Highlands and Islands Enterprise

Annual report and accounts

2025/26



HIE

Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

HIGHLANDS AND ISLANDS ENTERPRISE ANNUAL REPORT AND ACCOUNTS 2025/26
ENTERPRISE AND NEW TOWNS (SCOTLAND) ACT 1990

Annual report and 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 2026 together with the independent auditor's report to the members of Highlands and Islands Enterprise, the Scottish Parliament and the Auditor General for Scotland.



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Angus Campbell, Chair of HIE, and Stuart Black, Chief Executive

FOREWORD

We are pleased to report that, through the course of financial year 2025/26, Highlands and Islands Enterprise (HIE) more than doubled its £53m opening budget, ultimately delivering an annual spend of £109.987m to create hundreds of jobs and grow the regional economy.

The major contributor to this positive outcome for the region, worth £36m of the total, was a series of successful bids we submitted to the Scottish Government's Offshore Wind Investment Programme. This funding is now being used to develop strategic projects that will generate hundreds of jobs for years to come in locations including the Inner Moray Firth, the West Highlands, the Outer Hebrides and Shetland (see table on p26).

The scale of investment reflects the unprecedented breadth of opportunity across the region that was examined in a detailed report on regional transformational opportunities which HIE commissioned from leading economic research firm ekosgen on behalf of the Highlands and Islands Regional Partnership.

Published in May 2025, the study quantified the potential impact of our current investment pipeline, concluding that more than 250 projects were either planned or under way with a combined total investment value of more than £100 billion. Largely driven by the private sector, with co-investment from public bodies and through growth deals, these were forecast to have the potential to support 18,000 operational jobs throughout the Highlands and Islands by 2040 and a further 16,000 at the peak of construction (see Spotlight, p13).

In short, the study comprised a strong evidence base confirming that the greatest opportunities for Scotland's economic growth are currently to be found in the Highlands and Islands. Landing these opportunities and, just as importantly, securing the maximum benefits for businesses and communities in our region has been a key focus of HIE's efforts in 2025/26 and will remain so for several years to come.

While strategic projects rightly command HIE's attention and will prove invaluable in retaining and attracting population, regional growth also depends on us sustaining our commitment to supporting a great variety of ambitious businesses and communities in every part of our region. Here, too, we can report a positive performance, with 95% of our assisted projects being either small-to-medium-sized or community enterprises.

As shown in the table on p20, during 2025/26, we met or exceeded 21 of our 24 performance targets, notably supporting 642 full-time equivalent jobs, including 260 green jobs and almost 350 in some of the most disadvantaged parts of our region, known as inclusive growth focus areas (IGFAs). The number of community-led projects we supported was 278, more than twice the target figure of 120, and we enabled over 50 community assets to be created, acquired or improved.

It is important that we take the time to understand why some targets were not met and apply lessons learned. This will not deter us, however, from continuing to set ambitious goals for future performance.

Lastly, we would highlight the contribution made by the Scottish Government's Islands Business Resilience Fund. This unique programme, requested and delivered by HIE, awarded almost £4.4m to more than 440 island-based, small to medium sized enterprises in sectors that had been severely affected by disruption to ferry services in recent years.

The implementation of this fund reflects the overwhelming importance of modern transport connectivity in a region as large and geographically diverse as ours – something that cannot be overstated.

Transport, along with housing, skills and childcare, are key enablers that underpin economic growth and present challenges that HIE and our partners are now addressing to ensure the Highlands and Islands will be well-placed to achieve its considerable potential and make a great contribution to Scotland's future.

ANGUS CAMPBELL
Chair

STUART BLACK
Chief Executive and Accountable Officer



Aonghas Caimbeul, Cathraiche agus Stiùbhart MacIlleDhuibh, Àrd-Oifigear

FACAL TOISICH

Tha sinn toilichte aithris gun d' rinn Iomairt na Gàidhealtachd 's nan Eilean (HIE) dùblachadh air a' bhuidseat fosglaidh aca de £53m tro chùrsa na bliadhna ionmhasail 2025/26, a' lìbhrigeadh caiteachas bliadhnail de £109.987m aig a' cheann mu dheireadh, gus na ceudan de dh'obraichean a chruthachadh agus fàs a thoirt air an eaconamaidh roinneil.

B' e sreath de thairgsean soirbheachail a chuir sinn a-steach gu Prògram Tasgaidh Gaoithe Far-thìre Riaghaltas na h-Alba, am prìomh adhbhar airson na buil dhearbhaich a thàinig à seo don roinn a bha luach £36m uile gu lèir. Tha am maoineachadh seo ga chleachdadh a-nis gus pròiseactan ro-innleachdail a leasachadh, a chruthaicheas na ceudan de dh'obraichean airson bhliadhnaichean ri teachd ann an àiteachan leithid Linne Mhoireibh A-staigh, Taobh Siar na Gàidhealtachd, Innse Gall agus Sealtainn (faic an clàr air p26).

Sheall an ìre de thasgadh an leud de chothroman air feadh na roinne, a chaidh a sgrùdadh ann an aithisg mhionaideach mu chothroman cruth-atharrachail roinneil, a bha coimiseanaichte le HIE bhon phrìomh bhuidheann rannsachaidh eaconamach, ekosgen, às leth Com-pàirteachas Roinneil na Gàidhealtachd 's nan Eilean.

Air fhoillseachadh sa Chèitean 2025, thomhais an sgrùdadh a' bhuaidh san amharc aig ar pròiseas adhartais ann an tasgadh làithreach, a' tighinn chun a' cho-dhùnaidh gun robh barrachd air 250 pròiseact air am planadh no a' dol air adhart, le luach tasgaidh còmhla de chòrr air £100 billean. Gu mòr air a stiùireadh leis an roinn phrìobhaidich, le co-thasgadh bho bhuidhnean poblach agus tro aontaidhean fàis, bha iad sin air am meas le comas air taic a chur ri 18,000 obair air feadh na Gàidhealtachd 's nan Eilean ro 2040 agus 16,000 eile aig àirde an leasachaidh (faic Spotlight, p13).

Ann an da-rìribh, bha an sgrùdadh a' nochdadh bunait fianais làidir a bha a' dearbhadh gu bheil na cothroman as fheàrr airson fàs eaconamach na h-Alba rin lorg gu làithreach anns a' Ghàidhealtachd 's na h-Eileanan. Tha faotainn air na cothroman sin agus, a cheart cho cudromach, cosnadh nam buannachdan as àirde do ghnothachasan is coimhearsnachdan san roinn againn, air a bhith nam prìomh fhòcas aig oidhirpean HIE ann an 2025/26 agus fuirichidh sin mar sin airson nam bliadhnaichean ri teachd.

Ged a tha pròiseactan ro-innleachdail a' gabhail thairis aire HIE agus fìor luachmhor ann an tàladh is glèidheadh àireamh-sluaigh, tha fàs roinneil cuideachd an urra ri ar dealas taic a chur ri measgachadh mòr de ghnothachasan àrd-amasail agus coimhearsnachdan anns gach ceàrnaidh den roinn againn. An seo cuideachd, is urrainn dhuinn aithris dhearbhach a thoirt seachad le 95% de ar pròiseactan le taic a bhith de mheud beag gu meadhanach no nan iomairtean coimhearsnachd.

Mar a chithear sa chlàr air p20, tro 2025/26 choinnich sinn no chaidh sinn thairis air 21 de ar 24 targaidean coileanaidh, a' cur taic ri 642 obair a rèir làn-ùine, a' gabhail a-steach 260 obair uaine agus suas ri 350 obair ann an cuid de na pàirtean as mì-leasaichte den roinn againn, aithnichte mar raointean fòcais air fàs in-ghabhalach (IGFAan). Chuir sinn taic ri 278 pròiseactan air an stiùireadh leis a' choimhearsnachd, barrachd air dà uiread na targaid de 120, agus chomasaich sinn còrr air 50 maoin coimhearsnachd a bhith air an cruthachadh, air am faotainn no air an leasachadh.

Tha e cudromach gun gabh sinn ùine a' tuigsinn carson nach robh cuid de na targaidean air an coileanadh agus a' cur an gnìomh leasanan a dh'ionnsaicheas sinn. Cha chuir seo bacadh oirnn ge-tà, bho leantainn air adhart a' suidheachadh chinn-uidhe àrd-amasail mu choinneamh choileanaidhean san àm ri teachd.

Mu dheireadh, thogadh sinn an tabhartas bho Mhaoin Seasmhachd Gnothachais Eileanan aig Riaghaltas na h-Alba. Bhuilich am pròram air leth seo, a bha air iarraidh agus air a lìbhrigeadh le HIE, faisg air £4.4m air 440 iomairt eileanach de mheud beag gu meadhanach, ann an sgìrean a dh'fhuiling gu mòr tron troimh-chèile le seirbheis nan aiseagan sna bliadhnaichean mu dheireadh.

Tha am buileachadh air a' mhaoin seo a' nochdadh cudromachd àibheiseach co-cheangailteachd còmhdhail nua-aimsireil ann an roinn a tha cho mòr agus cho eadar-mheasgte gu cruinn-eòlasach 's a tha an roinn againne – nì nach gabh aithris gu leòr.

Tha comhdhail, còmhla ri taigheadas, sgilean agus cùram-chloinne, nam prìomh chomasaichean a tha aig teis-meadhan fàs eaconamach, agus a' nochdadh dhùbhlan leis a bheil HIE agus ar com-pàirtichean a-nis a' dèiligeadh gus dèanamh cinnteach gum bi a' Ghàidhealtachd agus na h-Eileanan ann an deagh àite airson an comas air leth a choileanadh agus cur gu mòr ri Alba san àm ri teachd.

AONGHAS CAIMBEUL
Cathraiche

STIÙBHART MACILLEDHUIBH
Àrd-Oifigear is Oifigear Cunntachail

PERFORMANCE OVERVIEW – ABOUT HIE

This section covers HIE's history, vision, purpose, business model and organisational values. It also highlights our approach to procurement, delivering best value and learning lessons from experience. Finally, we describe principal risks and uncertainties facing the organisation, including actions to address them.

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 as the economic and community development agency for the Highlands and Islands.

HIE is an ambitious organisation with a vital role in supporting businesses and communities across the Highlands and Islands to build a greener, fairer, and more resilient region that benefits everyone and makes a strong contribution to Scotland's economy.

OUR VISION, PURPOSE AND KEY OUTCOMES

Our five year strategy sets out HIE's long-term vision and ambitions for the Highlands and Islands as a leading net zero region with a dynamic wellbeing economy, and describes the outcomes we are striving to achieve. Specific actions for delivery are detailed in an annual operating plan.

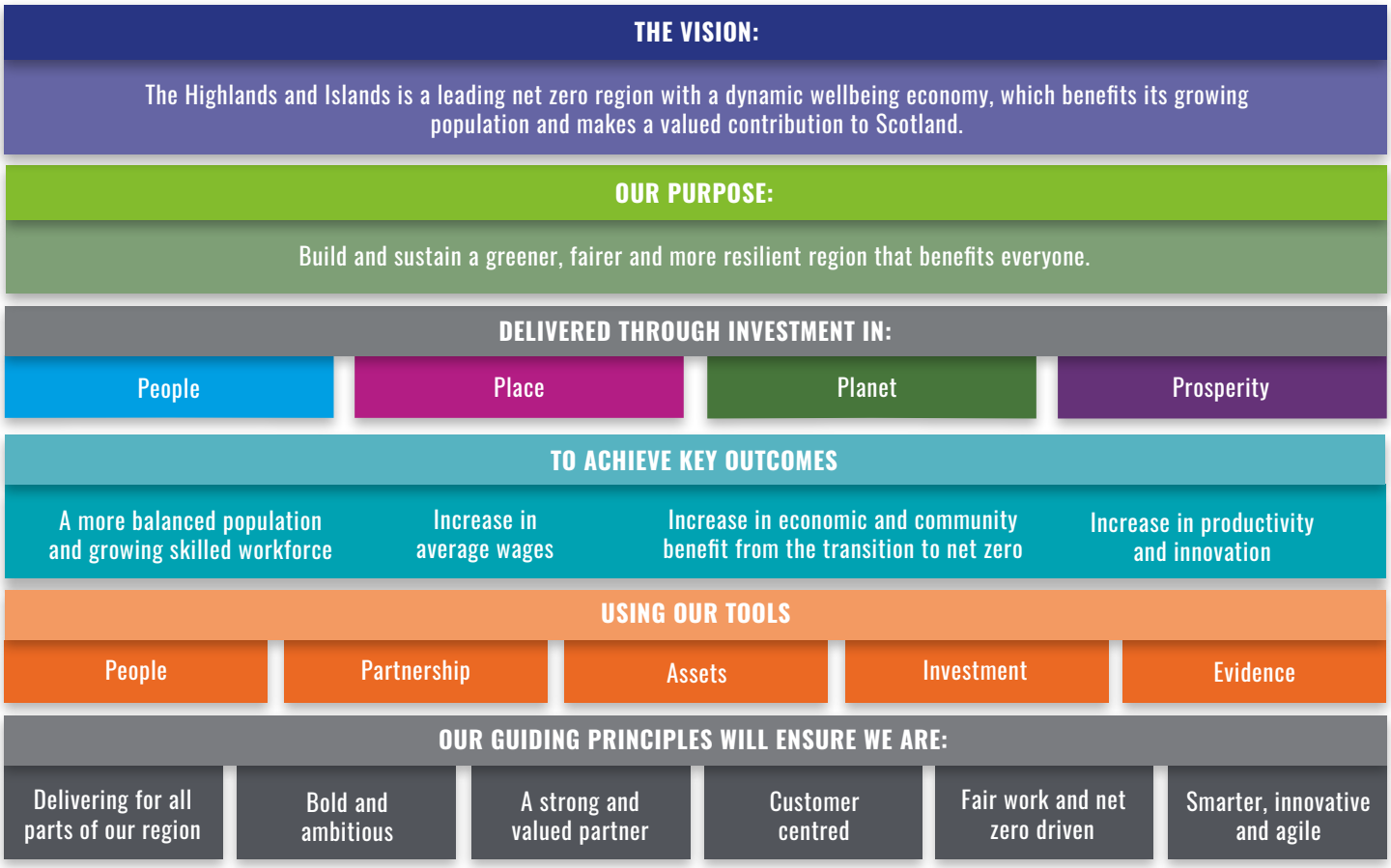
The strategy and operating plan are built around four pillars:

- people
- place
- planet
- prosperity

and three cross-cutting themes:

- net zero
- fair work and inclusive growth
- regional transformational opportunities

This performance report also reflects these pillars and themes.



BUSINESS MODEL AND ENVIRONMENT

The HIE Board oversees the work of the organisation, reporting to the Scottish Government's Cabinet Secretary for Economy, Tourism and Transport.

We collaborate with the Scottish Government and partner organisations to align actions and resources in ways that seek to optimise effective delivery of national economic policies, strategies and programmes.

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

Area operations covers the activities of HIE's area teams which provide local support to business and community clients in Argyll and the Islands; Caithness and Sutherland; Inner Moray Firth; Innse Gall; Lochaber, Skye and Wester Ross; Moray, and Orkney and Shetland.

Corporate services is responsible for ensuring effective corporate governance; risk management; audit; business improvement; best value; strategic financial management; financial services; legal services; procurement; subsidy control; information governance, and IT systems.

Enterprise and community support focuses on support for HIE clients; growing tourism, food and drink; creative industries; life sciences and the blue economy; encouraging innovation and productivity; developing the digital economy; 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 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; evaluation; performance measurement and analytics; marketing; communications, and engagement.

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

NATIONAL INITIATIVES

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

Wave Energy Scotland (WES) is a subsidiary of HIE, which supports research and development in wave energy technology innovation.

The Scottish Land Fund (SLF) is funded by the Scottish Government and delivered by the National Lottery Community Fund and HIE. SLF offers grants of up to £1m to help communities across Scotland take ownership of land and buildings and provides practical support to develop community aspirations into viable projects.

OUR PEOPLE 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 – internally and externally
- We listen and communicate clearly

COLLABORATION

Through engagement and partnership with others, we aim to ensure that important issues affecting economic and community development in the Highlands and Islands are addressed holistically. These include areas that fall outside HIE's direct remit but play a vital role in underpinning a healthy economy, such as housing, transport, skills and childcare.

We work to build and sustain productive collaboration with relevant organisations across the public, private and third sectors, both through formal and informal arrangements.

Key partners currently include:

- all seven local authorities in our region
- area-focused community planning and regional growth deal partnerships
- Bòrd na Gàidhlig
- Business Gateway
- Convention of the Highlands and Islands
- Crown Estate Scotland
- Focus North
- Foundation Scotland
- Great British Energy
- Highlands and Islands Transport Partnership (HITRANS)
- Highlands and Islands Regional Economic Partnership (HIREP)
- Inverness and Cromarty Firth Green Freeport
- Nuclear Decommissioning Authority
- Prosper
- Scottish Development International
- Scottish Enterprise
- Scottish Government
- Scottish National Investment Bank
- South of Scotland Enterprise
- Skills Development Scotland
- Scottish Funding Council
- UK Government
- University of the Highlands and Islands
- VisitScotland
- ZetTrans

GAELIC

We support and promote Gaelic language and culture as a great asset for Scotland that plays a positive role in our regional and national economy. Our Gaelic agenda is driven by a set of complementary strategies, some developed by HIE itself and others that we help to deliver.

Examples include

- HIE Gaelic plan 2023-28
- National Gaelic language plan 2023-28 – prepared by Bòrd na Gàidhlig and approved by Scottish Ministers
- Ro-innleachd turasachd na Gàidhlig / Gaelic tourism strategy – VisitScotland
- Short life working group on economic and social opportunities for Gaelic: report and the Scottish Government response.
- Scottish Languages Bill
- HIE's relationships with Údarás na Gaeltachta and the Consulate General of Ireland for Scotland

We also value the Scots language and dialects such as Doric, Orcadian and Shetlandic, and anticipate broadening our engagement in future.

OUR PROCUREMENT STRATEGY

The HIE Procurement Strategy 2024-28 was published in January 2024 and is reviewed annually and updated as necessary. It aims to guide us to achieve the highest standards of professional practice and value for money in our procurement activities.

Each year, we publish an annual procurement report in the procurement section of our website.

BEST VALUE

Our annual best value plan provides an overarching framework for HIE's business improvement activity aligned to our five-year strategy and to the wider public service reform agenda in Scotland.

It follows the Scottish Government best value characteristics of:

- vision and leadership
- governance and accountability
- effective use of resources
- partnerships and collaborative working
- working with communities
- sustainability
- fairness and equality

The 2025/26 HIE best value plan reflected current organisational priorities, the public service reform agenda and the Business Support Partnership, as well as reaffirming our commitment to continuous improvement, financial efficiency, digital transformation and strategic collaboration.

Implementation of our best value plan generated savings of £1.6m and income of £1.2m in 2025/26.

KNOWLEDGE SHARING AND LESSONS LEARNED

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

We continue to be pro-active in learning and applying lessons to achieve continuous improvement within HIE and supporting a consistent approach across the organisation.

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 register are actively managed at the appropriate level in the organisation.

During 2025/26, examples of principal risks that we identified and addressed included:

- **Economic and strategic context**

Macro-economic factors – ranging from global events and market conditions to economic and political conditions and the ongoing climate emergency – present a set of risks that are exacerbated across the Highlands and Islands by rural issues such as higher cost of living, peripherality, transport challenges, housing shortages and the need to retain and grow population. The global impact of US trade tariffs added further challenge, impacting businesses and key sectors.

In response, we conduct regular intelligence gathering and analysis to inform our operating plan, set targets for HIE and measure our performance, and engage with clients throughout the region to support and strengthen business and community resilience.

- **Best value, organisational transformation and public service reform**

Scotland's public service reform agenda requires an increased focus from public bodies to deliver preventive, joined-up and efficient services, maximising value for money while improving outcomes for people and places. HIE is fully engaged in the public service reform agenda and alert to the risk of failing to take active steps to align with and support these objectives.

We have a clear strategy focused on prevention and long-term outcomes through our early and place-based support. Our mature best value plan drives financial efficiency, workforce planning and modernisation of corporate services, including digital capability, and supports national and regional collaboration.

Through the best value plan, we have identified priority themes and key performance indicators. Progress is reported regularly to the HIE leadership team and senior managers to enable ongoing and consistent monitoring and action. This work is supported by our Workforce Planning and Fiscal Efficiency groups. Updates are also provided to the Risk and Assurance Committee of the HIE Board and we have established a Financial Savings and Efficiency Group.

Financial planning and budgetary environment

There is a risk that HIE may not secure sufficient budget to realise the present, unprecedented scale of economic opportunity for the Highlands and Islands and deliver effective support to business and communities while continuing to operate the agency efficiently. Ongoing financial challenges in the public sector may have a sustained adverse impact on our organisation and the region.

Measures we undertook to address this in 2025/26 included:

- concluding research on regional transformational opportunities (published May 2025)
- maintaining regular dialogue with Scottish Government officials and ministers to provide information and demonstrate the benefits of investing in the regional economy and HIE's delivery role
- presenting business cases to secure significant additional income, for example to support offshore wind opportunities
- creation of a financial management strategy
- undertaking resource scenario planning
- active management of in-year financial delivery
- implementing efficiencies (including cost reduction and securing additional income) through our well-developed approach to best value (see above)

Cairngorm

Following an extensive programme of remediation work, the funicular railway returned to service in February 2025. We remain alert to a potential risk that the remediation programme may require further intervention, which could disrupt service to customers and cause operational, financial and reputational harm to HIE and the operating company Cairngorm Mountain (Scotland) Ltd (CMSL).

At the same time, CMSL's operating outturn remains dependent on factors such as snow and other weather conditions that are outwith our control, and there is a risk that CMSL may require significant ongoing public support, leading to financial challenge and potential opportunity cost for HIE.

Controls that we have implemented include:

- effective governance arrangements with scrutiny from the HIE Board and Risk and Assurance Committee
- a focused internal team of HIE staff
- a funicular monitoring regime
- specialist advice and project management
- contractor engagement
- regular stakeholder engagement, including Scottish Government

We engage actively with CMSL, focusing on actions that will support and accelerate progress towards sustainability as a successful and popular resort offering activities to attract a broad range of customers throughout all seasons of the year, in line with the Cairngorm Masterplan. We also have a plan to implement the recommendations of the Scottish Parliament Public Audit Committee, following its scrutiny of the Cairngorm funicular railway and have responded to points raised.

New strategic opportunities

A key risk is that the present ScotWind opportunity to expand the market for Scotland's production of offshore wind energy could ultimately fail to deliver the benefits to the region that align with government and wider expectations. A complex range of factors that could affect progress includes:

- availability of funding and other resources to deliver and capitalise on renewable energy projects
- supply chain and cluster activity
- infrastructure (including ports, housing, transport and grid)
- skills
- community benefit
- review of electricity market arrangements including transmission charging

In mitigation, we maintain regular engagement with public partners, developers and supply chain companies. Notably, we are taking forward an ambitious range of regional transformational opportunities, with the aim of securing funding from the Scottish Government's Offshore Wind Investment Programme (OWIP) – an approach that has already been successful in attracting significant additional funding to the region. At the same time, we continue to pursue and develop inward investment opportunities and work with partners to optimise community benefit from these projects.

Regional infrastructure

Regional infrastructure challenges may negatively impact sustainable growth and exacerbate depopulation, particularly in islands and inclusive growth focus areas (IGFAs), that face particular disadvantages. Key issues include: lack of suitable housing and accommodation; the need for transport improvements including ferries; electricity and grid capacity constraints; lack of childcare provision, and shortage of skills that match economic opportunity.

Consequences from these issues could include failure to realise fully the benefits of regional transformational opportunities; weakening of community sustainability; inability to attract inward investors, and skills shortages. Collaborative working is essential to address these risks and we are joining forces with multiple partners at local, regional and national levels.

We undertake ongoing data collection and analysis to inform planning and activity and implement initiatives to make a positive impact on population, skills and entrepreneurship. We actively engage with stakeholders and with government on a range of matters, including advocating for the region in the Strategic Transport Projects Review 2 and supporting rural housing. We also chair the HIREP housing sub-group and are engaging with the Scottish Government regarding the development of the new housing agency More Homes Scotland to ensure policies and support are fully aligned with the needs of rural and island communities.

Cyber security

Information governance is a crucial area for HIE. Failure in systems controls and governance, cyber security requirements or statutory compliance obligations could cause operational, regulatory and / or reputational damage.

We implement information governance and security policies and operate controls including security support, including regular testing from our information services provider, and an internal group.

Delivery and benefits realisation of key projects

Projects that present risks under this heading include: Cairngorm (see above); offshore wind; opportunities in the space sector, and Arnish industrial estate in Lewis.

At Arnish, there is a risk that HIE may not realise the benefits from its investments and that infrastructure could fail to meet the future requirements of industry. Controls include engagement with partners including tenants, the Stornoway Trust, Stornoway Port Authority and Scottish and Southern Electricity Networks (SSEN) (regarding site impacts arising from the islands interconnector).

Navantia, a Spanish state-owned company, announced in January 2025 that it had completed acquisition of the fabrication facility at Arnish from Harland and Wolff and we are working with the business on future developments at Arnish. We have also established a sub-group of the HIE Board to focus on Arnish. Key actions include improving access via the Arnish Moor road and proposals for further capital investment in site infrastructure.

There is also a risk that the region may not be able to capitalise fully on significant opportunities arising from the growth of the UK space sector. Actions to address this include continuing engagement with regional space projects, including launch sites under development in Shetland, Sutherland, North Uist and Argyll, as well as with the Scottish and UK Governments, UK Space Agency and industry partners. Since Forres-based space company Orbex fell into administration in February 2026, we have been liaising with its administrators, with a focus on the implications for Sutherland.



Rural AI roadshow,
Eden Court, Inverness



Outer Hebrides:
Benbecula Distillery

PERFORMANCE SUMMARY

This section summarises the broader economic context and HIE's achievements and challenges during 2025/26, as recorded against our strategy's four pillars and cross-cutting themes (see diagram, p6)

More detailed information is in the *Performance analysis* chapter (pp17-28)

ECONOMIC CONTEXT

Global conditions worsened due to heightened geopolitical risks and trade uncertainty, compounded by conflict in the Middle East, which pushed up energy prices, thereby increasing inflationary pressure and weakening growth prospects. While Scotland's economy showed modest improvement, inflation remained above target and consumer confidence fell, with many households reporting worsening financial conditions.

The Scottish labour market was relatively resilient, although employment growth weakened, inactivity rose and labour demand eased. The Highlands and Islands continued to perform comparatively well, with low unemployment and high participation rates. Businesses reported ongoing structural challenges, however, including skills shortages, workforce availability and demographic pressures, alongside higher operating costs in remote rural and island areas.

In December 2025, HIE's business panel survey found confidence had improved slightly, with over half of respondents optimistic about the economic outlook and many pursuing growth, particularly linked to regional transformational opportunities.

Looking ahead, uncertainty around global trade policy, cost pressures and ongoing inflationary risks may constrain growth and investment. These challenges are particularly acute for island communities, where transport connectivity plays an especially important role.

PEOPLE

Our IMPACT30 entrepreneurship programme for people under 35 concluded, having supported 88 participants and a total of 302 start-ups since its launch in 2018. Well over half (58%) of those taking part were women. IMPACT30 was delivered through the Northern Innovation Hub (NIH), part of the Inverness and Highland city-region deal.

Leadership skills in the region were boosted through the Scottish Rural Leadership Programme, which received 21 applications, and we rolled out pilot programmes designed specifically for female leaders (HIE Impact Women), people from underrepresented groups in business (Pathways to Start) and a new Gaelic digital challenge fund.



Spotlight: HIE Impact Women

In February 2026, we launched a new programme, HIE Impact Women, at the Highland Women Growth Summit.

This fully-funded, 16-week programme was designed for women in leadership roles across the Highlands and Islands who have big ambitions and are ready to grow their businesses.

The programme included residential workshops, mentoring and expert webinars, culminating in a Dragon's Den-style pitching session.

Supported by the Scottish Government and aligned with the report 'Pathways: a new approach for women in entrepreneurship', it sought to build confidence, strengthen leadership, grow networks, and support business growth.

Participants in the NIH technology placement programme, completed 24 placements in 2025/26, contributing to overall programme delivery of 66 graduate and 12 student placements across 61 businesses, resulting in 34 people being hired permanently.

Acting on the findings of detailed research into the potential impact of regional transformational opportunities (RTOs), we delivered graduate and technology placements, entrepreneurship, leadership, and skills development. These were designed to support population attraction and retention and strengthen the region's talent pipeline.

HIE's multi-year graduate placement programme continued, with 11 placements ongoing and seven approved during the financial year.

Looking to the next generation, the Science Skills Academy welcomed over 8,000 school pupils to full-day STEM sessions in Newton rooms around the region and added a new green skills module.

PLACE

Significant investments reached completion or entered operational phases, complemented by collaborative efforts through the Highlands and Islands Regional Economic Partnership (HIREP).

Notably, we supported delivery of the Scottish Government's Offshore Wind Investment Programme (OWIP) by bidding successfully for investment in strategic port infrastructure and supply chain projects at locations across the region including Ardersier, Kishorn, Lerwick, Port of Nigg and Stornoway and Arnish.

In parallel, we developed a route map for HIE's approach to securing regionwide benefits from the transformational opportunities presented by offshore wind.



Spotlight: Regional transformational opportunities (RTOs)

The scale of transformational opportunity that is currently present in the Highlands and Islands economy was quantified for the first time.

A study commissioned by HIE for HIREP identified 251 planned development projects representing a combined investment value of up to £100bn. These regional transformational opportunities could generate around 16,000 jobs at the peak of construction and development, and 18,000 operational jobs by 2040.

The scale of opportunity is described as 'unprecedented', having the potential to exceed previous transformational periods including the oil and gas boom of the last century.

Renewable energy, including offshore and onshore wind, pumped storage hydro, green hydrogen and marine energy accounted for around three quarters of the total investment value.

Others relate to space, marine biotechnology, life sciences, natural capital and critical infrastructure developments such as electricity grid upgrades improvements to ports and harbours and creation of research and innovation facilities.

By providing a greater understanding of the breadth of economic opportunities with the greatest potential to bring transformational change to the region's economy and society, the report is designed to guide HIE and our HIREP partners making plans and decisions to maximise benefits.

We continued to work closely with Scottish Development International (SDI) to attract new investment to the region. Four inward projects were secured, including a new investor in the technology and advanced engineering (TAE) sector, bringing 11 new full-time-equivalent jobs (FTEs) to Argyll. At the end of the year, there were 23 opportunities in HIE's inward investment pipeline, ten of them at an advanced stage of engagement.

Housing remains a key focus. The HIE Board approved a housing plan focused on community-led delivery, system improvements, and solutions for long-term structural issues. We supported several community-led housing initiatives at locations including Glengarry, Spean Bridge, Dunvegan and Applecross.

Community support included £732k for 29 delivery resource projects and 15 strategic planning or capacity-building projects. The Scottish Land Fund granted £5.95m to 44 land acquisition projects, with £2.67m going to 21 projects in the Highlands and Islands.

Growth deal-backed projects included the Shell-volution mussel farming initiative which got under way in Shetland, creating two full-time jobs, while construction of the Manufacturing Innovation Centre Moray concluded, ready for opening in 2026/27. The Argyll Growth Deal Rural Skills Accelerator also moved forward.

In March 2026, revised plans for a proposed phase two of the Orkney Research and Innovation Campus gained planning consent from Orkney Islands Council.

Construction progressed on Camas House, an £8.1m building providing new office and laboratory space at the European Marine Science Park in Argyll and on small business units in Forres, Golspie, Wick, and Benbecula.

Efforts backed by the Scottish and UK Governments continued to address digital connectivity, including a Project Gigabit award for Highland region and the Outer Hebrides and ongoing efforts to find solutions for hard-to-reach communities.

PLANET

Our activity this year focused on delivery of net zero and climate resilience initiatives, while also maintaining HIE's involvement in policy development.

Policy actions included responses to Scottish Government climate consultations and the development of a KPI-focused net zero action plan for 2025–28. Businesses were helped to track emissions and plan reductions via Climate Springboard and the NIH Food and Drink TechHUB, with completed plans and projected savings.

HIE's Green Grant Fund reviewed 54 expressions of interest, approved 19 projects, and committed £1.2m, targeting annual savings of 210 tonnes of Co_2 equivalent (tCO_2e).

Offshore wind renewable energy investment saw more than £36m spent this year, supporting ports and aiming for over £100m total. Sector development activity saw progress in hydrogen, marine and tidal energy, and peatland restoration.

The Torridon Hotel received HIE green grant funding



Spotlight: Green Grant Fund

HIE's innovative Green Grant Fund is geared to help businesses and social enterprises understand the cost and emissions impact of their activities and plan proactively to reduce them.

We approved 19 grants in 2025/26, supporting applicants to obtain a carbon emissions baseline and complete or progress net zero action plans to deliver environmental benefits and financial savings.

Eight of the successful applicants were based in inclusive growth focus areas and the range of sectors covered this year included tourism, TAE, food and drink, and creative industries.

Arnish, Stornoway



Spotlight: International trade

Support for Highlands and Islands companies trading in foreign markets, delivered in partnership with Scottish Development International (SDI), generated planned international sales of more than £131m in 2025/26 – a 21% increase on the previous year. SDI supported 41 experienced exporters across 85 projects.

Consumer industries including food and drink remained the largest contributor by some margin, delivering over £108m of the planned international sales.

Despite uncertainty around tariffs, the US market remained the largest for Highlands and Islands companies, worth over £48m. This was followed by Spain (£26m) and Saudi Arabia (£13m).

PROSPERITY

A broad range of HIE initiatives delivered results in innovation, productivity, digital adoption, entrepreneurship, and trade, while also supporting key priorities identified by research into regional transformational opportunities, especially in renewable energy and life sciences.

Workstreams associated with RTOs included collaboration with pumped storage hydro developers and contractors, and assessing the Caledonian Canal as a potential route for transporting large components.

At Inverness Campus, the Life Sciences Innovation Centre accommodated nine suite tenants (including four new) and five desk-hire arrangements (three new), achieving 46% occupancy by floor area.



Orkney: Local delivery resource in South Ronaldsay supported the Tomb of the Eagles heritage site.

The Small Producers Pilot Fund, run by HIE on behalf of the Scottish Government, allocated £170k across seven projects from 90 expressions of interest.

Digital adoption support comprised 15 digital specialist advice cases and six digital capital grants, with additional applications in progress.

Artificial intelligence (AI) initiatives included engagement with 16 clients for AI readiness, distribution of 34 vouchers, mentorship for 23 recipients, and the national Rural AI Roadshow, which attracted 260 delegates. Scotland's Artificial Intelligence Strategy 2026-31, launched in March 2026, designated HIE as a lead delivery partner.

Our entrepreneurship and trade support encompassed the Young Business Capital Grant Programme (14 projects, £727k), Scottish EDGE client assistance (20 clients, with winners receiving £285k), the Export Advisory Service (seven organisations, planned international sales of £2.7m) and Go Global (six businesses, planned international sales of £3.2m).

CROSS-CUTTING THEMES

A cross-cutting approach reinforced net zero conditionality by introducing a categorisation model and revised appraisal guidance, along with enhanced monitoring and HIE's net zero action plan for 2025–28.

Our Inclusive Growth Focus Area spatial policy continued to promote fair and inclusive growth, resulting in approvals totalling £57.6m, including £24.7m allocated to Kishorn.

The Pathways to Start initiative supported under-represented groups in Argyll and Moray, with 111 people completing pre-start training, 10 of whom were from island communities. We continued to advocate for fair work and implement our 2025–2029 Equality Mainstreaming Delivery Plan.

Regional transformation was progressed through the creation of an offshore wind route map. Communications and stakeholder engagement will be areas of focus going forward.

DELIVERY

HIE took on delivery of several Scottish Government programmes including the £4.4m Islands Business Resilience Fund. Additional funding streams and partnership activities supported delivery and extended HIE's reach.

We continued to support community organisations through a range of interventions, including Delivery Resource, which enables community organisations to employ development officers, and administering the Scottish Land Fund to strengthen capacity, enable asset development and support community-led activity across the region.

Alongside access to funding, we supported the development and delivery of major offshore wind-related investments, including strategic port infrastructure and supply chain projects, with a continued focus on benefits realisation.

Organisational priorities focused on improving efficiency, strengthening governance and upgrading systems. Our people strategy underpinned HR activity, including workforce and succession planning, and learning and development. A refreshed Financial Efficiency and Savings Group, part of our approach to best value (see below), identified £2.8m of savings and income.

Partnership working remained central, including through our secretariat role for HIREP, local area partnerships and engagement with the Scottish Government's Offshore Wind directorate and Great British Energy, and joint enterprise agency programmes.

Operational improvements strengthened HIE's client support processes, dashboards and data quality, introduced automated filing and progressed preparation for implementation of a modern finance system. Evaluation also expanded across community support and key programmes, including Pathways to Start and our innovation service.

BEST VALUE

Scotland's public service reform agenda requires public bodies to deliver preventive, joined-up and efficient services, maximising value for money while improving outcomes for people and places. The current strategy emphasises reducing duplication, reforming corporate services, increasing digital enablement and redirecting resources towards frontline and outcome-focused activity.

HIE's best value plan demonstrates strong alignment with this agenda by embedding continuous improvement, value for money and collaborative delivery across our operating model.

As shown in the following table, we met six of our eight key performance indicators for best value. The recording of outputs relating to client engagement activity may have been affected by changes to internal systems as well as a need to divert resources to other organisational priorities.

Areas for greater focus in 2026/27 include client management, data capture and ensuring a consistent, streamlined and user-friendly delivery for our programme activity. We will also seek to drive benefits from our investment in the Copilot AI tool, obtain system assurance and undertake cyber testing, and implement a more defined approach to other income and wider project monitoring and management.

TARGET		2025/26 OUTTURN
Proportion of 'client engaged' clients* with whom we had a meaningful engagement in the 12-month period.	85-95%	79%
Proportion of applications made via the client portal	90-99%	98%
Proportion of claims made via the client portal	90-99%	94%
Proportion of enquiries where contact is made with the enquirer within 10 working days	80-90%	81%
Proportion of client engaged clients with approved client plan	70-80%	24%
Proportion of client engagement portfolio that is female-led	35-45%	52%
Investment in female-led organisations	45-50%	78%
Spend by end Q3	70-75%	71%

* 'Client engaged' describes clients who have an ongoing relationship with HIE.

POST-BALANCE SHEET EVENT

Sutherland Spaceport Limited

Sutherland Spaceport Ltd (SSL), a subsidiary of Moray-based space company Orbital Express Launch Ltd (Orbex), fell into liquidation in June 2026, four months after its parent company had entered administration.

Orbex had established SSL in 2020, initially under the name Newco Forres, to construct a spaceport from which to launch rockets carrying satellites into orbit from a 10.4-acre, community-owned site on the A' Mhoine peninsula near Tongue.

HIE leased the site from community landowner Melness Crofters' Estate and was subletting it to SSL, which had invested substantially to create a 2.5km (1.6 mile) floating access road across peatland, along with associated infrastructure.

In August 2026, following SSL's liquidation, our subsidiary company HIE Caithness and Sutherland acquired its assets from liquidators FRP Advisory.

HIE then began work to review how best to use the site to create jobs and other economic benefits for local people and support the continued growth of the regional space sector.



PERFORMANCE ANALYSIS

This section provides analysis of HIE's performance during 2025/26.

PERFORMANCE AND INVESTMENT ANALYSIS

HIE's strategy and operating plan guided delivery in 2025/26, maintaining focus on four key outcomes and Programme for Government priorities.

Effort to capitalise on regional transformational opportunities increased, particularly in energy. Place-based development remained central, supported through infrastructure, place planning and community anchor organisations.

Progress continued on net zero, innovation and digital adoption, alongside targeted support for inclusive growth focus areas (IGFAs). Significant HIE staff resource was also directed towards enabling factors such as housing, transport and childcare.

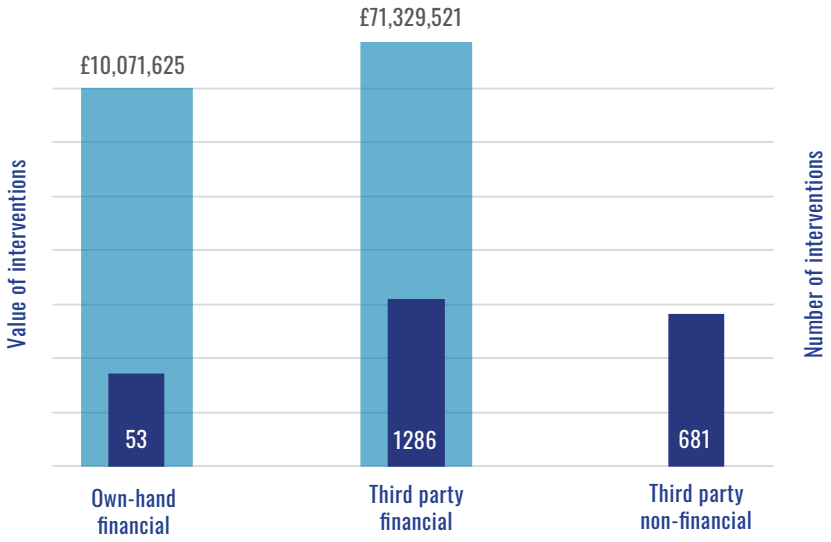
Overall, HIE met or exceeded 21 of 24 operating plan targets. Performance was particularly strong in investment, innovation and IGFA measures. Although capital asset investment in community organisations fell short, all other community targets were achieved, reflecting a range of activity supporting community wealth building. Innovation maturity was below target, but wider innovation performance remained strong.

HIE's total approved investment was £81.4m via 1,339 interventions, including £38.3m from the Scottish Government's Offshore Wind Investment Programme (OWIP). Driven by new funding programmes including the Islands Business Resilience Fund, our activity supported 1,286 third party financial projects compared with 538 the previous year.

HIE supported 1,999 organisations and engaged a further 1,081 individuals through enquiries and events. Alongside financial support, 681 non-financial interventions provided advice, specialist support and enabling activity.

Excluding OWIP, investment was quite evenly distributed across a broad sectoral and geographic spread, with stronger representation in traditional sectors such as food and drink and tourism.

Volume and value of interventions



1 Own-hand activity denotes where HIE develops and delivers projects directly. Third-party support to clients is provided as either financial or non-financial assistance.

OUTCOMES – HIE STRATEGY

HIE's strategy 2023-28 sets out four key outcomes (below). These align with national strategy and policies, demonstrating HIE's commitment to contribute to Scotland's economy and National Performance Framework indicators.



	More balanced and growing working age population	Increase in average wages	Increase in economic and community benefit from the transition to net zero	Increase in productivity and innovation
	■ 161 individuals supported to upskill ■ 76 entrepreneurs supported ■ 80 community leaders supported ■ 15 graduate or technology placements ■ 32 communities receiving support from delivery resource ■ £1.8m investment in housing ■ 64 housing units enabled	■ 642 FTEs ■ £35,223 average wage ■ 45% of all jobs supported pay above HIE's target of £34,000 average wage ■ 49% of jobs paying >£34k were in technology and advanced engineering	■ 260 green jobs ■ £88.6m green capital asset investment ■ £48.8m external green investment secured ■ 64 organisations to supported adopt/ embed net zero ■ 99 organisations supported in developing action plans for net zero ■ 92 assets with net zero objectives supported ■ 32 communities receiving support from delivery resource	■ 54 organisations increasing productivity by 30% ■ 347 organisations supported to innovate ■ £6.1m business expenditure in R&D enabled ■ 38 organisations engaged in R&D ■ 163 new products, processes or services ■ £288.8m increase in turnover ■ £32.8m increase in international sales ■ 4 inward investment projects secured ■ 32 communities receiving support from delivery resource
Inclusive growth focus areas*	■ 72 individuals upskilled ■ all £1.8m of investment in housing and 64 housing units enabled occurring in IGFAs	■ 348 FTEs ■ £34,396 ■ 59% of all jobs supported pay above HIE's target of £32,000 ■ 62% of jobs paying over £32k were in technology and advanced engineering	■ £66.9m green capital asset investment ■ 55 assets with net zero objectives ■ 34 organisations supported to adopt/ embed net zero ■ 42 organisations supported in developing action plans for net zero	■ 18 organisations supported to improve productivity ■ 131 organisations supported to innovate ■ 70 new products, processes or services
Community organisations*	■ 26 individuals upskilled ■ all £1.8m of investment in housing and 64 housing units enabled occurring with community groups	■ 78 FTEs ■ 11 paying above HIE's target of £34,000 of which 6 were in community amenities	■ £2.9m green capital asset investment ■ 19 organisations supported with net zero action plans ■ 14 organisations supported to adopt/ embed net zero ■ 16 assets with net zero objectives supported	■ 5 organisations supported to improve productivity ■ 36 organisations supported to innovate ■ 19 new products, processes or services

* Outcome figures noted for inclusive growth focus areas and community organisations are subsets of the total figures quoted in the row above.

TARGETS AND OUTTURNS

The table below presents our 2025/26 outturns against targets in our annual operating plan.

PRIMARY MEASURES	TARGET RANGE 2025/26	FORECAST OUTTURN 2025/26		FORECAST OUTTURN 2024/25	
No. of organisations supported to increase productivity[1]	60-70	54	🟡	40	🔴
Average increase in productivity	15%	30%	🟢	54%	🟢
No. of organisations supported to innovate	200-230	347	🟢	415	🟢
No. organisations increasing innovation maturity[2]	55	8	🔴		
No. of new products, processes or services developed	80-100	163	🟢	263	🟢
Innovation investment in supported organisations (£m)	£30-40m	£50.7m	🟢	£32m	🟢
No. of organisations supported to engage in just transition to net zero	50-60	112	🟢		
No. of organisations baselining their CO_2e emissions	25-30	98	🟢		
No. of organisations supported to develop or implement a net zero action plan	50-60	99	🟢	79	🟢
No. of community-led projects supported	120-140	278	🟢	271	🟢
No. of new / improved income generating community assets	30-35	52	🟢		
No. of jobs supported (FTEs)	600-700	642	🟢	765	🟢
Green jobs supported (FTEs)*	70-90	260	🟢	242	🟢
No. of jobs supported in inclusive growth focus areas* (FTE)	200-250	348	🟢	293	🟢
Average wage of jobs supported (£/FTE)	£34,000	£35,223	🟢	£31,105	🔴
Average wage of jobs supported in inclusive growth focus areas (£/FTE)	£32,000	£34,396	🟢	£30,647	🟢
External investment secured (£m)	£55-70m	£81.3m	🟢	£81.6m	🟢
External green investment secured (£m)	£25-28m	£48.8m	🟢	£24.2m	🟢
External investment secured in inclusive growth focus areas (£m)	£20-25m	£65.3m	🟢	£23.7m	🟢
External Investment secured in supported community orgs/social enterprises (£m)	£12-14m	£12.3m	🟢	£28.4m	🟢
Capital asset investment (£m)	£80-100m	£167.4m	🟢	£152.8m	🟢
Green capital asset investment (£m)	£40-50m	£88.6m	🟢	£73.1m	🟢
Capital asset investment in supported inclusive growth focus areas (£m)	£40-50m	£125.8m	🟢	£48.3m	🟢
Capital asset investment in supported community orgs / social enterprises (£m)[3]	£20-25m	£15.2m	🔴	£40.2m	🟢

[1] We set an ambitious target and improved 35% on the previous year's performance. Future activity will aim to widen participation and intensify innovation and technology adoption.

[2] Innovation maturity performance was affected by delays in upgrading a system to record progression and the limited segment of the portfolio supported with a baseline. This was primarily a measurement issue rather than a reflection of underlying performance. The upgraded system improves data quality and target setting, while evaluations of the relevant programmes will inform future support and measurement.

[3] Performance reflects wider socio-economic and funding conditions. We are focusing on strengthening community capacity; access to funding; housing and asset projects, and investment-ready proposals to build the project pipeline and improve performance.

*Numbers of green jobs and jobs supported in focus areas are included within the total number of jobs supported.

TRACKING MEASURES	FORECAST OUTTURN 2025/26	FORECAST OUTTURN 2024/25
Increase in turnover (£m)	£288.8m	£236.2m
Increase in turnover in the social economy (£m)	£12.2m	£13m
Increase in international sales (£m)	£32.8m	£62.8m
$C0_2e$ savings in supported organisations	2,823	1,480

EMPLOYMENT-RELATED OUTPUTS	OVERALL	INCLUSIVE GROWTH FOCUS AREAS	GREEN
Jobs housed (FTE)	61.5	61.5	-
Employment opportunities created	1,629	1,551	1525
FTE job years supported	78	70	3
Graduate and technology placements supported	15	8	8
	1,783.5	**1,690.5**	**1,536**

By meeting or exceeding almost all targets, HIE demonstrated strong performance in supporting growth, innovation and a just transition to net zero. Although the innovation maturity target was affected by delays to a system upgrade, improved data is now available to inform future measures. All other innovation measures exceeded expectations.

Capital asset investment in community organisations achieved around 75% of the £20m target, reflecting challenges identified in recent community wealth building research. Aside from this, the volume and spread of activity was strong, with all other community targets exceeded.

Investment in innovation increased by 58%, driven by five high-value projects in the food and drink and technology and advanced engineering (TAE) sectors. The blue economy (marine and coastal activities) remained a key part of HIE's portfolio and international trade continued to be well represented across investments and interventions.

We supported 642 full-time equivalent (FTE) jobs, with 69% created and 31% retained. Over half (348) were in focus areas (IGFAs), and 260 were green jobs.

Average wages, at £35,223, exceeded the £34,000 target, with IGFA wages also surpassing target levels. The proportion of green jobs increased to 40%, reflecting continued progress towards net zero.

Capital asset and external investment exceeded targets, supported by OWIP funding and a small number of major strategic projects.

INNOVATION AND PRODUCTIVITY

A total of 548 interventions supported productivity and innovation, including 404 with businesses. Delivery was evenly split between financial (273) and non-financial (275) support. The highest volumes were in food and drink (108), creative industries (105), TAE (78), tourism (78) and life sciences (58). The greatest investment value (£25.9m) was in the energy sector.

Average productivity gains reached 30%, double the 15% target. Support for organisations to improve productivity was slightly below target (54) but 35% higher than the previous year.

A total of 347 organisations received support to innovate, well above the 200 target, reflecting delivery through the Northern Innovation Hub (NIH) and HIE's innovation programme. NIH concluded in 2025/26 and will be evaluated in 2026, while the innovation programme will undergo independent review and redesign. New products, processes and services (163) also exceeded the target (80), supported by these programmes.

Innovation investment reached £50.7m, significantly higher than the £30m target and 58% above the previous year. The innovation maturity target was not met (8 against 55), primarily due to IT system delays as noted above.

Beyond core targets, HIE supported £6.1m in research and development (R&D), with 38 organisations engaged. Clients are expected to generate £288.8m in turnover and £32.8m in international sales, alongside four inward investment projects.

One third of the organisations improving productivity were based in focus areas and 131 organisations in these locations were supported to innovate, developing 70 new products, processes or services. Community organisations also benefited, with support for productivity, innovation and new product development contributing to local economic impact.

COMMUNITY SUPPORT

HIE continued to play a significant role in strengthening community capacity and resilience across the region, with support aligned to inclusive growth, fair work and transition to net zero. During the year, we supported 277 community-led projects, with activity geographically well-distributed.

Towards the end of the financial year, we launched 'Ar Cànan Ar Cultar Ar Beartas' (Our language, Our Culture, Our Prosperity), a major research exercise to explore the economic and social contribution of Gaelic and opportunities for growth, entrepreneurial and innovative activity. Findings will be reported in 2026/27.

<table>
<tr>
<td>ALL COMMUNITY SUPPORT</td>
<td>

£15.2m capital asset investment, of which £2.9m green
£12.3m external investment secured, of which £0.5m green
£12.2m increase in turnover

COMMUNITY ASSET SUPPORT INCLUDES:

4,500m2 commercial and industrial floorspace developed
77.75ha in community ownership
74 assets and 52 income generating assets
16 assets with Net Zero objectives
£1.8m investment in housing and 64 housing units enabled
13 cultural assets

SUPPORT FOR INDIVIDUALS INCLUDES:

78.2 permanent FTEs, 23 FTE job years and 22 employment opportunities
80 community leaders
40 new volunteers

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2 graduate/technology placements

COMMUNITY ORGANISATIONS SUPPORTED TO:

improve resilience: 88
engaged in knowledge transfer: 20
enhance digital capacity: 13
engage with the Gaelic economy: 9
innovate: 36
improve productivity: 5
engage in entrepreneurial activity: 17
engage in R&D: 3
improve leadership and management: 4
new social enterprises supported: 3

TRANSITION TO NET ZERO SUPPORT INCLUDES:

797 tCO2e emissions reductions planned
organisations baselining their CO2e emissions: 19
organisations developing a net zero action plan: 19

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<tr>
<td>DELIVERY RESOURCE</td>
<td>

£2.6m external investment secured

COMMUNITY ASSET SUPPORT INCLUDES:

5 assets and 3 income generating assets
4 cultural assets

SUPPORT FOR INDIVIDUALS INCLUDES:

10.3 permanent FTEs, 10 FTE job years and 1 employment opportunity

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8 community leaders

COMMUNITY ORGANISATIONS SUPPORTED TO:

improve resilience: 12
engage with the Gaelic economy: 6
innovate: 6
new social enterprises supported: 1

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<tr>
<td>SCOTTISH LAND FUND</td>
<td>

£1.4m capital asset investment
£2.4m external investment secured

COMMUNITY ASSET SUPPORT INCLUDES:

52.1ha in community ownership
8 assets and 12 income generating assets

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4 housing units enabled

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Of the 642 full-time equivalent (FTE) jobs supported, 78 were within community organisations. Eleven of these paid above £34,000, including six in community amenities, highlighting the sector's contribution to good-quality employment. We also helped upskill 26 individuals.

Communities invested £2.9m in green capital assets, while 19 organisations developed net zero action plans, a significant share of the overall target of 50. Net zero approaches were adopted by 14 communities and 16 assets with net zero objectives received support.

We also helped communities to acquire, create or improve 52 income-generating assets, strengthening long-term sustainability and local economic impact. In addition, £1.8m of investment supported delivery of 64 housing units.

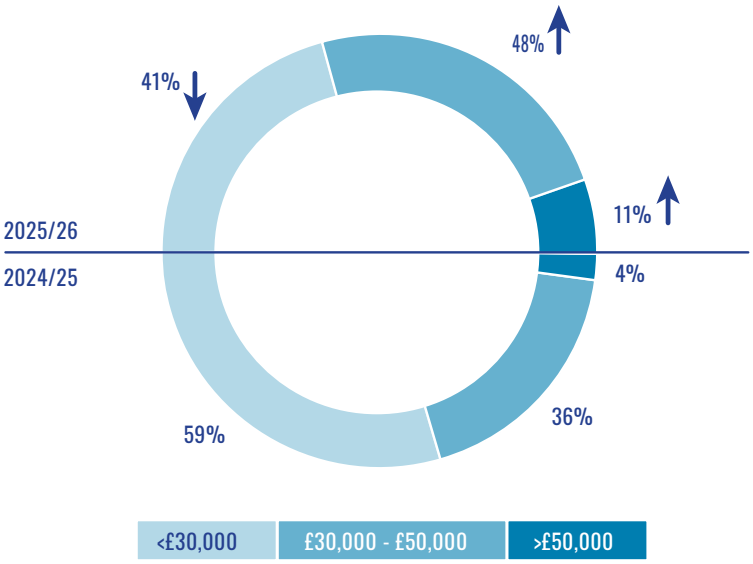
Support increasingly focused on helping communities access external funding and we exceeded our target, enabling communities to secure £12.3m. Key programmes included the Scottish Land Fund and delivery resource support, which remain critical to sustaining community capacity and investment.

JOBS SUPPORTED AND AVERAGE WAGES

HIE supported 642 full-time equivalent jobs (FTEs), with 69% created and 31% retained. Across IGFAs, we supported 348 jobs, comfortably surpassing our target of 200.

Broader employment-related outputs included 116 FTEs via property investments and temporary roles (mostly construction) and 1,629 future employment opportunities, including 1,500 from investment in the upgrade and expansion of Kishorn Port and 60 housed in Sabhal Mòr Ostaig and 46 job years in Cooke Aquaculture.

Proportion of FTEs supported by wage per year



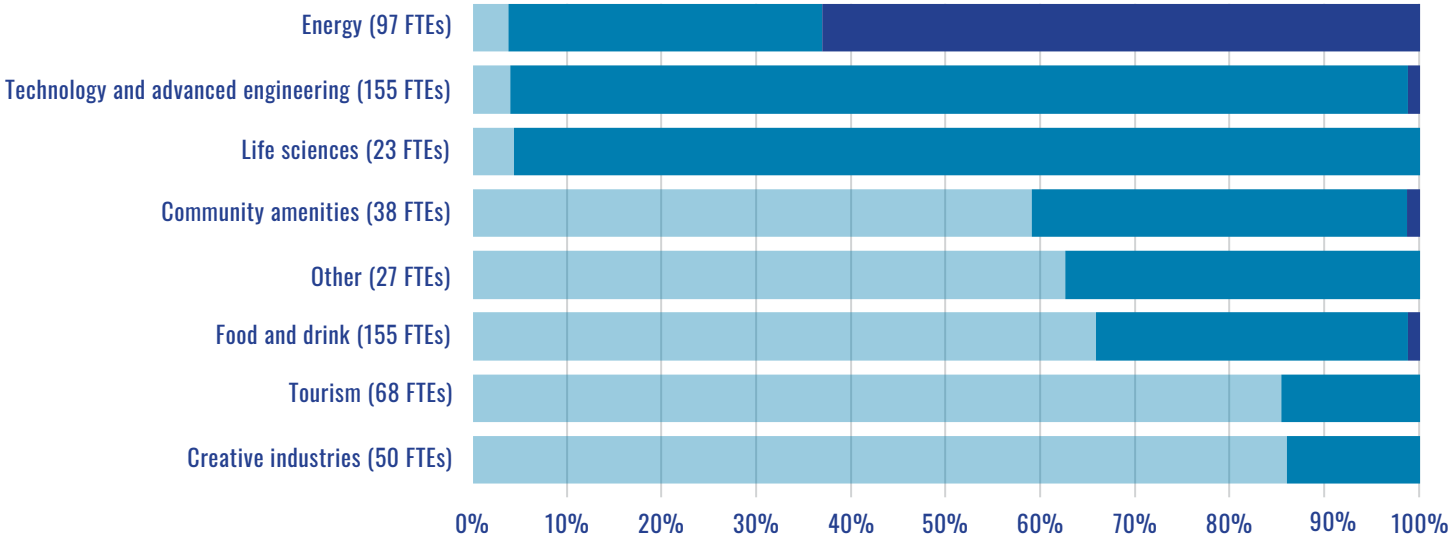
Percentages may not sum to 100% due to rounding.

Arrows describe the change between financial years in the proportion of jobs supported by wage band, there is a substantial increase in the proportion of jobs supported paying above £30k per year.

Wages for around 45% of supported FTEs were at or above HIE's target of £34,000. The TAE and energy sectors accounted for 81% of higher-paid jobs, contributing materially to average wage outturns from investments in IGFAs.

The wage distribution of supported FTEs shifted upwards in 2025/26. Those paid below £30,000 fell from 59% in 2024/25 to 41%, while those paid £30,000-£50,000 rose from 36% to 48%. The share paid above £50,000 increased from 4% to 11%.

FTEs supported by sector and wage band



May not sum to 100% due to rounding. Sector 'other' includes; environment and recycling, universities, finance and business services, land management and property, education, training and employment and housing.

Tourism, creative industries, food and drink and community amenities displayed mixed wage profiles, weighted towards lower-paid FTEs. In contrast, energy and TAE typically generated middle and higher wage FTEs, helping to lift the overall distribution. Over one-fifth (22%) of total FTEs supported were from OWIP investment, concentrated in the energy and TAE sectors.

OWIP significantly affected both the number of jobs supported and average wage outturns. Despite this, the average wage of non-OWIP jobs supported in 2025/26 was £33,033 – 6% above the 2024/2025 outturn (£31,105).

HIE'S INVESTMENT

Most investment was delivered through third-party projects, although we progressed several important property projects at our own hand. These included the construction of Camas House at the European Marine Energy Park near Oban and a range of modern, flexible business units in Benbecula, Forres, Golspie and Wick.

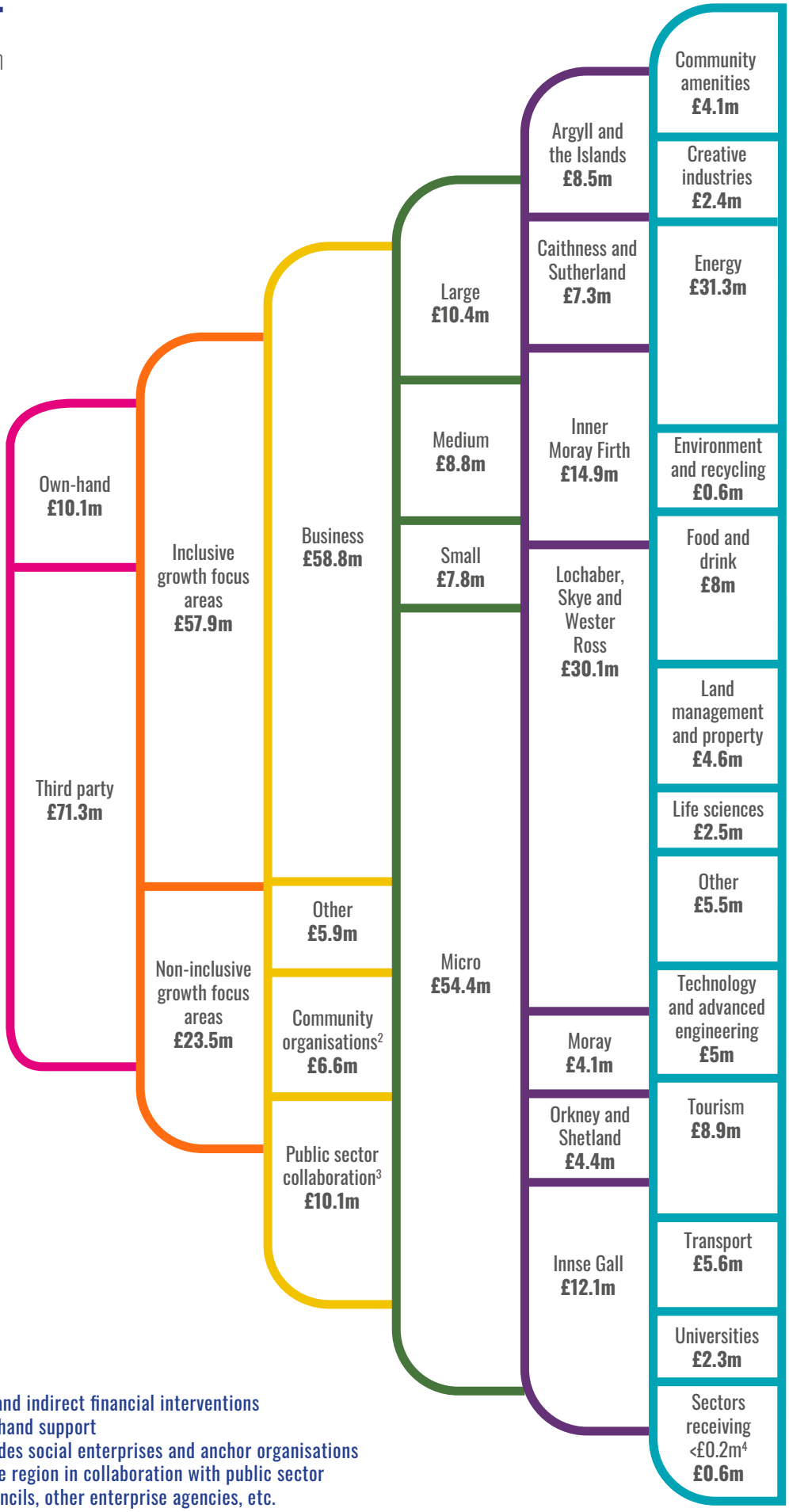
The geographical spread of investment was generally well balanced, although a small number of larger investments affected the distribution of funding by geography, organisation type and sector.

Argyll: Shearwater Marine Services, Dunoon



HIE's INVESTMENT

£81.4m investment[1] approved in
1,339 interventions



1 Investment includes all direct and indirect financial interventions with third parties and via own-hand support
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 Includes: arts, culture and heritage, childcare, education, training and employment, finance and business services, health and social work, housing, sports and leisure

Rounding used to ensure component totals sum to £81.4m.

HIE was responsible for delivering new additional funds on behalf of the Scottish Government, namely the Islands Business Resilience Fund, National AI Adoption Programme, Small Producers Fund, and Pathways to Start.

External funding was secured via OWIP for the following strategic investments:

AREA	ORGANISATION	OWIP INTERVENTION	SECTOR	APPROVAL
Inner Moray Firth	Ardersier Port (Scotland) Limited	Ardersier ETF Phase II	Energy	£3,959,212
Lochaber, Skye and Wester Ross	Kishorn Port Limited	Upgrade and expansion of Kishorn Port	Energy	£24,653,000
Outer Hebrides	Stornoway Port Authority	Arnish Moor Road upgrade	Transport	£3,400,000
Outer Hebrides	Navantia UK Ltd	Plant and facilities development at Arnish	TAE	£2,050,000
Outer Hebrides	HIE	Arnish – GI contractor	Transport	£75,000
Outer Hebrides	HIE	Arnish pre-construction design	Transport	£965,000
Outer Hebrides	HIE	Arnish pre-construction design – archaeology, ecology and transport planner	Transport	£100,000
Outer Hebrides	Stornoway Port Authority	Deep Water South enabling works	Transport	£1,855,679
Outer Hebrides	HIE	Pre-contract design – Navantia at Arnish	TAE	£28,500
Shetland	Lerwick Port Authority	Islands Deal – Ultra Deep Water	Energy	£1,175,000
				£38,261,391

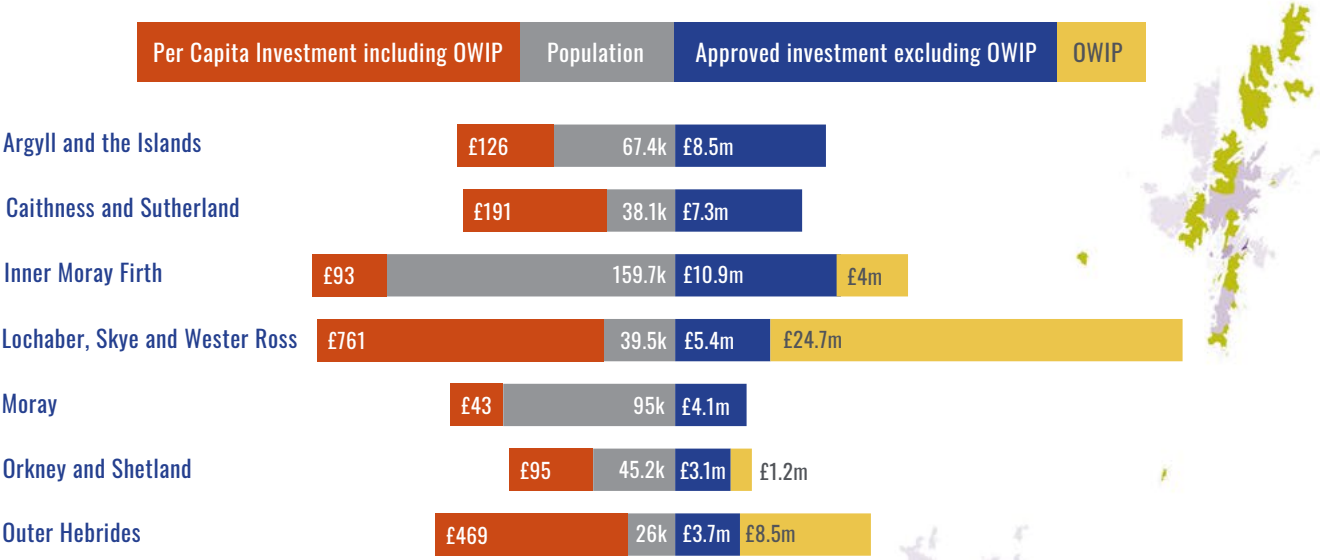
The energy sector accounted for the largest share of approved investment at £31.3m (38% of total), with OWIP contributing £29.8m. Investment was concentrated in a small number of major projects, including Kishorn Port Ltd, Ardersier Port (Scotland) Ltd and Lerwick Port Authority.

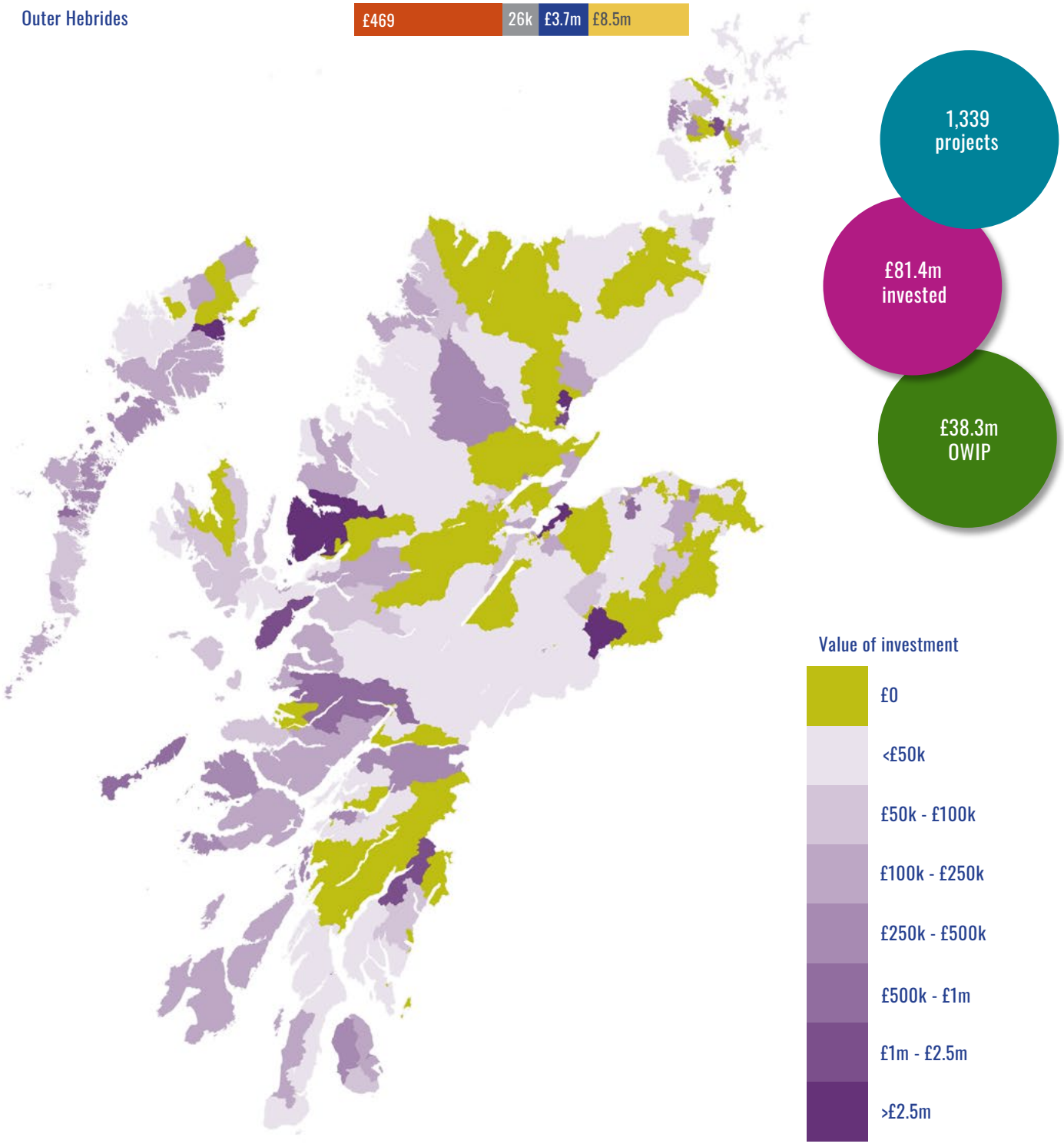
OWIP contributed the majority of approval value in several sectors, including 95% of energy, 95% of transport, and 83% of TAE.

Excluding OWIP, tourism (21%) and food and drink (19%) were the largest sectors by value and activity. These, along with creative industries and community amenities, were characterised by a higher number of smaller projects, with notable investments including aquaculture firm Cooke Scotland (£1.9m), the Lecht Ski Company Ltd (£1.5m) and Dornoch Distillery Company Ltd (£1.57m) alongside many smaller awards.

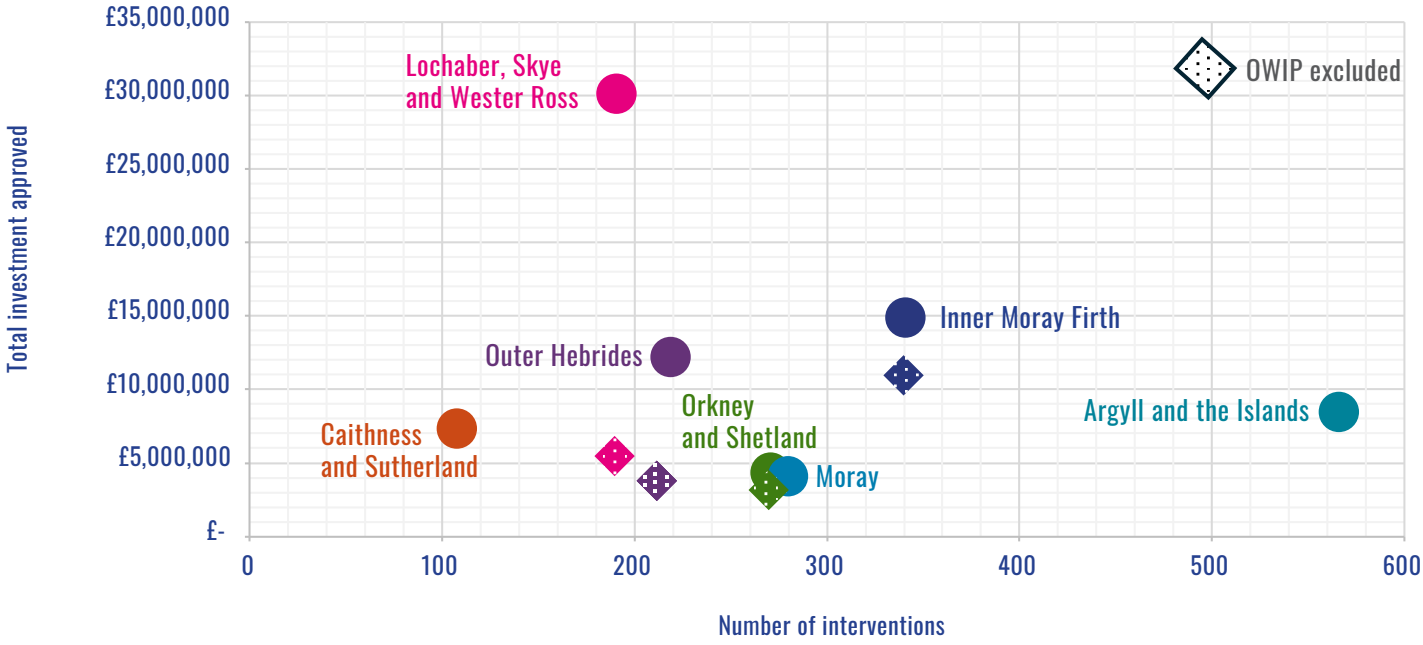
Across most area teams, energy led in value, while tourism and food and drink accounted for the highest number of interventions, albeit with some local variations. Tourism led in Moray; property and food and drink in Caithness and Sutherland; and tourism and life sciences in Argyll and the Islands.

Geographic distribution of investment





Total investment approved and number of interventions by area



Notes: Number of interventions includes all direct and indirect financial as well as non-financial interventions. Total investment approved includes direct and indirect financial interventions. OWIP interventions occurred in Lochaber, Skye and Wester Ross, Inner Moray Firth, Outer Hebrides, and Orkney and Shetland.



Ardersier Port. Image credit: Haventus

FINANCIAL MANAGEMENT COMMENTARY

This section provides commentary to support the financial statements and our performance during financial year 2025/26 plus a brief section on future financial outlook. The financial statements are set out from page 63. Note 4 to the financial statements on page 76 details the net operating costs for each of the segments below and notes 5 to 10 on pages 78 to 81 set out the expenditure and income in detail. Below are the largest movements in spend, comparing 2025/26 to 2024/25.

DISCRETIONARY SPEND
£15.9M (£2.7M DECREASE)

Generally, this is expenditure that is controlled and directed by HIE's area teams (which cover seven geographical areas within the region) and business units that deliver region-wide programmes and strategic investments. The key reason for the decrease in spend is that the opening discretionary revenue budget in 2025/26 was £1.1m lower than in 2024/25 due to budget pressures from having to manage inflationary and pay award pressures. The result was the requirement to cut the discretionary budget. A further factor was that c£1.0m of project salary costs were moved from discretionary budgets to running the business (RTB) as part of a change in how HIE reports on spend linked to the implementation of a new enterprise resource planning (ERP) finance system and improvements to budget management. Discretionary capital spend was also £0.5m lower in 2025/26 than in 2024/25.

BUSINESS SUPPORT
£3.8M (£2M DECREASE)

Business support relates to internal expenditure which directly supports the frontline activities of the organisation, such as irrecoverable VAT and property factoring costs. The lower spend in 2025/26 was primarily due to £0.85m lower spend on ERP finance system implementation due to a pause in development after go-live in February 2025. A further factor was that £0.4m of other IT development spend was reclassified as RTB spend. Under revenue spend, property factoring spend was £0.25m lower, irrecoverable VAT was £0.18m lower and c£0.4m of revenue spend was moved from business support to RTB.

PRIORITY INVESTMENTS
£58.8M (£32.9M INCREASE)

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.

The key reason for the increase in spend was that spend on OWIP projects in 2025/26 totalled £36.2m, a £30.1m increase on spend the previous year as a number of projects were progressed, funded by £34.3m of additional budget from the Scottish Government and an authorised overspend of £1.8m for the balance of OWIP spend. Core capital spend was £1.6m lower in 2025/26 due to lower spend on capital grants. There was also £4.4m revenue spend on the Islands Business Resilience Fund in 2025/26 which was funded by additional budget from the Scottish Government.

CAIRNGORM MOUNTAIN (SCOTLAND) LTD (CMSL)
£0.0M (£2.1M DECREASE))

CMSL is a subsidiary of HIE that operates at Cairngorm Estate. HIE expenditure relates to support for the operating company. The significant decrease in funding was due to good trading conditions over winter 2025/26. The CMSL annual accounts include £0.5m operating grant from HIE.

WAVE ENERGY SCOTLAND (WES)
£2.3M (NO CHANGE)

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.

ORKNEY RESEARCH AND INNOVATION CAMPUS LLP (ORIC)
£0.2M (£0.2M INCREASE)

ORIC is a HIE subsidiary which operates the Stromness campus supporting the growth and expansion of research and innovation activity in Orkney's world-leading marine renewables, energy and low carbon sector. During the year a deficit of £0.2m was incurred.

HIE ORKNEY
£0.0M (£0.9M DECREASE)

HIE Orkney is a HIE subsidiary which holds a 50% share of Orkney Research and Innovation Campus LLP

OTHER INCOME LESS OTHER EXPENDITURE £2.9M
(£1.3M INCREASE)

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 and lease receivables, which can show a credit balance if an ECL is released due to a loan or lease being brought back on track. The increase relates primarily to ECLs, which showed a debit balance of £1.4m in 2024/25 and a debit balance of £2.8m in 2025/26.

MANAGEMENT, STAFF AND ADMINISTRATION COSTS £22.9M (£4.2M INCREASE)

Salary costs were £1.0m higher in 2025/26 due to the level of pay award and resulting on-cost pressures. In addition, a total of c£1.3m of project salary costs were moved from discretionary, priority investments and business support budgets into RTB. HIE made a £2.0m lump sum payment to the HIE Pension Scheme Recovery Plan in 2025/26, which was £1.4m higher than the lump sum payment the previous year. A further factor in the increase was £0.4m of IT development costs moved from Business Support to RTB.

BEST VALUE AND EFFICIENCIES

During 2025/26 HIE continued to take an active and structured approach to identifying opportunities to increase efficiency, lower costs, improve service quality, increase collaboration and secure additional income. This is particularly important in the current budget and fiscal environment, where cost increases such as inflation and pay awards and increasing demand require HIE to demonstrate that resources are being used effectively, targeted where they can deliver the greatest impact and are realising recurring savings.

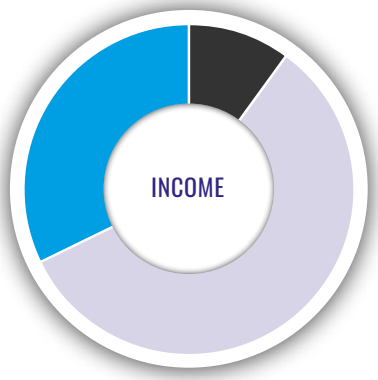
Aligned to the HIE Strategy 2023-28, HIE's Best Value Plan provides a clear framework for measuring economy, efficiency and effectiveness, and for driving continuous improvement. It includes performance indicators across areas such as customer experience, financial performance, service quality, data use and project management, supporting stronger evidence-based decision-making and clearer accountability for improvement. This position aligns directly with the Scottish public service reform agenda, which emphasises preventative action, joined-up services and more efficient, sustainable delivery focused on outcomes for people and places.

SIGNIFICANT PROJECT SPEND HIGHLIGHTS

During the year, HIE supported a number of projects across the region using core grant-in-aid and additional budget of £34.3m received from the Scottish Government from the Offshore Wind Investment Programme (OWIP).

The table below lists a selection of capital projects from across the region where HIE's investment in 2025/26 was £0.5m or higher.

PROJECT	SPEND £M
Kishorn Port – upgrade and expansion, Wester Ross	13.5
Sumitomo Electric Industries – cable factory at Nigg, Easter Ross	10.0
Camas House construction, European Marine Science Park, Oban, Argyll	4.7
Ardersier Port phase 2, Inverness	4.0
Scapa deep water quay, Orkney	3.7
Small business unit construction, Wick, Caithness	1.9
Arnish Moor Road – upgrade, Isle of Lewis	1.6
Cnoc Soilleir phase 2, Isle of South Uist	1.3
Navantia UK – plant and facilities development, Arnish, Isle of Lewis	1.2
Small business unit construction, Balivanich, Isle of Benbecula	1.2
Small business unit construction, Golspie, Sutherland	1.1
Small business unit construction, The Enterprise Park, Forres, Moray	1.1
Stornoway Port – deep water south enabling works, Isle of Lewis	1.0
Purchase of An Lòchran, ground floor, Inverness Campus	0.9
Lerwick ultra deep water port, Shetland	0.6
Innovation programme – capital grants	0.5

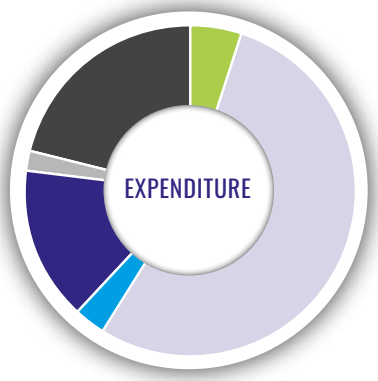


GIA revenue 32%

GIA capital 58%

Other trading 10%

Total income **£106.7m**



Admin 21%

Wave Energy Scotland 2%

Discretionary Spend 15%

Business Support 3%

Regional Significant Investments 54%

Other expenditure 5%

Total expenditure **£109.7m**

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 2025/26	OPENING BUDGET ALLOCATION	AUTUMN BUDGET REVISION	SPRING BUDGET REVISION	FINAL BUDGET ALLOCATION	SPEND	(OVER) / UNDER SPEND
	£000	£000	£000	£000	£000	£000
Resource budget	28,010	142	5,765	33,917	35,144	(1,227)
Capital budget	25,245	22,747	14,078	62,070	63,865	(1,795)
	53,255	22,889	19,843	95,987	99,009	(3,022)
Non-cash costs including depreciation	3,000	-	-	3,000	2,820	180
Total	56,255	22,889	19,843	98,987	101,829	(2,842)
Annually-managed expenditure	-	-	11,000	11,000	9,162	1,838
Total budget / spend	56,255	22,889	30,843	109,987	110,991	(1,004)

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 city region deal funding, shared prosperity funds and income from property rentals. This budget also covers expected credit losses (ECLs), which relate to equity or loan provisions and write-offs. The resource budget showed an overspend of £0.9m due to ECLs, which was covered by the Scottish Government as an authorised overspend.

The capital budget covers expenditure that tends to be one-off, usually on assets whose lives extend beyond the current financial year. Examples 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 project specific grant funding or property sales. The capital budget showed an overspend of £1.8m, which relates to OWIP and 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 £0.18m.

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 £1.7m underspend as the property impairments were lower than expected.

Further details of HIE's financial outturn against the budget allocated by the Scottish Government for 2025/26 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 £6.9m in 2024/25 to a net asset position of £8.7m at the end of 2025/26.

Property, plant and equipment of £44.0m is unchanged from the prior year.

Finance lease receivables relating to IFRS 16 have reduced to £1.6m due to an expected credit loss of £2.6m. 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 decreased by £0.2m in the year to £2.9m. The reduction arose due to amortisation outweighing the development of a core customer relationship management (CRM) system and the start of the upgrade of our ERP finance system.

Financial assets decreased by £1.1m due to repayments and increased provisions in-year.

Trade and other receivables of £6.6m are £0.3m higher than 2024/25. The increase is due to a net increase in accrued income, trade debtors and loan receivables and a reduction is taxation recoverable.

The decrease in cash and cash equivalents of £6.8m to £12.7m at the year-end relates to the cash returning to normal level following an increase holding at the end of 2024/25.

Assets held for resale of £0.7m are £2.5m lower than in 2024/25 due to the timings of our asset disposal programme.

Trade payables and other current liabilities of £8.8m have decreased by £4.6m. The decrease is due to a reduction is trade payables and accruals.

Current lease liabilities have decreased by £1.6m to £0.4m following the reclassification of a lease relating to an asset held for resale.

Non-current trade payables and other liabilities decreased by £1.6m to £6.4m due to deferred EuropeWave project funding of £0.7m moving to current liabilities.

Non-current lease liabilities have decreased by £0.4m to £11.7m. The majority of the decrease relates to the reclassification of a lease from non-current liabilities to current liabilities.

Retirement benefit obligation of £33.0m is £6.7m lower than the prior year. The net liability position in respect of the HIE pension scheme has decreased by £6.7m as a result of higher discount rates. The net asset position on the Local Government Pension Scheme, of £11.8m cannot be recognised in the SoFP under IFRS 19 and IFRIC 14.

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 recovery plan in place in relation to the HIE pension scheme, which was agreed with the HIE pension trustees in 2025 and provided to the Pensions Regulator.

HIE worked with the trustees of the HIE pension scheme to finalise the triennial actuarial valuation as at 5 April 2024 and agree a future contribution and deficit recovery plan, which was submitted to the Pensions Regulator during 2025/26. This valuation noted a reduction in the deficit from £39m to £27m and a revised recovery plan has been agreed between HIE and the trustees.

FUTURE OUTLOOK

HIE's 2026/27 capital budget allocation is £25.245m, which is the same level as 2025/26. This is a reduction of £4.8m (15.9%) from HIE's opening budget in 2022/23.

During 2026/27 HIE expects to receive significant additional income from the Offshore Wind Investment Programme. This is part of the Scottish Government's commitment to invest up to £500m into the offshore wind supply chain and critical infrastructure over five years.

HIE's 2026/27 opening revenue budget is £28.041m, a small increase of £0.031m from 2025/26 but a reduction of £3.4m (11%) since 2022/23.

This represents a challenging budget outcome for HIE and reflects the difficult fiscal position facing the Scottish Government. HIE will require to absorb ongoing cost pressures, for example from pay awards, inflation and employers' National Insurance contributions. At the same time, HIE has to balance meeting its running the business costs alongside delivery of support to businesses and communities and undertake work to realise opportunities from strategically important projects.

This will require additional focus on realising efficiencies through HIE's best value programme and benefiting from increased collaboration, for example through our involvement in the Business Support Partnership which aims to create a simpler, more connected system of business support with a focus on design and delivery of high-impact outcomes aligned to public service reform.

HIE has not been allocated any budget for financial transactions (FTs) in 2025/26 (this compares with a budget of £2.6m in 2022/23). This means that any loans or equity investments that HIE makes in 2026/27 will need to be scored against capital budgets.

HIE faces the following principal financial risks in 2026/27:

- Realising further efficiencies within our revenue budget to absorb running the business cost pressures, while continuing to provide support to businesses and communities that are faced with increased risks exacerbated by issues of rurality – such as cost of living, transport challenges and housing shortages
- There is a risk that HIE may not secure sufficient budget to realise the present, unprecedented scale of economic opportunities for the Highlands and Islands
- Predicting the final outturn of Cairngorm Mountain (Scotland) Limited is dependent on factors outwith the control of HIE, with the scale and timing of potential losses relative to HIE's budget making this an area of increased risk for HIE against a challenging revenue budget
- HIE's financial outturn carries the risk relating to loan write-offs

The financial outlook beyond 2026/27 is likely to be exceptionally challenging, both in terms of resource and capital. The Scottish Spending Review published in January 2026 followed the publication by the Scottish Government of its Public Service Reform Strategy, Medium Term Financial Strategy and Fiscal Sustainability Delivery Plan in June 2025. These note that the fiscal and economic environment poses considerable challenges to Scotland's public finances with challenging capital and revenue fiscal positions. The Scottish Spending Review highlighted a commitment to significant recurring savings over the spending review period. These documents highlight that measures to achieve efficiency savings and reforms will be essential to constrain this growth in spending to affordable levels while protecting public services. It is clear that HIE will be required to demonstrate best value and realise ongoing efficiencies and in doing so we will ensure active engagement and alignment with the public service reform agenda.

HIE will also have a key role in delivering the Scottish Government's priorities in our region. Specifically, the important pillar of delivering the Government's economic strategy to drive growth is highlighted in these documents and HIE will have an important contribution to make in supporting this. HIE will also have important roles to play in supporting other Government priority areas such as tackling the climate emergency and our place-based economic and community support interventions directly contribute to the preventative pillar of public service reform.

This is a time of unprecedented opportunity for the region, particularly in relation to renewable energy. Projects in the Highlands and Islands will be crucial to Scotland realising this opportunity and HIE has a lead role to continue to play. Our Regional Transformational Opportunities research sets out how exceptional these opportunities are and their contribution to national and UK growth within energy, life sciences, digital health and social care, space, marine biotechnology, natural capital and critical infrastructure developments. Realising these opportunities will require HIE to have sufficient capital and revenue budgets. HIE staff are currently providing substantial input and expertise to realise these opportunities and this input will be required ongoing into the medium term to maximise impacts.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION

On 12 June 2026 Sutherland Spaceport Limited entered liquidation. This event impaired the lease receivable from Sutherland Spaceport Limited included within the financial assets of HIE at £4.2m. The lease receivable has been impaired to £1.6m, this being the estimate of fair value as at 31 March 2026 based on the recalculation of the lease receivable under IFRS16 where a change of lessee occurs. On 08 August 2026 HIE subsidiary, HIE Caithness and Sutherland, acquired the lease and assets of Sutherland Spaceport Limited.

PAYMENT TO CREDITORS

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

STANDARD	PERFORMANCE	
	2025/26	2024/25
In line with government policy, HIE aims to pay all invoices promptly - target 10 working days	81%	73%

Note: excludes items under dispute or where other terms are agreed with a supplier



OUR PEOPLE

Our people are HIE's most valuable resource, and the organisation's ability to deliver our strategic goals depends on having a skilled, engaged and resilient workforce.

During 2025/26 we continued to deliver our people strategy, which describes HIE's ambition for its workforce through a coherent set of strategic people themes aligned to organisational priorities. Our approach was consistent with previous years, having a clear focus on attracting, retaining and developing a workforce of the right size, shape, skills mix and agility to meet current and future demands.

Our workforce plan provides the operational framework for this work, supported by a planning forum for reviewing and prioritising workforce resources. During the year, the forum played a central role in balancing affordability pressures with ensuring that resources were targeted to priority, client-facing activity, addressing succession risks arising from workforce demographics and supporting organisational resilience.



Activity focused on core people themes that have been prioritised in recent years. These include workforce and succession planning, line management capability, health and wellbeing, effective staff communication and engagement, and the identification and development of skills required to deliver emerging strategic priorities. This work was strengthened by the use of workforce data and evidence to inform decision-making and support a planned and agile approach to resourcing.

We invested in developing future talent and succession pipelines through targeted recruitment and development opportunities. This work included ongoing support for development pathways designed to enhance progression and retention within HIE and the region. Alongside this, we progressed work to support intergenerational working and career sustainability, including flexible approaches to work and retirement planning, reflecting the diverse needs of employees at different career stages.

We further strengthened leadership development and succession planning arrangements through a new relationship with The Henley Partnership. This provided access to high-quality development opportunities aligned to our organisational priorities, supporting the development of leadership capability and strengthening internal succession pipelines. It complemented our wider learning and development offer which places an emphasis on building long-term organisational capability.

Alongside external partnerships, HIE's HR team delivered a significant programme of in-house training and organisational development. This included line management development, investigation skills, personal effectiveness and team effectiveness interventions, and drew on internal expertise from within HIE to provide timely, relevant and cost-effective support. This approach has enabled high-quality development provision while delivering efficiencies and reducing reliance on external delivery.

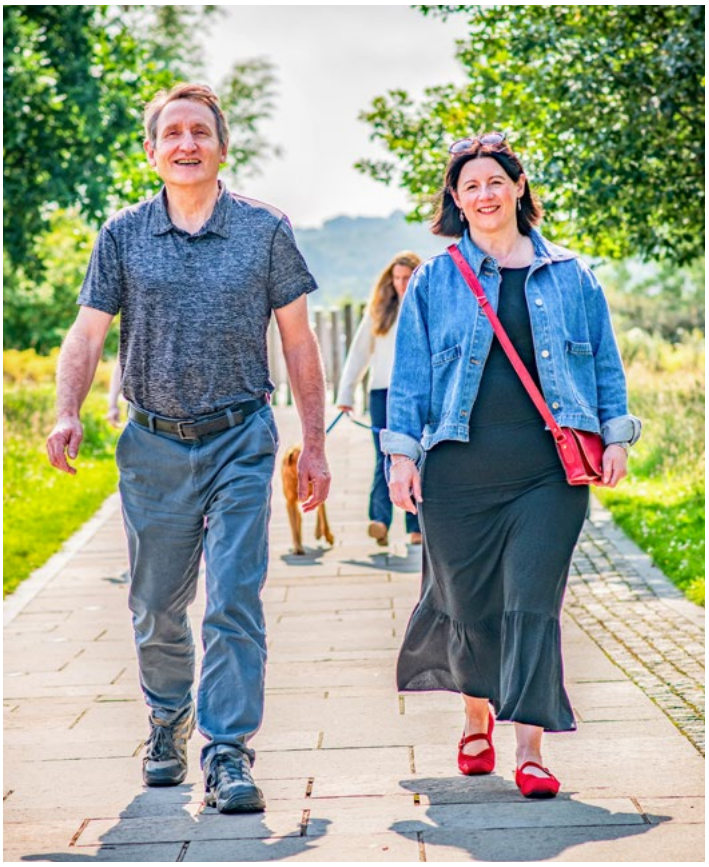
We progressed the development of the Access Learning online training platform to support a tailored and consistent approach to mandatory training for HIE employees and Board members. Activity included design and rollout of bespoke learning pathways covering areas such as cyber security, information governance, equality, diversity and inclusion. These programmes support compliance with statutory requirements while strengthening organisational capability and consistency.

Health, wellbeing and inclusion stayed central to our people agenda and to HIE's commitment to fair work. We continued to promote a supportive and inclusive workplace culture, underpinned by access to occupational health services, an employee assistance programme, mental health support and peer support groups – including for menopause, neuro inclusion and carers – as well as a packed wellbeing awareness calendar with supporting resources and signposting. This recognised the link between employee wellbeing, engagement and organisational performance, and reflected our ongoing commitment to creating a healthy and productive working environment.

Pay and reward form an important part of our approach to workforce engagement and retention, and we negotiated and implemented a new two-year pay award effective from 1 April 2025. In addition to core pay increases, the agreement included enhancements to support lifelong learning and family-friendly working, reinforcing HIE's commitment to fair work and supporting employees at different stages of their career and personal circumstances.

Throughout 2025/26, delivery of the people elements of HIE's operating plan demonstrated clear alignment between strategic intent and practical action. Activity across talent development, skills, leadership, workforce planning and wellbeing contributed to organisational readiness to respond to future challenges while maintaining continuity in our strategic approach to people management.

Mechanisms to capture employees' views and expertise included a staff forum, all-staff events, HR clinics, pulse surveys and structured exit interviews. These are designed to support open dialogue between employees, line management and the HR team and provide insights into employee experience, engagement and emerging issues. Feedback is being used to inform policy development, improve the working environment and shape organisational priorities, ensuring that HIE is responsive to staff views and fosters a positive and inclusive workplace culture.



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 2025/26, HIE received 95 FOI requests and had dealt with 90 of these by the year-end.

HIE also received six EIRs, one of which did not require a response.

INFORMATION REQUEST HANDLING PERFORMANCE (FOISA).

	2025/26	2024/25
Average time to respond fully and close a request for information	17 days	12 days
Percentage of requests requiring a response that received one within statutory timescales	77%	95%
Percentage of requests that received a late response	23%	5%
Percentage of requests requiring a response that were fully or partially disclosed	79%	74%
Percentage of requests that were vexatious	0%	0%
Percentage of requests for which HIE did not hold information	21%	26%

FOISA EXEMPTIONS AND EIR 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 2025/26 and 2024/25.

SECTION OF ACT (FOISA)	DESCRIPTION OF EXEMPTION	2025/26	2024/25
30 (b) or (c)	Prejudice effective conduct of public affairs / Free or frank exchange of advice	10	13
33 (1) (b)	Commercial interests and the economy	11	8
38 (1) (b)	Breach of data protection principles / third party personal data	19	15
36 (2)	Confidentiality of communications	0	0
27	Information intended for future publication	5	0
25	Information otherwise accessible	2	1
17	Information not held	26	22

REGULATION (EIR)	DESCRIPTION OF EXCEPTION	2025/26	2024/25
10 (4) (a)	Information not held	0	0
10 (4) (d)	Material still in the course of completion	0	2
10 (5) (a)	Public safety	1	1
10 (5) (b)	Prejudice substantially the court of justice	3	0
11 (5) (e)	Confidentiality of commercial information	5	0
11 (2)	Personal information	4	0

SUSTAINABILITY

In line with the national 2045 Net Zero target, Highlands and Islands Enterprise (HIE) is committed to a just transition to net zero. As well as supporting businesses and communities on their net zero journeys, we are working to reduce our own emissions and use of resources.

Alo

ngside our role in the Scottish National Adaptation Plan (2024-2029) to increase business understanding of climate risks and adaptation action, we continue to assess our own operations and service delivery in a changing climate.

This section of the performance report focuses on the direct emissions HIE generates and reports action under our first climate change duty: reducing emissions (climate change mitigation). In order to fulfil our second climate change duty: adaptation (to a changing climate), we have updated our net zero action plan 2025-28, setting out how we will meet our statutory commitments.

This sustainability report is structured using the Task Force on Climate-related Financial Disclosures (TCFD) framework's four thematic areas: governance, strategy, risk management, and metrics and targets.

The TCFD-aligned disclosure application guidance is mandatory for UK central government departments and specified arm's-length bodies, including those with more than 500 FTE staff, more than £500m operating income/funding, or those instructed by their sponsoring department. Entities within devolved administrations are not automatically in scope unless directed by their relevant authority.

HIE has 240 FTE staff and is a Scottish public body reporting to the Scottish Government. On this basis, although we aspire to align reporting closely with the TCFD pillars, we have concluded that HIE is outwith the mandatory scope of its guidance.

Strategic approach

HIE recognises the importance of managing and reducing its own environmental impact, while also supporting Scotland's wider transition to net zero and climate resilience. Our Strategy 2023–28 sets out a vision for the Highlands and Islands to be a leading net zero region with a dynamic wellbeing economy, and this is reflected in our operating plan, investment activity and how we run our organisation.

HIE is committed to ending its contribution to climate change no later than 2045, in line with the Scottish Government's national target, and aspires to achieve a net zero operational footprint (scopes 1 and 2) by 2038 for emissions over which we have direct control.

Our approach recognises our statutory duties under the Climate Change (Scotland) Act 2009 to contribute to emissions reduction targets, help deliver Scotland's statutory adaptation programme and act in the way we consider most sustainable. Interim targets will be established following completion of organisational boundary review and re-baselining work during 2026–27.

HIE's net zero action plan 2025–28 provides the delivery framework for this commitment, focusing on areas where the organisation has greatest operational control and material impact. These are: estate energy; fossil fuel heat; active energy management; business travel; hybrid working; procurement and investment decision-making, alongside a more structured approach to climate risk and adaptation.

OUR CLIMATE CHANGE DUTIES

As a public body HIE has three statutory climate change duties. These come from the Climate Change (Scotland) Act 2009 and set our strategic direction to engage with climate issues and sustainability. Updated Scottish Government statutory guidance was published in March 2026 to support public bodies in implementing their climate change duties, and we have used this to inform our net zero action plan.

Governance

HIE's Leadership Team provides strategic direction and oversight of HIE's approach to climate change, including compliance with public bodies climate change duties and progress against the net zero action plan.

Delivery is coordinated through a net zero transition group, supported by accountable leads across Property, Finance, Procurement, Corporate Services, Digital, HR, Strategy and area and sector teams. The 2026 update to our net zero action plan strengthens governance by setting out eight outcomes, named lead officers, delivery milestones and a concise KPI suite to support Leadership Team and Board oversight. Decision papers return to Leadership Team at key gateways, including estate decarbonisation, mobility options, policy updates and performance reporting.

Climate-related performance, risks and delivery of the net zero action plan are reported regularly through HIE's internal governance framework. Progress is reviewed by the Leadership Team through periodic performance reporting and risk review processes, with significant issues escalated if required. Climate-related risks form part of HIE's corporate risk register which is considered by both the Risk and Assurance Committee and the full HIE Board through established governance arrangements.

During 2025/26, climate considerations informed several significant organisational decisions, including progression of a solar photovoltaic project at our Inverness premises, An Lòchran; development of estate decarbonisation priorities; updates to investment appraisal processes incorporating carbon categorisation, and revision of the net zero action plan.

Risk management

Climate-related risks and opportunities are considered through HIE's wider risk management arrangements, with corporate risks reflecting net zero, climate adaptation and energy transition opportunities. Our risk management framework is detailed on pages 8-10.

Climate-related physical risks have the potential to affect both HIE's operational estate and the communities, businesses and sectors we support. Potential impacts include increased frequency of severe weather events affecting transport connectivity, disruption to digital and energy infrastructure, damage to coastal assets, increased maintenance and insurance costs, and wider economic consequences for a range of sectors including tourism, aquaculture, agriculture and energy.

Our updated net zero action plan strengthens HIE's approach by introducing clearer delivery gates, a net zero gate for major estate investments, and a structured approach to climate resilience assessment. Delivery of our net zero action plan will progressively embed climate resilience considerations within estate planning, major project development and investment decision-making. This includes the use of climate risk screening to inform business cases, investment prioritisation and gateway reviews.

The principal climate-related risks for HIE include exposure to fossil fuel energy costs; the cost and complexity of retrofitting operational buildings; delivery capacity and funding constraints; data quality limitations; supply chain and procurement emissions, and climate impacts on HIE's estate, programmes, infrastructure and regional economic role. HIE also recognises the transition opportunities associated with renewable energy, offshore wind, marine energy, circular economy activity, nature-based solutions and the wider low carbon economy across the Highlands and Islands.

Strategy and adaptation

HIE's climate strategy has two connected strands: reducing emissions from our own operations and supporting the region to transition and adapt.

In 2025/26 HIE continued to support organisations through Climate Springboard, advanced net zero conditionality and carbon categorisation in project appraisal, and progressed preparatory work for our own estate decarbonisation.

HIE is also strengthening its approach to climate resilience. We are a founding and funding partner of Highland Adapts and will use evidence from the Highland Climate Change Risk and Opportunity Assessment to inform regional and organisational planning. The updated Net zero action plan aligns with Scotland's third National Adaptation Plan (SNAP 3) and sets out a staged approach to screen climate risks to HIE's estate and programmes, undertake detailed assessments for priority assets and develop investment propositions for required adaptation actions.

Climate resilience and scenario consideration

During 2025/26, we considered the implications of a range of plausible climate futures, informed by the UK Climate Change Risk Assessment, SNAP 3 and regional adaptation evidence, including the Highland Climate Change Risk and Opportunity Assessment.

Under a low-carbon transition scenario, opportunities for the Highlands and Islands include growth in renewable energy, offshore wind, low-carbon manufacturing and nature-based solutions. Transition risks include changing regulatory requirements, increased reporting expectations and investment requirements associated with estate decarbonisation.

Under higher warming scenarios, physical risks are expected to increase, including severe weather disruption, flooding, coastal impacts and pressure on infrastructure and services. HIE's strategy remains aligned to supporting a resilient regional economy and strengthening the resilience of our own estate and operations.

Metrics, targets and 2025/26 performance

HIE monitors and reports its operational carbon footprint annually through the Public Bodies Climate Change Duties reporting process. The 2025/26 return expands HIE's Scope 3 reporting boundary by including staff commuting emissions for the first time. This improves completeness and transparency as well as meeting expectations of Scope 3 reporting as detailed in the recently published Climate Change Duties statutory guidance, but means reported emissions are not directly comparable with prior years without adjustment.

METRIC	2025/26 (tCO_2E)	2024/25 (tCO_2E)	COMMENT
Total reported carbon footprint	519.02	332	Increase driven by the first-time inclusion of staff commuting emissions within Scope 3.
Like-for-like operational emissions excluding commuting	365.72	342 (comparative basis)	Underlying operational emissions increased by 23.72 tCO_2e.
Scope 1 emissions	64.8	73	Direct fuel use, including natural gas and LPG.
Scope 2 emissions	94.1	105	Purchased electricity.
Scope 3 emissions	360.1	154	Increase reflects widened reporting boundary, especially commuting.

Note: We use the latest GHG Conversation Factors when accounting for the whole financial year.

		2025/26 (£)	2024/25 (£)
Financial indicators (£)	Electricity	155,299	171,712
	Gas	31,521	32,611
	Business travel	496,426	394,481
	Total	683,246	598,804

2025/26 emissions totalled 519.02 tCO_2e. Staff commuting was HIE's largest single reported emissions source at 153.3 tCO_2e, representing approximately 29.5% of total emissions. Electricity, including transmission and distribution losses, represented around 20%; staff business travel around 23%; homeworking around 14.6%; and mains gas and LPG around 12.5%. Waste and water were comparatively small, at approximately 0.26% of reported emissions.

EMISSION SOURCE	SCOPE	2025/26 EMISSIONS (TCO_2E)
Electricity: purchased electricity	Scope 2	94.1
Electricity: transmission and distribution	Scope 3	9.85
Natural gas	Scope 1	31.93
LPG / Calor gas	Scope 1	32.88
Water and wastewater	Scope 3	0.25
Waste	Scope 3	1.10
Business travel: car hire and staff own car	Scope 3	40.3
Business travel: flights, rail, ferry, bus and coach	Scope 3	79.51
Staff commuting	Scope 3	153.3
Homeworking	Scope 3	75.8
Total	**Scopes 1, 2 and selected Scope 3**	519.02

Reporting boundary and methodology

The 2025/26 footprint has been calculated using UK Government greenhouse gas conversion factors. We have reported data in relation to waste, utilities (including water), and business travel where we are directly responsible for these costs. Our data reporting system follows the principles of the Greenhouse Gas Protocol.

HIE's reporting boundary includes emissions from operational buildings, purchased electricity, heating fuels, business travel, homeworking, waste, water and, for the first time, staff commuting. Staff commuting has been estimated using anonymised home and office postcode data, modelled return journeys and an assumption of two office-working days per employee per week, based on extrapolated sensor data from our main office at An Lòchran across the wider operational portfolio.

The current calculation of home working emissions is based on our FTE figure (240), standard contracted annual working hours and estimated working. It is HIE's intention to undertake a staff business travel and commuting survey over the course of 2026/27 to provide more accurate assessment of actual home working and commuting behaviours to increase the accuracy of commuting emissions estimates in future years.

HIE continues to improve the accuracy of shared-building reporting. From 2023/24, HIE no longer reported 100% of An Lòchran's energy consumption; reporting was apportioned to reflect HIE's operational usage and avoid double-counting with other users of the premises. In 2025/26, the apportioned figure increased from 51.4% to 55.4% following facilities management review. Changes in occupation and co-location arrangements at Auchtertyre and Thurso also affect year-on-year comparability, as energy use in those locations is now expected to be captured through the primary building operator's reporting boundary.

HIE has identified material emissions sources not yet fully captured, including procurement, and the wider land and property portfolio. The net zero action plan commits HIE to defining organisational and operational boundaries and re-baselining during 2025–27, so future targets and trajectories are based on a more complete footprint.

OPERATIONAL PERFORMANCE AND DELIVERY PROGRESS

Estate energy and renewables

Electricity consumption remains one of HIE's most material emissions sources and a significant cost pressure. In 2025/26, reported electricity consumption increased by approximately 22,580kWh, or 4.4%, compared with 2024/25. However, this largely reflects changes in reporting boundary, estate occupation and a requirement for the current reporting year to include 13 months of recorded utility data in order to realign the reporting period in future years. HIE's electricity costs reduced from £171,712 in 2024/25 to £155,299 in 2025/26.

Delivery of a 178 kWp roof-mounted solar PV array at An Lòchran is expected to generate around 135,000 kWh of renewable electricity per year, equivalent to approximately 54.2% of HIE's annual consumption at that site, and to save around £28,000 per year through reduced demand for grid-supplied electricity. The An Lòchran solar PV project illustrates the dual financial and environmental benefits of investment in decarbonisation, reducing exposure to future electricity price volatility while lowering operational emissions. LED replacement, building controls and building optimisation work are also progressing as part of the estate decarbonisation programme.

Mains gas consumption reduced by 77,924 kWh, equivalent to 14.3 tCO_2e, driven by an estimated 99,598 kWh reduction at An Lòchran. Consumption at Forres increased by 15,163 kWh, highlighting the importance of applying targeted energy management and low carbon heat planning across priority sites. LPG consumption at Lochgilphead increased by 4,042 litres during the year.

Business travel, commuting and ways of working

Business travel emissions increased in 2025/26, with overall travel distance increasing by 259,045 km compared with 2024/25 and emissions increasing by around 32.13 tCO_2e. Reductions were recorded in staff own-car journeys, but increases were noted across all other modes of travel. Of particular note was the increase in total air travel (domestic and international), which increased by 244,886.5km compared to 2024/25. HIE now separately records domestic and international air travel data, which does improve transparency but for the current reporting year, limits direct comparability with previous years.

The inclusion of staff commuting has materially changed HIE's reported footprint and highlights a significant challenge for a dispersed organisation operating across the Highlands and Islands, where access to public transport and low-carbon travel options varies. HIE's updated net zero action plan includes development of a mobility package, revised travel and hybrid working policies, improved travel data capture and support for lower carbon travel choices. A staff business travel and commuting survey, to be conducted in 2026/27, will further inform HIE's approach to minimising the financial and carbon impact of our service delivery.

Targets and forward priorities

HIE's long-term target is to achieve net zero operational emissions by 2038/39. Reported emissions have reduced by 994 tCO_2e since the 2008/09 baseline of 1,513 tCO_2e, although the 2025/26 expanded Scope 3 boundary means the latest year is not directly comparable with earlier years. HIE intends to refine interim reduction targets as the organisational boundary and re-baselining work is completed.

NET ZERO ACTION PLAN OUTCOME	2026–28 FOCUS
Operational estate on an irreversible pathway to net zero	Approve and deliver a prioritised multi-year estate decarbonisation programme; select low carbon heat options for highest-emitting sites; introduce a net zero gate for major estate investment.
Active energy management	Implement active monitoring and targeting at priority sites, issue energy exception reports to Leadership Team and improve data ownership.
Net zero embedded in investment and funding	Apply carbon categorisation and net zero conditionality proportionately in appraisal and funding decisions; deliver Climate Springboard support.
Procurement and organisational spend	Use prioritisation tools, sustainability tests and climate-related tender criteria in relevant procurement activity.
Ways of working and behaviours	Update travel and hybrid working policies; develop mobility options including EV-first hire car frameworks and other low-carbon travel measures.
Data for leadership	Define core indicators aligned with statutory reporting and present decision-useful performance information to Leadership Team and Board.
Climate resilience	Screen climate risks to estate and programmes, assess priority assets and develop adaptation investment propositions.
Credible regional leadership	Share practical learning and support regional partners, clients and communities to transition and adapt.

Priorities for 2026/27 include progressing the estate decarbonisation programme, making solar PV operational at An Lòchran, strengthening building controls and energy management, delivering the Climate Springboard programme to support businesses and social enterprises, developing net zero conditionality, improving emissions data, reviewing travel and hybrid working arrangements, and embedding climate resilience within estate, programme and investment decisions.

Capability, culture and sustainable procurement

Carbon literacy supports informed decision-making and helps colleagues work with clients to understand emissions, risks and opportunities. HIE has continued to build organisational capability through a bespoke programme accredited by the Carbon Literacy Project. More than 170 staff have completed training, including Board and Leadership Team members, and HIE has achieved carbon literate organisation silver status.

Future learning programmes will broaden from carbon literacy to include climate adaptation and resilience, ensuring colleagues are equipped to understand both emissions reduction and climate risk considerations within policy development, investment decisions and operational delivery.

HIE is also strengthening sustainable procurement. Carbon and climate considerations are being embedded into relevant procurement activity, supported by the Scottish Government sustainability tools and HIE's procurement strategy. Priority areas include construction, grounds maintenance and facilities management. Further work will develop proportionate supplier reporting expectations and climate-related contract monitoring arrangements for relevant procurements.

Procurement-related emissions are expected to represent a material component of HIE's total organisational footprint. Development of an organisational Scope 3 baseline, including procurement emissions, is a priority action in our net zero action plan and will inform future target setting and reporting.

Financial planning, value for money and annual accounts linkage

Climate-related considerations are increasingly linked to financial planning and value for money. Our net zero action plan prioritises actions to reduce emissions while managing operational costs and risk, including energy efficiency, active monitoring, renewables, building controls and low carbon heat planning. Major estate investment decisions will be supported by quantified carbon assessment, lifecycle costing and consideration of future energy-price risk.

At this stage, HIE's climate-related financial effects relate principally to operational costs, future capital investment requirements, asset resilience and exposure to energy-price volatility. No specific adjustment to financial statement carrying values has been identified in this draft section. This position should be reviewed alongside the annual accounts preparation process, particularly where climate-related assumptions could affect asset lives, impairment indicators, provisions, contingent liabilities or capital commitments.

Data quality, limitations and future reporting improvements

Robust, auditable and useful data is essential for effective climate governance and external reporting. 2025/26 was a delivery-enabling and data-improvement year, with significant preparatory work completed through estate audits, emissions boundary review and development of the refreshed net zero action plan. Quantified annual savings from several projects will become available after systems and projects have been operational for a full reporting year.

Future activity will focus on improving metering and monitoring, implementing active monitoring and targeting, refining commuting and travel data, developing procurement emissions reporting, and assessing emissions and risks associated with the wider land and property portfolio. Where data gaps remain, HIE will explain the limitation, apply a proportionate methodology and continue to improve disclosures over time.

Conclusion

Overall, 2025/26 was a transition year for HIE's climate governance and reporting. We made significant progress in strengthening governance arrangements, broadening emissions reporting, embedding climate considerations within investment processes and refreshing our net zero action plan. While areas for further development remain, particularly around procurement emissions, climate scenario analysis and adaptation assessment, HIE has established a stronger foundation for delivering its statutory climate duties and improving climate-related disclosures in future years.

Basis of preparation

This section is based on HIE's 2025/26 Public Bodies Climate Change Duties reporting data, the updated net zero action plan 2025–28, and public-sector sustainability reporting principles under the FReM and HM Treasury Sustainability Reporting Guidance. It has been structured to respond to Audit Scotland good practice themes for climate-related disclosures, including clarity on governance, strategy, risk management, metrics and targets, and linkage to financial reporting considerations.

DR J S BLACK

Chief Executive and Accountable Officer, Highlands and Islands Enterprise

ACCOUNTABILITY REPORT
CORPORATE GOVERNANCE REPORT
DIRECTORS' REPORT

BOARD

The members of the Highlands and Islands Enterprise Board, with the exception of the Chief Executive, are appointed by the Scottish Ministers.

BOARD MEMBERSHIP

- Alistair Dodds CBE (Chair) (Resigned 31 July 2025)
- Angus Campbell (Interim Chair 1 August 2025 – 31 October 2025) (Chair – appointed 1 November 2025)
- Freda Newton MBE (Appointed Deputy Chair January 2026 - Board appointment ended 31 August 2026)
- Stuart Black (Chief Executive)
- Allan Clow
- Melanie Collett
- Simon Cotton
- Keith Nicholson
- Ailsa Raeburn (Appointed Deputy Chair 1 September 2026)
- Calum Ross (Board appointment ended 31 August 2026)
- Anna Salgado
- David Wilson
- Mary Bowman (Shadow member to 31 August 2026 (term extended by one month for continuity) – appointed Board Member 1 September 2026)

LEADERSHIP TEAM

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

LEADERSHIP TEAM MEMBERSHIP

- Stuart Black (Chief Executive)
- David Oxley (Director of Strategic Projects)
- Sandra Dunbar (Director of Corporate Services)
- Karen Moncrieff (Director of Human Resources)
- Martin Johnson (Director of Strategy and Regional Economy)
- Rachel Hunter (Director of Enterprise and Community Support)
- Joanna Peteranna (Director of Area Operations)

REGISTER OF BOARD MEMBERS' INTERESTS

Highlands and Islands Enterprise 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.

PERFORMANCE REPORT

In accordance with section 414(c) (11) of the Companies Act 2006, Highlands and Islands Enterprise 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

Highlands and Islands Enterprise's primary source of funding is grant-in-aid (GIA) from the Scottish Government. The budget allocation for 2026/27 is £53.3m and, together with in-year budget revisions and funds generated by Highlands and Islands Enterprise 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 Highlands and Islands Enterprise 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 Highlands and Islands Enterprise are audited by auditors appointed by the Auditor General for Scotland. The appointed auditor for the year ended 31 March 2026 was Pauline Gillen, Audit Director, Audit Scotland. Fees chargeable for audit services provided by Audit Scotland amounted to £212,220 (2025 £203,400). There were no fees payable to Audit Scotland for non-audit work during the year (2025 nil).

SEVERANCE PAYMENTS

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

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, the Scottish Ministers have directed Highlands and Islands Enterprise 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 Highlands and Islands Enterprise 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 Highlands and Islands Enterprise 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 Highlands and Islands Enterprise 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 Highlands and Islands Enterprise'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 Highlands and Islands Enterprise'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 Highlands and Islands Enterprise'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
- 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 2025/26.

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) was 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 implementing relevant national policies and strategies.

A framework document, agreed between HIE and the Scottish Ministers, sets out the broad parameters 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 that 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 corporate 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. The HIE fraud and whistleblowing policies in particular outline clear processes to support staff in reporting any concerns and describe actions that will be taken to investigate. These arrangements were effective in year. All governance policies are subject to regular review to ensure remain fit for purpose.

An Information, Systems and Security Governance Group exists to consider matters related to information governance and security and makes recommendations for strengthening existing controls and for communicating lessons learned. A Fraud Response and Security Review team exists to consider reports and make recommendations for action required on any suspected fraud or irregularity matters.

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

We ensure our internal control and governance arrangements remain fit for purpose and support agile and proportionate decision-making, enabling us to meet the needs of our communities and businesses in a time-critical manner and support the realisation of new opportunities. Our arrangements also include transparency over the handling of external interests held by our Board and senior management.

HIE has worked closely with the Scottish Government and other partners on our business and community support activity and in the development of business cases for transformational projects.

Board meetings are face-to-face with virtual attendance enabled using digital technology. Other activity undertaken by the Board, such as stakeholder engagement, was a mix of face-to-face, virtual or a hybrid approach.

NATIONAL STRATEGY FOR ECONOMIC TRANSFORMATION (NSET)/ PROGRAMME FOR GOVERNMENT (PFG)

To provide governance around economic development in Scotland, as set out in the NSET and PfG, there is the NSET Delivery Board and the Cabinet Sub-Committee. Sitting beneath both is the Economic Growth Programme Board (previously the NSET Portfolio Board), where HIE is a member, represented by its Chief Executive. These structures were in place during 2025/26.

The Economic Growth Programme Board, Chaired by the Director-General Economy, has been created to bring together relevant Scottish Government DGs / Directors and CEOs of the enterprise and skills agencies to maximise delivery of the economic growth strategy, as articulated by NSET and PfG; by making connections and spotting issues cross-government; advocating for the prioritisation of economic growth, and working with NSET Delivery Board champions to support delivery.

OPERATION OF THE HIE BOARD AND COMMITTEES

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 always observed
- providing commitment and leadership in the development and promotion of best value principles throughout HIE
- 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, Arnish and Community Led Development, and met as required throughout the year.

At 31 March 2026, the Board of HIE comprised the Chair, nine non-executive members, the Chief Executive and one shadow Board member. The Board Chair retired on 31 July 2025 and temporary arrangements were put in place, and the Deputy Chair took on the role on an interim basis from 1 August until 31 October 2025. Following a Scottish Government recruitment exercise, the Deputy Chair was appointed as Chair, with his three-year term commencing from 1 November 2025. A new Deputy Chair was appointed on 20 December 2025.

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 plans to undertake a review of its effectiveness in June 2026.

The Board met in full as planned six times in-year. In addition, it met on four further occasions to consider time-critical matters. Two separate meetings were held for non-executive 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 (to 31 July 2025)	2	2
Angus Campbell, Chair (from 1 November 2025)	6	6
Stuart Black, Chief Executive	6	6
Freda Newton, MBE, Deputy Chair (from 20 December 2025)	6	6
Ailsa Raeburn	6	6
Allan Clow	6	6
Anna Salgado	6	5
Calum Ross	6	6
David Wilson	6	6
Keith Nicholson	6	5
Melanie Collett	6	3
Simon Cotton	6	4
Mary Bowman, Shadow member	5	4

As part of their ongoing development, Board members attended four development sessions delivered in-house by HIE staff, on information systems strategy, budgets, cyber security training and Master Customer Record.

In addition, two local area-focused Board engagement sessions were held in-year.

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, the Director of Corporate Services and the Head of Audit and Assurance. 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. Minutes of the Risk and Assurance Committee are provided to the full Board for information as well as an annual report on its activities.

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

- Angus Campbell (Chair) (to 31 October 2025)
- Allan Clow (Chair) (from 1 November 2025)
- Calum Ross (to 4 June 2025)
- Keith Nicholson
- Ailsa Raeburn (from 5 June 2025)
- David Wilson (from 7 November 2025)

In-year, the Risk and Assurance Committee also met in private with representatives of Audit Scotland. They attended three development sessions on information systems strategy, budgets and the Master Customer Record, and undertook a review of the effectiveness of the committee in accordance with good practice.

The Risk and assurance considered items in line with its remit, as outlined in its terms of reference. Its work 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 identifies 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 twice in-year. The Chair provided a verbal update at the full Board meeting and minutes were presented for information.

The members of the Remuneration Committee during the year were:

- Freda Newton, MBE (Chair)
- Anna Salgado
- Alistair Dodds, CBE (to 31 July 2025)
- Angus Campbell (from 1 August 2025)

OTHER BOARD SUB-GROUPS

As required, additional sub-groups of the Board may be formed to consider 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 twice 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 Led Development sub-group met once in-year to provide support in shaping HIE's strategic position on community-led development withing the wider community wealth building (CWB) context

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. It has Terms of Reference that outline its responsibilities. The committee met in full four times during 2025/26.

An annual stewardship report has been prepared on work undertaken by the committee in-year. No significant control issues were noted, however areas for improvement were identified and a prioritised action plan has been developed.

Information, Security and Systems Governance Group

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

It has Terms of Reference which were updated in-year and outline its accountability for ensuring HIE complies with legislation; manages the governance of information throughout the organisation; develops staff understanding of information governance; has appropriate supportive policies; ensures collaboration opportunities are taken with partner organisations, and has appropriate arrangements for cyber security, business resilience and disaster recovery.

The group met in full four times during the year, with documents also circulated for comment outwith the meetings when time-critical decisions were required.

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

STRATEGIC AND OPERATIONAL FRAMEWORK – DELIVERING BEST VALUE

Strategy and planning

The HIE Strategy 2023-2028 launched in August 2023, following extensive analytical work and internal and external consultation. Our 2025/26 Operating Plan set out key areas of focus, both for actions and our delivery approach, and targets for the year, aligned to our strategic framework.

Business improvement

Our Best Value plan is aligned to the Public Service Reform agenda, reinforcing our commitment to financial transparency, efficiency and effective use of public funds. It complements ongoing work to improve cost visibility, streamline processes and deliver sustainable efficiencies whilst ensuring that our delivery approach meets the needs of our customers, partners and colleagues.

Aligned to this, we have in place intervention and delivery approaches to ensure the needs of our region and clients are best supported. We continue to collaborate with partners through the national Business Support Partnership to ensure a joined-up customer journey. This collaboration includes shared initiatives such as the Master Customer Record which will enable partners to share data and combine these with open-source data to obtain a 360-degree view of a client or customer.

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, meeting and listening to local communities and businesses sharing their views and experience of current issues affecting economic and community development across the Highlands and Islands.
- Our Business Panel surveys inform us of the challenges and opportunities facing businesses, community groups and social enterprises throughout the region. During 2025/26 we continued to track business confidence, growth aspirations, trade, performance, costs, workforce issues, adapting to change, and place-based opportunities.
- Our research informs our own and partnership interventions. A major study of regional transformational opportunities was delivered with the Highlands and Islands Regional Economic Partnership (HIREP) and published in May 2025. This important study quantified and improved understanding of the breadth of economic opportunities in the region, focusing on those with the potential to bring the most transformational change.
- Community wealth building research published in September 2025 set out to explore the views of community organisations on how they could maximise opportunities associated with Community Wealth Building. It covered topics including structure and operating arrangements; confidence and challenges; asset ownership, and strategic opportunities and is informing HIE's approach to meet the new public duty.
- During the year we commissioned significant research in partnership with The Scottish Government, Bòrd na Gaidhlig, VisitScotland and Skills Development Scotland to consider the economic, social and cultural impact of Gaelic across Scotland and identify where targeted investment could deliver the greatest benefit for Gaelic, its speakers and Gaelic-speaking communities.
- Research into drones and robotics was underway in early 2026, looking at current and potential demand for such technologies, as well as broader market opportunities.

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

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. Our five-year strategy sets out clear outcomes for each pillar of our framework along with four key outcomes that we carefully monitor and report against.

We develop our performance measurement through collaboration to ensure we establish consistent models with partner agencies where appropriate. During this year, Highlands and Islands Enterprise, Scottish Enterprise and South of Scotland Enterprise agreed a set of common indicators to aid reporting by the Scottish Government, and this has formed the foundation of further work through the Business Support Partnership on data and analytics and performance measurement.

A number of evaluations were commissioned during the year, including the Pathways to Start Initiative, the HIE Innovation Programme and the Islands Business Resilience Fund. These will provide useful insights into the contribution of support and delivery to inform future approaches.

We strive to develop our understanding of risk in relation to project management and to source and manage funding and other resources in ways that maximise 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 2026/27.

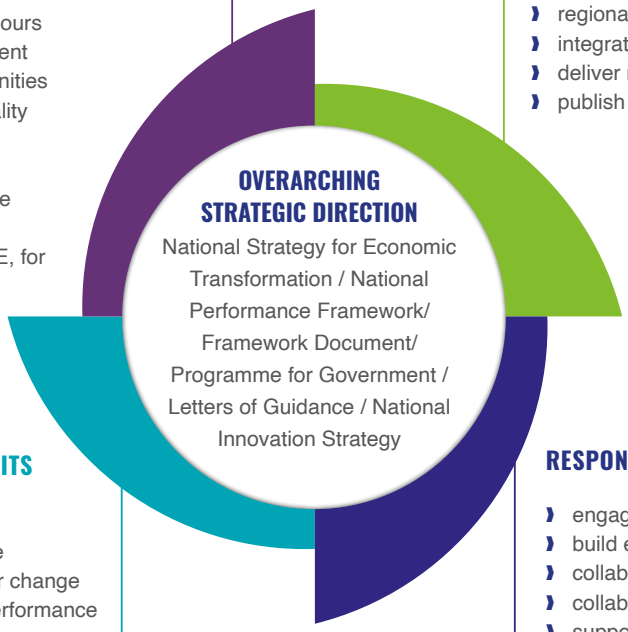
BEST VALUE

POLICY DEVELOPMENT, APPRAISAL, RESOURCE ALLOCATION AND IMPLEMENTATION

- clear employee roles and behaviours
- client relationship and development
- support local needs and opportunities
- fair work and net zero conditionality
- expertise and added value to collaborative projects
- address inequalities and inclusive growth
- attract external investment to HIE, for clients and the region

LEADERSHIP, ACCOUNTABILITY AND GOVERNANCE

- regional strategy aligned to NSET
- integrate economic and community development
- deliver national strategic initiatives
- publish approvals



REVIEW, EVALUATION AND BENEFITS REALISATION

- track indicators and performance
- ensure long-term projects deliver change
- manage, review and evaluate performance
- follow performance framework
- manage risk

RESPONSIVENESS, CONSULTATION AND JOINT WORKING

- engage with stakeholders
- build evidence through research
- collaborate in economic partnerships
- collaborate with government and other public bodies
- support community empowerment
- lead and partner in collaborative projects

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 that 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
- alignment to the corporate reporting framework

The corporate risk register was considered at each scheduled meeting of the Board and the Risk and Assurance Committee. Risk appetite statements were formally reviewed and updated once in-year. The Risk and Assurance Committee also received updates relating to the risk processes, 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 2025/26 are described in the Performance summary (pages 8-10).

These concern:

- Economic and strategic context
- Best value, organisational transformation and public service reform
- Financial planning and budgetary environment
- Cairngorm
- New strategic opportunities
- Regional infrastructure
- Cyber security
- Delivery and benefits realisation of key projects

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 were provided for WES, which highlighted no control 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 formed 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. In March 2025, Orkney Islands Council's share in the LLP was transferred to HIE Orkney. ORIC LLP is now within the full ownership of HIE, which is taking forward the future development of the campus.

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 were provided for ORIC, which highlighted no issues.

HIE Orkney is a subsidiary of HIE and owns a 50% share of ORIC LLP. An annual assurance statement was provided and noted no significant control issues during the financial year.

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 to allow the subsidiary to meet this remit. As noted above, HIE activity in this area was supported by our Board sub-group. An internal control checklist and annual assurance statement were 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 members by me
- appraisal of me 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 Audit and Assurance 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

HIE has an internal control assessment framework that requires each business unit and all non-dormant group companies to review their internal controls every year.

For 2025/26, all relevant areas completed this annual review. The results were used to identify any control issues and to support the completion of HIE's organisational internal control checklist and certificate of assurance. No significant control issues were identified through this work.

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 data loss were noted in-year and no reportable incidents occurred.

In-year, a HIE Information Systems Strategy was approved which sets the strategic direction for HIE's digital and information systems activity over the medium term, ensuring that investment in systems, data, and technology is aligned to business priorities and delivers best value, and collaboration opportunities are maximised

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

During 2025/26, the Director of Corporate Services and the Audit and Assurance team liaised with Scottish Enterprise and Skills Development Scotland in ensuring appropriate assurance reviews relating to IT services provision were undertaken for the partners. The results of these reviews were reported to the EIS Partnership Board, which is chaired by the partners in rotation, and of which HIE is a member. The EIS Partnership Board is attended by the HIE Director of Corporate Services.

An agreed programme of systems assurance work was developed with our partners. This included conclusion of reviews which had commenced in 2024/25 on IT governance and a follow-up on recommendations made in previous reviews. One review was undertaken and concluded in-year on the digital and cloud strategy (phase 1), and a further four reviews had commenced but remained in progress at the end of March. These were: data governance; IT resilience and disaster recovery; third party risk review, and digital and cloud strategy (phase 2).

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

Internal audit

HIE has an Audit and Assurance team within the Corporate Services directorate. Where there may be any concerns of independence, the Head of Audit and Assurance may report directly to me as Accountable Officer. The Head of Audit and Assurance also has a direct right of access to the Chair of the Risk and Assurance Committee.

The Audit and Assurance team:

- 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 an 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, with some areas for improvement noted Two areas were assessed as limited assurance in year however were considered isolated incidents and did not impact on the overall assessment of the control environment. Both reports were presented in full to the Risk and Assurance Committee. Recommendations were agreed with management and improvements have been made
- delivered internal audit reviews in line with the agreed plan, undertook additional reviews based on emerging risks and supported or delivered other assurance activity in line with the HIE integrated assurance approach. This included five stage 2 complaint reviews, in line with our complaints handing procedure, none of which were upheld
- 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 2026/27. These include:

- best value, effectiveness and efficiency
- access to, benefiting from and compliance with requirements of, other funding opportunities
- project appraisal, including subsidy requirements, project management and delivery environment
- 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 2026 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 2026 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 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)
- Angus Campbell (from 1 November 2025)
- Alistair Dodds CBE (to 31 July 2025)
- 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 2026 was as follows:

REMUNERATION OF BOARD MEMBERS	25/26	24/25	APPOINTMENT EXPIRES
Angus Campbell (Appointed Interim Chair 1st August 2025, appointed Chair 1st November 25)	**30,156**		31 October 2028
Angus Campbell (Board Member)	**4,150**	12,570	
Alistair Dodds CBE (Chair to 31 July 2025)	**15,058**	45,174	Retired 31 July 2025
Freda Newton MBE (Appointed Deputy Chair January 2026 to 31 August 2026)	**12,570**	12,570	31 August 2026
Calum Ross	**12,570**	12,570	31 August 2026
Anna Salgado	**12,570**	12,570	12 June 2028
Ailsa Raeburn (Appointed Deputy Chair 1st Septemeber 2026)	**12,570**	12,570	12 June 2028
Keith Nicholson	**12,570**	12,570	12 June 2028
Simon Cotton	**12,570**	12,570	31 March 2029
David Wilson	**12,570**	12,570	30 April 2029
Allan Clow	**12,570**	11,523	30 April 2027
Melanie Collett	**12,570**	11,523	30 April 2027
Mary Bowman (Shadow Board Member to 31st August 2026 (term extended by 1 month for continuity) appointed Board Memeber 1st September 2026)	**2,514**	629	31 August 2029

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 2026, £45,295 (2025 - £63,933) was paid to these former members.

LEADERSHIP TEAM REMUNERATION

The 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 Leadership team.

The contracts of members of the 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.

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.

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

Remuneration of the Leadership Team who served during the year ended 31 March 2026 was as follows:

EXECUTIVE LEADERSHIP TEAM REMUNERATION	2025/26			2024/25		
	Salary band	Increase in capital value of pension benefits	**Total**	Salary band	Increase in capital value of pension benefits	Total
	£000	£000	**£000**	£000	£000	£000
Stuart Black, Chief Executive	135-140	23	**160-165**	125-130	26	150-155
David J Oxley, Director of Strategic Projects	105-110	24	**130-135**	105-110	9	110-115
Sandra Dunbar, Director of Corporate Services	100-105	63	**165-170**	95-100	23	115-120
Karen Moncrieff, Director of Human Resources	100-105	47	**150-155**	95-100	-	95-100
Rachel Hunter, Director of Enterprise and Community Support	100-105	48	**150-155**	95-100	25	120-125
Martin Johnson, Director of Strategy and Regional Economy	105-110	25	**130-135**	105-110	13	115-120
Joanna Peteranna, Director of Area Operations	100-105	22	**120-125**	65-70	12	75-80

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

There were no performance-related pay payments in 2025/26 or 2024/25, and no member of the Leadership Team received any benefits in kind in either year.

No employee received remuneration more than the highest paid director in 2025/26 or 2024/25.

	ACCRUED PENSION AT NORMAL RETIREMENT DATE AS AT 31 MARCH 2026 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CASH EQUIVALENT TRANSFER VALUE AT 31 MARCH 2026 OR END OF APPOINTMENT IF EARLIER	CASH EQUIVALENT TRANSFER VALUE AT 31 MARCH 2025 OR DATE OF APPOINTMENT IF LATER	INCREASE / (DECREASE) IN TRANSFER VALUE DURING YEAR (NET OF MEMBER CONTRIBUTIONS)
	£000	£000	£000	£000	£000
Stuart Black, Chief Executive	5-10 Lump sum 25-30	0-2.5 Lump sum 2.5-5	124	97	18
David J Oxley, Director of Strategic Projects	30-35 Lump sum 90-95	0-2.5 Lump sum 5-7.5	484	425	45
Sandra Dunbar, Director of Corporate Services	45-50 Lump sum 135-140	2.5-5 Lump sum 5-7.5	768	653	97
Karen Moncrieff, Director of Human Resources	45-50 Lump sum 125-130	2.5-5 Lump sum 2.5-5	770	687	66
Rachel Hunter, Director of Enterprise and Community Support	30-35 Lump sum 95-100	2.5-5 Lump sum 7.5-10	413	349	52
Martin Johnson, Director of Strategy and Regional Economy	30-35 Lump sum 95-100	0-2.5 Lump sum 5-7.5	422	372	37
Joanna Peteranna, Director of Area Operations	10-15 Lump sum 35-40	0-2.5 Lump sum 2.5-5	114	93	13

RETIREMENT BENEFITS OF MEMBERS OF HIE LEADERSHIP TEAM

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

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.

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 iuses 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		
	2025/26	2024/25
Salary of highest paid director (based on highest full-time equivalent salary of a director during the year)	£137,500	£127,500
Movement from previous year	8%	9%

PERCENTAGE CHANGE IN REMUNERATION OF ALL OTHER EMPLOYEES		
	2025/26	2024/25
Average remuneration	£53,886	£51,346
Movement from previous year	5%	4%

PAY RATIO INFORMATION		
The ratio of the remuneration of the highest paid director to the pay of employees in the financial year	2025/26	2024/25
25th percentile pay ratio	3.3:1	3.2:1
Median pay ratio	2.7:1	2.6:1
75th percentile pay ratio	2.5:1	2.4:1

The median remuneration of HIE's employees is based on the annualised full-time equivalent salary of employees at 31 March 2026.

The full-time equivalent remuneration paid to HIE staff ranged from £26.8k to £137.1k (2024/25 £25.7k to £128.8k). No employee received remuneration more than 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.

MEDIAN TOTAL REMUNERATION			
Total pay relating to the employee whose pay is on the following perecentile of pay for employees for the financial year	2025/26	2024/25	2023/24
25th percentile	£41,495	£39,899	£36,983
50th percentile	£51,832	£49,838	£48,386
75th percentile	£54,423	£52,330	£50,806

There were no performance-related pay payments or benefits in kind payable to any employee in 2025/26 or 2024/25. The percentiles for pay and benefits are therefore the same as the total for pay alone.

STAFF REPORT

STAFF NUMBERS AND COST - GROUP	2026			2025		
	Permanent staff	**Other staff**	**Total Staff**	Permanent staff	Other staff	Total staff
	£000	**£000**	**£000**	£000	£000	£000
Wages and salaries	**12,464**	**2,714**	**15,178**	10,986	3,401	14,387
Social security costs	**1,782**	**299**	**2,081**	1,423	334	1,757
Other pension costs	**5,377**	**188**	**5,565**	3,493	587	4,080
Contract/temporary staff	**-**	**461**	**461**	-	192	192
	19,623	**3,662**	**23,285**	15,902	4,514	20,416
Board members' remuneration	**433**	**-**	**433**	434	-	434
	20,056	**3,662**	**23,718**	16,336	4,514	20,850

The average number of employees was as follows	**Permanent**	**Other**	**Total**	Permanent	Other	Total
	Staff No	Staff No	Staff No	Staff No	Staff No	Staff No
Senior management	**59**	**20**	**79**	48	27	75
Operational staff	**126**	**100**	**226**	107	78	185
Administration and support staff	**41**	**17**	**58**	56	21	77
	226	**137**	**363**	211	126	337

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 those in short-term posts and employed by subsidiaries: Wave Energy Scotland Limited, Orkney Research and Innovation Campus LLC, and Cairngorm Mountain (Scotland) Ltd. The movement in-year relates largely to a reduction in operational staff at Cairngorm Mountain (Scotland) Ltd.

STAFF NUMBERS AND COST - HIE	2026			2025		
	Permanent staff	Other staff	Total Staff	Permanent staff	Other staff	Total staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	11,876	92	11,968	10,155	1,871	12,026
Social security costs	1,648	12	1,660	1,175	207	1,382
Other pension costs	5,287	25	5,312	3,401	515	3,916
Contract/temporary staff	-	461	461	-	163	163
	18,811	590	19,401	14,731	2,756	17,487
Board members' remuneration	433	-	433	434	-	434
	19,244	590	19,834	15,165	2,756	17,921

The average number of employees was as follows	Permanent	Other	Total	Permanent	Other	Total
	Staff No	Staff No	Staff No	Staff No	Staff No	Staff No
Senior management	59	0	59	48	11	59
Operational staff	126	14	140	107	23	130
Administration and support staff	41	1	42	56	5	61
	226	15	241	211	39	250

COMPENSATION AND EXIT PACKAGES

No staff left under voluntary severance terms between 1 April 2025 and 31 March 2026 (2024/25 nil).

STAFF TURNOVER

HIE had a staff turnover rate of 6.7% in 2025/26 (2024/25 6.8%).

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:

The Chief Executive is included as a member of the Board in the table above. He is also a member of the Leadership Team.

HIE STAFF	Male	Female	Total
Board	7	5	12
Leadership Team	3	4	7
Other employees	76	166	242
Total	86	175	261

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.

GENDER PAY GAP			
At March	2024	2022	2021
Pay gap	11.85%	12.20%	15.86%

Sickness absence

The attendance record for HIE employees for the year to 31 March 2026 was 2,286 days (2025 1,575 days) sick leave out of a total of 51,909 (2025 54,475) possible working days, representing a lost time through sickness rate of 4.4% (2025 2.95%).

PARLIAMENTARY ACCOUNTABILITY REPORT

The results for the year to 31 March 2026 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 outturn

HIE is mainly financed by Scottish Ministers through the Scottish Government Directorate for Economic Development. HIE also generates additional income from rents and loan interest and generates capital receipts from loan repayments and the sale of assets.

The net out-turn for HIE for the year ended 31 March 2026 was as follows:

SUMMARY OF RESOURCE AND CAPITAL OUTTURN

	Expenditure	Income	Outturn	Final budget allocation	(Over) / under spend
	£000	£000	£000	£000	£000
Resource budget	41,845	6,701	35,144	33,917	(1,227)
Capital budget	67,844	3,979	63,865	62,070	(1,795)
	109,689	10,680	99,009	95,987	(3,022)
Non-cash costs including depreciation	2,820	-	2,820	3,000	180
Annually managed expenditure	9,162	-	9,162	11,000	1,838
	121,671	10,680	110,991	109,987	(1,004)

HIE's net authorised overspend against its allocated budget for the year to March 2026 was £1.0m.

SOURCES OF FINANCE

Grant-in-aid allocation

Highlands and Islands Enterprise drew down grant-in-aid (GIA) of £97.5m available from the Scottish Government. This included additional GIA of £1.1m to fund the authorised budget overspend of £1.0m in respect of capital and resource expenditure.

Budget outturn

The resource outturn of £35.1m was £1.2m higher than the budget allocation. The overspend primarily relates to the increase in expected credit losses of £2.6m for the Space Hub Sutherland lease.

The capital expenditure outturn of £63.9m was £1.8m higher than budget due to HIE receiving permission for an authorised overspend of £1.8m on the Offshore Wind Investment Programme (OWIP). HIE received an additional £34.3m of capital budget for OWIP projects and achieved spend of £36.2m.

Non-cash costs including depreciation were £2.8m, £0.2m under the provision set by the Scottish Government. The underspend was in line with forecasts for the group.

The annually managed expenditure (AME) was £9.2m against a budget of £11.0m; £1.8m below the provision set by the Scottish Government. The main element of the underspend relates to lower than expected property impairments.

The core resource and capital budget allocated by Scottish Government for 2026/27 is £53.3m. Additional 'ring-fenced' budget provision of £3m has also been allocated. 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		110,991
Property plant and equipment disposals HIE	11	1,993
Property plant and equipment additions HIE	11	(13,674)
Plant and equipment revaluations HIE	11	74
Intangible asset additions	13	(535)
Investment additions	14	(35)
Consolidation adjustments	4	(43)
Investment disposals and repayments	14	369
Disposal of lease interest	19	1,617
Net expenditure after interest		100,757

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 2026 in respect of gifts.

LOSSES AND SPECIAL PAYMENTS

Due to the high-risk nature of its investments, there are occasions when HIE is required to write off balances that 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

	2025/26		2024/25	
	No of cases	£000	No of cases	£000
Losses arising from the disposal of financial assets	1	198	3	250
Claims waived	nil		nil	-
Financial asset losses in the year which exceeded £300k	nil		nil	-
Claims waived in the year which exceeded £300k	nil		nil	-

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 2026 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 2025/26 Government Financial Reporting Manual (the 2025/26 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 2026 and of its 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 2025/26 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 Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer and directors 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. 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 financial statements, 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 Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2026

		Group		HIE	
		2026	2025	**2026**	2025
	Notes	**£000**	£000	**£000**	£000
Expenditure					
Operating expenditure	6	**85,659**	54,164	**80,168**	55,561
Net management expenditure on staff costs	7	**17,440**	15,470	**16,167**	14,136
Other management expenditure	7	**8,822**	6,109	**6,282**	3,953
Depreciation and amortisation	7	**2,824**	2,383	**2,275**	1,923
		114,745	78,126	**104,892**	75,573
Income					
Income from activities	5	**(3,814)**	(3,388)	**(3,388)**	(3,463)
Other income	5	**(11,872)**	(14,488)	**(2,866)**	(11,133)
		(15,686)	(17,876)	**(6,254)**	(14,596)
Net operating expenditure		**99,059**	60,250	**98,638**	60,977
Interest payable and similar charges	9	**159**	145	**152**	134
Share of (profits) / losses in equity accounted investees	14	**(1)**	28	**-**	-
Interest income	8	**(554)**	(624)	**(488)**	(544)
Other finance (income)/charges	8	**2,094**	2,156	**2,094**	2,156
Net expenditure after interest		**100,757**	61,955	**100,396**	62,723
Taxation	10	**(376)**	449	**(380)**	430
Net expenditure after taxation		**100,381**	62,404	**100,016**	63,153
Minority interests		**5**	6	**-**	-
Net expenditure after minority interests		**100,386**	62,410	**100,016**	63,153
Other comprehensive net expenditure / (income)					
Items that will not be reclassified to net expenditure					
Net (gains) / losses on revaluation of property, plant and equipment		**978**	(141)	**978**	(141)
Actuarial (gains)/ losses recognised in retirement benefit scheme and asset ceiling adjustment	22	**(5,673)**	(6,995)	**(5,673)**	(6,995)
Other comprehensive net expenditure / (income) for the year		**(4,695)**	(7,136)	**(4,695)**	(7,136)
Total comprehensive net expenditure for the year		**95,691**	55,274	**95,321**	56,017

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2026

		Group		HIE	
		2026	2025	**2026**	2025
	Notes	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	11/12	**43,958**	44,020	**39,904**	39,633
Finance lease receivables	12	**1,597**	4,154	**1,597**	4,154
Intangible Assets	13	**2,887**	3,067	**2,887**	3,067
Financial Assets	14	**1,077**	2,177	**2,422**	3,633
Investment in associates	14	**51**	50	**-**	-
Total non-current assets		**49,570**	53,468	**46,810**	50,487
Current assets					
Inventories	16	**119**	102	**-**	-
Trade and other receivables	17	**6,575**	6,339	**6,180**	6,210
Cash and cash equivalents	18	**12,726**	19,512	**8,202**	12,928
Finance lease receivables	12	**31**	30	**31**	30
Assets classified as held for sale	19	**712**	3,171	**712**	3,171
Total current assets		**20,163**	29,154	**15,125**	22,339
Total assets		**69,733**	82,622	**61,935**	72,826
Current liabilities					
Trade payables and other current liabilities	20	**(8,765)**	(13,384)	**(6,057)**	(9,671)
Taxation	20	**(668)**	(527)	**(438)**	(447)
Lease liabilities	12	**(371)**	(2,012)	**(371)**	(2,012)
Provisions	21	**(144)**	(152)	**(144)**	(152)
Total current liabilities		**(9,948)**	(16,075)	**(7,010)**	(12,282)
Non-current assets plus net current assets		**59,785**	66,547	**54,925**	60,544
Non-current liabilities					
Trade payables and other liabilities	20	**(6,387)**	(7,986)	**(5,861)**	(6,682)
Provisions	21	**-**	-	**-**	-
Lease liabilities	12	**(11,724)**	(12,080)	**(11,724)**	(12,080)
Retirement benefit obligation	22	**(32,955)**	(39,611)	**(32,955)**	(39,611)
Total non-current liabilities		**(51,066)**	(59,677)	**(50,540)**	(58,373)
Assets less liabilities		**8,719**	6,870	**4,385**	2,171
Taxpayers' equity					
Revaluation reserve		**2,876**	3,854	**2,875**	3,853
Other reserve		**15**	15	**-**	-
Pension reserve		**(32,955)**	(39,611)	**(32,955)**	(39,611)
Minority interests		**408**	403	**-**	-
General reserve		**38,375**	42,209	**34,465**	37,929
Total equity		**8,719**	6,870	**4,385**	2,171

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 2026

		Group		HIE	
		2026	2025	**2026**	2025
	Notes	**£000**	£000	**£000**	£000
Cash flow from operating activities					
Net expenditure after interest		**(100,757)**	(61,955)	**(100,396)**	(62,723)
				-	
Adjustments for non-cash items:					
Depreciation and amortisation	7	**2,824**	2,383	**2,275**	1,923
Provision for irrecoverable debts and losses		**148**	111	**106**	111
Investments written off, net of provision		**294**	1,219	**405**	1,230
Deficit on revaluation of property		**10,135**	8,885	**9,844**	8,885
Deficit on revaluation of plant and equipment		**(78)**	6	**(78)**	6
Surplus on disposal of property, plant and equipment		**305**	(294)	**305**	(294)
Surplus on disposal of investments		**-**	(632)	**-**	(632)
Allowance for legal fees on sales and disposals of Assets held for sale		**(51)**	(29)	**(51)**	(29)
Share of Associates profit/(loss)		**(1)**	28	**-**	-
Interest payable	9	**159**	145	**152**	134
Interest receivable	8	**(554)**	(624)	**(488)**	(544)
Financial Transactions repayments waived by Scottish Government		**(80)**	(580)	**(80)**	(580)
Impairment		**2,526**	-	**2,526**	-
Retirement benefit scheme net changes		**(983)**	1,127	**(983)**	1,127
		(86,113)	(50,210)	**(86,463)**	(51,386)
(Increase)/decrease in inventories		**(17)**	25	**-**	-
(Increase)/decrease in trade and other receivables		**(59)**	6,783	**293**	5,775
Increase/(decrease) in trade and other payables		**(4,733)**	(291)	**(2,946)**	695
(Decrease)/Increase in provision for future liabilities		**(8)**	(352)	**(8)**	(352)
		(90,930)	(44,045)	**(89,124)**	(45,268)
Tax paid		**148**	(24)	**-**	-
Net cash outflow from operating activities		**(90,782)**	(44,069)	**(89,124)**	**(45,268)**
Cashflows from investing activities					
Proceeds of disposal of property, plant and equipment		**1,662**	1,060	**1,619**	1,060
Proceeds of disposal of investments		**-**	632	**-**	632
Acquisition of subsidiary		**-**	313	**-**	-
Interest received		**479**	551	**412**	471
Lease income received		**70**	70	**70**	70
Loans advanced in year	14	**-**	-	**-**	-
Loans repaid in year	14	**517**	445	**517**	445
Purchase of investments		**-**	(842)	**-**	-
Purchase of intangible assets		**(535)**	(1,312)	**(535)**	(1,312)
Purchase of property, plant and equipment		**(15,071)**	(10,819)	**(14,566)**	(10,401)
Net cash outflow from investing activities		**(12,878)**	(9,902)	**(12,483)**	(9,035)
Cashflows from financing activities					
Grants from Scottish Government		**97,535**	58,560	**97,535**	58,560
Financial transactions funding from Scottish Government net of repayments		**(148)**	(94)	**(148)**	(94)
Interest paid	9	**(7)**	(11)	-	-
Repayment of leasing liabilities		**(506)**	(639)	**(506)**	(639)
Net cash inflow from financing activities		**96,874**	57,816	**96,881**	57,827
Net increase /(decrease) in cash and cash equivalents in the period	18	**(6,786)**	3,845	**(4,726)**	3,524
Cash and cash equivalents at the beginning of the period	18	**19,512**	15,667	**12,928**	9,404
Cash and cash equivalents at the end of the period	18	**12,726**	19,512	**8,202**	12,928

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2026

	Revaluation reserve	Other reserve	Pension reserve	Minority Interest	General reserve	Total reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2024	3,713	2	(45,479)	397	44,945	**3,578**
Net expenditure during the year	-	-	-	6	(62,410)	**(62,404)**
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	6,995	-	-	**6,995**
Net gains on revaluation of property, plant and equipment	141	-	-	-	-	**141**
Transfers between reserves	-	13	(1,127)	-	1,114	**-**
Total recognised income and expense for year to 31 March 2025	141	13	5,868	6	(61,296)	**(55,268)**
Grant-in-aid from Scottish Government	-	-	-	-	58,560	**58,560**
Balance at 31 March 2025	3,854	15	(39,611)	403	42,209	6,870
Net expenditure during the year	-	-	-	5	(100,386)	**(100,381)**
Actuarial gains / (losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	5,673	-	-	**5,673**
Net gains / (losses) on revaluation of property, plant and equipment	(978)	-	-	-	-	**(978)**
Transfers between reserves	-	-	983	-	(983)	**-**
Total recognised income and expense for year to 31 March 2026	(978)	-	6,656	5	(101,369)	**(95,686)**
Grant-in-aid from Scottish Government	-	-	-	-	97,535	**97,535**
Balance at 31 March 2026	2,876	15	(32,955)	408	38,375	8,719

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, which was £nil (2025: £nil) and the share of equity accounted investee reserves, which was £16k (2025: £16k).

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 GIA-funded activity by HIE.

HIGHLANDS AND ISLANDS ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2026

	Revaluation reserve	Other reserve	Pension reserve	General reserve	Total reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2024	3,712	-	(45,479)	41,395	(372)
Net expenditure during the year	-	-	-	(63,153)	(63,153)
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	6,995	-	6,995
Net gains on revaluation of property, plant and equipment	141	-	-	-	141
Transfers between reserves	-	-	(1,127)	**1,127**	-
Total recognised income and expense for year to 31 March 2025	141	-	5,868	(62,026)	(56,017)
Grant-in-aid from Scottish Government	-	-	-	58,560	58,560
Balance at 31 March 2025	3,853	-	(39,611)	37,929	2,171
Net expenditure during the year	-	-	-	(100,016)	(100,016)
Actuarial gains/(losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	5,673	-	5,673
Net gains / (losses) on revaluation of property, plant and equipment	(978)	-	-	-	(978)
Transfers between reserves	-	-	983	(983)	-
Total recognised income and expense for year to 31 March 2026	(978)	-	6,656	(100,999)	(95,321)
Grant-in-aid from Scottish Government	-	-	-	97,535	97,535
Balance at 31 March 2026	2,875	-	(32,955)	34,465	4,385

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 which was £nil (2025: £nil).

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 2025/26 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 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 2026 show a net asset position of £4.4m (Group net assets £8.7m). The deficit in the HIE superannuation scheme will be funded by the Scottish Government as the liabilities arise and the financial statements have therefore been prepared on a going concern basis.

The Board and the Accountable Officer have considered HIE's Operating Plan requirements and consider that the budget awarded by the Scottish Government for 2026/27 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.

GRANTS

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

Land and buildings are primarily held by HIE for economic development purposes, in accordance with the Government Financial Reporting Manual (FReM). It is for accounts preparers, in consultation with their valuers and using the Royal Institution of Chartered Surveyors (RICS) Red Book, to determine the most appropriate revaluation process for an asset:

- A quinquennial valuation supplemented by annual indexation.
- A rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the 4 intervening years.
- In rare circumstances where an appropriate index is not available, a quinquennial revaluation supplemented by a desktop revaluation.

A full valuation of all land and property assets has been carried out as at 31 March 2026. This has been considered the most appropriate revaluation policy for Highlands and Islands Enterprise and the Group assets for 2025-26.

Property, plant and equipment are included in the statement of financial position at their current value and non-property assets with short economic useful life are carried as depreciated historic cost.

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.

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 Statement of Comprehensive Net Expenditure 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 four to eight years.

FINANCIAL ASSETS - EQUITY

Equity instruments that have been classified as financial assets at fair value through profit and loss and are shown at fair value in accordance with International Financial Reporting Standard (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 four to eight 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, which 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 expenditure 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 income 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 2024 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 18 Presentation and Disclosure in Financial Statements. This standard will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

2. Critical judgements made in applying accounting policies

The preparation of the accounts in conformity with IFRS requires the Board and the 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) Property

HIE commissions an annual 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 2026 and can be relied upon.

(f) 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 2026 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	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 and LGPS have engaged consulting actuaries to provide expert advice about the assumptions to be applied. 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 2026, after recognising the effect of the net asset ceiling, HIE's pension schemes had a net liability of £32.955m (2025 net liability £39.611m).	The impact of changes in assumptions used to calculate the pension liability has been assessed by the actuaries as described in note 22.

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 2026 and 2025, 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		
	2026	2025
	£000	£000
Expenditure		
Operations		
Discretionary spend	**15,924**	18,627
Priority investment	**58,846**	25,942
Business support	**3,827**	5,799
HIE Orkney	**0**	867
Orkney Research and Innovation Campus LLP	**222**	(22)
Cairngorm Mountain (Scotland) Limited	**(6)**	2,093
WES	**2,279**	2,270
Total operations	**81,092**	55,576
Running the business		
Management, staff and administration cost	22,915	18,731
Total running the business	**22,915**	18,731
Total gross expenditure	**104,007**	74,307
Income		
Loan repayments	**369**	352
Equity sales	**0**	632
Property sales	**4,922**	1,060
Property rental	**1,952**	2,537
Loan interest / dividend	**488**	544
Broadband	**0**	7,718
SHS UKSA and NDA milestone income	**0**	1,188
Other income	**194**	169
Total other income	**7,925**	14,200
Net expenditure funded by core SG income	**96,082**	60,107

SEGMENTAL INFORMATION (CONTINUED)

	2026	2025
	£000	£000
Net expenditure funded by core SG income	96,082	60,107
Other income and expenditure		
Expenditure		
European funds	0	42
Shared Prosperity fund - Argyll and Moray	38	210
Scottish Land Fund (SLF)	630	-
Inverness and Highland City-Region Deal - Science Skills Academy	603	438
Inverness and Highland City-Region Deal - Northern Innovation Hub	1,417	1,454
Orkney the Brand	67	98
Interest payable	152	134
Expected Credit Losses	2,775	1,402
	5,682	3,778
Income		
Shared Prosperity fund - Argyll and Moray	38	206
Scottish Land Fund (SLF)	630	-
Inverness and Highland City-Region Deal - Science Skills Academy	603	438
Inverness and Highland City-Region Deal - Northern Innovation Hub	1,417	1,460
Orkney the Brand	67	98
	2,755	2,202
Financial position (SOCNE)	99,009	61,683
Reconciliation to Group net operating cost before taxation:		
Financial position (SOCNE)	(99,009)	(61,683)
Pension (IAS19)	983	(1,127)
Depreciation	(2,106)	(1,745)
Amortisation	(715)	(638)
Provisions and charges	(251)	242
Property cost of sales	(1,993)	(765)
Capital revaluation and additions	2,373	4,116
Exchange rate movements	(83)	(147)
Taxation provision and charges	-	-
Associate companies	1	(28)
Consolidation adjustments	43	(180)
Group net operating cost before taxation	(100,757)	(61,955)

5. Income from operating activities

Income, which is shown net of value added tax (VAT), is made up of receipts from operating activities as detailed below:

	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Income from activities				
Property rentals	**2,502**	2,462	**2,076**	2,537
Surplus / (deficit) on disposal of property	**1,312**	294	**1,312**	294
Surplus on disposal of investments	**-**	632	**-**	632
Total income from activities	**3,814**	**3,388**	**3,388**	**3,463**
Other income				
Other European contributions	**125**	(80)	**125**	(80)
Other external income	**11,118**	14,568	**2,112**	11,213
Scottish Government receipts	**629**	-	629	-
Total other income	**11,872**	14,488	**2,866**	11,133

6. Expenditure on operating activities

GROUP	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2026 TOTAL	2025 TOTAL
	£000	**£000**	**£000**	**£000**	**£000**	£000
Highlands and Islands Enterprise	48,933	16,118	13,196	-	**78,247**	49,671
Cairngorm Mountain (Scotland) Limited	**-**	**-**	-	3,644	**3,644**	1,987
Wave Energy Scotland	3,768				**3,768**	2,506
HIE Ventures Limited	**-**	**-**	-	-	**-**	-
2026 total	**52,701**	**16,118**	**13,196**	**3,644**	**85,659**	54,164
2025 total	22,704	14,632	14,841	1,987	54,164	

Expenditure is shown net of value added tax (VAT) except where VAT is irrecoverable.

Expenditure includes grants of £54,335k (2025: £28,244k) of which £5,119k (2025: £7,430k) was made to the public sector and £49,216k (2025: £20,814k) to the private sector.

Property revaluation and management costs of £12,048k (2025: £9,191k) are included within business support expenditure above.

Fees chargeable for audit services provided by Audit Scotland amounted to £212k (2025: £203k).

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

HIGHLANDS AND ISLANDS ENTERPRISE	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2026 TOTAL	2025 TOTAL
	£000	**£000**	**£000**	**£000**	**£000**	£000
Highlands and Islands Enterprise	51,146	15,826	13,196	-	**80,168**	55,561
Cairngorm Mountain (Scotland) Limited	**-**	**-**	-	-	**-**	-
Wave Energy Scotland		-	-	-	**-**	-
HIE Ventures Limited	-		-	-	**-**	-
2026 total	**51,146**	**15,826**	**13,196**	**-**	**80,168**	55,561
2025 total	26,088	14,632	14,841	-	55,561	

7. Staff costs and administration expenditure by organisation

CONTINUING OPERATIONS	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Staff and board member salaries	**20,517**	16,499	**19,244**	15,165
IAS 19 employer contributions net of current service costs	**(3,077)**	(1,029)	**(3,077)**	(1,029)
Total staff costs	**17,440**	15,470	**16,167**	14,136
Travel and subsistence - board members	**19**	12	**19**	12
Travel and subsistence - staff	**498**	472	**439**	378
Accommodation	**854**	637	**557**	340
Hospitality – staff	**15**	12	**15**	12
Audit fees	**261**	225	**220**	203
Non-audit fees paid to auditors	**5**	4	**-**	-
Operating lease rentals – equipment	**133**	126	**14**	10
Equipment and furnishings	**9**	15	**9**	15
Provision for irrecoverable debts and losses and write off of debts	**41**	124	**-**	124
Movement in investment provisions and write off of investments	**2,798**	1,280	**2,798**	1,280
Investment fair value adjustments	**44**	(34)	**154**	(48)
Other provisions	**(8)**	(352)	**(8)**	(352)
Other administration costs	**4,153**	3,588	**2,065**	1,979
Total administraton expenditure	**8,822**	6,109	**6,282**	3,953
Depreciation of fixed assets	**2,109**	1,745	**1,560**	1,285
Amortisation of intangible assets	**715**	638	**715**	638
Total depreciation and amortisation	**2,824**	2,383	**2,275**	**1,923**
Total	29,086	23,962	24,724	20,012

BY ORGANISATION	GROUP	
	2026	2025
	£000	£000
Highlands and Islands Enterprise	**24,496**	20,012
Cairngorm Mountain (Scotland) Limited	**2,890**	2,475
Wave Energy Scotland Limited	**1,362**	1,457
Orkney Research and Innovation Campus LLP	**219**	2
HIE Orkney	**117**	15
HIE Ventures Limited	**2**	1
Total	**29,086**	23,962

8. Investment income and other finance income /(charges)

	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Interest receivable				
Loan interest receivable	**(133)**	(118)	**(133)**	(118)
Bank interest receivable	**(381)**	(466)	**(315)**	(386)
Lease interest receivable	**(40)**	(40)	**(40)**	(40)
Total	**(554)**	(624)	**(488)**	(544)
Other finance (income) / charges				
Interest income on retirement benefit assets	**(5,723)**	(5,103)	**(5,723)**	(5,103)
Interest on retirement benefit scheme obligations	**7,267**	7,042	**7,267**	7,042
Interest on the effect of asset ceiling adjustment	**550**	217	**550**	217
Total	**2,094**	2,156	**2,094**	2,156

9. Finance costs

	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Interest expense for borrowings at amortised cost	**-**	2	**-**	-
Interest expense for leasing arrangements	**159**	143	152	134
Total	**159**	145	152	134

10. Taxation

Corporation tax is charged at 25% (2025 25%) on the taxable surplus of HIE and 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	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Current tax				
Current tax on profits for the year	**-**	19	**-**	-
Adjustment in respect of prior years	**4**	-	**-**	-
Total current tax	**4**	19	**-**	-
Deferred tax				
Current year	**-**	503	**-**	503
Adjustment in respect of previous periods	**(262)**	(73)	**(262)**	(73)
Effect of changes in tax rates	**(118)**	-	**(118)**	-
Total deferred tax	**(380)**	430	**(380)**	430
Tax per statement of comprehensive net expenditure	**(376)**	449	**(380)**	430
Factors affecting tax charge for the period				
Net expenditure after interest	**100,757**	61,955	**100,396**	62,723
Tax on loss at 25% (2025 25%)	**(25,189)**	(15,489)	**(25,099)**	(15,679)
Tax under / (over) provided in previous years	**(262)**	(73)	**(262)**	(73)
Non-taxable income and disallowable expenditure	**25,141**	15,854	**25,047**	16,025
Effect of changes in Tax Rates	**(892)**	157	**(892)**	157
Revaluation	**826**	-	**826**	-
Current tax charge	**(376)**	449	**(380)**	430

11. Property, plant and equipment

Land and buildings held for industrial and commercial use were valued at 31 March 2026 on a fair value basis, in accordance with FReM future valuations will be carried out on a quintennial basis. Details of HIE valuation policy can be found in Note 1. The valuations were carried out by Ryden LLP and F G Burnett Ltd and had a total value of £31.7m (2025 £32.0m). Professional external valuations were carried out for all properties. 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 2024	34,612	5,695	850	**41,157**	100	652	8,780	50,689
Additions	3,872	1,140	7,505	**12,517**	31	307	315	13,170
Transfers (to)/from AHFS	(1,924)	57	(495)	**(2,362)**	-	-	438	(1,924)
Reclassifications	665	-	(665)	**-**	-	-	-	-
Remeasurement	(121)	-	-	**(121)**	-	-	-	(121)
Disposals	(729)	-	-	**(729)**	-	(88)	(17)	(834)
Revaluations	(2,612)	(478)	-	(3,090)	-	-	-	(3,090)
Impairment	-	-	(6,001)	**(6,001)**	-	-	-	(6,001)
At 31 March 2025	33,763	6,414	1,194	**41,371**	131	871	9,516	51,889
Depreciation								
At 1 April 2024	1,172	174	-	**1,346**	70	617	5,118	7,151
Charged in year	809	186	-	**995**	15	24	647	1,681
Disposals	(581)	64	-	**(517)**	-	(88)	(17)	(622)
Reclassifications	-	-	-	**-**	-	-	-	-
Revaluations	(262)	(64)	-	**(326)**	-	-	(15)	(341)
At 31 March 2025	1,138	360	-	**1,498**	85	553	5,733	7,869
Net Book Value								
At 31 March 2025	32,625	6,054	1,194	**39,873**	46	318	3,783	44,020
Cost or valuation								
At 1 April 2025	33,763	6,414	1,194	**41,371**	131	871	9,516	51,889
Additions	3,183	887	9,907	**13,977**	54	45	104	14,180
Transfers (to)/ from AHFS	(7)	-	-	**(7)**	-	-	-	(7)
Reclassifications	665	-	(121)	**544**	-	-	121	665
Remeasurement	-	-	-	**-**	-	-	-	-
Disposals	(1,185)	-	-	**(1,185)**	-	(446)	(184)	(1,815)
Revaluations	(3,323)	132	-	**(3,191)**	-			(3,191)
Impairment	-	-	(9,249)	**(9,249)**	-	-	-	(9,249)
At 31 March 2026	33,096	7,433	1,731	**42,260**	185	470	9,557	52,472

PROPERTY PLANT AND EQUIPMENT - GROUP (CONTINUED)

Depreciation								
At 1 April 2025	1,138	360	-	**1,498**	85	553	5,730	**7,866**
Charged in-year	828	406	-	**1,234**	27	87	762	**2,110**
Disposals	(114)	-	-	**(114)**	-	(445)	(163)	**(722)**
Reclassifications	-	-	-	**-**	-	-	-	-
Revaluations	(452)	(214)	-	**(666)**	-	-	(74)	**(740)**
At 31 March 2026	1,400	552	-	1,952	112	195	6,255	**8,514**
Net book value								
At 31 March 2026	31,696	6,881	1,731	**40,308**	**73**	**275**	**3,302**	**43,958**
At 1 April 2025	32,625	6,054	1,194	39,873	46	318	3,783	44,020
At 1 April 2024	33,440	5,521	850	39,811	30	35	3,662	43,538

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 2025								
Owned	24,534	6,054	1,194	**31,782**	46	318	3,783	**35,929**
Finance leased *	8,091	-	-	**8,091**	-	-	-	**8,091**
Total	32,625	6,054	1,194	39,873	46	318	3,783	44,020
Net book value at 31 March 2026								
Owned	23,981	6,881	1,730	**32,592**	73	275	3,302	**36,242**
Finance leased *	7,714	-	-	**7,714**	-	-	-	**7,714**
Total	31,695	6,881	1,730	40,306	73	275	3,302	43,956

* 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 2024	34,614	3,843	665	**39,122**	99	647	6,949	**46,817**
Additions	2,397	1,133	7,096	**10,626**	31	307	292	**11,256**
Transfers (to)/from AHFS	(1,924)	-	-	**(1,924)**	-	-	-	**(1,924)**
Reclassifications	665	-	(665)	**-**	-	-	-	**-**
Remeasurement	(121)	-	-	**(121)**	-	-	-	**(121)**
Disposals	(729)	-	-	**(729)**	-	(88)	(17)	**(834)**
Revaluations	(2,612)	(478)	-	**(3,090)**	-	-	-	**(3,090)**
Impairment	-	-	(6,001)	**(6,001)**	-	-	-	**(6,001)**
	32,290	4,498	1,095	**37,883**	130	866	7,224	**46,103**
Depreciation								
At 1 April 2024	1,172	-	-	**1,172**	70	617	4,354	**6,213**
Charged in year	809	64	-	**873**	15	22	374	**1,284**
Disposals	(581)	-	-	**(581)**	-	(88)	(17)	**(686)**
Reclassifications	-	-	-	**-**	-	-	-	-
Revaluations	(262)	(64)	-	**(326)**	-	-	(15)	**(341)**
At 31 March 2025	1,138	-	-	**1,138**	85	551	4,696	**6,470**
Net book value								
At 31 March 2025	31,152	4,498	1,095	**36,745**	45	315	2,528	**39,633**
Cost or valuation								
At 1 April 2025	32,290	4,498	1,095	**37,883**	130	866	7,224	**46,103**
Additions	3,016	886	9,604	**13,506**	54	45	69	**13,674**
Transfers (to)/ from AHFS	(7)	-	-	**(7)**	-	-	-	(7)
Reclassifications	-	-	-	**-**	-	-	-	**-**
Remeasurement	-	-	-	**-**	-	-	-	**-**
Disposals	(1,185)	-	-	**(1,185)**	-	(446)	(179)	**(1,810)**
Revaluations	**(2,367)**	**132**	**-**	**(2,235)**	-	-	-	**(2,235)**
Impairment	-	-	**(9,249)**	**(9,249)**	-	-	-	**(9,249)**
At 31 March 2026	31,747	5,516	1,450	38,713	184	465	7,114	46,476

PROPERTY PLANT AND EQUIPMENT - HIE (CONTINUED)

Depreciation								
At 1 April 2025	1,138	-	-	**1,138**	85	551	4,696	**6,470**
Charged in-year	828	214	-	**1,042**	27	85	406	**1,560**
Disposals	(114)	-	-	**(114)**	-	(445)	(159)	**(718)**
Reclassifications	-	-	-	**-**	-	-	-	-
Revaluations	(452)	(214)	-	**(666)**	-	-	(74)	**(740)**
At 31 March 2026	1,400	-	-	1,400	112	191	4,869	6,572
Net book value								
At 31 March 2026	30,347	5,516	1,450	37,313	72	274	2,245	39,904
At 1 April 2025	31,152	4,498	1,095	**36,745**	45	315	2,528	**39,633**
At 1 April 2024	33,442	3,843	665	37,950	29	30	2,595	40,604

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 2025								
Owned	23,061	4,498	1,095	**28,654**	45	315	2,528	31,542
Finance leased	8,091	-	-	**8,091**	-	-	-	8,091
Total	31,152	4,498	1,095	36,745	45	315	2,528	39,633
Net book value at 31 March 2026								
Owned	22,634	5,516	1,450	**29,600**	72	274	2,245	32,191
Finance leased	7,714	-	-	**7,714**	-	-	-	7,714
Total	30,348	5,516	1,450	37,314	72	274	2,245	39,905

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

RECONCILIATION OF PROFIT/(LOSS) ON DISPOSALS

	GROUP AND HIE	
	2026	2025
	£000	£000
Sales value of disposals	**3,304**	1,060
Less net book value of disposals	**(1,993)**	(766)
Profit / (loss) on disposals	**1,311**	294

ANALYSIS OF FUNDING OF ASSET ADDITIONS (INCLUDING) ASSETS UNDER CONSTRUCTION

	GROUP		HIE	
	2026	2025	**2026**	**2025**
	£000	£000	**£000**	£000
Government grant-in-aid	**14,179**	11,674	**13,674**	11,255
EU and other income	-	-	-	-
Total	**14,179**	11,674	**13,674**	11,255

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 2 years to 91 years. Lease payments are generally fixed, however the Group has 4 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 ASSETS

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

RIGHT OF USE ASSETS - GROUP AND HIE	LEASED ASSETS (NO)	RANGE OF REMAINING TERM (YEARS)	AVERAGE REMAINING LEASE TERM (YEARS)	LEASES WITH VARIABLE PAYMENTS LINKED TO INDEX (NO)
Property at 31 March 2026	8	2-91	32	5
Property at 31 March 2025	9	3-92	33	5

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

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.

RIGHT OF USE ASSETS - GROUP AND HIE	2026	2025
	£000	£000
Property		
Cost		
At 1 April	9,171	11,318
Additions	-	227
Disposals	(114)	(579)
Remeasurement	-	(121)
Reclassifications	-	(1,674)
At 31 March	9,057	9,171
Depreciation		
At 1 April	1,080	1,172
Charge for the year	377	547
Remeasurement	-	-
Disposals	(114)	(581)
Reclassifications	-	(58)
At 31 March	1,343	1,080
Carrying amount		
At 31 March	7,714	8,091

LESSOR

FINANCE LEASE RECEIVABLES

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

FINANCE LEASE RECEIVABLES - GROUP AND HIE	2026	2025
	£000	£000
Current	**31**	30
Non-current	**1,597**	4,154
Total discounted lease receivables	**1,628**	4,184

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.

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

MATURITY ANALYSIS OF LEASE RECEIVABLES - GROUP AND HIE				2026	2025
	Within 1 year	2-5 years	Over 5 years	**Total**	Total
	£000	£000	£000	**£000**	£000
Lease receivable	70	285	2,926	**3,281**	5,878
Finance charges	(39)	(154)	(1,460)	**(1,653)**	(1,694)
Net present values	31	131	1,466	**1,628**	4,184

During the year, HIE incurred £14k (24/25: £16k) on expenditure related to low-value assets for which the recognition and measurement exemption is applied. HIE received £70k (24/25: £70k) in income from sub-leasing right-of-use assets.

LESSEE

LEASE LIABILITIES

LEASE LIABILITIES - GROUP AND HIE	2026	2025
	£000	£000
Current	**371**	2,012
Non-current	**11,724**	12,080
Total discounted lease liabilities	**12,095**	14,092

The following lease liabilities are presented in the Statement of Financial Position. The undiscounted maturity analysis of lease liabilities at 31 March 2026 is as follows:

MATURITY ANALYSIS OF LEASE LIABILITIES - GROUP AND HIE				2026	2025
	Within 1 year	2-5 years	Over 5 years	**Total**	Total
	£000	£000	£000	**£000**	£000
At 31 March 2026					
Lease payments	489	1,809	13,895	**16,193**	17,792
Finance charges	(119)	(476)	(3,503)	**(4,098)**	(3,700)
Net present values	370	1,333	10,392	**12,095**	14,092

The lease liabilities are secured by the related underlying assets.

13. INTANGIBLE ASSETS

At 31 March 2026, 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 2024	338	3,446	3,784
Additions	-	1,312	1,312
Reclassifications	(338)	338	-
At 31 March 2025	-	5,096	5,096
Amortisation			
At 1 April 2024	-	1,391	1,391
Charged in year	-	638	638
At 31 March 2025	-	2,029	2,029
Net book value			
At 31 March 2025	-	3,067	3,067
Cost or valuation			
At 1 April 2025	-	5,096	5,096
Additions	-	535	535
Disposals	-	-	-
Reclassifications	-	-	-
Impairment	-	-	-
At 31 March 2026	-	5,631	5,631
Amortisation			
At 1 April 2025	-	2,029	2,029
Charged in year	-	715	715
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2026	-	2,744	2,744
Net book value			
At 31 March 2026	-	2,887	2,887
At 1 April 2025	-	3,067	3,067

INTANGIBLE ASSETS - HIE

	Intangible assets in development	Intangible assets	Total intangible assets
	£000	£000	£000
Cost or valuation			
At 1 April 2024	338	3,445	3,783
Additions	-	1,313	1,313
Reclassifications	(338)	338	-
At 31 March 2025	-	5,096	5,096
Amortisation			
At 1 April 2024	-	1,391	1,391
Charged in year	-	638	638
At 31 March 2025	-	2,029	2,029
Net book value			
At 31 March 2025	-	3,067	3,067
Cost or valuation			
At 1 April 2025	-	5,096	5,096
Additions	-	535	535
Disposals	-	-	-
Reclassifications	-	-	-
Impairment	-	-	-
At 31 March 2026	-	5,631	5,631
Amortisation			
At 1 April 2025	-	2,029	2,029
Charged in year	-	715	715
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2026	-	2,744	2,744
Net book value			
At 31 March 2026	-	2,887	2,887
At 1 April 2025	-	3,067	3,067

14. Financial assets

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS - GROUP		
	2026	2025
	£000	£000
Unlisted equity shares	**25**	28

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

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 - GROUP				
	Preference shares	Loans and receivables	**Total 2026**	Total 2025
Amortised cost	£000	£000	**£000**	£000
At 1 April 2025	275	5,777	**6,052**	6,539
Additions	-	35	**35**	34
Repayments	-	(517)	**(517)**	(445)
Disposals	-	-	**-**	-
Fair value adjustment	-	(41)	**(41)**	59
Written off	-	(199)	**(199)**	(135)
At 31 March 2026	275	5,055	**5,330**	6,052
Diminution in value				
At 1 April 2025	275	3,040	**3,315**	2,173
Additions	-	566	**566**	1,313
Released	-	(316)	**(316)**	(49)
Disposals	-	-	**-**	-
Risk premium	-	(1)	**(1)**	
Written off	-	(198)	**(198)**	(122)
At 31 March 2026	275	3,091	**3,366**	3,315
Net book value				
At 31 March 2026	-	1,964	**1,964**	**2,737**
At 1 April 2025	-	2,737	2,737	
Analysis of loans and receivables				
Due within 1 year	-	912	**912**	588
Due over 1 year	-	1,052	**1,052**	2,149

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 AT FAIR VALUE THROUGH PROFT AND LOSS -HIE

	2026	2025
	£000	£000
Unlisted equity shares	**576**	572
Investment through membership	**736**	853
	1,312	1,425

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 date of redemption.

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 - HIE

	Preference shares	Loans and receivables	**Total 2026**	Total 2025
Amortised cost	£000	£000	**£000**	£000
At 1 April 2025	275	6,195	**6,470**	6,958
Additions	-	35	**35**	34
Repayments	-	(517)	**(517)**	(445)
Disposals	-	-	**-**	-
Fair value adjustment	-	(41)	**(41)**	59
Written off	-	(199)	**(199)**	(135)
At 31 March 2026	275	5,473	**5,748**	6,471
Diminution in value				
At 1 April 2025	275	3,400	**3,675**	2,533
Additions	-	566	**566**	1,146
Released	-	(316)	**(316)**	(49)
Disposals	-	-	**-**	-
Risk premium	-	(1)	**(1)**	167
Written off	-	(198)	**(198)**	(122)
At 31 March 2026	275	3,451	**3,726**	3,675
Net book value				
At 31 March 2026	-	2,022	**2,022**	**2,796**
At 1 April 2025	-	2,796	2,796	
Analysis of loans and receivables				
Due within 1 year	-	912	**912**	588
Due over 1 year	-	1,110	**1,110**	2,208
	-	2,022	**2,022**	2,796

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 - HIE

	2026	2025
	£000	£000
At 1 April 2025	853	873
Increase / (decrease) in value	(117)	(20)
At 31 March 2026	736	853

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
Cairngorm Mountain (Scotland) Ltd	Scotland	Ordinary Shares	100%	All year-round tourist attraction including operation of mountain railway and winter skiing facilities
HIE Orkney	Scotland	Limited by Guarantee	100%	Local enterprise company
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)
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

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

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

On 20 March 2025 HIE Orkney acquired 50% membership of Orkney Research and Innovation Campus LLP, this increased the group holding to 100%.

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% at 31 March 2025.

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.

ASSOCIATES

Name of company	Country of incorporation	Accounting period end date	Percentage of membership	Nature of business
This is Remarkable Limited	Scotland	31 March	50%	Assessment of organisations against the This is Remarkable Ltd national standard.

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.

On 3 March 2026, Scottish Intellectual Asset Management Limited, a company which HIE held 50% membership was dissolved. The company carrying value in Group investments in associates was nil

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

SUBSIDIARY INVESTMENTS

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 Ltd are recognised in the accounts of HIE by virtue of its 25% controlling interest. The controlling interest arises due to HIE being entitled to appoint two of the eight directors of IABP. HIE's shareholding of 5% would not be sufficient for IABP to be recognised in the group accounts.

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

EQUITY ACCOUNTED INVESTEES

Name of company	Country of incorporation	Accounting period end date	Percentage of membership	Nature of business
Orkney Research and Innovation Campus LLP	Scotland	31 March	50%	Construction, development and management of a research and Innovation Campus

SUBSIDIARY INVESTMENTS

	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
At March 2026	4,790	5,957	10,747	(3,871)	(2,919)	(6,790)	3,957	10,138	(12,840)	(2,702)
At March 2025	5,246	8,290	13,536	(4,685)	(4,915)	(9,601)	3,935	9,014	(12,109)	(3,095)
At March 2024	2,936	7,647	10,583	(4,305)	(4,916)	(9,220)	1,363	8,057	(11,964)	(3,907)

EQUITY ACCOUNTED INVESTEES

	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
At March 2026	1,108	6,070	7,178	(2,540)	(3,626)	(6,166)	1,011	169	(124)	45
At March 2025	1,108	6,174	7,282	(2,712)	(3,574)	(6,286)	995	172	(144)	28
At March 2024	2,607	8,638	11,245	(5,059)	(3,498)	(8,558)	2,688	1,821	(1,347)	474

INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	2026	2025
	£000	£000
Carrying amount as at 1 April 2025	**50**	920
Disposal	**-**	(842)
Share of net profit / (loss)	**1**	(28)
Carrying amount at 31 March 2026	**51**	50

SIGNIFICANT HOLDINGS

Name of company	**Activity**	**Percentage of voting rights**	**Holding as at 31 March 2026**	Share value paid £000	Original loan capital £000
Inverness Airport Business Park Limited	Construction and operation of Business park	25%	500 Class ‘C’ Ordinary shares 24,997 Class 'D' Ordinary shares 275,000 Redeemable Preference Shares	- 29 550	1,000 - -
HIE Ventures Limited	Equity investment company	55%	110,000 Ordinary Shares 40,000 class 'A' Ordinary shares	61 40	1,000 -
Cairngorm Mountain (Scotland) Limited	Tourism Attraction Operator	100%	1,060,952 Ordinary Shares	1,061	700
Other investments			Total for 21 businesses	550	4,683
				2,291	7,383

15. Fair value and impairments

During the year, the following revaluations and impairments were recognised on assets held at fair value

GROUP	STATEMENT OF COMPREHENSIVE NET EXPENDITURE	REVALUATION RESERVE	TOTAL 2026	TOTAL 2025
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	4,909	(978)	**3,931**	2,749
Intangible assets	-	-	**-**	-
Financial assets	-	-	**-**	-
	4,909	**(978)**	**3,931**	2,749
Impairments				
Property, plant and equipment	9,249	-	**9,249**	6,001
Intangible assets	-	-	**-**	-
Assets classified as held for sale	32	-	**32**	256
Financial assets	-	-	**-**	-
	9,281	**-**	**9,281**	6,257

HIE	STATEMENT OF COMPREHENSIVE NET EXPENDITURE	REVALUATION RESERVE	TOTAL 2026	TOTAL 2025
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	3,953	(978)	**2,975**	2,749
Intangible assets			**-**	-
Financial assets			**-**	-
	3,953	**(978)**	**2,975**	2,749
Impairments				
Property, plant and equipment	9,249	-	**9,249**	6,001
Intangible assets	-	-	**-**	-
Assets classified as held for sale	32	-	**32**	256
Financial assets	-	-	**-**	-
	9,281	**-**	**9,281**	6,257

16. Inventories

INVENTORIES	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	£000	£000
Goods for resale	**119**	102	**-**	-

Cairngorm Mountain (Scotland) Ltd holds goods for resale which consist of café catering supplies and retail shop visitor goods.

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

17. Trade and other receivables

TRADE AND OTHER RECEIVABLES		GROUP		HIE	
		2026	2025	**2026**	2025
	Note	**£000**	£000	**£000**	£000
Trade receivables		**3,499**	3,016	**3,316**	2,891
Impairment for bad debts		**(549)**	(402)	**(508)**	(402)
		2,950	2,614	**2,808**	2,489
Taxation recoverable		**383**	952	**331**	930
Accrued income and prepayments		**2,330**	2,185	**1,556**	1,861
Owed by subsidiary undertakings		**-**	-	**573**	342
Loans and other receivables	14	**912**	588	**912**	588
		6,575	6,339	**6,180**	6,210

ANALYSIS OF TRADE AND OTHER RECEIVABLES WITHIN BOUNDARIES FOR WHOLE OF GOVERNMENT ACCOUNTS	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Balances with other central government bodies	**432**	952	**381**	930
Balances with local authorities	**846**	951	**846**	951
Balances with NHS bodies	**-**	-	**-**	-
Balances with similar public bodies	**163**	292	**163**	292
	1,441	2,195	**1,390**	2,173
Balances with bodies external to government	**5,134**	4,144	**4,790**	4,037
	6,575	6,339	**6,180**	6,210

18. Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Balance at 1 April	**19,512**	15,667	**12,928**	9,404
Net change in cash and cash equivalent balances	**(6,786)**	3,845	**(4,726)**	3,524
Balance at 31 March	**12,726**	19,512	**8,202**	12,928

BALANCES HELD	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Commercial funds	**12,605**	19,393	**8,081**	12,809
Other scheme funds held	**121**	119	**121**	119
	12,726	19,512	**8,202**	12,928

OTHER SCHEME FUNDS HELD	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Community Broadband Scotland	**121**	119	**121**	119

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 AND HIE		
Land and buildings	**2026**	2025
	£000	£000
At 1 April	**3,171**	1,836
Transfers to / (from) assets held for resale	**39**	2,180
Disposals of non-current assets held for sale	**(2,484)**	(563)
Other costs associated with sale of assets	**18**	(26)
Impairment recognised on remeasurement	**(32)**	(256)
At 31 March	**712**	3,171

During the year there were 10 assets (£574k) transferred out of assets held for resale into non-current assets (2025 - nil).

20. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Trade payables	**3,789**	7,543	**3,488**	6,470
Accruals and deferred income	**4,469**	5,542	**1,844**	2,683
Prepaid rental income	**257**	299	**257**	299
Owed to subsidiary undertakings	**-**	-	**219**	219
	8,515	13,384	**5,808**	9,671
Taxation and social security	**511**	522	**438**	447
Corporation tax	**157**	5	**-**	-
	668	527	**438**	447
Total	**9,183**	13,911	**6,246**	10,118

ANALYSIS OF TRADE AND OTHER PAYABLES WITHIN BOUNDARIES FOR WHOLE OF GOVERNMENT ACCOUNTS	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Balances with other central government bodies	**1,023**	1,755	**1,023**	1,755
Balances with local authorities	**146**	182	**146**	182
Balances with similar public bodies	**49**	67	**49**	67
	1,218	2,004	**1,218**	2,004
Balances with bodies external to government	**7,965**	11,907	5,028	8,114
Total	**9,183**	13,911	**6,246**	10,118

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Deferred income	**526**	1,304	**-**	-
Scottish Government	**3,304**	3,745	**3,304**	3,745
Deferred tax	**2,557**	2,937	**2,557**	2,937
	6,387	7,986	**5,861**	6,682

21. Provisions

PROVISIONS - GROUP AND HIE		
Dilapidations	**2026**	2025
	£000	£000
As at 1 April	**152**	504
Increase in-year	**1**	19
Released in-year	**(9)**	(371)
At 31 March	144	152
Timing of provisions		
Due within 1 year	**144**	152
Due over 1 year	**-**	-
	144	152

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.

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). 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.

Details of actuarial assumptions used in the valuation of each Scheme can be found on pages 104 and 105.

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

The service cost for both the HIE Superannuation scheme and the LGPS 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 2026, indicated a potential deficit of £32.4m in the HIE pension fund.

In December 2013 HIE, with agreement of the HIE Pension Fund trustees and the 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 2025 £1.860m
- 5 April 2026 £2.520m
- 5 April 2027 £3.200m
- 5 April 2028 £3.900m
- 5 April 2029 £4.620m
- 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 2024 and updated to 31 March 2026 by a qualified independent actuary.

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

PENSION ASSUMPTIONS - HIE SUPERANNUATION SCHEME					
At 31 March	**2026**	**2025**	2024	2023	2022
Rate of salary increases (% per annum)	3.69%	3.69%	3.50%	3.50%	2.50%
Rate of pension increase CPI (% per annum)	3.10%	2.80%	2.98%	3.07%	3.33%
Discount rate (% per annum)	6.10%	5.50%	4.80%	4.73%	2.73%

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

ASSETS IN THE SCHEME					
Value at 31 March	**2026**	**2025**	2024	2023	2022
	£000	**£000**	£000	£000	£000
Equities	**36,074**	35,750	35,379	44,887	76,592
Gilts	**22,919**	18,660	23,743	24,344	28,253
Property	**19,575**	18,629	17,878	8,222	9,777
Cash	**3,378**	2,094	1,693	2,669	2,633
Employer assets	81,946	75,133	78,693	80,122	117,255
Present value of scheme liabilities	**(114,376)**	(114,217)	(125,793)	(120,249)	(162,646)
Deficit in the scheme	**(32,430)**	(39,084)	(47,100)	(40,127)	(45,391)
Related deferred tax asset / (liability)	**-**	-	-	-	-
Net pension asset / (liability)	**(32,430)**	(39,084)	(47,100)	(40,127)	(45,391)

The current values show a decrease in the deficit in the year from £39.1m at 31 March 2025 to £32.4m at 31 March 2026.

LOCAL GOVERNMENT PENSION FUNDS

The IAS 19 valuation at 31 March 2026, indicated an asset of £11.754m 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 nil.

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 at 31 March 2023 by a qualified independent actuary.

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

PENSION ASSUMPTIONS - LGPS					
At 31 March	**2026**	2025	2024	2023	2022
Rate of salary increases (% per annum)	3.69%	3.69%	3.50%	3.50%	2.50%
Rate of pension increase CPI (% per annum)	3.10%	2.80%	2.98%	3.07%	3.33%
Discount rate (% per annum)	6.10%	5.50%	4.80%	4.73%	2.73%

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

ASSETS IN THE SCHEME					
Value at 31 March	**2026**	2025	2024	2023	2022
	£000	£000	£000	£000	£000
Equities	**5,025**	7,719	10,077	14,193	17,667
Gilts	**9,585**	4,658	6,148	1,798	671
Bonds	**5,135**	5,000	2,337	2,137	3,596
Property	**4,427**	4,208	1,978	5,544	2,677
Cash	**6,500**	7,280	7,448	1,365	921
Employer assets	**30,672**	28,865	27,988	25,037	25,532
Present value of scheme liabilities	**(18,918)**	(18,867)	(21,234)	(18,422)	(26,289)
Present value of unfunded liabilities	**(525)**	(527)	(610)	(605)	(729)
Surplus / (deficit) in the scheme	**11,229**	9,471	6,144	6,010	(1,486)
Related deferred tax liability	**-**	-	-	-	-
Net pension asset / (liability)	**11,229**	9,471	6,144	6,010	(1,486)

The net assets of the defined benefit plan at 31 March 2026 have been measured to the aggregate of the unfunded liabilities and the lower of the surplus in the funded plan and the asset ceiling.

ANALYSIS OF AMOUNTS CHARGED TO STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	HIE	LGPS	**Total**	HIE	LGPS	Total
	2026	2026	**2026**	2025	2025	2025
	£000	£000	**£000**	£000	£000	£000
Current service cost	1,866	213	**2,079**	2,332	270	2,602
Past service cost	-	-	**-**	-	-	-
Admin expenses	319	-	**319**	394	-	394
Interest income on retirement benefit assets	(4,140)	(1,583)	**(5,723)**	(3,764)	(1,339)	(5,103)
Interest on the effect of the asset ceiling	-	550	**550**	-	217	217
Interest on retirement benefit scheme obligations	6,207	1,060	**7,267**	5,999	1,043	7,042
Net pension scheme expense	4,252	240	**4,492**	4,961	191	5,152

EXPENDITURE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE NET EXPENDITURE

	HIE	LGPS	**Total**		Total
	2026	2026	**2026**		2025
	£000	£000	**£000**		£000
Net management expenditure on staff costs	(3,005)	(72)	**(3,077)**		(1,029)
Other finance charges / (income)	2,067	27	**2,094**		2,156
	(938)	(45)	(983)		1,127

ANALYSIS OF THE AMOUNT RECOGNISED IN SOCNE (OTHER COMPREHENSIVE INCOME/EXPENDITURE)

	HIE	LGPS	**Total**	HIE	LGPS	Total
	2026	2026	**2026**	2025	2025	2025
	£000	£000	**£000**	£000	£000	£000
Actual return less expected return on pension scheme assets	2,402	392	2,794	(6,842)	(295)	(7,137)
Experience gains and (losses) arising on the scheme liabilities	(337)	(155)	(492)	429	234	663
Changes in the effect of the asset ceiling	-	(1,206)	(1,206)	-	(5,257)	(5,257)
Changes in financial assumptions underlying the present value of the scheme liabilities	3,651	926	4,577	15,649	3,077	18,726
Defined benefit income / (cost) recognised	5,716	(43)	5,673	9,236	(2,241)	6,995

RECONCILIATION OF DEFINED BENEFIT OBLIGATION

	HIE	LGPS	**Total**	HIE	LGPS	Total
	2026	2026	**2026**	2025	2025	2025
	£000	£000	**£000**	£000	£000	£000
Opening defined benefit obligation	114,217	19,394	133,611	125,793	21,844	147,637
Movement in year						
Current service costs	1,866	213	2,079	2,332	270	2,602
Administration costs	319	0	319	394	0	394
Contributions by members	686	76	762	674	77	751
Unfunded benefits paid	0	(40)	(40)	0	(40)	(40)
Benefits paid	(5,605)	(489)	(6,094)	(4,897)	(489)	(5,386)
Interest cost	6,207	1,060	7,267	5,999	1,043	7,042
Actuarial losses / (gains) arising from demographic changes	337	155	492	(429)	(234)	(663)
Actuarial losses / (gains) arising from changes in financial assumptions	(3,651)	(926)	(4,577)	(15,649)	(3,077)	(18,726)
Closing defined benefit obligation	114,376	19,443	**133,819**	114,217	19,394	133,611
Present value of funded liabilities	114,376	18,918	**133,294**	114,217	18,867	133,084
Present value of unfunded liabilities	-	525	**525**	-	527	527
Total	114,376	19,443	**133,819**	114,217	19,394	133,611

RECONCILIATION OF FAIR VALUE OF ASSETS

	HIE	LGPS	**Total**	HIE	LGPS	Total
	2026	2026	**2026**	2025	2025	2025
	£000	£000	**£000**	£000	£000	£000
Opening fair value of assets	75,133	28,865	**103,998**	78,694	27,988	106,682
Movement in year						
Expected return on assets	4,140	1,583	**5,723**	3,764	1,339	5,103
Contributions by members	686	76	**762**	674	77	751
Contributions by employer	5,190	245	**5,435**	3,740	245	3,985
Contribution in respect of unfunded benefits	-	40	**40**	-	40	40
Actuarial gains / (losses)	2,402	392	**2,794**	(6,842)	(295)	(7,137)
Unfunded benefits paid	-	(40)	**(40)**	-	(40)	(40)
Benefits paid	(5,605)	(489)	**(6,094)**	(4,897)	(489)	(5,386)
Closing fair value of assets	81,946	30,672	112,618	75,133	28,865	103,998

NET PENSION LIABILITY

	HIE	LGPS	Total	HIE	LGPS	Total
	2026	2026	2026	2025	2025	2025
	£000	£000	£000	£000	£000	£000
Closing defined benefit obligation	(114,376)	(19,443)	(133,819)	(114,217)	(19,394)	(133,611)
Closing fair value of assets	81,946	30,672	112,618	75,133	28,865	103,998
Effect of asset ceiling limitation on net asset	-	(11,754)	(11,754)		(9,998)	(9,998)
Net pension surplus/(liability)	(32,430)	(525)	(32,955)	(39,084)	(527)	(39,611)

Estimated employer contributions for the year to 31 March 2027 are £3,422k for the HIE Superannuation scheme and £245k for the Local Government Pension Scheme.

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

EXPERIENCE GAINS AND LOSSES - HIE					
	2026	2025	2024	2023	2022
	£000	£000	£000	£000	£000
Difference between expected and actual return on scheme assets	2,402	(6,842)	(4,618)	(39,448)	3,339
Value of assets	81,946	75,133	78,694	80,121	117,255
Percentage of scheme assets	2.9%	(9.1)%	(5.9)%	(49.2)%	2.8%
Experience gains and (losses) on scheme liabilities	(337)	429	(5,782)	(12,300)	(5,201)
Present value of liabilities	(114,376)	(114,217)	(125,793)	(120,249)	(162,646)
Percentage of scheme liabilities	0.3%	(0.4)%	4.6%	10.2%	3.2%

EXPERIENCE GAINS AND LOSSES - LGPS					
	2026	2025	2024	2023	2022
	£000	£000	£000	£000	£000
Difference between expected and actual return on scheme assets	392	(295)	1,691	(1,360)	464
Value of assets	30,672	28,865	27,988	25,037	25,532
Percentage of scheme assets	1.3%	(1.0)%	6.0%	(5.4)%	1.8%
Experience gains and (losses) on scheme liabilities	(155)	234	(2,737)	(1,126)	(30)
Present value of liabilities	(19,443)	(19,394)	(21,844)	(19,027)	(27,018)
Percentage of scheme liabilities	0.8%	(1.2)%	12.5%	5.9%	0.1%

The total amount recognised in the statement of other comprehensive net expenditure in respect of net actuarial gains and losses is a gain of £5.673m (2025: gain £6.995m).

Cumulative actuarial gains and losses recognised in the statement of comprehensive net expenditure since 1 April 2002 are net losses of £0.206m (2025: £5.879m net losses).

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:

Defined benefit obligation analysed by participant status:

LIFE EXPECTANCY	HIE		LGPS	
	Years	Years	**Years**	Years
	2026	2025	**2026**	2025
Male member aged 65 (current life expectancy)	**23.4**	22.4	**22.2**	21.8
Male member age 45 (life expectancy at 65)	**24.0**	23.4	**22.8**	22.5
Female member aged 65 (current life expectancy)	**24.5**	24.4	**23.7**	23.5
Female member aged 45 (life expectancy at 65)	**26.9**	26.2	**25.8**	25.7

MEMEBRSHIP

The breakdown of the present value of the HIE pension scheme liabilities by membership is provided below.

MEMBERSHIP - HIE				
	2026		2025	
	%	£000	%	£000
Active members	**34.8%**	39,849	34.9%	39,896
Deferred members	**16.2%**	18,563	16.6%	19,006
Retired members	**48.9%**	55,964	48.5%	55,315
Total		114,376		114,217

The breakdown of the present value of the LGPS pension scheme liabilities by membership is not available

SENSITIVITY ANALYSIS

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.

SENSITIVITY ANALYSIS - HIE				
	2026		2025	
	%	£000	%	£000
0.5% decrease in real discount rate	6.9%	7,892	7.6%	8,680
1 Year increase in member life expectancy	2.7%	3,088	2.9%	3,312
0.5% increase in the salary increase rate	0.3%	343	0.4%	457
0.5% increase in pension increase rate	5.6%	6,405	6.5%	7,424

SENSITIVITY ANALYSIS - LGPS				
	2026		2025	
	%	£000	%	£000
0.1% decrease in real discount rate	2.0%	323	2.0%	360
1 Year increase in member life expectancy	4.0%	778	4.0%	776
0.1% increase in the salary increase rate	0.0%	31	0.0%	32
0.1% increase in pension increase rate	1.0%	291	2.0%	336

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.

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.

WEIGHTED AVERAGE DURATION OF DEFINED BENEFIT OBLIGATION				
	HIE	LGPS	HIE	LGPS
	2026	**2026**	2025	**2025**
Years	13.0	17.0	14.5	17.0

23. Financial commitments

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.

COMMITMENTS	GROUP		HIE	
	2026	2025	**2026**	2025
	£000	£000	**£000**	£000
Property	**54,236**	20,939	**54,236**	20,939
Grants and loans	**57,723**	61,556	**57,167**	60,519
Total	**111,959**	82,495	**111,403**	81,458

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**	Total
	2026	2026	**2026**	2025
Receivable under operating and similar leases	£000	£000	**£000**	£000
Within one year	1,565	128	**1,693**	1,960
Within two to five years	4,433	512	**4,945**	5,553
After five years	9,443	256	**9,699**	6,588
Total	**15,441**	**896**	**16,337**	14,101

FUTURE MINIMUM RENTALS RECEIVABLE UNDER NON-CANCELLABLE OPERATING LEASES - HIE				
	Property	Plant and equipment	**Total**	Total
	2026	2026	**2026**	2025
Receivable under operating and similar leases	£000	£000	**£000**	£000
Within one year	1,573	192	**1,765**	2,032
Within two to five years	4,465	716	**5,181**	5,831
After five years	9,507	288	**9,795**	6,714
Total	**15,545**	**1,196**	**16,741**	14,577

HIE has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements at 31 March 2026 is £31k (2025: £30k).

HIE holds office and manufacturing buildings that are let to third parties for the purpose of economic development. These non-cancellable leases have remaining terms between 1 year and 76 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 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.

HIE has a liability for the Green Freeport levy on any unsold area of land at Inverness Campus which form part of the Inverness and Cromarty Firth Green Freeport.

Indemnity is provided to Sustrans in respect of Inverness Campus North Bridge.

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.

TRANSACTIONS WHERE A BOARD MEMBER HAD A FINANCIAL INTEREST

Business	Future Commitments	Value	Nature of transaction	Board member	Interest
University of Highlands and Islands	£1,282,455	£1,358,009	Grants and invoices paid	Angus Campbell	Ex officio member of Court
University of Highlands and Islands	-	£(341,267)	Recoveries received	Angus Campbell	Ex officio member of Court
MacNaughton Holdings Ltd	£139,356	£30,779	Grant paid	Simon Cotton	Chief Executive
Scottish Water	-	£14,681	Invoices paid	Allan Clow	Non-Executive Director
Visit Scotland	-	£(20,360)	Gaelic partnership research	Keith Nicholson	Director
55 North Network	-	£1,462	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 that received funding in the year and in which the Board members, key managerial staff or other related parties had a non-financial interest include:

- 55 North Network Ltd
- Argyll and the Isles Tourism Co-operative Limited
- Borrodale Hotel (South Uist) Ltd
- Caithness Business Fund
- Caithness Chamber of Commerce
- Coigach Community Development Company
- Community Land Scotland
- Dark Island Ltd
- Economic Development Association of Scotland
- Eilean Dorcha Festival
- Elevator UK
- Highlands and Islands Airports Limited
- Highlands and Islands Thistle Awards
- Isle of Eigg Heritage Trust
- Isle of Skye Candle Company Ltd
- National Trust for Scotland
- Scottish Renewables
- Scottish Tourism Alliance Ltd
- Shetland Islands Council
- Visit Inverness Loch Ness Ltd
- VisitScotland Limited
- 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 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 had a small number of transactions with other Scottish 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
- HM Revenue and Customs
- HIE Pension Scheme
- Local Government Pension Scheme
- Moray Council
- NatureScot
- NHS Eilean Siar
- NHS Highland
- North Ayrshire Council
- Orkney Islands Council
- Orkney Research and Innovation Campus LLP
- ScotRail
- Scottish Enterprise
- Scottish Land Commission
- Scottish Water
- Shetland Islands Council
- Skills Development Scotland
- South of Scotland Enterprise
- The Highland Council
- The Pensions Regulator
- Vist Scotland
- Wave Energy Scotland Ltd

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 £4k (2025: £4k) employer's National Insurance contributions and nil (2025: nil) employer pension contributions.

TRANSACTIONS AND BALANCES WITH GROUP COMPANIES

	HIE Ventures Ltd	Cairngorm Mountain (Scotland) Ltd	Wave Energy Scotland Ltd	Orkney Research and Innovation Campus LLP	HIE Orkney
	£000	£000	£000	£000	£000
Paid by HIE in the year					
Grant funding	-	587	2,310	-	-
Partner investment	-	-	-	-	
Shareholder contributions	-	-	-	-	
Received by HIE in the year					
Management charges	-	-	220	18	
Balance due to HIE at 31 March 2026	-	400	-	83	
Balance due from HIE at 31 March 2026	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 GIA 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 Group and HIE have no outstanding borrowings at 31 March 2026 or 31 March 2025.

The table below details the contractual maturities of financial liabilities.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES - GROUP AND HIE

	Carrying amount	Contractual cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities - Group				
Trade and other payables - 2026	5,971	5,971	5,971	-
Trade and other payables - 2025	9,043	9,043	9,043	-
Financial liabilities - HIE				
Trade and other payables - 2026	5,191	5,191	5,191	-
Trade and other payables - 2025	8,848	8,848	8,848	-

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 AND HIE

	GROUP		HIE	
	2026	2025	**2026**	2025
Carrying amount	**£000**	£000	**£000**	£000
Financial assets - other investments				
Financial assets at fair value through profit and loss	25	28	576	1,425
Preference shares	-	-	-	-
Loans and other receivables	1,964	2,737	2,022	2,796
Financial assets				
Trade and other receivables	4,509	3,676	4,027	3,496
Cash and cash equivalents	12,726	19,512	8,202	12,928
Total	19,224	25,953	14,827	20,645

The ageing of trade and other receivables at 31 March was:

AGEING OF TRADE AND OTHER RECEIVABLES - GROUP				
	2026		2025	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	3,250	-	3,854	-
Past due 0 to 30 days	353	-	-	-
Past due greater than 31 days	999	(549)	197	(402)
Total	4,602	(549)	4,051	(402)

AGEING OF TRADE AND OTHER RECEIVABLES - HIE				
	2026		2025	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	4,027	-	3,701	-
Past due 0 to 30 days	271	-	-	-
Past due greater than 31 days	892	(508)	197	(402)
Total	5,190	(508)	3,898	(402)

Movements in impairment of trade and other receivables are 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 AND HIE				
	Group		HIE	
Carrying amount	2026	2025	2026	2025
	£000	£000	£000	£000
Fixed rate instruments				
Financial assets	1,964	2,737	2,022	2,796
Financial liabilities	-	-	-	-
	1,964	2,737	2,022	2,796
Variable rate instruments				
Cash and cash equivalents	12,726	19,512	8,202	12,928

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 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 AND HIE		
	Group	HIE
100 basis points change	£000	£000
Cash and cash equivalents		
31 March 2026	161	106
31 March 2025	176	112

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:

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.

FAIR VALUES - GROUP

	Carrying amount	**Fair value**	Carrying amount	Fair value
	2026	**2026**	2025	2025
	£000	**£000**	£000	£000
Financial assets at fair value through profit and loss	25	25	28	28
Loans and other receivables	1,964	1,964	2,737	2,737
Trade and other receivables	4,509	4,509	3,676	3,676
Cash and cash equivalents	12,726	12,726	19,512	19,512
Trade and other payables	(5,971)	(5,971)	(9,043)	(9,043)
Total	13,253	13,253	16,910	16,910

FAIR VALUES - HIE

	Carrying amount	Fair value	Carrying amount	Fair value
	2026	2026	2025	2025
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	576	576	1,425	1,425
Loans and other receivables	2,022	2,022	2,796	2,796
Trade and other receivables	4,027	4,027	3,496	3,496
Cash and cash equivalents	8,202	8,202	12,928	12,928
Trade and other payables	(5,191)	(5,191)	(8,848)	(8,848)
	9,636	9,636	11,797	11,797

NON-CURRENT ASSETS

Valuation process

HIE'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).

The following table presents the changes in recurring fair value measurements of Unlisted equity shares categorised as Level 3.

FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE - GROUP	2026	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 measurments					
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	-	-	-	-	-

FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE - HIE	2026	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 measurments					
Fair value through profit and loss unlisted equity shares	1,312	-	-	1,312	-
Non-recurring measurements					
Property classified as held for resale	-	-	-	-	-
Plant and equipment classified as held for resale	-	-	-	-	-

Quantitative information about fair value measurements using significant unobservable inputs (Level 3).

CHANGES IN RECURRING FAIR VALUE MEASUREMENT		
	Group	HIE
	£000	£000
Opening balance	28	572
Transfers into level 3	-	-
Transfers out of level 3	-	-
Additions	-	-
Disposals	-	-
Impairment	(3)	4
Total gains or losses for the period		
Included in other income and expenses	-	-
Included in other comprehensive income	-	-
Closing balance	25	576

(a) The entity has determined that the reported net assets value represents fair value at the end.

QUANTITATIVE INFORMATION				
Description	**Fair Value £000**	**Valuation technique**	**Unobservable input**	**Range (weighted average)**
Equity - Group	25	Net asset value (a)	n/a	n/a
Equity - HIE	576	Net asset value (a)	n/a	n/a

There are no unobservable inputs available to provide a sensitivity analysis of the Fair Value Measurement.

The following methods and assumptions were used to estimate fair values;

ESTIMATION OF FAIR VALUES	
Category	**Fair value**
Financial assets at fair value through profit & loss	Based on net asset value, where this exists, or the last known purchase price
Assets held to maturity	Based on amortised cost using the effective interest rate method, less any provision for impairment
Loans and other receivables	Based on amortised cost using the effective interest rate method, less any provision for impairment
Trade and other receivables	Deemed to be the same as book value, less any provision for impairment
Cash and cash equivalents	Deemed to be the same as book value
Trade and other payables	Deemed to be the same as book value
Other borrowings	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 requirement 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



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



HIE

Highlands and Islands Enterprise

Iomairt na Gàidhealtachd 's nan Eilean