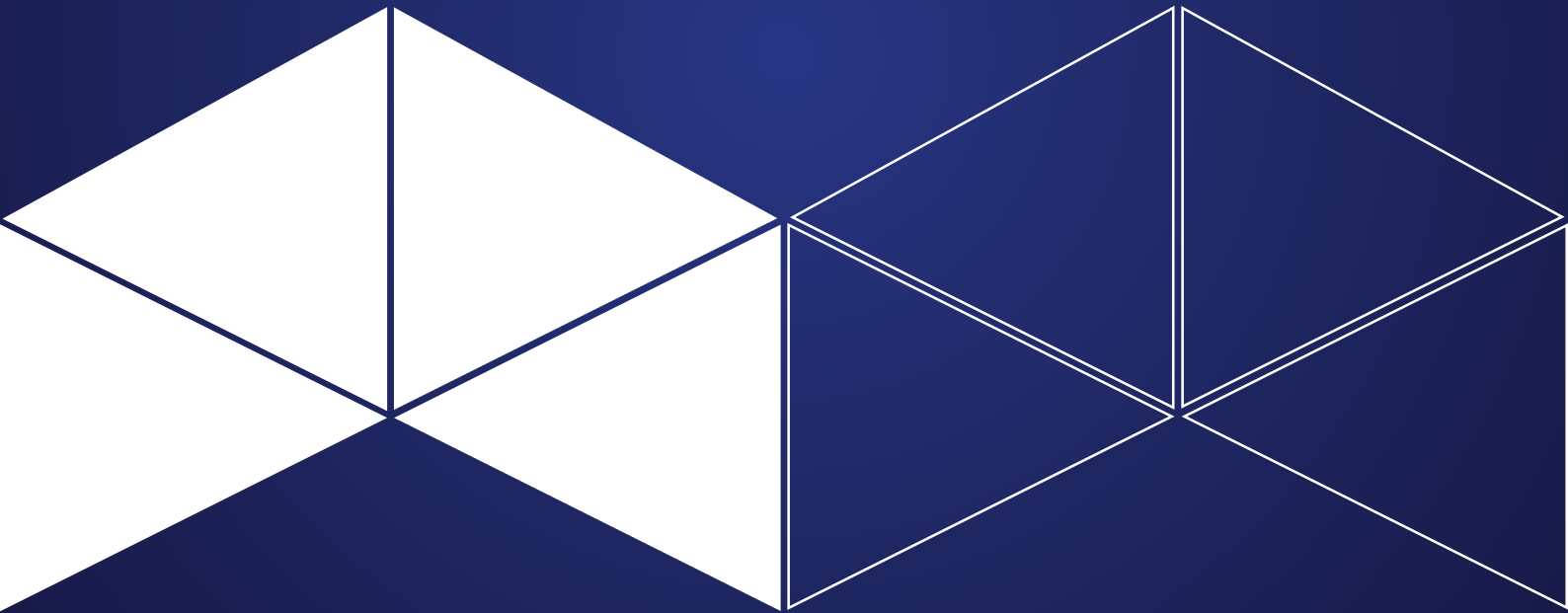


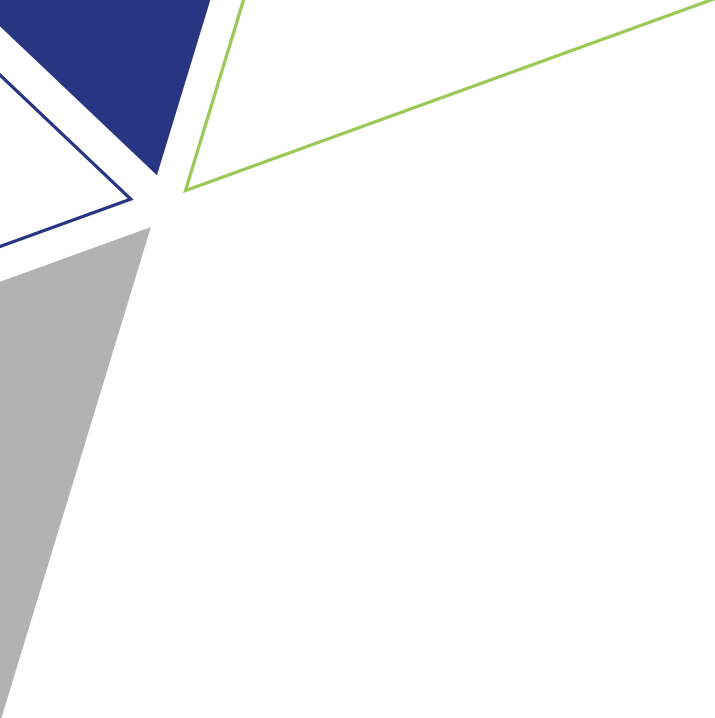
Highlands and Islands Enterprise

Annual report and accounts

2023/24



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean



HIGHLANDS AND ISLANDS ENTERPRISE ANNUAL REPORT 2023/24
ENTERPRISE AND NEW TOWNS (SCOTLAND) ACT 1990

Accounts of Highlands and Islands Enterprise prepared pursuant to section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, for the year ended 31 March 2024 together with the independent auditor's report to the members of Highlands and Islands Enterprise, the Scottish Parliament and the Auditor General for Scotland.



Sumitomo subsea cable factory - see p11

CONTENTS

Performance report	Financial management commentary	26
Foreword	Our people.....	31
Ro-ràdh.....	Public interest reporting – information requests	33
About HIE	Sustainability	34
History and statutory background.....	Accountability report	
Our vision, purpose and key outcomes.....	Directors’ report.....	36
Business model and environment	Statement of accountable officer’s responsibilities.....	38
National initiatives	Governance statement	39
Our values.....	Remuneration report.....	47
Collaboration.....	Staff report.....	51
Best value.....	Parliamentary accountability report	54
Knowledge sharing and lessons learned.....	Independent auditor’s report	57
Our procurement strategy	Financial statements	
Principal risks and uncertainties.....	Group and HIE statement of comprehensive net expenditure....	60
Performance summary	Group and HIE statement of financial position	61
People.....	Group and HIE statement of cash flows.....	62
Place	Group statement of changes in taxpayers’ equity	63
Planet.....	Notes to the accounts.....	65
Prosperity.....	Accounts direction by the Scottish Ministers	121
Net zero	Schedule 1 – Additional disclosure requirements.....	122
Fair and inclusive growth		
Regional transformational opportunities		
Performance analysis		
Economic context at 31 March 2024.....		
Performance and investment analysis.....		
HIE Strategy key outcomes		
Capital and external investment.....		
Turnover, international sales and productivity.....		
Jobs supported and average wages		
Net zero		
Investment		
Location-specific investment.....		
Proportion of third-party investment 2014-24.....		
Employment output.....		
Performance analysis conclusions.....		



FOREWORD

Given the challenges of the current economic climate, we are pleased to present a set of out-turns for 2023/24 that demonstrate a strong performance by Highlands and Islands Enterprise in supporting businesses and communities across the region.

Our efforts, delivered through a combination of financial and non-financial interventions, are set to create or retain more than 1,200 jobs across the region, including 82 in fragile areas.

HIE approved investment of up to £56.8m in 339 projects with a combined total cost of £426.9m. Businesses that we supported are expected to see their combined turnover rise by £619.7m and international sales grow by £47.7m

HIE's support for social enterprises, meanwhile, is forecast to bring about a £9.8m uplift in the social economy, including £5.5m linked to a project by the Cabrach Trust in Moray to create a new heritage distillery.

We maintained a strong commitment to the promotion and development of Gaelic in the region, including publishing our fourth Gaelic Plan in September 2023, and supporting the development of VisitScotland's five-year Gaelic Tourism Strategy for Scotland, launched during Seachdain na Ghàidhlig (World Gaelic Week) in February 2024.

Ten of our 14 targets were achieved or exceeded and some were far in excess of the targets set, including £270.9m external investment secured against a target of £40m-£50m, largely due to the Sumitomo subsea cable factory project, one of the region's largest-ever inward investments.

We stated in last year's annual report that this is a time of unprecedented opportunity for the Highlands and Islands, and projects such as this are a clear endorsement of the vast potential that exists in the region's renewable energy sector in particular.

Altogether, 2023/24 proved to be a record year for the number of inward investors deciding to set up or expand in the Highlands and Islands, highlighting the many strengths and natural advantages the region has to offer. We were involved with 13 such projects – in Argyll and the Islands, Highland, Moray, Shetland and Orkney – that jointly are expected to create more than 400 new jobs. Seven of these projects were from investors that are new to the region, while six had an existing presence.

We supported 49 community organisations to employ local development officers to deliver a range of projects for community benefit, including developing housing initiatives and acquiring assets to sustain key services.

Targets that were not achieved in full included the number of jobs supported in fragile areas, which was 82 against a target of 150, while the number of green jobs was 271 against a target of 370. The numbers of businesses helped to reduce emissions and transition to net zero were also lower than we had hoped to achieve.

We had deliberately set ourselves stretching targets, conscious that we need to keep challenging ourselves as an organisation. The fact that some could not be achieved underlines both the scale of our ambition and also the impact of highly challenging regional and national economic conditions that are particularly acute in fragile islands and rural mainland areas.

Our five-year strategy, launched in August 2023, details how we will continue to build on the progress of previous years and maximise our region's contribution to Scotland's economy. This will include working in innovative ways to attract investment from a range of different sources and placing even greater emphasis on the value of the non-financial support we offer the region's businesses and communities.

In closing, we express our gratitude to the businesses, communities, partners and stakeholders in every part of the Highlands and Islands, and to our colleagues in HIE, who worked hard throughout the year to address the challenges we face and capitalise on the region's enviable strengths.

ALISTAIR DODDS, CBE
Chair

STUART BLACK
Chief Executive

Leis na dùbhlain an lùib na gnàth-shìde eaconamach gu làithreach, tha sinn toilichte seata de thoraidhean a nochdadh airson 2023/24 a tha a' taisbeanadh gnìomhachadh làidir le Iomairt na Gàidhealtachd 's nan Eilean ann a bhith a' cur taic ri gnothachasan agus coimhearsnachdan air feadh na roinne.

Tha ar n-oidhirpean, a tha air an libhrigeadh tro mheasgachadh de eadar-theachdan ionmhasail agus neo-ionmhasail, deiseil airson còrr air 1,200 obair a chruthachadh agus a ghleidheadh air feadh na roinne, a' gabhail a-steach 82 ann an sgìrean cugallach.

Dh'aontaich HIE air tasgadh de suas ri £56.8m a chur ann an 339 pròiseactan le cosgais iomlan eatarra de £426.9m. Thathar a' sùileachadh gum faic gnothachasan don tug sinn taic, an tionndaidh-airgid amalaichte aca ag èirigh £619.7m agus reic eadar-nàiseanta a' fàs £47.7m.

Tha taic HIE do dh'iomairtean sòisealta san eadar-ama, air ro-aithris gum bi togail de mu £9.8m air a thoirt gu bith don eaconamaidh shòisealta, a' gabhail a-steach £5.5m co-cheangailte ri pròiseact le Urras Cabrach ann am Moireibh airson taigh-staile dualchais ùr a chruthachadh.

Chùm sinn suas dealas làidir a thaobh adhartachadh agus leasachadh Gàidhlig san roinn, a' gabhail a-steach foillseachadh air ar ceathramh Plana Gàidhlig san t-Sultain 2023, agus taic ri leasachadh air an Ro-innleachd Turasachd Ghàidhlig còig-bliadhna do dh'Alba aig VisitScotland, a chaidh a chuir air bhog tro Seachdain na Gàidhlig sa Ghearran 2024.

Chaidh deich de ar 14 targaidean a choileanadh no a dhol seachad orra agus bha cuid dhiubh fada seachad air na targaidean a chaidh a stèidheachadh, a' gabhail a-steach £270.9m de thasgadh bhon taobh a-muigh a fhuair eadh mu choinneamh targaid de £40m-£50m, sa mhòr-chuid mar thoradh air pròiseact factaraidh fo-mhuir Sumitomo, aon de in-thasgaidhean na roinne as motha a-riamh.

Dh'aithris sinn ann an aithisg bhliadhnail na bliadhna an-uiridh, gur e àm a tha seo de chothrom gun choimeas don Ghàidhealtachd agus na h-Eileanan, agus tha pròiseactan leithid seo nan dearbhadh soilleir air a' chomas àibheiseach a tha an làthair ann an roinn cumhachd ath-nuadhachail na roinne gu h-àraid.

Gu h-iomlan, dhearbhadh a' bhliadhna 2023/24 gu bhith na bliadhna air leth a thaobh na h-àireimh de luchd-tasgaidh don taobh a-staigh a cho-dhùin air stèidheachadh no leudachadh sa Ghàidhealtachd 's na h-Eileanan, mar sin a' togail air na mòran neartan agus buannachdan nàdarra a tha an roinn comasach air a thabhan. Bha sinn an sàs ann an 13 pròiseactan de a leithid sin – ann an Earra-Ghàidheal 's na h-Eileanan, a' Ghàidhealtachd, Moireibh, Sealtainn agus Arcaibh – a thathar a' sùileachadh le chèile air còrr air 400 obair ùr a chruthachadh. Bha seachd de na pròiseactan sin bho luchd-tasgaidh a tha ùr don roinn, agus sia a bha an làthair roimhe.

Chuir sinn taic ri 49 buidhnean coimhearsnachd gus oifigearan leasachaidh ionadail fhasdadh airson raon de phròiseactan a libhrigeadh gu buannachd na coimhearsnachd, a' gabhail a-steach leasachadh air iomairtean taigheadais agus maoinean fhaotainn gus prìomh sheirbheisean a chumail suas.

Am measg nan targaidean nach deach a choileanadh gu h-iomlan, bha àireamh de dh'obraichean a' faotainn taic sna sgìrean cugallach, agus b' e sin 82 mu choinneamh targaid de 150, fhad 's a b' e 271 an àireamh de dh'obraichean uaine mu choinneamh targaid de 370. Chuidich an àireamh de ghnòthachasan le sgaoilidhean a lùghdachadh agus bha eadar-ghluasad gu neoini iomlan nas ìsle cuideachd na bha sinn an dòchas air a choileanadh.

Bha sinn a dh'aon ghnòthaich air targaidean doirbh a shuidheachadh dhuinn fhìn agus sinn mothachail gum feum sinn cumail a' toirt dùbhlain dhuinn fhìn mar bhuidheann. Tha an fhìrinn nach b' urrainn dhuinn cuid aca a choileanadh, a' dearbhadh sgèile ar n-amais agus cuideachd buaidh shuidheachaidhean eaconamach nàiseanta agus roinneil a tha àrd-dhùbhlach, a tha gu h-àraid dian ann an eileanan cugallach agus sgìrean dùthchail thìr-mòir.

Tha ar ro-innleachd a chaidh fhoillseachadh san Lùnastal 2023, a' toirt mion-fhiosrachadh air mar a leanas sinn a' togail air adhartas nam bliadhnaichean roimhe sin agus air tabhartas ar roinne do dh'eaconamaidh na h-Alba a thogail chun na h-ìre as àirde. Bidh seo a' gabhail a-steach a bhith ag obair ann an dòighean ùr-ghnàthach gus inbheisteadh a tharraing bho raon de dhiofar thùsan agus cur fiù barrachd cuideam air luach na taic neo-ionmhasail, a tha sinn a' tabhann do ghnòthachasan agus coimhearsnachdan na roinne.

San dùnadh, tha sinn a' nochdadh ar taing do na gnothachasan, coimhearsnachdan, com-pàirtichean agus luchd-ùidhe anns gach pàirt den Ghàidhealtachd 's na h-Eileanan, agus ar co-obraichean ann an HIE, a dh'obraich cho cruaidh tron bhliadhna gus dèiligeadh ris na dùbhlain ris a bheil sinn a' cothachadh agus buannachd fhaotainn à neartan miorbhaileach na roinne.

ALISTAIR DODDS, CBE
Cathraiche

STIÙBHART MACILLEDHUIBH
Ard-Oifigear

OVERVIEW – ABOUT HIE

This section of our annual report aims to provide a clear and concise overview, encompassing HIE's history, vision, purpose, business model and values as an organisation. It also highlights principal risks and uncertainties, and how these are being addressed.

HISTORY AND STATUTORY BACKGROUND

Highlands and Islands Enterprise (HIE) is a non-departmental public body of the Scottish Government, established by the Enterprise and New Towns (Scotland) Act 1990.

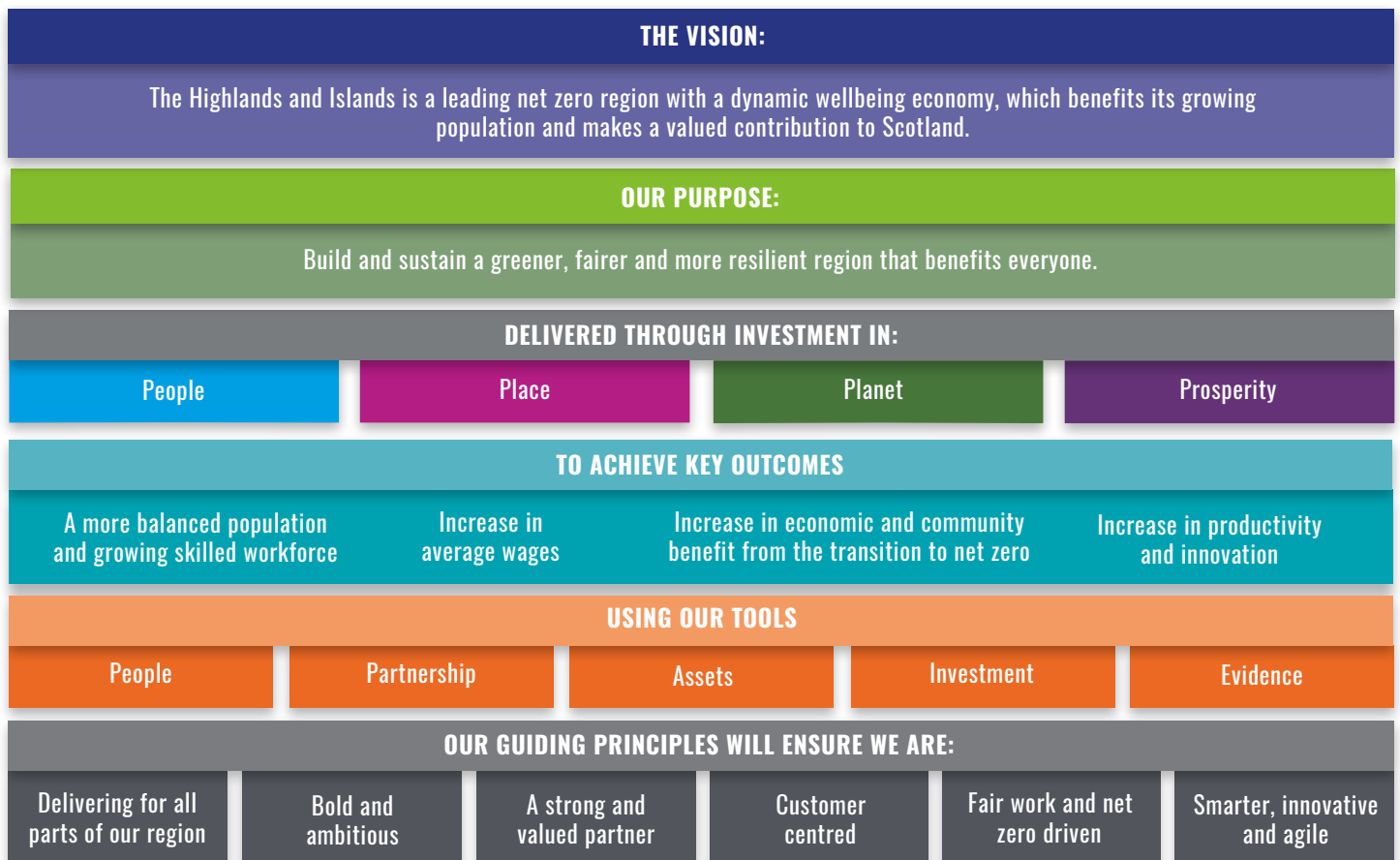
HIE acts as a public agency with a statutory duty to undertake economic and social development across the Highlands and Islands of Scotland.

OUR VISION, PURPOSE AND KEY OUTCOMES

Our five-year strategy, published in August 2023, sets out our long-term vision and ambitions for the Highlands and Islands and the outcomes we will strive to achieve. It is available online at www.hie.co.uk/strategy.

The strategy is built around four pillars of people, place, planet and prosperity, and three cross-cutting themes of net zero, fair work and inclusive growth, and regional transformational opportunities.

The format of this year's annual report reflects these pillars and themes.



BUSINESS MODEL AND ENVIRONMENT

The HIE Board oversees the work of the organisation, reporting to the Cabinet Secretary for Economy and Gaelic. We work collaboratively with the Scottish Government and partner organisations to align strategies and resources in ways that will optimise effective delivery of the National Strategy for Economic Transformation and the New Deal for Business.

Under the guidance of our Chief Executive and leadership team, HIE's activities are delivered through six directorates:

Enterprise and community support focuses on effective support for HIE clients; growing the tourism, food and drink and creative industries sectors; encouraging innovation and productivity; attracting inward investment, and helping communities own and manage social enterprises, property and other assets.

Strategic projects directs HIE support to realise benefits from significant and complex projects that will have a transformational impact across the region. These include our own hand property and infrastructure investments, regional growth deals, digital connectivity, renewable energy, net zero and space.

Strategy and regional economy holds responsibility for strategy, policy, research, performance measurement and analytics, marketing, communications and engagement.

Business improvement and internal audit focuses on governance, risk management and business improvement within HIE, ensuring that innovation, corporate governance and value for money are at the heart of our operations and decision-making.

Finance and corporate services is responsible for strategic financial management, financial services, procurement, information governance and IT systems.

Human resources oversees the resourcing, management, performance and development of staff to support delivery of HIE's objectives and values.

NATIONAL INITIATIVES

We also operate across all of Scotland to deliver two national strategic initiatives.

- Wave Energy Scotland (WES), a subsidiary of HIE, runs the world's largest wave technology innovation programme. WES is fully funded by the Scottish Government.
- The Scottish Land Fund (SLF) is funded by the Scottish Government and delivered in partnership by the National Lottery Community Fund and HIE. SLF offers grants of up to £1m to help communities across Scotland take ownership of the land and buildings along with practical support to develop community aspirations into viable projects.

OUR VALUES

HIE employees are passionate about HIE's purpose and proud to make a difference to the region we serve.

- We are outward-looking and think long-term
- We are customer-focused
- We work together and learn from each other
- We are committed to excellence and innovation
- We encourage diversity and respect each other
- We network and collaborate - inside and out
- We listen and communicate clearly

COLLABORATION

Effective partnership working is a key principle of HIE's approach and essential to achieve the ambitions set out in the National Strategy for Economic Transformation (NSET) and the New Deal for Business.

By working together, we aim to ensure that important issues affecting economic and community development in the Highlands and Islands can be considered and tackled holistically. These include some subjects that fall outwith HIE's direct remit, such as housing, skills, childcare and transport.

We seek to build and sustain productive partnership working with a broad range of organisations across the public, private and third sectors, both through formal and informal arrangements. Current examples include the Highlands and Islands Regional Economic Partnership, the seven local authorities in our region, the Convention of the Highlands and Islands, Crown Estate Scotland, area-focused community planning and regional growth deal partnerships, Focus North, the Scottish National Investment Bank and the Inverness and Cromarty Firth Green Freeport.

Key partners for HIE in the public sector include the Scottish Government, development agencies Scottish Enterprise and South of Scotland Enterprise, Skills Development Scotland, the Scottish Funding Council, VisitScotland, local authorities and Business Gateway.

BEST VALUE

We developed a new Best Value plan aligned to the HIE Strategy 2023-28. This is designed as a useful tool to measure effectiveness and efficiency and drive improvements.

The plan is built around a set of key performance indicators to enable us to measure progress associated with the following themes:

- Customer reach
- Customer experience
- Financial spend and income
- Service quality
- Data quality and use
- Project management and delivery



KNOWLEDGE SHARING AND LESSONS LEARNED

We have been pro-active in capturing 'lessons learned' within HIE for many years. During 2023/24, we developed a new approach to support continuous improvement within HIE by capturing lessons learned in a consistent fashion and systematically encouraging open dialogue across the organisation. This is planned to come into effect in 2024/25.

Capturing lessons from our activities and sharing the knowledge that has been gained enables us to improve effectiveness and efficiency and allows HIE staff to benefit from each other's experiences. This is just as valuable when positive results have been achieved as when outcomes have fallen short of expectations.

OUR PROCUREMENT STRATEGY

In January 2024, we published the [HIE Procurement Strategy 2024-28](#).

Setting out our procurement objectives over a four-year period, the new strategy aims to achieve the highest standards of professional procurement and value for money, and is aligned with both the [Public Procurement Strategy for Scotland 2023-2028](#) and the [HIE Strategy 2023-28](#).

HIE's procured spend has averaged around £30.77m annually over the last three financial years (£33.02m in 2021/22; £35.7m in 2022/23; and £23.59m in 2023/24).

Alongside the new strategy, we will progress an action plan to ensure its goals are delivered efficiently and effectively. The strategy and action plan will be reviewed annually, with the results being included in HIE's Annual Procurement Report, published on [our website](#).

PRINCIPAL RISKS AND UNCERTAINTIES

We operate a robust risk management policy and maintain risk registers at project, business unit and corporate level. Our corporate risk register is reviewed regularly by our Board and our Risk and Assurance Committee.

All internal and external risks in the corporate risk register are actively managed at the appropriate level in the organisation. During 2023/24, examples of principal risks that we identified and addressed included:

■ Financial and budgetary environment

Ongoing financial challenges in the public sector present a risk of a sustained and long-lasting negative impact on HIE, including adversely affecting the organisation's ability to support businesses and communities across the Highlands and Islands.

To address this, we engage actively with the Scottish Government officials and Ministers to demonstrate the value of continued investment in the regional economy and actively pursue a range of other sources of investment. We also operate an efficiency programme to ensure both financial and staff resources are targeted effectively to deliver strategic outcomes and we support businesses and communities with non-financial assistance, such as advice, information and signposting.

■ Cairngorm

Cairngorm Mountain Estate, in public ownership through HIE, remains a significant economic and environmental asset for the region and for Scotland's tourism sector. Remediation works to address defects that caused the Cairngorm funicular railway to be taken out of service at the end of August 2023 proved more complex and challenging than originally anticipated and work by HIE's contractor is ongoing. While the funicular is out of service there are ongoing financial and reputational risks for HIE, operating company Cairngorm Mountain (Scotland) Ltd (CMSL) and the local economy.

Controls and actions to address these risks include: a dedicated in-house team and programme board; procurement of professional advice and expertise; regular and frequent liaison with the contractor and the resort operating company, and engagement with the Scottish Government and Audit Scotland. An advisory sub-group of the HIE Board has been re-established and the Board and Risk and Assurance Committee are providing close scrutiny of all aspects, including engineering issues, legal matters, and financial arrangements relating to additional costs and loss of income.

We also continue to work with the team at CMSL, supporting their ongoing efforts to diversify the range of attractions at the resort and strengthen its appeal in all seasons of the year, in line with our [Cairngorm Mountain Masterplan](#) ambitions.

■ Economic and strategic context

There is a risk that macro-economic factors such as global market, economic, political and environmental forces, exacerbated by rural issues including peripherality, transport and demographics could result in adverse economic conditions for the region.

To address this, we carry out intelligence gathering and analysis that feeds into our operating plan and informs targets, actions and resource planning. We carry out regular performance reviews and engage with clients to support business and community resilience. Further actions include the provision of research and insights to inform government and other partners and stakeholders.

■ New strategic opportunities

Across the Highlands and Islands, a diverse range of large-scale investments currently present significant strategic opportunities for the region, but also face challenges that may affect their ability to achieve full potential. Each of the following opportunities featured in our corporate risk register during 2023/24, with appropriate controls and actions in place to address challenges and optimise the prospects of success:

- Regional Growth Deals
- Energy transition – ScotWind
- Inverness and Cromarty Firth Green Freeport
- Space

■ Regional infrastructure

There is a risk that regional infrastructure challenges could negatively impact sustainable economic development, community resilience and job retention and exacerbate depopulation, particularly in islands and remote mainland areas. There are particular risks around transport, including ferries, digital connectivity, housing and skills delivery.

Controls and actions include working constructively with other organisations in the Highlands and Islands Regional Economic Partnership, including the establishment of a housing sub-group chaired by the HIE Chief Executive, and engaging constructively with the Scottish Government. To address skills issues, we work with academic institutions and lead initiatives such as the Science Skills Academy, Impact 30 and XpoNorth programmes.

During 2023/24, we supported development of a new regional transport strategy by regional transport partnership HITRANS and continued to engage with the Islands Connectivity Plan, primarily focused on ferries.

■ Organisational delivery and transformation approach

We recognise that HIE's delivery model and activity must be aligned with strategy and to achieve best value. Our Workforce Planning Forum has been established to address this and we keep our workforce plan under constant review, including analysis of staff turnover, succession planning and skills development. We have generated savings from efficient vacancy management and continue to develop our young workforce through targeted recruitment of graduates and modern apprentices.

There is a risk that HIE business transformation may not support the changes required to optimise the organisational delivery environment. We have put measures in place to embed a culture that supports risk appetite, resource prioritisation and appropriate intervention. These include strategic assessment and appraisal processes, an Investment Committee, Process Change Group and Digital Change Group, and ensuring lessons learned are effectively shared and adopted across the organisation.

■ Delivery and benefits realisation of key projects

Around the Highlands and Islands, we operate as an organisation that is risk-aware, but not risk-averse. Within our corporate risk register, we include several key initiatives that require robust benefits realisation plans to maximise the scale of opportunity that each presents and ensure they can achieve their potential to contribute to regional economic growth. Present examples include:

- Cairngorm
- Space
- Offshore wind

■ Information governance and systems

Any failure in systems controls and governance, cyber security requirements or statutory compliance obligations would result in operational, regulatory and /or reputational impact for HIE. Our controls include a suite of policies and guidance, a governance framework with our IS supplier, staff policies and training, and internal groups that meet regularly to focus on digital change and information security.

■ Legal and regulatory environment

We are working to ensure that subsidy control legislative requirements are implemented effectively by HIE or for regional partnership projects that HIE is supporting. Actions taken include engagement with the Scottish Government Subsidy Control team and the UK Competition and Markets Authority, providing guidance, training and advice to HIE staff, supporting high risk projects, and networking with public sector partners.



PERFORMANCE SUMMARY

This section highlights some of HIE's achievements and challenges during 2023/24, as recorded against our Strategy's four pillars – people, place, planet and prosperity – and cross-cutting themes of fair work and inclusion, net zero and regionally transformational opportunities (see diagram, p6)

Further information is included in the Performance Analysis section (p16)

PEOPLE

Sixty-six new businesses were created or supported through the Northern Innovation Hub, an Inverness and Highland City-Region Deal initiative that we expanded with HIE resources to cover the whole region. Beneficiaries included 77 young entrepreneurs who took part in our Impact30 programme and 45 enterprises that we helped develop their business value propositions through the Pathfinder Accelerator programme.

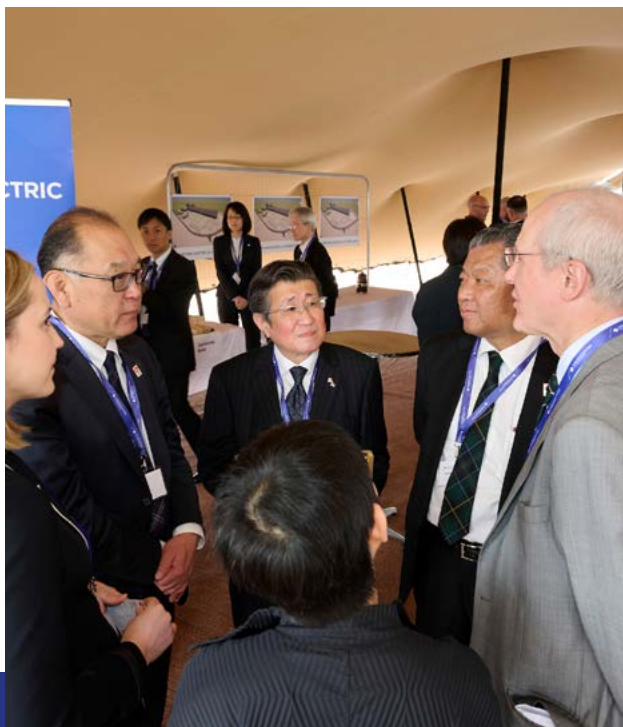
Focusing on opportunities for young people, we delivered 29 graduate and technology placements in sectors ranging from technology and advanced engineering (7) to creative industries (6) and energy (4).

In support of regional transformational opportunities, we contributed to the skills sub-group of the Scottish Offshore Wind Energy Council (SOWEC), coordinating the offshore wind sector's response to rising skills demand and future provision. We also collaborated with the Inverness and Cromarty Firth Green Freeport Powerhouse on a new strategy to support skills development in the freeport area.

Work led by HIE, through the Convention of the Highlands and Islands Population Working Group (now part of the Highlands and Islands Regional Economic Partnership), significantly informed development of the Scottish Government's Addressing Depopulation Action Plan published in February 2024. One direct outcome was the continuation of three posts of Settlement Officer that are supporting repopulation across remote rural areas.

PLACE

HIE supported the development of the Inverness and Cromarty Firth Green Freeport which is expected to bring over 10,000 jobs and more than £3 billion in investment to our region. Following approval of the outline business case by the UK and Scottish Governments, another key milestone was the granting of tax site status in March 2024.



Subsea cable factory

Sumitomo Electric UK Power Cables Ltd (SEUK), a subsidiary of Japanese company Sumitomo Electric Industries Ltd (SEI) announced plans in February 2024 to establish a new factory near Nigg in Easter Ross, manufacturing high voltage cables to the growing offshore wind energy sector.

Up to £24.5m in public sector funding from the Scottish Government (£19.4m), HIE (£4.6m) and Scottish Enterprise (£0.5m) was approved towards plant and equipment, factory construction and land leasing and associated costs.

One of the largest-ever inward investments to the region, the project is expected to stimulate significant economic activity across industry supply chains. This includes creating around 330 jobs in Scotland over the next ten years, 265 of them in the Highlands and Islands, including 156 on site.

Across the region, our area teams undertook extensive work to support place-based planning and development with a range of initiatives to tackle housing, population and talent attraction, destination management, masterplanning and regeneration.

2023/24 was one of our strongest years to date for the number of inward investment projects including Sumitomo, Rocket Factory Augsburg and Haventus. Collectively, 13 projects created 430 FTE jobs in Argyll and the Islands, Orkney, Shetland, Caithness and Sutherland, Moray and Inner Moray Firth. Six projects, creating 80 jobs, were from existing inward investors. These included CapGemini, Magallanes Tidal and AltaRange.

Business infrastructure developments included the Life Sciences Innovation Centre in Inverness Campus, which was officially opened by the Princess Royal in April 2023. We progressed design and consenting for a new marine science building to support demand for laboratory space at the European Marine Science Park in Argyll, and completed construction of small business unit developments at Wick and Broadford, addressing market failure and responding to local demand.

As we reported last year, the funicular railway at Cairngorm Mountain was reinstated in January 2023, having undergone an extensive programme of engineering works that began in November 2020 to strengthen the 1.7km viaduct. In August 2023, however, a routine inspection identified that the tension of some 'scarf joints' that connect 94 piers with beams under the railway track was below the recommended level.

With public safety as our top priority, HIE took the decision, supported by operating company Cairngorm Mountain (Scotland) Ltd, to withdraw the service. A programme of remedial works led by contractor Balfour Beatty is ongoing at time of writing. In addition to reinstating tension in scarf joints, the teams are also checking tension in beams and diaphragms, and carrying out grouting works on the piers. Our aim is to ensure that the funicular will be back in service before the start of the snowsports season in December 2024.

HIE's Delivery Resource projects provided 49 community organisations with revenue funding to employ local development officers to deliver prioritised projects for community benefit. These included new housing units and self-build plots on Raasay and acquisition and development of the village shop and Post Office by South Cowal Community Enterprise, ensuring the retention of a key service and asset in the community.

We launched a large-scale study to explore how Community Wealth Building opportunities can be better leveraged across the region and developed a proposition for collaborative working on community benefits from offshore wind. This was agreed by the HIREP and will be developed further.

Housing provision is a key challenge for Scotland that is particularly acute in rural areas. We undertook in-house research to baseline housing provision in the region, including the extent of second homes, short-term lets and empty homes. Work got under way with the Scottish Futures Trust to produce an aggregate picture of housing demand that was then presented to the HIREP sub-group on housing, chaired by HIE's chief executive.

We contributed to the ongoing development of Transport Scotland's Islands Connectivity Plan, primarily focused on the ferries network, providing evidence relating to the current and future needs of communities and industries. This demonstrated the need for improved ferries resilience, enhanced connectivity for islanders and sufficient capacity to enable growth in economic activity.

PLANET

We carried out a study to prepare the first baseline inventory of greenhouse gases for the Highlands and Islands. This aims to establish a picture of the region's emissions profile and provide clarity on priority areas to bring down emissions and contribute to national net zero targets. Findings were presented to HIREP and will contribute to the development of a new vision and action plan.

Carbon literacy training was rolled out to HIE employees and Board members. As a result, we were awarded a silver medal from the Carbon Literacy Project.

Work began on a net zero audit of HIE's property portfolio that will enable development of net zero strategy and route maps both for operational premises used by the organisation and commercial property leased to others.

Efforts to raise awareness and encourage adoption of a just transition to net zero included drafting a policy for HIE's support to the whisky sector and collaboration with the Destination Net Zero Partnership to provide climate advice and support to tourism businesses and destinations as well as influencing policy change and strategic development.

HIE continued to work in partnership with the Community and Renewable Energy Scheme (CARES) funding board and was represented on the CARES funding panel. Four of HIE's seven off-grid Islands were awarded capital funding, totalling £2.5m towards upgrading and decarbonising off-grid systems.



The Ledge, Inverness

Green Grant Fund

We launched an open call for the £2m Green Grant Fund in May 2023 to help businesses in the creative industries, tourism and food and drink processing sectors and social enterprises reduce or green their energy usage and make progress towards net zero.

This proved highly popular, attracting around 200 expressions of interest and the fund final spend was over £1.5m to support 28 projects with anticipated CO₂ savings.

PROSPERITY

To promote Scotland's renewable energy sector on a global stage, HIE took part in national and international conference including Global Offshore Wind, Floating Offshore Wind, Scottish Renewables Supply Chain Conference and All Energy.

HIE's FutureCreative skills development programme connected University of the Highlands and Islands (UHI) students with industry. A series of masterclasses was delivered by Hollywood producer Jason Lust (Peter Rabbit, Pinocchio) engaging directly with students and businesses.

We progressed plans to create the Manufacturing Innovation Centre for Moray (MICM), a HIE-led Moray Growth Deal project.

HIE's Innovation Service responded to 140 initial enquiries and delivered activity across the region. We approved over £590k R&D funding to support four projects with total project costs amounting to £1.5m. Ten HIE interventions generated an increase of £874k in business expenditure in R&D.

We worked with the Scottish Manufacturing Advisory Service (SMAS) and National Manufacturing Institute Scotland (NMIS) to identify manufacturing challenges and opportunities in the offshore wind supply chain. This aimed to encourage the use of advanced manufacturing techniques that will deliver on the scale demanded by the offshore wind sector and ensure price competitiveness in the global market.

We established SMAS area contacts, mirroring the approach taken by the HIE Innovation Team. Around 140 enquires were received and several productivity projects got under way.

As an active member of the Tourism and Hospitality Industry Leadership Group, we took part in accelerating delivery of the national tourism strategy Scotland Outlook 2030.

Our Creative Industries programme XpoNorth Digital focused on digital adoption and its transformative potential for small and micro businesses which are predominant in the sector across the region.

In August 2023, HIE led a national pavilion at Aqua Nor in Norway, showcasing Scottish companies to the global aquaculture industry. Sixteen aquaculture supply chain companies were supported to access 23 new markets, with a forecast increase of £10.2m in turnover and £5.6m in international sales.

We enabled 45 clients to enter or expand activity in international markets by providing a range of services including export advice, capital development, trade show attendance and market entry. Our Export Advisory Service provided early-stage advice that helped 11 companies that were new to exporting research and plan their entry to new markets. Thirty-four companies in the Highlands and Islands received international trade support from Scottish Development International (SDI).

We took part in national research to evaluate [Team Scotland's Export Promotion Support](#), covering the period 2018-2021, which was published in November 2023.



Scotland's Rural College

Strategic engagement with Scotland's Rural College (SRUC) will support growth and stimulate innovation in the blue and green economy.

We signed a new collaboration agreement with SRUC and part-funded a Head of Business Development post at the Rural and Veterinary Innovation Centre, which opened its new premises at Inverness Campus in March 2024.

We also agreed joint hosting of a major conference, A3 Scotland, focusing on animal health, agritech and aquaculture, to be held in Inverness in September 2024.



IMPACT30 entrepreneurs

NET ZERO

As noted above, we undertook a study to establish a regional baselining inventory of greenhouse gases, to be published in 2024. As the first report of its kind, the inventory will enhance understanding of our regional emissions profile and inform a strategic approach for HIE and our partners in HIREP.

An assessment of HIE's operational and commercial property portfolio will establish key building-level data and identify potential net zero pathways.

Plans for HIE's Manufacturing Innovation Centre in Moray, which is a major part of our contribution to the Moray Growth Deal, include a demonstration facility for building adaptation.

As part of ongoing client engagement, we encouraged clients to baseline their emissions and develop action plans to support transition to net zero, with a view to this becoming the primary condition for HIE funding support when Net Zero Conditionality is introduced in 2024/25.

FAIR AND INCLUSIVE GROWTH

We delivered workshops and one-to-one specialist support across the region to aid understanding and support client organisations to progress towards becoming a Fair Work employer. Thirty-nine clients were supported to produce a Fair Work action plan.

To stimulate and increase demand in remote and rural parts of the region, we established flexible criteria and variable intervention rates for our Green Grant Fund (GGF). Six GGF interventions were approved in fragile areas, five of them in Lochaber, Skye and Wester Ross.

Of the 77 young entrepreneurs we supported through the Northern Innovation Hub, around 60% were female.

Twenty percent of third-party investment and 17% of overall location-specific investment was awarded to projects in fragile areas.

Along with partners in the Scottish Government, Scottish Enterprise and South of Scotland Enterprise, we supported OECD research on enhancing rural innovation in Scotland. This provided robust evidence on factors impacting on innovation in rural areas and made recommendations to make support more effective and deliver stronger outcomes for business performance, productivity and community resilience. The evidence base and recommendations will guide future innovation support.

We completed work to profile and better understand factors impacting on inclusive growth across the region. As a result, a new HIE Inclusive Growth Model will become operational in 2024/25, providing us with tools to assist resource prioritisation, decision-making, and demonstrating and reporting the impact of our interventions.

REGIONAL TRANSFORMATIONAL OPPORTUNITIES

OFFSHORE WIND AND GREEN HYDROGEN

Energy transition presents enormous opportunities for the Highlands and Islands and the region has the potential to make a major contribution to the significant expansion of Scotland's offshore wind energy sector.

During 2023/24, we worked with partners including Crown Estate Scotland, Scottish Enterprise, SDI and South of Scotland Enterprise to support projects of national significance. Attracting subsea cable manufacturer Sumitomo Electric Industries to establish a new factory by Nigg was an early outcome and we are continuing to work with SDI as we aim to attract several other potential investors to locate in the region.

We also worked with the Scottish Government, Scottish Enterprise, South of Scotland Enterprise and the Scottish National Investment Bank to develop governance around a forthcoming fund worth approximately £500m to support offshore wind infrastructure projects in Scotland.

Another area of renewable energy with great potential is green hydrogen. Along with the Scottish Government and partners, we progressed proposals to establish energy transition hubs in Shetland, Orkney, Cromarty Firth and the Outer Hebrides.

SPACE

The Highlands and Islands has a strong stake in the development of the UK's space sector and we prepared a sector-wide benefits realisation plan to inform HIE project management and decision making.

Satellite launch sites are at different stages of development in four locations, creating opportunities for businesses involved in a spectrum of activities including manufacturing, supply chain and data analysis.

SaxaVord Spaceport is being developed on a former military base on the Shetland island of Unst to host a wide variety of launch missions on rockets with payloads of up to 1.5 tonnes. Sutherland Spaceport, which is being built and will be operated by Moray-based rocket designer and manufacturer Orbex, expects first launch in 2025 and we supported the company throughout the year.

We also maintained close contact with Machrihanish Airbase Community Company, which plans to establish a horizontal launch site in Argyll, and with Spaceport 1 in North Uist, for whom we developed a commercial delivery options appraisal.

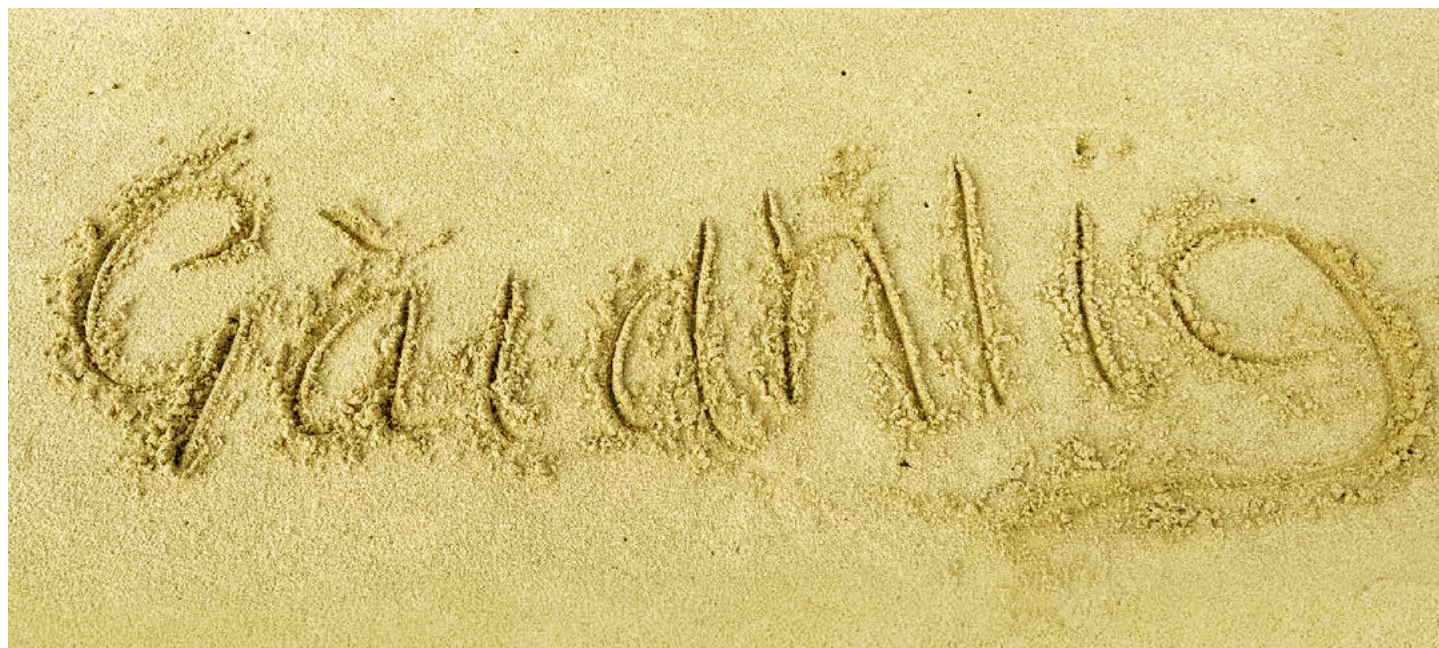
GAELIC

Publication of HIE's fourth Gaelic Plan in September 2023 underscored HIE's continuing commitment to the promotion and development of Gaelic language and culture as a unique asset for Scotland, both socially and economically. This set out clear goals and measurable targets to ensure that HIE maximises the use of Gaelic with clients and partners and supports a range of Gaelic and Gaelic-related socio-economic opportunities.

We invested £45,000 in the Phase 2 development of Fàs, a centre for creative and cultural industries at Sabhal Mòr Ostaig (SMO), in Sleat, Isle of Skye. Part of the University of the Highlands and Islands, SMO is Scotland's national centre for Gaelic language and culture. Other Gaelic investments included cultural projects in Applecross, Staffin, Trotternish and Raasay, and assisting Cultarlann Inbhir Nis to acquire an Inverness church that they plan to transform into a Gaelic hub.

A focus on Gaelic language and culture is an important strand of the Uist Repopulation Zone working group and Uist became the first place in Scotland to develop a whole community Gaelic plan.

With other partners, we contributed to the development of a new national [Gaelic Tourism Strategy for Scotland 2024-29](#), published by VisitScotland during Seachdain na Ghàidhlig (World Gaelic Week) in February 2024.





PERFORMANCE ANALYSIS

Economic context at 31 March 2024

After the flat performance of the Scottish economy in 2023, the outlook for 2024 is somewhat more encouraging. In the three months to February, Scottish GDP grew by 0.4% and it is forecast that there will be growth in the national economy throughout 2024 and into 2025¹. Growth is expected to be modest, however and both the Scottish Fiscal Commission² and the Fraser of Allander Institute³ have cautioned that progress will remain fragile in the short term. Inflation is forecast to continue to fall with many expecting interest rate cuts by the Bank of England during the year.

The Purchasing Managers' Index (PMI) survey in March 2024⁴ showed business optimism for the coming year at a 13-month high amid expectations of more benign economic conditions in 2024/25. Likewise, the Scottish Business Monitor⁵ results for Q1 2024 indicate that firms have increasingly positive expectations of new business activity, turnover and employment. However, companies continue to be hit with rising prices despite falling inflation, with 83% seeing their costs go up in Q1 2024, compared to 78% in the previous quarter.

In the Highlands and Islands, business performance was found to be mixed in the wave of HIE's Business Panel Survey⁶ carried out in November and December 2023. Most of the region's firms had either performed well or had been fairly steady, but one in five had struggled. Looking ahead, around half of businesses were striving for growth, while over a third were content with their current level of performance and a tenth were looking to downsize.

In this wave of the survey, confidence in the economic outlook for Scotland was found to be down: 50% of businesses were confident (compared to 55% in May / June 2023), while 48% were not (compared with 43%). Confidence returned to the level reported by businesses in February / March 2023.

Labour supply in the Highlands and Islands as a whole continues to be relatively low, with unemployment at just 2.3% at the end of 2023/24 (3.1% Scotland and UK 3.8%), according to ONS figures⁷. There was evidence of labour and housing markets constraining growth aspirations, particularly in island and more remote areas.

PERFORMANCE AND INVESTMENT ANALYSIS

This performance analysis sets out a sound and balanced range of actions undertaken to deliver HIE's new five-year strategy, launched in August 2023, both across the four pillars of people, place, planet and prosperity, and in relation to our cross-cutting themes of net zero, fair and inclusive growth and regional transformational opportunities.

Positive actions to develop regional transformational opportunities include extensive partnership working to support port infrastructure projects of national significance through the [Strategic Investment Model](#) (SIM). This workstream is expected to increase significantly in the coming year as investment opportunities for ports across our region arise. Developments will be critical to ensure we capitalise on the time-limited opportunities associated with offshore wind.

Investment during the year was dominated by the approval for Sumitomo Electric UK Power Cables Ltd for a new factory in the Inner Moray Firth manufacturing subsea cables for the offshore energy sector. At £24.5m, this project accounted for 43% of the total (£56.8m), although it should be noted that this included additional, ring-fenced funding from the Scottish Government. It is recognised that significant investment to secure foreign direct investment (FDI) to deliver regional / sectoral transformation typically results in distortion of geographic distribution of investment.

In this reporting period, investment by area was highest in Inner Moray Firth (£34.5m) and lowest in Moray (£1.7m) and Argyll and the Islands (£1.2m). Excluding Sumitomo, however, it was higher in Orkney (£2m) and Lochaber, Skye and Wester Ross (£2.5m).

HIE's 14 annual targets were stretching, however all but four were achieved, with three of these relating to relatively new green targets that were significantly increased this year. These were difficult to set with no baseline data on which to model targets, but good progress was made.

We provided clients with a range of non-financial support, such as advice, information and access to funding and other assistance from alternative sources. Some 255 interventions that HIE made and which contributed to our key outcomes in 2023/24 were non-financial in nature, representing 59% of our total number of interventions.

Revenue budget challenges delayed the creation of new enterprise support programmes which have been significant to our achievements in previous years. However, the implementation of the Green Grant Fund and Green Jobs Fund alongside our innovation support contributed to key outcomes.

Despite the persistence of external factors that limited growth and achievements, such as the availability of housing, working age population and effective transport links, good progress was made against all four key outcomes in the HIE Strategy (see p18). The increase in average wages has been driven by jobs primarily in the technology and advanced engineering sector and a good range of contributory outputs relating to fragile areas and community organisations is evident.

Our focus to increase digital engagement between HIE and our customers continued, with 94% of applications and 76% of claims being submitted through our client portal. We recorded interactions with 1,398 organisations and 928 individuals through enquiries, interventions and events, and our reach extended much further. Interventions were recorded for approximately two-thirds of clients with whom we are formally engaged during 2023/24. In future, our ability to record customer reach will be enhanced by new functionality to capture client conversations.

1 <https://www.gov.scot/publications/scottish-economic-bulletin-2024/>

2 <https://www.fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-december-2023/>

3 [FAI Economic Commentary Q1 2024 | FAI \(fraserofallander.org\)](https://www.fraserofallander.org/)

4 <https://www.rbs.co.uk/business/insights/economics/economic-outlook/purchasing-managers-index-reports.html>

5 <https://fraserofallander.org/publications/scottish-business-monitor-2024-q1/>

6 <https://www.hie.co.uk/media/kmkfqbqn/hie-business-panel-report-wave-26-november-december-2023.pdf>

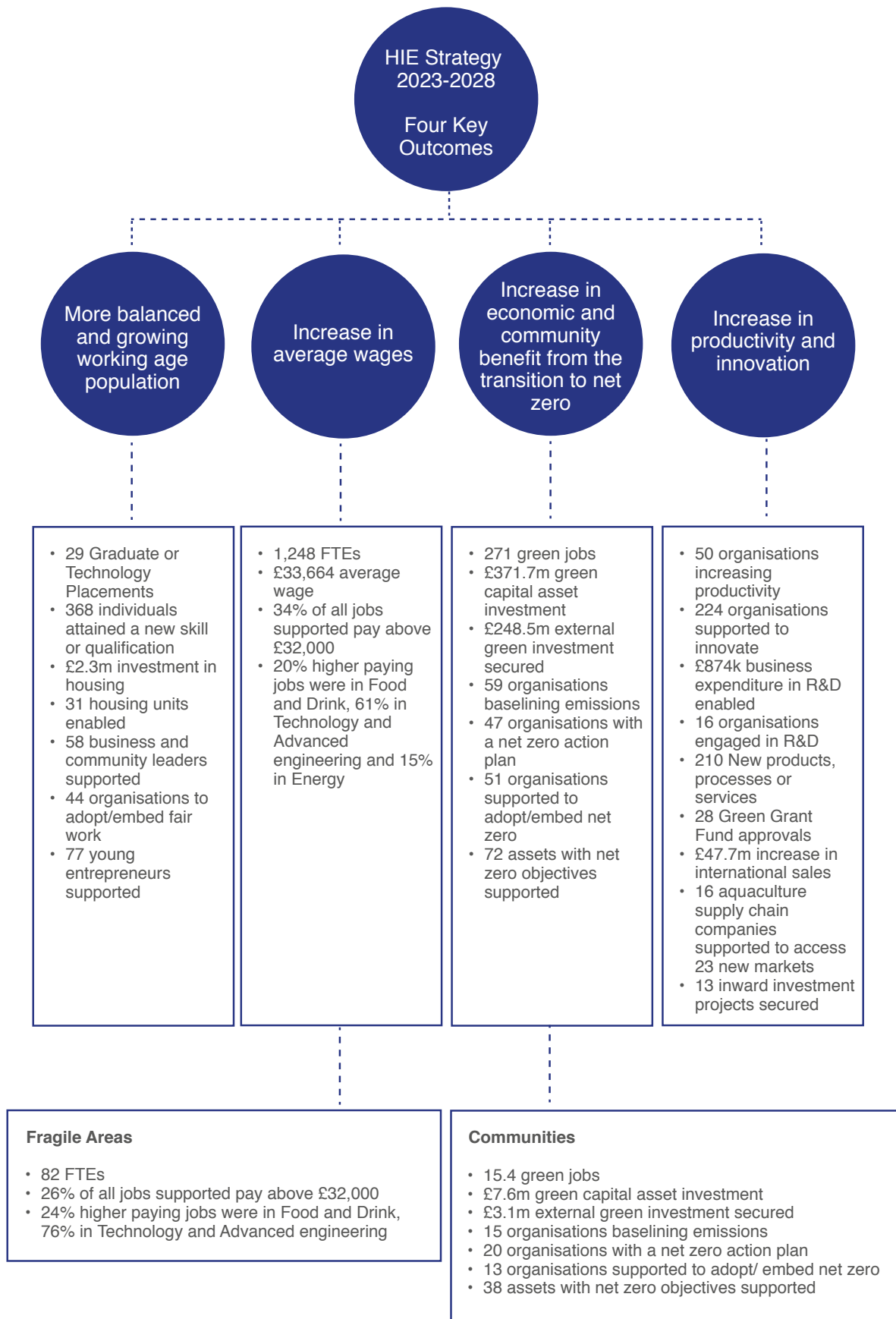
7 <https://www.nomisweb.co.uk/sources/cc>



Horizon Seaweed is a Caithness-based marine biotech business supported by HIE.

HIE STRATEGY KEY OUTCOMES

Our new strategy set out four key outcomes for 2023-2028 (see below). These outcomes are subjects of cross-cutting influence and impact and provide a focus for HIE's approach and delivery. They align clearly with the [National Strategy for Economic Transformation](#), demonstrating HIE's ambition and commitment to contribute positively to Scotland's economy and related [National Performance Framework](#) indicators. In the first year of the strategy, HIE's interventions delivered a substantial contribution towards the key outcomes.



PRIMARY OUTCOME MEASURE	TARGET RANGE 2023-24	FORECAST OUT-TURN 2023-24*		% LOWER BOUND ACHIEVED	PREVIOUS OUT-TURN 2022-23
Capital asset investment (£)	320m – 350m	412.8m	●	129%	116.8m
Green capital asset investment (£)	240m – 270m	371.7m	●	154%	65.7m
External investment secured (£)	40m – 50m	270.9m	●	677%	35m
External green investment secured (£)	10m – 12m	248.5m	●	2485%	15.1m
No. of organisations baselining their CO ₂ e emissions*	100 – 120	59	●	59%	na
No. of organisations supported to develop a net zero action plan*	50 – 60	47	●	94%	na
Increase in business turnover (£)	500m – 550m	619.7m	●	124%	682.7m
Increase in international sales (£)	45m – 55m	47.7m	●	106%	48.8m
Increase in turnover in the social economy (£)	9m – 11m	9.8m	●	109%	8.5m
No. of enterprises Increasing productivity	50 – 60	50	●	100%	na
No. of jobs supported (FTEs)	1,000 – 1,200	1,248	●	125%	1,424
No. of jobs supported in Fragile Areas (FTEs)	150 – 200	82	●	55%	159
No. of green jobs supported (FTEs)	370 – 420	271	●	73%	639
Average salary (£)	£32,000	£33,664	●	105%	35,581

* Performance is forecast as it typically relates to the expected out-turn from our interventions at point of approval and prior to their completion.

CAPITAL AND EXTERNAL INVESTMENT

- Although the majority of capital asset investment and external investment secured related to Sumitomo, 197 other interventions secured external investment and 174 interventions invested in capital assets. As well as large out-turns with inward investors and distillers, this included 158 interventions with community organisations across the region to secure investment of £17m and to invest £15m in assets.

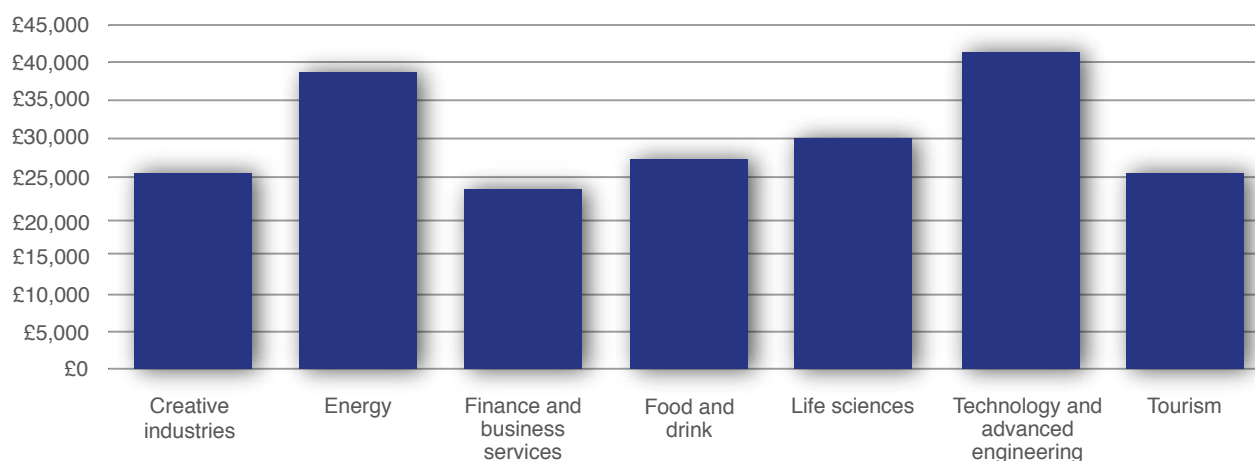
TURNOVER, INTERNATIONAL SALES AND PRODUCTIVITY

- Food and drink was among the highest contributing sectors to support an increase in business turnover. Whilst this is in part due to the out-turn from a significant investment (Aquascot), there was also an increasing focus on food and drink with 24 interventions supporting business turnover in the sector. This compared with 20 interventions in tourism, 13 in technology and advanced engineering and 10 in creative industries.
- Tourism, whilst contributing a proportionately lower amount to business turnover was amongst the top three sectors for international sales, suggesting a focus on retaining levels of turnover by growing international trade. This contrasts with an approach in food and drink that saw rises in turnover keeping pace with increasing international sales.

JOBS SUPPORTED AND AVERAGE WAGES

- 1,248 FTEs were supported during the year (56% created, 44% retained). A quarter of all jobs supported were green jobs (271, 22%), 58% of which resulted from investment in Sumitomo. However, a stretching target was set for green jobs that was met this year.
- Projects in Technology and Advanced Engineering contributed most significantly to our employment measures (31%, 387 FTEs). Excluding the Sumitomo investment, the highest contributing sector was food and drink (327 FTEs) boosted by 173 FTEs for Aquascot Ltd (HQ), with the energy sector coming second highest. This aligns with levels of investment in these sectors.
- Tourism, which was among the sectors receiving the highest value of investment, supported a lower number of jobs (112 FTEs) compared to food and drink (327 FTEs). The out-turn for increasing productivity remained similar in both sectors.
- Our fragile area employment out-turn was significantly behind target with 82 FTEs and 4 temporary FTEs supported this year against a target of 150-200. The socio-economic conditions have impacted these areas more, particularly the availability of labour and skills, housing constraints and transport provision. These factors, along with inflationary pressures, may have impacted on business plans.
- The number of jobs supported in fragile areas is just over half that of last year (159). Two-thirds of the fragile jobs this year were in two areas, Argyll and the Islands (29 FTEs) and Outer Hebrides (25 FTEs) and 40% within the food and drink sector (33 FTEs). In 2022/23, more than half of the fragile jobs we supported were in Caithness and Sutherland (88 FTEs, 55%) with 28 FTEs for Sutherland Spaceport Ltd and 28 for Highland Coast Hotels Ltd.
- The average wage of jobs supported was £33,664, boosted by higher paying jobs in sectors such as Technology and Advanced Engineering, and Energy. 34% of jobs supported this year had wage levels above HIE's target of £32k.
- Whilst the average wage is slightly lower than that of 2022-23, removing the significant outlying projects which skew trend analysis over the past three years (Sumitomo, Ross-shire Engineering Ltd and Scottish Salmon Ltd (Bakkafrost) respectively), indicates the average wage is significantly higher this year at £30,231 (v £27,294 in 2022/23 and £25,892 in 2021/22).

Average wage by sector



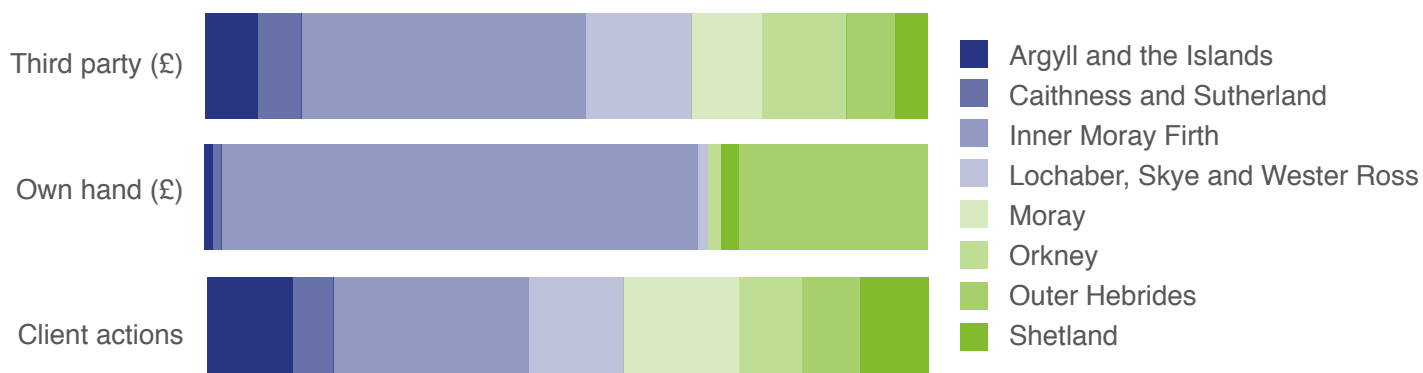
NET ZERO

- The shift in focus to net zero greenhouse gas emissions led to support for clients to baseline their emissions and create net zero action plans. The Green Grant Fund supported 28 clients, all of whom were required to perform these tasks.
- 60% of the clients supported to develop a net zero action plan were assisted with staff resource as part of HIE's shift to alternative means of client support, with Moray and Shetland the highest contributing areas for this outcome.

INVESTMENT

- £56.8m (£51.9m GIA) was approved to support 339 projects with a total project cost of £426.9m. The total value of approvals was down from £63.2m in 2022/23, broadly in line with budget reduction.
- 43% of the total approval amount (£24.5m) related to Sumitomo Electric UK Power Cables Ltd against a total project cost of £351.2m.
- Almost three quarters of the total approval amount was for third party projects (£41.3m), with own hand projects accounting for £15.5m. More than half of own hand investment relates to six projects including investment in Cairngorm, Arnish and Inverness Campus.
- 85% of the financial commitment made by HIE in 2023/24 (excluding any costs associated with running HIE's business) was in businesses, communities and infrastructure with specific geographic focus (both third-party and own-hand investment). The remaining 15% related to regionwide activities including sectoral initiatives, research and evaluation, as well as costs associated with the Inverness and Cromarty Firth Green Freeport, the Scottish Land Fund, Space and Gaelic Plan activities.
- £3.4m of financial assistance was committed to 86 projects with 71 community organisations. Investment in communities had a strong focus on infrastructure and asset development, supporting 131ha land in community ownership, 89 community assets and enabling 31 housing units. Investment in housing was enabled in Caithness and Sutherland; Lochaber, Skye and Wester Ross, and Orkney.
- The tourism sector had the highest number of interventions, followed by food and drink. Life sciences, universities, and finance and business services received lower levels of support by volume and value.

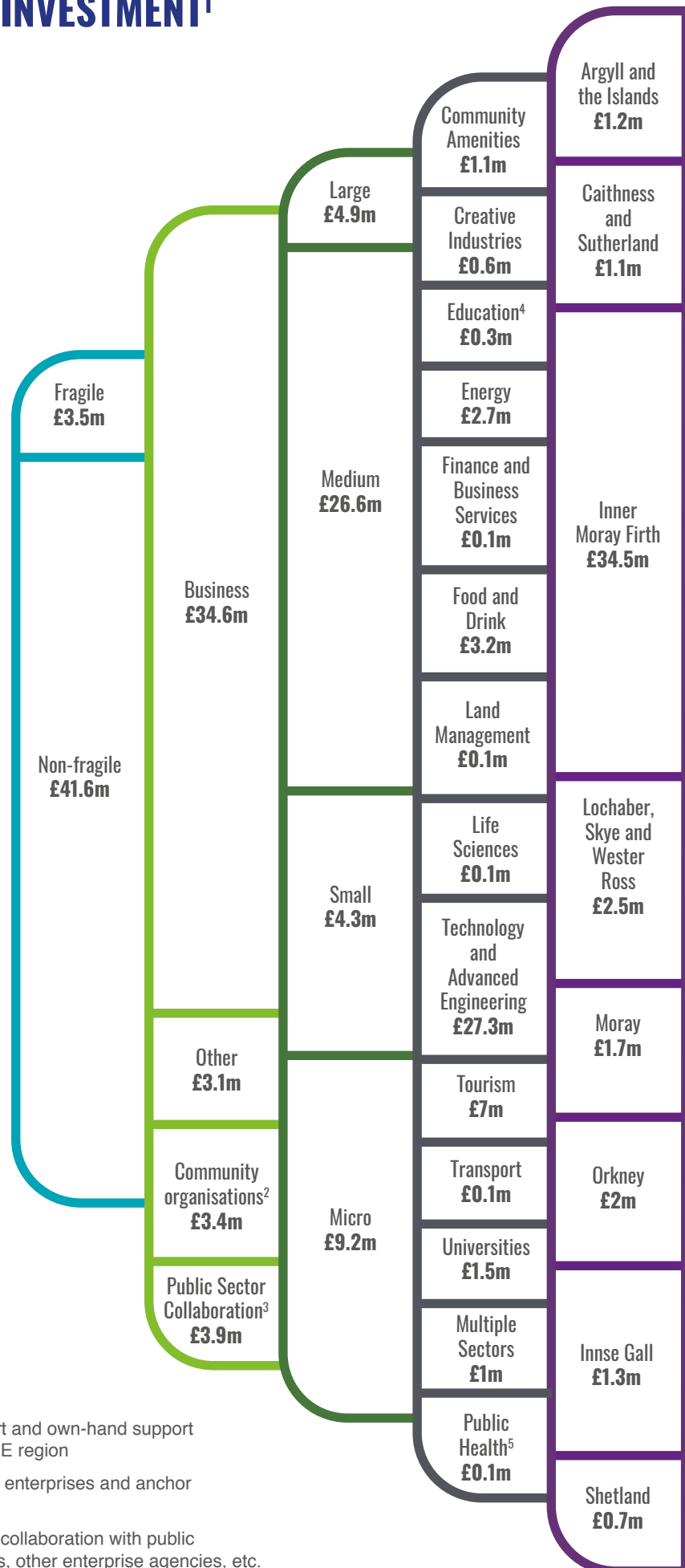
- Financial investment was higher in non-fragile areas overall, though excluding Sumitomo, this would be proportionately higher in fragile areas compared to population distribution. The subsea cable factory investment also heavily weights the proportion of investment in terms of client type, size, sector and geography. Tourism, food and drink, and energy are the other sectors receiving substantial amounts of investment.
- The proportion of financial support in fragile areas compared to non-fragile areas was highest in the Outer Hebrides (64%), Lochaber, Skye and Wester Ross (59%) and Argyll and the Islands (58%). These proportions were lower in Shetland (20%), Orkney (12%) and Caithness and Sutherland (12%). The higher contributors were influenced by larger investments in strategic projects, such as Kishorn Port and Mull and Iona Community Trust.
- An additional focus for community development was skills development, including upskilling individuals and growing leadership skills alongside adopting fair work.
- 254 client actions contributed to key outcomes, representing 59% of the total number of contributing interventions. These client actions generated on average 15% of key out-turns. Common forms of support included engaging clients with the export advisory service, access to trade events, Scottish Land Fund and the Business Start-up scheme. Almost three-quarters (72%) of client actions supported a total of £11.5m of external investment in social enterprises and anchor organisations and developed community assets, this includes out-turn relating to delivery resource as well as HIE staff resource for guiding and supporting community development.
- In relation to population share, investment was significantly higher in the Inner Moray Firth compared to the previous two years (77% v 34% population). The lowest share of investment was in Argyll and the Islands (6% v 14% population) and Moray (8% v 20% population). However, excluding Sumitomo, Orkney received the highest per capita investment followed by Lochaber, Skye and Wester Ross.
- For projects with a location-specific focus, the average intervention rate overall was 56%, ranging from an average of 42% to 72% across different sectors.
- There was a major focus on technology and advanced engineering (TAE). Excluding Sumitomo, however, TAE investment was comparable with the energy sector.



LOCATION-SPECIFIC INVESTMENT¹

£45.1m investment approved in

284 interventions



¹ Investment includes all third party support and own-hand support that targets specific locations within the HIE region

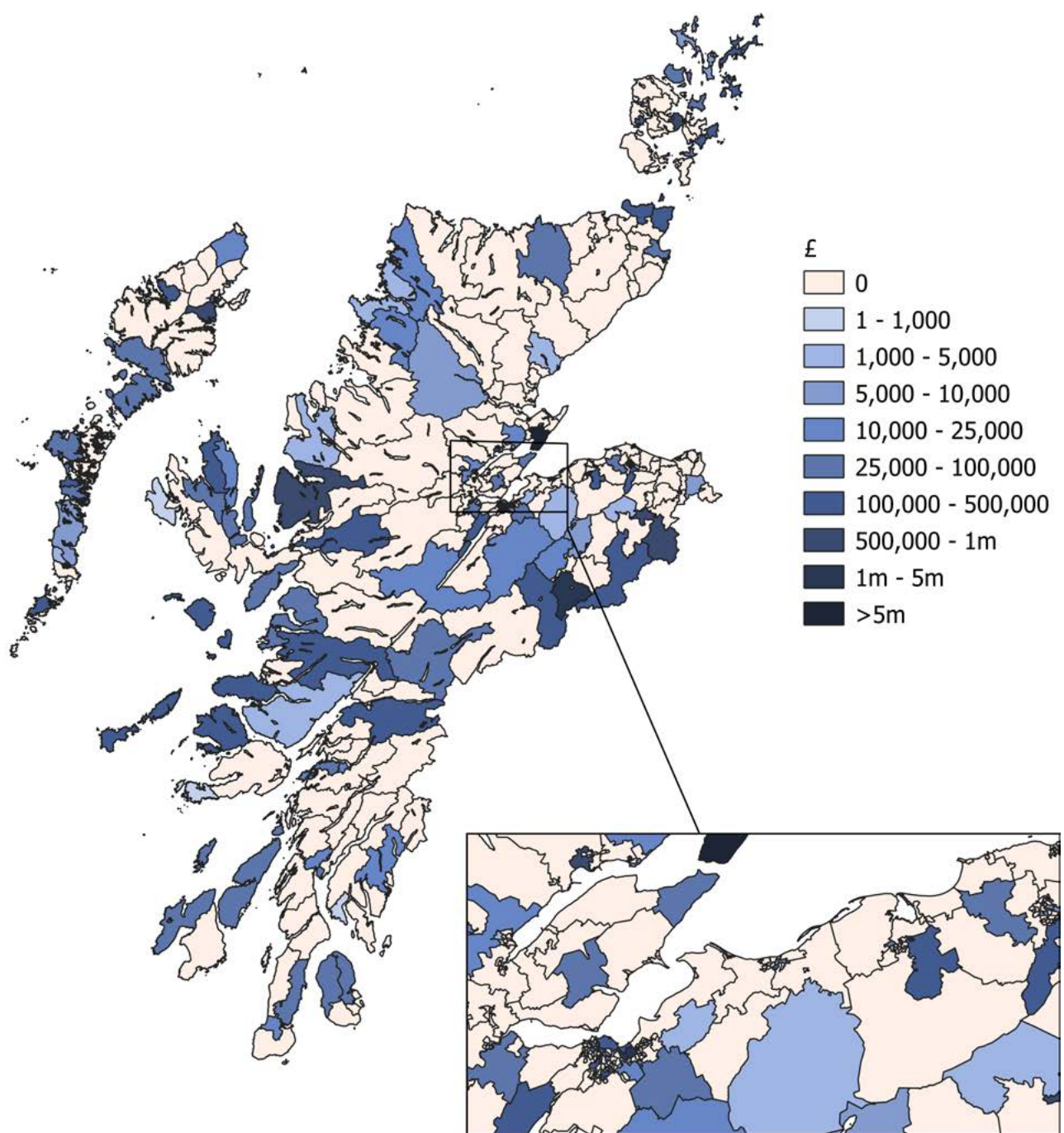
² Community organisations includes social enterprises and anchor organisations

³ Indicating support targeting the region in collaboration with public sector organisations such as local councils, other enterprise agencies, etc.

⁴ Education, Training and Employment

⁵ Health, Housing, Environment, Sport

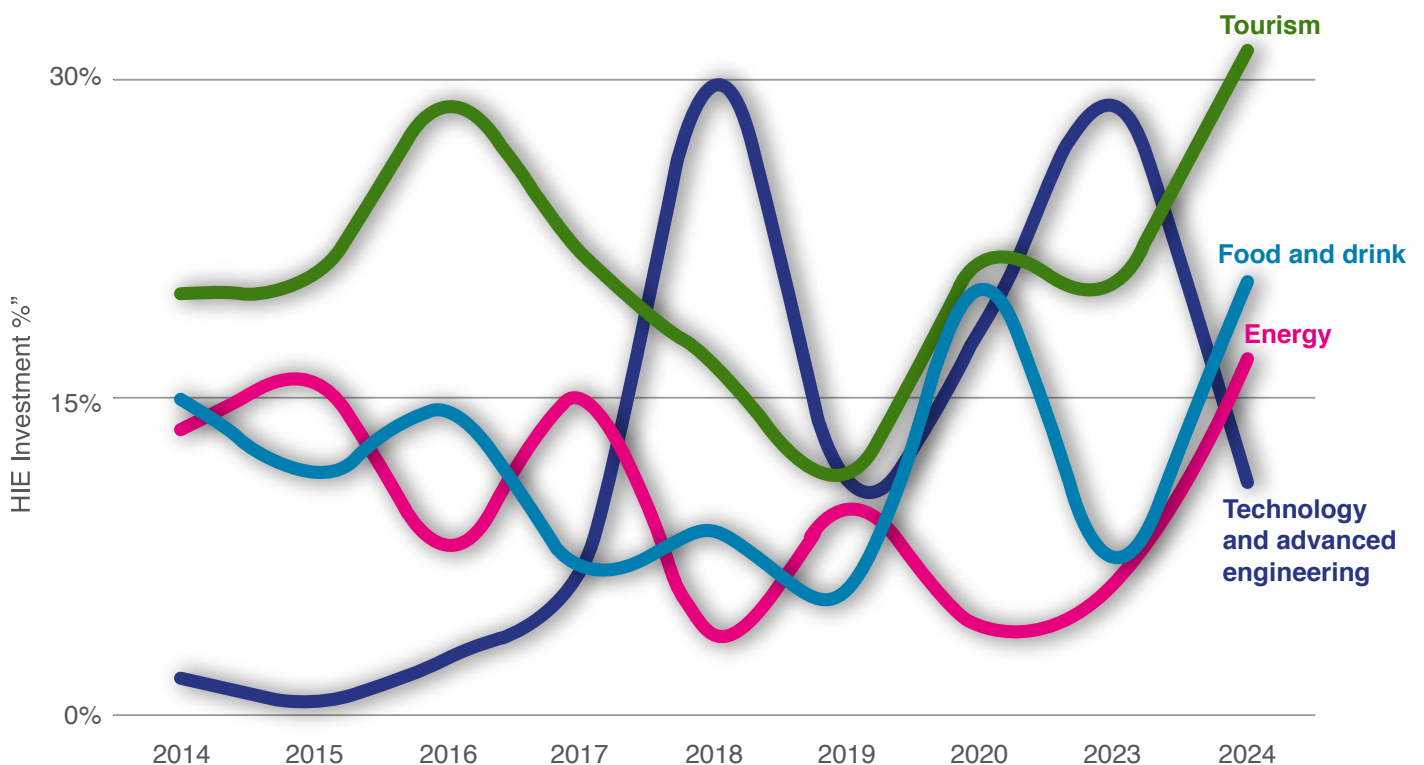
	Population %	Investment % Excluding Sumitomo	Investment % Including Sumitomo
Argyll and the Islands	14	5.8	
Caithness and Sutherland	8.1	5.4	
Inner Moray Firth	33.7	49	77
Lochaber, Skye and Wester Ross	8.5	12.2	
Moray	20.4	8.3	
Orkney	4.8	9.6	
Outer Hebrides	5.6	6.2	
Shetland	4.9	3.5	

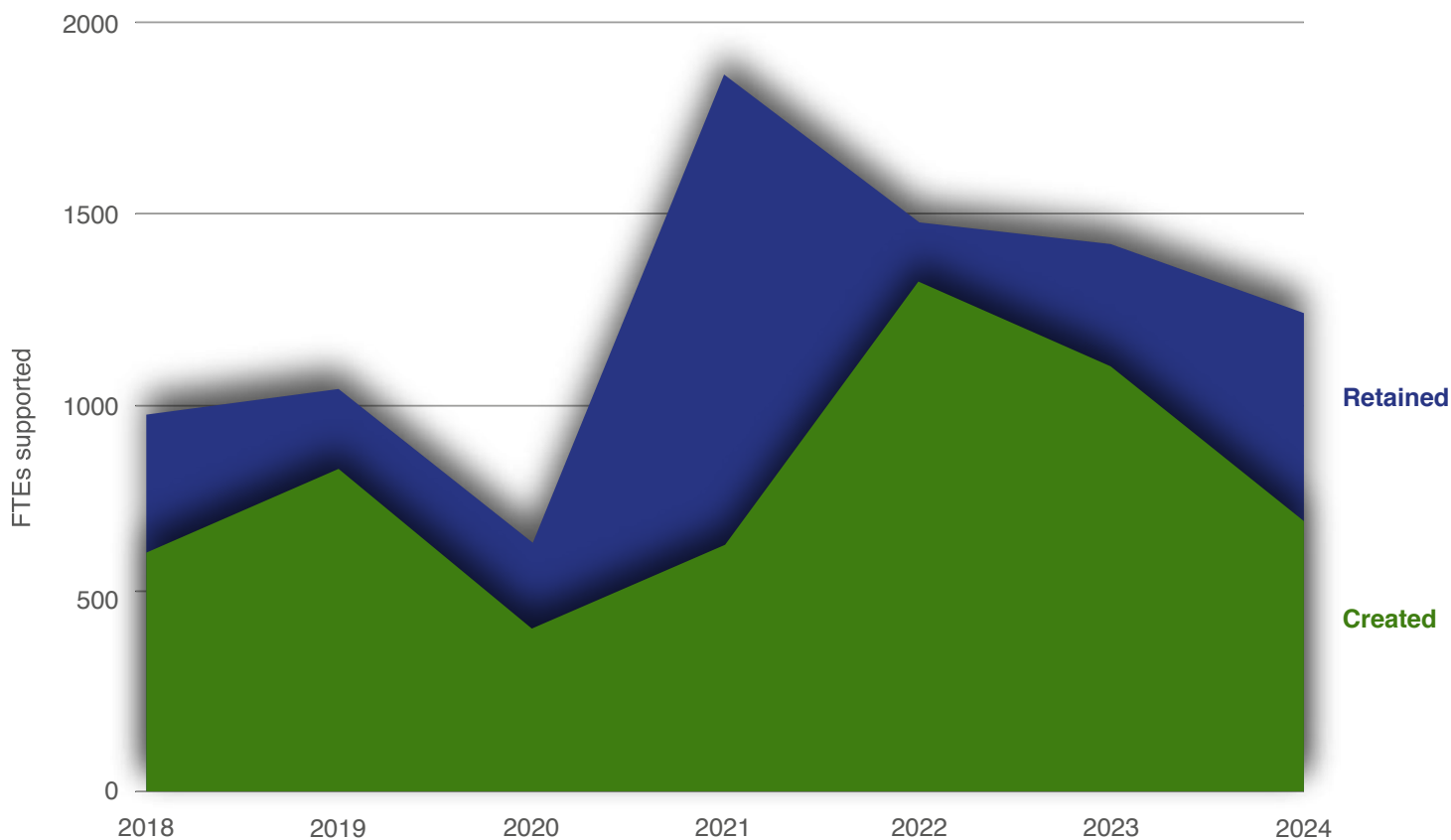


- The volume of project activity and the level of investment remained relatively high for the tourism sector but less so in food and drink, with a lower average intervention rate. Energy was lower still on all counts.
- Without the influence of own-hand projects, funding directed at Cairngorm Mountain (Scotland) Ltd (CMSL) and support delivered through the Specialist Advice Framework (all typically 100% funded), the average intervention rate drops to 50%, remaining a little higher in fragile areas (54%).
- Community organisations received higher intervention rates (58%) than businesses (46%) and account for many of those who received support at 75% or higher.

PROPORTION OF THIRD-PARTY INVESTMENT, 2014-24

- Third party investment in the tourism sector was the highest in ten years and there is a general upward trend in investment in the sector since 2019. This is in part due to the focus on productivity and the transition to net zero among HIE-supported businesses, where tourism presents opportunities for improvement. The proportion of investment in the food and drink and energy sectors shows a recent upward trend that may be the result of this same shift in focus towards productivity and net zero.
- Technology and advanced engineering, whilst among the highest contributors to out-turns in 2023/24, experienced a reduction in investment. As noted, TAE was the recipient of the year's largest investment, however such investments do not describe patterns in HIE's activity and Scottish Government funding for Sumitomo was ring-fenced solely for that purpose.
- The chart illustrates the pattern in the proportion of third-party investment in four key sectors over the past ten years, removing larger HIE investments (greater than £3m) so that underlying trends can be observed more clearly.





EMPLOYMENT OUTPUT

- The number of jobs supported by HIE was significantly higher in the three-year period 2021-2024 than in 2018-2021. Output in 2020-21 remains the highest, this was due to the strong focus on job retention which outstripped job creation by a factor of two. Job creation was higher than retention in 2022-24 and was higher than pre-pandemic levels with just 11% retained in 2021/22 and 22% retained in 2022/23.
- In 2023/24, the proportion of retained jobs increased to 44%. This aligns with observations made on the region's labour market and recruitment challenges as well as HIE's growing focus on productivity.

PERFORMANCE ANALYSIS CONCLUSIONS

HIE's performance demonstrates a breadth of output and achievement despite budgetary challenges, with good evidence of contributions towards our new key outcomes, targets and objectives.

To progress our strategic ambitions, there will be a need during 2024-25 to:

- increase focus on interventions that contribute directly to the achievement of our four key outcomes;
- intensify support for time-limited regional transformational opportunities;
- support place-based development, particularly in our inclusive growth focus areas where the conditions to support socio-economic growth are more challenging and/or economic performance is lower than average for the region; and
- progress our commitment to net zero set out in the HIE Strategy 2023-28 and our new vision.

FINANCIAL MANAGEMENT COMMENTARY

This section provides commentary to support the Financial Statements and our performance during financial year 2023/24 plus a brief section on future financial outlook. The Financial Statements are set out from page 60. Note 4 to the Financial Statements on page 73 details the net operating costs for each of the segments below and notes 5 to 10 on pages 75 to 78 set out the expenditure and income in detail. Below are the largest movements in spend, comparing 2023/24 to 2022/23.

DISCRETIONARY SPEND £22.2M (£2.8M INCREASE)

Generally, this is expenditure that is controlled and directed by HIE's area teams (which cover eight geographical areas within the region) and sector teams (which cover region-wide sector activity). The key reason for the increase in discretionary spend compared with 2022/23 was that c£1.5m of Covid-related spend was reported separately in 2022/23. In 2023/24, this was replaced by 'business as usual' spend.

PRIORITY INVESTMENTS £28.8M (£7.7M DECREASE)

Priority investments are generally those that are too significant to be managed within a discretionary budget and are therefore funded via a top-sliced central budget.

Overall, the spend on this category decreased by £7.7m. The key reduction was in spend on the Cairngorm funicular reinstatement works (£11.6m lower). Other significant differences included the fact that there was £4.3m of spend on capitalising the lease under IFRS 16 at Melness, Sutherland for Sutherland Spaceport in 2022/23 and there was no similar spend in 2023/24.

However, underlying top-sliced spend was c£7.6m higher in 2023/24 due mainly to increased investment in infrastructure delivered at HIE's own hand alongside increased spend on capital grants. This increase was funded by exceptional income received in-year.

There was an increase in loans funded by the Financial Transactions budget of £1.0m

BUSINESS SUPPORT £6.3M (£0.5M DECREASE)

Business support relates to internal expenditure which directly supports the frontline activities of the organisation, for example, irrecoverable VAT and property factoring costs. The lower spend in 2023/24 was primarily due to the timing of payments towards the HIE Pension Scheme Recovery Plan.

CAIRNGORM MOUNTAIN (SCOTLAND) LTD (CMSL) AND CAIRNGORM PROJECT COSTS £2.0M (£0.2M INCREASE)

CMSL is a subsidiary of HIE that operates on the mountain. For 2023/24, the Scottish Government changed its approach to funding net operating costs in relation to CMSL and Cairngorm project costs – a set budget was provided at the beginning of year, whereas in prior years the final outturn was covered via an authorised overspend. The increase in spend was the result of the requirement to remove the funicular railway from operation to allow defects remediation works to be undertaken, which had a detrimental financial impact.

WAVE ENERGY SCOTLAND (WES) £3.4M (£0.8M DECREASE)

Wave Energy Scotland (WES) is a subsidiary of HIE whose purpose is to research and develop wave energy technology that can survive in real world conditions. It receives specific funding via HIE from the Scottish Government and does not draw upon HIE's core funding. The opening WES budget and expenditure in 2023/24 was £0.8m lower than in 2022/23. This reflects the profile of the WES programme.

COVID SUPPORT £0M (£1.7M DECREASE)

HIE did not make any Covid-specific interventions in 2023/24.

OTHER INCOME LESS OTHER EXPENDITURE (EXCLUDING COVID SUPPORT) £0.6M (NO CHANGE)

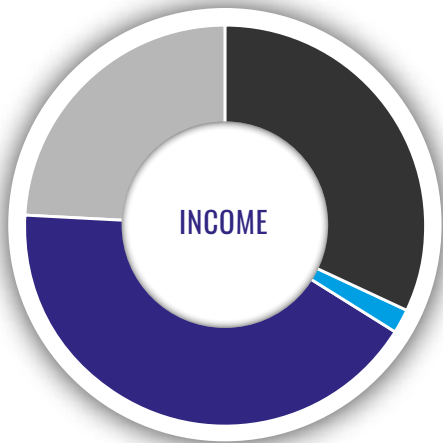
This comprises income and expenditure which is funded via the Inverness and Highland City-Region Deal, Scottish Land Fund and other similar income and expenditure streams, as well as Expected Credit Losses (ECLs). ECLs are an allowance for expected losses from loans, which can show a credit balance if an ECL is released due to a loan being brought back on track. The decrease relates to ECLs, which showed a debit balance of £0.5m in 2022/23 and a debit balance of £0.5m in 2023/24.

INCOME FROM EUROPEAN FUNDS £0.2M (£1.1M DECREASE)

European income decreased in 2023/24 due to reduced spend on projects that attract European funding.

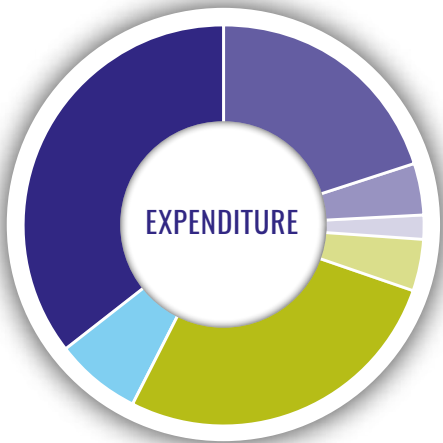
MANAGEMENT, STAFF AND ADMINISTRATION COSTS £16.6M (£1.3M INCREASE)

Salary costs were £0.5m higher in 2023/24 due to the level of pay award. IT costs and premises costs were £0.2m and £0.3m higher respectively. Note that premises spend had been reduced by £0.2m in 2022/23 due to a change in accounting policy relating to stepped leases.



- GIA Revenue 24%
- GIA Capital 42%
- GIA Financial Transactions 2%
- EU income 0%
- Other Trading 32%

Total Income £87.014m



- Regional Significant Investments 35%
- Business Support 8%
- Discretionary Spend 27%
- Wave Energy Scotland 4%
- Cairngorm 2%
- Other Expenditure 4%
- Admin 20%

Total Expenditure £82.529m

The table below summarises the year's expenditure against budget in a format that reflects categories of budget and budget timetable as set by the Scottish Government.

FINANCIAL OUTTURN 2023/24	OPENING BUDGET ALLOCATION	AUTUMN BUDGET REVISION	SPRING BUDGET REVISION	FINAL BUDGET ALLOCATION	SPEND	(OVER) / UNDERSPEND
	£000	£000	£000	£000	£000	£000
Resource Budget	29,862	66	(9,252)	20,676	21,444	(768)
Capital Budget	28,430	1,694	6,516	36,640	30,980	5,660
Financial Transactions Expenditure	1,900			1,900	2,307	(407)
	60,192	1,760	(2,736)	59,216	54,731	4,485
Non-cash costs including depreciation	2,500	673	-	3,173	2,196	977
Total	62,692	2,433	(2,736)	62,389	56,927	5,462
Annually Managed Expenditure	-	-	13,000	13,000	9,587	3,413
Total Budget/Spend	62,692	2,433	10,264	75,389	66,514	8,875

It should be noted that the £9.25m reduction in Resource budget as part of the Spring Budget Revision was largely a result of a decision by the Scottish Government to claw back a significant proportion of the £11m income that HIE received in 2023/24. This income was a result of an out-of-court settlement with the parties involved in legal cases relating to the original design and construction of the Cairngorm funicular railway in the 1990s and early 2000s and guarantees in place with the previous operator and its main shareholder.

The resource budget covers day-to-day expenditure including staff salaries, consumables spent directly by HIE and grants to clients for similar categories of expenditure. It is supplemented by other forms of income, such as EU funding and income from property rentals. This budget also covers Expected Credit Losses, which relates to equity or loan provisions and write-offs. The resource budget showed an overspend of £0.77m, which related to a clawback of European funding. This overspend was covered by the Scottish Government as an authorised overspend.

The capital budget covers expenditure that tends to be one-off in nature, usually on assets whose lives extend beyond the current financial year. Examples would include expenditure on purchasing property as well as research and development. It also includes grants to third parties for similar categories of expenditure. The budget is supplemented by other forms of income, such as EU funding or property sales. The capital budget showed an underspend of £5.66m due to HIE receiving additional income in-year.

Financial transactions (FTs) are funding that is available from Scottish Government to support investment in companies or the provision of loans. Unlike resource or capital, this funding is effectively a loan to HIE from the Scottish Government. The FT budget showed an overspend of £0.41m due to the approval of a loan towards the end of the financial year. This was covered by the Scottish Government as an authorised overspend.

The budget for non-cash costs covers technical accounting charges such as asset depreciation that do not include cash spend. This budget cannot be used to support resource or capital expenditure. The non-cash budget showed an underspend of £0.98m.

The budget for annually-managed expenditure (AME) covers volatile costs such as changes in provisions that cannot be controlled in-year. This budget cannot be used to support resource or capital. The budget showed a £3.4m underspend as the increase in pension liabilities was lower than expected.

Further details of HIE's financial outturn against the budget allocated by the Scottish Government for 2023/24 are included within the Parliamentary Accountability and Audit Report section of the Accountability Report.

SIGNIFICANT ITEMS IN HIE'S STATEMENT OF FINANCIAL POSITION (NOTE THESE NUMBERS REFLECT THE GROUP POSITION INCLUDING SUBSIDIARIES)

Overall the Statement of Financial Position (SoFP) shows a movement from net asset position of £2.6m in 2022/23 to a net asset position of £3.6m at the end of 2023/24.

Property, plant and equipment of £43.5m is £0.2m higher than prior year. The marginal increase relates to our infrastructure investment strategy.

Finance lease receivables relating to IFRS16 have remained at £4.2m. These assets relate to land and building where the leased land and building has been sublet to a third party where the third party also received the risks and rewards of the right of use.

Intangible assets increased by £0.2m in the year to £2.4m following further development of a core customer relationship management (CRM) system and the start of the upgrade of our Finance System.

Financial assets increased by £1.7m due to new loans supporting the whisky, renewable energy and third sector in the year.

Investments in associates was unchanged at £0.9m.

Trade and other receivables of £12.9m are £0.8m higher than 2022/23. The increase is primarily due to an increase in accrued income.

The increase in cash and cash equivalents of £6.4m to £15.7m at the year-end relates to the cash drawn to support capital investment which was not complete by the end of the financial year plus an increase in trade payables/accruals.

Assets held for resale of £1.8m were £0.8m lower than in 2022/23 due to the timings of our asset disposal programme.

Trade payables and other current liabilities of £12.3m have increased by £3.1m due to retentions held on capital projects, EU refunds and repayments due to Scottish Government in relation to Financial Transaction funding.

Taxation and current lease liabilities are relatively unchanged at £0.7m and £0.5m respectively.

Current year provisions of £0.5m relate to potential repair cost of lease properties which HIE may vacate within the next 12 months. These were previously provisions of greater than one year.

Non-current trade payables and other liabilities decreased by £0.3m to £8.3m due to deferred EuropeWave project funding of £2.1m moving to current liabilities and an increase of £1.8m due to Scottish Government in relation to Financial Transactions funding.

Non-Current provisions have reduced by £0.7m to zero due to the provision now being due within 1 year.

Non-current lease liabilities have decreased by £0.6m to £14.0m.

Retirement benefit obligation £45.5m is £5.3m higher than the prior year. The net liability position in respect of the HIE pension scheme has increased by £7.0m as a result of higher than anticipated pay awards and inflation. This has been partially offset by a net asset position on the Local Government Pension Scheme, of which £1.6m can be recognised in the SoFP under IAS 19.

The liability for the HIE Pension Scheme will take decades to crystallise and therefore does not represent an immediate risk to HIE's cashflow. In addition, the Scottish Government has provided a legally binding guarantee of its willingness to 'stand behind' the HIE pension scheme. HIE has a pension recovery plan in place in relation to the HIE pension scheme, which was agreed with the HIE pension trustees in 2021 and will be reviewed in light of the triennial valuation that is due in 2024.

FUTURE OUTLOOK

HIE's 2024/25 opening capital budget allocation was lower than had been anticipated, based on the five-year indicative capital budget released by The Scottish Government in January 2021. HIE's opening allocation of £23.2m comprises £23.0m of 'core' funding and £0.2m for Cairngorm funicular reinstatement. The reduction in 'core' funding compared with the equivalent 2023/24 figure is £2.6m (10.2%). There is no budget for the Green Jobs Fund (compared with £1.4m in 2023/24).

HIE anticipates receiving an additional £3.6m capital budget via the Scottish Government to contribute to the establishment of a subsea cable manufacturing facility within the region, subject to agreement with the private sector. In addition, HIE anticipates £7.7m of clawback income from BT in respect of the former Digital Scotland Superfast Broadband (DSSB), plus £1.25m of income from the Nuclear Decommissioning Authority in respect of Sutherland Spaceport.

HIE's 2024/25 opening resource budget allocation of £27.9m represents a £1.5m (5.1%) reduction on the previous year. This reflects the very challenging budgetary position facing the Scottish Government and comes on top of a 10.4% reduction in 2023/24.

HIE has not been allocated any budget for Financial Transactions (FT) in 2024/25 (compared with £1.9m in 2023/24). This means that any loans or equity investments that HIE makes in 2024/25 will need to be scored against capital budgets.

HIE faces the following principal financial risks in 2024/25:

- Potential operating losses with Cairngorm Mountain (Scotland) Limited
- Costs associated with the Machrihanish site near Campbeltown
- Reduction in EU income and potential for previously anticipated income (and / previously paid income) to be written off / clawed back
- Potential loan write-offs in view of challenging trading conditions

The financial outlook beyond 2024/25 is likely to be exceptionally challenging, both in terms of resource and capital. At the time of writing, the Scottish Government has deferred publication of its Medium-Term Financial Strategy (which had been due in May 2024). The extant MTFS is therefore the one published in May 2023. This set out the continuing challenges in the fiscal environment, following on from the previous Strategy. The Strategy does not present figures at a sufficiently detailed level to draw conclusions specifically for HIE.

In discussion with the Scottish Government, HIE has continued to use the figures communicated in 2022 as the basis for its financial modelling – however, the evidence from the 2024/25 settlement indicates that future settlements may be tighter than had been set out in 2022. HIE believes it is well placed to contribute to delivering a fair, green and growing economy and will continue to engage with the Scottish Government throughout the budget-setting process for 2025/26 and onwards.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION

There are no events after the Statement of Financial Position.

PAYMENT TO CREDITORS

The following table shows HIE's performance in meeting standards of service:

STANDARD	PERFORMANCE	
	2023/24	2022/23
In line with government policy, HIE aim to pay all invoices promptly - target 10 days Note: excludes items under dispute or where other terms are agreed with a supplier	79%	65%



OUR PEOPLE

Throughout 2023/24, we continued development and delivery of Our People Strategy which defines HIE’s ambition for its workforce through eight strategic people themes with corresponding actions and performance indicators.

Our Workforce Plan focuses on the strategic theme of attracting, retaining and developing a workforce with the required skills, of the right size, shape, age profile cost and agility, and is supported by the Workforce Planning Forum.

Over the year, we prioritised:

- workforce/succession planning;
- health and wellbeing;
- supportive and inclusive workplace culture;
- line management development;
- identification of skills gaps and development needs, and
- effective staff communication and engagement



The Workforce Planning Forum was embedded as a corporate mechanism to:

- review and prioritise workforce resources;
- balance savings that need to be delivered to fund our current pay award;
- ensure resources are targeted to client-facing delivery, and
- address succession issues, given HIE's workforce demographic.

We are purposefully developing our young workforce through targeted recruitment of graduates and modern apprentices. Our initial cohort of graduates has now been made permanent to provide career security and development.

2023 saw the negotiation and implementation of a competitive two-year pay award. HIE has been accredited as a Real Living Wage employer since 2016 and supports national initiatives including commitment to the Social Impact Pledge, the Armed Forces Covenant and the Young Person's Guarantee.

HIE has a strong focus on health and wellbeing as a key driver for Fair Work, employee engagement and performance. Employee wellbeing underpins our organisational culture of delivery and success. Mental wellbeing remains high on our agenda. We offer a comprehensive employee assistance program (EAP), independent counselling services, mental health support and resources for work-life balance as well as an in-house mental health first aider programme and an externally-provided occupational health service.

Most of our employees blend some time working from home along with being in the office. Current practices, performance and feedback demonstrate that hybrid working is proving effective and is seen by the majority of employees as a positive benefit.

Encouraging and embracing inclusivity and diversity aims to ensure employees are fully aware of current legislation and protection in relation to bullying, harassment and victimisation. A new pathway is being developed to promote HIE's commitment to safety and dignity at work for all employees. The Dignity at Work Pathway will contain bite-sized learning sessions, delivered using a range of methods to suit various learning styles.

HIE is committed to continuing our equality, diversity and inclusion journey, and over the last year equal opportunity and support for neuro-inclusion has been a natural next step. Over the year, we focused on fostering an environment that celebrates neurodiversity, encourages open communication, and ensures everyone can contribute their talents and abilities.

Our [2023 Equality Mainstreaming report](#) provides details of how we mainstream equality in all our activities, with evidence and analysis of how we've performed against a range of equality outcomes.

Our HR team launched a suite of in-house training modules on performance management, attendance management, flexible and hybrid working, employment law essentials, dignity at work and menopause support. We introduced a mentoring programme and continued to support personal and career development initiatives including networking, coaching, further education, and professional development.



Our Staff Forum, with representation from across the organisation, met regularly through the year. Terms of reference were reviewed and membership refreshed to ensure all employees have a voice. Frequent HR and line management clinics ensured our employees remained well informed and had opportunities to raise issues, ask question and influence decision-making.

Our annual all-staff conference, *Delivering for Success*, took place in November 2023 with a packed agenda combining in-person workshop meetings in all our premises with virtual sessions focusing on themes around strategy development, collaboration, effective and efficient delivery.

HIE's Leadership Team has re-emphasised the importance of the performance review and development planning process in managing, developing and supporting employees. Corporate objectives introduced to HIE's online process include innovation and continuous improvement, consequence management and dignity at work.

Individual actions to support net zero ambitions have also been incorporated into our performance review process and organisational values. Achievement of silver Carbon Literate Organisation accreditation reflects our work to provide accredited carbon literacy training across the organisation.

PUBLIC INTEREST REPORTING

INFORMATION REQUEST PROCESSING

As a publicly funded organisation, HIE is committed to full compliance with the Freedom of Information (Scotland) Act 2002 (FOISA), Environmental Information (Scotland) Regulations 2004 (EIRs), and the Data Protection Act 2018.

In 2023/24, HIE received and dealt with 100 requests for information. These comprised 95 requests under FOISA and 5 EIRs.

INFORMATION REQUEST HANDLING PERFORMANCE

	2023/24	2022/23
Average time to respond fully and close a request for information	13 days	12 days
Percentage of requests requiring a response that received one within statutory timescales	98%	91%
Percentage of requests that received a late response	2%	9%
Percentage of requests requiring a response that were fully or partially disclosed	86%	100%
Percentage of requests that were vexatious	1%	0%
Percentage of requests withdrawn	0%	0%
Percentage of requests for which HIE did not hold information	10%	22%

FOISA EXEMPTIONS AND EIRS EXCEPTIONS APPLIED TO REQUESTS

The tables below show the number of occasions when FOISA exemptions or EIR exceptions were applied by HIE when responding to information requests during 2023/24.

SECTION OF ACT (FOISA)	DESCRIPTION OF EXEMPTION	2023/24	2022/23
30 (b) or (c)	Prejudice effective conduct of public affairs / Free or frank exchange of advice	7	13
33 (1) (b)	Commercial interests and the economy	7	18
38 (1) (b)	Breach of data protection principles / third party personal data	7	13
36 (2)	Confidentiality of communications	1	1
27	Information intended for future publication	0	1
25	Information otherwise accessible	5	1
17	Information not held	14	17

REGULATION (EIR)	DESCRIPTION OF EXCEPTION	2023/24	2022/23
10 (4) (a)	Information not held.	1	0
10 (4) (d)	Material still in the course of completion	2	0
10 (5) (a)	Public safety	1	0
10 (5) (d)	Confidentiality of Information.	1	0
11 (2)	Personal data	2	1

SUSTAINABILITY

HIE is committed to reducing greenhouse gas emissions from its operations and will support the Scottish Government’s ambition to end the country’s contribution to climate change and achieve net zero no later than 2045.

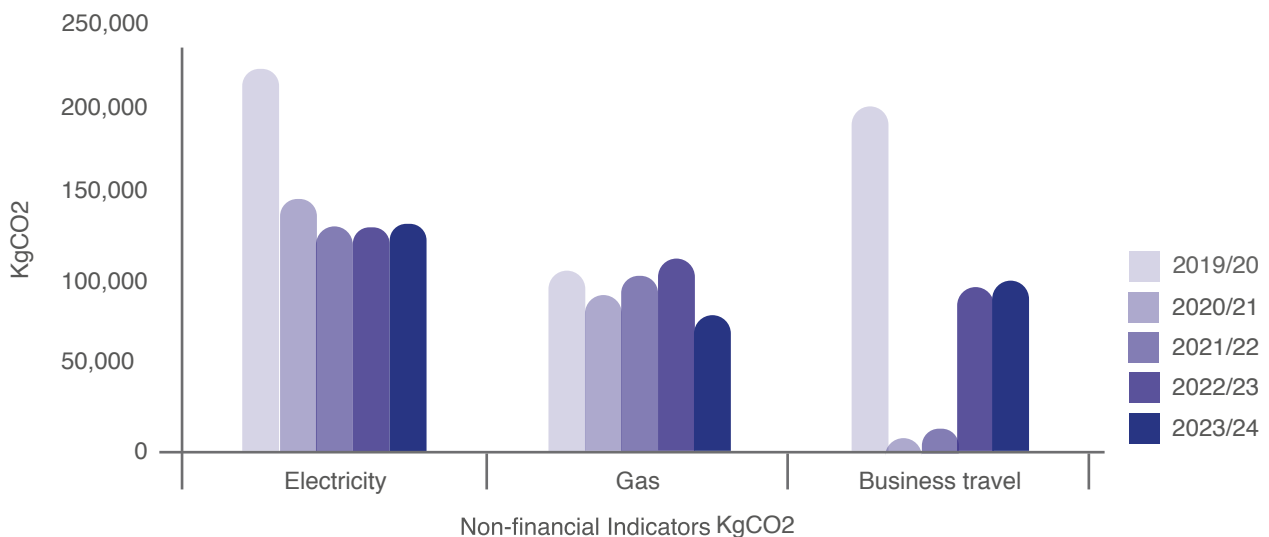
This priority is embedded in HIE’s strategy 2023-2028 as well as our new operating plan which is reviewed regularly by our Board and senior management team. HIE monitors and measures its operational carbon footprint annually under the Public Bodies Climate Change Duties and uses this process to identify key areas of focus for the coming year to continue cutting emissions.

In 2022, we established a Net Zero Transition Group with overall responsibility for developing our Net Zero Action Plan, which will be finalised in 2024/25.

In 2023/24, we conducted a property audit to assess net zero readiness of our operational and investment portfolios which has delivered a robust assessment of how we can improve performance across all of our buildings. Over and above that, all staff are receiving Climate Literacy training in 2023/24 and 2024/25 to understand how our behaviours can reduce HIE’s corporate carbon footprint.

UTILITIES AND BUSINESS TRAVEL		2019/20	2020/21	2021/22	2022/23	2023/24
Non-financial indicators (KgCO ₂)	Electricity	218,258	144,612	130,840	128,106	131,670
	Gas	104,560	89,839	102,033	109,796	78,119
	Business travel	200,239	6,675	11,883	94,834	96,040
Related energy consumption (kWh)	Electricity	860,708	625,919	622,571	625,029	642,146
	Gas	488,163	419,434	476,365	512,615	364,715
Financial indicators (£)	Electricity	102,628	81,904	91,357	118,599	180,348
	Gas	22,288	17,853	18,246	40,404	31,559
	Business travel	600,977	23,403	58,551	388,632	443,277

Greenhouse gas emissions from utilities and business travel



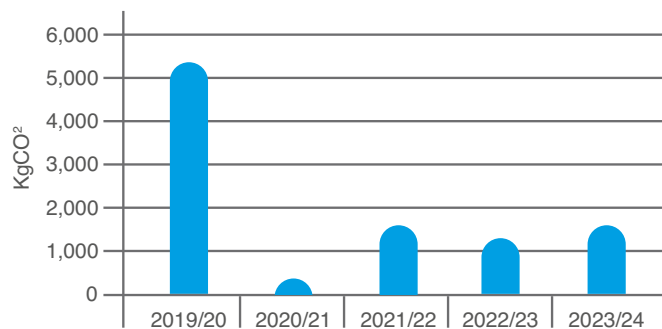
An increase in staff returning to work from the office has meant that electricity consumption levels in our operational premises were slightly higher than in 2022/23. Our electricity consumption increased by 2.7% whilst associated costs of this consumption rose by £61,749, a 68% increase on the previous year. However, the associated carbon emissions arising from this consumption only increased by 2.8%.

Business travel saw a slight increase when compared to the 2022/23 carbon emitted figure. Staff are increasingly travelling to meet clients and to attend conferences and training. Despite the rise, carbon emissions were 52% lower than 2019/20 as staff now have more meetings virtually and attend training courses online where possible.

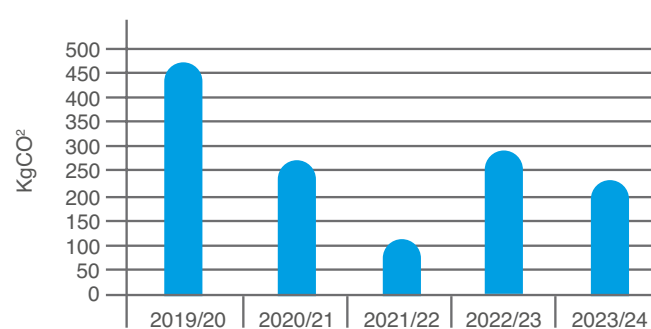
Gas usage in our occupied Inverness, Lochgilphead and Forres premises decreased 29% year-on-year, partly due to a warmer-than-average year requiring less space heating, but also some changes to the heating regime at An Lochran which reduced the operational hours of the gas plant.

WASTE AND WATER		2019/20	2020/21	2021/22	2022/23	2023/24
Non-financial indicators (KgCO ₂ e)	Total greenhouse emissions from general waste	5,326	224	1,460	1,238	1,480
	Measurable greenhouse emissions from water	460	259	103	294	224
Non-financial indicators	General waste (kg)	9,081	489	3,125	2,379	2,844
	Recycled waste (kg)	14,997	2,651	2,677	5,253	6,152
	Measurable consumption (m3)	1,337	752	691	1,430	1,263
Financial indicators (£)	Disposal cost	14,969	8,015	12,957	17,650	19,250
	Measurable water cost	13,059	17,346	22,111	23,920	21,740

Greenhouse gas emissions from waste



Greenhouse gas emissions from water



DR J S BLACK

Chief Executive and Accountable Officer
Highlands and Islands Enterprise

DIRECTORS' REPORT

BOARD

The members of the HIE Board, with the exception of the Chief Executive, are appointed by the Scottish Ministers.

BOARD MEMBERSHIP at 31 March 2024

- Alistair Dodds CBE, Chair
- Angus Campbell, Deputy Chair
- Stuart Black, Chief Executive
- Amanda Bryan
- Simon Cotton
- Freda Newton MBE
- Keith Nicholson
- Belinda Oldfield
- Ailsa Raeburn
- Calum Ross
- Anna Salgado
- David Wilson

LEADERSHIP TEAM

The Leadership Team is responsible for the day-to-day management of HIE operations and activities. The Chief Executive is a member of both the Board and the Leadership Team.

LEADERSHIP TEAM MEMBERSHIP at 31 March 2024

- Stuart Black, Chief Executive
- Carroll Buxton, Deputy Chief Executive
- Douglas Cowan, Director of Communities and Place
- Sandra Dunbar, Director of Business Improvement and Internal Audit
- Rachel Hunter, Director of Enterprise and Community Support
- Martin Johnson, Director of Strategy and Regional Economy
- Nick Kenton, Director of Finance and Corporate Services
- Karen Moncrieff, Director of Human Resources
- David Oxley, Director of Strategic Projects

REGISTER OF BOARD MEMBERS' INTERESTS

HIE supports the highest standards of corporate governance and has in place codes of conduct both for Board members and staff. In compliance with the Ethical Standards in Public Life etc (Scotland) Act 2000, the HIE Code of Conduct for Board Members is published on our website, together with details of company directorships and other significant interests held by Board members, at www.hie.co.uk/board

PERFORMANCE REPORT

In accordance with section 414(c) (11) of the Companies Act 2006, HIE has chosen to include several matters in the performance report which would otherwise be included in the Directors' Report. These matters are:

- Review of business and performance against key performance indicators
- Future developments
- Sustainability and environmental matters
- Information about employees and social and community issues

FUNDING

HIE's primary source of funding is grant-in-aid (GIA) from the Scottish Government. The budget allocation for 2024/25 is £60.2m and, together with in-year budget revisions and funds generated by HIE from the use or sale of assets, European income and other partner contributions, is deemed adequate for HIE to continue for the foreseeable future.

FINANCIAL INSTRUMENTS

Highland and Islands Enterprise has exposure to liquidity, credit and market risks from its use of financial instruments. The extent of these risks is set out in note 28 to the annual accounts.

RETIREMENT BENEFITS

All staff with contracts of three months or more are eligible and automatically join the HIE Superannuation Scheme, unless they opt out. Further details are provided in the Remuneration and Staff Report and in notes 1 and 22 to the accounts.

DATA LOSS

There were no reported instances of data loss during the financial year.

APPOINTMENT OF AUDITORS

The accounts of HIE are audited by auditors appointed by the Auditor General for Scotland. The appointed auditor for the year ended 31 March 2024 was Pauline Gillen, Audit Director, Audit Scotland. Fees chargeable for audit services provided by Audit Scotland amounted to £199,529 (2023 £188,180). There were no fees payable to Audit Scotland for non-audit work during the year (2022 nil).

SEVERANCE PAYMENTS

Detail of severance payments are included within the exit packages section of the Remuneration and Staff Report.

CONTINGENT LIABILITIES

Contingent liabilities that meet the disclosure requirements in IAS37 Provisions and Contingent Liabilities are included in Note 25 of the Notes to the Accounts. In addition, due to the complex nature of the business activities and extensive portfolio of assets of Highlands and Islands Enterprise, there are contingent liabilities for which IAS37 does not require disclosure because Highlands and Islands Enterprise considers the probability of any requirement to meet any future liabilities to be remote.

GIFTS

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250k to be noted separately. HIE has nothing to report for the year ended 31 March 2024 in respect of gifts.



STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, the Scottish Ministers have directed HIE to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HIE and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis.

The Principal Accountable Officer for the Scottish Government has designated the Chief Executive of HIE as its Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding HIE assets, are set out in the Memorandum to Accountable Officers of other Public Bodies on appointment and as set out in the Scottish Public Finance Manual.

The Accountable Officer is responsible for the maintenance and integrity of the corporate and financial information included on HIE's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As the Accountable Officer, I confirm that, as far as I am aware, there is no relevant information of which HIE's auditors are unaware and that I have taken all necessary steps to make myself aware of any relevant audit information and to establish that HIE's auditors are aware of that information.

Furthermore, I confirm that the annual report and accounts as a whole is fair, balanced and understandable and as Accountable Officer am personally responsible for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Chief Executive and Accountable Officer, I have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of HIE's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I have specific responsibility in relation to:

- best value, including corporate governance and continuous improvement;
- planning, performance management and monitoring;
- advising the Board;
- managing risk and resources, and
- accounting for HIE's activities

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

An element of the Accountable Officer's responsibility is to ensure HIE's internal control systems comply with the requirements of the SPFM, including any written authorities provided. No written authorities were provided to the Accountable Officer in 2023/24.

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing HIE. The system aims to evaluate the nature and extent of risks, and manage them efficiently, effectively and economically. The system cannot eliminate the risk of failure to achieve HIE's aims and objectives but has been designed to provide reasonable assurance.

GOVERNANCE FRAMEWORK

Highlands and Islands Enterprise (HIE) is established under the Enterprise and New Towns (Scotland) Act 1990. The primary aim of HIE is to focus its activities on achieving the Scottish Government's purpose to create opportunities for all in Scotland to flourish through increasing sustainable economic growth.

Ministers expect HIE to do this by pursuing the National Strategy for Economic Transformation (NSET).

A Framework Agreement, drawn up by the Scottish Government, sets out the broad framework within which HIE will operate. It does not convey any legal powers or responsibilities.

The HIE corporate governance framework provides a balance between the underpinning governance standards which prescribe the rules and assurance activity within which HIE is required to operate, and the encouragement of innovative and creative thinking to take place within this environment.

HIE regularly reviews and updates its governance framework in line with developments in good practice, changes in external regulation and its own reviews of effectiveness.

HIE requires high standards of integrity for all staff, clients and suppliers and has policies and controls in place to minimise risk and ensure that a strong control framework operates effectively. An Information Security and Fraud Governance Group exists to consider reports and make recommendations for action required on suspected fraud or irregularity and suspected security breaches, including cyber security. It also makes recommendations for strengthening existing controls and communicating lessons learned.

We align to the Scottish Government's Scottish Public Finance Manual, which provides clear guidance on the approach and methodology to address fraud, corruption and bribery. HIE takes part in the National Fraud Initiative which further enhances our consideration of the control environment.

Economic challenges continued to impact on HIE's activities and that of our clients during 2023/24. In our responses to these challenges, we sought to ensure that our internal control and governance arrangements remained fit for purpose and supported agile and proportionate decision-making, enabling us to meet the needs of our communities and businesses in a time-critical manner.

HIE has worked closely with Scottish Government and other partners, and continues to do so, to ensure appropriate solutions can be delivered to deal with hardship, resilience, recovery and sustainability of our businesses and communities.

Board and other meetings continued to be conducted virtually or via a hybrid approach, using digital technology.

NATIONAL STRATEGY FOR ECONOMIC TRANSFORMATION (NSET)

Following the publication of NSET in March 2022, new governance was established to develop, delivery and monitor progress of the new strategy and its associated programmes.

HIE is a member of the overarching Portfolio Board which monitors progress and collaboration and resolves issues relating to delivery of the policy programmes. Whilst HIE is not represented on the NSET Delivery Board, there is engagement through the Co-Chair via the HIE Board Chair who receives updates on Delivery Board business. Additionally, HIE has had active involvement on delivery groups for the New Market Opportunities, Productive Businesses and Regions, Entrepreneurial People and Culture programmes, as well as participating in the policy network for the new Centre of Expertise in Equality and Human Rights and supporting individual project workstrands, including natural capital investment and social enterprise development / inclusive and democratic business models.

The *Culture of Delivery* programme notes the importance of building on the work of the Business Support Partnership (BSP), a public sector grouping with a key objective to improve the business support environment. It includes Scottish Enterprise, HIE, South of Scotland Enterprise, Skills Development Scotland, Local Government via SLAED, COSLA and the Business Gateway National Unit, Creative Scotland, VisitScotland and the Scottish Government. The BSP has developed a prioritised plan which includes focused activity relating to the products and services and data environment in place to support clients.

The Scottish Government announced plans to refresh NSET during 2023/24 and more direct engagement from enterprise agencies is anticipated in 2024/25 with publication by the end of 2024.

OPERATION OF THE HIE BOARD AND COMMITTEES

At 31 March 2024, the Board of HIE comprised the Chair, ten non-executive members and the Chief Executive. This total includes two non-executive members whose terms ended on 31 March 2024. Two new members commenced their terms in May 2024.

Board members are appointed by Scottish Ministers and their remuneration is determined by the Scottish Government.

Individual Board members act in accordance with their wider responsibility under a [code of conduct](#) and in the best interests of HIE.

The Board met in full as planned six times in-year. In addition, it met on one further occasion to consider time-critical matters. Two separate strategy sessions were also held, as well as two meetings for Board members only.

The table below shows the number of scheduled Board meetings attended by each member.

BOARD MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Alistair Dodds, CBE, Chair	6	6
Angus Campbell, Deputy Chair	6	6
Stuart Black, Chief Executive	6	6
Amanda Bryan	6	6
Simon Cotton	6	6
Freda Newton	6	5
Keith Nicholson	6	6
Belinda Oldfield	6	6
Ailsa Raeburn	6	6
Calum Ross	6	6
Anna Salgado	6	5
David Wilson (joined May 2023)	5	5

As part of their ongoing development, the Board also took part in carbon literacy training delivered in-house by HIE staff. A second session took place in early 2024/25.

In addition, six local area-focused Board engagement sessions were held in-year, two in person and four using digital technology.

The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers. It has general corporate responsibility for:

- establishing the overall strategic direction of HIE within the policy, planning and resources framework determined by Scottish Ministers;
- ensuring Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of HIE;
- ensuring HIE complies with any statutory or administrative requirements for the use of public funds and, in so doing, satisfying itself that HIE operates within the delegated authorities agreed with the Scottish Government Directorate for Economic Development;
- ensuring review of regular financial information concerning the management of HIE;
- ensuring high standards of corporate governance are observed at all times;
- providing commitment and leadership in the development and promotion of best value principles throughout HIE, and
- overseeing delivery of planned results by monitoring performance against agreed corporate objectives, measures and targets on both an in-year and longer-term basis.

The Board is supported by the Risk and Assurance Committee and the Remuneration Committee. Additional Board sub-groups have been created specifically to consider and advise upon issues related to Cairngorm, Community Benefits and Arnish.

RISK AND ASSURANCE COMMITTEE

The Risk and Assurance Committee comprises a Chair and three non-executive members. Meetings are attended by representatives of the Scottish Government sponsor team, Audit Scotland, the Chief Executive, Director of Finance and Corporate Services and Director of Business Improvement and Internal Audit. Its role is outlined in [Terms of Reference](#) that were reviewed and updated in-year.

The committee met in full as planned four times in the year. An additional two meetings were held specifically to consider the annual report and accounts. Minutes of the Risk and Assurance Committee are provided to the full Board for information and an annual report on its activities is also provided.

The members of the Risk and Assurance Committee during the year were:

- Mr Angus Campbell (Chair)
- Ms Belinda Oldfield (term ended 31 March 2024)
- Mr Calum Ross
- Dr Keith Nicholson

In-year, the Risk and Assurance Committee also met in private with representatives of Audit Scotland. They attended a separate development session on carbon literacy, as part of wider Board training, and undertook a review of the effectiveness of the committee in accordance with good practice. They also attended a second carbon literacy session in early 2024/25.

The work of the Risk and Assurance Committee during the year was comprehensive and provided positive assurance for the Board in relation to HIE's internal control environment. The work of internal and external audit identified areas where action is required on an ongoing basis and the Risk and Assurance Committee will continue to monitor these.

REMUNERATION COMMITTEE

The Remuneration Committee reviews and agrees the reward arrangements of HIE's Chief Executive and the HIE executive directors, in line with Scottish Government pay policy. The committee met three times in-year and has also updated the terms of reference and undertaken an effectiveness review. The minutes of the meetings were presented to the full Board.

The members of the Remuneration Committee during the year were:

- Mrs Freda Newton MBE (Chair)
- Mrs Anna Salgado
- Mr Alistair Dodds CBE

OTHER BOARD SUB-GROUPS

As required, additional sub-groups of the Board may be formed to consider any specific issues in an advisory capacity. Sub-groups are chaired by me as Chief Executive, and all non-executive members are invited to attend. Key senior staff normally attend these meetings. In-year, three sub-groups met:

- The Cairngorm sub-group met five times in-year to provide support, advice and challenge on matters relating to Cairngorm Estate.
- The Arnish sub-group met once in-year to focus on key strategic issues related to Arnish.
- The Community Benefits sub-group met four times in-year to reflect on, discuss and provide advice on how HIE should engage in the significant potential for community benefits coming from regional transformation opportunities, including offshore wind development.

OPERATION OF GOVERNANCE COMMITTEES

Health and Safety Committee

The Health and Safety Committee, chaired by an executive director, exists to review the organisation's compliance with health and safety legislation, report on related issues and implement improvement plans. The committee met in full four times during the year. The Committee has a Terms of Reference which was reviewed and updated in-year.

In-year the Committee undertook a review of its effectiveness.

An annual stewardship report has been prepared on work undertaken by the committee in-year. No control issues have been noted for inclusion here.

Information Security and Fraud Governance Group

The Information Security and Fraud Governance Group, chaired by an executive director, is in place to support HIE in ensuring an appropriate governance environment for information management, information and systems security, and fraud prevention.

It has Terms of Reference that outline its accountability for ensuring, in relation to systems and information, that HIE complies with legislation, manages the governance of information throughout HIE, develops staff understanding of information governance, has appropriate supportive policies and ensures collaboration opportunities are taken with partner organisations. It also has responsibility for considering issues relating to potential fraud and security breaches affecting HIE. The group met in full three times during the year.

An annual stewardship report has been prepared on work undertaken by the group in-year. No control issues have been noted for inclusion here.

STRATEGIC AND OPERATIONAL FRAMEWORK – DELIVERING BEST VALUE

Strategy and planning

We launched a new strategy for 2023-2028 in August 2023, following extensive analytical work and internal and external consultation. It was agreed with Scottish Government that, given the timing of the new strategy, an operating plan would be developed for 2024/25 and staff were guided by the new strategic framework and targets which were set in the first quarter. The new framework was used for mid-year and end-year reporting to the HIE Board.

Business improvement

HIE has a single strategic programme of continuous improvement activity through a Best Value plan. This ensures that, internally and externally, we are regarded as an organisation that is effective and efficient, inspires innovation and achieves successful outcomes. This includes working with partners to develop solutions which help optimise efficiency and effectiveness.

A significant element of this is a business transformation programme which is focused on ensuring our delivery approach meets the needs of our customers, partners and colleagues.

A programme of continuous improvement is ongoing for our digital environment MyHIE to ensure that it remains responsive to changes in our operating environment, continues to bring an improved customer experience and enables HIE staff to make greater use of data and analytics to target support and confirm impact.

Aligned to this, we are implementing new intervention and delivery approaches to ensure the needs of our region and clients are best supported. We continue to collaborate with partners through the Business Support Partnership to ensure a joined-up customer journey. This collaboration includes shared initiatives such as [FindBusinessSupport.gov.scot](https://www.findbusinesssupport.gov.scot), the product and service environment, and the development of partner data strategy to improve customer delivery, impact assessment and resource targeting.

Engagement and measurement

To deliver best value, we focus on clear strategic direction. We have put in place robust operational arrangements based on integrity, accountability and values and we continually monitor, evaluate and improve our impact.

What we do is determined by listening to and understanding our stakeholders. For example:

- We hold Board engagement sessions, engaging with and listening to local communities and businesses.
- Our Business Panel surveys inform us of the challenges and opportunities facing businesses, community groups and social enterprises across the Highlands and Islands. During 2023/24 we continued to track business confidence, growth aspirations, performance, workforce issues, and adapting to change. Additionally, we sought to understand how businesses were responding to the key drivers of change relating to net zero, automation and artificial intelligence, and community wealth building to support HIE's approach.
- Our research informs our own and partnership interventions with key research such as the Baseline Inventory for Greenhouse Gas (GHG) Emissions in the Highlands and Islands being undertaken to inform a regional just transition to net zero plan. The report was the subject of workshops with the Highlands and Islands Regional Economic Partnership.

We develop a clearer understanding of how we can address inequalities and inclusive growth using the framework of the Public Sector Equality duties, including the Fairer Scotland Duty, and through the ongoing development of our inclusive growth model to better understand our region and our impact. The final phase of the model was undertaken this year and will be utilised in 2024/25, helping to prioritise resource and target investment.

We have a rich history of partnership working, routinely sharing ideas and working collaboratively. We are a very active member of the Convention of the Highlands and Islands, and the Highlands and Islands Regional Economic Partnership (for which we host the secretariat and take a lead role in a number of policy areas) and contribute to community planning partnerships across the region.

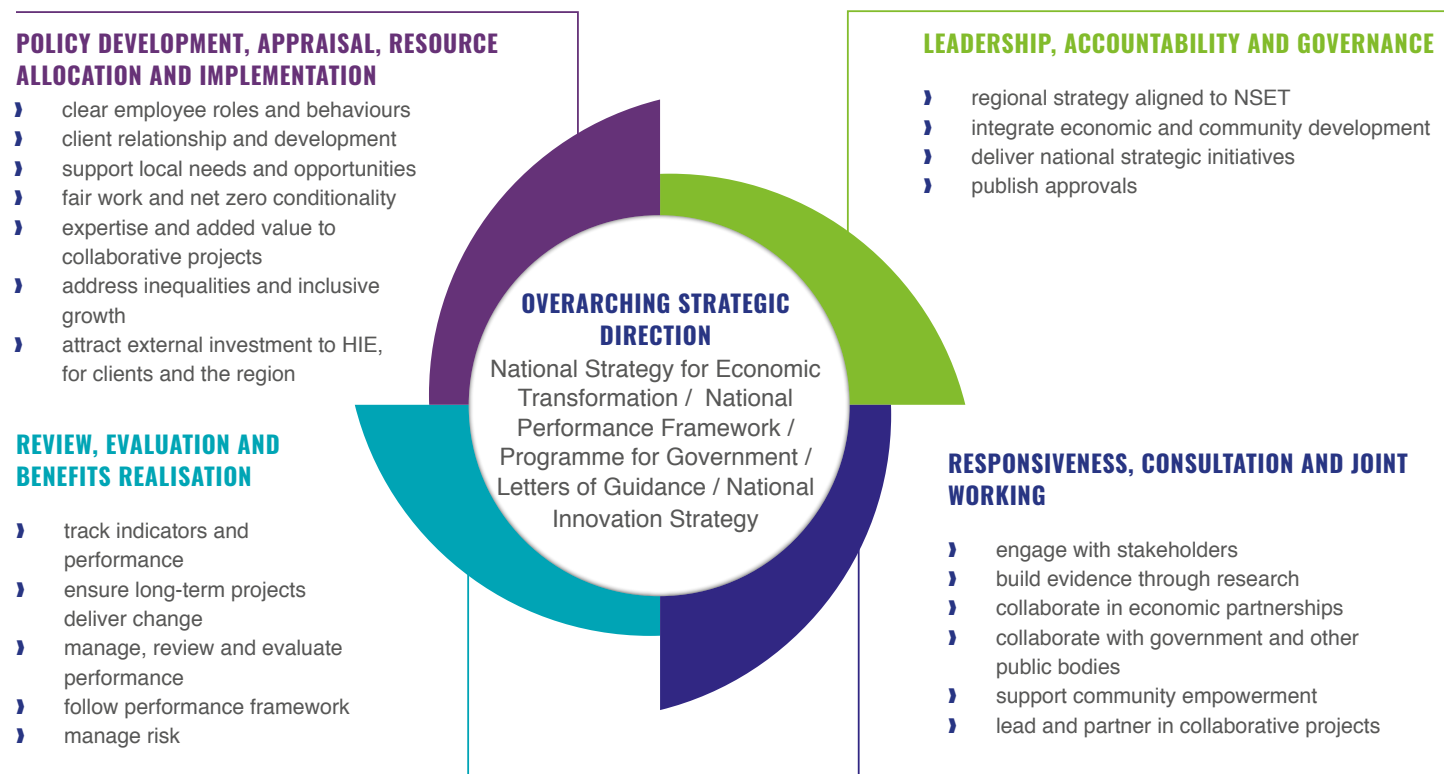
We develop our performance measurement through collaboration, to ensure we establish consistent models, where appropriate, with partner agencies.

Importantly, we monitor both the short-term and long-term future of the Highlands and Islands. Our performance indicators and performance measurement framework help us identify how our interventions make a difference to support a region-wide vision aligned to national strategy. The new strategy sets out clear outcomes for each pillar of our new framework along with four key outcomes we will carefully monitor and report against.

Evaluation work continued with completion of independent evaluations on HIE's XpoNorth Programme 2018-2022; HIE's Graduate Placement Programme; the UHI School of Health, Social Care and Life Sciences Strategic Review of Benefits; and the Final Evaluation of the Science Skills Academy. The Inverness Campus Impact Valuation Study was also completed. Evaluation evidence was used extensively to support the development of the new strategy and help shape future programme design.

We strive to develop our understanding of risk in relation to project management and to source and manage funding and other resources in a way that maximises our impact. Above all, we aim to increase transparency and accountability in all we do so that we truly represent the changing needs of our clients.

The diagram below represents the approach taken in this annual report and accounts year and into 2024/25.



Performance management

HIE's corporate reporting framework considers organisational performance throughout the year. This was considered and discussed at each Board meeting.

Corporate governance

HIE complies with best practice and relevant guidance related to governance matters.

Decision-making

HIE's governance arrangements include clear roles and responsibilities, with delegated authority arrangements and decision-making processes which are transparent and supported by evidence.

Risk management arrangements

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the manual.

HIE has a robust risk management strategy which empowers staff to be dynamic and innovative and take intelligent risks.

The strategy identifies responsibilities of the Board, the Risk and Assurance Committee and executive staff. It also details the process of risk categorisation and approval and review process for the risk register by the Risk and Assurance Committee and the Board.

Implementation of the strategy includes:

- use of a financial planning model;
- use of risk appetite statements;
- assessment of risk by management on at least a six-weekly basis;
- maintenance of business unit risk registers and an overarching corporate risk register;
- provision of corporate risk register to the Board at each meeting;
- assessment of risk at individual project level;
- independent reviews for high-risk projects and activities;
- action plans with clear accountability and timescales to address risks, and
- alignment to the corporate reporting framework.

The corporate risk register was considered at each scheduled Board meeting and Risk and Assurance Committee meeting held during the year. The Risk and Assurance Committee also received updates relating to the risk processes, including revised risk appetite statements. Risk appetite statements were formally reviewed twice in year. HIE continually assesses those risks that are considered significant to the achievement of its objectives and undertakes an annual refresh of the corporate risk register.

Significant risks

Principal risks and uncertainties identified at the end of 2023/24 are described in the Performance summary (pages 8/9).

These concern:

- Financial and budgetary environment
- Cairngorm
- Economic and strategic context – opportunities and challenges
- New strategic opportunities
- Regional infrastructure
- Organisational delivery and transformation approach
- Delivery and benefits realisation of key projects
- Information governance and systems
- Legal and regulatory environment

NON-DORMANT GROUP COMPANIES

Wave Energy Scotland (WES) is a subsidiary of HIE, created to address issues in the wave energy sector. We have worked to ensure appropriate governance arrangements and controls are in place to allow this subsidiary to meet its remit. An internal control checklist and annual assurance statement was provided for WES which highlighted no issues.

HIE-Ventures Ltd is a subsidiary of HIE established to provide equity and loan capital to companies located throughout the Highlands and Islands. An annual assurance statement was provided and noted no significant control issues during the financial year.

Orkney Research and Innovation Campus (ORIC) was established as a joint venture by HIE and Orkney Islands Council to establish a multi-disciplinary academic / business campus, based around Orkney's marine energy and sustainability expertise.

The venture is undertaking the physical redevelopment of property assets in Stromness and owns and operates the resultant campus facilities. An internal control checklist and annual assurance statement was provided for ORIC which highlighted no issues.

Cairngorm Mountain (Scotland) Ltd (CMSL) is a subsidiary with the remit of delivery of operations at Cairngorm Mountain. Significant support has been provided to ensure appropriate governance arrangements and controls are in place which will allow the subsidiary to meet this remit. As noted above, HIE activity in this area was supported by our HIE Board sub-group. An internal control checklist and annual assurance statement was provided for CMSL which highlighted no issues.

This is Remarkable Ltd is an associate limited by guarantee which supported organisations to achieve their business aims and objectives through management consultancy and accreditation services. The company entered liquidation in November 2022. This process is still ongoing. An annual assurance statement was provided and any outstanding matters are being addressed through the liquidation process.

ASSURANCE ACTIVITY

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. My review is informed by:

- the Leadership Team, which has responsibility for the development and maintenance of HIE's governance, performance and internal control frameworks and normally meets weekly;
- annual appraisals of the Leadership Team by the Chief Executive;
- appraisal of the Chief Executive by the Chair of HIE;
- an Investment Committee to support HIE in defining and updating strategic priorities, agreeing resource prioritisation principles and intervention approaches and to make decisions on matters delegated by Leadership Team;
- the Board, which has responsibility for receiving, monitoring and commenting on regular management reports on governance matters, performance outcomes and risk management;
- the Risk and Assurance Committee, whose work includes ongoing review of external assurance functions and internal assessments on governance, risk and best value;
- the Business Improvement and Internal Audit team, who submit regular reports which include independent and objective opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement;
- other assurance undertaken through procured and other arrangements;
- comments made by the external auditors in their management letters and other reports, and

As part of HIE's internal control arrangements, we have in place an internal control assessment framework. This requires the heads of each business unit, and non-dormant group companies, to undertake an annual review of their area's internal controls.

For 2023/24, each business unit and non-dormant group company completed a review which is used to identify any control issues, and to allow completion of an organisational internal control checklist and certificate of assurance for HIE.

Data security and information security assurance

Procedures are in place to ensure information is managed in accordance with legislation and that data is held accurately and securely. No instances of suspected data breaches were reported to HIE in-year.

IT services provision is delivered by Enterprise Information Systems, which sits within Skills Development Scotland. A memorandum of understanding agreed by the partners, who currently comprise HIE, Skills Development Scotland, Scottish Enterprise and South of Scotland Enterprise, is in place.

During 2023/24, the Business Improvement and Internal Audit team liaised with Scottish Enterprise and Skills Development Scotland in ensuring appropriate assurance reviews related to IT services provision in the period were undertaken for the Partners. The results of these reviews are reported to the EIS Partnership Board, which is chaired by the partners in rotation and of which HIE is a member. The Partnership Board is attended by the HIE Director of Finance and Corporate Services and HIE Director of Business Improvement and Internal Audit.

As part of the annual assurance exercise undertaken by HIE we also received assurance from the Head of Information Governance and EIS Chief Information Officer for IT services that they were not aware of any significant control issues arising.

An assurance mapping exercise was undertaken, and an agreed programme of systems assurance work developed with our partners and for HIE-specific activity. This included a partner risk workshop and a review of cyber security, and conclusion of a HIE-specific review on information governance and data protection. Prioritised action plans were developed for areas where opportunities for improvement were identified.

Internal audit

HIE has a Business Improvement and Internal Audit directorate which is independent of any operational group. The Director of Business Improvement and Internal Audit reports directly to me, as Accountable Officer.

The Business Improvement and Internal Audit directorate:

- informed its work by an analysis of the risk to which HIE is exposed. The annual assurance plan was based on this analysis and endorsed by the Risk and Assurance Committee.
- provided me with regular reports on internal audit activity and an annual report which included the Director's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The overall opinion was that the systems of overall internal control in-year were generally satisfactory.
- supported HIE's continuous improvement activities through the identification of action points arising from ongoing audit activity and from involvement in development meetings.
- supported HIE in developing appropriate and fit for purpose governance arrangements for key investments and complex projects.
- supported HIE in consideration of risk and development and design of tailored internal controls.
- collated and disseminated lessons learned.

As part of HIE's internal audit programme of assurance reviews, improvement opportunities have been noted and will be taken forward in 2024/25. These include:

- best value, effectiveness and efficiency;
- access to, benefiting from and compliance with requirements of, other funding opportunities;
- project appraisal, including subsidy requirements, management and delivery environment, and
- knowledge capture and sharing.

External audit

The Auditor General for Scotland has appointed Audit Scotland to undertake the statutory audit of HIE. Audit Scotland identified no significant control issues as part of their audit process and have given unqualified opinions on the accounts for the year ended 31 March 2024 and on the regularity of transactions reflected in the accounts.

REVIEW OF EFFECTIVENESS AND CONCLUSION

As Chief Executive and Accountable Officer, I can confirm I am fully content with the effectiveness of HIE's existing arrangements to ensure appropriate standards of corporate governance and effective risk management. I can also confirm these systems were in place for the year ended 31 March 2024 and to the date of signature of the accounts and there were no significant control weaknesses or identified lapses in data security reported.

REMUNERATION REPORT

Section 1 – General information

HIE's sponsoring body, the Scottish Government, approves changes to HIE's staff terms and conditions, including pay. HIE's pay structure covers all employees of HIE and aims to address organisational challenges such as recruitment and retention and organisational change. This structure aims to provide pay progression based on inflation rate changes, plus an element of performance-related progression linked to HIE's performance management system.

REMUNERATION COMMITTEE

The Remuneration Committee reviews annually the broad policy framework for the remuneration of the Chief Executive, the Executive Leadership Team and any exceptional issues of remuneration identified by the Chief Executive or Director of Human Resources. This policy is set within applicable Government guidelines and is approved by the Scottish Government Pay Policy Unit and HIE's Scottish Government sponsor team.

COMMITTEE MEMBERSHIP

- Freda Newton MBE (Chair)
- Alistair Dodds CBE
- Anna Salgado

Section 2 - The information contained in the following section of this report has been subject to audit.

REMUNERATION OF BOARD MEMBERS

Board members of HIE are appointed by Scottish Ministers normally for a fixed period of three years. Under certain circumstances Board members may be eligible for reappointment for a second term. Their remuneration is set by the Scottish Government and is not pensionable.

The remuneration of HIE Board members for the year ended 31 March 2024 was as follows:

	2024	2023	APPOINTMENT EXPIRES
	£	£	
Alistair Dodds CBE (Chair)	45,174	45,174	30 April 2026
Angus Campbell (Deputy Chair)	10,483	10,065	31 August 2026
Amanda Bryan	10,483	10,065	31 March 2024
Freda Newton MBE	10,483	10,065	31 August 2026
Belinda Oldfield	10,483	10,065	31 March 2024
Calum Ross	10,483	10,065	31 August 2026
Anna Salgado*	10,480	8,045	12 June 2025
Ailsa Raeburn*	10,480	8,045	12 June 2025
Keith Nicholson*	10,480	8,045	12 June 2025
Simon Cotton (Appointed 1 April 2023)	10,480	0	31 March 2026
David Wilson (Appointed 1 May 2023)	9,644	0	30 April 2026

* Appointed 13 June 2022 Full year equivalent for 22/23 £10,065

It is considered appropriate to disclose board members' remuneration in £ rather than bandings for transparency.

The figures represent emoluments earned as Board members during the relevant financial year. The Board members have not received any benefits in kind or any pension benefits in the last two financial years.

HIE is also required to meet the pension benefits due to former full-time Chairs and Board members of the Highlands and Islands Development Board who were not members of the superannuation scheme. During the year ended 31 March 2024, £59,773 (2023 - £54,571) was paid to these former members.

EXECUTIVE LEADERSHIP TEAM REMUNERATION

The Executive Leadership Team is responsible for the day-to-day management of HIE's activities and operations.

The Chief Executive is a member of both the Board and the Executive Leadership team.

The contracts of members of the Executive Leadership Team are permanent and have a three-month notice period. There are no early termination payment clauses within these contracts. No benefits in kind were made to senior members of the HIE Leadership Team. All members of the HIE Leadership Team are ordinary members of the Highland and Islands Enterprise Superannuation scheme, except for Douglas Cowan who was a member of the Highland Council Pension Scheme (LGPS).

Active members of the HIE Superannuation scheme contribute 6.0% of pensionable salary with HIE contributing 27.9% of the employees' pensionable salary throughout the year. Douglas Cowan contributed 9.6% of pensionable salary to the Highland Council LGPS with HIE contributing 35.3%.

All HIE and LGPS members are in a Career Average Revalued Earning (CARE) scheme. Further information about the pension funds can be found in the Notes to the Accounts (note 22).

Remuneration of the Executive Leadership Team who served during the year ended 31 March 2024 was as follows:

	2023/24			2022/23		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Stuart Black, Chief Executive	115-120	34	150-155	115-120	24	140-145
Carroll Buxton, Deputy Chief Executive	60-65	(27)	30-35	65-70	6	70-75
Douglas Cowan, Director of Communities and Place (left 31/3/24)	110-115	2	110-115	100-105	31	130-135
David J Oxley, Director of Strategic Projects	100-105	20	120-125	95-100	23	120-125
Nick Kenton, Director of Finance and Corporate Services	100-105	34	135-140	95-100	25	120-125
Sandra Dunbar, Director of Business Improvement and Internal Audit	85-90	6	90-95	80-85	17	100-105
Karen Moncrieff, Director of Human Resources	85-90	44	130-135	80-85	33	115-120
Rachel Hunter, Director of Enterprise Support	85-90	29	115-120	80-85	31	110-115
Martin Johnson, Director of Strategy and Regional Economy	100-105	33	130-135	90-95	37	125-130

Salaries quoted in the table above relate to the period that the individual served on the Executive Leadership Team.

Pension benefits accruing under the LGPS scheme are accrued at a higher rate than under the HIE scheme.

There were no performance-related pay payments in 2023/24 or 2022/23 and no member of the Executive Leadership Team received any benefits in kind in either year.

No employee received remuneration more than the highest paid director in 2023/24 or 2022/23.

RETIREMENT BENEFITS OF MEMBERS OF HIE LEADERSHIP TEAM:

	CASH EQUIVALENT TRANSFER VALUE				
	ACCRUED PENSION AT NORMAL RETIREMENT DATE AS AT 31 MARCH 2024 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	AT 31 MARCH 2024	AT 31 MARCH 2023	INCREASE/ (DECREASE) IN TRANSFER VALUE DURING YEAR (NET OF MEMBER CONTRIBUTIONS)
	£000	£000	£000	£000	£000
Stuart Black	5 - 10 Lump sum 15 - 20	0 - 2.5 Lump sum 5 - 7.5	79	54	13
Carroll Buxton	35 - 40 Lump sum 110 - 115	0 - 2.5 Lump sum 5 - 7.5	662	656	(64)
Douglas Cowan	50 - 55 Lump sum 60 - 65	5 - 7.5 Lump sum 2.5 - 5	1,020	833	93
Sandra Dunbar	35 - 40 Lump sum 115 - 120	2.5 - 5 Lump sum 10 - 12.5	650	665	(88)
Rachel Hunter	25 - 30 Lump sum 80 - 85	2.5 - 5 Lump sum 10 - 12.5	359	364	(47)
Martin Johnson	25 - 30 Lump sum 80 - 85	2.5 - 5 Lump sum 10 - 12.5	381	382	(46)
Nick Kenton	5 - 10 Lump sum 25 - 30	0 - 2.5 Lump sum 5 - 7.5	121	102	2
Karen Moncrieff	35 - 40 Lump sum 115 - 120	5 - 7.5 Lump sum 15 - 17.5	714	659	(17)
David J Oxley	25 - 30 Lump sum 75 - 80	2.5 - 5 Lump sum 10 - 12.5	421	417	(44)

The Chief Executive and members of the HIE Leadership Team are members of the HIE Superannuation Scheme or the LGPS. The assets of these Career Average Revalued Earning (CARE) schemes are held separately from those of HIE and are invested with independent investment managers agreed by the schemes' trustees.

HIE meets the contributions that are necessary to meet the full balance of the cost of the benefits provided by the schemes as well as the costs of running the schemes.

HIE Superannuation Scheme benefits accrue at the rate of one-eightieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

The LGPS is also a defined benefit scheme based on CARE, a pension of 1/49 of pensionable salary for each year of service accrued. Prior to 1 April 2015 this was based on final pensionable salary.

RETIREMENT BENEFITS - CASH EQUIVALENT TRANSFER VALUES

A cash-equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member to a particular point in time. The benefits valued are the member's benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It includes contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period but does not include the increase in accrued pension due to inflation.

FAIR PAY DISCLOSURE

Percentage change in remuneration of highest paid director

	2023/24	2022/23
Salary of highest paid director *	£117,500	£117,500
Movement from previous year	0%	0%

* Based on highest full-time equivalent salary of a director during the year

Percentage change in remuneration of all other employees

	2023/24	2022/23
Average remuneration	£49,505	£46,108
Movement	7%	4%

Pay ratio information

The ratio of the remuneration of the highest paid director to the pay of employees in the financial year was as follows:

	2023/24	2022/23
25th percentile pay ratio	3.2:1	3.4:1
Median pay ratio	2.4:1	2.6:1
75th percentile pay ratio	2.3:1	2.5:1

The median remuneration of HIE's employees is based on the annualised full-time equivalent salary of employees at 31 March 2024.

The full-time equivalent remuneration paid to HIE staff ranged from £23.1k to £119.6k (2023 £21.6k to £116.3k). No employee received remuneration in excess of the remuneration of the highest paid director in either year.

The movement in pay ratios is consistent with HIE's pay and progression policies applicable to all staff.

Total pay relating to the employee whose pay is on the following percentile of pay of employees for the financial year was as follows:

	2023/24	2022/23	2021/22
25th percentile	£36,983	£34,564	£34,003
50th percentile	£48,386	£45,221	£43,068
75th percentile	£50,806	£47,482	£45,221

There were no performance-related pay payments or benefits in kind payable to any employee in 2023/24 or 2022/23.

STAFF REPORT

STAFF NUMBERS AND COST - GROUP

	GROUP			GROUP		
	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
	Staff	Staff	Staff	Staff	Staff	Staff
	£000	£000	£0	£000	£000	£000
Wages and salaries	10,993	3,545	14,538	9,617	3,315	12,932
Social security costs	1,262	330	1,592	1,218	338	1,556
Other pension costs	3,465	608	4,073	3,800	652	4,452
Contract/temporary staff	-	224	224	-	117	117
	15,720	4,707	20,427	14,635	4,422	19,057
Board members' remuneration	391	-	391	369	-	369
	16,111	4,707	20,818	15,004	4,422	19,426

The average number of employees was as follows:

	GROUP			GROUP		
	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
	Staff	Staff	Staff	Staff	Staff	Staff
Senior management	48	24	72	50	22	72
Operational staff	103	91	194	103	60	163
Administration and support staff	59	35	94	55	40	95
	210	150	360	208	122	330

The figures for 'total staff' reflect the average number of staff employed over the course of the year. In addition to permanent staff employed directly by HIE, the figures for other staff include staff in short-term posts and staff employed by subsidiaries: Wave Energy Scotland Limited and Cairngorm Mountain (Scotland) Ltd. The increase in the year relates largely to an increase in operational staff at Cairngorm Mountain (Scotland) Ltd.

STAFF NUMBERS AND COST - HIE

	HIE			HIE		
	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
	Staff	Staff	Staff	Staff	Staff	Staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	9,887	2,079	11,966	8,663	2,143	10,806
Social security costs	1,127	220	1,347	1,098	240	1,338
Other pension costs	3,376	570	3,946	3,590	598	4,188
Contract/temporary staff	-	185	185	-	117	117
	14,390	3,054	17,444	13,351	3,098	16,449
Board members' remuneration	391	-	391	369	-	369
	14,781	3,054	17,835	13,720	3,098	16,818

The average number of employees was as follows:

	HIE			HIE		
	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
	Staff	Staff	Staff	Staff	Staff	Staff
Senior management	48	12	60	50	15	65
Operational staff	103	32	135	103	33	136
Administration and support staff	59	5	64	55	6	61
	210	49	259	208	54	262

COMPENSATION AND EXIT PACKAGES

No staff left under voluntary severance terms between 1 April 2023 and 31 March 2024 (2022/23 nil).

STAFF TURNOVER

HIE had a staff turnover rate of 7.3% in 2023/24 (11.2% 2022/23).

The information contained in the following section of this report has not been subject to audit.

EMPLOYEES BY SEX

At the end of the financial year, the number of persons of each sex was as follows:

HIE staff:

	MALE	FEMALE	TOTAL
Board*	7	5	12
Leadership Team*	5	4	9
Other employees	91	170	261

* Stuart Black (Chief Executive) is included as a member of the Board in the table above. He is also a member of the Leadership Team.

GENDER PAY GAP

The table below shows a narrowing over time of our gender pay gap. Work to improve our performance in this area is ongoing, driven by a series of planned actions around the themes of talent attraction, career progression and succession planning, building our inclusive workplace, and emphasis on fair work.

	DEC 2009	APRIL 2010	NOV 2012	AUG 2014	AUG 2016	AUG 2018	MARCH 2021	MARCH 2022
Pay Gap	22.54%	21.61%	18.25%	15.94%	14.25%	14.35%	15.86%	12.2%

Sickness absence

HIE staff:

The attendance record for HIE employees for the year to 31 March 2024 was 1,107 days (2023 1,340 days) sick leave out of a total of 56,364 (2023 58,140) possible working days, representing a lost time through sickness rate of 1.96% (2023 2.30%).

Trade union facility time

HIE recognises one trade union for the purpose of collective bargaining, Public and Commercial Services Union (PCS).

We recognise the benefits of a positive and open relationship with our recognised trade union. As part of our commitment to working in partnership, we offer paid facility time to our workplace representatives to enable them to carry out union activities and duties. As an organisation, we derive benefits from allowing paid facility time.

There was 1 staff member who was a trade union official during 2032/24.

PERCENTAGE OF WORKING HOURS SPENT ON FACILITY TIME	UNION OFFICIALS
	No.
1 – 50%	1

The total cost of facility time amounted to 0.01% of the total pay bill, including the gross amount spent on wages, pension contributions, and national insurance contributions. Two percent of the total paid facility time hours was spent on trade union activities.

PARLIAMENTARY ACCOUNTABILITY REPORT

The results for the year to 31 March 2024 are contained in the attached accounts which have been prepared in accordance with section 30 (1) of the Enterprise and New Towns (Scotland) Act 1990 and are in the form directed by Scottish Ministers.

Summary of resource and capital out-turn

HIE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. In addition, however, HIE also generates additional income from rents, loan interest, European Union funding and, furthermore, generates capital receipts from loan repayments and the sale of assets.

The net out-turn for HIE for the year ended 31 March 2024 was as follows:

HIE's net underspend against its allocated budget for the year to March 2024 was £8.9m.

SUMMARY OF RESOURCE AND CAPITAL OUT-TURN					
	Expenditure	Income	Outturn	Final Budget Allocation	(Over)/Under spend
	£000	£000	£000	£000	£000
Resource Budget	38,212	16,768	21,444	20,676	(768)
Capital Budget	42,010	11,030	30,980	36,640	5,660
Financial Transactions expenditure	2,307	-	2,307	1,900	(407)
	82,529	27,798	54,731	59,216	4,485
Non-cash costs including depreciation	2,196	-	2,196	3,173	977
Annually managed expenditure	9,587	-	9,587	13,000	3,413
	94,312	27,798	66,514	75,389	8,875

SOURCES OF FINANCE

Grant-in-aid allocation

Highlands and Islands Enterprise drew down grant-in-aid (GIA) of £61.1m available from Scottish Government including an authorised overspend of up to £1.3m in respect of resource and financial transaction funding.

Budget out-turn

The resource out-turn of £21.4 million was £0.8 million higher than the budget allocation. The overspend was agreed with the Scottish Government post spring budget allocation and forms part of the £1.3 million additional GIA allocation.

The capital expenditure out-turn of £31.0 million was £5.7 million lower than budget due to HIE receiving additional income in-year.

Financial transactions expenditure of £2.3 million was £0.4m higher than the budget allocation. The overspend was agreed with SG post spring budget allocation and forms part of the £1.3 million additional GIA allocation.

Non cash costs including depreciation were £2.2 million, £1 million under the provision set by the Scottish Government.

The annually managed expenditure (AME) was £9.6 million against a budget of £13.0 million; £3.4 million below the provision set by the Scottish Government. The main element of the underspend relates to lower-than-expected movement in pension liabilities.

The budget for 2024/25 of £54.8 million awarded by the Scottish Government comprises GIA and 'ring-fenced' budget provision. This is deemed to be adequate for HIE.

RECONCILIATION OF RESOURCE AND CAPITAL OUTTURN TO GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE	NOTE	£000
Resource and capital outturn		66,514
Property plant and equipment disposals HIE	11	516
Property plant and equipment additions HIE	11	(10,130)
Plant and equipment revaluations HIE	11	(612)
Intangible asset additions	13	(629)
Investment additions	14	(2,307)
Consolidation adjustments	4	(543)
Investment disposals and repayments	14	660
Net expenditure after interest		53,469

LOSSES AND SPECIAL PAYMENTS

Due to the high-risk nature of its investments, there are occasions when HIE is required to write off balances which are no longer recoverable.

HIE continues to pursue all outstanding debts where there is a reasonable chance of recovery of the debt.

LOSSES AND CLAIMS WAIVED		
	GROUP and HIE	
	No of cases	£000
Financial Asset losses (losses arising from the disposal of financial assets) 2023/24	4	1,249
Claims Waived 2023/24	8	10,252
		£000
Of the 4 financial asset losses noted above there were 2 which exceeded £300k (none in 2022/23)		
Castle Stuart Golf LLP	500	
AMTE Power	580	
Of the 8 claims waived above there was 1 claim which exceeded £300k (none in 2022/23)		
C S Wind UK Ltd	9,873	

FEES AND CHARGES

As required in the Fees and Charges guidance in the Scottish Public Finance Manual, HIE charges market rates whenever applicable.

DR J S BLACK

Chief Executive and Accountable Officer
Highlands and Islands Enterprise

Independent auditor's report to the members of Highlands and Islands Enterprise, the Auditor General for Scotland and the Scottish Parliament

REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Highlands and Islands Enterprise and its group for the year ended 31 March 2024 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, Highlands and Islands Enterprise Statement of Comprehensive Net Expenditure, Group Statement of Financial Position, Highlands and Islands Enterprise Statement of Financial Position, Group Statement of Cash Flows, Highlands and Islands Enterprise Statement of Cash Flows, Group Statement of Changes in Taxpayers' Equity, Highlands and Islands Enterprise Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the body and its group as at 31 March 2024 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be six years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the body and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the body and its group. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the body and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers are significant in the context of the body and its group;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body and its group;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORTING ON OTHER REQUIREMENTS

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

USE OF MY REPORT

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pauline Gillen
Audit Director
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2024

		Group		HIE	
		2024	2023	2024	2023
	Notes	£000	£000	£000	£000
Expenditure					
Operating expenditure	6	63,585	59,907	61,833	60,097
Net management expenditure on staff costs	7	14,749	18,100	13,420	16,815
Other management expenditure	7	4,803	5,434	2,304	3,407
Depreciation and amortisation	7	2,235	2,164	1,820	1,954
		85,372	85,605	79,377	82,273
Income					
Income from activities	5	(1,986)	(3,197)	(2,066)	(3,187)
Other income	5	(31,167)	(12,488)	(24,916)	(7,779)
		(33,153)	(15,685)	(26,982)	(10,966)
Net Operating Expenditure		52,219	69,920	52,395	71,307
Interest payable and similar charges	9	178	95	157	121
Share of (profits)/losses in equity accounted investees	14	(39)	282	-	-
Interest income	8	(748)	(206)	(693)	(194)
Other finance income	8	1,859	1,288	1,859	1,288
Net Expenditure after interest		53,469	71,379	53,718	72,522
Taxation	10	(56)	65	(67)	65
Net Expenditure after taxation		53,413	71,444	53,651	72,587
Minority interests		6	1	-	-
Net Expenditure after Minority Interests		53,419	71,445	53,651	72,587
Other Comprehensive Net Expenditure/(Income)					
Items that will not be reclassified to net expenditure					
Net (gains)/losses on revaluation of property, plant and equipment		(327)	(867)	(327)	(867)
Actuarial (gains)/losses recognised in retirement benefit scheme and asset ceiling adjustment	22	5,038	(11,132)	5,038	(11,132)
Other Comprehensive Net Expenditure/(Income) for the year		4,711	(11,999)	4,711	(11,999)
Total comprehensive Net Expenditure for the year		58,130	59,446	58,362	60,588

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		GROUP		HIE	
		2024	2023	2024	2023
	Notes	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	11/12	43,538	43,253	40,604	40,777
Finance lease receivables	12	4,185	4,215	4,185	4,215
Intangible Assets	13	2,393	2,183	2,392	2,183
Financial Assets	14	3,792	2,297	5,261	3,740
Investment in associate	14	920	880	-	-
Retirement benefit asset	22	2,230	-	2,230	-
Total non-current assets		57,058	52,828	54,672	50,915
Current assets					
Inventories	16	128	103	-	-
Trade and other receivables	17	12,876	12,125	12,111	11,889
Cash and cash equivalents	18	15,667	9,321	9,404	888
Finance lease receivables	12	30	30	30	30
Assets classified as held for sale	19	1,836	2,591	1,836	2,591
Total current assets		30,537	24,170	23,381	15,398
Total assets		87,595	76,998	78,053	66,313
Current liabilities					
Trade payables and other current liabilities	20	(12,331)	(9,114)	(8,757)	(6,124)
Taxation	20	(656)	(543)	(473)	(457)
Lease liabilities	12	(484)	(682)	(484)	(682)
Provisions	21	(504)	-	(504)	-
Total current liabilities		(13,975)	(10,339)	(10,218)	(7,263)
Non-current assets plus net current assets		73,620	66,659	67,835	59,050
Non-current liabilities					
Trade payables and other liabilities	20	(8,326)	(8,647)	(6,491)	(4,750)
Provisions	21	-	(748)	-	(748)
Lease Liabilities	12	(14,007)	(14,560)	(14,007)	(14,560)
Retirement benefit obligation	22	(47,709)	(40,128)	(47,709)	(40,128)
Total non-current liabilities		(70,042)	(64,083)	(68,207)	(60,186)
Assets less liabilities		3,578	2,576	(372)	(1,136)
Taxpayers' Equity					
Revaluation reserve		3,713	3,372	3,712	3,371
Other reserve		2	28	-	14
Pension reserve		(45,479)	(40,128)	(45,479)	(40,128)
Minority interests		397	391	-	-
General reserve		44,945	38,913	41,395	35,607
Total equity		3,578	2,576	(372)	(1,136)

DR J S BLACK

Chief Executive and Accountable Officer, Highlands and Islands Enterprise
The Accountable Officer authorised these financial statements for issue on

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

		Group		HIE	
		2024	2023	2024	2023
	Notes	£000	£000	£000	£000
Cash flow from operating activities					
Net expenditure after interest		(53,469)	(71,379)	(53,718)	(72,522)
Adjustments for non-cash items:					
Depreciation	7	2,235	2,164	1,820	1,954
Provision for irrecoverable debts and losses		(633)	(163)	(633)	(163)
Investments written off, net of provision		238	484	213	504
Deficit on revaluation of property		10,060	19,552	10,060	19,552
Revaluation of plant and equipment		-	34	-	34
Surplus on disposal of property, plant and equipment		43	(630)	44	(593)
Allowance for legal fees on sales and disposals of Assets held for sale		18	-	18	-
Share of Associates profit/(loss)		(39)	282	-	-
Interest payable	9	178	95	157	122
Interest receivable	8	(748)	(206)	(693)	(194)
Financial Transactions repayments waived by Scottish Government		(250)	-	(250)	-
Retirement benefit scheme net changes		313	4,383	313	4,383
		(42,054)	(45,384)	(42,669)	(46,923)
(Increase)/decrease in inventories		(24)	(58)	-	-
(Increase)/decrease in trade and other receivables		(304)	2,267	226	2,558
Increase/(decrease) in trade and other payables		275	(3,628)	1,667	(2,264)
(Decrease)/Increase in provision for future liabilities		(243)	(10,535)	(243)	(10,535)
		(42,350)	(57,338)	(41,019)	(57,164)
Tax paid		1	-	-	-
Net cash outflow from operating activities		(42,349)	(57,338)	(41,019)	(57,164)
Cash flows from investing activities					
Proceeds of disposal of property, plant and equipment		439	1,757	402	1,717
Interest received		709	186	654	174
Lease income received		70	35	70	35
Loans advanced in year	14	(2,307)	(1,386)	(2,307)	(1,386)
Loans repaid in year	14	660	126	660	126
Purchase of intangible assets		(629)	(565)	(629)	(565)
Purchase of property, plant and equipment		(11,407)	(19,926)	(10,496)	(18,749)
Net cash inflow from investing activities		(12,465)	(19,773)	(11,646)	(18,648)
Cash flows from financing activities					
Grants from Scottish Government		59,126	76,362	59,126	76,362
Financial transactions funding from Scottish Government net of repayments		2,837	738	2,837	739
Interest paid	9	(37)	32	(16)	6
Repayment of leasing liabilities		(766)	(788)	(766)	(788)
Net cash inflow from financing activities		61,160	76,344	61,181	76,319
Net increase/(decrease) in cash and cash equivalents in the period	18	6,346	(767)	8,516	507
Cash and cash equivalents at the beginning of the period	18	9,321	10,088	888	381
Cash and cash equivalents at the end of the period	18	15,667	9,321	9,404	888

**GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2024**

	Revaluation reserve	Other reserve	Pension reserve	Minority Interest	General reserve	Total reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	3,914	6	(46,877)	391	29,625	(12,941)
Adjustment on transition to IFRS 16	(1,399)	-	-	-	-	(1,399)
Adjusted Balance at 31 March 2022	2,515	6	(46,877)	391	29,625	(14,340)
Net expenditure during the year	-	-	-	-	(71,445)	(71,445)
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	11,132	-	-	11,132
Net gains on revaluation of property, plant and equipment	857	10	-	-	-	867
Transfers between reserves	-	12	(4,383)	-	4,371	-
Total recognised income and expense for year to 31 March 2023	857	22	6,749	-	(67,074)	(59,446)
Grant in Aid from Scottish Government	-	-	-	-	76,362	76,362
Balance at 31 March 2023	3,372	28	(40,128)	391	38,913	2,576
Net expenditure during the year	-	-	-	6	(53,419)	(53,413)
Actuarial gains /(losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	(5,038)	-	-	(5,038)
Net gains/(losses) on revaluation of property, plant and equipment	341	(14)	-	-	-	327
Transfers between reserves	-	(12)	(313)	-	325	-
Total recognised income and expense for year to 31 March 2024	341	(26)	(5,351)	6	(53,094)	(58,124)
Grant in Aid from Scottish Government	-	-	-	-	59,126	59,126
Balance at 31 March 2024	3,713	2	(45,479)	397	44,945	3,578

Revaluation reserve is the cumulative unrealised balance arising on revaluation adjustments to assets.

Other reserves are the balance arising on unrealised gains from the revaluation of assets not included within the revaluation reserve £nil (2023: £14k) and the share of equity accounted investee reserves £2k (2023: £24k).

Pension reserve is the accumulated deficit arising from the HIE Superannuation Scheme and the Local Government Pension Scheme.

General reserve is the accumulated surplus on grant-in-aid funded activity by HIE.

**HIGHLANDS AND ISLANDS ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2024**

	Revaluation reserve	Other reserve	Pension reserve	General reserve	Total reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2022	3,913	4	(46,877)	27,449	(15,511)
Adjustment on transition to IFRS 16	(1,399)	-	-	-	(1,399)
Adjusted Balance at 31 March 2022	2,514	4	(46,877)	27,449	(16,910)
Net expenditure during the year	-	-	-	(72,587)	(72,587)
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	11,132	-	11,132
Net gains on revaluation of property, plant and equipment	857	10	-	-	867
Transfers between reserves	-	-	(4,383)	4,383	-
Total recognised income and expense for year to 31 March 2023	857	10	6,749	(68,204)	(60,588)
Grant in Aid from Scottish Government	-	-	-	76,362	76,362
Balance at 31 March 2023	3,371	14	(40,128)	35,607	(1,136)
Net expenditure during the year	-	-	-	(53,651)	(53,651)
Actuarial gains/(losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	(5,038)	-	(5,038)
Net gains/(losses) on revaluation of property, plant and equipment	341	(14)	-	-	327
Transfers between reserves	-	-	(313)	313	-
Total recognised income and expense for year to 31 March 2024	341	(14)	(5,351)	(53,338)	(58,362)
Grant in Aid from Scottish Government	-	-	-	59,126	59,126
Balance at 31 March 2024	3,712	-	(45,479)	41,395	(372)

Revaluation reserve is the cumulative unrealised balance arising on revaluation adjustments to assets.

Other reserves are the balance arising on unrealised gains from the revaluation of assets not included within the revaluation reserve £nil (2023: £14k).

Pension reserve is the accumulated deficit arising from the HIE Superannuation Scheme and the Local Government Pension Scheme.

General reserve is the accumulated surplus on grant-in-aid funded activity by HIE.

NOTES TO THE ACCOUNTS

1. Accounting policies

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 2023/24 Government Financial Reporting Manual (FReM) and Accounts Direction issued by Scottish Ministers, in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HIE for the purpose of giving a true and fair view has been selected. The particular policies adopted by HIE are described below. They have been applied consistently in dealing with the items that are considered material to the accounts.

The accounts are prepared under the historical cost convention, except that the following assets and liabilities are stated at fair value:

- property (note 11)
- financial assets (note 14)
- assets classified as held for sale (note 19)
- financial commitments (note 23)

The consolidated financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

GOING CONCERN

The financial statements for the year ended 31 March 2024 show a net liability position of £0.372m (Group net assets £3.578m). The net liability position has arisen due to the deficit in the HIE superannuation scheme. These liabilities will be funded by the Scottish Government as they arise and the financial statements have therefore been prepared on a going concern basis.

The Board and Accountable Officer have considered HIE's Operating Plan requirements and consider that the budget awarded by the Scottish Government for 2024/25 is adequate.

BASIS OF CONSOLIDATION

The Group Accounts include the accounts of HIE and all its subsidiary and associate undertakings and joint arrangements drawn up to 31 March each year.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control over their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary and material to ensure consistency with the policies adopted by the Group.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control. Companies whose business is compatible with the objectives of the Group, in which the holdings are intended to be retained as long-term investments and in which the Group has active management involvement are treated as associated undertakings.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreements and requiring unanimous consent for strategic financial and operational decisions.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The Group accounts include the Group's share of the profit and equity movements of equity accounted investees, after adjustments to align the accounting policies of those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(c) Other

In respect of other invested companies, HIE considers that in general, the role of the Group is normally that of a passive investor and that investment holdings taken will be disposed of at the earliest opportunity. HIE's role is to provide funding, primarily alongside venture capital co-investment partners, to individual companies to drive economic growth in Scotland. Other investments which are not considered subsidiaries, joint arrangements or associates are recorded at historic cost, fair value or amortised cost as appropriate.

ACCOUNTING FOR GRANT-IN-AID

HIE receives grant-in-aid from Scottish Ministers to finance its capital expenditure and the excess of its expenditure over income. Grant-in-aid is credited to general reserves and the net expenditure charged to this reserve.

EUROPEAN UNION FUNDING AND OTHER GRANTS

European Union funding and other grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. All grants recognised are credited to the statement of comprehensive net expenditure in the year in which they are recognised.

INCOME

Income from assets sold is recognised when the risks and rewards of ownership have been transferred to a third party. Revenue from goods and services are recognised in the period for which the goods and services provided relate to.

Revenue grants and partners' contributions to projects are recognised in the period to which they relate.

Revenue from contracts with customers is accounted for in accordance with IFRS 15. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The impact on the consolidated accounts is not qualitatively and quantitatively material due to minimal contracts with customers and no revenues from taxation, fines, and penalties.

EXPENDITURE

Grant expenditure is accounted for as it is approved for payment. Goods and services expenditure is recognised in the period to which it relates.

PROPERTY, PLANT AND EQUIPMENT

HIE has 4 categories of property, plant and equipment:

- Land and buildings
- Tenants' improvements
- Plant and equipment
- IT equipment

As land and buildings are primarily held by HIE for economic development purposes, in accordance with the FReM, the principles of IAS 16 'Property, Plant and Equipment' are followed.

Property, plant and equipment are included in the statement of financial position at their Current Value and non-property assets with a short economic useful life are carried at depreciated historic cost. Specialised plant and equipment assets are revalued bi-annually.

For non-property assets HIE capitalises any purchases for individual items over £5,000 where the purchase is expected to have a useful life greater than one year. In line with IAS 16, for property, HIE capitalises any costs directly attributable to bringing the property to the condition necessary for it to be used in the manner intended; this includes professional fees incurred but excludes any costs of a repair or maintenance nature.

Depreciation is provided on all property, plant and equipment other than freehold land and Assets Under Construction, on a straight-line basis over their expected useful lives, as follows:

- Buildings – structure: up to 60 years
- Buildings – engineering: up to 45 years
- Buildings – specialist engineering: up to 45 years
- Plant and equipment: up to 40 years
- Tenants' improvements: Remaining Lease Term
- IT equipment: 4 years

The Current Value for completed property is based on the Fair value as defined by the guidance notes issued by the Royal Institution of Chartered Surveyors. Professional external valuations are carried out annually.

Assets Under Construction are shown at impaired cost. This recognises the costs of construction with an allowance made for a proportion of the expected impairment of these on completion, based on the degree of completion at the year end. This adjustment is considered necessary to reflect the fact that the market values of Assets Under Construction are less than the cost. This arises as one of the purposes of HIE's property function is to address market failure. Once completed and ready for use, these assets are reclassified as either land and buildings held for regeneration purposes or for own use and accounted for accordingly.

Deficits arising on revaluation are charged to the Statement of Comprehensive Net Expenditure, although this is first offset against any revaluation reserve in respect of that property. Surpluses on revaluation are credited to a revaluation reserve after eliminating any accumulated deficit originally charged to the Statement of Comprehensive Net Expenditure in accordance with IAS 16.

When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Reserve. A depreciation charge is applied in the year of acquisition of an asset and no charge is made in the year in which it is disposed. The difference between depreciation based on the revalued carrying amount of the asset charge to the SOCNE and depreciation based on the original cost of the asset is transferred from the Revaluation Reserve to the General Reserve.

INTANGIBLE ASSETS

Expenditure on intangible assets, which includes purchased computer software licences and internally developed software, HIE capitalises any purchases over £5,000. When capitalising internally developed assets such as software, only directly attributable costs are included where it is deemed that the asset will generate future economic benefits in the way of savings or improvements to internal processes.

The FReM directs users to value intangible assets at fair value of the asset rather than cost and recommends depreciated replacement cost as an appropriate method. However, HIE does not currently index software on the basis that assets have a short useful life, costs are unlikely to fluctuate significantly over that life, and that the asset may not be replaceable like for like due to technological advances. Applying indexation to the original cost would also not give a reliable estimation of the replacement cost of the asset. Intangible assets are therefore carried at depreciated historical cost and are amortised over 4-8 years.

FINANCIAL ASSETS - EQUITY

Equity instruments which have been classified as financial assets at fair value through profit and loss and are shown at Fair Value in accordance with IFRS 9. HIE holds financial assets for economic development and regeneration. These financial assets are valued at fair value through profit and loss. A review of the Share Agreements and Articles of Association of the Investee companies was carried out for all HIE's Investments to establish the correct classification of each. As there is no active market in most of HIE's investments, Fair Value has been determined internally using valuation techniques. The valuation techniques adopted include the price of recent transactions at arm's length and Net Assets based valuations. Other valuation methods were not considered appropriate due to a lack of marketplace comparable for HIE's equity. Decreases in the Fair Values have been charged to the Statement of Comprehensive Net Expenditure as these are considered to be impairment losses. A fair value hierarchy is used to categorise into three levels the inputs to valuation techniques used to measure fair value.

FINANCIAL ASSETS - LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments and are carried at amortised cost using the effective interest method. This includes preference shares which have the right to a dividend stream and redemption of the shares at a given point in time. Where the redemption date has passed, it was assumed in the amortised cost calculations, that the redemption date would take place in a year's time. The amortised cost valuations were then reviewed using information obtained from the monitoring and account management process. Movements in amortised cost are recognised in the Statement of Comprehensive Net Expenditure.

HIE assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. For trade receivables, HIE applies the simplified approach permitted by IFRS 9 which requires lifetime losses to be recognised from initial recognition to the receivables.

INTANGIBLE ASSETS GOODWILL

Goodwill arising on the purchase of subsidiaries is recognised at fair value on acquisition. Amortisation is calculated on a straight-line basis over a period of 4-8 years.

ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale have been accounted for in accordance with International Financial Reporting Standard (IFRS) 5. These relate to properties and financial assets which have been approved for sale with a willing buyer and where the sale is expected to be completed during the next 12 months and are shown at Fair Value with an allowance made for legal costs related to the sales.

LEASED ASSETS

IFRS 16 has been implemented from 1 April 2022 and introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases apart from those which meet the exemptions below.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2022. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The group as a lessee

For any new contracts entered into on or after 1 April 2022, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use.
- The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Lease liability should be recognised based on the non-cancellable period of the lease.

The Group depreciates the right-of-use assets on a straight-line basis over the non-cancellable period of the lease. The Group also assesses the right-of-use asset for impairment where such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the Statement of Comprehensive Net Expenditure if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as expense in Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

The group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Lease Receivable is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Lease liability should be recognised based on the non-cancellable period of the lease.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the lease receivable, or Statement of Comprehensive Net Expenditure if the lease receivable is already reduced to zero.

The Group has elected to account for short-term leases of low-value assets using the practical expedients. Instead of recognising a lease receivable and lease liability, the payments in relation to these are recognised as expense in the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term.

On the Statement of Financial Position, the non-current amounts for leases receivables have been included in Non-Current Assets, the current lease receivables have been included in Current Assets, current lease liabilities have been included in current liabilities and non-current lease liabilities have been included in Non- Current Liabilities.

IRRECOVERABLE INCOME

Irrecoverable debts are written off at the earliest opportunity. Provision is made for debts which are considered unlikely to be recovered.

RESEARCH EXPENDITURE

All research expenditure is charged in the year it occurs.

INSURANCE

In line with central government policy, HIE and its subsidiary companies bear their own liability for all risks except for statutory obligations.

TAXATION

The companies in the HIE group are subject to corporation tax on their annual surplus as computed for taxation purposes. HIE and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Provision is made for deferred taxation only when material liabilities are expected to arise in the foreseeable future. Provision for Corporation tax is made on gains, profits and losses, as computed for tax purposes, arising from business activities. The tax computations for all periods ending before 31 March 2022 have been agreed with the relevant tax authorities.

EMPLOYEE BENEFITS

Retirement Benefits

Most staff are members of the HIE Superannuation Scheme or Local Government Pension Schemes. The HIE superannuation scheme is a defined benefits scheme based on career average salary. The appointed actuary for the scheme is Spence and Partners. The assets of the scheme are held separately from those of HIE and are invested with independent investment managers agreed by the scheme's trustees. The local government pension schemes are defined benefit schemes, the assets of which are held in independently administered funds.

On the advice of independent qualified actuaries, contribution payments are made to the schemes to ensure that the scheme assets are sufficient to cover future liabilities. Assets are measured using market values. Liabilities are measured using the projected unit method and discounted by the yield available on long-dated, high quality corporate bonds. Any increase in the present value of the liabilities of the defined benefit pension schemes expected to arise from employee service in the period is charged against operating surplus.

The expected return on the assets of the scheme and the increase during the period in the present value of the liabilities arising from the passage of time are included in investment income. Actuarial gains and losses are recognised in the Statement of Changes in Taxpayers' Equity.

Additional information is disclosed in note 22.

Short term employee benefits

A liability and an expense are recognised for holiday days, holiday pay, and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays earned but not taken. Accruals are recognised for material amounts in respect of holidays, holiday pay, and other short-term benefits earned but not taken or paid at the Statement of Financial Position date.

TRADE RECEIVABLES AND PAYABLES

All commercial and trade sums due and payable (Receivables and Payables) are stated at fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The following new accounting standards have been issued but have not yet been applied by the group in these financial statements. The standards that are considered relevant to the group and the anticipated impact on the consolidated accounts are as follows:

IFRS 17 – Insurance Contracts replaces IFRS 4. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. HM Treasury has agreed with the Financial Reporting Advisory Board to delay the implementation of IFRS 17 in the public sector until financial year 2025/26. The impact has not yet been determined.

2. Critical judgements made in applying accounting policies

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates. 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.

Information about critical judgements in applying accounting policies, that have the most significant effects on the amounts recognised in the accounts, is as follows:

(a) Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

- The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.
- The Group also determines the appropriate rate for salary inflation based on consideration of inflation and long-term assumptions in respect of salary increases. Other key assumptions for retirement benefit obligations are based in part on current market conditions.
- The actuary of the Highland and Islands Enterprise superannuation scheme estimates the longevity of current and future pensioners using the Vita Club CMI 2016 tables. This differs from the VitaCurves tables used by the actuary for the local government pension funds.
- When there is a surplus in the defined benefit plan, the net defined benefit is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. Judgement has been made to determine the asset ceiling, defined as the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. HIE has had a judgement that it does not have an unconditional right to a refund and does not recognise economic benefit in that regard. It has made a judgement that the economic benefit through a reduction in future contributions is the present value of future employer service costs less the present value of future employer contributions, over the working lifetime of the active scheme members, using assumptions consistent with those used to determine the defined benefit obligation at the end of the reporting period in accordance with IAS 19 Employee Benefits.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using judgement and assumptions that are mainly based on market conditions existing at each statement of financial position date.

(c) Held-to-maturity investments

The Group follows the guidance of IFRS 9 to determine the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk when a financial asset held at amortised cost is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The expected credit loss is determined by evaluating loans and receivables and assessing whether the credit risk has increased since initial recognition. Financial assets at amortised cost are classified as follows:

- Stage 1 where the credit risk has not increased significantly then a loss allowance equal to 2 month expected credit loss is recognised by
 - (i) reviewing loans with shared characteristics and
 - (ii) applying a probability assessment of a loss default within 12 months;
- Stage 2 where the loan is past due and based on past experience the asset is considered to be credit impaired, a loss allowance equal to a lifetime expected credit loss is recognised by
 - (i) reviewing loans with shared risk characteristics and
 - (ii) applying a probability assessment of a loss default:
- Stage 3 when an asset is considered to be credit impaired because of past due status and other events that have a detrimental effect on future cash flows an impairment allowance is recognised.

(d) Impairment of financial assets at fair value through profit and loss

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) EU Income

The Group operates a series of programmes which attract financial support from the European Union. Funding is claimed in arrears at the intervention rate agreed at the start of the programmes and based upon the costs incurred to deliver the programme and the successful delivery of strategic operational outcomes. Claims submitted during the financial year are recognised as income in the financial year they are presented.

At the end of each financial year, an assessment is made of eligibility of the expenditure incurred and for which the Group will be able to secure the evidence standards required to make a claim for European funding in the future. Based upon the completed verification work and extended to expenditure still to be fully verified, an estimate is made of associated income not yet claimed which is then accrued in the financial statements.

(f) Property

Each year HIE commissions a valuation of its land and buildings.

The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Group at 31 March 2024 and can be relied upon.

(g) Provisions

Each year HIE reviews the value of the provisions. The value of each provision is based on the most recent cost information available at the time of preparation of the financial statements.

3. Assumptions made about the future and other sources of estimation uncertainty

The financial statements contain estimated figures that are based on assumptions made by HIE about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The balance sheet of HIE at 31 March 2024 includes the following items for which there is significant risk of material adjustment in the forthcoming financial year:

ITEM	UNCERTAINTIES	EFFECT IF RESULTS DIFFER FROM ASSUMPTIONS
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The HIE Superannuation Scheme has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.</p> <p>HIE has incorporated actuarial assumptions which are unbiased, mutually compatible and represent the best estimate of the variables which are used to measure the scheme liabilities. At 31 March 2024, after recognising the effect of the net asset ceiling, HIE's pension schemes had a net liability of £45.479m (2023 net liability £40.128m),</p>	<p>The impact of changes in assumptions used to calculate the pension liability has been assessed by the actuaries as described in note 22.</p>

4. Segmental Information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources.

The following table presents the revenue and profit information regarding HIE's operating segments for the years ended 31 March 2023 and 2024 based on the management information produced, a further table is presented reconciling the segmental information provided for HIE to the group net operating cost before taxation.

The management information used by HIE's Board and Leadership Team is focused on cash income and expenditure. Income is presented by funding source. Expenditure reflects the primary areas of investment and business support provided by HIE. HIE does not record or report assets and liabilities by operating segments or primary areas of investment.

SEGMENTAL INFORMATION		
	2024	2023
	£000	£000
Expenditure		
Block A		
Discretionary spend	22,241	19,481
Priority Investment	28,832	36,564
Business support	6,263	6,717
Cairngorm Mountain (Scotland) Limited	1,959	1,824
WES	3,405	4,242
Total Block A	62,700	68,828
Block B		
Management, staff and administration cost	16,594	15,300
Total Block B	16,594	15,300
Total Gross Expenditure	79,294	84,128
Income		
Loan repayments	660	126
Equity sales	-	-
Property sales	472	1,814
Property rental	2,110	2,594
Loan interest / dividend	381	172
Scottish Government Grant	-	125
Broadband	7,760	954
SHS UKSA & NDA Milestone Income	2,334	200
Cairngorm Settlement Income	11,273	-
Other income	124	337
Total other income	25,114	6,322
Net expenditure funded by core SG income	54,180	77,806

Other income and expenditure

Expenditure		
European Funds	241	1,338
Community Renewal fund	-	200
Scottish Land Fund (SLF)	545	503
Inverness and Highland City Region Deal - Science Skills Academy	269	407
Inverness and Highland City Region Deal - Northern Innovation Hub	1,560	1,410
Covid Support	-	1,662
Orkney the Brand	69	158
Interest Payable	117	97
Expected Credit Losses	433	468
	3,234	6,243

Income

European Funds	241	1,338
Community Renewal Fund	-	200
Scottish Land Fund (SLF)	545	503
Inverness and Highland City Region Deal - Science Skills Academy	269	407
Inverness and Highland City Region Deal - Northern Innovation Hub	1,560	1,410
Orkney the Brand	69	158
	2,684	4,016

Financial position (I&E)

54,730

80,033

Reconciliation to Group net operating cost before taxation:

Financial position (I&E)	(54,730)	(80,033)
Pension (IAS19)	(313)	(4,383)
Depreciation	(1,816)	(1,807)
Amortisation	(419)	(391)
Provisions and charges	934	10,660
Property cost of sales	(516)	(1,221)
Capital revaluation and additions	2,954	642
IFRS 16 opening adjustment	-	4,260
Exchange Rate movements	(145)	265
Taxation provision and charges	-	-
Associate companies	39	(282)
Consolidation adjustments	543	911
Group net operating cost before taxation	(53,469)	(71,379)

5. Income from operating activities

Income, which is shown net of Value Added Tax (VAT), is made up of receipts from various bodies as detailed below:

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Income from Activities				
Property rentals	2,029	2,567	2,110	2,594
Surplus/(deficit) on disposal of property	(43)	630	(44)	593
	1,986	3,197	2,066	3,187
Other Income				
Other European contributions	(557)	1,568	(557)	1,568
Scottish Government receipts	-	210	-	210
Other external income	31,724	10,710	25,473	6,001
	31,167	12,488	24,916	7,779

6. Expenditure on operating activities

Expenditure is shown net of Value Added Tax (VAT) except where VAT is irrecoverable.

GROUP	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2024 TOTAL	2023 TOTAL
	£000	£000	£000	£000	£000	£000
Highlands and Islands Enterprise	21,549	15,963	18,175	-	55,687	52,634
Cairngorm Mountain (Scotland) Limited	-	-	-	2,794	2,794	2,258
Wave Energy Scotland	5,104	-	-	-	5,104	5,015
HIE Ventures Limited	-	-	-	-	-	-
	26,653	15,963	18,175	2,794	63,585	59,907
2023	15,203	26,256	16,190	2,258	59,907	

Expenditure includes grants of £30,660k (2023: £28,081k) of which £1,117k (2023: £399k) was made to the public sector and £29,543k (2023: £27,682k) to the private sector.

Property revaluation and management costs of £10,294k (2023: £19,509k) are included within Business Support expenditure above.

HIGHLANDS AND ISLANDS ENTERPRISE	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2024 TOTAL	2023 TOTAL
	£000	£000	£000	£000	£000	£000
Highlands and Islands Enterprise	27,695	15,963	18,175	-	61,833	60,097
Cairngorm Mountain (Scotland) Limited	-	-	-	-	-	-
Wave Energy Scotland	-	-	-	-	-	-
HIE Ventures Limited	-	-	-	-	-	-
	27,695	15,963	18,175	-	61,833	60,097
2023	17,651	26,256	16,190	-	60,097	

7A. STAFF COSTS AND ADMINISTRATION EXPENDITURE BY ORGANISATION

	GROUP	
	2024	2023
	£000	£000
Highlands and Islands Enterprise	17,571	22,152
Cairngorm Mountain (Scotland) Limited	2,705	2,214
Wave Energy Scotland Limited	1,509	1,331
HIE Ventures Limited	2	1
Continuing operations	21,787	25,698

7B. STAFF COSTS AND ADMINISTRATION EXPENDITURE

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Continuing operations				
Staff and board member salaries	16,295	15,005	14,966	13,720
IAS 19 employer contributions net of current service costs	(1,546)	3,095	(1,546)	3,095
	14,749	18,100	13,420	16,815
Travel and subsistence - board members	15	10	15	10
Travel and subsistence - staff	356	343	300	285
Accommodation	405	719	330	459
Hospitality – staff	(6)	13	(6)	13
Audit fees - current year	221	204	200	188
Audit fees - prior year rebate	-	(8)	-	(8)
Non-audit fees paid to auditors	4	3	-	-
Operating lease rentals – equipment	135	63	14	15
Plant and equipment revaluations	-	34	-	34
Equipment and furnishings	15	17	15	17
Provision for irrecoverable debts and losses and write off of debts	541	(344)	541	(344)
Movement in investment provisions and write off of investments	(521)	506	(521)	506
Investment fair value adjustments	63	(22)	38	(2)
Other provisions	(243)	748	(243)	748
Other administration costs	3,818	3,148	1,621	1,486
	4,803	5,434	2,304	3,407
Depreciation of fixed assets	1,816	1,773	1,401	1,563
Amortisation of intangible assets	419	391	419	391
	2,235	2,164	1,820	1,954
Total administration and management charges	21,787	25,698	17,544	22,176

Fees chargeable for audit services provided by Audit Scotland amounted to £200k (2023: £180k).

Details of staff and board members' salaries, including staff numbers, can be found in the Remuneration and Staff report.

8. INVESTMENT INCOME AND OTHER FINANCE INCOME/(CHARGES)

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Interest receivable				
Loan interest receivable	(173)	(152)	(173)	(152)
Bank interest receivable	(535)	(34)	(480)	(22)
Lease interest receivable	(40)	(20)	(40)	(20)
	(748)	(206)	(693)	(194)
Other finance (income) / charges				
Interest income on retirement benefit assets	(4,960)	(3,879)	(4,960)	(3,879)
Interest on retirement benefit scheme obligations	6,535	5,167	6,535	5,167
Interest on the effect of asset ceiling adjustment	284	0	284	0
	1,859	1,288	1,859	1,288

9. FINANCE COSTS

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Interest expense for borrowings at amortised cost	25	(38)	16	(6)
Interest expense for leasing arrangements	153	133	141	127
	178	95	157	121

10. Taxation

Corporation tax is charged at 25% (2023 19%) on the taxable surplus of HIE and charged at rates between 10% and 20% on the taxable incomes of its subsidiaries.

Where liabilities for earlier years have not been finally agreed with HMRC, provision has been made for material estimated liabilities outstanding.

	GROUP			HIE
	2024	2023	2024	2023
	£000	£000	£000	£000
Current tax				
Current tax on profits for the year	4	-	-	-
Adjustment in respect of prior years	1	-	-	-
Total current tax	5	-	-	-
Deferred tax				
Current year	275	185	269	185
Adjustment in respect of previous periods	(336)	(178)	(336)	(178)
Effect of changes in tax rates	-	58	-	58
Total deferred tax	(61)	65	(67)	65
Tax per statement of comprehensive net expenditure	(56)	65	(67)	65
Factors affecting tax charge for the period				
Net expenditure after interest	53,469	71,379	53,718	72,522
Tax on loss at 25% (2023 19%)	(13,367)	(13,562)	(13,429)	(13,779)
Tax under/(over) provided in previous years	(335)	(178)	(336)	(178)
Non taxable income and disallowable expenditure	13,715	13,822	13,767	14,039
Effect of changes in Tax Rates	(69)	58	(69)	58
Revaluation	-	(75)	-	(75)
Current tax charge	(56)	65	(67)	65

11. Property, plant and equipment

Land and buildings held for industrial and commercial use, were valued at 31 March 2024 on a fair value basis, in accordance with the guidance notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. The valuations were carried out by Graham and Sibbald, Chartered Surveyors and had a total value of £31.5m (2023 £30.1m). Plant and Equipment were also subject to revaluation in year.

The revaluation surplus included in an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. There is no transfer of this surplus to retained earnings while the asset is in use.

PROPERTY PLANT AND EQUIPMENT - GROUP								
	Land and buildings held for regeneration purposes	Land and buildings held for own use	Assets under construction	Total land and buildings	Tenants improvements	IT equipment	Plant and equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	25,609	3,879	1,060	30,548	95	624	8,980	40,247
Adjustment on transition to IFRS16	10,420	-	(175)	10,245				10,245
Additions	272	12	18,037	18,321	4	31	1,244	19,600
Disposals	(90)	-	-	(90)	-	(3)	(72)	(165)
Reclassifications	(719)	1,423	(1,000)	(296)	-	-	(1,423)	(1,719)
Revaluations	(1,473)	(263)	-	(1,736)	-	-	11	(1,725)
Impairment	-	-	(17,922)	(17,922)	-	-	-	(17,922)
At 31 March 2023	34,019	5,051	-	39,070	99	652	8,740	48,561
Depreciation								
At 1 April 2022	-	-	-	-	42	469	3,995	4,506
Charged in year	946	61	-	1,007	31	129	606	1,773
Disposals	-	-	-	-	-	(2)	(51)	(53)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(236)	(49)	-	(285)	-	-	(633)	(918)
At 31 March 2023	710	12	-	722	73	596	3,917	5,308
Net Book Value								
At 31 March 2023	33,309	5,039	-	38,348	26	56	4,823	43,253
Cost or valuation								
At 1 April 2023	34,019	5,051	201	39,271	99	652	8,538	48,560
Additions	5,219	891	5,103	11,213	20	-	418	11,651
Reclassifications	684	412	(507)	589	-	-	115	704
Disposals	(502)	-	-	(502)	(19)	-	(291)	(812)
Revaluations	(4,808)	(659)	-	(5,467)	-	-	-	(5,467)
Impairment	-	-	(3,947)	(3,947)	-	-	-	(3,947)
At 31 March 2024	34,612	5,695	850	41,157	100	652	8,780	50,689

Depreciation								
At 1 April 2023	710	12	-	722	73	596	3,918	5,309
Charged in year	909	212	-	1,121	12	21	662	1,816
Disposals	(193)	-	-	(193)	(15)	-	(74)	(282)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(254)	(50)	-	(304)	-	-	612	308
At 31 March 2024	1,172	174	-	1,346	70	617	5,118	7,151

Net Book Value								
At 31 March 2024	33,440	5,521	850	39,811	30	35	3,662	43,538
At 1 April 2023	33,309	5,039	-	38,348	26	56	4,823	43,253
At 1 April 2022	25,609	3,879	1,060	30,548	53	155	4,985	35,741

Analysis of asset financing:								
	Land and buildings held for regeneration purposes	Land and buildings held for own use	Assets under construction	Total land and buildings	Tenants improvements	IT equipment	Plant and equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000

Net Book Value at 1 April 2023								
Owned	22,375	5,039	-	27,414	26	56	4,823	32,319
Finance leased *	10,934	-	-	10,934	-	-	-	10,934
Total	33,309	5,039	-	38,348	26	56	4,823	43,253

Net Book Value at 31 March 2024								
Owned	23,294	5,521	850	29,665	30	35	3,662	33,392
Finance leased *	10,146	-	-	10,146	-	-	-	10,146
Total	33,440	5,521	850	39,811	30	35	3,662	43,538

* Right-of-use assets within the property, plant and equipment figures and included in note 12

PROPERTY PLANT AND EQUIPMENT - HIE

	Land and buildings held for regeneration purposes	Land and buildings held for own use	Assets under construction	Total land and buildings	Tenants improvements	IT equipment	Plant and equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	25,611	3,879	1,060	30,550	95	619	7,106	38,370
Adjustment on transition to IFRS16	10,420	-	(175)	10,245				10,245
Additions	272	12	18,037	18,321	4	31	67	18,423
Disposals	(90)	-	-	(90)	-	(3)	(44)	(137)
Reclassifications	(719)	-	(1,000)	(1,719)	-	-	-	(1,719)
Revaluations	(1,473)	(263)	-	(1,736)	-	-	11	(1,725)
Impairment	-	-	(17,922)	(17,922)	-	-	-	(17,922)
At 31 March 2023	34,021	3,628	-	37,649	99	647	7,140	45,535
Depreciation								
At 1 April 2022	-	-	-	-	42	470	3,628	4,140
Charged in year	946	49	-	995	31	128	409	1,563
Disposals	-	-	-	-	-	(2)	(25)	(27)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(236)	(49)	-	(285)	-	-	(633)	(918)
At 31 March 2023	710	-	-	710	73	596	3,379	4,758
Net Book Value								
At 31 March 2023	33,311	3,628	-	36,939	26	51	3,761	40,777
Cost or valuation								
At 1 April 2023	34,021	3,628	-	37,649	98	647	7,141	45,535
Additions	5,219	874	4,593	10,686	20	-	34	10,740
Reclassifications	684	-	19	703	-	-	-	703
Disposals	(502)	-	-	(502)	(19)	-	(226)	(747)
Revaluations	(4,808)	(659)	-	(5,467)	-	-	-	(5,467)
Impairment	-	-	(3,947)	(3,947)	-	-	-	(3,947)
At 31 March 2024	34,614	3,843	665	39,122	99	647	6,949	46,817

Depreciation								
At 1 April 2023	710	-	-	710	73	596	3,379	4,758
Charged in year	909	50	-	959	12	21	409	1,401
Disposals	(193)	-	-	(193)	(15)	-	(46)	(254)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(254)	(50)	-	(304)	-	-	612	308
At 31 March 2024	1,172	-	-	1,172	70	617	4,354	6,213

Net Book Value								
At 31 March 2024	33,442	3,843	665	37,950	29	30	2,595	40,604
At 1 April 2023	33,311	3,628	-	36,939	26	51	3,761	40,777
At 1 April 2022	25,611	3,879	1,060	30,550	53	149	3,478	34,230

Analysis of asset financing:								
	Land and buildings held for regeneration purposes	Land and buildings held for own use	Assets under construction	Total land and buildings	Tenants improvements	IT equipment	Plant and equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000

Net Book Value at 1 April 2023								
Owned	22,377	3,628	-	26,005	26	51	3,761	29,843
Finance leased	10,934	-	-	10,934	-	-	-	10,934
Total	33,311	3,628	-	36,939	26	51	3,761	40,777

Net Book Value at 31 March 2024								
Owned	23,296	3,843	665	27,804	29	30	2,595	30,458
Finance leased	10,146	-	-	10,146	-	-	-	10,146
Total	33,442	3,843	665	37,950	29	30	2,595	40,604

RECONCILIATION OF PROFIT/(LOSS) ON DISPOSALS			
	GROUP		
	2024		2023
	£000		£000
Sales value of disposals	510		1,854
Less net book value of disposals	(553)		(1,224)
Profit/(loss) on disposals	(43)		630

ANALYSIS OF FUNDING OF ASSET ADDITIONS (INCLUDING ASSETS UNDER CONSTRUCTION)				
	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Government Grant in Aid	11,652	19,045	10,741	17,868
EU and other income	0	555	0	555
Total	11,652	19,600	10,741	18,423

12. Leases

The Group has leases for land and offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability.

The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 11).

Leases of property generally have a lease term ranging from one year to 93 years. Lease payments are generally fixed however the Group a limited number of property leases where rentals are linked to annual changes in an index (either RPI or CPI).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

RIGHT-OF-USE ASSET	NO OF RIGHT-OF-USE ASSETS LEASED	RANGE OF REMAINING TERM	AVERAGE REMAINING LEASE TERM	NO OF LEASES WITH VARIABLE PAYMENTS LINKED TO INDEX
Property at 31 March 2024	13	1-93	20	6
Property at 31 March 2023	14	1-95	21	6

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet

There are no leases with options to purchase or termination options.

RIGHT-OF-USE ASSETS

Additional information on the right-of-use assets by class of assets is as follows:

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

	2024	2023
	£000	£000
Right of use asset	Property	Property
Cost		
At 1 April 2023	11,644	-
Transition to IFRS on 1 April 2022	-	11,644
Additions	40	-
Disposals	(366)	-
Remeasurement	-	-
Impairment	-	-
At 31 March	11,318	11,644
Depreciation		
At 1 April 2023	710	-
Charge for the year	655	710
Remeasurement	-	-
Disposals	(193)	-
At 31 March	1,172	710
Carrying amount		
At 31 March	10,146	10,934

LESSOR

	2024	2023
	£000	£000
Current	30	30
Non-current	4,185	4,215
Total discounted lease receivables	4,215	4,245

FINANCE LEASE RECEIVABLES

Finance lease receivables are presented in the statement of financial position as follows:

The group has entered into various lease arrangements as a lessor that are considered to be finance leases. The group leases property and as they transfer all of the risks and rewards of ownership of the assets they are classified as finance leases.

	2024			2023	
	Within 1 year	2-5 years	Over 5 years	Total	Total
	£000	£000	£000	£000	£000
Lease receivable	70	282	5,596	5,948	6,053
Finance charges	(40)	(156)	(1,537)	(1,733)	(1,808)
Net Present values	30	126	4,059	4,215	4,245

During the year, HIE incurred £36k on expenditure related to low-value assets for which the recognition and measurement exemption is applied. HIE received £70k in income from sub-leasing right-of-use assets.

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2024	2023
	£000	£000
Current	454	652
Non-current	9,822	10,346
Total discounted lease liabilities	10,276	10,998

LESSEE

LEASE LIABILITIES

Lease liabilities are presented in the statement of financial position as follows:

	WITHIN 1 YEAR	2-5 YEARS	OVER 5 YEARS	2024 TOTAL	2023 TOTAL
	£000	£000	£000	£000	£000
31 March 2024					
Lease payments	544	1,485	10,577	12,606	13,426
Finance charges	(96)	(352)	(1,882)	(2,330)	(2,428)
Net Present values	448	1,133	8,695	10,276	10,998

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2024 is as follows:

13. INTANGIBLE ASSETS

At 31 March 2024, HIE had an internally generated intangible asset under construction.

INTANGIBLE ASSETS - GROUP			
	Intangible assets in development	Intangible assets	Total intangible assets
	£000	£000	£000
Cost or valuation			
At 1 April 2022	151	2,439	2,590
Additions	135	430	565
Reclassifications	(151)	151	-
At 31 March 2023	135	3,020	3,155
Amortisation			
At 1 April 2022	-	581	581
Charged in year	-	391	391
At 31 March 2023	-	972	972
Net Book Value			
At 31 March 2023	135	2,048	2,183
Cost or valuation			
At 1 April 2023	135	3,020	3,155
Additions	203	426	629
Disposals	-	-	-
Reclassifications	-	-	-
Impairment	-	-	-
At 31 March 2024	338	3,446	3,784
Amortisation			
At 1 April 2023	-	972	972
Charged in year	-	419	419
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2024	-	1,391	1,391
Net Book Value			
At 31 March 2024	338	2,055	2,393
At 1 April 2023	135	2,048	2,183

INTANGIBLE ASSETS - HIE

	Intangible assets in development	Intangible assets	Total Intangible assets
	£000	£000	£000
Cost or valuation			
At 1 April 2022	151	2,439	2,590
Additions	135	430	565
Reclassifications	(151)	151	-
At 31 March 2023	135	3,020	3,155
Amortisation			
At 1 April 2022	-	581	581
Charged in year	-	391	391
At 31 March 2023	-	972	972
Net Book Value			
At 31 March 2023	135	2,048	2,183
Cost or valuation			
At 1 April 2023	135	3,019	3,154
Additions	203	426	629
Disposals	-	-	-
Reclassifications	-	-	-
Impairment	-	-	-
At 31 March 2024	338	3,445	3,783
Amortisation			
At 1 April 2023	-	972	972
Charged in year	-	419	419
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2024	-	1,391	1,391
Net Book Value			
At 31 March 2024	338	2,054	2,392
At 1 April 2023	135	2,048	2,183

14. Financial assets

FINANCIAL ASSETS - GROUP				
			2024	2023
			£000	£000
Financial assets at fair value through profit and loss				
Unlisted equity shares			28	27
Investment through membership			-	-
			28	27

Financial assets at fair value through profit and loss consist of investments in unlisted ordinary shares, which by their nature have no fixed maturity or redemption date.

These have been shown at their fair value. This fair value has been obtained using recent marketplace transactions where available or using a net worth basis of valuation. Due to the lack of marketplace comparables, other valuation methodologies were not considered appropriate.

LOANS AND RECEIVABLES	Preference	Loans and	Total	Total
	shares	receivables	2024	2023
	£000	£000	£000	£000
Amortised cost				
At 1 April 2023	275	6,567	6,842	5,581
Additions	-	2,307	2,307	1,386
Repayments	-	(660)	(660)	(126)
Disposals	-	-	-	-
Fair value adjustment	-	(64)	(64)	13
Written off	-	(1,886)	(1,886)	(12)
At 31 March 2024	275	6,264	6,539	6,842
Diminution in value				
At 1 April 2023	275	3,610	3,885	3,391
Additions	-	593	593	541
Released	-	(603)	(603)	-
Risk premium	-	11	11	(35)
Written off	-	(1,713)	(1,713)	(12)
At 31 March 2024	275	1,898	2,173	3,885
Net book value				
At 31 March 2024	-	4,366	4,366	2,957
At 1 April 2023	-	2,957	2,957	
Analysis of loans and receivables				
Due within 1 year	-	602	602	687
Due over 1 year	-	3,764	3,764	2,270
	-	4,366	4,366	2,957

Preference shares and loans are shown at amortised cost after allowing for any impairment. Impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows. HIE considers the above method of valuation provides a valuation which is equivalent to the fair value.

Risk premium represents the movement in risk premium in year.

FINANCIAL ASSETS - HIE				
			2024	2023
			£000	£000
Financial assets at fair value through profit and loss				
Unlisted equity shares			564	555
Investment through membership			873	856
			1,437	1,411

Financial assets at fair value through profit and loss consist of investments in unlisted ordinary shares, which by their nature have no fixed maturity or redemption date.

These have been shown at their fair value. This fair value has been obtained using recent marketplace transactions where available or using a net worth basis of valuation. Due to the lack of marketplace comparables, other valuation methodologies were not considered appropriate.

LOANS AND RECEIVABLES				
	Preference	Loans and	Total	Total
	Shares	receivables	2024	2023
	£000	£000	£000	£000
Amortised cost				
At 1 April 2023	276	6,986	7,262	6,001
Additions	-	2,307	2,307	1,386
Repayments	-	(660)	(660)	(126)
Disposals	-	-	-	-
Fair value adjustment	-	(64)	(64)	13
Written off	-	(1,886)	(1,886)	(12)
At 31 March 2024	276	6,683	6,959	7,262
Diminution in value				
At 1 April 2023	276	3,969	4,245	3,752
Additions	-	593	593	541
Released	-	(603)	(603)	-
Risk premium	-	11	11	(35)
Written off	-	(1,713)	(1,713)	(12)
At 31 March 2024	276	2,257	2,533	4,246
Net book value				
At 31 March 2024	-	4,426	4,426	3,016
At 1 April 2023	-	3,016	3,016	
Analysis of loans and receivables				
Due within 1 year	-	602	602	687
Due over 1 year	-	3,824	3,824	2,329
	-	4,426	4,426	3,016

Preference shares and loans are shown at amortised cost after allowing for any impairment. Impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows. HIE considers the above method of valuation provides a valuation which is equivalent to the fair value.

Risk premium represents the movement in risk premium in year.

OTHER INVESTMENTS		2024	2023
		£000	£000
At 1 April 2023		856	878
Increase/(Decrease) in value		17	(22)
At 31 March 2024		873	856

SUBSIDIARIES

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
HIE Ventures Limited	Scotland	Ordinary Shares	55%	Venture Capitalist
HIE Ventures Limited	Scotland	'A' Ordinary Shares (non-voting)	80%	Venture Capitalist
Wave Energy Scotland Ltd	Scotland	Limited by Guarantee	100%	Promote and assist the development of wave energy technology in Scotland
HIE Argyll and the Islands	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Caithness and Sutherland	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Innse Gall	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Inverness and East Highland	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Lochaber	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Moray	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Orkney	Scotland	n/a	n/a	Local enterprise company (Dormant)
Ross and Cromarty Enterprise Ltd	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Shetland	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Skye and Wester Ross	Scotland	n/a	n/a	Local enterprise company (Dormant)
Highlands and Islands Community Energy Company Ltd	Scotland	n/a	n/a	Promote community involvement in renewable energy initiatives. (Dormant)
Taste of Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand
Made in Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand
Cairngorm Mountain (Scotland) Ltd	Scotland	Ordinary Shares	100%	All year-round tourist attraction including operation of mountain railway and winter skiing facilities

All non-current assets acquired were financed by government grant.

All the local enterprise companies ceased to be operational with effect from 1 April 2008.

On 30 March 2012 50,000 ordinary shares of £1.00 each were acquired in HIE Ventures Limited, this increased HIE's holding from 30% to 55% of the ordinary shares. HIE acquired the shares to ensure the continuity of the HIE Ventures investment fund. The non-controlling interest amounts to 45% as at 31 March 2024.

On 26 November 2018 Cairngorm Mountain (Scotland) Limited was incorporated. HIE is the sole shareholder in Cairngorm Mountain (Scotland) Limited. On 14 December 2018 Cairngorm Mountain (Scotland) Limited began operating the Cairngorm Mountain resort.

DETAILS OF ASSOCIATED AND JOINTLY CONTROLLED UNDERTAKINGS: ALL HELD BY HIE UNLESS INDICATED.

All HIE's associated and jointly controlled undertakings are recognised in the accounts using the equity method unless indicated.

LIMITED BY GUARANTEE				
Name of company	Country of incorporation	Accounting period end date	Percentage of membership	Nature of business
Scottish Intellectual Asset Management Limited	Scotland	31 March	50%	Help build Scotland's competitiveness in modern knowledge economy by enabling Scottish businesses to exploit their intellectual assets.
This is Remarkable Limited	Scotland	31 March	50%	Assessment of organisations against the This is Remarkable Ltd national standard.

Scottish Intellectual Asset Management is treated as an associate within the HIE accounts by virtue of Scottish Enterprise having control of the entity through Board and contractual terms. The results of the company are not recognised within the accounts of HIE as it is a dormant company which is not considered material to the results of HIE or the group. The results are consolidated within the Scottish Enterprise accounts.

On 9 November 2022 This is Remarkable Limited was placed in voluntary administration. The company carrying value in Group investments in associates is Nil. The liability of HIE as a member is limited. HIE is due to share in any surplus arising from administration as a member. Conversely where there is a deficit on administration as a member, HIE is liable for up to £1.

*The results of Scottish Intellectual Asset management are not recognised within the HIE accounts as they are a dormant company and are not considered material to the results of HIE or the group. The results are consolidated within the Scottish Enterprise accounts.

Summarised financial information for HIE's subsidiary investments, on a combined basis, is presented below.

NAME OF COMPANY	COUNTRY OF INCORPORATION	ACCOUNTING PERIOD END DATE	PERCENTAGE OF POTENTIAL VOTING RIGHTS HELD	NATURE OF BUSINESS
Inverness Airport Business Park	Scotland	31 March	25%	Construction and development of a business park adjacent to Inverness airport

The results of Inverness Airport Business Park Limited are recognised in HIE's accounts by virtue of the controlling interest of 25%. HIE's shareholding of 5% would not be sufficient for IABP to be recognised in the accounts. HIE's controlling interest arises due to HIE having the right to appoint 2 of the 8 IABP directors.

Summarised financial information for HIE's investments in equity accounted investees, on a combined basis, is presented below.

NAME OF COMPANY	COUNTRY OF INCORPORATION	ACCOUNTING PERIOD END DATE	PERCENTAGE OF MEMBERSHIP	NATURE OF BUSINESS
Orkney Research and Innovation Campus	Scotland	31 March	50%	Construction, development and management of a research and Innovation Campus

Summarised financial information for HIE's subsidiary investments, on a combined basis, is presented below

	NON CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	TOTAL LIABILITIES	NET ASSETS	REVENUE	EXPENSES	PROFIT/ (LOSS)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at March 2024	2,936	7,647	10,583	(4,305)	(4,916)	(9,220)	1,363	8,057	(11,964)	(3,907)
As at March 2023	2,477	9,860	12,337	(4,125)	(6,218)	(10,343)	1,994	11,273	(10,755)	518
As at March 2022	1,490	10,654	12,144	(3,048)	(7,620)	(10,668)	1,476	3,376	(9,403)	(6,027)

Summarised financial information for HIE's investments in equity accounted investees, on a combined basis, is presented below

	NON CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	TOTAL LIABILITIES	NET ASSETS	REVENUE	EXPENSES	PROFIT/ (LOSS)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at March 2024	2,607	8,638	11,245	(5,059)	(3,498)	(8,558)	2,688	1,821	(1,347)	474
As at March 2023	2,693	6,657	9,350	(2,583)	(4,558)	(7,141)	2,209	521	(600)	(79)
As at March 2022	7,804	2,607	10,411	(4,207)	(3,394)	(7,601)	2,809	2,433	(2,421)	12

MOVEMENTS IN CARRYING AMOUNT OF INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	£000
Carrying amount as at 1 April 2022	1,162
Share of net profit/(Loss)	(25)
Carrying amount as at 31 March 2023	1,137
Carrying amount as at 1 April 2023	1,137
Share of net profit/(Loss)	39
Carrying amount as at 31 March 2024	1,176

SIGNIFICANT HOLDINGS

DETAILS OF INVESTMENTS IN COMPANIES IN WHICH HIE'S TOTAL INVESTMENT IN SHARES AND LOANS:

Name of company	Activity	Percentage of voting rights	Holding as at 31 March 2024	Share value paid £000	Original loan capital £000
(a)	equals 20%, or more than 20%, of the voting rights and exceeds £100,000 or;				
(b)	the total investment exceeds £1,000,000				
Inverness Airport Business Park Limited	Construction and operation of Business park	25%	500 Class 'C' Ordinary shares	-	1,000
			24,997 Class 'D' Ordinary shares	29	-
			275,000 Redeemable Preference shares	550	-
HIE Ventures Limited	Equity investment company	55%	110,000 Ordinary Shares	61	1,000
			40,000 Class 'A' Ordinary shares	40	-
Cairngorm Mountain (Scotland Limited)	Tourism Attraction Operator	100%	1,060,952 Ordinary Shares	1,061	700
Investments in 33 other businesses				770	7,718
				<u>2,511</u>	<u>10,418</u>

15. FAIR VALUE AND IMPAIRMENTS

GROUP

	Statement of comprehensive net expenditure	Revaluation reserve	Total 2024	Total 2023
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	6,116	(341)	5,775	807
Intangible Assets	-	-	-	-
Financial assets	(63)	-	(63)	(22)
	6,053	(341)	5,712	785
Impairments				
Property, plant and equipment	3,947	-	3,947	17,922
Intangible Assets	-	-	-	-
Assets classified as held for sale	-	-	-	-
Financial assets	604	-	604	(506)
	4,551	-	4,551	17,416

HIE

	Statement of comprehensive net expenditure	Revaluation reserve	Total 2024	Total 2023
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	5,434	341	5,775	807
Intangible Assets	-	-	-	-
Financial assets	(38)	-	(38)	(2)
	5,396	341	5,737	805
Impairments				
Property, plant and equipment	3,947	-	3,947	17,922
Intangible Assets	-	-	-	-
Assets classified as held for sale	-	-	-	-
Financial assets	604	-	604	(506)
	4,551	-	4,551	17,416

16. Inventories

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Goods for resale	128	103	-	-

Goods for resale are held by Cairngorm Mountain (Scotland) Ltd and consist of café catering supplies and retail shop visitor goods.

The difference between the purchase price of inventories and the replacement cost is not material.

17. Trade and other receivables

	Note	GROUP		HIE	
		2024	2023	2024	2023
		£000	£000	£000	£000
Trade receivables		8,178	8,639	8,151	8,430
Impairment for bad debts		(291)	(923)	(291)	(923)
		7,887	7,716	7,860	7,507
Taxation recoverable		924	1,499	920	1,478
Accrued income and prepayments		3,463	2,223	2,503	1,751
Owed by subsidiary undertakings		-	-	226	466
Loans and other receivables	14	602	687	602	687
		12,876	12,125	12,111	11,889

Analysis of trade and other receivables within boundaries for whole government accounts

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Balances with other central government bodies	930	1,595	926	1,574
Balances with local authorities	287	423	287	423
Balances with NHS bodies	6	10	6	10
Balances with similar public bodies	601	341	601	341
	1,824	2,369	1,820	2,348
Balances with bodies external to government	11,052	9,756	10,291	9,541
	12,876	12,125	12,111	11,889

18. Cash and cash equivalents

		GROUP		HIE	
Cash and cash equivalents	2024	2023	2024	2023	
	£000	£000	£000	£000	£000
Balance at 1 April	9,321	10,088	888	381	
Net change in cash and cash equivalent balances	6,346	(767)	8,516	507	
Balance as at 31 March	15,667	9,321	9,404	888	

		GROUP		HIE	
Balances held	2024	2023	2024	2023	
	£000	£000	£000	£000	£000
Commercial funds	15,552	9,209	9,289	776	
Other scheme funds held	115	112	115	112	
	15,667	9,321	9,404	888	

The Statement of Financial Position includes funds held by Highlands and Islands Enterprise relating to the following schemes:

		GROUP		HIE	
	2024	2023	2024	2023	
	£000	£000	£000	£000	£000
Community Broadband Scotland	115	112	115	112	
	115	112	115	112	

19. Assets classified as held for resale

Financial assets, land and buildings, plant and equipment deemed to be available for sale and where the sale is anticipated to complete within one year are included as current assets. Despite difficult market conditions, the assets are being actively marketed with a view to completion of the sales in the coming year.

ASSETS CLASSIFIED AS HELD FOR RESALE - GROUP				
	Land and Buildings	Plant and Equipment	Financial Assets	Total
	£000	£000	£000	£000
As at 1 April 2022	1,975	-	-	1,975
Transfers to/(from) assets held for resale	1,729	-	-	1,729
Disposals of non current assets held for sale	(1,075)	-	-	(1,075)
Other costs associated with sale of assets	(38)	-	-	(38)
Impairment recognised on remeasurement	-	-	-	-
At 31 March 2023	2,591	-	-	2,591
	Land and Buildings	Plant and Equipment	Financial Assets	Total
	£000	£000	£000	£000
As at 1 April 2023	2,592	-	-	2,592
Transfers to/(from) assets held for resale	(703)	-	-	(703)
Disposals of non current assets held for sale	(27)	-	-	(27)
Other costs associated with sale of assets	(26)	-	-	(26)
Impairment recognised on remeasurement	-	-	-	-
At 31 March 2024	1,836	-	-	1,836

During the year it was decided that six assets (2023: three) would no longer be marketed for sale. The assets were transferred out of assets held for resale back into non-current assets.

ASSETS CLASSIFIED AS HELD FOR RESALE - HIE

	Land and Buildings	Plant and Equipment	Financial Assets	Total
	£000	£000	£000	£000
As at 1 April 2022	1,975	-	-	1,975
Transfers to/(from) assets held for resale	1,729	-	-	1,729
Disposals of non current assets held for sale	(1,075)	-	-	(1,075)
Other costs associated with sale of assets	(38)	-	-	(38)
Impairment recognised on remeasurement		-	-	-
At 31 March 2023	2,591	-	-	2,591

	Land and Buildings	Plant and Equipment	Financial Assets	Total
	£000	£000	£000	£000
As at 1 April 2023	2,592	-	-	2,592
Transfers to/(from) assets held for resale	(703)	-	-	(703)
Disposals of non current assets held for sale	(27)	-	-	(27)
Other costs associated with sale of assets	(26)	-	-	(26)
Impairment recognised on remeasurement	-	-	-	-
At 31 March 2024	1,836	-	-	1,836

20. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR				
	GROUP			HIE
	2024	2023	2024	2023
	£000	£000	£000	£000
Trade payables	7,964	5,183	6,820	3,966
Accruals and deferred income	4,096	3,634	1,447	1,327
Prepaid rental income	271	297	271	297
Owed to subsidiary undertakings	-	-	219	534
	12,331	9,114	8,757	6,124
Taxation and social security	656	543	473	457
Corporation tax	-	-	-	-
	656	543	473	457
	12,987	9,657	9,230	6,581
Analysis of trade and other payables within boundaries for whole government accounts				
	GROUP			HIE
	2024	2023	2024	2023
	£000	£000	£000	£000
Balances with other central government bodies	2,877	643	2,709	550
Balances with local authorities	57	87	57	87
Balances with similar public bodies	120	243	120	243
	3,054	973	2,886	880
Balances with bodies external to government	9,933	8,684	6,344	5,701
	12,987	9,657	9,230	6,581
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
	GROUP			HIE
	2024	2023	2024	2023
	£000	£000	£000	£000
Deferred income	1,835	3,897	-	-
Scottish Government	3,984	2,176	3,984	2,176
Deferred tax	2,507	2,574	2,507	2,574
	8,326	8,647	6,491	4,750

21. Provisions

PROVISIONS - GROUP			
			GROUP
	Dilapidations	Construction costs	Total
	£000	£000	£000
As at 1 April 2022	-	11,283	11,283
Recognised on transition to IFRS 16	748	-	748
Released during the year	-	(11,283)	(11,283)
At 31 March 2023	748	-	748
Timing of provisions			
Due within 1 year	-	-	-
Due over 1 year	748	-	748
	748	-	748
PROVISIONS - GROUP			
	Dilapidations	Construction costs	Total
	£000	£000	£000
As at 1 April 2023	748	-	748
Increase in year	223	-	223
Released in year	(467)	-	(467)
At 31 March 2024	504	-	504
Timing of provisions			
Due within 1 year	504	-	504
Due over 1 year	-	-	-
	504	-	504

DILAPIDATIONS

This provision relates to leased properties with dilapidations clauses in the leases. Provision is made for potential liabilities to reinstate the internal layout of the buildings to original floor plans.

PROVISIONS - HIE

			HIE
	Dilapidations	Construction costs	Total
	£000	£000	£000
As at 1 April 2022	-	11,283	11,283
Recognised on transition to IFRS 16	748	-	748
Released during the year	-	(11,283)	(11,283)
Reversed during the year	-	-	-
At 31 March 2023	748	-	748

Timing of provisions			
Due within 1 year	-	-	-
Due over 1 year	748	-	748
	748	-	748

			HIE
	Dilapidations	Construction costs	Total
	£000	£000	£000
As at 1 April 2023	748	-	748
Increase in year	223	-	223
Released in year	(467)	-	(467)
At 31 March 2024	504	-	504

Timing of provisions			
Due within 1 year	504	-	504
Due over 1 year	-	-	-
	504	-	504

22. Retirement benefit obligation

Highlands and Islands Enterprise operates the HIE Superannuation Scheme for staff, which is a defined benefit scheme. New employees are automatically enrolled into the Scheme.

The level of benefits provided is based on Career Average Revalued Earnings (CARE), a pension of 1/80 x pensionable salary for each year of service accrued. Prior to 1 August 2014, benefits were based on final pensionable salary (1/80 x final pensionable salary x pensionable service up to and including 31 July 2014).

The retirement age for members in the superannuation scheme prior to 1 August 2014 is age 60, after this date for all new entrants in the scheme retirement age is 65. From 1 September 2016 the retirement age was brought into line with each individual member's state pension age. The employee contribution rate is 6% of pensionable salary. The employer pays 27.9%

Some employees are members of the Local Government Pension Scheme (LGPS). As at 1 April 2024 there were 20 members in the Highland Council Pension Fund.

The LGPS is also a defined benefit scheme based on CARE, a pension of 1/49 of pensionable salary for each year of service accrued. Prior to 1 April 2015 this was based on final pensionable salary.

The actuarial assumptions for the HIE and LGPS scheme differ due to the use of different actuaries.

The pension scheme operated by Wave Energy Scotland is a trust based defined contribution scheme the National Employment Savings Trust (NEST). Further information about WES pension arrangements can be found in that company's Annual Report and Accounts.

The service cost for both HIE Superannuation and LGPS's has been calculated using the Projected Unit method.

The expected rates of return on HIE Superannuation scheme and LGPS's assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance of the scheme's investment portfolio.

HIE SUPERANNUATION SCHEME

The IAS 19 valuation at 31 March 2024, indicated a potential deficit of £47.1 million in the HIE pension fund.

In December 2013 HIE, with agreement of the HIE Pension Fund Trustees and Scottish Government implemented a recovery plan to address the actuarial shortfall. The plan was updated in December 2018 and further updated in in April 2021 to:

- Lump sum contributions over the period 5 April 2021 to 5 April 2035 to be paid no later than as set out in the following schedule. For brevity only five years' cumulative contributions are shown.
 - 5 April 2024 £1.220m
 - 5 April 2025 £1.860m
 - 5 April 2026 £2.520m
 - 5 April 2027 £3.200m
 - 5 April 2028 £3.900m
- Pay additional contributions per months as a percentage of pensionable salaries from 2021 to 2035 of 11.1%.

The assets of the scheme are held separately from those of HIE and are invested with independent investment managers agreed by the scheme's trustees. There are six trustees in total comprising an independent chairman, three trustees appointed by HIE and two nominated by members. The trustees are responsible for ensuring the scheme is run in accordance with the members' best interests and the pension laws of the United Kingdom, as overseen by the Pension Regulator.

A full actuarial valuation was carried out at 5 April 2021 and updated to 31 March 2024 by a qualified independent actuary.

The major assumptions used by the actuary were (in nominal terms):

AT 31 MARCH	2024	2023	2022	2021	2020
Main assumptions:					
Rate of salary increases (% per annum)	3.50%	3.50%	2.50%	2.50%	3.00%
Rate of pension increase CPI (% per annum)	2.98%	3.07%	3.33%	2.87%	1.92%
Discount rate (% per annum)	4.80%	4.73%	2.73%	2.03%	2.44%

During the year, Highlands and Islands Enterprise paid contributions equivalent to 27.9% of pensionable salaries.

The assets in the scheme and expected rate of return were:

THE ASSETS IN THE SCHEME AND EXPECTED RATE OF RETURN WERE:					
Value as at 31 March	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
Equities	35,379	44,887	76,592	69,560	55,074
Gilts	23,743	24,344	28,253	25,756	23,911
Bonds	-	-	-	-	-
Property	17,878	8,222	9,777	8,859	8,638
Cash	1,693	2,669	2,633	7,530	8,076
Employer assets	78,693	80,122	117,255	111,705	95,699
Present value of scheme liabilities	(125,793)	(120,249)	(162,646)	(168,790)	(134,576)
Deficit in the scheme	(47,100)	(40,127)	(45,391)	(57,085)	(38,877)
Related deferred tax asset/ (liability)	-	-	-	-	-
Net pension asset/ (liability)	(47,100)	(40,127)	(45,391)	(57,085)	(38,877)

The current values show an increase in the deficit in the year from £40.1m at 31 March 2023 to £47.1m at 31 March 2024.

LOCAL GOVERNMENT PENSION FUNDS

The IAS 19 valuation at 31 March 2024, indicated an asset of £6.754m in the LGPS pension funds. To comply with the IAS 19 criteria for recognising a pension surplus, the LGPS pension funds surplus that is recognised is restricted to £2.230m

The assets of the scheme are held separately from those of HIE and are invested with independent investment managers agreed by the scheme's trustees.

A full actuarial valuation was carried out as at 31 March 2023 by a qualified independent actuary.

The major assumptions used by the actuary were (in nominal terms):

AT 31 MARCH	2024	2023	2022	2021	2020
Main assumptions:					
Rate of salary increases (% per annum)	3.50%	3.50%	2.50%	2.59%	3.00%
Rate of pension increase CPI (% per annum)	2.98%	3.07%	3.33%	2.87%	1.92%
Discount rate (% per annum)	4.80%	4.73%	2.73%	2.02%	2.44%

The assets in the scheme and expected rate of return were:

THE ASSETS IN THE SCHEME AND EXPECTED RATE OF RETURN WERE:					
Value at 31 March	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
Equities	10,077	14,193	17,667	18,269	12,997
Gilts	6,148	1,798	671	287	273
Bonds	2,337	2,137	3,596	2,641	2,829
Property	1,978	5,544	2,677	1,834	1,705
Cash	7,448	1,365	921	1,370	1,135
Employer assets	27,988	25,037	25,532	24,401	18,939
Present value of scheme liabilities	(21,234)	(18,422)	(26,289)	(27,123)	(21,367)
Present value of unfunded liabilities	(610)	(605)	(729)	(772)	(679)
(Deficit) / Surplus in the scheme	6,144	6,010	(1,486)	(3,494)	(3,107)
Related deferred tax liability	-	-	-	-	-
Net pension asset / (liability)	6,144	6,010	(1,486)	(3,494)	(3,107)

The pension contributions with effect from 1 April 2024 for the local government pension funds are:

Highland Council Pension Fund	23.8%	35.3%	30.1%		
-------------------------------	-------	-------	-------	--	--

RETIREMENT BENEFIT OBLIGATION - GROUP AND HIE

	HIE	LGPS	Total	HIE	LGPS	Total
	2024	2024	2024	2023	2023	2023
	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to SOCNE						
Current service cost	1,980	319	2,299	3,733	565	4,298
Past service cost	-	-	-	-	-	-
Admin expenses	183	-	183	267	-	267
Interest income on retirement benefit assets	(3,772)	(1,188)	(4,960)	(3,189)	(690)	(3,879)
Interest on the effect of the asset ceiling	-	(284)	(284)	-	-	-
Interest on retirement benefit scheme obligations	5,638	897	6,535	4,432	735	5,167
Net pension scheme expense	4,029	(256)	3,773	5,243	610	5,853
Analysis of the amount recognised in SOCNE (Other Comprehensive Income/Expenditure)						
Actual return less expected return on pension scheme assets	(4,618)	1,691	(2,927)	(39,448)	(1,360)	(40,808)
Experience gains and (losses) arising on the scheme liabilities	(5,782)	(2,737)	(8,519)	(12,300)	(1,126)	(13,426)
Changes in the effect of the asset ceiling	-	1,770	1,770	-	(6,010)	(6,010)
Changes in financial assumptions underlying the present value of the scheme liabilities	4,008	630	4,638	58,560	12,816	71,376
Defined benefit income/(cost) recognised in SOCNE	(6,392)	1,354	(5,038)	6,812	4,320	11,132
Reconciliation of defined benefit obligation						
Opening defined benefit obligation	120,249	19,027	139,276	162,646	27,018	189,664
Movement in year						
Current Service costs	2,163	319	2,482	4,000	565	4,565
Contributions by members	668	92	760	650	90	740
Effect of business combinations and disposals	-	-	-	-	2,783	2,783
Unfunded benefits paid	-	(37)	(37)	-	(34)	(34)
Benefits paid	(4,699)	(561)	(5,260)	(5,219)	(440)	(5,659)
Interest cost	5,638	897	6,535	4,432	735	5,167
Actuarial losses/(gains)	1,774	2,107	3,881	(46,260)	(11,690)	(57,950)
Closing defined benefit obligation	125,793	21,844	147,637	120,249	19,027	139,276
Present value of funded liabilities	125,793	21,234	147,027	120,249	18,422	138,671
Present value of unfunded liabilities	-	610	610	-	605	605
Reconciliation of fair value of assets						
Opening fair value of assets	80,121	25,037	105,158	117,255	25,532	142,787
Movement in year						
Expected return on assets	3,772	1,188	4,960	3,189	690	3,879
Contributions by members	668	92	760	650	90	740
Contributions by employer	3,450	541	3,991	3,694	525	4,219
Contribution in respect of unfunded benefits	-	37	37	-	34	34
Effect of business combinations and disposals	-	-	-	-	-	-
Actuarial gains/(losses)	(4,618)	1,691	(2,927)	(39,448)	(1,360)	(40,808)
Unfunded benefits paid	-	(37)	(37)	-	(34)	(34)
Benefits paid	(4,699)	(561)	(5,260)	(5,219)	(440)	(5,659)
Closing fair value of assets	78,694	27,988	106,682	80,121	25,037	105,158
Net pension asset / (liability)	(47,099)	6,144	(40,955)	(40,128)	6,010	(34,118)

Estimated employer contributions for the year to 21 March 2025 are £4,630k for the HIE Superannuation scheme and £0.290m for the Local Government Pension Scheme.

Expenditure recognised in the Statement of Comprehensive Net Expenditure

A history of the HIE Superannuation Scheme and its share of the Local Government Pension schemes for prior periods is as follows:

	2024	2023
	£000	£000
Net management expenditure on staff costs	(1,546)	3,095
Other finance charges/(income)	1,859	1,288
	313	4,383

	HIE				
	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
Experience gains and losses					
Difference between expected and actual return on scheme assets	(4,618)	(39,448)	3,339	13,912	(5,035)
Value of assets	78,694	80,121	117,255	111,704	95,699
Percentage of scheme assets	(5.9)%	(49.2)%	2.8%	12.5%	(5.3)%
Experience gains and (losses) on scheme liabilities	(5,782)	(12,300)	(5,201)	2,324	(5,227)
Present value of liabilities	(125,793)	(120,249)	(162,646)	(168,790)	(134,576)
Percentage of scheme liabilities	4.6%	10.2%	3.2%	(1.4)%	3.9%

	LGPS				
	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
Experience gains and losses					
Difference between expected and actual return on scheme assets	1,691	(1,360)	464	4,791	(1,270)
Value of assets	27,988	25,037	25,532	24,401	18,939
Percentage of scheme assets	6.0%	(5.4)%	1.8%	19.6%	(6.7)%
Experience gains and (losses) on scheme liabilities	(2,737)	(1,126)	(30)	(7)	128
Present value of liabilities	(21,844)	(19,027)	(27,018)	(27,895)	(22,046)
Percentage of scheme liabilities	12.5%	5.9%	0.1%	0.0%	(0.6)%

The total amount recognised in the statement of other comprehensive net expenditure in respect of net actuarial gains and losses is a loss of £5.038m (2023: gain £11.132m).

Cumulative actuarial gains and losses recognised in the statement of comprehensive net expenditure since 1 April 2002 are net losses of £12.874m (2023: £13.562m net losses).

EFFECT OF ASSET CEILING LIMITATION ON NET ASSET

Local Government Pension Scheme		
Group and HIE	2024	2023
	£000	£000
Present value of funded defined benefit obligations	(21,234)	(19,027)
Future value of plan assets	27,988	25,037
	6,754	6,010
Effect of asset ceiling limitation on net defined benefit asset	(4,524)	(6,010)
Net asset	2,230	-

RECONCILIATION OF PENSION ASSET AND LIABILITY TO STATEMENT OF FINANCIAL POSITION

Group and HIE	2024	2023
	£000	£000
Retirement Benefit Asset		
Local Government Pension Scheme	2,230	-
Retirement Benefit Liability		
HIE Superannuation Scheme	(47,099)	(40,128)
LGPS Unfunded liability	(610)	-
	(47,709)	(40,128)

The net assets of the defined benefit plan at 31 March 2024 have been measured to the aggregate of the unfunded liabilities and the lower of the surplus in the funded plan and the asset ceiling. This is a change from the measurement at 31 March 2023 which applied the asset ceiling to the combined funded and unfunded plan. The prior year figures have not been restated as the unfunded liability is not material.

MORTALITY

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The LGPS life expectancy and mortality are the weighted average of the four LGPS schemes. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

	HIE		LGPS	
	2024	2023	2024	2023
	Years	Years	Years	Years
1. Male member aged 65 (current life expectancy)	22.4	22.6	21.9	20.4
2. Male member age 45 (life expectancy at 65)	23.4	23.6	22.6	21.6
3. Female member aged 65 (current life expectancy)	24.4	24.6	23.6	23.1
4. Female member aged 45 (life expectancy at 65)	26.2	26.4	25.7	25.0

Defined benefit obligation analysed by participant status:

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

HIE				
		2024		2023
	%	£000	%	£000
Active members	35.7%	44,958	33.0%	39,682
Vested deferred members	17.1%	21,473	18.7%	22,487
Retired members	47.2%	59,362	48.3%	58,080
		125,793		120,249

LGPS				
		2024		2023
	%	£000	%	£000
Active members	47.4%	10,345	59.8%	11,380
Vested deferred members	28.5%	6,220	21.4%	4,068
Retired members	24.2%	5,279	18.8%	3,579
		21,844		19,027

SENSITIVITY ANALYSIS				
		2024		2023
	%	£000	%	£000
HIE				
0.5% decrease in real discount rate	8.4%	10,567	8.8%	10,582
1 Year increase in member life expectancy	3.1%	3,900	3.2%	3,848
0.5% increase in the salary increase rate	0.4%	503	0.5%	601
0.5% increase in pension increase rate	7.1%	8,931	6.8%	8,177

LGPS				
		2024		2023
	%	£000	%	£000
0.1% decrease in real discount rate	2.0%	425	2.0%	359
1 Year increase in member life expectancy	4.0%	874	4.0%	761
0.1% increase in the salary increase rate	0.0%	36	0.0%	43
0.1% increase in pension increase rate	2.0%	394	2.0%	321

RISKS

Through its defined benefit pension scheme the group is exposed to a number of risks, the most significance of which are detailed below:

ASSET VOLATILITY

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yield and if plan assets underperform this yield, this will result in a deficit. The group's pension schemes hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term although exposing the group to volatility and risk in the short term.

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

INFLATION RISK

The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities although, in most cases, caps on inflationary increases are in place to protect the plan against extreme inflation.

LIFE EXPECTANCY

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in the life of the member will result in an increase in the liabilities.

LIFE EXPECTANCY

	HIE	LGPS
	Years	Years
Weighted average duration of defined benefit obligation	16.6	17.0

23. FINANCIAL COMMITMENTS

	GROUP		HIE	
	2024	2023	2024	2023
	£000	£000	£000	£000
Commitments				
Property	16,514	23,603	16,514	23,603
Grants and loans	49,551	57,510	49,434	56,870

Commitments to capital and business investment projects often extend over more than one financial year. Major projects and initiatives are undertaken by HIE with the support of Scottish Ministers.

24. Commitments under leases

HIE has entered into commercial leases on certain properties and items of equipment. Lease commitments have a remaining duration of one year.

FUTURE MINIMUM RENTALS RECEIVABLE UNDER NON-CANCELLABLE OPERATING LEASES				
GROUP				
	Property	Plant and Equipment	Total 2024	Total 2023
	£000	£000	£000	£000
Receivable under operating and similar leases				
Within one year	1,297	201	1,498	1,883
Within two to five years	3,487	796	4,283	5,209
In over five years	5,150	997	6,147	6,759
	9,934	1,994	11,928	13,851
HIE				
	Property	Plant and Equipment	Total 2024	Total 2023
	£000	£000	£000	£000
Receivable under operating and similar leases				
Within one year	1,297	201	1,498	1,883
Within two to five years	3,487	796	4,283	5,209
In over five years	5,150	997	6,147	6,759
	9,934	1,994	11,928	13,851

HIE has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2024 is £32k (2023: £20k).

Highlands and Islands holds office and manufacturing buildings for the purpose of economic development, which are let to third parties. These non-cancellable leases have remaining terms between one year and 27 years.

HIE has entered into a number of finance leases to acquire certain properties and items of plant.

25. Contingent liabilities

As the owner of the Cairngorm Mountain Estate, HIE has responsibility for the costs of removal of equipment and reinstatement of the funicular railway and associated buildings to a natural condition. The liability arises where a permanent discontinuance of operation occurs, and alternative operation is not secured within three years.

HIE has liability to decommission the Sutherland Spaceport site at the end of the site's useful life. Arrangements are in place between HIE's tenant and the planning authority to meet any liability.

HIE occupies a number of leased properties which have dilapidations clauses in the leases. These properties are maintained in excellent order, but there is a potential liability to reinstate the internal layout of the building to its original floor plan. These costs will be subject to negotiation.

HIE has underwritten liability for decommissioning of wave or tidal devices at the EMEC test sites in Orkney, where EMEC is unable to fund the decommissioning. This liability is restricted to a maximum of £0.99m.

26. Board members' interests

TRANSACTIONS WHERE A BOARD MEMBER HAD A FINANCIAL INTEREST

During the year the following transactions were made by HIE with businesses in which HIE Board members had declared an interest: All transactions involving companies or organisations in which a member may have an interest are conducted at arm's length and in accordance with normal project and programme rules.

BUSINESS	VALUE	NATURE OF TRANSACTION	BOARD MEMBER	INTEREST
Crown Estate Scotland	£9,250	Grant paid	Amanda Bryan	Board Chair to 30/6/23
	(£2,925)	Rent received	Ailsa Raeburn	Board Member
Loch Melfort Hotel	£16,069	Grant paid	Callum Ross	Director
MacNaughton Holdings Ltd	£24,685	Grant paid	Simon Cotton	Chief Executive
UHI	£3,202,742	Grants and invoices paid	Angus Campbell	Ex Officio Member of Court
	(£555,018)	Recoveries received		
UHI Inverness College	£1,500	Sponsorship paid	Amanda Bryan	Employee
55 North Network Ltd	£3,664	Invoices paid	Keith Nicholson	Director

TRANSACTIONS WHERE A DIRECTOR OR SENIOR MANAGER HAD A FINANCIAL INTEREST

During the year there were no transactions with organisations where a director or senior manager had a financial interest.

TRANSACTIONS WHERE A BOARD MEMBER, DIRECTOR, OR SENIOR MANAGER HAD A NON-FINANCIAL INTEREST

Organisations which received funding in the year and in which the Board members, key managerial staff or other related parties had a non-financial interest include:

- Argyll and the Isles Tourism Co-operative Limited
- Caithness Chamber of Commerce
- Community Land Scotland
- Economic Development Association of Scotland
- Elsie Normington Foundation
- Highland Print Studio
- Isle of Eigg Heritage Trust
- Scottish Council for Development and Industry
- Scottish Tourism Alliance
- University of Strathclyde
- Visit Inverness Loch Ness Ltd
- Wave Energy Scotland Limited

27. Related party transactions

HIE is a non-departmental public body sponsored by the Scottish Government.

The Scottish Government is regarded as a related party. During the year, HIE has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as the parent body.

In addition, HIE has had a small number of transactions with other Government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

During the year transactions have taken place with:

- Argyll and Bute Council
- Audit Scotland
- Cairngorm Mountain (Scotland) Limited
- Comhairle Nan Eilean Siar
- Creative Scotland
- HM Revenue and Customs
- National Museum of Scotland
- NatureScot

- Moray Council
- Orkney Islands Council
- Orkney Research and Innovation Campus LLP
- Registers of Scotland
- Scottish Enterprise
- Scottish Water
- Shetland Islands Council
- Skills Development Scotland
- The Highland Council
- The Pensions Regulator
- UK Space Agency

None of the Board members, key managerial staff or other related parties have undertaken any material transactions with HIE other than those disclosed in note 26.

Compensation of key management personnel

Key management personnel are considered to be the non-executive board members and the executive directors. Detail of their remuneration is disclosed in the Directors Remuneration Report. In addition to the amounts shown in this report HIE has paid £3k (2023 £6k) employers national insurance contributions and Nil (2023 Nil) employer pension contributions.

TRANSACTIONS AND BALANCES WITH GROUP COMPANIES 2023/24

	HIE Ventures LTD	Cairngorm Mountain (Scotland) Ltd	Wave Energy Scotland Ltd	Orkney Research and Innovation Campus LLP	Inverness Airport Business Park Ltd
	£000	£000	£000	£000	£000
Paid by HIE in the year					
Grant Funding	-	2,869	3,220	-	-
Partner Investment	-	-	-	816	-
Shareholder contributions	-	-	-	-	3
Received by HIE in the year					
Management Charges	-	-	220	18	-
Balance due to HIE at 31 March 2024	-	404	-	1,998	974
Balance due from HIE at 31 March 2024	219	-	-	-	-

28. Financial instruments

HIE has exposure to the following risks from the use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the Group and HIE exposure to each of the above risks. Further quantitative disclosures are included throughout these accounts.

The Leadership Team has overall responsibility for the establishment and oversight of HIE's risk management framework. The risk and assurance committee oversees how management monitors compliance with HIE risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by HIE.

The Group and HIE have no derivative financial assets or liabilities.

LIQUIDITY RISK

Liquidity risk is the risk that HIE will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. HIE's primary source of liquidity is the Grant in Aid provision from the Scottish Government. HIE has no debt or borrowing facility with any external party.

Liquidity is managed using the annual business plan process and the monitoring of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

The Group and HIE have no outstanding borrowings at 31 March 2024 (2023: £nil).

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES				
2024				
GROUP				
	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	7,597	7,597	7,597	-
	7,597	7,597	7,597	-
HIE				
	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	8,110	8,110	8,110	-
	8,110	8,110	8,110	-
2023				
GROUP				
	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	2,633	2,633	2,633	-
	2,633	2,633	2,633	-
HIE				
	Carrying Amount	Contractual Cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	5,023	5,023	5,023	-
	5,023	5,023	5,023	-

CREDIT RISK

Credit risk is the risk of financial loss to HIE if a customer or counter party fails to meet its contractual obligations and arises from trade receivables.

Credit risk arising from the Group and HIE's normal operations, including holding non-current financial assets and other investments, is controlled by individual business units and group companies operating in accordance with HIE policies and procedures.

In pursuit of economic growth targets, HIE makes investments in a variety of companies, in part using funds provided by the European Union. Management monitors the performance of all investments and regularly revalue financial assets at fair value through profit and loss and provides, where appropriate, for impairment of assets held to maturity, loans and other materials.

HIE carries out appropriate credit checks on potential customers

before significant sales transactions are entered into in order to mitigate the credit risk HIE will have from any single counterparty. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

HIE operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. Cash and cash equivalents are held with banks which are not expected to fail.

HIE's exposure to credit risk is likely to have increased in the current economic climate, but management do not consider this to have had a significant impact as the risk is spread across a large number of receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The maximum exposure to credit risk at 31 March was:

CREDIT RISK EXPOSURE		
GROUP		
	Carrying Amount	Carrying Amount
	2024	2023
	£000	£000
Financial assets - other investments		
Financial assets at fair value through profit and loss	28	27
Preference shares	-	-
Loans and other receivables	4,366	2,956
Financial assets		
Trade and other receivables	10,697	8,943
Cash and cash equivalents	15,667	9,321
	30,758	21,247
HIE		
	Carrying Amount	Carrying Amount
	2024	2023
	£000	£000
Financial assets - other investments		
Financial assets at fair value through profit and loss	1,437	1,411
Preference shares	-	-
Loans and other receivables	4,426	3,016
Financial assets		
Trade and other receivables	9,943	8,734
Cash and cash equivalents	9,404	888
	25,210	14,049

The ageing of trade and other receivables at 31 March was:

AGEING				
GROUP				
	Gross	Impairment	Gross	Impairment
	2024	2024	2023	2023
	£000	£000	£000	£000
Not past due	9,058	-	12,371	-
Past due 0 to 30 days	10	-	139	-
Past due more than 31 days	1,872	(291)	428	(1,086)
	10,940	(291)	12,938	(1,086)

HIE				
	Gross	Impairment	Gross	Impairment
	2024	2024	2023	2023
	£000	£000	£000	£000
Not past due	8,352	-	12,248	-
Past due 0 to 30 days	10	-	139	-
Past due more than 31 days	1,872	(291)	428	(1,086)
	10,234	(291)	12,815	(1,086)

Movements in impairment of trade and other receivables is shown in Note 15.

Impairment provisions are used to record impairment losses unless the Group and HIE is satisfied that no recovery of the amount owing is possible; at that point, the amount is considered irrecoverable and is written off directly against the financial asset.

MARKET RISK

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments.

INTEREST RATE RISK

At the date of the Statement of Financial Position the market risk of HIE's interest-bearing financial instruments was:

INTEREST RATE RISK		
GROUP		
	Carrying Amount	Carrying Amount
	2024	2023
	£000	£000
Fixed rate instruments		
Financial assets	4,366	2,956
Financial liabilities	-	-
	<u>4,366</u>	<u>2,956</u>
Variable rate instruments		
Cash and cash equivalents	15,667	9,321
	<u>15,667</u>	<u>9,321</u>
HIE		
	Carrying Amount	Carrying Amount
	2024	2023
	£000	£000
Fixed rate instruments		
Financial assets	4,426	3,016
Financial liabilities	-	-
	<u>4,426</u>	<u>3,016</u>
Variable rate instruments		
Cash and cash equivalents	9,404	888
	<u>9,404</u>	<u>888</u>

In assessing the sensitivity of financial instruments HIE does not believe our Financial Assets are significantly affected by market risk. Cash and cash equivalents are subject to variation based on movements in the Bank of England base rate and associated interest rates. Assuming that all other variables remain constant a change of 100 basis points in interest rates at the reporting date would have increased /decreased net operating costs as follows:

INTEREST RATE RISK - CASH		
	GROUP	HIE
	100 basis points change	100 basis points change
	£000	£000
Cash and cash equivalents		
31 March 2023	97	6
31 March 2024	125	51

CURRENCY RISK

HIE is exposed to currency risk on transactions and balances that are denominated in currencies other than Sterling. Whenever practical, HIE enters into agreements in its functional currency in order to minimise currency risks. HIE is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

FAIR VALUES

The fair values, together with the carrying amounts of financial assets and liabilities in the Statement of Financial Position, are as follows:

FAIR VALUES				
GROUP				
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2024	2024	2023	2023
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	28	28	27	27
Preference shares	-	-	-	-
Loans and other receivables	4,366	4,366	2,956	2,956
Trade and other receivables	10,697	10,697	8,943	8,943
Cash and cash equivalents	15,667	15,667	9,321	9,321
Trade and other payables	(7,597)	(7,597)	(2,633)	(2,633)
	<u>23,161</u>	<u>23,161</u>	<u>18,614</u>	<u>18,614</u>
HIE				
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2024	2024	2023	2023
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,437	1,437	1,411	1,411
Preference shares	-	-	-	-
Loans and other receivables	4,426	4,426	3,016	3,016
Trade and other receivables	9,943	9,943	8,734	8,734
Cash and cash equivalents	9,404	9,404	888	888
Trade and other payables	(8,110)	(8,110)	(5,023)	(5,023)
	<u>17,100</u>	<u>17,100</u>	<u>9,026</u>	<u>9,026</u>

Financial assets at fair value through profit and loss are not being actively marketed and there is no expectation that completed sales will occur within one year.

NON-CURRENT ASSETS

Valuation Process

The company's finance department is responsible for performing annual valuations of fair value measurements included in the financial statements, including Level 3 fair values. The valuation process uses recent marketplace transaction, where available, or on a net worth basis of valuation.

These valuations for recurring measurements are reviewed and approved by the Capital and Resource Planning Manager and the Head of Financial Services.

FAIR VALUE HIERARCHY

Group and HIE financial assets and liabilities that are valued at fair value are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

FAIR VALUES (CONTINUED)

GROUP					
	2024	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains/ (Losses)
	£000	£000	£000	£000	£000
Recurring Measurements					
Fair value through profit and loss unlisted equity shares	28	-	-	28	-
Non-recurring Measurements					
Property classified as held-for-resale	-	-	-	-	-
Plant and Equipment classified as held-for-resale	-	-	-	-	-
HIE					
	2024	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains/ (Losses)
	£000	£000	£000	£000	£000
Recurring Measurements					
Fair value through profit and loss unlisted equity shares	1,437	-	-	1,437	-
Non-recurring Measurements					
Property classified as held-for-resale	-	-	-	-	-
Plant and Equipment classified as held-for-resale	-	-	-	-	-

The following table presents the changes in recurring fair value measurements of Unlisted equity shares categorised as Level 3.

CHANGES IN RECURRING FAIR VALUE MEASUREMENTS		
	GROUP	HIE
	£000	£000
Opening Balance	27	555
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Additions	-	-
Disposals	-	-
Impairment	1	9
Total Gains or Losses for the period:	-	-
Included in other income and expenses	-	-
Included in other comprehensive income	-	-
Closing Balance	28	564

Quantitative information about fair value measurements using significant unobservable inputs (Level 3).

QUANTITATIVE INFORMATION				
Description	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Equity	£28k	Net Asset Value (a)	n/a	n/a

(a) The entity has determined that the reported net assets value represents fair value at the end.

There are no unobservable inputs available to provide a sensitivity analysis of the Fair Value Measurement.

ESTIMATION OF FAIR VALUES

The following methods and assumptions were used to estimate fair values:

Financial assets at fair value through profit & loss	The fair value is based on net asset value, where this exists, or the last known purchase price
Assets held to maturity	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Loans and other receivables	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Trade and other receivables	The fair value is deemed to be the same as book value, less any provision for impairment
Cash and cash equivalents	The fair value is deemed to be the same as book value
Trade and other payables	The fair value is deemed to be the same as book value
Other borrowings	The fair value is deemed to be equal to the net present value of future lease payments

ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2010, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the Income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year. Additional disclosure requirements are set out in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 14 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers

A handwritten signature in blue ink, consisting of several stylized, overlapping loops and lines, positioned below the text 'Signed by the authority of the Scottish Ministers'.

Head of Enterprise Policy Delivery Division

10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The notes to the accounts shall include a schedule of all investments showing:

1.1. In respect of companies in which Highlands and Islands Enterprise holds 20% or more of the voting rights and where the total investment (including loans) is in excess of £100,000:

- Name of company
- Nature of its business
- Percentage of voting rights held
- Amount invested in shares (distinguishing between ordinary and preference shares)
- Amount of loan given to each company
- Any other commitments in respect of each company

1.2. In respect of companies in which Highlands and Islands Enterprise holds less than 20% of the voting rights but where the total investment (including loans) is in excess of £1,000,000:

- Name of company
- Nature of its business
- Percentage of voting rights held
- Amount invested in shares (distinguishing between ordinary and preference shares)
- Amount of loan given to each company
- Any other commitments in respect of each company

1.3. In respect of all other investments by Highlands and Islands Enterprise:

- Total number of companies involved
- Total amount invested
- Total amount of loans given
- Total amount of any other commitments



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean