

**SCOTTISH FUTURES TRUST LIMITED**

**ANNUAL REPORT AND  
GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

**SCOTTISH  
FUTURES  
TRUST**

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

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# SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

## CHAIRMAN'S STATEMENT

Scottish Futures Trust Limited ("SFT") has broadened the scope of activity substantially since it was established in 2008. As we come to the end of our first five year corporate planning period, we have made significant progress against our objective to improve public sector infrastructure investments across Scotland. Much remains to be done by us and our partners across the public and private sectors as the economy recovers but public sector budgets remain substantially constrained.

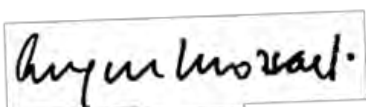
I am particularly proud of the team which we have brought together over the last five years which is led by Barry White, Chief Executive. We have built a team of 51 first-class infrastructure professionals at the heart of the public sector. This has substantially reduced the revolving door of expensive consultants and allowed us to build on our successes, sharing knowledge across and between public bodies more effectively than ever before.

We are practical and, I believe, we are innovators, not seeking change for change's sake. We will work with anyone who supports our view that our main challenge is the status-quo and the liberation of talent from organisational inertia. By finding new ways of working we have:

- Implemented the £2.5bn non-profit distributing programme with procurement times substantially faster than prevailed;
- Designed and delivered the National Housing Trust initiative with over 1,000 homes now contracted;
- Developed Tax Incremental Financing for Scotland, the first use in the UK, with £300m of infrastructure investments now secured;
- Managed the £1.25bn Scotland's Schools for the Future Programme, with over 6,000 children now being taught in excellent new schools and delivered through unprecedented collaboration and sharing of high-quality design between local authorities;
- Taken on the challenge of improving property assets and management working across the whole Scottish public sector to release cost efficiencies of over £500m, change ways of working and dispose of surplus estate more effectively;
- Commenced new work streams in low carbon investment and digital connectivity where our unique skills have been recognised as central to delivering in priority investment areas.

We are proud of the £643m of independently validated savings and benefits which our work has delivered over the past five years, alongside the thousands of jobs which have been protected and the far-reaching impact of the high-quality and sustainable infrastructure assets to which we have contributed.

As always, much, if not all of this work can only be achieved with the continued support of our public and private sector partners, and we very much look forward to enhanced activity with them in the year ahead.



**Sir Angus Grossart**  
Chairman  
3 October 2014

# SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

## STRATEGIC REPORT

The Directors present their Annual Report and the consolidated financial statements for the year ended 31 March 2014 of the Scottish Futures Trust Limited Group (incorporating the wholly owned subsidiary Scottish Futures Trust Investment Limited "SFTi" and the Company, Scottish Futures Trust Limited "SFT").

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

The principal activity of the Group is to support the efficiency and effectiveness of public infrastructure investment and procurement across Scotland. Its central aim, as set out in the Management Statement and Financial Memorandum (MSFM) with the sole shareholder remains:

*"To improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and commercial enterprises, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland and hence contribute to the Scottish Government's single overarching purpose to increase sustainable economic growth."*

The Group made a surplus for the year after tax of £1,725,801 (2013: £185,078). This surplus arose within the subsidiary, SFTi as explained in the Financial Review below. SFT made a profit before tax of £nil (2013: £nil). The Company is not permitted by its Memorandum and Articles of Association to make distributions, other than on winding up. No dividends have been paid or are proposed.

### Strategy

2013/14 was the final year of SFT's first five-year corporate planning period. During that period, SFT has become established as a Company and grown from £3,299,033 operating turnover and 29 employees in 2009/10 to £7,032,742 operating turnover and an average of 52.5 employees (FTE of 51) in 2013/14. The strategy over that period has been to build a role enhancing value for money across public sector infrastructure investment under the themes of: delivery, aggregation and collaboration, funding and financing, validation and becoming a centre of expertise. The Company has built an excellent team and delivered on this strategy, with £643m of net savings and benefits delivered over the period and an expanded remit covering areas as diverse as asset management across the public sector estate to a growing low-carbon investment work stream.

The Company has recently published its 2014-19 Corporate Plan, which includes a strategy to build on these successes. Much of what has been started will continue over the coming years. Many of the current programmes are on-going, and will remain a focus for SFT, either in their current form or enhanced. These programmes have potential scope for additional investment and further innovative approaches to financing and delivery. In addition; we will also seek to work with the Scottish Government and other public bodies in new areas or sectors where there is an identifiable need for

# SCOTTISH FUTURES TRUST LIMITED

## ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### STRATEGIC REPORT (continued)

#### Strategy (continued)

change in focus or significant investment required. SFT has already demonstrated the ability to adapt and develop its core commercial, technical and financial expertise into new areas of investment.

The new Corporate Plan sets out that the Company will take forward its strategy under widely recognisable headings of SFT invest, SFT build, SFT home, SFT place, SFT green and SFT connect. It will continue to be grant funded by Scottish Government and operate independently, publishing an annual business plan setting out in detail objectives which the Board will establish to align with the strategic direction set out in the Corporate Plan.

#### Business Review & Key Performance Indicators

The business has operated as anticipated during 2013/14 with financial results and performance as detailed in the section below.

Notable achievements during 2013/14 include:

- The value of hub community projects under construction, in development or open and in use has topped £1 billion;
- Two Non-Profit Distributing (NPD) funded colleges under construction – contract value £238 million;
- Agreement for £600 million of investment from European Investment Bank into Scottish infrastructure with the first £250 million now committed;
- The £310 million M8/M73/M74 motorway improvements being built – largest project to date within the NPD programme and more than £100 million under budget;
- More than 500 affordable-rent National Housing Trust homes occupied;
- Two tax incremental financing projects under construction;
- 14 schools built and open, including the two pilot schools, providing first-class learning environments for over 6,000 pupils; and
- Property disposals programme underway for NHS and Colleges – potential value over £100 million.

# SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

## STRATEGIC REPORT (continued)

### Business Review and Key Performance Indicators (continued)

The company's objectives for each year are established in detail in its published Business Plan. This year, objectives were set against key performance indicators across 10 separate areas of the business, with progress reported to the Board at each Board meeting. The year-end performance against these indicators is included at Annex A and can be summarised as:

<b>Total</b>	<b>Completed</b>	<b>Substantially complete</b>	<b>Not complete</b>
<b>65</b>	<b>51</b>	<b>12</b>	<b>2</b>

The SFT Group is structured with an operating company, SFT, which employs the staff and undertakes the day-to-day business and a wholly owned subsidiary SFTi. SFTi holds investments in hub companies and infrastructure projects delivered by those hub companies in order to separate that investment business from the operational aspects of the main company. This document comprises the Annual Report and Financial Statements of the Group (being SFT and SFTi together) and the top level Company, SFT. As is required by law, a separate Annual Report and Financial Statements are prepared for SFTi which can be viewed on SFT's website.

SFT follows International Financial Reporting Standards (IFRSs) and applies the best practice in Corporate Governance required by the Financial Reporting Council's "UK Corporate Governance Code", formerly known as the Combined Code. Each of these sets of standards imposes significant and very structured requirements of information that must be included in this document. SFT takes seriously the Financial Reporting Council's initiative on making reports less complex and more focused on material information. The Group has presented information as simply and concisely as possible, which is consistent with these standards and gives users transparency over where and how public money is expended and invested. Pages 2-6 comprise the Strategic report on the activities and finances of the Group including enhanced requirements to detail operational performance and risks. Pages 7-8 comprise the Directors' report incorporating the statement of Directors' responsibilities. Pages 9-22 provides a description of corporate governance arrangements and the role of our external auditors along with their opinion on the financial statements and corporate governance statement. Pages 23-28 comprise the key financial statements of the Group and Company whilst pages 29-57 contain detailed notes accompanying the financial statements to explain the numbers in more detail and meet the requirements of applicable International Financial Reporting Standards.

The Group works to lead, develop and support delivery of major infrastructure investment programmes as discussed in the Business Review above. The funds associated with these projects do not generally flow through SFT as they come from the Scottish Government and a variety of other sources, and are granted directly to procuring public sector bodies such as Local Authorities, Health Boards and Scottish Government Agencies with which SFT works. These funds are then used by the public sector body to pay for the works procured from private sector contractors. SFT's accounts therefore reflect the costs of staff time and other internal and external resources engaged in playing our role on infrastructure projects and programmes, some capital grants from Scottish Government

# SCOTTISH FUTURES TRUST LIMITED

## ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

### STRATEGIC REPORT (continued)

#### Business Review and Key Performance Indicators (continued)

passed on to other public bodies by SFT, and the investments we ourselves make in a small number of those projects.

#### Financial Review & Results

Total Group income in 2013/14 was £13,771,234 (2013: £11,334,563). This comprised £7,032,742 (2013: £5,511,319) of general operating income principally in the form of Grant from the Scottish Government and further described in note 5, and £6,738,492 (2013: £5,823,244) of capital grant from the Scottish Government for investment in infrastructure (note 6). Of that, £5,027,123 (2013: £5,639,090) was expended through granting on by SFT to other public bodies as enabling funds for projects and £1,711,369 (2013: £375,057) was invested directly by SFTi. The group surplus before tax was £2,000,409. After tax and the incorporation of the actuarial loss on the pension scheme the total comprehensive income for the year was £1,725,801 (2013: £185,078) which equals the profit generated by SFTi.

Under the terms of its Memorandum and Articles of Association, the Company cannot distribute profits to its shareholders and currently surpluses are in the form of investment values and not cash. Investments will make a return over time and these revenues will be used to offset costs in the Company and / or make further investments in infrastructure.

The allocated operating budget for 2013/14 from Scottish Government was £6,575,996 (2013:£5,750,000). This comprised £5,550,000 (2013: £5,550,000) core operating budget plus additional allocations of £900,000 (2013: £200,000) for the new low-carbon work stream, £100,000 (2013: £nil) to support the provision of strategic design advice for the development of the school estate and £25,996 (2013: £nil) to support property asset disposals. Of this budget, £6,540,689 (2013: £5,486,249) was received. This reflects an under spend against budget of £35,307 (2013: £263,751) whilst delivering the objectives and benefits set out in the Business Review above. The difference between the operating income and Scottish Government budget received is due to the capitalisation of certain equipment for which budget was received, year-end adjustments for pensions and other matters; and movements in working capital.

The range of operating expenses in the Company totalling £6,743,702 (2013: £5,319,164) is detailed in note 7, with 78% (2013: 76%) being staff costs.

A capital budget of £1m to enable asset management activities was allocated in 2013/14. Of this, a sum of £nil (2013: £575,819) was received as the projects for which it was provisionally allocated did not go ahead during the year. In the previous year, funding received from the Scottish Government was granted on as capital to other bodies (see note 8) with none capitalised in SFT.

**SCOTTISH FUTURES TRUST LIMITED**  
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**STRATEGIC REPORT (continued)**

**Risks and Mitigation**

The Company maintains a strategic risk register which is derived from an aggregation of the high-level risks of the projects and programmes in which SFT is involved, along with operational risks within the Company. Risks are evaluated against their potential to impact on the outcomes expected of SFT, the Company's operations and its stakeholders. The risks and management's mitigating actions are reviewed by the Board regularly. No Company operational risks are currently considered to be business critical and the most significant risks to programme delivery are assessed to be a delay in progressing projects into the hub pipeline and resource levels in procuring bodies to take forward identified priority projects in a timely manner. SFT is working with procuring bodies to mitigate these risks but does not have complete control over them.

**Future Plans**

The Company's long-term plans are described in its 2014-19 Corporate Plan referred to in the Strategy section above. The Company's priorities and detailed objectives are set out in its published 2014/15 Business Plan. Outcomes against these objectives will be reported in next year's Annual Report. Through delivering those objectives, the Company continues to aim to deliver between £100m and £150m of savings and benefits to infrastructure investment in Scotland on an annual basis.

The 2014/15 operating budget has been set by Scottish Government as £8,029,000. SFT continues to recruit, in particular to advance a 'digital' work stream, and subject to the speed of ramp-up of this activity, it is anticipated by the Directors that the budget will be fully utilised in the forthcoming years.

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



**Barry White**  
**Chief Executive**  
3 October 2014



## **SCOTTISH FUTURES TRUST LIMITED ANNUAL REPORT AND GROUP 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	Chief Executive
Peter Reekie	Director of Finance and Investments

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

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

The Directors 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 Group. The Group has elected to dispense with the holding of the AGM, the laying of financial statements in a general meeting and the annual appointment of the auditor as meetings between the sole shareholder, Scottish Government and the Company occur on a regular basis.

### **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 period. Under that law they have elected to prepare the Group and Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union.

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

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

**DIRECTORS' REPORT (continued)**

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

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 Group 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 Group and Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

On behalf of the Board

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

**Barry White**  
**Chief Executive**  
3 October 2014

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

### REPORT ON CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the accounting year ending 31 March 2014, the Group has complied with all the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council as best practice guidance, except as explained below, notwithstanding that the Group is not a listed group to which the provisions are directed. The following exceptions are noted:

- there is no Nominations Committee as non-executive Board appointments, including their terms and conditions of employment, are determined by the Group's sole shareholder, the Scottish Ministers. Executive Director appointments are considered by the Board;
- 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;
- in view of the Group's responsibilities to take account of the provisions set out in the MSFM, 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;
- The Board carries out the role of a Remuneration Committee as remuneration of Non-Executive Directors is set by Scottish Government; and the Board makes recommendations for setting the remuneration level of the Chief Executive, which require the approval of Scottish Ministers;
- The Board has not identified a Senior Independent Director as the shareholder appoints and appraises the performance of the Chairman, and the Chairman is considered independent and has no financial interest in the performance of the Company;
- An Investment Committee has been established whose members are the full Board with the exception of the Chairman; and
- The Board has requested the 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 specific extended review of controls in October 2013, has led the Audit Committee to conclude to date that such a function is not required.

#### Board of Directors

The Board is the principal decision-making forum. It has overall responsibility for leading and controlling the Group and is accountable to the Group's sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Group strategy and monitors performance. The Board has adopted a formal schedule of matters specifically reserved for its decision, which is reviewed on an annual basis.

The roles of the Chairman and the Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all the Directors. Executive Directors have responsibility for all operational business and act in accordance with the authority delegated from the Board. Responsibility for the

## **SCOTTISH FUTURES TRUST LIMITED**

### **ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

implementation of policy, strategy and operational management is delegated to the Executive Directors.

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

Board Meetings take place regularly throughout each period. Board Meetings are structured to allow open discussion and all Directors participate in discussing the Group's strategic aims and performance and financial and risk management. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Group's business activities.

Seven Board meetings were held during the year. The Directors also participated in other meetings and aspects of the Group 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 are independent. The non-executive Directors combine broad business and commercial experience with independent and objective judgement and constructively challenge and assist development of strategic matters. The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Group's level of business and associated responsibilities.

The Board aims to achieve a balance between Non-Executive and Executive Directors so as to promote clear and effective leadership and maintain the highest standards of integrity and professionalism across the Group's business activities.

#### **Re-election of Directors**

The non-executive Directors have been appointed and re-appointed by Scottish Ministers in accordance with the Office for the Commissioner for Public Appointments in Scotland (OCPAS) Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

#### **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 Group's expense. Minutes of Board and Sub-Committee meetings are available on the SFT website following their approval.

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

### REPORT ON CORPORATE GOVERNANCE (continued)

#### 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

To provide effective overview and leadership, the Board can establish Committees composed of non-executive Directors with specific governance responsibilities. The Committee's Chairmanship and Membership will be refreshed on a regular basis. Executive Directors and senior managers are invited to attend Board and Committee Meetings as appropriate. Currently the only Board Committees are the Group Audit Committee and the Group Investment Committee.

#### Attendance at Board and Committee meetings

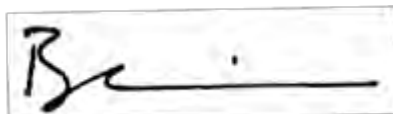
Attendance by board members at board and committee meetings held during the year was as follows:

	Board	Audit Committee	Investment Committee
<b>Number of meetings</b>	<b>7</b>	<b>2</b>	<b>2</b>
Sir Angus Grossart	7	-	-
Graeme Bissett	6	2	2
Carolyn Dwyer	7	-	1
James Fletcher	6	2	1
Fiona MacKenzie	7	-	2
Barry White	7	1	1
Peter Reekie	7	2	2

#### Relations with Sole Shareholder

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

On behalf of the Board



**Barry White**  
**Chief Executive**  
3 October 2014

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

### STATEMENT OF INTERNAL CONTROL

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

#### Control Structure

Given the nature and size of the Group, SFT's control structure is the responsibility of Directors and managers at all levels and there is no current need for a separate internal audit function, 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 Group's external auditors present reports to the Audit Committee which include any significant internal control matters which they have identified.

#### Identification and Monitoring of Business Risks

The Group 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.

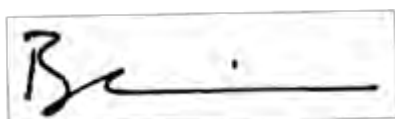
#### Corporate Information Systems

The Company operates a budgeting and financial reporting system, which includes the preparation of a business plan containing detailed annual budgets. The system provides monthly comparison of actual results against financial year budget, regularly revised forecasts, Statement of Financial Position, Cash Flow and variance analysis, all of which are regularly reviewed by the Board. Standard financial control procedures are in place which provide assurance on the integrity of the Group's finances.

#### Effectiveness of Internal Controls

The Directors are responsible for reviewing the effectiveness of the Group's system of internal control, including internal financial control. This 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**  
**Chief Executive**  
3 October 2014

**SCOTTISH FUTURES TRUST LIMITED**  
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**REPORT ON DIRECTORS' REMUNERATION**

Details of the Board's responsibilities for remuneration are set out within the Report on Corporate Governance. Details of Director's' remuneration are as follows:

**Directors' Remuneration**

In the year to 31 March 2014, the Company's non-executive Director's were paid fees for their services to the Group. Each non-executive director has a letter of appointment outlining their expected time commitment and details of the per diem rate set by Scottish Government for non-executive Director's of £325. Sir Angus Grossart did not receive payment from Scottish Futures Trust Limited for his services as Chairman which totalled 42 days over the period. Expenses of £6,738 (2013: £6,738) were paid to Noble Grossart Limited, which is controlled by Sir Angus Grossart, in respect of administrative support services provided.

The fees received by the other Director's in the years to 31 March 2014 and 31 March 2013 for duties provided to the Group are as follows:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
James Fletcher	<b>7,800</b>	<b>7,800</b>
Graeme Bissett	<b>7,800</b>	<b>7,800</b>
Fiona MacKenzie (6 months paid to NHS Forth Valley)	<b>7,800</b>	<b>7,800</b>
Carolyn Dwyer	<b>7,800</b>	<b>7,800</b>

The total expenses reimbursed during the year were £164 (2013:£139).

Barry White was appointed as Chief Executive on 1 May 2009.  
His remuneration for the year was:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Salary</b>	<b>180,000</b>	<b>180,000</b>
<b>Pension</b>	<b>36,000</b>	<b>36,000</b>
<b>Car Allowance</b>	<b>10,000</b>	<b>10,000</b>

Peter Reekie was appointed as Executive Director on 29 June 2010.  
His remuneration for the year was:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Salary</b>	<b>137,556</b>	<b>130,000</b>
<b>Pension</b>	<b>27,812</b>	<b>26,000</b>
<b>Car Allowance</b>	<b>8,000</b>	<b>8,000</b>

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**REPORT ON DIRECTORS' REMUNERATION (continued)**

**Directors' Remuneration (continued)**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Highest paid Director's total Remuneration	<b>190,000</b>	<b>190,000</b>
Median total Remuneration	<b>66,415</b>	<b>73,250</b>
Ratio	<b>2.86</b>	<b>2.59</b>

The ratio has increased due to the employment of more staff lowering median pay in the year. Total remuneration includes salary and car allowance. There were no bonuses or benefits in kind in 2012/13 or 2013/14.

**Pensions**

SFT has established a pension scheme with Lothian Pension Fund which is administered by the City of Edinburgh Council. The Company's pension scheme is a contributory scheme where contributions paid by the employee and the Company operate on a sliding scale.

In the year ended 31 March 2014, the Company had 54 employees including 2 Directors who were members of the pension fund.

The highest paid Director's pension has a transfer value of £167,912.

On behalf of the Board



**Barry White**  
**Chief Executive**  
3 October 2014



# SCOTTISH FUTURES TRUST LIMITED

## ANNUAL REPORT AND GROUP 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 2008. 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 LIMITED  
ANNUAL REPORT AND GROUP 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 non-audit services provided to the Company by the Auditor in the year. These related to corporation tax compliance work and a review of internal controls. Both pieces of work were 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 total fees paid to the auditor can be found in note 7 to the financial statements. The audit and corporation tax fees for SFTi were paid by SFT and recharged via the management charge.

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

During the year, the Audit Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan 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	The group has two main sources of funding: 1) The funding provided by the Scottish Government; and 2) The interest it receives on the working capital loans and subordinated debt invested in the hub Companies. The Audit Committee reviews, through the Financial Procedures Manual, the process of monthly drawdown from the Scottish Government and confirms that it has been accounted for correctly via oversight of monthly management accounts process and the annual financial statements. The Audit Committee members as members of the SFTi Investment Committee review each investment made and review the process for reconciling investment income to that recognised in the financial statements.
Funding from the Scottish Government	The Audit Committee members as members of the SFT board are involved in year round communication with the Scottish Government including in relation to future funding and consider the funding levels agreed when assessing the company’s going concern status.
Accounting for the defined benefit pension scheme	The assumptions used in the IAS 19 pension valuation are reviewed each year by the Audit Committee to ensure that the assumptions used are appropriate. The Audit Committee through discussions with the finance team and the external auditor ensure that the pension is accounted for and disclosed in accordance with IAS 19.

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

**Significant issues considered regarding the annual report and the financial statements (continued)**

<b>Significant issue</b>	<b>How the issue was addressed</b>
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 LIMITED**

### **ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

We have audited the financial statements of Scottish Futures Trust Limited for the year ended 31 March 2014 which comprise the Group Statement of Comprehensive Income, the Group and the Parent Company Statements of Changes in Equity, the Group and the Parent Company Statements of Financial Position, the Group and the Parent Company Statements 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 7 and 8, 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 group 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 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 statements on internal control cover 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.

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

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

#### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

#### 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 group recognising income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.
- **Our response:** We performed a reconciliation of income recognised as being received from the Scottish Government in the financial statements to confirmation from the Scottish Government. The group also receives interest 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.

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

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

#### *Future funding*

- **The risk:** SFT requires funding from the Scottish Government to operate. Without this funding, SFT would not be able to continue to operate and thus would not be deemed a going concern.
- **Our response:** We reviewed the funding letter provided by the Scottish Government which confirms that the group will receive sufficient funds to operate in 2014/15. Although, at this time, no funding letter is in place for 2015/16, the Board anticipates continued support from the Scottish Government in 2015/16 and beyond and thus the Board has prepared the financial statements on a going concern basis. Given the relationship that SFT has with the Scottish Government, the important role SFT plays in public sector investment and given there is no evidence to the contrary we are satisfied that the financial statements are prepared on a going concern basis.
- **Our findings:** The Scottish Government has confirmed that resources will be provided to SFT to allow the Group to continue in 2014/15. The expectation at the date of signing the financial statements is that this funding from the Scottish Government will continue into 2015/16 and thus the financial statements have been correctly prepared on a going concern basis.

#### *Defined benefit pension scheme*

- **The risk:** There is a risk that the movement in the defined benefit pension scheme and the closing pension liability is not recorded and disclosed in the financial statement accurately. There is also a risk that the actuarial assumptions used to determine the pension valuation are not appropriate.
- **Our response:** We reviewed the actuarial assumptions used in the IAS 19 valuation and considered their appropriateness and ensured that the pension liability was accounted for and disclosed within the financial statements in accordance with IAS 19.
- **Our findings:** The actuarial assumptions are appropriate and the pension liability has been recorded and disclosed in the financial statements in accordance with IAS 19.

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

- **The risk:** There is a risk that the group accounts of Scottish Futures Trust Limited (consisting of SFT and SFTi) are incomplete as they may not include all entities that SFTi has invested in which 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 LIMITED ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

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

The materiality for the Group financial statements as a whole was set at £275,000. This has been assessed with reference to a benchmark of total income (representing 2% of reported other income and capital grant income) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group.

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 £2,750; 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 £275,000, i.e. £137,500. 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 £275,000, i.e. £233,750. 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 £233,750 were audited whilst for higher items we tested all balances and transactions above £137,500.

#### **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; 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 LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH FUTURES TRUST 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 Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the 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 group'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 LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

	Note	2014	2013
		£	Restated £
<b>Continuing operations</b>			
<b>Revenue</b>			-
Cost of sales		-	-
		_____	_____
<b>Gross profit</b>		-	-
Other income	5	7,032,742	5,511,319
Capital grant income	6	6,738,492	5,823,244
Administrative expenditure	7	(6,743,702)	(5,319,164)
Capital grant expenditure	8	(5,027,123)	(5,639,090)
		_____	_____
<b>Profit on ordinary activities before taxation</b>		2,000,409	376,309
Taxation on profit ordinary activities	24	(3,608)	(231)
		_____	_____
<b>Net profit for the year</b>		1,996,801	376,078
		=====	=====
<b>Other comprehensive income:</b>			
Those that are not recyclable net of tax:			
Actuarial losses on post-employment benefit obligations	16	(271,000)	(191,000)
		_____	_____
<b>Other comprehensive income for the year after tax</b>		(271,000)	(191,000)
		_____	_____
<b>Total comprehensive income for the year</b>		1,725,801	185,078
		=====	=====
<b>Attributable to:</b>			
Equity holder of the company		1,725,801	185,078
		_____	_____
Distributed as follow:			
Transferred to retained earnings		1,725,801	185,078
		_____	_____
<b>Profits available for distribution</b>		-	-
		=====	=====

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

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

**GROUP STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 MARCH 2014 (continued)**

IAS 19 Employee Benefits (2011) is an amended version of, and supersedes, IAS 19 Employee Benefits (1998). It is effective for annual periods beginning on or after 1 January 2013. This standard requires that actuarial movements are included in other comprehensive income. Scottish Futures Trust Limited previously recognised actuarial movements in the Income Statement. This year the group has elected to prepare a consolidated statement of comprehensive income and this statement contains the restatement in respect of the IAS 19 changes. The prior year adjustment has no effect on the reserves.

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

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 March 2013	2	1,067,195	1,067,197
Net profit for the period	-	1,725,801	1,725,801
	<hr/>	<hr/>	<hr/>
At 31 March 2014	2	2,792,996	2,792,998
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 March 2013	2	-	2
Net profit for the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2014	2	-	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

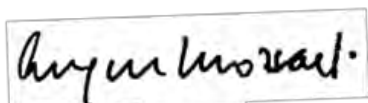
The accompanying notes are an integral part of these financial statements.

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

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

	Note	2014	2013
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	10a	2,777,640	1,066,271
Property, plant and equipment	9	145,514	127,670
		<u>2,923,154</u>	<u>1,193,941</u>
<b>Current assets</b>			
Trade and other receivables	11	1,519,166	1,874,051
Available-for-sale financial assets	12	-	175,018
Cash and cash equivalents	13	4,055,477	347,528
		<u>5,574,643</u>	<u>2,396,597</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,039,630)	(1,471,812)
Deferred income	15	(4,382,474)	(941,948)
Current tax liabilities	24	(3,608)	(231)
		<u>(5,425,712)</u>	<u>(2,413,991)</u>
<b>Net current assets/(liabilities)</b>		148,931	(17,394)
<b>Non-current liabilities</b>			
Pension liabilities	16	(147,000)	-
Deferred income	15	(132,087)	(109,350)
		<u>(279,087)</u>	<u>(218,700)</u>
<b>Net assets</b>		<u>2,792,998</u>	<u>1,067,197</u>
<b>Equity</b>			
Called up share capital	17	2	2
Retained earnings	17	2,792,996	1,067,195
		<u>2,792,998</u>	<u>1,067,197</u>
<b>Total shareholders' funds</b>		<u>2,792,998</u>	<u>1,067,197</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**



**Barry White**  
**Chief Executive**

Registered Company Number: SC348382

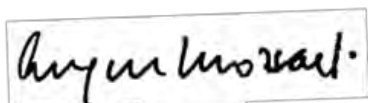
The accompanying notes are an integral part of these financial statements.

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

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

	Note	2014 £	2013 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	10b	1	1
Property, plant and equipment	9	145,514	127,670
		<u>145,515</u>	<u>127,671</u>
<b>Current assets</b>			
Trade and other receivables	11	1,592,972	1,916,260
Cash and cash equivalents	13	3,962,707	344,297
		<u>5,555,679</u>	<u>2,260,557</u>
<b>Current liabilities</b>			
Trade and other payables	14	(1,039,631)	(1,336,928)
Deferred income	15	(4,382,474)	(941,948)
		<u>(5,422,105)</u>	<u>(2,278,876)</u>
<b>Net current liabilities</b>		133,574	(18,319)
<b>Non-current liabilities</b>			
Pension liabilities	16	(147,000)	-
Deferred income	15	(132,087)	(109,350)
		<u>(279,087)</u>	<u>(109,350)</u>
Net assets		<u>2</u>	<u>2</u>
<b>Equity</b>			
Called up share capital	17	2	2
<b>Total shareholders' funds</b>		<u>2</u>	<u>2</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**



**Barry White**  
**Chief Executive**

Registered Company Number: SC348382

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

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

**GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014	2013
		£	£
<b>Cash flows from operating activities</b>			
Profit from operations for the period		2,000,409	376,309
Depreciation of property, plant and equipment	9	50,926	39,722
IAS19 pension charge/(income)	16	74,000	(112,000)
Loss on sale of office equipment		-	1,105
Transfer of ownership of investment	10a	-	15,885
Decrease/(increase) in trade and other receivables	11	354,885	(988,615)
(Decrease)/increase in trade and other payables	14	(257,164)	652,170
Increase/(decrease) in deferred income	15	3,265,263	(59,272)
<b>Net cash from operating activities</b>		<u>5,488,319</u>	<u>(74,696)</u>
<b>Corporation tax</b>		(231)	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(68,770)	(74,596)
Purchase of investments	10a	(6)	(39)
Provision of working capital loans and subordinated debt	10a	(1,711,363)	(200,000)
Purchase of available-for-sale financial assets	12	-	(175,018)
		<u>(1,780,139)</u>	<u>(449,653)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,707,949	(524,349)
<b>Cash and cash equivalents at beginning of period</b>		347,528	871,877
<b>Cash and cash equivalents at end of period</b>	13	<u>4,055,477</u>	<u>347,528</u>

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

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

**COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 £	2013 £
<b>Cash flows from operating activities</b>			
Profit from operations for the period		271,000	191,000
Depreciation of property, plant and equipment	9	50,926	39,722
IAS 19 pension charge/(income)		74,000	(112,000)
Loss on sale of equipment		-	1,105
Decrease/(increase) in trade and other receivables	11	323,288	(990,690)
(Decrease)/increase in trade and other payables	14	(297,297)	477,151
Increase/(decrease) in deferred income	15	3,265,263	(59,272)
		<u>3,687,180</u>	<u>(452,984)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(68,770)	(74,596)
		<u>(68,770)</u>	<u>(74,596)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		3,618,410	(527,580)
<b>Cash and cash equivalents at beginning of period</b>			
		344,297	871,877
<b>Cash and cash equivalents at end of period</b>			
	13	<u>3,962,707</u>	<u>344,297</u>

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

# SCOTTISH FUTURES TRUST LIMITED

## ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

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

#### 1. Basis of preparation and accounting policies

The Group financial statements of Scottish Futures Trust Limited which include Scottish Future Trust Investment Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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 Group and Parent Company.

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

The report is prepared on an accruals basis and is based on 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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies are consistent across the Group.

No Income Statement has been prepared for the Company as provided by section 408 of the Companies Act 2006.

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

#### **Going Concern**

On the basis of the information available to them, the Directors have a reasonable expectation that the Company will continue to receive funding from the Scottish Government. Consequently, 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.

#### **Basis of consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost. The only subsidiary is Scottish Futures Trust Investments Limited.

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

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

**Financial instruments**

***Classification, recognition and measurement***

The Group classifies its financial assets in the available-for-sale and loans and receivables category. Management determines the classification of its financial assets at initial recognition.

***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. 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 de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

**Cash and cash equivalents**

In the Group statement of cash flows, cash includes cash on hand and deposits with banks or financial institutions. It also can include cash held on behalf of the Group by its lawyers.

**Trade and other payables**

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



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

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

**Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, all performance conditions have been met and it is probable that future economic benefits will flow to the Group.

The Group receives funding from the Scottish Government. The funding that covers the revenue expenditure of the Group is recognised in other income when the Group is entitled to the funding. The funding received which is then distributed to third parties for capital projects are disclosed as capital grant income. This is recognised once received.

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

**Current income tax**

The tax expense for the period comprises current tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**Share capital**

Ordinary shares are classified as equity.

**Property, plant and equipment**

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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

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

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

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

shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Office equipment - over 3 years

Furniture and fixtures - over 5 years

A *de minimis* cost of £1,000 is set for property, plant and equipment assets.

**De-recognition and disposal**

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised.

**Leases**

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

**Employee entitlements**

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees in the Statement of Financial Position. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Contributions are made by the Group to employee pension funds and are charged as expenses when incurred.

**Retirement benefits obligations**

The Group operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers. In accordance with 'IAS 19 – Employee Benefits', the expected costs of providing pensions under this Scheme, as calculated by qualified actuaries using the projected unit credit method, is charged to the Statement of Comprehensive Income so as to spread the cost over the service lives of the current employees.

A Retirement Benefit Obligation recognised in the Statement of Financial Position represents the present value of the Defined Benefit Obligation as reduced by the fair value of Scheme Assets. Where the fair value of the Scheme Assets exceeds the present value of the Obligation, the Asset is only recognised in the Statement of Financial Position where the Group has an unconditional right to a refund or reduction in future contributions.

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

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

a) IFRS 10, 'Consolidated Financial Statements', The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard provides extensive guidance on applying the principle of control, which then governs the consolidation of an entity. The standard sets out the accounting requirements for the preparation of consolidated financial statements, which are unchanged from those that were required by the old version of IAS 27, 'Consolidated and Separate Financial Statements'. However IAS 27 has been amended to conform with IFRS 10, and now only applies to separate financial statements on application of IFRS 10. The Group has evaluated all its investments to establish whether control continues to exist for the previously consolidated subsidiary and whether any investments would fall to be a subsidiary applying the new requirements; the Group did not identify any change to the consolidation of subsidiaries with only Scottish Futures Trust Investments Limited being regarded as a subsidiary and thus consolidated.

b) 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)

c) 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 10a.

d) 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 group has elected to prepare a consolidated 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 LIMITED**  
**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

**2. New and amended standards adopted by the Group (continued)**

- e) IAS 19 (revised), 'Employee Benefits'. The revised standard amends the recognition and presentation requirements for defined benefit schemes. Past service costs deferred have been recognised in full as they can no longer be deferred.

Return on plan assets are now recognised based on a rate of interest on a high quality corporate bond, which is consistent with the measurement for the defined benefit obligation. The net of the two amounts is reported within profit or loss as the net interest on the defined benefit liability.

This standard also requires that actuarial movements are included in the statement of other comprehensive income. Scottish Futures Trust Limited previously recognised actuarial movements in the Income Statement. This year the group has elected to prepare a consolidated statement of comprehensive income and this statement contains the restatement in respect of the IAS 19 changes. The prior year adjustment has no effect on the reserves (please see note 23).

The revised standard also amends the accounting treatment for termination benefits which has no impact on the Group results.

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

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

- 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 Group 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 Group will have to re-determine the classification of its financial assets specifically for available-for-sale and held-to-maturity financial assets. The group's financial liabilities will continue to be carried at amortised cost.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 Group (continued)**

- b) IAS 19 (amendment), 'Defined Benefit Plans - Employee Contributions', is effective for periods beginning on or after 1 July 2014. The amendment simplifies the accounting treatment of contributions received from employees or third parties for defined benefit plans. The accounting treatment depends on whether the contributions are independent of the number of years of employee service. If the contributions are independent for example, employee contributions that are calculated according to a fixed percentage of salary, the contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered. If the contribution is linked to years of service the contribution is recognised as part of the gross benefit attributed to the employee.

The Group has not evaluated the full extent of the impact that the amendment will have on its financial statements.

- c) 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 group. The amendment is effective for annual periods beginning on or after 1 January 2014.

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

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

The preparation of the financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. If in the future should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

**Defined benefit scheme**

The Company has a defined benefit scheme for its employees. The present value of the scheme's liabilities recognised at the Statement of Financial Position date has been calculated based on key assumptions and estimates of future events as set out in note 16.

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

**5. Other income – Group**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
Release of Scottish Government funding relating to non-current assets	9	50,926	39,722
Scottish Government funding received to compensate for expenses incurred		6,694,507	5,179,027
Interest received on working capital loans		147,635	72,589
Secondment recharges		116,674	219,981
Other income		23,000	-
		<u>7,032,742</u>	<u>5,511,319</u>

**6. Capital Grant Income – Group**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
SG capital grant for Asset Management NWOW Pilot		-	575,819
SG capital grant for SFTI investments in hub projects	10a	1,711,369	375,057
SG capital grant for hub participants investments in hubCos		-	425,042
SG capital enabling grant for hub projects	8	3,277,123	4,447,326
Capital enabling grant returned for hub projects*	8	1,750,000	-
		<u>6,738,492</u>	<u>5,823,244</u>

\*£1,750,000 of SG Capital funding provided in 2012/13 was returned in the year unutilised by one hub participant. This was expended on other projects in the current year.

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**ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS**

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

**7. Administrative Expenditure – Group**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>Restated £</b>
Profit before taxation is stated after charging:		
Chair and non-executive fees (inc NI of £29 (2013 = £129))	31,229	31,329
Chair expenses for secretarial and administrative support	6,738	6,738
Salaries and associated costs	4,826,762	3,821,676
Agency, seconded & interim staff	414,872	225,580
Auditors remuneration	13,006	12,048
- SFT audit fee	4,800	4,800
- SFTI audit fee	4,260	1,200
- taxation services	3,600	1,800
- other services		
Operating leases in respect of land and buildings	100,673	97,535
Depreciation of owned assets	50,926	39,722
Corporate Professional fees	76,846	38,837
Recruitment fees	37,001	30,036
Advisory fees	405,063	547,426
Grants made	199,700	-
Hub PDO Fees	16,955	31,932
Other administrative costs	551,271	428,505
	<u>6,743,702</u>	<u>5,319,164</u>

The average number of full time equivalent employees employed in the year was 51 (2013: 39) broken down as 6 Leadership Team, 33 programme delivery and 12 business support.

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,719,550	3,093,457
National Insurance	397,269	343,086
Pension costs (including IAS 19 charge / (income))	709,943	385,133
	<u>4,826,762</u>	<u>3,821,676</u>



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

**8. Capital Grant Expenditure – Group**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Capital grant for NWOW pilot	-	575,819
Capital grant for hub participants investments in hubCos	-	631,830
Capital enabling grant for hub projects	5,027,123	4,431,441
	<u>5,027,123</u>	<u>5,639,090</u>

**9. Property, plant and equipment – Group and Company**

	<b>Office equipment</b>	<b>Furniture &amp; Fixtures</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 31 March 2013	140,381	107,202	247,583
Additions	32,609	36,161	68,770
Disposals	-	-	-
	<u>172,990</u>	<u>143,363</u>	<u>316,353</u>
At 31 March 2014	<u>172,990</u>	<u>143,363</u>	<u>316,353</u>
<b>Depreciation</b>			
At 31 March 2013	97,038	22,875	119,913
Charge for period	28,370	22,556	50,926
Eliminated on disposal	-	-	-
	<u>125,408</u>	<u>45,431</u>	<u>170,839</u>
At 31 March 2014	<u>125,408</u>	<u>45,431</u>	<u>170,839</u>
<b>Net book value</b>			
At 31 March 2014	<u>47,582</u>	<u>97,932</u>	<u>145,514</u>
At 31 March 2013	<u>43,343</u>	<u>84,327</u>	<u>127,670</u>

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

**10a. Investments – Group**

	hub Co & NHT LLP share capital	hub Co working capital	hub Co subordinated debt	Total
	£	£	£	£
<b>Cost and Net book value</b>				
At 31 March 2013	80	490,000	576,191	1,066,271
Additions	6	-	1,711,363	1,711,369
At 31 March 2014	86	490,000	2,287,554	2,777,640

***Share capital***

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 any of these investments.

***hub Co working capital***

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 and 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).

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).

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

**10a. Investments – Group (continued)**

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 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 – loan and receivables.

***hub Co subordinated debt***

The Group made its first investment in a project in March 2012 when it invested £576,191 in Aberdeen Community Health Village DBFM, a special purpose company owned by hub North Scotland Limited, in the form of 10.2% fixed coupon unsecured loan notes. 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.

Subordinated debt is held as financial assets - loans and receivables.

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**  
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**10b. Investments – Company**

	<b>Investment in Subsidiary</b>
	<b>£</b>
<b>Cost and Net book value</b>	
At 31 March 2013	1
At 31 March 2014	1

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

Nature of business	To hold investments in infrastructure companies, assets and projects across Scotland
Class of shares	Ordinary
Holding	100%

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Aggregate capital and reserves	2,792,997	1,067,196
Profit for the year	1,725,801	185,078

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

**11. Trade and other receivables**

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other receivables (SG funding re operational expenditure)	1,138,790	1,138,790	1,101,750	1,101,750
Other receivables (SG funding re NWOW pilot)	-	-	575,819	575,819
Other receivables	54,617	54,617	30,596	30,596
Prepayments and accrued income	325,759	150,649	165,886	91,703
Amounts due from subsidiary – SFTi	-	248,916	-	116,392
	<u>1,519,166</u>	<u>1,592,972</u>	<u>1,874,051</u>	<u>1,916,260</u>

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

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

In 2013 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.

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

**13. Cash and cash equivalents**

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank (see note 15)	4,055,437	3,962,667	205,722	202,491
Cash on deposit held by lawyer	-	-	141,693	141,693
Cash on hand	40	40	113	113
	<u>4,055,477</u>	<u>3,962,707</u>	<u>347,528</u>	<u>344,297</u>

**14. Trade and other payables**

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other payables (operational expenditure)	289,064	289,064	164,316	164,316
Other payables (NWOW Pilot)	-	-	575,819	575,819
Other taxes and social security	244,963	244,964	117,410	117,410
Other creditors and accruals	505,603	505,577	614,267	439,230
Amounts due from subsidiary – SFTi	-	26	-	40,153
	<u>1,039,630</u>	<u>1,039,631</u>	<u>1,471,812</u>	<u>1,336,928</u>

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**  
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**15. Deferred income – Group and Company**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
As at beginning of period	127,670	93,901
Increase in period	68,770	74,596
Loss on sale of office equipment	-	(1,105)
Released to statement of income and retained earnings	(50,926)	(39,722)
	<hr/>	<hr/>
As at period end	145,514	127,670
	<hr/> <hr/>	<hr/> <hr/>
Deferred income above relates to capital funding received which is released over the expected life of the asset.		
As at beginning of period	27,500	17,500
Increase in period	10,000	10,000
	<hr/>	<hr/>
As at period end	37,500	27,500
	<hr/> <hr/>	<hr/> <hr/>
Deferred income above relates to funding received to provide for the dilapidation over the expected life of the premises.		
Deferred income from the Scottish Government relating to funding received in advance of costs incurred	4,331,547	896,128
	<hr/>	<hr/>
<b>Total deferred income</b>	<b>4,514,561</b>	<b>1,051,298</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Split as follows:</b>		
Current liabilities	4,382,474	941,948
	<hr/>	<hr/>
Non-current liabilities	132,087	109,350
	<hr/> <hr/>	<hr/> <hr/>

Of the £4,331,547 (2013:£896,128) relating to funding received in advance of costs incurred, £3,281,425 (2013:£141,693) was received to make investments in projects anticipated to reach financial close before the year-end. Financial close was not however reached at 31 March 2014 and the funds were therefore retained within cash held at the bank.

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**  
**(continued)**

**16. Retirement benefits obligation – Group and Company**

The Company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Contributions to the scheme are charged to the Statement of Comprehensive Income, so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Liabilities are valued on an actuarial basis using the projected unit method, which assess the future liabilities of the fund discounted to their present value. The most recent formal triennial valuation of the fund was at 31 March 2011 by Hymans Robertson, independent actuaries.

The group financial statements include the results of the IAS 19 valuation carried out, by Hymans Robertson, as at 31 March 2014 which projects forward the results of the 2011 triennial valuation and adjusts for changes in assumptions.

Contributions due to the Scheme will be funded by the drawdown of grant from the Scottish Government.

Each employee is allocated to a duration category, as defined below:

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

There are only active members. The defined benefit obligation has a duration of 26.7 years and thus a long rate discount rate has been applied.

The main assumptions used in the calculations are:

	<b>31 Mar 2014</b>	<b>31 Mar 2013</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation / Pension Increase Rate	2.9%	2.8%
Salary Increase Rate	5.2%	5.1%
Discount Rate	4.3%	4.5%



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

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

**Mortality**

Life expectancy is based on the Funds Vita Curves, with improvements from 2008 in line with the Medium Category and a 1% profit underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current pensioners	20.4 years	22.8 years
Future pensioners	22.6 years	25.4 years

**Assets (Employer)**

	<b>31 March 2014</b>	
	<b>Long term return % p.a.</b>	<b>Assets £000</b>
Equities	6.6%	3,124
Bonds	3.9%	284
Property	4.8%	307
Cash	3.7%	226
Total Market Value of Assets		<b>3,941</b>
Present Value of Scheme of Liabilities		<b>4,088</b>
Net Pension Liability		<b>(147)</b>
	<b>31 March 2013</b>	
	<b>Long term return % p.a.</b>	<b>Assets £000</b>
Equities	5.7%	2,235
Bonds	3.5%	227
Property	3.9%	221
Cash	3%	133
Total Market Value of Assets		<b>2,816</b>
Present Value of Scheme of Liabilities		<b>2,618</b>
Net Pension Asset		<b>198</b>

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

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

**Recognition in the Income Statement:**

	<b>31 March 2014</b>		<b>31 March 2013</b>	
	<b>£(000)</b>	<b>% of Pay</b>	<b>£(000)</b>	<b>% of Pay</b>
Current service cost	(694)	22.4%	(398)	16.8%
Net interest income	7	0.2%	36	3.7%
Contributions paid in year per IAS19 valuation	613	19.2%	474	(5.2%)
<b>Total (charge)/income included in the Statement of Comprehensive Income</b>	<b>(74)</b>	<b>2.4%</b>	<b>112</b>	<b>15.3%</b>

The IAS 19 pension charge (above) is included within salaries and associated costs in note 7 of the financial statements. The actual pension contribution of the company paid as part of the payroll was £635,943 (2013: £497,133). The employer's contribution rate is 20% and the employee's contribution rate ranges from 5.5% to 10.8%.

**Recognition of defined benefit obligations:**

<b>Year Ended</b>	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>
<b>Opening Defined Benefit Obligations</b>	<b>2,618</b>	<b>1,490</b>	<b>792</b>	<b>498</b>
Current Service Cost	694	398	263	283
Interest Cost	140	87	56	38
Contributions by Members	319	252	181	173
Actuarial Losses/(Gains)	320	394	199	(124)
Past Service Costs/(Gains)	-	-	-	(76)
Estimated benefits paid	(3)	(3)	(1)	-
<b>Closing Defined Benefit Obligations</b>	<b>4,088</b>	<b>2,618</b>	<b>1,490</b>	<b>792</b>

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

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

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

<b>Year Ended</b>	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>2,816</b>	<b>1,766</b>	<b>1,001</b>	<b>479</b>
Expected Return On Assets	147	123	90	52
Contributions by Members	319	252	181	173
Contribution by Employer	613	474	393	312
Actuarial Gains/ (Losses)	49	203	102	(15)
Estimated Benefits Paid	(3)	(2)	(1)	-
<b>Closing Fair Value of Employer Assets</b>	<b>3,941</b>	<b>2,816</b>	<b>1,766</b>	<b>1,001</b>
<b>Closing (Liability)/Asset</b>	<b>(147)</b>	<b>198</b>	<b>276</b>	<b>209</b>

Projected IAS 19 charge to be charged to the Statement of Comprehensive Income for the year ended 31 March 2015:

	<b>31 March 2015</b>	
	<b>£(000)</b>	<b>% of pay</b>
Projected Current Service Cost	(905)	26.3
Interest on Obligation	(202)	5.9
Interest on Plan Assets	188	5.5
	<b>(919)</b>	
Estimated Employer's contribution for the year ended 31 March 2015	579	
	<b>(340)</b>	

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**(continued)**

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

**Sensitivity analysis:**

<b>Sensitivities at 31 March 2014</b>	<b>Approximate % increase to Employer Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in Real Discount Rate	14%	591
1 year increase in member life expectancy	3%	123
0.5% increase in the Salary Increase Rate	7%	291
0.5% increase in the Pension Increase Rate	7%	279

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

	<b>Group &amp; Company 2014</b>	<b>Group &amp; Company 2013</b>
	<b>£</b>	<b>£</b>
<b>Share capital</b>		
<b>Authorised , issued and fully paid – ordinary shares of £1 each</b>		
As at beginning of period	2	2
Issued in the period	-	-
As at period end	<u>2</u>	<u>2</u>

The shares have attached to them full voting and capital distribution (including on winding up) rights. The shares do not confer any rights of redemption and do not confer any rights to a dividend.

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

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Retained earnings</b>				
As at beginning of period	1,067,195	-	882,117	-
Net profit for the period	1,725,801	-	185,078	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
As at period end	2,792,996	-	1,067,195	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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**18. Related party transactions**

**Scottish Ministers**

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b><u>Scottish Government Funding received</u></b>		
Capital government funding received	68,770	74,596
Revenue government funding received	6,471,919	5,179,027
Capital grant income	4,988,492	5,823,244
	<u>11,529,181</u>	<u>11,076,867</u>

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b><u>Nature of government funding receipt</u></b>		
Payments made monthly to SFT	5,401,899	4,151,892
Year end receivable	1,138,790	1,677,569
Capital grant	4,988,492	5,247,406
	<u>11,529,181</u>	<u>11,076,867</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Comprehensive Income</u></b>		
Capital government funding income – released in period	50,926	39,722
Revenue government funding received	6,694,507	5,179,027
Capital grant income	4,988,492	5,823,244
	<u>11,529,181</u>	<u>11,076,867</u>

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

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Statement of Financial Position</b>		
Balance included in other receivables	1,138,790	1,677,569
Deferred income - capital	145,514	127,670
Deferred income - funding received in advance of costs incurred	4,331,547	896,128
Deferred income - dilapidations	37,500	27,500
	<u>          </u>	<u>          </u>

**Noble Grossart Limited**

Sir Angus Grossart, the chairman of the Scottish Futures Trust Limited, is an ultimate controlling shareholder of Noble Grossart Limited.

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Income Statement</b>		
Expense for secretarial and administrative support	6,738	6,738
	<u>          </u>	<u>          </u>
<b>Statement of Financial Position</b>		
Balance included in other creditors and accruals	6,738	6,738
	<u>          </u>	<u>          </u>

Remuneration in respect of the Directors was as follows:-

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Executive Directors' emoluments</b>		
Emoluments	335,556	328,000
Pension costs	63,812	62,000
	<u>          </u>	<u>          </u>
	399,368	390,000
	<u>          </u>	<u>          </u>
<b>Non-executive Directors' fees</b>	31,200	31,200
	<u>          </u>	<u>          </u>

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

**18. 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 Ltd. but does not have a financial interest in the Company. Details of material transactions with hub South East Scotland Ltd are included below:

	<b>2014</b>	<b>2013</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	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 Ltd. but does not have a financial interest in the Company. Details of material transactions with hub North Scotland Ltd are included below:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of Financial Position</u></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 Ltd until 17 September 2013. Thereafter, John Hope, an associate director of SFT, took over the role. Neither have a financial interest in the Company. Details of material transactions with hub East Central Scotland Ltd are included below:

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



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

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

**Hub West Scotland Limited**

Alistair Young, an associate director of SFT, was a non-executive director of hub West Scotland Ltd until 3 June 2013. Thereafter, John Hope, an associate director of SFT, took over the role. Neither have a financial interest in the Company. Details of material transactions with hub South East Scotland Limited are included below:

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

**Hub South West Scotland Limited**

John Hope, an associate director of SFT, is a non-executive director of hub South West Scotland Limited but does not have a financial interest in the Company. 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>		
Financial assets – Working capital loans	100,000	100,000
Financial assets- subordinated debt	325,055	-
Available-for-sale financial assets	-	25,000
	<u>          </u>	<u>          </u>

**SCOTTISH FUTURES TRUST LIMITED**  
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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**  
**(continued)**

**19. Commitments under operating leases – Group and Company**

At 31 March 2014 the Company had outstanding total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>2014</b>	<b>2013</b>
	£	£
<b>Office Premises</b>		
Due less than one year	99,651	99,651
Due in more than one year and less than five years	31,624	131,275
	<u>131,275</u>	<u>230,926</u>

**20. Financial Instruments**

The Group's financial instruments comprise of cash resources which arise directly from its operations and available for sale investments and loans and receivables. The Group has not entered into derivatives transactions. The Group has no borrowings. Each of the main risk exposures related to financial instruments are considered below.

**Interest rate risk** - As the Group has no borrowings or significant amounts of cash on deposit, for significant periods of time, it has no significant exposure to interest rate risk.

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

**Liquidity Risk** - The Group operates within a budget agreed with the Scottish Government and as such liquidity is not seen as a major risk area.

**Fair value of financial assets and liabilities** - The Group recognises financial assets and liabilities at fair value where appropriate. No revaluation has arisen during the period.

**21. Ultimate Controlling Party**

The Company is wholly-owned by the Scottish Ministers.

**22. Contingent asset**

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

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**NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**  
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**23. Prior year adjustment**

IAS19 (revised) 'Employee Benefits' amends the recognition and presentation requirements for defined benefit schemes. This amendment has no effect on the reserves but the actuarial loss of £191,000 in 2012/13 has been removed from administrative expenses and shown under other comprehensive income in the Consolidated Statement of Comprehensive Income.

**24. Taxation – Group**

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

**25. 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 LIMITED  
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**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 (Chief Executive)  
Peter Reekie (Director of Finance)

**Chief Executive**

Barry White

**Registered Office & Principal Place of Business**

11-15 Thistle Street  
Edinburgh  
EH2 1DF

**Registered Company number**

SC348382

**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)

**Annex A**  
**End of Year Report**

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	This objective is significantly below target, for instance where significant issues remain to be resolved.
	This objective is slightly below target, for instance where significant progress has been made.
	This objective is on target/complete.

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**A.1 Asset Management**

Objective	Update	Progress
Set up the strategic disposals programme	<p>Completing the data gathering exercise has allowed the programme plan for the NHS surplus property portfolio to be set out and prioritised, identifying high value assets and opportunities where investment of resource will obtain best returns. The preparation of some individual health board delivery plans has also been progressed in order to bring forward sites to market in the short to medium term.</p> <p>The strategic disposals work stream continues to expand and now includes the sites that will become available on completion of the three NPD college projects. The Scottish Funding Council has agreed to assist with funding to support pre-disposal preparation activities for the sites in Inverness, Glasgow and Kilmarnock. Initial engagement on property disposals has also commenced with the Scottish Fire and Rescue Service and Police Scotland.</p> <p>During the year the team expanded to 5 staff. This includes the appointment of a full-time Development Manager, seconded by SFT to NHS Lothian to work on the large, complex and sensitive Bangour Village site in West Lothian.</p>	✓
Develop options on alternative commercial structures for surplus property disposal	Work is ongoing in partnership with the NHS boards and industry network. The focus is on the deliverability of alternative structures. Some specific options were developed for providing affordable housing on surplus sites. Discussions have commenced with Scottish Government regarding the possibility of changing some of the current rules with regard to property transactions. Having the benefit of more detailed knowledge on the NHS portfolio, alternative structures for bundling and sales on the basis of phased site payments are being considered and tested in the market.	△

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Objective	Update	Progress
<p>Support public bodies on disposal strategy, site analysis and enabling work to enable the delivery of £25m receipt from asset disposals for 2014-2015 budget</p>	<p>A solid base has been developed this year creating a platform from which a programme of work will realise future benefits. For 2014-2015 the current estimate of forecast receipts is just over £25 million.</p> <p>Significant momentum is building with some of the larger, more complex sites being brought to the market, in addition to the more straightforward disposals. Seven high value sites are presently out to the market with interest noted from developers, and a further eleven sites are being prepared for potential release during Summer 2014. Four significant sites are under offer, subject to planning.</p> <p>All of this work will deliver receipts going forward, coinciding with an upturn in the housing market, and enabling the portfolio to benefit from stronger land values than have been evident in recent years.</p> <p>The team continues to work closely with stakeholders including the Central Legal Office and Historic Scotland who are providing a crucial role in enabling the timeous delivery of the outcomes of this programme.</p>	<p>✓</p>
<p>From the Place Based Review pilot projects, develop a suite of tools to support public service reform initiatives, and other locality based programmes</p>	<p>The place based pilot work has provided very useful learning for the future implementation of this work stream. It has enabled a deeper understanding to be gained of the issues and influences at play with different groupings. It has also allowed a clearer view to be developed of the scope and potential for this work.</p> <p>The approach has gained recognition at local and national level. It has been embraced by the Scottish Government’s Town Centre Strategy Action Plan and dovetails with the educational estates integration agenda and Learning Towns. The early work has also demonstrated its relevance to the One Public Sector approach –</p>	<p>✓</p>

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Objective	Update	Progress
	<p>enabling joint resource planning in support of making community planning more effective.</p> <p>The programme is active in; Edinburgh (this is a city wide strategy and includes two pilot neighbourhood programmes), Dumfries &amp; Galloway (one large town and one small town), South Ayrshire (one large town and two small towns), Moray (a council area wide approach with a focus on four towns), Aberdeen City (one neighbourhood), West Dunbartonshire (two large towns), and the Scottish Borders (one small town).</p>	
<p>Support the collaborative office pilot project to establish a platform for achieving cost savings of at least £20m</p>	<p>All four councils in the pilot project (Renfrewshire, Clackmannanshire, Midlothian and West Dunbartonshire) are occupying their trial office spaces and ongoing reports from staff are very positive. The experience gained from the pilot projects has supported all four councils in moving forward their decisions to progress remodelling of office properties.</p> <p>Building on this initial work, the programme is now actively engaged with a further 17 local authorities. Several councils have already made good progress, including Stirling, Glasgow City, Scottish Borders, Aberdeenshire, Dundee City and City of Edinburgh.</p> <p>Co-location opportunities between councils and other public sector bodies are anticipated in; Dumfries &amp; Galloway, Moray, Scottish Borders and South Ayrshire.</p> <p>A new programme of office remodelling for the NHS has just commenced. Five workplace initiatives are currently underway in Tayside, Highland, Grampian, Lothian and NHS Borders.</p>	<p>✓</p>



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Objective	Update	Progress
<p>Assist the development of business cases for joint depot projects, encouraging additional collaboration and targeting efficiency savings of at least £10m</p>	<p>The potential super depot facility being led by Midlothian Council has gained pace with City of Edinburgh Council and the emergency services now engaged.</p> <p>Aberdeen City and Aberdeenshire Councils are also underway with their depot strategies. Other potential exists with West Dunbartonshire, Renfrewshire and Dundee City councils.</p>	<p>✓</p>
<p>Bring forward strategic options for office space within key locations</p>	<p>The focus during the year was to co-produce with Scottish Government a city strategy for Glasgow and one for Edinburgh. These would embrace the office properties occupied by Scottish Government and public bodies (NDPB's, agencies etc). This work has been completed and demonstrates a way forward for Scottish Government to realise the targeted cost reduction of £28m pa after a five year programme of activity. The essence of the strategies is increased sharing in fewer properties. Work is underway preparing strategies for the other 5 cities.</p>	<p>✓</p>
<p>Develop and take forward plans for rationalisation of the central civil estate to meet the £28m per annum targeted cost reduction from 2017 onwards</p>	<p>As well as working with Scottish Government developing the city strategies several other activities were undertaken to move forward implementation. This has included enhancement of Scottish Government property controls and joint review of business cases, development of a new workplace utilisation tool and working with public bodies to test this in live situations, supporting and challenging public bodies on their development of workplace briefs, scoping of pilot projects and dissemination of workplace achievements in practice to enhance learning.</p> <p>'In-flight' remodelling and relocation projects in Glasgow, Edinburgh and Aberdeen will realise significant financial efficiencies in the short term. Some public bodies notably Skills Development Scotland, Scottish Enterprise, NHS National Services Scotland and NHS Health Scotland have moved ahead creating modern working environments.</p>	<p>△</p>



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Objective	Update	Progress
	<p>This is a complex environment and progress has not been as fast as anticipated. Subsequent to the yearend Scottish Government has now endorsed the direction of travel and agreed to the setting up of a joint central team to take forward the programme. This will clear a path for accelerating activity.</p>	
<p>Develop options for improving the efficiency of storage in the central estate</p>	<p>Initial projects are now being framed in the Glasgow area, in Aberdeen/shire and Lothian. Scottish Government, Local Authorities, and NHS boards in these areas have agreed to be involved. Senior executives from National Records of Scotland, Glasgow City Council and NHS Tayside have agreed to be on a steering group to assist taking this programme forward.</p>	

**A.2 Housing**

Objective	Update	Progress
<p>Bring 400 more homes through construction into rental stage</p>	<p>A total of 406 homes have been delivered during the financial year. A further 255 units are expected to complete during the next financial year.</p>	<p>✓</p>

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Objective	Update	Progress
n additional targeted NHT procurement for the delivery of a further 300 plus homes	Phase 2B was advertised for 313 units in May 2013 and contracts have been signed for 173 units in Aberdeen, Highland and Fife and it is expected that contract for 94 units in Edinburgh will reach close during April. The position in Dundee is still subject to review of the Certificate of Title and all being well contract for 30 units in the city will be signed during April/May 2014.	
Expand the NHT Council Variant securing commitment from at least three other local authorities in Scotland	SFT and Scottish Borders Council signed agreements and established Bridge Homes LLP in early March 2014. Bridge Homes aims to deliver up to 200 additional affordable rent homes in the Borders by 31 December 2016. The Council have an on-lending consent for £18.8m which they can supplement with up to £3.3m in equity contributions in order to deliver these homes. SFT is also in the later stages of discussions with Aberdeenshire Council with a view to signing agreements for an NHT council variant LLP during financial year 2014/15, if approved by council.  A further two councils have expressed interest in the model with one intending to report to their committee in early 2014.	
Consider new options for the delivery of affordable housing across Scotland and take forward those that SFT believes to be deliverable and viable	A number of options including some generated by the private sector, have been evaluated and assessed over the year. The team continues to explore a range of options. A business case has been drafted for a new affordable rent housing initiative and work is ongoing to conclude key details	✓
Deliver the first homes under the NHT Council Variant	The Stirling “Steadfast Homes” LLP purchased eight new built units in Cowie, Stirling and these were very quickly rented helping to further illustrate the demand for mid market rent homes.. A number of potential further homes are under active consideration.	✓

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**A.3 NPD**

Objective	Update	Progress
<p>Ensure that £2bn of the £2.58bn of the NPD programme will either be in procurement (on a stand alone basis or under development through the hub) or in construction</p>	<p>£2.03 billion of the NPD programme was in procurement or in construction as at March 2014 (details reported on SFT website pipeline update). This covers the vast majority of projects anticipated in the original £2.5 billion NPD programme announcement. The remaining projects include schools to be procured through hub and the Orkney health NPD project which are all expected to move into procurement in the next financial year.</p> <p>The £2.03 billion figure indicates that this objective has been fully achieved. The value is lower than reported at half year given the significant reduction in contracted construction costs (over £100m) on the M8/M73/M74 improvements project which reached financial close in February 2014.</p>	<p>✓</p>
<p>Reach financial close on the M8/M73/M74 improvements and all three college projects</p>	<p>Inverness and Glasgow Colleges reached financial close in May and August 2013 respectively. The M8 project reached financial close in February 2014.</p> <p>SFT's simplification of a 'standard contract' and working with strong project teams to set vastly improved, efficient procurement strategies with public and private sector stakeholders has delivered results. The contracts were agreed in significantly reduced timescales – just 17 months from OJEU for Inverness College, 21 months for City of Glasgow College and 23 months for the M8/M73/M74 project.</p> <p>The final college, Ayrshire College, had a target date of March 2014 for financial close. This has slipped by a number of weeks to conclude final negotiations and complete documentation. The college remains on-track to open in line with the original timetable.</p>	<p>△</p>

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Objective	Update	Progress
<p>Manage the £2.58bn programme within the set affordability limits</p>	<p>SFT provides information on the capital costs outturn estimate for the programme and the annual estimated revenue consequences to inform the Scottish Government’s control of revenue funded capital investment affordability. This included a detailed update for the Draft Budget 2014-15.</p> <p>Construction inflation indices and underlying funding costs are increasing and these pose programme affordability risks. SFT continues to mitigate these risks through setting robust construction cost caps and innovative approaches to financing. These are captured in the relevant objective updates below.</p> <p>The capital value of the programme remains within the programme affordability limit, and SFT understands that the overall revenue funded investment affordability (including the NPD programme) remains within the 5% of DEL limit set by Scottish Government.</p>	<p>✓</p>
<p>Support Health Boards in achieving their OJEU to preferred bidder target timescales through sharing information, using a standard contract approach, considering optimum timing for funding competitions and providing timely approvals.</p>	<p>The preferred bidders for three major NHS NPD projects, were announced in February and March 2014 consistent with OJEU to preferred bidder target timetables and all winning bidders were under the construction caps set. Work will progress to reach financial close over the next six months allowing construction to start. SFT is playing an active role in the selection of value for money financing for these projects.</p> <p>The c£203m NHS Dumfries and Galloway project is progressing to its published timetable of making a preferred bidder appointment in September 2014.</p>	<p>✓</p>
<p>Bring Dumfries &amp; Galloway Royal Infirmary and Orkney’s Balfour Hospital projects into procurement</p>	<p>The NHS Dumfries and Galloway project moved into procurement in June 2013 as planned and is progressing its procurement in line with published timescales.</p> <p>NHS Orkney opted to revisit its site selection and related consultation process making a procurement launch in 2013/14 unfeasible. Following SFT Independent Design Review advice in August 2013, the Board appointed additional healthcare planning and project management resource to support the OBC development. The project has now selected a</p>	<p>△</p>

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Objective	Update	Progress
	site and made significant progress towards achieving its revised OJEU target of Summer 14.	
Deliver appropriate financing solutions for hub projects reflecting market conditions and project sizes.	Funding competition to offer exclusivity to a small number of financiers across a number of hub projects due to reach financial close in the next 12 months has been completed. There was strong interest from the market with competitive terms offering the potential to deliver significant savings. Preferred funders Aviva and Nord LB have been recommended to the hubcos.	✓
Appoint appropriately experienced individuals into Public Interest Director roles	PID appointments have been considered on project by project basis to nominate appropriately experienced individuals.  SFT members are to replace the current Independent Directors on two 'pre NPD programme' projects - Moray Schools and Tayside Mental Health.	✓
Deliver at least BREEAM 'Very Good' for all building projects in the programme	BREAAM "Very Good" and in some instances BREAAM "Excellent" contained within project tender documents for health and college projects. Schools projects targeting top EPC ratings.	✓
Provide practical assistance to procuring bodies through use of standard templates to promote delivery of community benefits.	SFT has promoted the appointment of senior Community Benefits Champions to drive the importance of delivering for communities through all project procurements. The team has developed templates to establish "minimum requirements" and capture community benefits data for evaluation of bids during the procurement phase of projects. These have been used successfully on college and health procurements.	✓
Create Key Performance Indicators in health procurement to enable future capture and	The SFT team has developed and is piloting a report to collate "live" data from procuring authorities across the NPD programme as community benefits are delivered in the construction phase.	✓

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Objective	Update	Progress
monitoring of community benefits as they are delivered.		
Support all NPD projects through proactive participation as Project Board member.	SFT is represented and contributes to all Project Boards in the programme.	✓
Maintain pressure on public sector partners to make progress on projects in order to achieve the investment profile reported in the Draft Budget and work with public bodies to mitigate the effect of any delay	<p>All procuring authority project owners are clearly identified and project timelines and costs estimates are regularly reviewed and discussed. Pressure is being maintained in all projects to move forward quickly but this has to be balanced with securing value for money and resolving practical issues such as land acquisition and planning.</p> <p>Stand-alone NPD projects, representing 2/3 of the programme by value, are largely moving in line with the challenging procurement time tables set which is a remarkable rate of progress compared to historic norms.</p> <p>Smaller projects, being procured through hub, are making good progress compared to historic norms but are still not moving as quickly as we would like. In general, the time scales set for project development through hub are significantly shorter than if the project had been procured on a stand-alone basis. This has resulted in some projects moving through the process, from project initiation to signing the contract, in 12 months which is very swift progress. Other projects have had issues, mainly around land and planning, joint commissioning, demonstrating value for money and resourcing in the public/private sectors that have resulted in extended programmes. SFT continue to work with these bodies to mitigate the effect of any delays, including through the use of enabling works.</p>	△

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**A.4 hub**

Objective	Update	Progress
Have over £800m of hub projects either under construction or in development	Value of projects doubled in the year increasing from £503m at start of year to £1,010m at the end of the year. In addition a further £46m of projects were in construction during the year and have now been completed. With completed projects the value in the hub programme is now £1,081m	✓
Have 40 facilities in construction	43 different projects have now been in construction during the year. Currently 30 in construction with 13 completed in year.	✓
Have 15 facilities handed over and operational	18 projects handed over this year with a total value of £46m.	✓
Monitor the award of work to SMEs and the implementation of community benefit measures	Regular monitoring is taking place. Latest figures indicate that SMEs have been offered 84% of work contracts with a 81% success rate from just over £100m of contracts let.	✓
Achieve financial close on six DBFM projects	Three achieved by year end. Delays were experienced to the completion of Alford, Wick and Eastwood / Maryhill, all originally planned to complete in 13/14, and are now forecast for the first quarter of 14/15.	△
Audit all hub companies and their Tier 1 contractors to check compliance with prompt payment requirements	A programme of audits was undertaken in the fourth quarter examining the final accounts of completed contracts. In the projects audited payments are being made in line with the 30 day payment objectives.	✓
Invest over £2m through Scottish Futures Trust Investments in hub projects	£1.7m invested in the year. The slippage to the completion dates of Alford, Wick and Eastwood / Maryhill means that the next investments will be deferred until early in 14/15.	△



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**5.5 Scotland's Schools for the Future**




Objective	Update	Progress
Manage the £800m central government budget within the £1.25bn Scotland's Schools for the Future programme	In year annual budget allocation fully spent. Future years spending is being managed in line with programme budgetary parameters.	✓
Have the two Pilot Secondary Schools open in line with Scotland's Schools for the Future programme goals	Eastwood High School (East Renfrewshire Council) opened 14 <sup>th</sup> August 2013. The Lasswade Centre (Midlothian Council) opened 26 <sup>th</sup> August 2013. Formal opening ceremonies held in October. The Lasswade Centre project was awarded "Community Partnership Project of the Year" at the 2014 Scottish Property Awards	✓
Complete construction and achieve occupation of four primary and two further secondary schools	Four primary / ASN schools open – Craigmarloch School (Inverclyde Council), Happyhansel Primary School (Shetland Islands Council), Invergowrie Primary School (Perth and Kinross Council) and Riverside Primary School (Stirling Council).  Two further secondary schools open – Auchmuty High School (Fife Council) and Dunbarton Academy (West Dunbartonshire Council).	✓
Progress the first reference primary school design into construction	Lairdsland Primary School (East Dunbartonshire Council), the first primary school to be delivered based on the reference primary school design, went into construction in January 2014.	✓
Commence construction of at least five primary and six secondary schools	Four out of the planned five primary schools are fully on site – Garrowhill Primary School (Glasgow City Council), Lairdsland Primary School (East Dunbartonshire Council), Redwell Primary School (Clackmannanshire Council) and St James Primary School (Renfrewshire Council). Preparatory enabling works were completed at a fifth primary school, Brimmond Primary School (Aberdeen City Council). A sod cutting ceremony has taken place. Main construction commenced in April.	△

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Objective	Update	Progress
	<p>Five secondary out of the planned six schools on site – Ellon Academy (Aberdeenshire Council), Harris Academy (Dundee City Council), James Gillespie’s High School (City of Edinburgh Council), Alford Community Campus (Aberdeenshire Council), and Levenmouth Campus (Fife Council). Preparatory enabling works commenced at a 6<sup>th</sup> school - Brechin High School (Angus Council).</p>	
<p>Facilitate the collaborative procurement of over 20 secondary schools across Scotland among local authorities and the five hubCos</p>	<p>Collaborative working arrangements are in place across the five territories with between two and six local authorities engaging in each collaborative group. Support is being provided from both the schools and hub teams in SFT to help secure the benefits.</p>	<p>✓</p>
<p>Work with local authorities to maximise the number of schools that can overcome obstacles to move into construction more quickly</p>	<p>Regular contact with local authorities at both Project Team and leadership levels, along with hub companies and territory programme teams to identify and remove obstacles. As above, the actions of SFT have mitigated delays but some remain, in particular in respect of access to land (eg. where an Authority had considered it likely that it would be able to develop on Common Good land but has not been successful) and public consultations where the democratic process required revisions to Local Authorities’ plans.</p>	<p>△</p>

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**A.6 Tax Incremental Financing**

Objective	Update	Progress
Reach full approval for all TIF pilots on the basis of high-quality business cases that present a clear value-for-money proposal and are capable of acceptance by Scottish Ministers	<p>Full approval was not achieved on all TIF pilot projects in 2013/14. Full approval has now been achieved on 3 projects and in principle approval on a further 2 projects.</p> <p>Glasgow’s Buchanan Quarter TIF and Falkirk’s Grangemouth TIF have both obtained full approval and work continues on site. The Ravenscraig and Argyll and Bute TIF projects obtained in principle approval in March 2011 and January 2014 respectively. Argyll &amp; Bute’s Business Case is expected to obtain full approval in early May 2014. The Edinburgh TIF Project obtained full approval in March 2011, however site specific issues have delayed development of the TIF Project. The Fife and Ravenscraig TIF projects are not now expected to obtain full approval until at least summer 2014. This is a result of project specific issues that have needed time to be fully worked through by the local authorities.</p>	
See investment made and construction started on at least three TIF projects	<p>Glasgow and Falkirk TIFs both continue their work on site. Whilst the Argyll and Bute project has obtained approval in principle and will be fully approved shortly, the first TIF investment is not forecast until September 2014. Timeframes for the Fife and Ravenscraig projects are less clear and are expected to start on site during 2014/15.</p>	
Beyond TIF, work with Scottish Government and local authorities to identify further investment approaches and opportunities to encourage economic growth and regeneration	<p>SFT has worked closely with City of Edinburgh Council (CEC) and the Scottish Cities Alliance to explore alternative approaches to stimulate growth and regeneration, including Cities Investment strategies/ funds; these approaches are currently being considered by Scottish Government. Building on this work, a partnership arrangement has now been established between Scottish Government, CEC and TIAA Henderson Real Estate that will see c£850m investment in the St James Quarter in Edinburgh.</p>	

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Objective	Update	Progress
Work with Scottish Government to establish the framework for pilot evaluation	A framework has been established with Scottish Government for a TIF lessons learnt exercise that will incorporate an assessment of both the impact of the TIF pilot projects as well as the approach adopted to date; this will be undertaken during 2014/15.	✓

**A.7 Waste**

Objective	Update	Progress
Support the joint Clyde Valley residual waste project through to detailed solution stage with a shortlist of bidders	The project has now shortlisted four bidders to develop and prepare detailed solutions. SFT continues to support the project as a member of the Project Board.  Detailed dialogue is on hold whilst the partner councils consider the commercial and procurement implications of new Thermal Treatment Guidelines issued by SEPA earlier this year.	✓
Support the joint Edinburgh and Midlothian residual waste project to preferred bidder stage and provide on-going support to achieve contract signature	SFT continues to support the project as a member of the Project Board. Detailed dialogue is ongoing with the remaining bidders.  Detailed dialogue is on hold whilst the partner councils consider the commercial and procurement implications of new Thermal Treatment Guidelines issued by SEPA earlier this year.	✓
Provide support to the Scottish Government and Local Authority Waste teams in developing a strategic approach to waste treatment in Scotland	We continue to work with Scottish Government and other stakeholders to seek opportunities for a strategic approach to the treatment of waste resources.	✓

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**A.8 Low Carbon and Energy Efficiency**

Objective	Update	Progress
Roll-out the Street Lighting Toolkit to develop procurement approaches based on standard documentation	<p>Toolkit roll-out complete.</p> <p>Steering Group established to co-ordinate the development of a street lighting programme. The preferred approach was to utilise Scotland Excel's frameworks and an OJEU notice was published on 24th March 2014.</p>	✓
Continue to support two local authority pilots through their pre-procurement business case processes with one project entering procurement by March 2014	<p>Our two pilot Local Authorities – East Dunbartonshire Council and West Dunbartonshire Council - have implemented LED pilots in 2013/14 and will progress a phased approach to installation thereafter. This is an acceleration of the original Business Case timetable which envisaged implementation over Financial Years 2015/16 and 2016/17.</p>	✓
Support the roll out of pilot LED projects to test the business case proposition	<p>Pilot Local Authority street lighting projects have been implemented across Scotland with c.£6.5m committed by Salix finance (0% interest rate loans).</p> <p>Currently 25 Local Authorities are planning LED schemes with 14 in receipt of Salix finance in 2013/14. Edinburgh &amp; Glasgow have both announced major LED schemes. The challenge in 2014/15 is to accelerate the level of investment and scale of ambition across all Scottish Local Authorities.</p> <p>As part of the national programme, 8 Local Authorities are now receiving support for condition surveys from Resource Efficient Scotland (RES).</p>	✓
Develop commercial approaches to deliver non-domestic energy efficiency based upon a local authority and Central Government pilot	<p>Pilot work with Glasgow Schools Estate and NHS NSS is complete. Glasgow has received committee approval to incorporate the energy efficiency works within their wider 4Rs primary school investment programme.</p>	✓

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Objective	Update	Progress
	<p>SFT and RES are working together with West Dunbartonshire Council to develop a non domestic energy efficiency investment programme which will form a pathfinder for other Local Authorities regarding the approach to accelerating the delivery of NDEE works.</p> <p>Work is continuing on the development of a Strategic Business Case to support the development of a programme of energy efficiency work across the NHS estate.</p> <p>Work is ongoing on the development of a template Energy Performance Contract with market engagement on the key terms planned to take place early in 2014/15.</p>	
<p>Identify the potential for, and work to progress, the development of a practical, public sector approach for district heating</p>	<p>SFT are supporting the development of commercial and financial approaches available for district heating projects which are sponsored by the public sector. Key areas include clarification of a public bodies power to supply heat and enter into heat purchase agreements without procuring such services; and, developing guidance for the public sector on business models and legal considerations for district heating initiatives.</p> <p>Work on the business case to extend the existing Dunfermline district heating scheme continues, and we are in discussions to support the Glasgow City district heating plan.</p>	<p>✓</p>
<p>Develop approaches to facilitate an investment programme across the public sector focusing on energy efficiency and other low carbon activities and move to procurement</p>	<p>An Initial Agreement supporting the development of an energy efficiency investment programme across the NHS estate has been completed and approved by Ministers. An Outline Business Case is being developed in conjunction with NHS Scotland and Health Facilities Scotland. This is due to be completed in summer 2014.</p>	<p>✓</p>

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**A.9 Programme Support and Assurance**

Objective	Update	Progress
Provide assurance to revenue funded projects (both NPD and hub DBFM) at appropriate stages	This is ongoing and embedded into the SFT programme support functions.	✓
To carry out 30 KSRs	36 KSRs have been completed during the financial year.	✓
To ensure that the KSR process is embedded within the integrated approach to project and programme assurance	The pilot for the Independent Assurance Framework (IAF) was completed in November 2013 and has been incorporated as part of the Scottish Government Project Assurance framework.	✓
Continue to work with the Infrastructure Investment Board, challenging major infrastructure projects and agree action plans resulting from recommendations	BW is a member of the Infrastructure Investment Board	✓
Support the £842m New South Glasgow Hospital project by having a seat on the project board	BW is a member of the project board. The project is on time and on budget.	✓
Support the Step Change 2015 digital project by seconding a team member	Sarah Eynon is seconded to 2015 Step Change Project in a senior commercial role on the “Rest of Scotland” contract with BT.	✓

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**A.10 Operational PPP Contract Management**

Objective	Update	Progress
Complete in-depth reviews of six operational PPP projects	All six reviews (health: Forth Valley, Royal Victoria Infirmary Fife, ACADs in NHS Greater Glasgow; schools: North, South and East Ayrshire) have been completed.	✓
Commence targeted reviews of a further 10 operational PPP projects	All ten targeted reviews have commenced and six targeted reviews have been completed.	✓
Deliver at least four collaborative contract management network events leading to increased awareness of contract rights, responsibilities and tangible savings	Four network events have taken place. The invitees were either local authorities or health boards. The topics covered lessons learnt from the in-depth reviews, highlighting opportunities for other authorities to take forward savings opportunities themselves (with support from SFT) and to participate in further in-depth reviews.	✓
Continue to build on the participation of the collaborative groups developed around local authorities and the NHS operational PPP advisory group	Local authority groupings continue to meet and dialogue with individual authorities is continuing. SFT's input through experience and lessons learnt is invaluable to these groups.  The advisory group within the NHS meets regularly and input from SFT is significant.	✓
Build DBFM contract management arrangements under the hub programme appropriate for the scale and multi-authority nature of the programme	Input into contract management arrangements for Aberdeen Health Village, the first revenue funded hub contract, is ongoing with visits to NHS Grampian continuing to discuss the project with them and Aberdeen City Council (who undertake contract management and monitoring on their behalf) and to give advice and support as appropriate. Discussions are also ongoing with NHS Grampian on its second hub project, which has been contracted as a bundled project with NHS Highland. Further support will be offered as other hub projects approached their operational phase.	✓



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Objective	Update	Progress
<p>Contribute to the NPD programme and, in particular, to projects about to enter construction by providing advice in relation to best practice in operational contract management</p>	<p>Following a presentation given to Inverness College’s SMT, SFT’s recommendation to appoint a project director was taken on board. Following the interview process (SFT was part of the interview panel), an appointment was made. The operational PPP team will enter into more detailed discussions with the college on contract management arrangements and protocols when construction is nearing completion.</p>	<p>✓</p>