

SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

SCOTTISH  
FUTURES  
TRUST  
*investments*

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

**CONTENTS**

	<b>Page</b>
CHAIRMAN'S STATEMENT.....	1
STRATEGIC REPORT.....	2-4
DIRECTORS' REPORT .....	5-6
REPORT ON CORPORATE GOVERNANCE.....	7-9
STATEMENT OF INTERNAL CONTROL .....	10
REPORT ON DIRECTORS' REMUNERATION .....	11
REPORT OF THE AUDIT COMMITTEE .....	12-13
INDEPENDENT AUDITOR'S REPORT .....	14-17
STATEMENT OF COMPREHENSIVE INCOME .....	18
STATEMENT OF CHANGES IN EQUITY .....	18
STATEMENT OF FINANCIAL POSITION .....	19
STATEMENT OF CASH FLOWS .....	20
NOTES TO THE FINANCIAL STATEMENTS.....	21-34
OFFICERS AND PROFESSIONAL ADVISORS .....	35

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

## CHAIRMAN'S STATEMENT

I am glad to present the fourth Annual Report of Scottish Futures Trust Investments Limited (SFTi), a company wholly owned by Scottish Futures Trust Limited (SFT) to hold investments in infrastructure companies, assets and projects across Scotland.

The Company's most significant step in 2013/14 was in December 2013 when hub North Scotland Limited handed over to NHS Grampian the first completed revenue funded project in the hub programme. This was the first project in which SFTi invested – The Aberdeen Community Health and Care Village (ACHCV) and SFTi will now receive regular returns on the initial investment.

Reflecting sound progress being made by the five hub companies across Scotland, during the past 12 months financial close was reached and construction started on nearly £100m of hub revenue funded projects, in all of which SFTi had invested:

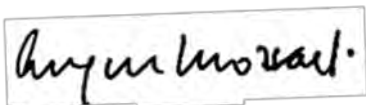
- The Forres, Woodside and Tain health bundle for NHS Highland and NHS Grampian (Total cost: £13.6m) - £133,884 invested;
- The East Kilbride, Wishaw and Kilsyth health bundle for NHS Lanarkshire (Total cost: £43m) - £325,055 invested; and
- James Gillespie's High School in Edinburgh (Total cost: £34m) - £1,252,424 invested

Building upon this momentum, in the forthcoming financial year over 15 revenue funded projects, valued at over £300m, are planned to start construction.

SFTi is an investor in each of these projects, and once completed and fully operational, the projects will provide additional income to be used by SFTi to offset costs and potentially for investments in future projects.

In addition to the hub revenue funded projects, SFTi is an investor in 26 Limited Liability Partnerships across the National Housing Trust Programme, established to deliver affordable-rented housing.

It is encouraging to be able to report this continued growth of the investment portfolio, which is an important part of the Group's business. The future value and returns will make a significant contribution to SFT's purpose over many years.



**Sir Angus Grossart**  
**Chairman**  
3 October 2014

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### 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 as an investment company. The Company has no staff or other operations. Investments by SFTi are managed by its Directors, who are represented on Companies in which SFTi invests by members of the SFT staff.

#### Strategy

SFTi's strategy is to continue to invest funds granted from the Scottish Government as subordinated debt into Design Build Finance and Maintain (DBFM) projects in the hub programme as anticipated in the programme documentation. Returns from these investments will deliver cash income to the Group following completion of the construction phase of these respective projects and these returns will be used to make further investments, or support the operation of the Group as determined by the Directors from time to time.

#### Business Review

To date, SFTi has invested £2.29m into four separate revenue funded projects delivered by the Scotland-wide hub programme:

1. The Aberdeen Community Health and Care Village (ACHCV) was completed by hub North and opened in December 2013 with SFTi investing £576,191. The completed ACHCV is a high quality building from where a range of first-class community health and care services are now being delivered. The investment is performing as anticipated for SFTi and the first cash payment of subordinated debt interest is anticipated early in the 2014/15 financial year.
2. Being delivered by hub North, the £13.6m Forres, Woodside and Tain Health Bundle for NHS Grampian and NHS Highland is in the latter stages of construction with the three health centres planned to be operational by summer 2014. Financial close was reached in April 2013 with SFTi's investment in this project totalling £133,884. Bundling these three health centres for two NHS Boards into one revenue funded project has brought about significant savings.
3. Financial close was reached in December 2013 on the £34m James Gillespie's High School in Edinburgh though construction activity had been under way on the site for several months prior to that under a separate enabling Design and Build contract. SFTi's investment in the project is £1,252,424. The school is being delivered by hub South East and is its first revenue funded DBFM project. Construction of the school is well underway and is due for completion by summer 2016.

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

### STRATEGIC REPORT (continued)

#### Business Review (continued)

4. The £43m East Kilbride, Wishaw and Kilsyth health bundle for NHS Lanarkshire also reached financial close in December 2013 with construction now well underway with SFTi investing £325,055. This is the first DBFM project in the South West hub territory and from initial New Project Request being submitted in November 2012 for what is the largest Hub project to date; it is a great example of how using hub has managed to get a complicated project through to financial close in just over 12 months. Construction on the three sites is expected to take around 19 months, with a projected completion date of summer 2015.

In addition, SFTi has invested into six more Limited Liability Partnerships (LLP) across the National Housing Trust programme bringing its involvement to 25 LLPs across the country.

The National Housing Trust was established to increase the supply of homes to be let at affordable rent. To date, contracts have been signed to build 1,180 new homes on 30 individual NHT sites across 10 local authority areas.

#### Risks and Mitigation

The most significant risk to the Company is investment performance. Currently, all investments are performing according to their base cases and making returns as anticipated. The investment risk is mitigated by:

- instigating all hub DBFM investments through SFT's representative on the board of each territory hub Company giving 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 out of the investment vehicle;
- the establishment this Financial Year of an Investment Committee of the Board which is required to authorise all investments made; and
- close operational management of investments by the relevant SFT staff member, who is a hub Director, becoming a Director of the special purpose company established to deliver each project.

A further risk to the Company is cash flow. During the construction phase of each project in which the Company invests, interest is rolled up and no cash returns made. However, the Company makes an accounting profit on which, net of costs, tax is due. The Company anticipates that over the coming years, tax due may be greater than cash available but has reassurance that it will be supported by its parent, SFT, over this period.

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

**STRATEGIC REPORT (continued)**

**Business Review (continued)**

**Results**

The four investments made to date in DBFM projects are all performing satisfactorily to their base cases. Investment returns of £147,635 were made during the year. There was capital grant income received from SFT of £1,711,369 with £129,595 of cost leaving an operating profit before tax of £1,729,409.

The NHT LLP investments 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.

**Future Plans**

During the next financial year, the Company anticipates investing in a further 15 hub DBFM projects as they reach financial close. The value of that investment will be dependent on the take-up of investment opportunities by Local Authorities and is likely to be in the range of £3m to £15m. SFTi will only invest if it is granted appropriate funds to do so on a project by project basis by the Scottish Government.

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

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'Barry White'.

**Barry White**  
**Executive Director**  
3 October 2014

# 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 post year end are as follows:

Sir Angus Grossart	Chairman
Graeme Bissett	Non-Executive Director
James Fletcher	Non-Executive Director
Fiona Mackenzie	Non-Executive Director
Carolyn Dwyer	Non-Executive Director
Barry White	Executive Director
Peter Reekie	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 a 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 for that year.

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

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the 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.

## **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 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 (formerly the Financial Services Authority) in relation to those matters.

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

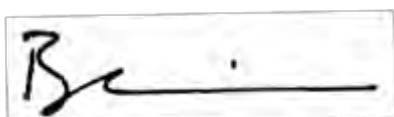
#### **Disclosure of Information to the Auditor**

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 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**

Following a re-tendering process, the Audit Committee retained Scott-Moncrieff, Chartered Accountants as auditor to the parent company, SFT and to SFTi. 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, the Scottish Government and the Company occur on a regular basis.

On behalf of the Board

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'Barry White'.

**Barry White**  
**Executive Director**  
3 October 2014



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

### 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 2014, 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, including their terms and conditions of employment, are determined by the Company's ultimate shareholder, the Scottish Ministers;
- in view of the Company's responsibilities to take account of public sector guidelines, compliance is not appropriate with the provision in the UK Corporate Governance Code that performance-related elements of remuneration should form a significant proportion of Executive Directors' total pay package;
- 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 Public Appointments in Scotland whose policy on diversity and equality is available on their website;
- there is no Remuneration Committee as the Company has no direct employees;
- the Board has not identified a Senior Independent Director as the shareholder appoints and appraises the performance of the Chairman, and the Chairman was independent on his appointment and has no financial interest in the performance of the Company; and
- the Board has requested the Audit Committee to regularly review the need for an internal audit function. Due principally to the size and nature of the organisation, alongside a clear controls framework the Audit Committee has to date not identified such a need.

#### Board of Directors

The Board is the principal decision-making forum. It has overall responsibility for leading and controlling the 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. 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 Executive Directors are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all the Directors. Executive Directors have responsibility for all operational business and act in accordance with the authority delegated from the Board. Responsibility for the implementation of policy, strategy and operational management is delegated to the Executive Directors.

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

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

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

The Chairman's other significant commitments are chairmanship of: Noble Grossart Ltd (and related entities), Scotland International Ltd, Fine Art Society Plc, Lyon & Turnbull Ltd, Wright Health Group Ltd, Edinburgh Partners Ltd, Charlotte Street Partners and the Burrell Renaissance. The Chairman is also a non-executive director of Glasgow Life.

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.

Four Board meetings were held during the year.

#### **Board balance and independence**

In the year ended 31 March 2014, the Board comprised five non-executive directors (including the Chairman). The Board considers that, based on the criteria set out in the provisions of the UK Corporate Governance Code, all non-executive directors (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 Board of SFTi is the same as, and follows the same election process as, the Board of the parent company, SFT.

#### **Information**

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

#### **Performance evaluation**

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

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

### REPORT ON CORPORATE GOVERNANCE (continued)

#### Board Committees

Due to the restricted nature of its business, the Company Board does not have an extensive committee structure, although the Company does have an Investment Committee whose members are the full Board with the exception of the Chairman. The Investment Committee met twice during the year. There is also a Group Audit Committee whose membership is determined by the parent company.

#### Investment Committee

The Board has constituted an Investment Committee, which has Terms of Reference to perform diligence on investments approved in principle by the Board and if considered beneficial for the Company, approve the investment.

Members of the Investment Committee are all members of the Board with the exception of the Chairman. The Committee Chair is Fiona MacKenzie.

#### Attendance at Board and Committee meetings

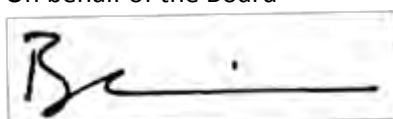
Attendance by board members at board and committee meetings held during the year was as follows:

	Board	Audit Committee	Investment Committee
<b>Number of meetings</b>	<b>4</b>	<b>2</b>	<b>2</b>
Sir Angus Grossart	4	-	-
Graeme Bissett	3	2	2
Carolyn Dwyer	4	-	1
James Fletcher	3	2	1
Fiona MacKenzie	4	-	2
Barry White	4	1	1
Peter Reekie	4	2	2

#### Relations with Ultimate Shareholder

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

On behalf of the Board



**Barry White**  
**Executive Director**  
3 October 2014

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

### STATEMENT OF 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. 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, though this will be kept under review. The organisation has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied. In addition, the Company's external auditor present 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 likelihood and impact of risk and putting in place appropriate levels of control to mitigate each risk. Procedures include an ongoing process of identifying, evaluating and managing key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks is undertaken by the Audit Committee and ultimately the Board.

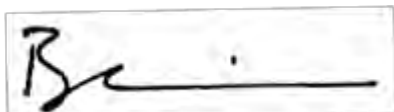
#### Corporate Information Systems

The Company operates a budgeting and financial reporting system 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, and 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. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

On behalf of the Board



**Barry White**  
**Executive Director**  
3 October 2014

**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

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**Barry White**  
**Executive Director**  
3 October 2014

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

## REPORT OF THE 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 are:

- Graeme Bissett is a Chartered Accountant, who spent 19 years in the accountancy profession, has been CFO in international groups and has chaired or is chairing several audit committees for listed companies.
- James Fletcher, Councillor and Leader of East Renfrewshire Council who has extensive experience in providing financial oversight to a variety of entities.

In the year ended 31 March 2014 there were two meetings of the Audit Committee. The Board is satisfied that the Committee membership has relevant financial and business experience.

### Responsibilities and review of the external auditor

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

- considering and recommending to the Board for approval the annual financial statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- 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 of the audit engagement partner and the audit team, and making a recommendation to the Board with respect to the reappointment of the auditor;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

### Auditor and audit tenure

- Scott Moncrieff has been auditor since the company's incorporation in 2010. The Audit Committee reviews the auditor's performance on a regular basis, taking into consideration the services and advice provided to the Company and the fees charged for these services. A formal tender process took place in early 2014 and Scott Moncrieff were re-appointed as external auditor.

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

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

**Safeguarding the Auditor’s objectivity and independence**

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

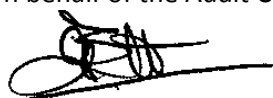
There were no non-audit services provided to the Company by the Auditor except for basic corporation tax compliance. This work was performed by staff from Scott-Moncrieff, who had no involvement with the external audit, thus the objectivity and independence of the external audit was not compromised. The audit and corporation tax fees for SFTi were paid by SFT and recharged via the management charge.

**Significant issues considered regarding the annual report and the financial statements**

During the year, the Audit Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan 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.

<b>Significant issue</b>	<b>How the issue was addressed</b>
Revenue being over or understated in the financial statements	<p>The company has two sources of funding:</p> <ol style="list-style-type: none"> <li>1) The funding provided by SFT; and</li> <li>2) The interest it receives on the working capital loans and subordinated debt invested in the hub Companies.</li> </ol> <p>The Audit Committee members as board members of both SFT and SFTi, authorise all funding paid by SFT to SFTi and thus can ensure that the funding provided to SFTi is accounted for correctly.</p> <p>The Audit Committee reviews each investment made and reviews the calculated interest expected on each investment and reconciles this to the income recognised in the financial statements.</p>
The risk that investments that should be consolidated as part of the SFT group accounts are not.	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.

On behalf of the Audit Committee



**Graeme Bissett**  
**Chairman**  
**Audit Committee**  
3 October 2014

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

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

We have audited the financial statements of Scottish Futures Trust Investments Limited for the year ended 31 March 2014 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

#### **Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 and 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's [web-site](#).

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



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

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

#### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

#### Our assessment of the risks of material misstatement

In arriving at our opinions set out in this report, the risks that had the greatest effect on our audit and the key procedures we applied to address them are set out below. Those procedures were designed in the context of the financial statements as a whole and, consequently, where we set out findings we do not express any opinion on these individual risks.

#### *Revenue recognition*

- **The risk:** There is a risk that revenue is either over or understated as a result of the accounting policies adopted or as a result of the company recognising income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.
- **Our response:** The company has two sources of income. The main source of income is capital grant funding provided by SFT to fund investments. We confirmed the funding provided to bank statements, remittance and Board minutes. SFTi also receives interest in respect of the working capital loans and subordinated debt invested in the five hub companies and through reviewing the underlying agreements and the sums invested we confirmed that the interest income recognised in the year was correct.
- **Our findings:** From the work performed we gained assurance in respect of the completeness and occurrence of revenue transactions in the year.

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

- **The risk:** There is a risk that the accounts of SFTi are incomplete as they may not include all entities that SFTi has invested in which perhaps 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 Senior Management Team and a review of underlying agreements.
- **Our findings:** The investments held by SFTi were reviewed and we concluded that no significant influence or control existed and therefore consolidation was not required for any of the investments held.

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

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

#### **Our application of materiality**

The materiality for the financial statements as a whole was set at £60,000. This has been assessed with reference to a benchmark of total gross assets (representing 2% of total gross assets) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the company.

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 £600; and (iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

Each of the risks noted above 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. These tests were then completed by the audit fieldwork team and then reviewed by the audit manager and audit partner. Our audit approach is based on performing a review of the significant accounting systems in place, substantive tests and detailed analytical review. In performing the tests designed to mitigate the risks noted above, we set a performance (testing) materiality, which we assessed as being 50% of the overall materiality of £60,000, i.e. £30,000. In respect of other areas we performed audit procedures on all transactions and balances that exceeded our assessed low risk level performance materiality which was assessed as being 85% of the overall materiality of £60,000, i.e. £51,000. This meant that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement. All balances and transactions above £51,000 were audited whilst for higher items we tested all balances and transactions above £30,000.

#### **Opinion on other matter 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; and
- 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.

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

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

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

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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.

We have nothing to report in respect of the following:

The part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.



**Nick Bennett (Senior Statutory Auditor)**

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

**Exchange Place 3**

**Semple Street**

**Edinburgh**

**EH3 8BL**

3 October 2014

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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014	2013
		£	£
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
		-	-
<b>Gross profit</b>			
Other income	5	147,635	72,589
Capital grant income	6	1,711,369	375,057
Administrative expenditure	7	(129,595)	(71,434)
Capital grant expenditure	8	-	(190,903)
		1,729,409	185,309
Taxation on profit ordinary activities	9	(3,608)	(231)
		1,725,801	185,078
<b>Net Profit for the year</b>		1,725,801	185,078
Other comprehensive income for the year, after tax		-	-
Total comprehensive income for the year		1,725,801	185,078
<b>Attribute to</b>			
<b>Equity holders of the Company</b>		1,725,801	185,078

**STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2014**

	Share Capital	Retained Earnings	Total
	£	£	£
At 1 April 2013	1	1,067,195	1,067,196
Profit for the year	-	1,725,801	1,725,801
	1	2,792,996	2,792,997
At 31 March 2014		2,792,996	2,792,997

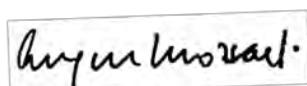
The accompanying notes form an integral part of these financial statements

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	Note	2014 £	2013 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Investments</b>			
Investments in share capital	10	86	80
Financial assets - Working capital loans	10a	490,000	490,000
Financial assets – subordinated debt	10b	2,287,554	576,191
		<u>2,777,640</u>	<u>1,066,271</u>
<b>Current assets</b>			
Trade and other receivables	11	262,656	114,336
Available-for-sale financial assets	12	-	175,018
Cash and cash equivalents	13	92,771	3,231
		<u>355,427</u>	<u>292,585</u>
<b>Current liabilities</b>			
Trade and other payables	14	(248,941)	(291,429)
Deferred income	15	(87,521)	-
Current tax liabilities	9	(3,608)	(231)
		<u>(340,070)</u>	<u>(291,660)</u>
<b>Net current assets</b>		<u>15,357</u>	<u>925</u>
<b>Net assets</b>		<u>2,792,997</u>	<u>1,067,196</u>
<b>Equity</b>			
Called up share capital	16	1	1
Retained earnings	16	2,792,996	1,067,195
<b>Total shareholders' funds</b>		<u>2,792,997</u>	<u>1,067,196</u>

These financial statements were approved by the Board of Directors on 3 October 2014 and authorised for issue on its behalf by:



**Sir Angus Grossart**  
**Chairman**

Registered Company Number: SC381388



**Barry White**  
**Executive Director**

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 TO 31 MARCH 2014**

	Note	2014	2013
		£	£
<b>Cash flows from operating activities</b>			
Profit from operations for the year		1,729,409	185,309
Capital grant expenditure	8	-	190,903
Increase in trade and other receivables	11	(148,320)	(244,620)
Increase in trade and other payables	14	132,530	246,696
Increase in deferred income	15	87,521	-
		<hr/>	<hr/>
Net cash from operating activities		1,801,140	378,288
		<hr/> <hr/>	<hr/> <hr/>
<b>Corporation tax</b>		(231)	-
<b>Cash flows from investing activities</b>			
Purchase of investments	10	(6)	(39)
Provision of working capital loans	10a	-	(200,000)
Provision of subordinated debt	10a	(1,711,363)	-
Purchase of available-for-sale financial assets	12	-	(175,018)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(1,711,369)	(375,057)
		<hr/> <hr/>	<hr/> <hr/>
<b>Net increase in cash and cash equivalents</b>		89,540	3,231
<b>Cash and cash equivalents at beginning of year</b>		3,231	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	13	92,771	3,231
		<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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014

#### 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 historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

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

The 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 properly budgeted and controlled funding from Scottish Futures Trust Limited and has forecasted income to be received 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.

#### **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 or available-for-sale. Management determines the classification of its financial assets at initial recognition.

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

These are investments by SFTi in hub companies and are held at cost as their fair value cannot be measured reliably. SFTi has no intention of disposing these investments.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

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

***Loans and receivables***

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

***Available-for-sale financial assets***

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

***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 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.



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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

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

**Current income tax**

The tax expense for the year comprises current tax and is recognised in the Statement of Comprehensive Income.

**2. New and amended standards adopted by the Company**

The Company has adopted the following new and amended IFRSs as of 1 April 2013:

- a) IFRS 12, 'Disclosures of Interests in Other Entities', The standard requires disclosure of information on the nature of, and risks associated with, interests in other entities; and the effects of those interests on the primary financial statements. The disclosures required relate to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The standard does not impact the primary statements, but introduces new disclosure requirements, which can be found in note 10. (Investment note)

- b) IFRS 13, 'Fair Value Measurement'. This new standard sets out the principles to be applied when measuring fair value and related fair value disclosures.

The new standard does not impact the fair value measurements, but only the disclosures which can be found in notes 10, 10a and 10b.

- c) IAS 1 (amendment), 'Presentation of Items of Other Comprehensive Income'. The amendment requires items of other comprehensive income to be split between those that have the potential to be recycled to profit or loss and those that do not. The Company has elected to prepare a Statement of Comprehensive Income. The impact of the amendment has resulted in a change in the presentation for other comprehensive income but not the items reflected within.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

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

The following standards and amendments to existing standards have been published and are mandatory for accounting periods of the Company beginning after 1 April 2014, but which have not been adopted early by the Company:

- a) IFRS 9, 'Financial Instruments', had an effective date for accounting periods beginning on or after 1 January 2015. Currently IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the de-recognition criteria for financial assets. Financial assets are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset currently can only be measured at amortised cost if the Company has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. On adoption of the standard the Company will have to re-determine the classification of its financial assets specifically for available-for-sale and held-to-maturity financial assets.

The Company's financial liabilities will continue to be carried at amortised cost.

- b) IAS 32 (amendment), 'Offsetting Financial Assets and Financial Liabilities'. The IAS 32 amendment clarifies the existing offsetting requirements and therefore is unlikely to have any impact on the Company. The amendment is effective for annual periods beginning on or after 1 January 2014.

**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 should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change. There were no estimates or assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**5. Other income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Interest income from working capital loans (note 10a)	147,635	72,589

**6. Capital grant income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
SFT capital grant received for SFTi investments in hubCo's and DBFM projects (note 10b)	1,711,369	375,057

**7. Administrative expenditure**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit before taxation is stated after charging:		
Management fee payable to SFT	129,595	71,428
Bank charges	-	6
	<u>129,595</u>	<u>71,434</u>

**8. Capital grant expenditure**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Capital grant expenditure	-	190,903

This represents the share capital and working capital loans transferred to Shetland Islands per notes 10 and 10a and the grant in respect of available-for-sale financial assets as per note 12, which were held on behalf of other public sector participants and were transferred over by SFTi during the year ended 2013/14.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**9. Taxation**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Corporation tax charge @ 20%	3,608	231

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

**10. Investments – Share capital**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Cost and Net Book Value		
At beginning of year	80	44
Additions	6	39
Transfer of ownership	-	(3)
At 31 March 2014	86	80

SFTi invested £1 in a further six separate housing partnership LLPs during the current year.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**10. a) Financial assets - working capital loans**

	<b>2014</b>	<b>2013</b>
<b>Cost and Net Book Value</b>	<b>£</b>	<b>£</b>
At beginning of year	490,000	305,882
Additions	-	200,000
Transfer of ownership	-	(15,882)
	<hr/>	<hr/>
At 31 March 2014	490,000	490,000
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility is available until 16 November 2017 by which date the full amount of the working capital facility shall be due and payable on demand unless a renewal or extension is agreed. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**10. a) Financial assets - working capital loans (continued)**

the reserve account, and 6% p.a. on all other sums. Interest will be payable semi-annually (on 31 December and 30 June).

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

**10. b) Financial assets – subordinated debt**

	<b>2014</b>	<b>2013</b>
<b>Cost and Net Book Value</b>	<b>£</b>	<b>£</b>
At beginning of year	576,191	576,191
Additions	1,711,363	-
	<hr/>	<hr/>
At 31 March 2014	2,287,554	576,191
	<hr/> <hr/>	<hr/> <hr/>

SFTI made its first investment in a project in March 2012 when it invested in the Aberdeen Community Health Village DBFM, a special purpose company wholly owned by hub North Scotland Limited, in the form of £576,191 of 10.2% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

On 16 April 2013 the investment of £133,884 by SFTI in Forres, Tain and Woodside DBFM, a special purpose company owned by hub North Scotland Limited, was completed. This investment was in the form of 10.2% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

On 9 December 2013 SFTI invested £1,252,424 in James Gillespie’s Campus, a special purpose company owned by hub South East Scotland Limited. This investment was in the form of 10.87% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

On 19 December 2013 SFTI invested £325,055 in NHS North Lanarkshire Bundle DBFM, a special purpose company owned by hub South West Scotland Limited. This investment was in the form of 10.50% fixed coupon unsecured loans. Interest is expected annually in the operational phase of the project with the principal being returned in 25 years.

**11. Trade and other receivables**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Amount receivable from related party – SFT	26	40,153
Accrued interest income	219,568	74,183
Recoverable VAT	43,062	-
	<hr/>	<hr/>
	262,656	114,336
	<hr/> <hr/>	<hr/> <hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**12. Available-for-sale financial assets**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Shareholding in hub Companies	-	18
Working capital loans	-	175,000
	<u>-</u>	<u>175,018</u>

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

**13. Cash and cash equivalents**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Cash at bank	92,771	3,231
	<u>92,771</u>	<u>3,231</u>

**14. Trade and other payables**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
Amount payable to related party – SFT		248,916	116,392
Accruals		25	175,037
		<u>248,941</u>	<u>291,429</u>

**15. Deferred income**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
At beginning of the year	-	-
Increase in period	87,521	-
	<u>87,521</u>	<u>-</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**16. Called up share capital and investment reserve**

	<b>2014</b>	<b>2013</b>
<b>Share capital</b>	<b>£</b>	<b>£</b>
<i>Authorised, issued but not yet fully paid – 1 ordinary share of £1 each</i>		
As at 31 March 2014	1	1

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.

	<b>2014</b>	<b>2013</b>
<b>Retained Earnings</b>	<b>£</b>	<b>£</b>
As at beginning of year	1,067,195	882,117
Profit for the year transferred to retained earnings	1,725,801	185,078
As at 31 March 2014	2,792,996	1,067,195

The retained earnings reserve comprises the cumulative profits of the company.



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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**17. 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>2014</b>	<b>2013</b>
<b><u>Income Statement</u></b>	<b>£</b>	<b>£</b>
<b><i>Scottish Futures Trust Limited Funding received</i></b>		
Capital grant funding received for investment	1,711,369	375,057
<b><i>Payments made to Scottish Futures Trust Limited</i></b>		
SFT Management Fee	129,595	71,428
<b><i>Nature of funding receipt</i></b>		
Payments made directly by SFT on behalf of SFTi	1,711,363	375,038
Year end receivable	6	19
	<u>1,711,369</u>	<u>375,057</u>

	<b>2014</b>	<b>2013</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Balance owed by SFT to SFTi - included in other receivables	26	40,153
Balance owed to SFT by SFTi - included in other payables	(248,916)	(116,392)
	<u>26</u>	<u>40,153</u>
	<u>(248,916)</u>	<u>(116,392)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

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

**Hub South East Scotland Limited**

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

	<b>2014</b>	<b>2013</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – Working capital loans	100,000	100,000
Financial assets – subordinated debt	1,252,424	-
	<u>                    </u>	<u>                    </u>

**Hub North Scotland Limited**

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

	<b>2014</b>	<b>2013</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – Working capital loans	90,000	90,000
Financial assets – subordinated debt	710,075	576,191
	<u>                    </u>	<u>                    </u>

**Hub East Central Scotland Limited**

Tony Rose, a senior management team member of SFT, was a non-executive director of hub East Central Scotland Limited until 17 September 2013. Thereafter John Hope, an associate director of SFT, took over the role. Details of material transactions with hub East Central Scotland Limited are included below:

	<b>2014</b>	<b>2013</b>
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – Working capital loans	100,000	100,000
	<u>                    </u>	<u>                    </u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

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

**Hub West Scotland Limited**

Alastair Young, an associate director of SFT, was a non-executive director of hub West Scotland Limited until 3 June 2013. Thereafter John Hope, an associate director of SFT, took over the role. Details of material transactions with hub West Scotland Limited are included below:

	<b>2014</b>	<b>2013</b>
<b>Statement of Financial Position</b>	<b>£</b>	<b>£</b>
Financial assets – Working capital loans	100,000	100,000
Assets held for sale	-	150,000

**Hub South West Scotland Limited**

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

	<b>2014</b>	<b>2013</b>
<b>Statement of Financial Position</b>	<b>£</b>	<b>£</b>
Financial assets – Working capital loans	100,000	100,000
Financial assets – subordinated debt	325,055	-
Assets held for sale	-	25,000

**18. Financial Instruments**

The Company's financial instruments comprise of cash resources which arise directly from its operations. The Company has not entered into derivatives transactions. The Company has no borrowings. Each of the main risk exposures related to financial instruments are considered below.

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

**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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2014 (continued)**

**19. Ultimate Controlling Party**

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

**20. Post Balance Sheet Event**

After the year-end an investment of £747,035 was made in Alford High School DBFM by SFTi, a special purpose company wholly owned by hub North Scotland Limited.

# SCOTTISH FUTURES TRUST INVESTMENTS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS

## OFFICERS AND PROFESSIONAL ADVISORS

### Directors

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

### Chief Executive

Barry White

### Registered office & Principal Place of Business

11-15 Thistle Street  
Edinburgh  
EH1 2DF

### Registered Company number

SC381388

### Auditor

Scott-Moncrieff  
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)