, Scottish Government and wider stakeholders. During the financial year, SFTi invested in the East Lothian Housing Delivery Partnership, a joint venture with East Lothian Council, and disposed of its interest in one housing LLP established as part of the National Housing Trust initiative.

SFTi's investment portfolio plays a strategic part in the wider SFT Group's business.



**Ian Russell**  
**Chairman**

**Date: 21 September 2020**

## **STRATEGIC REPORT**

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

### **Principal Activity**

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.

### **Strategy**

SFTi's strategy is to invest in companies to support the development of infrastructure in Scotland. To date, this has been focused upon investing funds provided by the Scottish Government as subordinated debt into Design, Build, Finance and Maintain (DBFM) projects in the SFT managed hub programme. Returns from these investments deliver cash income to the SFT Group and these returns will be used to support the operations of the Group. SFTi also invests in LLPs to support the development of affordable and mid-market housing in Scotland.

### **Business Review**

As at 31 March 2020, SFTi has invested in the equity and sub-ordinated debt of 41 revenue-funded projects delivered by the Scotland-wide hub programme. These investments include equity whose fair value is £525k (2018/19: £687k) and sub-ordinated debt of £15.9m (2018/19: £16.4m). Of these investments, 38 relate to operational projects now earning investment income and 3 relate to projects in the course of construction as at 31 March 2020. Investment income comprises both interest due on subordinated debt provided to projects and dividend returns received on equity investments. The latter fluctuate year on year depending on the availability of cash to pay dividends once project costs and financial covenants have been met. Further details on amounts received are provided within Note 5.

The table overleaf summarises the operational projects SFTi has invested in, and from which it is now earning interest income:

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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

<b>Project Company</b>	<b>HubCo</b>	<b>Commercial Close Date</b>	<b>Operational Date</b>	<b>SFTi Sub debt Investments (31/3/20) £'000</b>	<b>SFTi Historical Cost of Equity £</b>	<b>SFTi Fair Value of Equity (31/03/20) £'000</b>	<b>Dividend income £'000</b>	<b>Interest income £'000</b>
Aberdeen Community Health Village Ltd	hub North	April 2012	December 2013	572	Nil	1.1	Nil	2020: 68 2019: 68
Hub North Scotland (FWT) Ltd <i>(Forres/Tain/Woodside Health Centre Bundle)</i>	hub North	April 2013	May – August 2014: – phased handover	115	Nil	18.4	Nil	2020: 14 2019: 14
James Gillespie's Campus Subhub Holdings Ltd	hub South East	December 2013	April 2015 – phase 1 July 2016 – phase 2	1,203	Nil	62.2	Nil	2020: 174 2019: 175
Hub SW NHSL Holdco Ltd <i>(NHS Lanarkshire Health Centre bundle)</i>	hub South West	December 2013	March 2015 – August 2015: – phased handover	396	Nil	20.0	Nil	2020: 44 2019: 42
Hub North Scotland (Alford) Ltd	hub North	May 2014	October 2015	699	Nil	9.0	Nil	2020: 81 2019: 82
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centres)</i>	hub West	October 2014	June – July 2016: - phased handover	176	Nil	48.6	Nil	2020: 20 2019: 20
Hub East Central (Levenmouth) Ltd	hub East Central	December 2014	July 2016	1,431	Nil	19.0	47.1	2020: 161 2019: 161
Hub SW Greenfaulds Holdco Ltd	hub South West	January 2015	September 2016	295	Nil	14.1	Nil	2020: 31 2019: 31
REH Phase 1 Subhub Holdings Ltd <i>(Royal Edinburgh Hospital)</i>	hub South East	December 2014	December 2016	407	10	10.6	Nil	2020: 46 2019: 46
Hub North Scotland (Wick) Ltd	hub North	December 2014	January 2017	1,398	100	2.9	Nil	2020: 188 2019: 191
Hub East Central (Forfar) Ltd	hub East Central	June 2015	February 2017	338	Nil	12.4	18.5	2020: 36 2019: 37

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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

<b>Project Company</b>	<b>HubCo</b>	<b>Commercial Close Date</b>	<b>Operational Date</b>	<b>SFTi Sub debt Investments (31/3/20) £'000</b>	<b>SFTi Historical Cost of Equity £</b>	<b>SFTi Fair Value of Equity (31/03/20) £'000</b>	<b>Dividend income £'000</b>	<b>Interest income £'000</b>
Hub North Scotland (Anderson) Ltd	hub North	July 2015	September 2017	315	100	3.4	Nil	2020: 41 2019: 42
Hub SW Ayr Holdco Ltd	hub South West	January 2016	August 2017	504	Nil	13.4	Nil	2020: 54 2019: 54
Hub SW Dalbeattie Holdco Ltd	hub South West	January 2016	October 2017	222	Nil	3.7	Nil	2020: 24 2019: 24
KHS DBFM Holdco Ltd ( <i>Kelso High School</i> )	hub South East	February 2016	November 2017	201	10	7.1	Nil	2020: 22 2019: 23
Hub North Scotland (Elgin High School) Ltd	hub North	February 2016	October 2017	185	100	2.2	Nil	2020: 27 2019: 33
Hub East Central Scotland (Baldragon) Ltd	hub East Central	February 2016	December 2017	300	10	13.0	9.6	2020: 30 2019: 30
Hub West Scotland Project Company (No. 2) Ltd ( <i>Inverclyde Care Home</i> )	hub West	February 2016	June 2017	68	1	7.0	Nil	2020: 8 2019: 8
Hub West Scotland Project Company (No. 3) Ltd ( <i>Barrhead Secondary School</i> )	hub West	March 2016	June 2017	191	1	10.3	Nil	2020: 23 2019: 23
Hub West Scotland Project Company (No.4) Ltd ( <i>Our Lady &amp; St Patrick's High School</i> )	hub West	March 2016	October 2017	208	1	11.2	Nil	2020: 24 2019: 25
LBP DBFM Holdco Ltd ( <i>NHS Lothian Health Centre Bundle</i> )	hub South East	April 2016	August – October 2017:– phased handover	238	10	10.6	Nil	2020: 26 2019: 27
Hub SW Largs Holdco Ltd	hub South West	May 2016	March 2018	421	Nil	37.6	24.0	2020: 43 2019: 30

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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

<b>Project Company</b>	<b>HubCo</b>	<b>Commercial Close Date</b>	<b>Operational Date</b>	<b>SFTi Sub debt Investments (31/3/20) £'000</b>	<b>SFTi Historical Cost of Equity £</b>	<b>SFTi Fair Value of Equity (31/03/20) £'000</b>	<b>Dividend income £'000</b>	<b>Interest income £'000</b>
Newbattle DBFM Holdco Ltd	hub South East	February 2016	March 2018	305	10	10.2	Nil	2020: 35 2019: 35
Hub SW EALC Holdco Ltd <i>(East Ayrshire Learning Campus)</i>	hub South West	February 2016	February 2019	403	Nil	23.5	Nil	2020: 43 2019: 16
Hub North Scotland (O & C) Ltd <i>(Oban &amp; Campbeltown Grammar Schools)</i>	hub North	March 2016	February - March 2018: – phased handover	359	100	3.9	Nil	2020: 61 2019: 63
Hub North Scotland (New Academy - South of the City)	hub North	June 2016	June 2018	317	100	3.2	Nil	2020: 40 2019: 40
Hub North Scotland (I & F) Ltd <i>(Inverurie &amp; Foresterhill Health Centres)</i>	hub North	December 2016	March – July 2018: – phased handover	166	100	0.9	Nil	2020: 20 2019: 20
WCHS DBFM Holdco Ltd <i>(West Calder High School)</i>	hub South East	December 2016	June 2018	283	10	17.9	Nil	2020: 31 2019: 26
Hub East Central (PSS) Ltd <i>(Pharmaceutical Special Services)</i>	hub East Central	December 2016	December 2018	276	10	11.6	11.5	2020: 28 2019: 28
ELCH DBFM Holdco Ltd <i>(East Lothian Community Health Centre)</i>	hub South East	September 2016	February 2018 – January 2020: – phased handover	601	10	22.3	Nil	2020: 28 2019: 19
Hub East Central (SCV) Ltd <i>(Stirling Care Village)</i>	hub East Central	December 2016	June 2018 – October 2019: – phased handover	354	10	9.0	8.1	2020: 36 2019: 36
Hub West Scotland Project Company (No.5) Ltd <i>(Gorbals &amp; Woodside Health Centres)</i>	hub West	April 2017	November 2018 – July 2019: – phased handover	283	Nil	18.2	Nil	2020: 33 2019: 32

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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

Project Company	HubCo	Commercial Close Date	Operational Date	SFTi Sub debt Investments (31/3/20) £'000	SFTi Historical Cost of Equity £	SFTi Fair Value of Equity (31/03/20) £'000	Dividend income £'000	Interest income £'000
Hub West Scotland Project Company (No.6) Ltd <i>(Blairdardie &amp; Carntyne Primary Schools)</i>	hub West	October 2017	April 2019	140	1	9.4	Nil	2020: 16 2019: 16
Hub East Central (Angus Schools) Ltd	hub East Central	November 2017	April 2019	156	10	3.6	7.7	2020: 16 2019: 16
Hub SW Cumbernauld Holdco Ltd	hub South West	June 2017	July 2019	310	Nil	11.3	Nil	2020: 12 2019: 11
Hub East Central (Bertha Park) Ltd	hub East Central	September 2017	July 2019	333	10	9.8	17.4	2020: 33 2019: 33
Hub SW QMA Holdco Ltd <i>(Queen Margaret Academy)</i>	hub South West	November 2017	November 2019	234	Nil	4.4	Nil	2020: 9 2019: 8
JICC DBFM Holdco Ltd <i>(Jedburgh Community Campus)</i>	hub South East	October 2018	March 2020	290	10	6.3	Nil	2020: 12 2019: 4
<b>Sub Total</b>		<b>38 Projects</b>		<b>14,693</b>	<b>724</b>	<b>503.3</b>	<b>143.9</b>	<b>2020: 1,638</b> <b>2019: 1,589</b>

In addition, SFTi has invested in the following hub projects which as at 31 March 2020 were either (i) awaiting formal sign off for construction completion which had been delayed due to the COVID-19 lockdown; or (ii) in the course of construction . These projects (including some sites which were deemed as essential sites in accordance with Scottish Government guidance) will be delayed due to the COVID-19 crisis:



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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

Project Company	HubCo	Commercial Close Date	Forecast Operational Date (Pre COVID Lockdown)	SFTi Sub debt Investments (31/3/2020) £'000	SFTi Historical Cost of Equity £	SFTi Fair Value of Equity (31/03/20) £'000	Dividend income £'000	Interest income £'000
hub North Scotland (Inverurie Campus) Ltd (Inverurie Community Campus)	hub North	April 2018	March 2020	470	100	1.9	Nil	2020: 12 2019: 11
QHS DBFM Holdco Ltd (Queensferry High School)	hub South East	June 2018	March 2020	341	10	3.9	Nil	2020: 12 2019: 10
Hub West Scotland Project Company (No.7) Ltd (Greenock & Stobhill Health Centres and Clydebank Health & Care Facility)	hub West	December 2018 and September 2019	Stobhill June 2020 and Greenock September 2020 and Clydebank June 2021	412	1	15.8	Nil	2020: 31 2019: 7
<b>Sub Total</b>		<b>(3 Projects)</b>		<b>1,223</b>	<b>111</b>	<b>21.6</b>	<b>Nil</b>	<b>2020: 55 2019: 28</b>
<b>Total sub debt investments</b>				<b>15,916</b>	<b>835</b>	<b>524.9</b>	<b>143.9</b>	<b>2020: 1,693 2019: 1,617</b>
Housing LLPs					27			
Investment in Hub Companies					61			
<b>Total</b>				<b>15,916</b>	<b>923</b>	<b>524.9</b>	<b>143.9</b>	

Equity investments are held at fair value based upon the forecast dividend returns. As at 31 March 2020 their estimated fair value was £525k compared to £687k as at 31 March 2019. The variation in fair value of £162k reflects the aggregate impact of: project dividends received in the year which decreased the fair value by £144k; movements in the dividends forecast by projects which resulted in a net decrease of £70k in the fair value, and the effect of discounting where SFTi is, in general, one year closer to receiving dividend income which increased the fair value by £52k.

In addition to hub projects, SFTi also invests in Limited Liability Partnerships (LLPs) under the Housing Delivery Partnership programme, which aims to increase the supply of affordable housing in conjunction with Local Authority partners. SFTi also remains invested in the National Housing Trust programme, with 27 operational LLPs in place across the country with an equity valuation of £27.

## **STRATEGIC REPORT (continued)**

### **Business Review (continued)**

#### **Risks and Mitigation**

The most significant risk to the Company is investment performance. For financial year 2020/21, the greatest risk to investment performance is COVID-19 with two projects in the final stages of construction - Inverurie Community Campus and Queensferry High School - which were unable to achieve final completion until Summer 2020. The Greenock, Stobhill and Clydebank Health Centres project was mid-construction with a scheduled phased handover of facilities between June 2020 and June 2021. This will be delayed despite being classified as essential due to construction continuing at significantly lower productivity rates, and the Clydebank site being closed for a period. Finally, East Lothian Community Hospital which was fully operational at the year end, had residual works to be completed including a car park and landscaping which were delayed. At the year end, the funders require this work to be completed before sub-ordinated debt and dividend payments can be made to the project sponsors including SFTi. Overall, the impact of the COVID 19 pandemic is not expected to be material, being dependent upon (i) the period of lockdown; (ii) the safe working practices implemented when construction sites are operational; and (iii) the commercial settlements agreed with the procuring authority on each project.

All revenue streams from operational projects are underpinned by public sector counterparties, through unitary service payments paid under the terms of the respective Project Agreements. With regard to COVID-19 risk, the Scottish Procurement Policy Note (SPPN) - Coronavirus (COVID-19): supplier relief SPPN 5/2020 (published on 26 March 2020) - sets out guidance for public bodies on options for payment to their suppliers to ensure service continuity during the COVID-19 outbreak. The SPPN encourages public bodies to act and support their suppliers so they are better able to cope with the crisis and to resume normal service delivery and fulfil their contractual obligations when the outbreak is over. The SPPN was supplemented by the Operational Guidance for PPP Contracts (issued by SFT on 6 April 2020) which set out several recommendations to contracting parties including the maintenance of unitary charge payments in circumstances where part or all of a services could not be delivered due to the impact of COVID-19. Noting that all investment revenue streams are underpinned by public bodies in terms of PPP contracts, the Board has taken comfort from public bodies' adoption of the SPPN and the Operational Guidance for PPP Contracts.

Other than East Lothian Community Hospital investment, no operational projects were in senior lender distribution lock-up (that is, the funders require this work to be completed before sub-ordinated debt and dividend payments can be made to the project sponsors including SFTi) at 31 March 2020. The Board do not anticipate any losses as payments are anticipated to be received in all cases and hence with the exception of minor re-profiling, investments are performing according to their base cases and making returns as anticipated.

## **STRATEGIC REPORT (continued)**

### **Business Review (continued)**

#### **Risks and Mitigation (continued)**

The investment risk is mitigated by:

- SFTi's representative on the Board of each territory hub Company, which gives clear visibility of investment pipeline and delivery capabilities;
- investing through a well understood and closely controlled Design, Build, Finance and Maintain contract structure, which passes significant risk to sub-contractors outwith the investment vehicle; and
- close operational management of investments by the relevant SFT staff member (and his alternates), who is a director of each hubCo and a director of the special purpose companies established to deliver each project.

#### **Risk Management and Internal Control**

The directors monitor SFTi's risk management and internal control systems as detailed within the Statement of Internal Control.

#### **Financial Results**

Investment returns received in the year, including a small amount of bank interest, totalled £1,852,314 (2018/19: £1,632,103) and grant income of £1 (2018/19: £nil). After allowing for costs of £644,992 (2018/19: £545,914) there was a profit before tax of £1,207,323 (2018/19: £1,086,189). A tax charge of £202,040 (2018/19: £206,376) was incurred in respect of the profit generated. Included in the costs is a £36,000 (2018/2019: £nil) expected credit loss provision in relation to the working capital loan provided to hub West Scotland Limited due to the potential for the company not to be able to repay the loan in full when it falls due if its unsecured pipeline of work is not delivered according to its base-case.

The profit after tax of £1,005,283 (2018/19: £879,813) will be applied to fund future projects and the activities and wider programmes delivered by the SFT group. A dividend of £872,000 (2018/19: £860,000) was declared during the year.

Following the implementation of IFRS 9, equity investments in hub SPVs are held at fair value based on the discounted future returns. At 31 March 2020 these were valued at £524,785 (2019: £687,160) a decrease in value of £162,375.

In 2019/20 SFTi invested £152,600 (2018/19: £1,360,057) in the sub-ordinated debt of Hub West. This related to a contract variation on the Greenock & Stobhill and Clydebank Health & Care Facilities and was funded by the repayable grant received from SFTi's parent, SFT. No further investments will be made in hub DBFM projects following the announcement, in May 2019 in the Scottish Government's Medium Term Financial Strategy that there would be no new hub DBFM projects.

## **STRATEGIC REPORT (continued)**

### **Business Review (continued)**

#### **Financial Results (continued)**

The forty one investments made to date in DBFM projects are performing satisfactorily, except East Lothian Community Hospital, which although operational had suffered covid related delays to completion of the car parks and was in funder lock-up (that is, the funders require this work to be completed before sub-ordinated debt and dividend payments can be made to the project sponsors including SFTi). The Board do not anticipate any losses as payments are anticipated to be received and hence, with the exception of minor re-profiling, investments are performing according to their base cases and making returns as anticipated. Twenty-nine projects made capital repayments in the year which totalled £628,328 (2018/19: £158,272).

The NHT LLP investments and investments in hubCos are not anticipated to make material financial returns to the Company.

As an investment company SFTi does not maintain separate non-financial key performance indicators.

#### **Going Concern and viability statement**

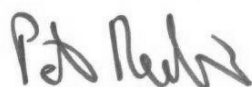
The directors believe it is appropriate for the SFTi Financial Statements to adopt the going concern basis of accounting. This is based on the investments held and related income streams which are expected to generate income for a period in excess of 20 years. In addition, SFTi's parent company, SFT, has expressed its continued support.

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

#### **Future Plans**

SFTi will continue to invest, as the opportunities arise, in SPV companies which support the development of infrastructure in areas such as housing, schools and other community projects. It is anticipated that no further investments will be made in hub DBFM projects as this programme draws to a close.

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



**Peter Reekie**  
**Executive Director**

**Date: 21 September 2020**

## **SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **DIRECTORS' REPORT**

#### **Directors**

The business review of the Company is included in the Strategic Report in accordance with the Companies Act 2006 s.414 (C11). The directors who held office during the year and up to the signing of these financial statements are as follows:

Ian Russell	Chairman
Peter Reekie	Executive Director
Vivienne Cockburn	Executive Director
Ann Allen	Non-Executive Director
Ann Faulds	Non-Executive Director
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director

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

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

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

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

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that year.

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

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

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

**DIRECTORS' REPORT (continued)**

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

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

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

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

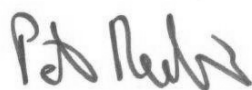
**Disclosure of Information to the Auditor**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the auditor is unaware and each director has taken all the steps that they ought reasonably to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor and AGM**

During 2019/20 the appointed auditor, Scott-Moncrieff, tendered their resignation and were replaced by Azets Audit Services following the acquisition of Scott Moncrieff by Cogital Group Limited which owns Azets Audit Services. The Company has elected to dispense with the holding of the AGM, the laying of financial statements in a general meeting and the annual appointment of the auditor as meetings between the sole shareholder, Scottish Futures Trust and its sole shareholder the Scottish Government occur on a regular basis.

On behalf of the Board:



**Peter Reekie**  
**Executive Director**

**Date: 21 September 2020**

## **REPORT ON CORPORATE GOVERNANCE**

The Company is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

Throughout the accounting year ending 31 March 2020, the Company has complied with all the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council as best practice guidance, except as explained below, notwithstanding that the Company is not a listed company to which the provisions are directed. The following exceptions are noted:

- there is no Nominations Committee as non-executive Board appointments to SFTi reflect those of the parent company, SFT. The terms and conditions of appointment for both SFTi and SFT non-executive board appointments are determined by the Company's ultimate shareholder, the Scottish Ministers;
- directors are not subject to election or re-election at General Meetings as required by the Code. Non-executive directors are appointed to the Board by the Scottish Ministers - these appointments are made under a system regulated and monitored by the Commissioner for Ethical Standards in Public Life in Scotland, whose policies on term of office and diversity are available on their website;
- there is no Remuneration Committee as the Company has no direct employees;
- in view of the Group's responsibilities to take account of the provisions set out in the Management Statement and Financial Memorandum (MSFM) agreed with the Scottish Government, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration be transparent, stretching and rigorously applied. The Board carries out the role of a Remuneration Committee as remuneration of non-executive directors is set by the Scottish Government;
- the Board has not identified a Senior Independent Director as the sole shareholder in SFT appoints and appraises the performance of the Chairman of SFTi, and the Chairman was independent on his appointment and has no financial interest in the performance of the Company; and
- the Board has requested the Group Audit Committee to regularly review the need for an internal audit function. The size and nature of the organisation, alongside a clear controls framework and a 3 year Internal Controls Review Plan, has led the Audit Committee to conclude to date that such a function is not required. For the last 3 years, the Internal Audit division of Baldwins Holdings Limited (formerly Scott Moncrieff prior to the acquisition in May 2019 of Scott-Moncrieff by Cogital Group Limited, who own Baldwins Holdings Limited) has carried out the programme of Internal Control Reviews for the Group. However, due to the new ethical standards effective from 15 March 2020, Baldwins Holdings Limited as it is the same group as Azets Audit Services Limited, the Group's external auditor, can no longer act as internal auditor. The Audit Committee therefore agreed at its June 2020 meeting to procure a new internal audit firm to carry out the internal control reviews for the next 3 years.

### **Board of Directors**

The Board is the principal decision-making forum. It has overall responsibility for leading and controlling the Company and is accountable to the Company's ultimate shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Company strategy, authorises key investment decisions and monitors performance.

## **REPORT ON CORPORATE GOVERNANCE (continued)**

### **Board of Directors (continued)**

The Board has adopted a formal schedule of matters, in accordance with those matters reserved by the Board of the Parent Company, SFT, which are 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.

The Chairman's other significant commitments are: chairman of HICL Infrastructure plc, chairman of Herald Investment Trust plc and chairman of National Museums Scotland.

Board Meetings take place throughout each year as regularly as is required for the specific investment business that the Company undertakes. Board meetings are structured to allow open discussion and all directors participate in discussing the Company's strategic aims and performance and financial and risk management.

Three Board meetings were held during the year.

### **Board balance and independence**

As at 31 March 2020, the Board included six non-executive directors (including the Chairman). The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors (including the Chairman at the time of his appointment) are independent. The non-executive directors combine broad business and commercial experience gained in the private and public sectors with independent and objective judgement and constructively challenge and assist development of strategic matters.

The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Company'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 Company's business activities.

### **Election of Directors**

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



## **REPORT ON CORPORATE GOVERNANCE (continued)**

### **Secretary and Meeting Minutes**

As permitted by the Companies Act 2006, the Board has dispensed with the appointment of a Company Secretary. The Chairman is responsible for advising the directors on all governance matters and for ensuring that Board procedures are followed. All directors are entitled to obtain independent professional advice at the Company's expense. Minutes of Board and the Group Audit Committee meetings are available on SFT's website following their approval.

### **Performance Evaluation**

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

### **Board Committees**

Due to the restricted nature of its business, the Company Board does not have an extensive committee structure. There is a Group Audit Committee whose membership is determined by the Parent company and a SFTi Investment Committee.

Given the low volume of investments planned and made in the year, SFTi's Investment Committee (comprising all board members other than the Chair) did not meet in the year with all investments being approved directly by the Board

### **Attendance at Board and Committee Meetings**

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

	<b>SFTi Board</b>	<b>Group Audit Committee</b>
<b>Number of meetings</b>	<b>3</b>	<b>3</b>
Ian Russell	3	2*
Ann Faulds	3	2
Graham Watson	3	3
Bill Matthews	3	3
Ann Allen	1	3
Pauline Mills	3	2
Peter Reekie	3	3*
Vivienne Cockburn	3	2*

\*In attendance, not members of the Committee

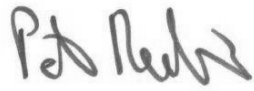
### **Relations with Ultimate Shareholder**

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

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

**REPORT ON CORPORATE GOVERNANCE (continued)**

On behalf of the Board:

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

**Peter Reekie  
Executive Director**

**Date: 21 September 2020**

## **STATEMENT ON INTERNAL CONTROL**

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

### **Control Structure**

SFTi has in place the same internal control system as SFT supplemented by the SFTi Investment Management Policy which was introduced in 2019/20. Given the nature and size of the Company, SFTi's control structure is the responsibility of the directors and there is no current need for a separate internal audit function, although this will be kept under review. The organisation has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied. In addition, the Company's external auditor presents reports to the Audit Committee which include any significant internal control matters which they have identified.

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

The Company has adopted a risk-based approach to internal control by evaluating the probability and impact of risks and putting in place appropriate levels of control to mitigate each risk. Procedures include an ongoing process of identifying, evaluating and managing key risks and, where appropriate, enhancing the systems which manage these risks. A formal risk register is kept and regularly reviewed by the Leadership Team, the Group Audit Committee and ultimately the Board.

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

### **Corporate Information Systems**

The Company operates a budgeting and financial reporting system appropriate to its business as an investment vehicle. Standard financial control procedures are in place which provide assurance on the integrity of the Company's finances.

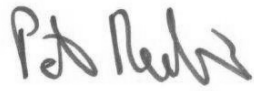
### **Effectiveness of Internal Controls**

The directors are responsible for, reviewing the effectiveness of the Company's system of internal control, including internal financial control, which is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. The directors do this through a range of internal control reviews conducted by a separate team from the Company's auditor. In 2019/20, this included a review of Corporate Governance and Board Effectiveness, Records Management and the Management Information Processes operated by SFT with no significant issues noted. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

**STATEMENT ON INTERNAL CONTROL (continued)**

On behalf of the Board:

A handwritten signature in black ink, appearing to read 'Peter Reekie', is positioned above the printed name and title.

**Peter Reekie  
Executive Director**

**Date: 21 September 2020**

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

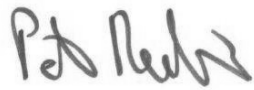
**REPORT ON DIRECTORS' REMUNERATION**

Details of directors' remuneration are as follows:

**Directors' Remuneration**

None of the directors receive remuneration for their service to SFTi. Directors are remunerated through SFTi's parent company, SFT.

On behalf of the Board:

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

**Peter Reekie**  
**Executive Director**

**Date: 21 September 2020**

## **REPORT OF THE GROUP AUDIT COMMITTEE**

### **Role and Responsibilities**

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

### **Composition**

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

- Graham Watson is a Chartered Accountant and experienced investment banker bringing extensive strategic leadership and financial expertise to the board. Graham was appointed chair of the Group Audit Committee from 1 September 2017.
- Ann Allen MBE is a chartered surveyor with over 35 years' experience and was Director of Estates at the University of Glasgow leading the team delivering the campus development until her retirement at the end of April 2020.
- Ann Faulds was a partner in the law firm, CMS and has 30 years' experience in consenting processes for developments and infrastructure projects.
- Bill Matthews is a Chartered Engineer and has governance knowledge across a variety of policy areas and organisations. He was the founding Chair of hub West Scotland and has significant infrastructure development experience.
- Pauline Mills is a chartered town planner and member of the Royal Town Planning Institute. She is currently Land and Planning Director at Taylor Wimpey, responsible for managing the firm's land assets across the regional Board of which she is a member.

In the year ended 31 March 2020, there were three meetings of the Group Audit Committee.

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

### **Responsibilities**

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

- considering and recommending to the Board for approval the annual financial statements and reviewing the external auditor's report thereon;

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

### **Responsibilities (continued)**

- 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 quality and independence of the audit engagement partner;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the adequacy of the Company's internal control systems and standards.

### **Auditor and Audit Tenure**

During 2019/20 the appointed auditor, Scott-Moncrieff, tendered their resignation and were replaced by Azets Audit Services following the acquisition of Scott Moncrieff by Cogital Group Limited which owns Azets Audit Services. Azets Audit Services have expressed their willingness to continue as auditor and will be proposed for reappointment.

### **Safeguarding the Auditor's Objectivity and Independence**

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

The only non-audit services provided to the Company by Baldwins Holdings Limited, a company in the same group as the Auditor were basic corporation tax compliance advice, ad-hoc VAT advice, iXBRL tagging of the financial statements for submission to HMRC and a review of the SFT group's internal controls which covered SFTi. This work was performed by staff from Baldwins Holdings Limited, who had no involvement with the external audit, thus the objectivity and independence of the external auditor was not compromised. The audit and tax fees for SFTi were paid by SFT and recharged via the management charge. From 1 April 2020, and in accordance with the FRC's revised Ethical Standard, Baldwins Holdings Limited will no longer undertake any internal financial controls work for the Group.

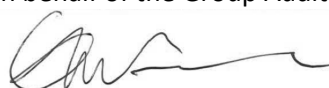
### **Significant Issues Considered Regarding the Annual Report and the Financial Statements**

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

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

<b>Significant issue</b>	<b>How the issue was addressed</b>
Income recognition	The Company's main source of income is the interest and dividends it receives on the working capital loans and subordinated debt invested in the hub Companies and the DBFM SPV companies. The SFTi Board approved each investment made and reviews the performance of each investment. In addition, at the year end, amounts due from investments are confirmed directly with the companies in which the investments have been made. This provides a completeness check of revenue due.
The incorrect accounting of repayable grants from the Scottish Government to SFT which were then granted on to SFTi	SFT drew down repayable grants from the Scottish Government which were then granted on to SFTi to make investments in the subordinated debt and share capital of special purpose investment vehicles. These are repaid to SFT, and hence to Scottish Government, when SFTi receives a principal repayment from the SPVs who are delivering the projects. The repayment of principal which is related to the repayable grant is tracked through the Portfolio Model which is update by SFTi and subject to internal review and external review by an independent third party financial modeller. Through the review of the management accounts and the statutory financial statements, the Board ensure that all repayable grants due to be repaid to SFT and onward to the Scottish Government are recorded and disclosed correctly.
The risk that investments are not consolidated in SFT group accounts when they should be.	Through discussions with the auditor, the Audit Committee reviews the criteria regarding consolidation and the relationship the Group has with the companies the Group has invested in, in order to establish if consolidation is required.
Risk of the recoverability of investments in terms of repayment of the working capital loans, sub-ordinated debt loans and interest and dividends receivable	The SFTi Board reviews investment performance. SFTi also has board representation on all hubcos and DBFM project companies. This provides additional reassurance regarding the performance of hubcos to whom SFTi provides working capital loans and their project companies to whom SFTi may provide subdebt.
The risk that the fair value of investments is over or under stated in the financial statements	The Company has adopted IFRS 9 <i>Financial Instruments</i> which requires the equity investments, in companies delivering infrastructure as part of wider SFT programmes, to be held at fair value. The fair value calculations are based on the discounted value of future cashflows. The future cashflows are based on operational models provided bi-annually by the companies in which SFTi holds the equity. These companies have a SFT nominated Director on their Boards who confirms the reasonableness of the operating models. The directors gain reassurance that the fair value calculations are reasonable based on the above controls.

On behalf of the Group Audit Committee:



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

**Date: 21 September 2020**



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

### **Opinion**

We have audited the financial statements of Scottish Futures Trust Investments Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law

and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the Company's ability to continue to adopt the going concern basis of accounting included reviewing the financial position of the Company and the budgets prepared by management which cover the next 12 months, alongside the investments held and cash reserves of the Company.

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

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

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

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

### Our approach to the audit

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

### Key audit matters

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

### Income Recognition

- **The risk:** There is a risk that income is misstated as a result of the accounting policies adopted or as a result of the Company recognising income transactions in such a way as to lead to a material misstatement in the reported income.
- **Our response:** The Company's main source of income in the year is interest and dividend income received in respect of investments, working capital loans and subordinated debt invested in the hub companies and the Design Build Finance Maintain (DBFM) Special Purpose Vehicle (SPV) companies and through reviewing the underlying agreements and the sums invested we confirmed the interest and dividend income recognised in the year was accurate.
- **Our findings:** From the work performed we gained assurance in respect of the recognition of income in the year.

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

- **The risk:** There is a risk that repayable grants received by SFT from the Scottish Government which are then granted on to SFTi to fund the investment in sub-ordinated debt and the share capital of DBFM SPV companies are not correctly recorded in the financial statements of SFT or SFTi.
- **Our response:** There was no further drawdown from the Scottish Government however there was £152,600 of repayable grant paid by SFT to SFTi, from SFT's cash reserves to fund an investment made in the year. This has been accounted for correctly.
- **Our findings:** From the work performed, we have gained assurance over the repayable grants received in the year from SFT and the closing balance at the year end.

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

### Treatment of Investments made by Scottish Futures Trust Investments Limited

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

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

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

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

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

### Our application of Materiality

The materiality for the financial statements as a whole was set at £18,000. This has been assessed with reference to the benchmark of investment income (representing 1% of the reported figure) which we consider to be the principal considerations for the member of the Company in assessing the financial performance of the company.

For significant risk areas we set a performance (testing) materiality, which we assessed as being 75% of the overall materiality. All balances and transactions above 75% of overall materiality were audited. We tested smaller balances and transactions as we deemed necessary.

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

We agreed with the Audit Committee to report to it the following misstatements that we identified through our audit: (i) all material corrected misstatements; (ii) uncorrected misstatements with a value in excess of £900; and (iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

**Other information**

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

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

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

### **Corporate governance statement**

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

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

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 10);
- The Directors' explanation as to the assessment of the Company's prospects, the period this assessment covers and why the period is appropriate (set out on page 10);
- The Directors' statement on fair, balanced and understandable (set out on page 2);
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risk (set out on pages 8 and 9);
- The section of the annual report that describes the review of effectiveness of risk management and internal financial controls set out on page 9);
- The section describing the work of the Audit Committee (set out on page 20).

### **Responsibilities of the directors**

As explained more fully in the directors' responsibilities statement set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the form and content of the financial statements, such as the accounting policies, International Financial Reporting Standards (IFRS), the UK Companies Act 2006 and the UK Corporate Governance Code.

We understood how Scottish Futures Trust Limited is complying with those frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and a strong emphasis placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by making an assessment of the key fraud risks to the Company and the manner in which such risks may manifest themselves in practice, based on our previous knowledge of the Company as well as an assessment of the current business environment.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud.

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

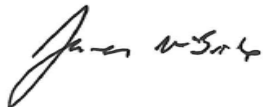
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

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

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

**Use of this report**

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



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

**Date: 21 September 2020**

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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020	2019
		£	£
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross Profit</b>		-	-
		<hr/>	<hr/>
Other income	5	1,852,314	1,632,103
Grant income	6	1	-
Operating expenditure	7	(644,992)	(545,914)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		1,207,323	1,086,189
Taxation on profit on ordinary activities	8	(202,040)	(206,376)
		<hr/>	<hr/>
<b>Net Profit for the year</b>		1,005,283	879,813
<b>Other comprehensive income</b>		-	-
(Loss)/gain on fair value of SPV investments	9a	(162,375)	18,060
		<hr/>	<hr/>
<b>Other comprehensive income for the year</b>		(162,375)	18,060
		<hr/>	<hr/>
Total comprehensive income for the year		842,908	897,873
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to Equity holder of the Company</b>		842,908	897,873
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements



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

**STATEMENT OF CHANGES IN EQUITY**

<b>As at 31 March 2020 and 31 March 2019</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Fair Value Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2019	1	7,497,440	686,237	8,183,678
Total comprehensive income for the year	-	842,908	-	842,908
Dividend payable	-	(872,000)	-	(872,000)
Transfer between reserves	-	162,375	(162,375)	-
At 31 March 2020	1	7,630,723	523,862	8,154,586
At 1 April 2018	1	7,477,627	-	7,477,628
IFRS 9 transitional adjustment	-	668,177	-	668,177
At 1 April 2018 as restated	1	8,145,804	-	8,145,805
Total comprehensive income for the year	-	897,873	-	897,873
Dividend payable	-	(860,000)	-	(860,000)
Transfer between reserves	-	(686,237)	686,237	-
At 31 March 2019	1	7,497,440	686,237	8,183,678

The accompanying notes form an integral part of these financial statements

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	Note	2020	2019
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments - share capital	9a	524,785	687,160
Investments - working capital loans	9b	164,000	200,000
Investments - subordinated debt	9c	15,916,547	16,355,223
Trade and other receivables in more than one year	10	1,923,663	1,859,102
		<u>18,528,995</u>	<u>19,101,485</u>
<b>Current assets</b>			
Trade and other receivables in less than one year	10	382,972	720,072
Cash and cash equivalents	11	1,315,221	822,531
		<u>1,698,193</u>	<u>1,542,603</u>
<b>Current liabilities</b>			
Trade and other payables	12	(1,071,381)	(1,549,537)
Current tax liabilities	8	(202,040)	(206,376)
		<u>(1,273,421)</u>	<u>(1,755,913)</u>
<b>Net current assets/(liabilities)</b>		424,772	(213,310)
<b>Non-current liabilities</b>			
Repayable grant from parent	13	(10,799,181)	(10,704,497)
		<u>(10,799,181)</u>	<u>(10,704,497)</u>
<b>Net assets</b>		<u>8,154,586</u>	<u>8,183,678</u>
<b>Equity</b>			
Called up share capital	14	1	1
Retained earnings	14	7,630,723	7,497,440
Fair value reserve	14	523,862	686,237
		<u>8,154,586</u>	<u>8,183,678</u>
<b>Total shareholder's funds</b>		<u>8,154,586</u>	<u>8,183,678</u>

These financial statements were approved by the Board of Directors on 21 September 2020 and authorised for issue on its behalf by:



**Ian Russell**  
**Chairman**



**Peter Reekie**  
**Executive Director**

Registered Company Number: SC381388  
The accompanying notes form an integral part of these financial statements

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

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020	2019
<b>Cash flows from operating activities</b>		<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation		1,207,323	1,086,189
Expected credit loss provision		36,000	-
Decrease/(increase) in trade and other receivables	10	235,487	(500,486)
Decrease in trade and other payables	12	(1,408,072)	(611,314)
Net cash from operating activities		70,738	(25,611)
<b>Corporation tax paid</b>	8	(206,376)	(169,707)
<b>Cash flows from investing activities</b>			
Purchase of investments and SPV share capital	9a	(1)	(121)
Disposal of investments	9a	1	-
Repayment of subordinated debt	9c	628,328	158,272
Increase in repayable grants	13	152,600	1,360,058
Investment in subordinated debt of hub projects	9c	(152,600)	(1,360,057)
Net cash used in investing activities		628,328	158,152
Net increase/(decrease) in cash and cash equivalents		492,690	(37,166)
Cash and cash equivalents at beginning of year	11	822,531	859,697
Cash and cash equivalents at end of year	11	1,315,221	822,531

The accompanying notes form an integral part of these financial statements

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 1. Basis of Preparation and Accounting Policies

The financial statements of Scottish Futures Trust Investments Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006. The financial statements are presented in British Pounds since this is the functional currency of the Company.

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

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

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

The following significant accounting policies have been adopted in the preparation of this report:

#### **Going Concern**

On the basis of the information available to them, the directors have a reasonable expectation that the Company will continue to receive the forecast income due from its investment activities. Consequently, in managing this capital, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements. This assessment of going concern includes the expected impact of COVID-19 to the entity in the 12 months following the signing of these financial statements.

#### **Share capital**

The ordinary share of SFTi is classified as equity.

#### **Financial Instruments**

##### ***Classification, recognition and measurement***

The Company classifies its financial assets as investments, loans and receivables. Management determines the classification of its financial assets at initial recognition.

##### ***Investments***

These are investments by SFTi in hub companies, DBFM SPV companies and limited liability partnerships and are held at fair value. An irrecoverable election has been made to recognise the fair value movements through Other Comprehensive Income. SFTi has no intention of disposing of these investments.

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

#### 1. Basis of preparation and accounting policies (continued)

##### **Financial Instruments (continued)**

###### ***Impairment***

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

###### ***Loans and Receivables***

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

###### ***De-recognition***

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

###### **Cash and Cash Equivalents**

In the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions.

###### **Trade and other Payables**

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

###### **Revenue**

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

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

###### **Capital grants**

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

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

#### 1. Basis of preparation and accounting policies (continued)

##### Repayable grants

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

##### 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 Statement of Financial Position date.

##### Dividends

Dividends announced during the year are recognised within the intergroup balance if not paid by the year end.

#### 2. New and Amended Standards Adopted by the Company

No new or amended IFRSs had a material impact on the 2019/20 financial statements.

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

##### Guidance in Issue but not in Force – EU Endorsed

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

##### Guidance in Issue but not in Force – not EU Endorsed

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The preparation of financial statements under IFRS requires the Company 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 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:

**Fair value of investments**

SFTi holds equity investments in a range of Special Purpose Vehicles (“SPVs”) whose purpose is to contribute to the delivery of SFT’s wider programmes of infrastructure investment. In accordance with IFRS 9, this equity is valued at fair value. The fair value is calculated based on the future cash flows expected to be generated from the SPVs discounted at 11%, the Company’s risk rate of return.

The fair value calculations are based on bi-annual operating models provided by the SPVs which indicate the latest profile of forecast dividends. SFT appoints a Director to each of these companies providing reassurance regarding the reasonableness of the cash flow forecasts.

**Expected Credit Loss**

SFTi holds working capital loans in hubcos and sub-ordinated debt investments in SPVs responsible for delivering projects under the hub programme. The working capital loans provided to hubCos are held at cost and reviewed annually to establish if an expected credit loss is required. This analysis is based on an evaluation of the hubCo business and the likelihood of a default on part of the working capital loan based upon a range of scenarios. As at 31 March 2020 a provision of £36,000 was required.

The subordinated debt is held at cost and is reviewed annually to establish if an expected credit loss is required. This review focuses on projects where there has been a delay in the scheduled repayment of interest or principal. For these projects, the expected future returns from interest and principal are discounted at the loan note IRR of the respective projects as set at financial close. If the discounted expected value of future cash flows is lower than the carrying value of the investment then an expected credit loss provision is created.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**5. Other income**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Interest income from working capital loans and subordinated debt (notes 9b and 9c)	1,692,808	1,617,057
Bank interest	491	432
Other income – directors’ fees	15,064	14,614
Other income - dividends	143,951	-
	<u>1,852,314</u>	<u>1,632,103</u>

**6. Grant Income**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
SFT grant received for SFTi investments in LLPs (note 9a)	<u>1</u>	<u>-</u>

In 2019/20, £1 (2018/19: £nil) was received in grant funding to fund the investment of SFTi in LLPs.

**7. Operating expenditure**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit before taxation is stated after charging:		
Management fee payable to SFT	608,964	545,823
Bank charges	28	91
Expected credit loss provision (See Note 9b)	36,000	-
	<u>644,992</u>	<u>545,914</u>



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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**8. Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	1,207,323	1,086,189
Less: dividends not subject to tax	(143,951)	-
	<u>1,063,372</u>	<u>1,086,189</u>
Taxable profit	1,063,372	1,086,189
	<u>202,040</u>	<u>206,376</u>
Corporation tax charge @ 19% (2018/19: @ 19%)	202,040	206,376
	<u>202,040</u>	<u>206,376</u>
Corporation tax creditor	202,040	206,376
	<u>202,040</u>	<u>206,376</u>

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

**9. Investments**

**Capital Management**

Scottish Government grants SFT capital funds which SFT grants on to SFTi for investment in subordinated debts, share capital in special purpose vehicles and working capital in hub companies. Scottish Government also provides repayable grant to SFT which SFT then grants onto SFTi for investment in subordinated debt, share capital in special purpose vehicles and working capital in hub companies.

**9. a) Investments – Share Capital**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cost and Fair Value		
At beginning of year as previously stated	687,160	802
Gain on transition to IFRS 9 (note 2)	-	668,177
	<u>687,160</u>	<u>668,979</u>
Fair value at beginning of year as restated	687,160	668,979
Additions	1	121
Disposals	(1)	-
(Loss)/gain on revaluation	(162,375)	18,060
	<u>524,785</u>	<u>687,160</u>
At 31 March 2020	524,785	687,160

The Fair Value of the equity investments in hub DBFM projects decreased by £162,375 which reflected (i) the receipt of dividend income of £143,951; (ii) a net decrease in the forecast dividends across the portfolio of £70,430; and (iii) an increase in fair value of £52,006 reflecting the impact of discounting with forecast cashflows now 1 year closer to being received.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. a) Investments – Share Capital (continued)**

SFTi invested £1 (2018/19: £nil) in housing partnership LLPs during the current year and £nil in share capital of SPVs in connection with sub debt investments (2018/19: £121). One LLP was disposed of (2018/19: nil).

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

**9. b) Investments - Working Capital Loans**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Non-current assets</b>		
<b>Cost and Net book value</b>		
At beginning of year	200,000	100,000
Transferred from current assets	-	100,000
Expected credit loss provision (note 7)	(36,000)	-
At 31 March 2020	<u>164,000</u>	<u>200,000</u>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Current assets</b>		
<b>Cost and Net book value</b>		
At beginning of year	-	100,000
Transferred to non-current assets (investments)	-	(100,000)
At 31 March 2020	<u>-</u>	<u>-</u>

**Working Capital Loans - Non-Current Assets**

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility was available until 16 November 2017 but was extended to 16 November 2018 and then further extended to 15 November 2021 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 6% p.a. on all other sums. Interest is accrued-semi-annually (on 31 December and 30 June) and added to the loan.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. b) Investments - Working Capital Loans (continued)**

SFTi loaned working capital of £100,000 to hub West Scotland Limited on 27 April 2012. This working capital facility was available until 26 April 2017 but was extended to 31 December 2018 and further extended to 31 March 2022 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. All providers of working capital loans agreed to extend these facilities to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 2.5% p.a. on all other sums. Interest is payable semi-annually (30 June and 31 December) and added to the loan. An expected credit loss provision of £36,000 has been recognised this year in respect of this working capital loan due to the potential for the company not to be able to repay the loan in full when it falls due if its unsecured pipeline of work is not delivered according to its base-case.

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

**9. c) Investments – Subordinated Debt**

	<b>2020</b>	<b>2019</b>
<b>Cost and Net Book Value</b>	<b>£</b>	<b>£</b>
At beginning of year	16,355,223	15,122,058
Additions	152,600	1,360,057
Interest capitalised into subordinated debt	37,052	31,380
Principal repaid in year	(628,328)	(158,272)
	<hr/>	<hr/>
At 31 March 2020	15,916,547	16,355,223
	<hr/> <hr/>	<hr/> <hr/>

During 2019/20, SFTi invested £152,600 (2018/19: £1,360,057) as subordinated debt in a contract variation relating to the Clydebank Health & Care Facility for Greater Glasgow and Clyde Health Board (Total capital cost: £17.2m).

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

During the year accrued interest was capitalised for one South West territory investment and principal was repaid for five other South West territory investment as detailed in the tables below.

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

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>hub North territory</b>						
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan	£576,191 less £4,054 principal repaid totals £572,137	£96,131	10.2%	04/2012	2039
hub North Scotland (FWT) Ltd ( <i>Forres/Tain/Woods ide Health Centre Bundle</i> )	Fixed coupon unsecured loan	£133,884 less £19,170 principal repaid totals £114,714	£14,534	10.2%	04/2013	2039
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan	£747,036 less £48,166 principal repaid totals £698,870	£79,361	10.2%	05/2014	2040
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan	£1,568,509 less £170,229 principal repaid totals £1,398,280	£422,349	10.2%	12/2014	2042
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan	£342,962 less £27,750 principal repaid totals £315,212	£83,214	10.2%	07/2015	2043
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan	£253,654 less £68,533 principal repaid totals £185,121	£75,143	10.2%	02/2016	2043
hub North Scotland (O & C) Ltd ( <i>Oban &amp; Campbeltown High Schools</i> )	Fixed coupon unsecured loan	£491,691 less £132,230 principal repaid totals £359,461	£172,764	10.2%	03/2016	2043
hub North Scotland ( <i>New Academy – South of the City</i> )	Fixed coupon unsecured loan	£321,672 less £4,672 principal repaid totals £317,000	£71,165	10.2%	06/2016	2043
hub North Scotland (I & F) Ltd ( <i>Inverurie &amp; Forresterhill Health Centres</i> )	Fixed coupon unsecured loan	£167,168 less £1,406 principal repaid totals £165,762	£26,511	10.2%	06/2016	2044

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
<b>hub North territory (cont.)</b>						
hub North Scotland (Inverurie Campus) Ltd <i>(Inverurie Community Campus)</i>	Fixed coupon unsecured loan	£470,061	£23,039	2.45% during construction and 10.2% during operation	04/2018	2044
<b>hub North territory total</b>		<b>£4,596,618</b>	<b>£1,064,211</b>			

<b>hub South East territory</b>						
James Gillespie's Campus Subhub Holdings Ltd	Fixed coupon unsecured loan	£1,252,424 less £48,934 principal repaid totals £1,203,490	£472,407	10.87%	12/2013	2041
REH Phase 1 Subhub Holdings Ltd <i>(Royal Edinburgh Hospital)</i>	Fixed coupon unsecured loan	£410,685 less £3,432 principal repaid totals £407,253	£43,305	2.48% during construction and 10.75% during operation	12/2014	2042
Newbattle DBFM Holdco Ltd <i>(Newbattle High School)</i>	Fixed coupon unsecured loan	£310,265 less £5,087 principal repaid totals £305,178	£39,984	3.35% during construction and 10.5% during operation	02/2016	2043
KHS DBFM Holdco Ltd <i>(Kelso High School)</i>	Fixed coupon unsecured loan	£205,150 less £3,755 principal repaid totals £201,395	£23,113	3.35% during construction and 10.5% during operation	02/2016	2042
LBP DBFM Holdco Ltd <i>(NHS Lothian Health Centre Bundle)</i>	Fixed coupon unsecured loan	£243,750 less £5,262 principal repaid totals £238,488	£26,086	3.37% during construction and 10.45% during operation	04/2016	2042
ELCH DBFM Holdco Ltd <i>(East Lothian Community Campus)</i>	Fixed coupon unsecured loan	£600,797	£74,531	2.98% during construction and 10.45% during operation	09/2016	2044
WCHS DBFM Holdco Ltd <i>(West Calder High School)</i>	Fixed coupon unsecured loan	£286,654 less £3,732 principal repaid totals £282,922	£31,142	3.47% during construction and 10.45% during operation	12/2016	2043

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020	Interest Rate	Financial Close Date	Redemption Date
QHS DBFM Holdco Ltd (Queensferry High School)	Fixed coupon unsecured loan	£340,774	£22,081	3.49% during construction and 10.3% during operation	06/2018	2045
JICC DBFM Holdco Ltd (Jedburgh Community Campus)	Fixed coupon unsecured loan	£290,222	£16,746	3.40% during construction and 10.3% during operation	10/2018	2045
<b>hub South East territory total</b>		<b>£3,870,519</b>	<b>£749,395</b>			

<b>hub South West territory</b>						
Hub SW NHSL Holdco Ltd (NHS Lanarkshire Health Centre Bundle)	Fixed coupon unsecured loan	£401,729 less £5,474 principal repaid totals £396,255	£22,946	10.5%	12/2013	2040
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan	£298,253 less £3,571 principal repaid totals £294,682	£15,550	2.33% during construction and 10.5% during operation	01/2015	2041
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan	£506,610 less £2,866 principal repaid totals £503,744	£26,886	3.78% during construction and 10.65% during operation	01/2016	2042
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan	£224,300 less £2,414 principal repaid totals £221,886	£12,070	3.62% during construction and 10.85% during operation	01/2016	2042
Hub SW EALC Holdco Ltd (East Ayrshire Learning Campus)	Fixed coupon unsecured loan	£368,416 less £2,070 principal repaid plus £37,052 accrued interest capitalised in the year totals £403,398	£21,237	3.26% during construction and 10.5% during operation	02/2016	2043
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan	£422,510 less £1,139 principal repaid totals £421,371	£21,443	3.41% during construction and 10.15% during operation	05/2016	2043
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan	£310,007	£31,270	3.52% during construction and 10.40% during operation	06/2017	2044

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020 (Note 10)	Interest Rate	Financial Close Date	Redemption Date
Hub SW QMA Holdco Ltd <i>(Queen Margaret Academy)</i>	Fixed coupon unsecured loan	£233,662	£19,993	3.46% during construction and 10.45% during operation	11/2017	2044
S W HubCo	Working Capital Loan		£7,310	6%		
<b>hub South West territory total</b>		<b>£2,785,005</b>	<b>£178,705</b>			

<b>hub West territory</b>						
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centre Bundle)</i>	Fixed coupon secured loan	£186,042 less £10,133 principal repaid totals £175,909	£38,478	9.75%	10/2014	2041
Hub West Scotland Project Company (No.2) Ltd <i>(Inverclyde Care Home)</i>	Fixed coupon unsecured loan	£70,413 less £2,451 principal repaid totals £67,962	£14,147	9.75%	02/2016	2042
Hub West Scotland Project Company (No.3) Ltd <i>(Barrhead High School)</i>	Fixed coupon unsecured loan	£213,748 less £22,390 principal repaid totals £191,358	£47,692	9.75%	03/2016	2042
Hub West Scotland Project Company (No.4) Ltd <i>(Our Lady &amp; St Patrick's High School)</i>	Fixed coupon unsecured loan	£228,400 less £20,665 principal repaid totals £207,735	£50,128	9.75%	03/2016	2042

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020 (Note 10)	Interest Rate	Financial Close Date	Redemption Date
Hub West Scotland Project Company (No.5) Ltd <i>(Gorbals/Woodside Health Centre)</i>	Fixed coupon unsecured loan	£288,202 less principal repaid £5,029 totals £283,173	£65,227	9.75%	04/2017	2043
Hub West Scotland Project Company (No.6) Ltd <i>(Blairdardie &amp; Carntyne Primary Schools)</i>	Fixed coupon unsecured loan	£149,300 less £9,411 principal repaid totals £139,889	£31,658	9.75%	10/2017	2043
Hub West Scotland Project Company (No.7) Ltd <i>(Greenock &amp; Stobhill Health Centres and Clydebank Health &amp; Care Facility)</i>	Fixed coupon unsecured loan	£411,600	£38,005	9.75%	12/2018 and 12/2019 respectively	2045
W HubCo	Working Capital Loan		£26,933	2.5%		
<b>hub West territory total</b>		<b>£1,477,626</b>	<b>£312,268</b>			



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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

Investment In:	Investment Type	Value	Interest Receivable As at 31/03/2020 (Note 10)	Interest Rate	Financial Close Date	Redemption Date
<b>hub East Central territory</b>						
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan	£1,608,000 less £177,381 principal repaid totals £1,430,619	£nil	10.2%	12/2014	2041
Hub East Central Scotland (Baldrigon) Ltd	Fixed coupon unsecured loan	£299,790	£nil	10%	02/2016	2042
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan	£364,200 less £26,530 principal repaid totals £337,670	£nil	10%	06/2015	2041
Hub East Central (SCV) Ltd <i>(Stirling Care Village)</i>	Fixed coupon unsecured loan	£354,500	£nil	10%	12/2016	2044
Hub East Central (PSS) Ltd <i>(Pharmaceuticals Special Services)</i>	Fixed coupon unsecured loan	£276,200	£nil	10%	12/2016	2043
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan	£332,500	£nil	10%	09/2017	2044
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan	£155,500	£nil	10%	11/2017	2043
<b>hub East Central territory total</b>		<b>£3,186,779</b>	<b>£nil</b>			
<b>Total sub-ordinated debt</b>		<b>£15,916,547</b>	<b>£2,304,579</b>			

**Summary of Subordinated Debt Investments**

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**9. c) Investments – Subordinated Debt (continued)**

The most significant risk to the Company is investment performance. Three projects, all in various stages of construction, are being closely monitored due to the impact of COVID-19 and one operational project where ancillary works were delayed due to COVID-19. Funders require this work to be completed before sub-ordinated debt and dividend payments can be made to the project sponsors including SFTi, which has delayed its first payments. The Board do not anticipate any losses as payments are anticipated to be received and hence with the exception of minor re-profiling, investments are performing according to their base cases and making returns as anticipated.

**10. Trade and other Receivables**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Due in more than 1 year</b>		
Accrued interest income from sub-ordinated debt investments	1,923,663	1,859,102
<b>Due in less than 1 year</b>		
Accrued interest income from sub-ordinated debt investments	380,916	718,077
Other debtors	2,056	1,995
	<u>382,972</u>	<u>720,072</u>

**11. Cash and Cash Equivalents**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,315,221	822,531

**12. Trade and other Payables**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Amount payable to parent – SFT	872,000	1,405,823
Repayable grant due to parent – SFT (note 13)	199,012	141,096
Other taxes and social security	342	2,590
Accruals	27	28
	<u>1,071,381</u>	<u>1,549,537</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**13. Repayable grant due to Parent**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
At beginning of the year	10,845,593	9,485,535
Increase in period	152,600	1,360,058
	<hr/>	<hr/>
At 31 March 2020	10,998,193	10,845,593
	<hr/> <hr/>	<hr/> <hr/>

SFT made a repayable grant of £152,600 (2019: £1,360,058) to SFTi during the year which was used to invest in subordinated debt in the year.

The expected repayment profile of the repayable grant is:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
< 1 year	199,012	141,096
1-2 years	62,196	98,135
2-5 years	185,542	361,125
>5 years	10,551,443	10,245,237
	<hr/>	<hr/>
At 31 March 2020	10,998,193	10,845,593
	<hr/> <hr/>	<hr/> <hr/>
Disclosed as		
Current Liabilities (note 12)	199,012	141,096
Non-current Liabilities	10,799,181	10,704,497
	<hr/>	<hr/>
	10,998,193	10,845,593
	<hr/> <hr/>	<hr/> <hr/>

**14. Capital and reserves**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Share capital</b>		
<b><i>Authorised, issued but not yet fully paid – 1 ordinary share of £1 each</i></b>		
As at 31 March	1	1
	<hr/> <hr/>	<hr/> <hr/>

The share has attached to it full voting, dividend and capital distribution (including on winding up) rights; it does not confer any rights of redemption.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**14. Capital and reserves (continued)**

The retained earnings reserve comprises the cumulative surpluses of the Company which represent (i) the capital grant income provided by SFT in previous years to invest in the sub-ordinated debt of projects delivered by hub; and (ii) the interest earnings net of tax and operating expenses, less dividends declared/paid to SFT, less transfers of unrealised gains to the other reserve.

The fair value reserve comprises the IFRS9 fair value movement of the equity investments. As this unrealised gain is not distributable it has been transferred to the fair value reserve.

**15. Related Party Transactions**

During the year there were no salaried executive directors. No fees were paid to non-executive directors. Details of other transactions with related parties are included below:

**Scottish Futures Trust Limited**

The Company is wholly owned by Scottish Futures Trust Limited which is a company wholly owned by Scottish Ministers. Details of transactions with the Scottish Futures Trust Limited are included below.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Statement of Financial Position</b>		
Balance owed to SFT by SFTi - included in other payables (note 12)	(872,000)	(1,405,823)
Repayable grant (note 13)	(10,998,193)	(10,845,593)
	<u>                    </u>	<u>                    </u>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Statement of Comprehensive Income</b>		
<b>Scottish Futures Trust Limited Funding received</b>		
Grant funding received for investment	1	-
	<u>                    </u>	<u>                    </u>
<b>Payments made to Scottish Futures Trust Limited</b>		
SFT Management Fee (note 7)	608,964	545,823
	<u>                    </u>	<u>                    </u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

**Hub South East Scotland 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 9c. A Senior Associate Director of SFT, is a non-executive director of hub South East Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	3,870,519	3,899,769
Trade and other receivables – accrued interest income	749,395	696,690
Trade and other receivables – hub director fees	2,056	1,995
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	3,427	3,328
Other income – Interest income	387,977	364,513
	<u>                    </u>	<u>                    </u>

**Hub North Scotland Territory**

SFTi holds 10% of the share capital of hub North Scotland Limited and the various special purpose project companies within this territory which are detailed in note 9c. A Senior Associate Director of SFT, is a non-executive director of hub North Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – subordinated debt	4,596,618	4,929,619
Trade and other receivables – accrued interest income	1,064,211	1,441,760
<b><u>Statement of Comprehensive Income</u></b>		
Other income – Interest income	549,789	563,644
	<u>                    </u>	<u>                    </u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

**Hub East Central Scotland Territory**

SFTi holds 10% of the share capital of hub East Central Scotland Limited and the various special purpose project companies within this territory which are detailed in note 9c. A Senior Associate Director of SFT, is a non-executive director of hub East Central Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

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

	<b>2020</b>	<b>2019</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – subordinated debt	3,186,779	3,390,690
<b><u>Statement of Comprehensive Income</u></b>		
Other income – Interest income	339,070	339,883
Other income – dividend income	119,963	-
	<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 9c. A Senior Associate Director of SFT, is a non-executive director of hub West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

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

	<b>2020</b>	<b>2019</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – working capital loans	64,000*	100,000
Financial assets – subordinated debt	1,477,626	1,369,658
Trade and other receivables – accrued interest income	312,268	257,342
<b><u>Statement of Comprehensive Income</u></b>		
Other income – Interest income (including working capital loan interest)	156,943	131,428
Expected credit loss provision (See Note 9b)	36,000	-
	<u>                    </u>	<u>                    </u>

**\*Includes £36,000 expected credit loss provision.**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

**Hub South West Scotland Territory**

SFTi holds 10% of the share capital of hub South West Scotland Limited and the various special purpose project companies within this territory which are detailed in note 9c. A Senior Associate Director of SFT, is a non-executive director of hub South West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></b>		
Financial assets – working capital loans	100,000	100,000
Financial assets – subordinated debt	2,785,005	2,765,487
Trade and other receivables – accrued interest income	178,705	181,387
<b><u>Statement of Comprehensive Income</u></b>		
Other income – hub director fees	11,637	11,286
Other income – Interest income (including working capital loan interest)	259,029	217,589
Other income - dividends	23,988	-

**LAR Housing Trust**

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

**The Edinburgh Homes Delivery Partnership**

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

**The East Lothian Housing Delivery Partnership**

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

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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

#### 15. Related party transactions (continued)

##### Hub Community Foundation

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

#### 16. Financial Instruments

The Company’s financial instruments comprise of cash resources which arise directly from its operations and subordinated debt issued to hub companies, special purpose vehicles and working capital loans made to hub companies. The Company has not entered into derivatives transactions. Each of the main risk exposures related to financial instruments are considered below.

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

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

**Liquidity Risk** - The Company operates within a budget agreed with the Scottish Government and as such liquidity is not seen as a major risk area. Interest rates in respect of subordinated debt investment and working capital loans are fixed.

**Fair value of financial assets and liabilities** - The directors consider that there is no significant difference between the book value and fair value of the Company’s financial assets and liabilities except for equity investments in hub projects whose fair value is estimated to be £524,785 as at 31 March 2020 (£687,160 as at 31 March 2019), as disclosed in Note 9a, compared to a historical cost of £923 (£923 as at 31 March 2019).

#### 17. Ultimate Controlling Party

The Company is wholly-owned by Scottish Futures Trust Limited which is a company wholly-owned by the Scottish Ministers.



# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

## OFFICERS AND PROFESSIONAL ADVISORS

### Directors

Ian Russell (Chairman)  
Peter Reekie (Executive Director)  
Vivienne Cockburn (Executive Director)  
Ann Allen (Non-Executive Director)  
Ann Faulds (Non-Executive Director)  
Bill Matthews (Non-Executive Director)  
Pauline Mills (Non-Executive Director)  
Graham Watson (Non-Executive Director)

### Chief Executive

Peter Reekie

### Registered Office & Principal Place of Business

11-15 Thistle Street  
Edinburgh  
EH1 2DF

### Registered Company number

SC381388

### Auditor

Azets Audit Services  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

### Bankers

The Royal Bank of Scotland plc  
36 St Andrews Square  
Edinburgh  
EH2 2YB

### Website

[www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk)