



**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

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

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

### CHAIRMAN'S STATEMENT

It is my pleasure to present SFTi's annual report and accounts for the year ended 31 March 2023.

The purpose of SFTi, which is a wholly owned subsidiary of Scottish Futures Trust Limited, is to make and hold long-term investments in infrastructure companies, assets, and projects across Scotland. To date, this has involved supporting revenue funded investment in community infrastructure through the SFT managed hub Programme, as well as in affordable housing through both the National Housing Trust initiative and Housing Delivery Partnerships.

Across Scotland and through the hub Programme, SFTi has invested £16.5m in 41 Design, Build, Finance and Maintain (DBFM) projects, all of which are now fully operational. During the financial year the projects have generally performed well, meeting target returns. They have successfully managed inflationary pressures and with the support of their facilities management contractors, met ongoing market wide supply chain and material availability challenges. The strong relationships held with the public sector partners has been demonstrated as stakeholders across the programme work together in exploring ways in which the projects can transition to the net zero targets set by Scottish Government.

In the affordable housing sector, working closely with local authorities, Scottish Government, and wider stakeholders, SFTi also continues to support actively the delivery and provision of mid-market rent housing. During the year Limited Liability Partnerships (LLPs) invested in by the Company worked closely with partners including the City of Edinburgh and East Lothian Councils to both increase the supply of affordable homes and secure the long-term retention of homes for mid-market rent.

Following a review of guidance relating to the valuation of investments, we have made the decision to change our valuation methodology for subordinated debt from amortised cost to fair value. This has impacted on the overall financial position of the company and is explained in more detail in the annual report and accounts. This approach leads to volatility in the value of what remains a stable and well-performing portfolio due to external factors such as interest rate movements. SFTi intends to hold its investments in hub DBFM projects to maturity and not crystallise any fair value gains or losses. The Board therefore considers that the return before fair value movements is an important financial indicator for the Company. Profit before tax and fair value movements is £1.2m (2022: £1.3m).

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

*Ian Russell*

**Ian Russell**  
**Chairman**

**Date:** 17/11/2023

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

### STRATEGIC REPORT

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

#### Principal Activity

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

#### Strategy

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

#### Business Review

The results for the year are shown on page 12 in the Statement of Comprehensive Income. Other income consists of mainly investment returns from the 41 projects SFTi is invested in. Further details on amounts received are provided within Note 5. After costs of £626k and a loss on fair value on subordinated debt investments of £2.9m (see below) there was a loss before tax of £1.7m. This loss resulted in a tax credit of £432k.

Subordinated debt was held at cost in prior years, but on further review of guidance contained within IFRS 9 and the terms of the subordinated debt instruments entered into, we consider the subordinated debt to be a contractually linked instrument which does not meet all of the SPPI (solely payments of principal and interest) cashflow characteristic tests, and it is therefore deemed appropriate that these instruments are held at fair value through profit or loss. Recognising subordinated debt at fair value led to a £5.8m gain on amortised cost to be recognised in the prior year restated values (further detail is provided in note 1). As of 31 March 2023 their estimated fair value was £18.2m compared to £21.2m as of 31 March 2022 (restated). The reduction in fair value of £3.1m reflects £2.9m loss on revaluation and £0.2m principal repaid in the year.

The Company generated a healthy return from its investment portfolio before fair value movements of £1.2m (2022: £1.3m) before tax. Returns are transferred, as appropriate, to the parent company via dividend and applied to help fund its activities. In the current year, dividends of £823K were distributed by SFTi to SFT. The Directors intend to hold the equity and subordinated debt investments to maturity and not crystallise any fair value gains or losses. They therefore consider the return before fair value movements to be an important financial indicator for the Company.

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Equity investments are held at fair value based upon the forecast dividend returns. As of 31 March 2023 their estimated fair value was £1.1m compared to £1.2m as of 31 March 2022. The reduction in fair value of £63k (2022 restated; £18k) reflects the aggregate impact of: project dividends received in the year which decreased the fair value by £35k; movements in the dividends forecast by projects which resulted in a net increase of £153k in the fair value, a decrease in fair value of £272k due to the decision taken to increase the discount rate from 7% to 8.5% and the effect of discounting where SFTi is, in general, one year closer to receiving dividend income which increased the fair value by £91k.

In addition to hub projects, SFTi also invests in Limited Liability Partnerships (LLPs) under the Housing Delivery Partnership (HDP) programme, which aims to increase the supply of affordable housing in conjunction with Local Authority partners. SFTi also remains invested in the National Housing Trust (NHT) and HDP programme, with 19 operational LLPs in place across the country with an equity valuation of £19. The NHT LLP investments and investments in hubCos are not anticipated to make material financial returns to the Company.

### Risks and Mitigation

The most significant risk to the Company is investment performance on its DBFM investments. For financial year 2022/23, the main risks to investment performance were (i) access to supply chain partners and availability of materials and (ii) macro-economic factors (inflation and corporation tax).

Whilst the DBFM companies' facilities management partners have continued to perform well during the financial year, there have been challenges in accessing supply chains and in some instances, materials. These challenges were generally managed effectively. On one project (Forres, Woodside & Tain), delays in contracting supply chain led to performance issues on the project; this in turn put the project into senior lender distribution lock-up on 31 March 2023. The project is expected to come out of senior lender distribution lock-up in financial year 2023/24. The effect on the valuation as at 31<sup>st</sup> March 2023 of this lock-up, was negligible.

Factors that may affect future DBFM dividend returns and valuation of equity, are inflation and tax charges. Regarding taxation, the Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the rate of corporation tax for companies generating taxable profits of more than £250,000 (with marginal rates being applied at various profit bandings). This change becomes effective from 1 April 2023. Regarding inflation, the unitary charge payable by procuring authorities is structured in such a way to ensure the project is robust to upward and downward movements in RPI. Actual and future tax and inflation assumptions for all project investments require to be agreed every 6 months with senior lenders. The DBFM companies have gone through this process during the financial year, and the long-term impact on dividend returns and valuation of equity is not expected to be material. The current valuation is based on agreed senior lender assumptions.

The investment risk is mitigated by:

- SFTi's representative on the Board of each territory hub Company, which gives clear visibility of investment pipeline and delivery capabilities;
- investing through a well understood and closely controlled Design, Build, Finance and Maintain contract structure, which passes significant risk to sub-contractors outwith the investment vehicle; and

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- close operational management of investments by the relevant SFT staff member (and his alternates), who is a director of each hubCo and a director of the special purpose companies established to deliver each project.

Both DBFM and housing investment carry reputational risk, particularly around the relationship with partners and the lack of direct control by SFTi.

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

### Going Concern and viability statement

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

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

### Future Plans

SFTi will continue to invest, as the opportunities arise and as funding allows, in SPV companies which support the development of infrastructure in areas such as housing, schools and other community or economic infrastructure projects. There will be no further investments made in hub DBFM projects as that financed investment programme has come to an end.

For housing, we will continue to work with partners to achieve positive exit strategies from the National Housing Trust LLPs, which will eventually decrease to nil over the next few years. Existing Housing Delivery Partnership LLPs will continue to invest in new homes, and we will continue to look for opportunities to establish more instances of this structure with local authorities. We continue to pursue other innovative finance and delivery approaches to housing investment. This will also be affected by the wider context of uncertain investment appetite due to the wider fiscal, economic and regulatory (in particular, rent controls) environment.

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



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

**Date:** 17/11/2023

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### DIRECTORS' REPORT

#### Directors

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

Ian Russell	Chairman
Peter Reekie	Executive Director
Ann Allen	Non-Executive Director (resigned 31 December 2022)
Bill Matthews	Non-Executive Director
Pauline Mills	Non-Executive Director
Graham Watson	Non-Executive Director
Stella Matko	Non-Executive Director (appointed 30 January 2023)
Nick Rowan	Non-Executive Director (appointed 30 January 2023)
Stephen Slessor	Non-Executive Director (appointed 30 January 2023)

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

#### Statement of Directors Responsibilities in respect of the Annual Report and Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Company's financial statements in accordance with UK adopted international accounting standards.

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

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

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

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

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

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

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

### **Post balance sheet events**

There are no post balance sheet events requiring disclosure.

### **Auditor and AGM**

Azets Audit Services have been replaced as auditor for 2022/23. The Auditor General for Scotland has appointed Grant Thornton as SFT's external auditor for the five year period from 2022/23 to 2026/2027 and accordingly, the directors of SFTi have appointed Grant Thornton as the Company's auditor for 2022/23. The fee for this service was £90,000 including VAT (2021/22: £7,277), which related solely to the provision of the statutory audit service.

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

On behalf of the Board:



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

**Date:** 17/11/2023



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

#### **Opinion**

We have audited the financial statements of Scottish Futures Trust Investments Limited (the 'company') for the year ended 31 March 2023, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model, including effects arising from macro-economic uncertainties such as the high inflationary environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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### **Conclusions relating to going concern (continued)**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We have obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and industry in which it operates through our general commercial and sector experience and discussions with management. We determined the following laws and regulations were most significant: International Financial Reporting Standards and the Companies Act 2006;
- We have enquired with management as to any instances of non-compliance with any of the applicable laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We have assessed the susceptibility of the financial statements to material misstatement, including how fraud may occur:
  - Identifying and testing journal entries, with a focus on large or unusual journals, considered by the engagement team to carry a higher risk of fraud;
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the following:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge and experience of the industry in which the client operates; and

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- Understanding of the requirements of IFRS, the Companies Act 2006 and the application of the legal and regulatory requirements to the Company
- In assessing the potential risk of material misstatement, we have obtained an understanding of:
  - The Company's operations, including the nature of its income sources, to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement.

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

### Use of our report

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.

*Lorraine Macphail*

Lorraine Macphail  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023**

			<b>Restated</b>
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>£</b>
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
		<u>          </u>	<u>          </u>
<b>Gross Profit</b>		<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>
Other income	5	1,844,723	1,865,272
Operating expenditure	6	(3,536,102)	(802,351)
		<u>          </u>	<u>          </u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,691,379)</b>	<b>1,062,921</b>
		<u>          </u>	<u>          </u>
Tax credit/(charge) on (loss)/profit on ordinary activities	7	431,676	(159,904)
		<u>          </u>	<u>          </u>
<b>Net (loss)/profit for the year</b>		<b>(1,259,703)</b>	<b>903,017</b>
		<u>          </u>	<u>          </u>
<b>Other comprehensive income</b>			
(Loss) on fair value of equity investments	8a	(63,290)	(17,825)
		<u>          </u>	<u>          </u>
<b>Other comprehensive income for the year</b>		<b>(63,290)</b>	<b>(17,825)</b>
		<u>          </u>	<u>          </u>
Total comprehensive (loss)/profit for the year		(1,322,993)	885,192
		<u>          </u>	<u>          </u>
<b>Attributable to Equity holder of the Company</b>		<b>(1,322,993)</b>	<b>885,192</b>
		<u>          </u>	<u>          </u>

The accompanying notes form an integral part of these financial statements

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

	Note	2023	Restated 2022
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments - share capital	8a	1,114,055	1,177,345
Investments - working capital loans	8b	120,588	126,562
Investments - subordinated debt	8c	18,166,599	21,235,446
Trade and other receivables in more than one year	9	1,679,747	1,763,779
		<u>21,080,989</u>	<u>24,303,132</u>
<b>Current assets</b>			
Trade and other receivables in less than one year	9	797,848	804,677
Investments - working capital loans	8b	10,000	60,000
Cash and cash equivalents	10	1,152,338	1,243,786
		<u>1,960,186</u>	<u>2,108,463</u>
<b>Current liabilities</b>			
Trade and other payables	11	(400)	(550,502)
Current tax liabilities	7	(249,264)	(491,666)
		<u>(249,664)</u>	<u>(1,042,168)</u>
<b>Net current assets</b>		1,710,522	1,066,295
<b>Non-current liabilities</b>			
Deferred taxation provision	7	(438,075)	(869,720)
		<u>(438,075)</u>	<u>(869,720)</u>
<b>Net assets</b>		<u>22,353,436</u>	<u>24,499,707</u>
<b>Equity</b>			
Called up share capital	12	1	1
Retained earnings	12	2,582,983	1,658,091
Other reserve – Tranche 1	12	5,340,071	5,375,204
Other reserve – Tranche 2	12	10,674,708	10,736,986
Fair value reserve	12	3,755,673	6,729,425
		<u>22,353,436</u>	<u>24,499,707</u>
<b>Total shareholder's funds</b>		<u>22,353,436</u>	<u>24,499,707</u>

These financial statements were approved by the Board of Directors on  
for issue on its behalf by:

and authorised

Ian Russell  
Chairman

*Ian Russell*

Peter Reekie  
Executive Director

*Peter Reekie*

Registered Company Number: SC381388

The accompanying notes form an integral part of these financial statements

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**STATEMENT OF CHANGES IN EQUITY**

<b>As at 31 March 2023 and 31 March 2022</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Other Reserve – Tranche 1</b>	<b>Other Reserve – Tranche 2</b>	<b>Fair Value Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2022 - restated	1	1,658,091	5,375,204	10,736,986	6,729,425	24,499,707
Total comprehensive loss for the year		(1,322,993)	-	-	-	(1,322,993)
Dividend paid	-	(761,000)	-	(62,278)	-	(823,278)
Transfer between reserves	-	3,008,885	(35,133)	-	(2,973,752)	-
<b>At 31 March 2023</b>	<b>1</b>	<b>2,582,983</b>	<b>5,340,071</b>	<b>10,674,708</b>	<b>3,755,673</b>	<b>22,353,436</b>
At 1 April 2021- restated	1	2,483,877	5,410,903	10,799,182	6,998,203	25,692,166
Prior year adjustment		(1,201,455)	-	(62,196)	-	(1,263,651)
Total comprehensive income for the year	-	885,192	-	-	-	885,192
Dividend paid	-	(814,000)	-	-	-	(814,000)
Transfer between reserves	-	304,477	(35,699)	-	(268,778)	-
<b>At 31 March 2022</b>	<b>1</b>	<b>1,658,091</b>	<b>5,375,204</b>	<b>10,736,986</b>	<b>6,729,425</b>	<b>24,499,707</b>

Other Reserve – Tranche 1 is funding received pre 2015 from SFT to fund capital investments.

Other Reserve – Tranche 2 is funding received post 2015 to fund capital investments. This was previously treated as a repayable grant from SFT to SFTi in the year ended 31 March 2022.

The accompanying notes form an integral part of these financial statements

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

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

		<b>2023</b>	<b>Restated 2022</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit on ordinary activities before taxation		(1,691,379)	1,062,921
Expected credit loss provision	6	(4,026)	1,245
Loss on fair value of sub debt	8c	2,910,462	250,954
Increase/(decrease) in trade and other receivables	9	90,861	(168,140)
(Decrease) in trade and other payables	11	(550,102)	(298,399)
Net cash generated from operating activities		755,816	848,581
<b>Corporation tax paid</b>	7	(242,371)	(234,981)
<b>Cash flows from investing activities</b>			
Dividend paid		(823,278)	(876,196)
Disposal of LLPs	8a	-	3
Repayment of subordinated debt	8c	158,385	72,405
Repayment of working capital loan	8b	60,000	10,000
Net cash (used in) from investing activities		(604,893)	(793,788)
Net (decrease) in cash and cash equivalents		(91,448)	(180,188)
Cash and cash equivalents at beginning of year	10	1,243,786	1,423,974
Cash and cash equivalents at end of year	10	1,152,338	1,243,786

The accompanying notes form an integral part of these financial statements



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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

The financial statements of Scottish Futures Trust Investments Limited have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards and IFRIC interpretations. The financial statements are presented in British Pounds since this is the functional currency of the Company.

Scottish Futures Trust Investments Limited is a Company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Thistle House, Fourth Floor, 91 Haymarket Terrace, Edinburgh, EH12 5HE

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

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

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

#### Restatement of prior year

Previously amounts transferred to SFTi were treated as repayable grants. After, reviewing and reconsidering the substance of the transaction, we believe these amounts to be capital contributions. This is to ensure Tranche 1 and Tranche 2 are treated consistently and to recognise that there is no obligation for SFTi to pay SFT. We will now not recognise the funding provided by SFT to SFTi as an intercompany loan and instead recognise it as a capital contribution in a similar way to the funding prior to 2015. The basis for this interpretation is that no formal loan agreement is in place, there is no security held, there is no interest charged and in substance this has the characteristics of an investment in SFTi by its parent SFT. This has resulted in the restatement of the financial statements for the prior year and is summarised below:

#### Statement of Financial Position

	<b>Restated Company 2022</b>	<b>Audited Company 2022</b>
<b>Trade and other payables</b>	<b>£</b>	<b>£</b>
Repayable grant due to parent	-	62,278
<b>Non-current liabilities</b>		
Repayable grant from parent	-	10,674,708
<b>Equity</b>		
Other reserve – Tranche 2	10,736,986	

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

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

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

The restatement is summarised below:

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

	Restated Company	Audited Company
	2022	2022
<b>Investments</b>	<b>£</b>	<b>£</b>
Share capital – opening balance	1,195,170	603,833
Subordinated debt – opening balance	21,558,807	15,754,851
Share capital – closing balance	1,177,345	637,501
Subordinated debt – closing balance	21,235,446	15,682,446
<b>Equity</b>		
Fair value reserve – opening balance	6,998,203	602,910
Fair value reserve – closing balance	6,729,425	636,581

The restated opening balance on share capital (equity investments) has increased by £591,337 compared to the 2022 audited accounts, wholly due to a change in discount rate. The restated closing balance reflects the movement in the Statement of Comprehensive Income (see table below).

## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS

The restated opening balance on subordinated debt investments has increased by £5,803,956 compared to the 2022 audited accounts, wholly due to the change in valuation methodology from amortised cost to fair value. The restated closing balance reflects the movement in the Statement of Comprehensive Income (see table below) and principal repayments of £72,407 (see note 8c.).

#### Statement of Comprehensive Income:

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

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

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

The revaluation of subordinated debt from amortised cost to fair value under IFRS 9 has also resulted in a deferred tax liability of £1,014,674 and underpaid corporation tax of £186,781 as at 1 April 2022 (see prior year adjustment of £1,201,455 in the Statement of Changes in Equity and note 7). This combined with additional underpaid corporation tax of £62,483 for the year ended 31 March 2022 has increased the current tax liabilities as at 31 March 2022 to £491,666 while the deferred tax provision has been reduced by £144,954 for short term timing differences in the year to 31 March 2022. The deferred tax liability has arisen due to HMRC allowing tax to be spread over 10 years from the introduction of IFRS 9 (2019). The restatement of the financial statements for the prior year is summarised below:

#### Statement of Financial Position

	Restated Company	Audited Company
	2022	2022
<b>Current liabilities</b>	<b>£</b>	<b>£</b>
Current tax liabilities	491,666	242,402
<b>Non-current liabilities</b>		
Deferred taxation provision	869,720	-
<b>Equity</b>		
Retained Earnings – restated Statement of Changes in Equity	1,658,091	2,777,075

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

### Statement of Comprehensive Income:

	Restated Company	Audited Company
	2022	2022
<b>Operating income/expenditure</b>	<b>£</b>	<b>£</b>
Tax charge on profit on ordinary activities (note 7)	(159,904)	(242,376)

### Going Concern

On the basis of the information available to them, the directors have a reasonable expectation that the Company will continue to receive the forecast income due from its investment activities. This is based on detailed models of investments held and related income streams which are expected to generate income for a period in excess of 20 years. In addition, SFTi's parent company, Scottish Futures Trust Limited (SFT), has expressed its continued support for the next 12 months, from financial statement signing date. Consequently, in managing this capital, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

### Share capital

The ordinary share capital of SFTi is classified as equity.

### Other Reserve – Tranche 1

This reserve is funding received from SFT which was used to fund investments.

### Other Reserve – Tranche 2

This reserve is funding previously treated as a repayable grant from SFT to SFTi, which was used to fund investments. This is now treated as a capital contribution from SFT.

### Financial Instruments

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

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

#### ***Investments***

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

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

### ***Impairment***

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

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

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

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

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

### **Cash and Cash Equivalents**

In the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash. SFTi does not hold any of these.

### **Trade and other Payables**

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

### **Income**

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

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

### **Capital Grants for investments**

Prior to 2015, SFT provided capital contributions to SFTi to fund investments. These amounts are held in Other Reserve – Tranche 1.

Post 2015, funding was previously treated as a repayable grant from SFT to SFTi, which was used to fund investments. This is now treated as a capital contribution from SFT. These amounts are held in Other Reserve – Tranche 2.

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

### Taxation

The tax expense/credit for the year comprises current and deferred tax. Tax is recognised in the income statement, unless it relates to items recognised directly in reserves in which case it is recognised in reserves.

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

### Dividends

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

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

No new or amended IFRSs had a material impact on the 2023/24 financial statements.

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

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

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

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

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

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

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

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

### Fair value of investments

SFTi holds equity and subordinated debt investments in a range of Special Purpose Vehicles (“SPVs”) whose purpose is to contribute to the delivery of SFT’s wider programmes of infrastructure investment. In accordance with IFRS 13, the income valuation approach is used to value these investments. Under this approach, future subordinated debt and equity investment cashflows are discounted to a fair value which reflects current market expectations. Therefore the value of the investments increase or decrease each year and related gains or losses are recognised in line with market movements.

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

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

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

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

### **Subordinated debt:**

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

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

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

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

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

### **Equity:**

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

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

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

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

### Expected Credit Loss

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

### 5. Other income

	2023	2022
	£	£
Interest income from:		
Subordinated debt (note 8c)	1,789,284	1,808,854
Working capital loan interest	2,437	2,687
Bank interest	1,132	20
Other income – directors' fees	16,670	15,638
Other income - dividends	35,200	38,073
	<u>1,844,723</u>	<u>1,865,272</u>

### 6. Operating expenditure

	2023	Restated 2022
	£	£
Profit before taxation is stated after charging:		
Management fee payable to SFT (includes SFTi audit fee recharged)	629,621	550,108
Bank charges	45	44
Expected credit loss provision movement (see note 8b)	(4,026)	1,245
Loss on fair value of sub debt investments	2,910,462	250,954
	<u>3,536,102</u>	<u>802,351</u>



## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS

#### 7. Taxation

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

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

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

The corporation tax charge/(credit) is in respect of the profit/loss generated as a result of the interest on working capital loans and sub-ordinated debt plus any fair value movement on sub-ordinated debt plus other income, exceeding/falling short of the administration expenses of the Company.

## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

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#### 8. Investments

##### Capital Management

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

##### 8. a) Investments – Share Capital

	Restated	
	2023	2022
	£	£
Fair Value (see note 1 – Restatement of prior year)		
At beginning of year	1,177,345	1,195,170
Disposals	-	(3)
Loss on revaluation	(63,290)	(17,822)
At 31 March 2023	<u>1,114,055</u>	<u>1,177,345</u>

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

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

##### 8. b) Investments - Working Capital Loans

	2023	2022
	£	£
<b>Non-current assets</b>		
Cost and Net book value (see note 1 – Restatement of prior year)		
At beginning of year	126,562	87,807
Transferred (to)/from current assets	(10,000)	40,000
Interest capitalised		-
Movement in expected credit loss provision	4,026	(1,245)
At 31 March 2023	<u>120,588</u>	<u>126,562</u>

## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

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	2023	2022
	£	£
<b>Current assets</b>		
Cost and Net book value		
At beginning of year	60,000	110,000
Repaid in the year	(60,000)	(10,000)
Transferred from/(to) non-current assets (investments)	10,000	(40,000)
	<hr/>	<hr/>
At 31 March 2023	10,000	60,000
	<hr/> <hr/>	<hr/> <hr/>

#### Working Capital Loans - Non-Current Assets

SFTi loaned working capital of £100,000 to hub South West Scotland Limited on 17 November 2012. This working capital facility was available until 16 November 2017 but was extended, initially to 16 November 2018, and then to 15 November 2021. The loan commitment has been reduced by 50% to £50,000 (with the balance repaid post the prior year end) with a new expiry date of 30 November 2024 on which date the full amount of the outstanding working capital facility shall be due and payable. All providers of working capital loans agreed to extend these facilities (at a 50% reduced commitment) to support the ongoing operations of the company. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 6% p.a. on all other sums. Interest is accrued-semi-annually (on 31 December and 30 June) and added to the loan.

An expected credit loss provision of £3,000 was recognised in the year to 31 March 2022 in relation to the working capital loan of hub South West Scotland. SFTi does not expect hub South West Scotland Limited to access the Working Capital Loan facility before expiry in November 2024 and the facility can be repaid therefore no expected credit loss is calculated and the previous expected credit loss provision can be removed in the year ended 31 March 2023. The sum of £50,000 plus interest accrued to date was received in May 2022, in part repayment of the original loan of £100,000 and in line with the reduced loan commitment.

SFTi loaned working capital of £100,000 to hub West Scotland Limited on 27 April 2012. This working capital facility was available until 26 April 2017 but was extended, initially to 31 December 2018, then to 31 March 2022 and to 31 March 2028. The most recent extension incorporated annual repayments of £10,000 to be made on 31<sup>st</sup> March each year (commencing 31<sup>st</sup> March 2022), with the remaining sums due being repaid in full on 31 March 2028. The rate of interest applicable shall be: the interest (net of tax) received where amounts are held in the reserve account, and 2.5% p.a. on all other sums. Interest is payable annually on 31 March. The general credit loss provision was reduced to £7,926 as at March 2022 and has been further reduced to £6,900 as at 31 March 2023.

#### Working Capital Loans - Current Assets

£10,000 of the remaining working capital loan for hub west is to be repaid by 31 March 2024 and this amount has been treated as a current asset in the year ended 31 March 2023.

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This loan principal to be repaid by hub South West was treated as an Investment current asset in the year ended 31 March 2022 with interest receivable recognised within current debtors, whereas the remaining £50,000 was taken to non-current assets.

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

### 8 c) Investments – Subordinated Debt

Restated

	2023	2022
Fair Value (see note 1 – Restatement of prior year)	£	£
At beginning of year	21,235,446	21,558,807
Principal repaid in year	(158,385)	(72,407)
Loss on revaluation	(2,910,462)	(250,954)
	<hr/>	<hr/>
At 31 March 2023	18,166,599	21,235,446
	<hr/> <hr/>	<hr/> <hr/>

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

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

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub North territory</b>							
Aberdeen Community Health Village Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2039	£576,191 less £5,010 principal repaid totals £571,181	2023: £676,619 2022: £782,726	2023: £7,677 2022: £2,594	2023: £94,372 2022: £95,366	2023: £67,969 2022: £68,046	2023: £Nil 2022: £Nil
hub North Scotland (FWT) Ltd <i>(Forres/Tain/Woods ide Health Centre Bundle)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption Date 2039	£133,884 less £22,640 principal repaid totals	2023: £128,120 2022: £145,195	2023: £12,204 2022: £26,921	2023: £14,721 2022: £10,694	2023: £12,332 2022: £12,739	2023: £Nil 2022: £Nil
hub North Scotland (Alford) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2040	£747,036 less £61,703 principal repaid totals	2023: £786,341 2022: £908,048	2023: £23 2022: £14,601	2023: £46,395 2022: £63,505	2023: £76,165 2022: £77,771	2023: £Nil 2022: £Nil
hub North Scotland (Wick) Ltd	Fixed coupon unsecured loan Interest Rate 10.2% Redemption date 2042	£1,568,509 less £198,001 principal repaid totals £1,370,508	2023: £1,613,434 2022: £1,944,785	2023: £813 2022: £640	2023: £467,853 2022: £393,015	2023: £179,160 2022: £182,141	2023: £Nil 2022: £Nil
hub North Scotland (Anderson) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£342,962 less £30,040 principal repaid totals	2023: £379,906 2022: £448,209	2023: £17,908 2022: £18,537	2023: £76,945 2022: £80,110	2023: £39,928 2022: £40,299	2023: £3,142 2022: £10,039
hub North Scotland (Elgin High School) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£253,654 less £71,832 principal repaid totals	2023: £225,670 2022: £270,287	2023: £13,222 2022: £20,194	2023: £71,283 2022: £72,590	2023: £25,884 2022: £26,081	2023: £1,203 2022: £3,861
hub North Scotland (O & C) Ltd <i>(Oban &amp; Campbeltown High Schools)</i>	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£491,691 less £146,586 principal repaid totals £345,105	2023: £433,288 2022: £523,551	2023: £34,879 2022: £38,527	2023: £162,730 2022: £167,497	2023: £52,043 2022: £52,596	2023: £5,045 2022: £973

**SCOTTISH FUTURES TRUST INVESTMENTS LIMITED**  
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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub North territory</b>							
hub North Scotland ( <i>New Academy – South of the City</i> )	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2043	£321,672 less £8,238 principal repaid totals £313,434	2023: £378,898 2022: £446,058	2023: £19,110 2022: £25,015	2023: £64,192 2022: £67,791	2023: £38,791 2022: £39,225	2023: £6,633 2022: £4,051
hub North Scotland (I & F) Ltd ( <i>Inverurie &amp; Forresterhill Health Centres</i> )	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2044	£167,168 less £2,619 principal repaid totals £164,549	2023: £198,042 2022: £232,203	2023: £14,592 2022: £17,349	2023: £23,883 2022: £25,442	2023: £19,324 2022: £19,440	2023: £3,084 2022: £1,008
hub North Scotland (Inverurie Campus) Ltd ( <i>Inverurie Community Campus</i> )	Fixed coupon unsecured loan Interest rate 2.45% during construction and 10.2% during operation Redemption date 2044	£470,061	2023: £533,717 2022: £623,412	2023: £3,308 2022: £3,467	2023: £87,347 2022: £127,559	2023: £61,501 2022: £52,868	2023: £Nil 2022: £Nil
<b>hub North territory total</b>		<b>2023: £4,526,159 2022: £4,526,159</b>	<b>2023: £5,354,035 2022: £6,324,474</b>	<b>2023: £123,736 2022: £167,845</b>	<b>2023: £1,109,721 2022: £1,103,569</b>	<b>2023: £573,097 2022: £571,206</b>	<b>2023: £19,107 2022: £19,932</b>
<b>Hub South East territory</b>							
James Gillespie's Campus Subhub Holdings Ltd	Fixed coupon unsecured loan Interest rate 10.87% Redemption date 2041	£1,252,424 less £75,456 principal repaid totals	2023: £1,444,016 2022: £1,718,876	2023: £14,443 2022: £10,035	2023: £441,532 2022: £461,297	2023: £167,379 2022: £169,399	2023: £Nil 2022: £Nil
REH Phase 1 Subhub Holdings Ltd ( <i>Royal Edinburgh Hospital</i> )	Fixed coupon unsecured loan Interest rate 2.48% during construction and 10.75% during operation Redemption date 2042	£410,685 less £4,867 principal repaid totals £405,818	2023: £497,642 2022: £569,500	2023: £16,551 2022: £27,292	2023: £42,069 2022: £42,824	2023: £45,708 2022: £45,790	2023: £Nil 2022: £Nil
Newbattle DBFM Holdco Ltd ( <i>Newbattle High School</i> )	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2043	£310,265 less £7,154 principal repaid totals £303,111	2023: £367,095 2022: £424,135	2023: £22,909 2022: £27,703	2023: £38,784 2022: £38,871	2023: £34,096 2022: £34,148	2023: £Nil 2022: £Nil

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>Hub South East territory</b>							
KHS DBFM Holdco Ltd <i>(Kelso High School)</i>	Fixed coupon unsecured loan Interest rate 3.35% during construction and 10.5% during operation Redemption date 2042	£205,150 less £4,441 principal repaid totals £200,709	2023: £241,801 2022: £278,678	2023: £16,780 2022: £19,276	2023: £21,480 2022: £22,369	2023: £22,209 2022: £22,290	2023: £Nil 2022: £Nil
LBP DBFM Holdco Ltd <i>(NHS Lothian Health Centre Bundle)</i>	Fixed coupon unsecured loan Interest rate 3.37% during construction and 10.45% during operation Redemption date 2042	£243,750 less £9,859 principal repaid totals £233,891	2023: £278,476 2022: £319,922	2023: £24,299 2022: £28,841	2023: £24,100 2022: £25,659	2023: £25,641 2022: £25,785	2023: £Nil 2022: £Nil
ELCH DBFM Holdco Ltd <i>(East Lothian Community Campus)</i>	Fixed coupon unsecured loan Interest rate 2.98% during construction and 10.45% during operation Redemption date 2044	£600,797 less £2,106 principal repaid totals £598,691	2023: £728,987 2022: £848,373	2023: £57,039 2022: £66,521	2023: £94,322 2022: £95,481	2023: £68,865 2022: £68,986	2023: £Nil 2022: £Nil
WCHS DBFM Holdco Ltd <i>(West Calder High School)</i>	Fixed coupon unsecured loan Interest rate 3.47% during construction and 10.45% during operation Redemption date 2043	£286,654 less £8,862 principal repaid totals £277,792	2023: £330,548 2022: £380,690	2023: £25,504 2022: £35,854	2023: £24,521 2022: £28,807	2023: £30,136 2022: £30,551	2023: £Nil 2022: £Nil
QHS DBFM Holdco Ltd <i>(Queensferry High School)</i>	Fixed coupon unsecured loan Interest rate 3.49% during construction and 10.3% during operation Redemption date 2045	£340,774 less £85 principal repaid totals £340,689	2023: £395,343 2022: £467,796	2023: £13,502 2022: £13,026	2023: £52,978 2022: £53,068	2023: £38,571 2022: £38,722	2023: £Nil 2022: £Nil
JICC DBFM Holdco Ltd <i>(Jedburgh Community Campus)</i>	Fixed coupon unsecured loan Interest rate 3.40% during construction and 10.3% during operation Redemption date 2045	£290,222 less £540 principal repaid totals £289,682	2023: £333,375 2022: £391,543	2023: £17,607 2022: £18,801	2023: £29,772 2022: £30,015	2023: £31,302 2022: £31,326	2023: £Nil 2022: £Nil
<b>hub South East territory total</b>		<b>2023:</b> <b>£3,827,351</b> <b>2022:</b> <b>£3,827,351</b>	<b>2023:</b> <b>£4,617,283</b> <b>2022:</b> <b>£5,399,513</b>	<b>2023:</b> <b>£208,634</b> <b>2022:</b> <b>£247,349</b>	<b>2023:</b> <b>£769,558</b> <b>2022:</b> <b>£798,391</b>	<b>2023:</b> <b>£463,907</b> <b>2022:</b> <b>£466,997</b>	<b>2023:</b> <b>£Nil</b> <b>2022:</b> <b>£Nil</b>

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub South West territory</b>							
Hub SW NHSL Holdco Ltd (NHS Lanarkshire Health Centre Bundle)	Fixed coupon unsecured loan Interest rate 10.5% Redemption date 2040	£401,729 less £32,800 principal repaid totals £368,929	2023: £419,810 2022: £477,091	2023: £38,920 2022: £45,307	2023: £19,343 2022: £19,720	2023: £38,937 2022: £39,674	2023: £Nil 2022: £Nil
Hub SW Greenfaulds Holdco Ltd	Fixed coupon unsecured loan Interest rate 2.33% during construction and 10.5% during operation Redemption date 2041	£298,253 less £16,748 principal repaid totals £281,505	2023: £323,830 2022: £365,585	2023: £19,576 2022: £29,718	2023: £14,738 2022: £14,993	2023: £29,688 2022: £30,185	2023: £1,693 2022: £Nil
Hub SW Ayr Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.78% during construction and 10.65% during operation Redemption date 2042	£506,610 less £5,731 principal repaid totals £500,879	2023: £608,653 2022: £699,155	2023: £25,207 2022: £29,873	2023: £26,599 2022: £26,636	2023: £53,365 2022: £53,444	2023: £Nil 2022: £Nil
Hub SW Dalbeattie Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.62% during construction and 10.85% during operation Redemption date 2042	£224,300 less £10,696 principal repaid totals £213,604	2023: £255,785 2022: £294,111	2023: £8,345 2022: £14,075	2023: £11,556 2022: £11,721	2023: £23,261 2022: £23,584	2023: £6,500 2022: £Nil
Hub SW EALC Holdco Ltd (East Ayrshire Learning Campus)	Fixed coupon unsecured loan Interest rate 3.26% during construction and 10.5% during operation Redemption date 2043	£405,468 less £12,690 principal repaid totals £392,778	2023: £466,429 2022: £539,017	2023: £47,165 2022: £56,302	2023: £20,751 2022: £20,932	2023: £41,282 2022: £41,657	2023: £Nil 2022: £Nil
Hub SW Largs Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.41% during construction and 10.15% during operation Redemption date 2043	£422,510 less £11,481 principal repaid totals £411,029	2023: £478,474 2022: £553,321	2023: £46,870 2022: £57,770	2023: £20,803 2022: £20,972	2023: £41,844 2022: £42,162	2023: £Nil 2022: £16,384



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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub South West territory</b>							
Hub SW Cumbernauld Holdco Ltd	Fixed coupon unsecured loan Interest rate 3.52% during construction and 10.40% during Operation Redemption date 2044	£310,007 less £8,026 principal repaid plus £31,739 accrued interest capitalised	2023: £392,773 2022: £453,226	2023: £27,116 2022: £31,001	2023: £17,322 2022: £17,507	2023: £34,826 2022: £35,203	2023: £Nil 2022: £Nil
Hub SW QMA Holdco Ltd ( <i>Queen Margaret Academy</i> )	Fixed coupon unsecured loan Interest rate 3.46% during construction and 10.45% during operation Redemption date 2044	£233,662 less £6,042 principal repaid plus £23,858 accrued capitalised interest totals £251,478	2023: £299,882 2022: £348,740	2023: £18,679 2022: £18,005	2023: £13,104 2022: £13,264	2023: £26,362 2022: £26,674	2023: £Nil 2022: £Nil
<b>hub South West territory total</b>		<b>2023:</b> <b>£2,753,922</b> <b>2022:</b> <b>£2,783,484</b>	<b>2023:</b> <b>£3,245,636</b> <b>2022:</b> <b>£3,730,246</b>	<b>2023:</b> <b>£231,878</b> <b>2022:</b> <b>£282,051</b>	<b>2023:</b> <b>£144,216</b> <b>2022:</b> <b>£145,745</b>	<b>2023:</b> <b>£289,565</b> <b>2022:</b> <b>£292,583</b>	<b>2023:</b> <b>£8,193</b> <b>2022:</b> <b>£16,384</b>

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Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub West territory</b>							
Hub West Scotland Project Company (No.1) Ltd <i>(Eastwood/Maryhill Health Centre Bundle)</i>	Fixed coupon secured loan Interest rate 9.75% Redemption date 2041	£186,042 less £13,313 principal repaid totals £172,729	2023: £184,362 2022: £220,753	2023: £73,557 2022: £77,386	2023: £43,127 2022: £34,854	2023: £19,688 2022: £19,385	2023: £Nil 2022: £Nil
Hub West Scotland Project Company (No.2) Ltd <i>(Inverclyde Care Home)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£70,413 less £3,511 principal repaid totals £66,902	2023: £72,144 2022: £87,453	2023: £17,555 2022: £16,792	2023: £16,243 2022: £12,960	2023: £7,583 2022: £7,453	2023: £Nil 2022: £Nil
Hub West Scotland Project Company (No.3) Ltd <i>(Barrhead High School)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£213,748 less £31,164 principal repaid totals £182,584	2023: £198,538 2022: £241,481	2023: £21,557 2022: £31,648	2023: £37,201 2022: £40,296	2023: £20,516 2022: £20,838	2023: £Nil 2022: £Nil
Hub West Scotland Project Company (No.4) Ltd <i>(Our Lady &amp; St Patrick's High School)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 2042	£228,400 less £25,202 principal repaid totals £203,198	2023: £219,742 2022: £265,890	2023: £22,432 2022: £34,127	2023: £41,443 2022: £45,145	2023: £22,841 2022: £23,201	2023: £Nil 2022: £Nil
Hub West Scotland Project Company (No.5) 64 <i>(Gorbals/Woodside Health Centre)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 04/2017	£288,202 less principal repaid £8,973 totals £279,229	2023: £301,588 2022: £351,212	2023: £31,072 2022: £40,255	2023: £75,183 2022: £60,890	2023: £32,325 2022: £31,725	2023: £Nil 2022: £1,757

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Investment In:	Investment Type, Interest Rate and Redemption Date	Value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub West territory</b>							
Hub West Scotland Project Company (No.6) Ltd <i>(Blairdardie &amp; Carntyne Primary Schools)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 10/2017	£149,300 less £12,340 principal repaid totals £136,960	2023: £147,489 2022: £170,571	2023: £13,435 2022: £17,229	2023: £25,746 2022: £28,423	2023: £15,198 2022: £15,455	2023: £Nil 2022: £Nil
Hub West Scotland Project Company (No.7) Ltd <i>(Greenock &amp; Stobhill Health Centres and Clydebank Health &amp; Care Facility)</i>	Fixed coupon unsecured loan Interest rate 9.75% Redemption date 12/2018 and 12/2019 respectively	£411,600	2023: £443,598 2022: £509,069	2023: £49,411 2022: £74,807	2023: £36,076 2022: £134,542	2023: £41,769 2022: £49,675	2023: £Nil 2022: £Nil
<b>hub West territory total</b>		<b>2023: £1,453,202 2022: £1,453,202</b>	<b>2023: £1,567,461 2022: £1,846,429</b>	<b>2023: £229,019 2022: £292,244</b>	<b>2023: £275,019 2022: £357,110</b>	<b>2023: £159,920 2022: £167,732</b>	<b>2023: £Nil 2022: £1,757</b>

Investment In:	Investment Type, Interest Rate and Redemption Date	Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
<b>hub East Central territory</b>							
Hub East Central (Levenmouth) Ltd	Fixed coupon unsecured loan Interest rate 10.2% Redemption date 2041	£1,608,000 less £293,976 principal repaid totals £1,314,024	2023: £1,496,962 2022: £1,745,266	2023: £191,319 2022: £36,833	2023: £88,163 2022: £68,559	2023: £134,599 2022: £138,473	2023: £Nil 2022: £Nil
Hub East Central Scotland (Baldragon) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2042	£299,790 less £35,586 principal repaid totals £264,204	2023: £302,565 2022: £348,538	2023: £23,033 2022: £31,553	2023: £14,534 2022: £13,375	2023: £26,618 2022: £26,896	2023: £3,500 2022: £Nil
Hub East Central (Forfar) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2041	£364,200 less £42,519 principal repaid totals £321,681	2023: £366,995 2022: £422,717	2023: £25,269 2022: £29,405	2023: £18,691 2022: £16,433	2023: £32,533 2022: £33,097	2023: £Nil 2022: £Nil
Hub East Central (SCV) Ltd <i>(Stirling Care Village)</i>	Fixed coupon unsecured loan Interest rate 10%	£354,500 less £23,750 principal	2023: £378,779 2022: £457,860	2023: £24,724 2022: £28,694	2023: £41,426 2022: £17,676	2023: £35,450 2022: £35,450	2023: £2,400 2022: £Nil

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	Redemption date 2044	repaid totals £330,750					
<b>Investment In:</b>	<b>Investment Type, Interest Rate and Redemption Date</b>	<b>Amortised cost value</b>	<b>Fair Value of sub debt</b>	<b>Fair Value of Equity</b>	<b>Interest Receivable</b>	<b>Interest income</b>	<b>Dividend Income</b>
<b>hub East Central territory</b>							
Hub East Central (PSS) Ltd <i>(Pharmaceuticals Special Services)</i>	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£276,200 less £31,432 principal repaid totals £244,768	2023: £280,517 2022: £325,842	2023: £19,818 2022: £21,749	2023: £13,978 2022: £13,772	2023: £24,795 2022: £27,620	2023: £2,000 2022: £Nil
Hub East Central (Bertha Park) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2044	£332,500	2023: £379,572 2022: £433,419	2023: £23,741 2022: £27,580	2023: £Nil 2022: £16,579	2023: £33,250 2022: £33,250	2023: £Nil 2022: £Nil
Hub East Central (Angus Schools) Ltd	Fixed coupon unsecured loan Interest rate 10% Redemption date 2043	£155,500	2023: £176,794 2022: £201,142	2023: £12,884 2022: £12,042	2023: £Nil 2022: £7,754	2023: £15,550 2022: £15,550	2023: £Nil 2022: £Nil
<b>hub East Central territory total</b>		<b>2023: £2,963,427 2022: £3,092,250</b>	<b>2023: £3,382,184 2022: £3,934,784</b>	<b>2023: £320,788 2022: £187,856</b>	<b>2023: £176,792 2022: £154,148</b>	<b>2023: £302,795 2022: £310,336</b>	<b>2023: £7,900 2022: £Nil</b>

## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

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#### Summary totals by hub territory

Investment In:		Amortised cost value	Fair Value of sub debt	Fair Value of Equity	Interest Receivable	Interest income	Dividend Income
hub North territory total		2023: £4,526,159 2022: £4,526,159	2023: £5,354,035 2022: £6,324,474	2023: £123,736 2022: £167,845	2023: £1,109,721 2022: £1,103,569	2023: £573,097 2022: £571,206	2023: £19,107 2022: £19,932
hub South East territory total		2023: £3,827,351 2022: £3,827,351	2023: £4,617,283 2022: £5,399,513	2023: £208,634 2022: £247,349	2023: £769,558 2022: £798,391	2023: £463,907 2022: £466,997	2023: £Nil 2022: £Nil
hub South West territory total		2023: £2,753,922 2022: £2,783,484	2023: £3,245,636 2022: £3,730,246	2023: £231,878 2022: £282,051	2023: £144,216 2022: £145,745	2023: £289,565 2022: £292,583	2023: £8,193 2022: £16,384
hub West territory total		2023: £1,453,202 2022: £1,453,202	2023: £1,567,461 2022: £1,846,429	2023: £229,019 2022: £292,244	2023: £275,019 2022: £357,110	2023: £159,920 2022: £167,732	2023: £Nil 2022: £1,757
hub East Central territory total		2023: £2,963,427 2022: £3,092,250	2023: £3,382,184 2022: £3,934,784	2023: £320,788 2022: £187,856	2023: £176,792 2022: £154,148	2023: £302,795 2022: £310,336	2023: £7,900 2022: £Nil
<b>Grand total sub-ordinated debt</b>		<b>2023:</b> <b>£15,524,061</b> <b>2022:</b> <b>£15,682,446</b>	<b>2023:</b> <b>£18,166,599</b> <b>2022:</b> <b>£21,235,446</b>	<b>2023:</b> <b>£1,114,055</b> <b>2022:</b> <b>£1,177,345</b>	<b>2023:</b> <b>£2,475,306</b> <b>2022:</b> <b>£2,558,963</b>	<b>2023:</b> <b>£1,789,284</b> <b>2022:</b> <b>£1,808,854</b>	<b>2023:</b> <b>£35,200</b> <b>2022:</b> <b>£38,073</b>

The most significant risk to the Company is investment performance. Investments are performing according to their base cases and making returns as anticipated, however, at the year end one project forecast that it will be unable to repay its subordinated loan notes in full by their expiry date. This is due to the impact of the recent increase in inflation and corporation tax rates. The Board will continue to monitor the impact of macroeconomic changes on the portfolio.

#### 9 Trade and other Receivables

	2023	2022
	£	£
<b>Due in more than 1 year</b>		
Accrued income from sub-ordinated debt investments and working capital loans	1,679,747	1,763,779
<b>Due in less than 1 year</b>		

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Accrued income from sub-ordinated debt investments and working capital loans	795,559	802,497
Other debtors	2,289	2,180
	<u>797,848</u>	<u>804,677</u>

**10 Cash and Cash Equivalents**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,152,338	1,243,786
	<u>1,152,338</u>	<u>1,243,786</u>

**11 Trade and other Payables**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Balance of management fee payable to parent – SFT	-	550,120
Other taxes and social security	381	363
Accruals	19	19
	<u>400</u>	<u>550,502</u>

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

### 12 Capital and reserves

	2023	2022
<b>Share capital</b>	<b>£</b>	<b>£</b>
Authorised, issued but not yet fully paid – 1 ordinary share of £1 each:		
As at 31 March	1	1

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

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

The fair value reserve comprises the IFRS9 fair value movement of the equity investments and sub debt investments. As this unrealised gain is not distributable it has been transferred to the fair value reserve. The tax impact of the fair value movements are shown in Note 7 above.

Other Reserve – Tranche 1 is funding received by SFT pre 2015 from the Scottish Government to fund capital investments. This was provided from SFT to SFTi as a capital contribution.

Other Reserve – Tranche 2 is funding received by SFT post 2015 to fund capital investments. This was provided from SFT to SFTi as a capital contribution.

### 13. Related Party Transactions

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

#### Scottish Futures Trust Limited

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

	2023	2022
<b>Statement of Financial Position</b>	<b>£</b>	<b>£</b>
Balance owed to SFT by SFTi - included in other payables (note 11)	-	(550,120)

	2023	2022
<b>Statement of Comprehensive Income</b>	<b>£</b>	<b>£</b>
<i>Payments made to Scottish Futures Trust Limited</i>		

## SCOTTISH FUTURES TRUST INVESTMENTS LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS

SFT Management Fee (note 6)	629,621	550,108
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#### Hub South East Scotland Territory

SFTi holds 10% of the share capital of hub South East Scotland Limited and the various special purpose project companies within this territory which are detailed in note 8c. A Senior Associate Director of SFT, is a non-executive director of hub South East Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

Details of material transactions with these companies are included below:

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

#### Hub North Scotland Territory

SFTi holds 10% of the share capital of hub North Scotland Limited and the various special purpose project companies within this territory which are detailed in note 8c. A Senior Associate Director of SFT, is a non-executive director of hub North Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

Details of material transactions with these companies are included below:

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

#### Hub East Central Scotland Territory

SFTi holds 10% of the share capital of hub East Central Scotland Limited and the various special purpose project companies within this territory which are detailed in note 8c. A Senior Associate Director of SFT, is a non-executive director of hub East Central Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

Details of material transactions with these companies are included below:

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

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

### Hub West Scotland Territory

SFTi holds 10% of the share capital of hub West Scotland Limited and the various special purpose project companies within this territory which are detailed in note 8c. A Senior Associate Director of SFT, is a non-executive director of hub West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

Details of material transactions with these companies are included below:

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

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

### Hub South West Scotland Territory

SFTi holds 10% of the share capital of hub South West Scotland Limited and the various special purpose project companies within this territory which are detailed in note 8c. A Senior Associate Director of SFT, is a non-executive director of hub South West Scotland Limited and the various special purpose project companies but does not have a financial interest in any of them.

Details of material transactions with these companies are included below:

		Restated
	2023	2022
<b><u>Statement of Financial Position</u></b>	<b>£</b>	<b>£</b>
Financial assets – working capital loans	50,000*	97,000*
Financial assets – subordinated debt	3,245,636	3,730,246
Trade and other receivables – accrued interest income (including capital loan note interest)	144,216	153,055

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

### **Statement of Comprehensive Income**

Other income – hub director fees	12,856	12,005
Other income – Interest income	289,565	292,583
Other income - dividends	8,193	16,384

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

### **The Edinburgh Homes Delivery Partnership**

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

### **The East Lothian Housing Delivery Partnership**

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

During the period, the governance structure of one Housing LLP was amended following the liquidation of the development partner member. This occurred after the disposal of the Housing LLP's assets to an affordable housing supplier but prior to the settlement of the Housing LLP's remaining liabilities prior to winding up. To enable the other two members – including SFTi – to complete the LLP's business and progress it to an orderly liquidation process, the Housing LLP's governance arrangements were amended with the approval of all members to place it under the joint control of the other two members (SFTi and the Council). The developer partner remains a member but cannot continue to control the LLP due to its liquidation status. As the arrangements have been changed to joint control status for SFTi, its disclosure as an investment under IAS 28 is unchanged from the prior year. The amendments made do not change the allocation of the Housing LLP's profits, which remain with the developer – as such the fair value of SFTi's interest is unchanged.

### **Hub Community Foundation**

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

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

### 14. Financial Instruments

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

**Interest rate risk** - As the Company has no borrowings subject to interest rates and comparatively a small amount on deposit and deposit interest rates are negligible and not anticipated to rise significantly in the short term, it has no significant exposure to interest rate risk. Interest rates in respect of subordinated debt investment and working capital loans are fixed.

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

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

**Fair value of financial assets and liabilities** – There is a significant difference between the book value and fair value of the Company's financial assets and liabilities for equity investments and sub debt investments in hub projects, whose fair value is estimated to be £19.3m as at 31 March 2023 (£22.4m as at 31 March 2022, restated), as disclosed in Note 8a and 8c. The only financial assets not held at fair value are the working capital loans of £131k (£187k as at 31 March 2022) which are held at amortised cost.

### 15. Ultimate Controlling Party

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

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

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **Directors**

Ian Russell (Chairman)  
Peter Reekie (Executive Director)  
Bill Matthews (Non-Executive Director)  
Pauline Mills (Non-Executive Director)  
Graham Watson (Non-Executive Director)  
Stella Matko (Non-Executive Director)  
Nicholas Rowan (Non-Executive Director)  
Stephen Slessor (Non-Executive Director)

#### **Chief Executive**

Peter Reekie

#### **Registered Office & Principal Place of Business**

Thistle House  
Fourth Floor  
91 Haymarket Terrace  
Edinburgh  
EH12 5HE

#### **Registered Company number**

SC381388

#### **Auditor**

Grant Thornton UK LLP  
Monteith House  
110 Queen Street  
Glasgow  
G1 3BX

#### **Bankers**

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

#### **Website**

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