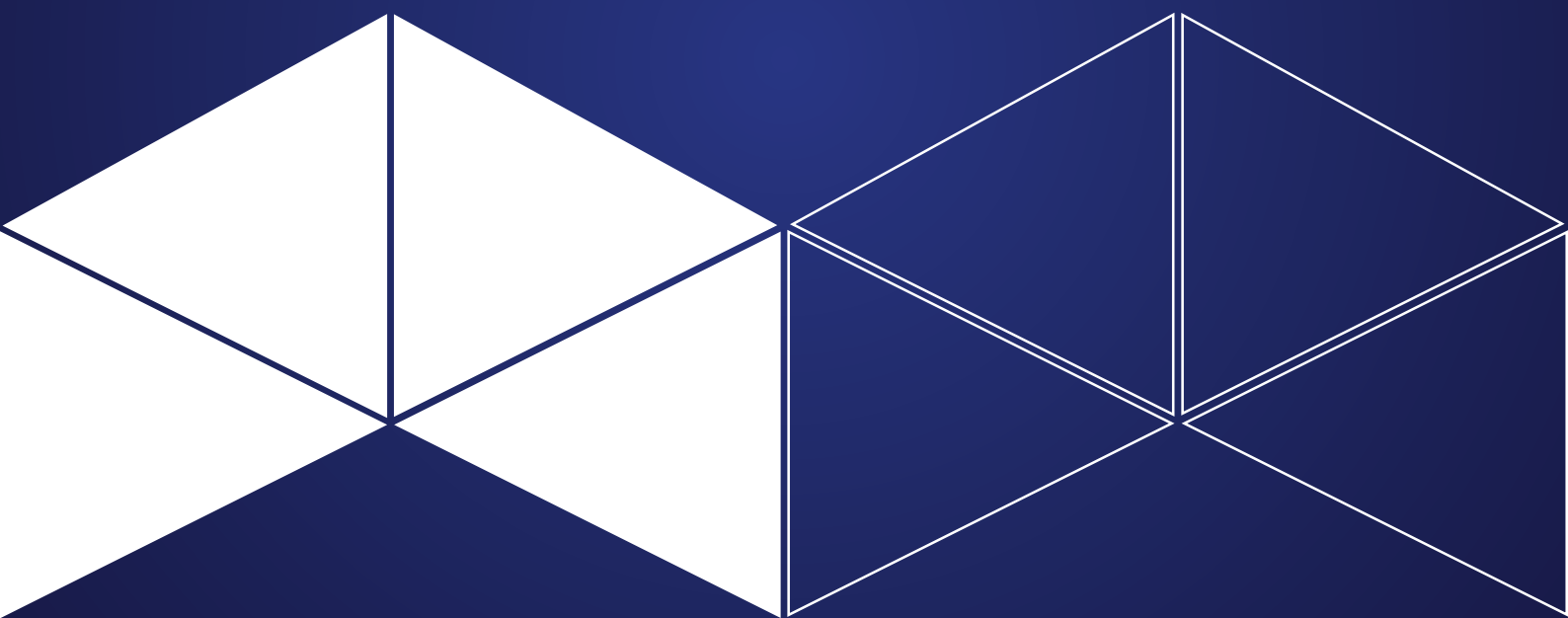


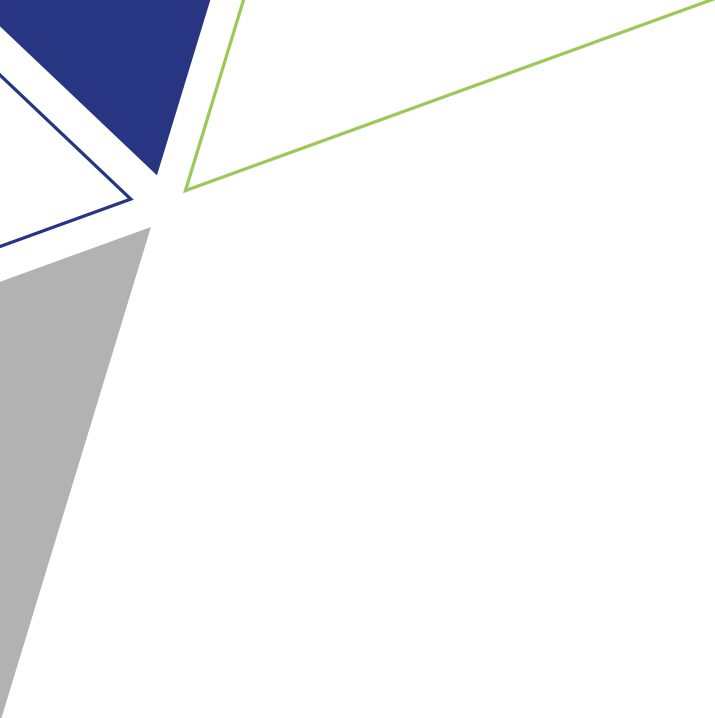
Highlands and Islands Enterprise

Annual report and accounts

2024/25



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd's nan Eilean



HIGHLANDS AND ISLANDS ENTERPRISE ANNUAL REPORT 2024/25
ENTERPRISE AND NEW TOWNS (SCOTLAND) ACT 1990

Accounts of Highlands and Islands Enterprise prepared pursuant to section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, for the year ended 31 March 2025 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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European Marine Science Park, Oban: architect's image of Camas House

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Alistair Dodds CBE, Chair (retired 31 July 2025), and Stuart Black, Chief Executive and Accountable Officer.

FOREWORD

2024/25 marked HIE's second year of delivering our five-year strategy which sets out our aims to achieve progress in all parts of the Highlands and Islands and building on our region's contribution to Scotland's economic transformation.

While the overall economic context remains challenging at both national and regional levels, I am pleased to report that our focus on delivery, through a combination of financial and non-financial interventions, helped deliver another strong performance.

We met 18 of our 20 primary measures (see p19) including some very positive outturns achieved in our inclusive growth focus areas – disadvantaged areas that require targeted support.

Overall, HIE approved up to £78.5m investment in 611 projects with a combined total investment value of £177.5m. We enabled businesses and communities across the region to create or retain 765 jobs, including 242 green jobs and 293 in focus areas.

Businesses across the Highlands and Islands are set to see combined annual turnover rise by £236.2m as a result of HIE interventions, while international sales will grow by £62.8m. Our support for social enterprises is forecast to bring about a £13m uplift in the social economy.

Investment in rural and island locations contributed significantly to a successful year, notably in the Argyll and Islands, Orkney and the Outer Hebrides, delivered by a variety of projects in sectors ranging from energy and technology and advanced engineering to food and drink and heritage.

Examples include £5m investment in the Scapa Deep Water Quay in Orkney, which we achieved through attracting additional Scottish Government funding from the Offshore Wind Investment Programme (OWIP). OWIP funding also provided £10m for HIE to invest in Nigg Inner East Quay.

The region again proved attractive to inward investors with a record 15 projects delivered with a combined value of £6m in areas including Shetland, Caithness, Argyll, Lochaber, Wester Ross and the Outer Hebrides, where Navantia's acquisition of the former Harland & Wolff manufacturing facility at Arnish, Lewis has safeguarded 141 jobs.

Other highlights were our support for community-led housing projects in the islands of Gigha and Papa Westray, and for the development of new business units on Tiree by the Tiree Community Development Trust.

We helped 415 organisations to develop 263 new products, processes or services, and provided support for 79 organisations to develop or implement a net zero plan.

We also delivered our highest investment in three years in community organisations, with £7.5m approved for 271 community-led projects. This supported a very broad range of new assets and development work across the region, with a strong emphasis once again in focus areas where our actions will help strengthen rural and island populations.

Measures relating to productivity and average salary proved the most challenging and fell below the desired range. Nonetheless, it is important that we continue to challenge ourselves and set ambitious targets to ensure continued progress in the coming years as many exciting regionally transformational projects are set to come to fruition.

In closing, I wish to offer my sincere thanks to Alistair Dodds CBE, who stepped down as Chair of HIE in July 2025 after four years in the post and a total of 11 years as a Board member. All of us in HIE owe Alistair a huge debt of gratitude for his outstanding leadership, which has helped us navigate the significant economic challenges of the past few years and arrive on the cusp of unprecedented opportunity for the whole region.

STUART BLACK
Chief Executive and Accountable Officer



FACAL-TOISICH

B' e 2024/25 an dàrna bliadhna aig HIE a' libhrigeadh ar ro-innleachd chòig-bliadhna, a tha a' mìneachadh ar n-amasan air adhartas a dhèanamh anns gach ceàrnaidh den Ghàidhealtachd 's na h-Eileanan agus togail air na tha ar roinn a' cur ri cruth-atharrachadh eaconamach na h-Alba.

Ged a tha an co-theacs eaconamach iomlan fhathast dùbhlanaich aig ìrean nàiseanta agus roinneil, tha mi toilichte aithris gun do chuidich ar cuimse air libhrigeadh tro chothlamadh de dh'eadar-theachdan ionmhasail agus neo-ionmhasail, le coileanadh làidir eile a libhrigeadh.

Choilean sinn 18 de ar 20 prìomh cheumannan (faic td19) a' gabhail a-steach cuid de mhach-churan glè fhàbharach air an coileanadh nar raointean aig a bheil fòcas air fàs in-ghabhalach – raointean fo anacothrom aig a bheil feum air taic thargaidte.

Gu h-iomlan, dh'aontaich HIE suas ri £78.5m de dh'inbheisteadh ann an 611 pròiseactan le luach iomlan còmhla de £177.5m. Chomasaich sinn do ghnòthachasan agus coimhearsnachdan tarsainn na roinne 765 obraichean a chruthachadh no a ghlèidheadh, a' gabhail a-steach 242 obraichean uaine agus 293 ann an raointean cuimsichte.

Tha ghnòthachasan air feadh na Gàidhealtachd 's nan Eilean deiseil airson tionndadh-airgid bliadhnail amalaichte fhaicinn ag èirigh gu £236.2m mar thoradh air eadar-theachdan HIE, fhad 's a bhios reic eadar-nàiseanta a' fàs £62.8m. Tha e air ro-innse gun adhbhraich ar taic togail de £13m san eaconamaidh shòisealta do dh'iomairtean sòisealta.

Chuir inbheisteadh ann an làraichean dùthchail agus eileanach gu mòr ri bliadhna shoirbheachail, gu h-àraid ann an Earra-Ghàidheal is Bòd, Arcaibh agus Innse Gall, air a libhrigeadh le measgachadh de phròiseactan ann an roinnean a' rangachadh bho chumhachd is teicneòlas agus innleadaireachd adhartach gu biadh is deoch agus dualchas.

Tha eisimpleirean a' gabhail a-steach tasgadh de £5m ann an Caladh Uisge Domhainn Scapa ann an Arcaibh, a choilean sinn tro mhaoineachadh fhaotainn bho Riaghaltas na h-Alba bho Phrògram Inbheisteadh Gaoithe Far-tìre (OWIP). Fhuair HIE maoineachadh OWIP de £10m airson a thasgadh ann an Cidhe an Ear Neig.

Bha an roinn tarraingeach do luchd-tasgaidh in-shealbh le clàr de 15 pròiseactan air an libhrigeadh anns a bheil luach cothlamaichte de £6m ann an roinnean a tha a' gabhail a-steach Sealtainn, Gallaibh, Earra-Ghàidheal, Loch Abar, Taobh Siar Rois agus Innse Gall, far a bheil sealbh Navantia air a' ghoireas saothrachaidh a bha a-cheana aig Harland & Wolff ann an Àirinis ann an Leòdhas air dìon a chur air 141 obraichean.

B' e iomairtean soirbheachail eile ar taic do phròiseactan taigheadais fo stiùir na coimhearsnachd ann an eileanan Ghiogha agus Papa Westray, agus an leasachadh air aonadan gnothachais ùra ann an Tìrìodh le Urras Leasachaidh Coimhearsnachd Thìrìodh.

Chuidich sinn 415 buidhnean le 263 pìosan bathair, pròiseasan no seirbheisean ùra a leasachadh agus thug sinn taic do 79 buidhnean gus plana cothromachadh-carboin a chruthachadh no a bhuileachadh.

Libhrig sinn cuideachd an tasgaidh as àirde ann an trì bliadhna sna buidhnean coimhearsnachd le £7.5m air aontachadh do 271 pròiseact fo stiùir na coimhearsnachd. Bha seo a' cur taic ri raon glè fharsaing de sho-mhaoinean ùra agus obair leasachaidh tarsainn na roinne, le cuideam làidir ga chur air na raointean fòcais far an cuidich ar gnìomhan le àireamhan-sluaigh dùthchail agus eileanach a neartachadh.

B' e ceumannan co-cheangailte ri tarbhadh agus tuarastal cuibheasach na cùisean a bu dhùbhланаiche agus fada na b' ìsle na an raon a bhathar a' miannachadh. A dh'aindeoin sin, tha e cudromach gun lean sinn oirnn gar dùbhlanaich fhìn agus gun stèidhich sinn targaidean àrd-amasail gus dèanamh cinnteach à adhartas leantainneach sna bliadhnaichean ri teachd, fhad 's a tha mòran phròiseactan brosnachail agus cruth-atharrachail gu roinneil deiseil airson a thighinn gu buil.

San dealachadh, bu mhath leam mo thaing dhùrachdach a thabhann do Alistair Dodds CBE, a dh'èirich às a dhreuchd mar Chathraiche air HIE san Iuchar 2025 an dèidh ceithir bliadhna san dreuchd agus 11 bliadhna gu h-iomlan mar bhall den Bhòrd. Tha sinn uile aig HIE gu mòr an comain Alistair airson a cheannardais air leth, a chuidich sinn le dèiligeadh ri dùbhlain mhòr eaconamach nam bliadhnaichean mu dheireadh agus le tighinn gu ìre chudromach ann an cothroman gun shamhail don roinn air fad.

STIÙBHART MACILLEDHUIBH
Àrd-oifigear is Oifigear Cunntachail

PERFORMANCE OVERVIEW – ABOUT HIE

In this section, we aim to provide a clear and concise overview of HIE, encompassing our history, vision, purpose, business model and organisational values. We also highlight principal risks and uncertainties, and how these are being addressed.

HISTORY AND STATUTORY BACKGROUND

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

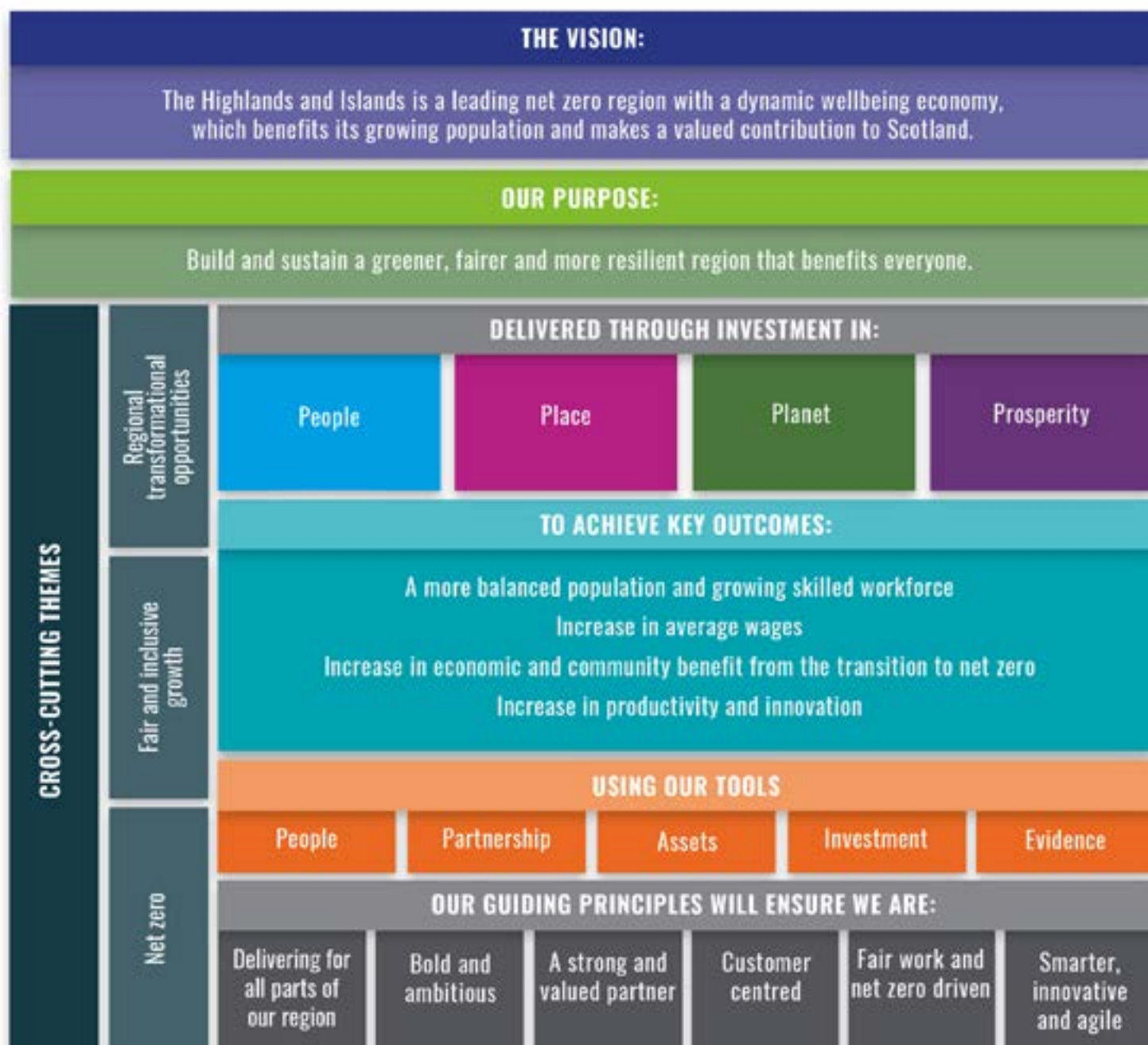
HIE acts as a public agency with a statutory duty to undertake economic and social development across the Highlands and Islands of Scotland.

OUR VISION, PURPOSE AND KEY OUTCOMES

Our [Strategy 2023-28](#) sets out HIE's long-term vision and ambitions for the Highlands and Islands and describes the outcomes we are striving to achieve. Each year, our actions for delivery are detailed in an annual [operating plan](#).

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

Our annual report also reflects these pillars and themes.



BUSINESS MODEL AND ENVIRONMENT

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

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

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; Inne Gall; Lochaber, Skye and Wester Ross; Moray, and Orkney and Shetland.

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

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

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

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

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

NATIONAL INITIATIVES

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

Wave Energy Scotland (WES), a subsidiary of HIE, runs the world's largest wave technology innovation programme. WES is fully funded by the Scottish Government.

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

OUR VALUES

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

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

COLLABORATION

By working with others towards shared goals, we aim to ensure that important issues affecting economic and community development in the Highlands and Islands are considered and tackled holistically. These include subjects that fall outside of HIE's direct remit but play a vital role in a healthy economy, such as housing, skills, childcare and transport.

We seek to build and sustain productive partnership with a broad range of 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
- University of the Highlands and Islands
- VisitScotland
- ZETrans, Shetland's transport partnership

GAELIC

We regard Gaelic language and culture as an asset for Scotland that has a positive role in our regional and national economy.

While our Gaelic Plan focuses on HIE's activities in Gaelic, we also value the Scots language and dialects such as Doric, Orcadian and Shetlandic, and anticipate broadening our engagement in future.

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 2023-2028](#)
- [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](#) (passed in June 2025)
- Our evolving relationships with [Údarás na Gaeltachta](#) and the Consulate General of Ireland for Scotland

BEST VALUE

Our Best Value plan, which we introduced last year, provides an overarching framework for HIE's business improvement activity and is aligned to the HIE Strategy 2023-28 and to the wider public service reform agenda in Scotland.

It is aligned to 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

In 2024/25, we refined the plan to focus on the efficiency and effectiveness measures that HIE is pursuing to enable ongoing delivery at a time of financial constraint across the public sector.

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 means that employees can benefit from each other's experiences. This is equally valuable when outcomes have fallen short of expectations and when positive results have been achieved.

We have been pro-active in learning and applying lessons to support continuous improvement within HIE for many years, but recognise this has not always been handled in a consistent fashion. During 2024/25, we introduced a new approach to improve consistency of practice and systematically encourage open dialogue across the organisation.

OUR PROCUREMENT STRATEGY

The [HIE Procurement Strategy 2024-28](#) was published in January 2024 and is aligned with both the [Public Procurement Strategy for Scotland 2023-2028](#) and the [HIE Strategy 2023-28](#). Through delivering the strategy we aim to achieve the highest standards of professional procurement and value for money,

Each year, we publish an Annual Procurement Report in the [Procurement section of our website](#).

PRINCIPAL RISKS AND UNCERTAINTIES

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

All internal and external risks in the corporate risk register are actively managed at the appropriate level in the organisation. During 2024/25, examples of principal risks that we identified and addressed included:

■ Financial 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 alongside our activity to operate the agency efficiently. Ongoing financial challenges in the public sector may have a sustained and long-lasting adverse impact on our organisation and the region.

Measures we undertook to address this in 2024/25 included: concluding our research on regional transformation opportunities (published in 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; undertaking resource scenario planning; active engagement to conclude EU audit activity, and implementing efficiencies through our Workforce Planning Group and Revenue Fiscal Efficiency Group.

■ Cairngorm

Risks associated with Cairngorm Estate during 2024/25 included the extensive programme of remediation works to bring the funicular railway back safely into service, the negative impact that its continuing absence had on the performance of the operating company and local economy, and resolving ongoing contractual matters.

While these were addressed to a large extent by the funicular's return in February 2025, we need to remain alert to any potential risk that the remediation programme could require further intervention, resulting in the funicular being removed from service once again and thereby causing serious reputational, operational and financial damage both to HIE and the operating company Cairngorm Mountain (Scotland) Ltd (CMSL). At the same time, there is a further risk that CMSL may require significant ongoing public support, leading to serious 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, and regular stakeholder engagement, including Scottish Government.

We also engage actively with the operating company, focusing on actions that will support and accelerate Cairngorm's path towards sustainability as a successful and popular resort offering activities that will attract a broad range of customers throughout all seasons of the year, in line with the Cairngorm Masterplan.

■ Economic and strategic context

Taken together, macro-economic factors ranging from global market, economic and political conditions to the ongoing climate emergency present a set of risks that are exacerbated across the Highlands and Islands by rural issues of peripherality, transport challenges, housing shortages and the need to retain and grow population. During 2025, the global impact of US trade tariffs added further challenge, impacting businesses and key sectors in the region.

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.

■ New strategic opportunities

A key risk is that the present ScotWind opportunity to expand the market for Scotland's production of offshore wind energy may 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 the 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, and the review of electricity market arrangements.

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

■ Regional infrastructure

Regional infrastructure challenges, with key issues being a lack of suitable housing and accommodation; the need for transport improvements, including ferries, and skills that match economic opportunity in the region, may negatively impact sustainable growth and exacerbate depopulation particularly in islands and inclusive growth focus areas. Consequences could include failure to realise the benefits of regional transformational opportunities, weakening of community sustainability, inability to attract inward investors and skills shortages - collectively leading to depopulation and decline.

Collaborative working is essential to address these risks and we are joining forces with multiple partners at local, regional and national levels such as academic institutions, HIREP, HITRANS, ZETTrans and others.

We undertake ongoing data collection and analysis to inform planning and activity, and implement initiatives targeting population, skills and entrepreneurship, with current examples including our graduate placement programme, the Science Skills Academy and IMPACT 30. We are engaging with government on a range of matters, including advocating for the region in the Strategic Transport Projects Review and are preparing an internal action plan to describe HIE's role in supporting rural housing, including chairing the HIREP housing sub-group.

■ Organisational delivery and transformation approach

We recognise a risk of not delivering HIE's Best Value plan effectively, thereby failing to capture evidence to support the efficiencies made and to realise the resulting benefits such as reducing costs, increasing income and changing delivery methods to stay within our revenue budget.

Another risk under this heading concerns information governance, whereby failure in systems controls and governance, cyber security requirements or statutory compliance obligations would have operational, regulatory and/or reputational impact for HIE.

Our Best Value plan provides a strong framework for delivery. We have identified priority themes and KPIs and report regularly to the HIE Leadership Team and Senior Managers to enable ongoing and consistent monitoring and action. Updates are also provided to the Risk and Assurance Committee and we have established a Financial Savings and Efficiency Group.

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

■ Delivery and benefits realisation of key projects

Projects that present risks under this heading include Cairngorm (see above), Wave Energy Scotland (WES) opportunities in the space sector and Arnish industrial estate in Lewis.

Regarding WES, there is a risk that current uncertainty over continuing financial support from the Scottish Government beyond March 2026 could impact both WES and the wider Scottish wave energy sector. We are working with WES to update its strategy and engaging with the Scottish and UK Governments to address this matter during 2025/26.

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 plans to improve 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 on strategic opportunities arising from the growth of the UK space sector. Actions to address this include continuing engagement with the Scottish and UK Governments, UK Space Agency and industry partners; activity by our area teams in several locations, and the formation of a steering group focusing on Sutherland Spaceport.



IMPACT30 participants

PERFORMANCE SUMMARY

This section summarises achievements and challenges during 2024/25, as recorded against our Strategy's four pillars – people, place, planet and prosperity – and its three cross-cutting themes of fair work and inclusion; net zero, and regional transformational opportunities (see strategy diagram, p6)

More detailed information is included in the Performance Analysis chapter (p16)

PEOPLE

A key ambition for HIE is to encourage more young people to remain or move into the Highlands and Islands.

Entrepreneurship support for young people was delivered through the Northern Innovation Hub (NIH) IMPACT30 programme, funded through the Inverness and Highland City-Region Deal. Seventy young entrepreneurs who were already on the programme continued to receive support during 2024/25 while a further 88 joined during the course of the year in three new cohorts. The final cohort started in February 2025.

Growth deal funding also enabled us to deliver our NIH Technology Placement programme and XpoNorth FutureCreative programme for the creative industries, both of which supported skills development and access to sustainable employment.

We launched the Gaelic Digital Challenge Fund to encourage Gaelic speaking content creators under the age of 35 explore how digital tools can amplify audience engagement, promote commercial partnership and create fresh opportunities to share and celebrate our rich Gaelic heritage.

Working through the Highlands and Islands Regional Economic Partnership (HIREP) and local and sectoral groups, we contributed to regional skills planning, particularly to support future delivery of regional transformational opportunities (RTOs). Actions included planning to support jobs relating to energy transition, construction sector growth in rural areas and nature-based skills.



Spotlight: IMPACT30

IMPACT 30 was launched by HIE in 2018 to help nurture and empower the next generation of entrepreneurs, targeting ambitious young business people up to the age of 35. Since then, the 12-month programme has benefited over 200 participants, more than two-thirds of whom have been women.

Although it was initially designed for entrepreneurs in the Highland Council area, HIE provided additional funding to extend the programme's reach across the Highlands and Islands.

Delivered by business skills training consultancy, Skillfluence, the fully funded programme provides comprehensive guidance and support tailored to the individual aspirations of those taking part.

Through mentorship, workshops and networking opportunities, participants are given help to refine their skills and to forge connections that will play a pivotal role in commercialising their business ideas. The 15th and final cohort got under way in January 2025 with 24 people taking part.

IMPACT30 is delivered through the Northern Innovation Hub (NIH), part of the Inverness and Highland City-Region deal, a joint initiative to stimulate sustainable regional economic growth, supported by up to £315m from the UK and Scottish governments, The Highland Council, HIE and the University of the Highlands and Islands.

HIE chaired the HIREP Population sub-group which was set up to develop interventions that directly address issues impacting depopulation. We participated in the Scottish Government Population Programme Board and contributed to delivery of the Addressing Depopulation Action Plan.

Working with Bòrd na Gàidhlig, we developed a new pilot programme to help 12 entrepreneurs from across Scotland unlock the benefits of integrating Gaelic in their businesses. Announced in February 2025, Cruthachadh Chothroman: A' Cur ri Fàs san Àm ri Teachd (Shaping Opportunities: Fuelling Future Growth) covers business skills, financial growth, Gaelic marketing, branding, collaboration and pitching. The programme is delivered by Elevator and got under way in June 2025.

Revenue funding totalling £65k was approved to support the Rural Leadership Programme 2024/25. Ten organisations from across the Highlands and Islands successfully completed the course.

We undertook gap analysis and internal and external consultation to inform development of a more flexible and agile programme for leadership and entrepreneurship support. Subject to availability of revenue funding, the new programme is planned to launch by the end of the 2025/26 financial year and will include targeted support for women's enterprise.

PLACE

HIE awarded contracts for construction of Camas House, a 1,500m² building providing laboratory and office space at our European Marine Science Park near Oban. We also took forward small business unit developments in Benbecula, Broadford and Wick, providing much-needed, modern facilities to support business growth and create economic opportunities in a variety of locations.

In Lewis, we completed a masterplan for the development of Arnish Industrial Estate, a strategic location with the potential to generate a significant pipeline of investment, creating high quality career and supply chain opportunities in the Outer Hebrides.

HIE and Orkney Islands Council (OIC) agreed a new ownership model for the Orkney Research and Innovation Campus in Stromness, with HIE taking on OIC's share in what had previously been a limited liability Partnership (LLP). The change means ORIC LLP is now wholly owned by HIE, which will take forward the next phase of work at the campus and work to strengthen Orkney's position as a global leader in renewable energy. Plans were also put in place for a proposed second phase of ORIC development.

HIE's delivery of the Scottish Land Fund, in partnership with the National Lottery Community Fund, resulted in 37 acquisition awards being made across the country, including 24 projects in the Highlands and Islands, representing 57% of the fund's total investment.



Spotlight: Local development officers

Funded by HIE and the Scottish Government, our Delivery Resource programme enables community organisations to employ locally based development officers to help plan and deliver projects that will generate sustainable community benefits.

Through this programme, we supported communities across the region to deliver a total of 41 important initiatives in 2024/25, including housing in Gigha and Papa Westray, new business units in Tiree and tourism infrastructure developments in Wick and Glengarry.

These projects also secured significant external investment and are expected to contribute to reversing population decline in some of our most remote and rural areas.

We enabled housing projects to progress across the region through a range of interventions. These included support for construction businesses and land acquisition for affordable housing development in island communities. Scottish Land Fund investment of £1.2m also supported eight community-led housing projects, seven of which were on islands.

Space launch services company Orbex's decision in December 2024 to pause construction of Sutherland Spaceport presented a setback for the local community. A masterplan developed for Tongue, Melness and Skerry Community Council is providing a vital framework for future development, however, and a local development officer in the community is being funded by HIE and NRS Dounreay. Orbex remains a significant player in the UK space industry with around 150 FTEs employed at its innovative rocket factory in Moray, and continues to plan its first launch from the region, working with SaxaVord Spaceport in Shetland.

HIE engaged positively throughout the year with local authorities responsible for delivering growth deals in the region and contributed to a call for views led by the Scottish Parliament's Economy and Fair Work Committee. Growth deal projects that progressed during 2024/25 included Calanais Visitor Centre in Lewis, Spaceport 1 in North Uist, and two programmes focusing on net zero: Shellvolution and TalentEd.

Construction got under way on the HIE-led growth deal project, Manufacturing Innovation Centre Moray (MICM), and preparations were made to appoint an operator during 2025/26.

The Cairngorm funicular railway returned to operation at the end of February 2025, when all safety-critical elements of the remediation programme that began in August 2023 had been satisfactorily completed. In announcing its return, HIE noted that further works to address matters affecting the long-term durability and performance of the structure would be carried out during the summer. This resulted in a three-week closure in May 2025, when operating company Cairngorm Mountain (Scotland) Ltd (CMSL) also carried out essential annual maintenance. Recruitment for a new CMSL Chief Executive was carried out early in 2025, and an appointment made in April.

The [HIREP Strategy 2025-2035](#) launched in March 2025, aiming to deliver sustainable economic growth over a ten-year timeframe through partnership working. A delivery plan is anticipated later in 2025, setting out priority actions for the next two years.

We progressed research that will be used to enhance the evidence base and inform HIE's approach to supporting community wealth building, including development of a new action plan.

Our work on transport policy included input to Transport Scotland's [Islands Connectivity Plan](#), reflecting the need for capacity to support economic opportunities along with enhanced and more reliable connectivity for islanders. We also worked with partners to begin development of an integrated Transport Plan for Fort William and engaged with Transport Scotland's A96 Corridor review.

PLANET

Renewable energy has a crucial role to play in progress towards net zero. HIE continued to support and be a member of the Scottish Government's Offshore Wind Investment Programme (OWIP) Board, which is charged with decision-making for a national fund of up to £500m.

HIE and OWIP Board approval was secured for pivotal investment projects at Nigg Inner East Quay and Scapa Deep Water Quay, two of our regional transformational projects that are set to create thousands of jobs in the coming years.

Alongside our partner enterprise agencies, we delivered the Offshore Wind Supply Chain Success Programme and supported the establishment of a new national offshore wind cluster, increasingly targeting support towards small-to-medium-sized enterprises (SMEs) within the region.

Working with Ocean Energy Europe maximised exposure for Scottish projects in EU wave and tidal energy funding calls. Two successful tidal projects were attracted to the European Marine Energy Centre (EMEC) in Orkney, each of them worth around €20m.

HIE engagement in the Scottish Government's Hydrogen Programme Board ensured that regional interests were represented at national level and our active membership of the Scottish public sector hydrogen group was influential in policy and funding decisions. We also supported delivery of the Scottish Government's £7m hydrogen fund. Although delayed, £3.3m was spent during 2024/25, with four of the 12 supported projects based in the Highlands and Islands.

We awarded grant funding to Bakkafrøst Scotland to install Scotland's first pyrolysis plant at Kishorn which converts fish waste to biochar, a soil enhancing product used in the forestry sector. This will significantly reduce business waste and carbon emissions while capturing and storing carbon. £630,000 grant-in-aid funding supported total project costs of £2.5m.

A set of principles for setting up and managing regional funds for community benefits from renewable energy projects was agreed at HIREP during June 2024. Staff continued to promote the principles across the renewables sector, third sector and in relation to transmission as well as benefits from renewables infrastructure.



Spotlight: Inward investment

Effective targeting enabled HIE to attract 15 inward investment opportunities that were distributed across the region and covered several sectors, including energy, food and drink, life sciences, space, and technology and advanced engineering.

All projects were secured through non-financial HIE interventions. Six of the total, supporting the creation or retention of 183 FTEs, were led by investors that were new to the region. On its own, Navantia's acquisition of the Harland and Wolff facility at Arnish (pictured) safeguarded 141 FTEs.

In addition, HIE staff worked with existing inward investors to develop new opportunities and secured nine projects, creating or safeguarding 80 FTEs.



Cnoc Soilleir, South Uist

PROSPERITY

HIE's Green Grant Fund 2024-28 was launched in September 2024. The programme builds on previous support to address both the costs of doing business and the climate crisis through measures such as energy efficiency, renewable technologies and waste management. The fund supports net zero action planning and a reduction in CO₂ emissions.

Two *Fit 4 Offshore Renewables* (F4OR) cohorts were developed, covering Orkney, Caithness and Sutherland, and Islands and Coastal Communities. A total of 18 businesses will be supported to ensure they are ready and certified to contribute to and benefit from growth in the offshore wind supply chain.

Year two of HIE's Innovation programme provided one-to-one advice to more than 200 clients. Nine research and innovation grants were approved, supporting total project costs of £1.4m. We supported six successful external R&D grant applications and delivered 20 knowledge exchange activities across the region, along with the third cohort of our New Product Development programme.

We made use of external resources including the Scottish Manufacturing Advisory Service (SMAS), National Manufacturing Institute Scotland (NMIS) and Smart Manufacturing Data Hub (SMDH) hosted by The Data Lab, to raise client awareness of ways to become more productive through supporting innovation and the adoption of advanced manufacturing techniques and methodologies.

Alongside access to finance, a mix of programme support – including Pathfinder, Impact30, NIH TechHub Phase 2, Business to Healthcare (B2H) and XpoNorth – was key to encouraging entrepreneurship and business growth. Sector specific approaches included the international A3 conference for life sciences, focusing on aquaculture, agritech and animal health, that we hosted in Inverness in September 2024.

International trade support from HIE to 37 clients is expected to generate a forecast increase in export sales of £62.8m.

NET ZERO

We completed the Highlands and Islands' first baselining inventory of greenhouse gas research in summer 2024. Its findings will inform policies around mitigation and adaptation and support development of regional and local plans to reduce emissions and grow the economy.

A significant programme of awareness raising was undertaken across partners, alongside webinars focused on clean heat for the islands and the mainland. The study, carried out on behalf of HIE and HIREP, was valuable in developing key sections of the regional economic strategy, published in April 2025.

A net zero audit of HIE's office buildings and commercial property portfolio was completed in autumn 2024. Detailed work got under way to determine the feasibility of undertaking energy efficiency works and we expected capital works to proceed in 2025/26.

HIE also formed a working group with Scotland's other enterprise agencies, SE and SOSE, to share best practice with regard to net zero strategies for operational properties.

FAIR AND INCLUSIVE GROWTH

HIE's Export Advisory Service was identified as best practice within the Scottish Government's [Gender Export Gap Review](#), published in February 2025 – highlighting the support we provided to female entrepreneurs to assist their plans for expansion into international markets.

We invested £3.25m to support the development and delivery of 13 projects to enhance economic growth and cohesion in Gaelic speaking communities. Two significant capital projects moved to delivery phase after many years of work – Calanais Visitor Centre in Lewis and Cnoc Soilleir in South Uist.

Cnoc Soilleir is a joint venture between Ceòlas Uibhist and UHI North, West and Hebrides. The centre promotes and celebrates Gaelic language and culture and supports learning and research.

In 2024/25, we approved £2.1m funding to support phase two, which aims to create a premier venue for Gaelic education, culture and the arts while supporting organisations such as Ceòlas Uibhist Ltd and UHI North, West and Hebrides. Featuring a 200-seat auditorium, this modern facility will be a centre for community-led Gaelic learning, music and dance in the heart of South Uist.

We progressed work with partners on regional community benefit models and the set of principles agreed through HIREP provide a helpful basis for the future.

Community Wealth Building (CWB) action planning progressed using the initial findings from HIE research which is due to conclude in 2025 and in response to the Community Wealth Building Bill published in March 2025.

REGIONAL TRANSFORMATIONAL OPPORTUNITIES

Significant progress was made on enabling investment for offshore wind with the OWIP Board approving six projects that HIE put forward to progress to due diligence. HIE continues to support the work of the Board and has a pipeline of potential investments under consideration.

We worked with Wave Energy Scotland (WES) to support an updated economic impact assessment of the HIE subsidiary and of potential benefits of wave energy for Scotland.

A Space Enterprise Lab is being established in the new Manufacturing Innovation Centre Moray (MICM) and is scheduled to open in 2025. The Space Applications Catapult agreed to fund the lab by means of a three-year commercial lease of an area of the MICM building.

HIE engaged in the European Commission’s Regional Innovation Valleys Initiative stakeholder group to influence development of suitable funding calls for Scottish companies. The ECIV promotes innovation to develop a circular economy in marine biotech and aims to transform healthcare through digital deep tech innovation.

As a member of the Tourism and Hospitality Industry Leadership Group and Destination Net Zero Partnership, we focused on accelerating delivery of the national tourism strategy Scotland Outlook 2030 and contributed to Community Led Tourism and Net Zero Acceleration Mission Groups.



Sumitomo Electric Industries cable factory under construction at Nigg in March 2025

BEST VALUE

HIE implements a Best Value plan that acts as an overarching framework for our business improvement activity, focused on the themes of strategy, process, resources, technology, products and collaboration.

2024/25 was the third year of capturing and measuring our performance against delivery of the plan. Some areas for improvement were noted, but progress was significant under most headings, with performance trending towards meeting targets.

TARGET	2024/25 OUTTURN	
Proportion of ‘client engaged’ clients who we have had a meaningful engagement in the 12-month period.	90%	93%
Proportion of applications that are made via the client portal	95%	94%
Proportion of claims that are made via the client portal	95%	99%
Proportion of enquiries where contact is made with the enquirer within 2 working days	80%	74%
Supporting clients to access other funding	£40-£50m	£82.8m
Proportion of client engaged clients who have an approved client plan	75%	40%
Proportion of client engagement portfolio that is female-led	40%	51%

In line with the Scottish Government’s national public service reform agenda, we continue to increase our focus on the efficiency and effectiveness measures that HIE is pursuing to enable ongoing delivery within the reduced budget awarded to us – specifically to secure additional income and deliver cost savings in-year.

During 2024/25, we were able to secure £19.3m additional capital income, representing an 83% increase on our baseline capital budget of £23.2m, and a further £251k in sponsorship activity.

We established a Financial Saving and Efficiency forum to oversee the prioritisation and pursuit of efficiency opportunities and ongoing capture of savings. The new forum works alongside existing workstreams and governance arrangements to support our Best Value activity.



PERFORMANCE ANALYSIS

This section analyses HIE's achievements during 2024/25 in the context of our strategic framework. It includes a summary of the economic context and performance analysis conclusions.

ECONOMIC CONTEXT

Economic growth in Scotland strengthened in 2024, with output rising by 1.1%, although the pace of growth slowed in the second half of the year. This was similar to the trend for the UK, largely due to rising costs, uncertainty in global markets and ongoing tensions in Russia, Ukraine and the Middle East.

There were some encouraging signs of growth in early 2025, with [Scottish Government statistics](#) showing GDP increasing 0.7% in Scotland over the three months to February. However, some activity and confidence indicators remain subdued with the [Growth Tracker for Scotland](#) falling to 45.6, its lowest level since November 2022. This reflected the mix of challenges facing businesses, including rising costs and uncertainty surrounding US trade policy,

Consumer sentiment also weakened at the start of the year. Despite employment remaining broadly stable and earnings outpacing inflation, households continued to report that finances remain under pressure and this was expected to persist.

The labour market in the Highlands and Islands has been largely consistent in recent years. Unemployment averaged a rate of 2.3% during 2024/25, significantly lower than the rates for Scotland (3.2%) and the UK (4.0%). However, business survey indicators show evidence of a gradual easing in the Scottish labour market, with businesses marginally reducing headcount over four consecutive months to March 2025.

The environment for businesses is predicted to remain difficult for the medium-term given continued uncertainty surrounding global trade policy and wider financial market volatility. This will be compounded with the challenges from rises in the cost of energy and National Insurance contributions, alongside an expected increase in inflation.

[HIE's business panel survey](#) undertaken in November / December 2024 showed confidence in the economy had dropped to its lowest reported level in two years. Almost half (46%) of businesses cited economic uncertainty as the biggest challenge they face. However, there was optimism for the future with almost half of respondents aiming for growth and around three quarters reporting they had performed well remained fairly steady. Over three in five businesses are currently investing or planning to invest in the future, with workforce development and wellbeing the greatest immediate priority.

Our island communities endured disruption to ferry services over the past year, creating operational and financial challenges for businesses. Thirty percent of island firms who took part in our survey considered transport connectivity one of their biggest challenges.

PERFORMANCE AND INVESTMENT ANALYSIS

During 2024/25 we placed increased focus on interventions that directly contributed to the achievement of our four key outcomes, along with working with partners to capitalise on the unprecedented range of time-limited regional transformational opportunities.

We continued to support place-based development, including the extension of delivery resource in community anchor organisations throughout the region, and progressed our commitment to net zero and innovation set out in the HIE Strategy 2023-28.

Modelling and mapping enabled us to identify disadvantaged areas that require targeting to support inclusive growth, resulting in a new category of Inclusive Growth Focus Areas (IGFAs). These are now consistently represented within organisational targets and underpin our spatial policy. The performance analysis highlights progress made and demonstrates a strong performance across all measures to support these areas.

We met the majority of our targets across the region through a strong and balanced set of interventions, with a particularly good performance against increase in productivity (%), innovation, green jobs and across IGFA measures.

£78.5m was approved for 611 financial interventions with a total project cost of £177.5m. Of the total financial approvals, £42.74m was awarded to 538 third party interventions to 433 organisations. 41% of the volume and 20% of the total value of financial approvals was to interventions within IGFAs. 34% of approved funding within IGFAs was to social enterprise, more than ten times greater as a proportion than in non-focus areas (3%).

To increase efficiencies, we placed more emphasis on direct delivery using our staff resource, maximising the use of in-house expertise and alleviating pressures on a restricted revenue budget. 1,079 non-financial interventions were delivered through a range of support including advice, information and help to access external investment.

There was a good spread of investment across the region with a particularly positive picture for Argyll and Islands (19% investment / 14% population), Orkney (11% investment / 5% population) and Outer Hebrides (9% investment / 6% population).

We supported 1,527 different organisations through one or more enquiries, financial interventions, non-financial interventions, ongoing client engagement or events. 594 individuals submitted an enquiry or attended an event.

- 695 clients and 517 individuals logged at least one enquiry
- 245 clients were supported with direct financial interventions
- 218 clients were supported with non-direct financial interventions
- 683 clients were supported with non-financial interventions
- 147 clients and 279 individuals participated in an event

2024/25 saw the highest level of investment in community organisations in three years with £7.5m approved supporting a wide range of new assets and development work across the region with a strong emphasis in focus areas.

Alongside supporting access to funding, considerable staff effort was key to developing business cases and securing investments in key assets to support offshore wind developments.

HIE STRATEGY – KEY OUTCOMES

Our strategy sets out four key outcomes for 2023-2028 (see below). These outcomes are subjects of cross-cutting influence and impact and provide a focus for HIE's approach and delivery. They align clearly with the National Strategy for Economic Transformation, demonstrating HIE's ambition and commitment to contribute positively to Scotland's economy and related National Performance Framework indicators.

In our second year of implementing the strategy, HIE's interventions delivered a substantial contribution towards key outcomes.

Science Skills Academy



**HIE Strategy
2023-2028**

**Four key
outcomes**

**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**

- 859 individuals supported to upskill
- 122 entrepreneurs supported
- 43 community leaders supported
- 33 graduate or technology placements
- 30 communities receiving support from delivery resource
- £8.9m investment in housing
- 64 housing units enabled

- 765 FTEs
- £31,105 average wage
- 32% of all jobs supported pay above HIE's target of £34,000
- 28% of jobs paying >£34k were in technology and advanced engineering

- 242 green jobs
- £73.1m green capital asset investment
- £24.2m external green investment secured
- 42 organisations to supported adopt/ embed net zero
- 79 organisations supported in developing action plans for net zero
- 40 assets with net zero objectives supported
- 30 communities receiving support from delivery resource

- 40 organisations increasing productivity by 54%
- 415 organisations supported to innovate
- £5m business expenditure in R&D enabled
- 15 organisations engaged in R&D
- 263 new products, processes or services
- £222.7m increase in turnover
- £62.8m increase in international sales
- 15 inward investment projects secured
- 30 communities receiving support from delivery resource

Inclusive growth focus areas

- 319 individuals upskilled
- 100% of investment in housing
- 100% of housing units enabled

- 293 FTEs
- £30,647
- 45% of all jobs supported pay above HIE's target of £28,500
- 28% of jobs paying over £28.5k were in food and drink

- £17.6m green capital asset investment
- 27 assets with net zero objectives
- 15 organisations to supported adopt/ embed net zero
- 18 organisations supported in developing action plans for net zero

- 19 organisations supported to improve productivity
- 144 organisations supported to innovate
- 114 new products, processes or services
- 3 social innovation projects

Community organisations

- 11 individuals upskilled
- 100% of investment in housing
- 58 housing units enabled

- 88.5 FTEs
- 12% of all jobs supported pay above HIE's target of £28,500
- 71% of jobs paying >£34k were in creative industries

- £10m green capital asset investment
- 15 organisations supported with net zero action plans
- 5 organisations supported to adopt/ embed net zero
- 21 assets with net zero objectives supported

- 6 organisations supported to improve productivity
- 38 organisations supported to innovate
- 41 new products, processes or services
- 5 social innovation projects

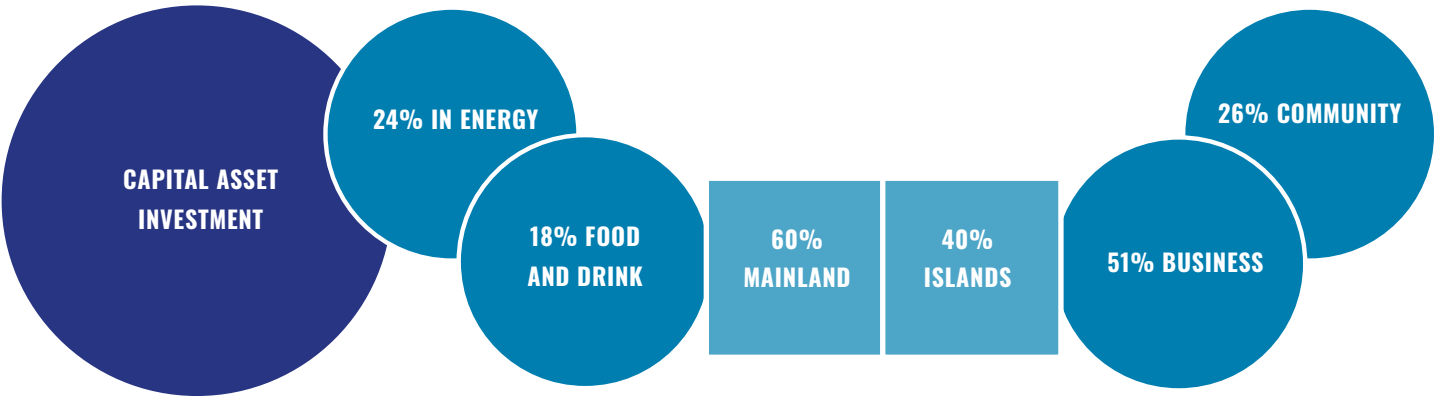
PRIMARY MEASURES	TARGET RANGE 2024/25	FORECAST OUTTURN 2024/25*		PREVIOUS OUTTURN 2023/24
No. of organisations supported to increase productivity	60 - 70	40	●	50
Average increase in productivity	15%	54%	●	64%
No. of organisations supported to innovate	200 - 230	415	●	224
No. of new products, processes or services developed	80 - 100	263	●	183
Innovation investment in supported organisations (£m)	30 - 40	32	●	6.6
No. of organisations supported to develop or implement a net zero action plan	50 - 60	79	●	47
No. of community-led projects supported	80 - 100	271	●	296
No. of jobs supported (FTEs)	600 - 700	765	●	1,248
Green jobs supported (FTEs)	70 - 90	242	●	271
No. of jobs supported in Inclusive Growth Focus Areas (FTE)	200 - 250	293	●	365
Average wage of jobs supported (£/FTE)	£34,000	£31,105	●	£33,664
Average wage of jobs supported in Inclusive Growth Focus Area (£/FTE)	£28,500	£30,647	●	£29,688
External investment secured (£m)	40 - 50	81.6	●	270.9
External green investment secured (£m)	12 - 15	24.2	●	248.5
External investment secured in Inclusive Growth Focus Areas (£m)	15 - 18	23.7	●	14
External investment secured in supported community orgs/social enterprises (£m)	8 - 10	28.4	●	17
Capital asset investment (£m)	65 - 80	152.8	●	412.8
Green capital asset investment (£m)	20 - 25	73.1	●	371.7
Capital asset investment in Inclusive Growth Focus Areas (£m)	35 - 40	48.3	●	26
Capital asset investment in supported community orgs / social enterprises (£m)	18 - 20	40.2	●	15

* Performance is forecast as it typically relates to the expected outturn from our interventions recorded at point of approval.
Italics indicate outputs from wider measurement framework rather than targets.

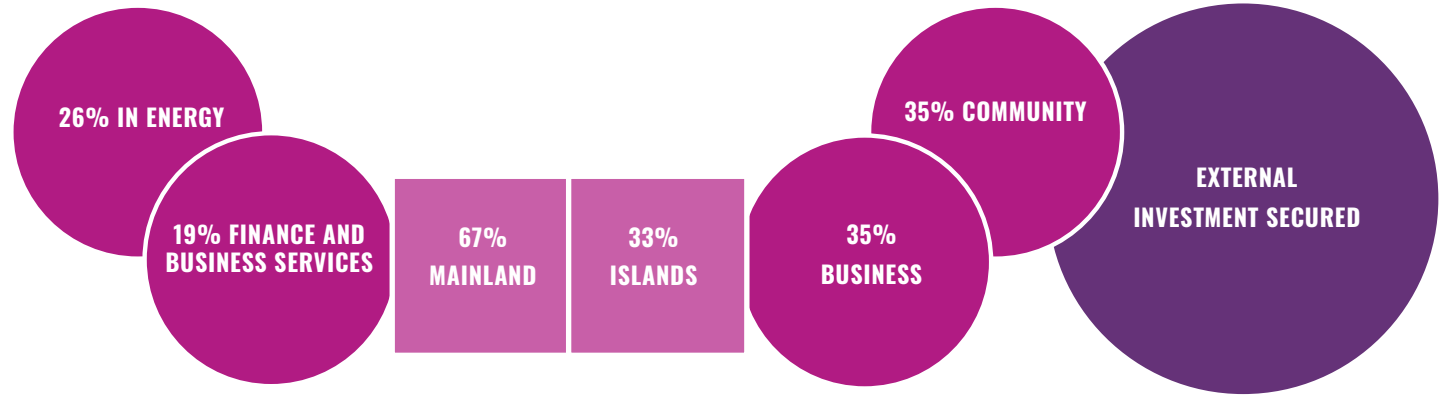
The number of organisations supported to increase productivity was below target, however the percentage increase (shown in line 2) exceeded the target, representing a positive outcome overall. The volume of FTEs on lower wages impacted the average wage out turn, although this was influenced by investments in inclusive growth focus areas, which have safeguarded important jobs as well as creating new ones.

Previous outturn includes Sumitomo as noted in previous annual accounts which significantly impacted out-turns relating to the number of jobs supported, average wages, and capital asset investment and external investment secured (including green counterparts).

TRACKING MEASURES	FORECAST OUTTURN 2024/25*
Increase in turnover (£m)	236.2
Increase in turnover in the social economy (£m)	13
Increase in international sales (£m)	62.8
Jobs housed (FTE)	143
CO2e savings in supported organisations	1480



We supported both long-standing and emerging sectors to invest in new or improved assets, with the highest outturns delivered by the energy sector. Significant contributors include the planned Nigg Inner East Quay development by Global Energy Nigg Ltd (£31.1m) and Cnoc Soilleir Gaelic cultural centre in South Uist (£7.9m). Support was well-distributed across the region, and positively, 40% of investment was in islands, far in excess of the population share of 22% (2022 Census). This was heavily influenced by the support for Islands Growth Deal projects including Calanais Visitor Centre (£8.8m).



33% of the external investment that was secured related to interventions in islands. As with capital asset investment, the proportion of external investment in island locations was significantly higher than the population share and was generally well balanced between businesses and community organisations. Cnoc Soilleir (£7m) and Calanais Visitor Centre (£9.4m) were among the highest outturns for all interventions securing external investment. A community intervention with Farmer Jones Academy was supported to secure £1.1m of external investment.

Investment-related outturns were lower than in 2023/24, although investment was more evenly spread throughout the region and across the client portfolio. A key difference was the absence of a large outlier, with the investment of Sumitomo subsea cable factory project impacting significantly in 2023/24.

In 2023/24, investment was strongest in the technology and advanced engineering (TAE) sector. This year, however, there was an increased focus on the energy sector in terms of capital asset investment and external investment secured. The balance of investment not occurring through businesses or communities was typically associated with growth deals supported through the public sector.

PRODUCTIVITY AND INNOVATION

Productivity

Following the pilot of a new performance measure to monitor increases in productivity (a key outcome in our Strategy), we targeted a minimum average increase of 15%. The food and drink sector recorded the largest number of productivity improvements with 40 financial interventions supporting an average increase of 54%. The aggregate forecast increase in turnover of £45m correlates with a rise in costs of £20m.

Eight of the forty organisations anticipated an increase greater than 100%. Excluding the outturns above 100%, the average productivity increase remained above HIE’s target at 23%.

The larger increases in productivity accrued from capital equipment investment by Lochaline Quartz Sand Limited (104%), investment in kegging and carbonating machines by Black Isle Brewery (112%) and the purchase of high-tech equipment by bespoke joinery manufacturer Angus & Mack Ltd (100%).

Innovation

Having increased the focus on innovation within HIE’s targets, outturns for innovation investment improved substantially from the previous year. Innovation-themed large capital projects included assets in energy and food and drink, such as improvements at R&B Distillers on Raasay. Moray and Orkney will benefit from planned growth deal investment in innovation centres with a focus on energy transition (Orkney Research and Innovation Campus Phase 2) and manufacturing (Manufacturing Innovation Centre for Moray (MICM)). These important new assets are key to realising regional transformational opportunities (RTOs).

Outturns for other innovation targets and related measures were generally higher than the previous year, with increased recording of programme interventions. Over 90% of 415 organisations supported to innovate were assisted through Impact30, XpoNorth, and Northern Innovation Hub, part of the Inverness and Highland City-Region Deal.

New avenues of support combining net zero and innovative approaches were explored in collaboration with Moray Chamber of Commerce where improved access to training and advice was designed to improve capacity to plan for net zero and develop new practices to achieve progress. A significant number of new products, processes and services are forecast to be developed as a result of our innovation support, including 13% by community organisations showing a strong level of social innovation.

JOBS SUPPORTED AND AVERAGE WAGES

We supported 765 full-time equivalent jobs (FTEs) with 60% being created and 40% retained – a higher proportion of new jobs created than 2023/24. There was a very positive outturn in focus areas where jobs supported exceeded our target.

An additional 1,038 jobs were enabled through property investments, temporary roles and generated employment opportunities. We estimate an additional 325.5 FTEs¹ are likely to be created, along with 572 future employment opportunities.

¹ Calculated by adding FTE jobs housed + FTE job years (total/2 to be equivalent to 2 years in a full-time position) + apprenticeships.

EMPLOYMENT RELATED OUTPUTS	ALL OUT-TURN	INCLUSIVE GROWTH FOCUS AREAS	GREEN
Jobs housed (FTE)	143	30	60
Employment opportunities created	572	108	421
FTE job years supported	281	3	280
No. of apprenticeships supported	9	4	7
Graduate and technology placements supported	33	10	8
	1038	155	766

In the previous two years, HIE supported large projects that impacted significantly on the jobs supported and average wages outturns (Ross-shire Engineering in 2022/23 and Sumitomo in 2023/24).

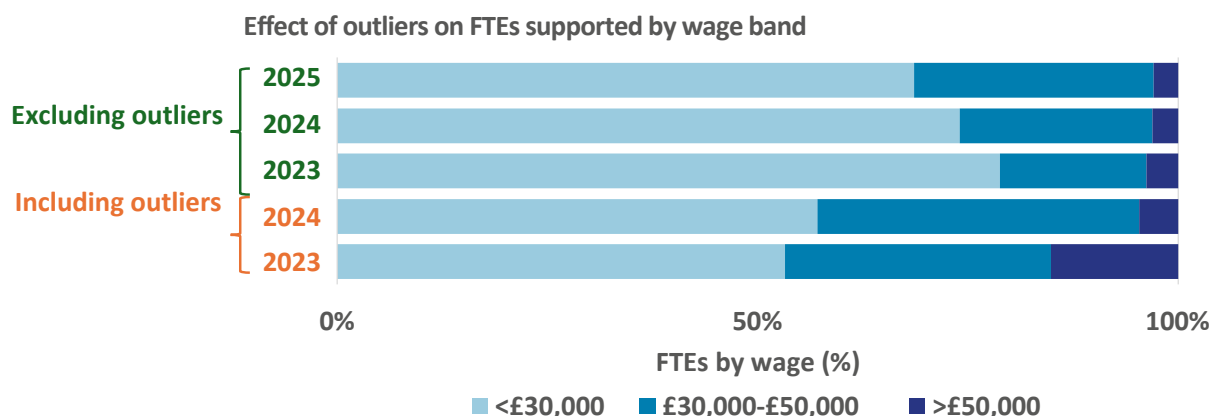
In 2024/25, the average wage of jobs supported by HIE, excluding Sumitomo, exceeded our target for the third year in succession and grew by 3% compared with the previous year.

Some 32% of FTEs supported paid a wage at or above HIE’s regionwide target of £34k, 28% of which were in technology and advanced engineering. A highlight this year was that the average wages from investments in focus areas exceeded target by almost 10% and were almost on par with the overall regional target.

FTEs supported by wage FY24 and FY25



Arrows indicate change in performance relative to previous year
Percentages may not sum to 100% due to rounding



The following were treated as outliers: Ross-shire Engineering in 2023, and Sumitomo in 2024

There has been an increase in support to investments generating job outcomes in sectors such as technology and advanced engineering (when 2024/25 outlier removed); energy, and life sciences, which have contributed strongly to delivering the outturns for average wages and jobs supported.

Six percent of jobs paying over £34,000 were in creative industries and 22% in food and drink, with the latter strongly influencing the average wage supported in focus areas. Although wages in tourism have typically been below the average wage target, the sector has been encouraged to support increased wages at or above the real living wage and notable investments were made in remote areas and in focus areas.

NET ZERO

Significant green investments created positive outturns this year. Some 32% of jobs supported were green jobs – more than a fifth of them in the food and drink sector – presenting a rise from 22% in 2023/24.

This indicates the shift in direction set out in our strategy. Island investments generated 81% of the green jobs and 30% of the green capital asset investment. Investments in the energy sector accounted for the majority of green capital asset investment (44%) and green external investment secured (87%).

The islands received a high proportion of support for asset development and the generation of green jobs, while mainland areas saw more support for strategy development and embedding net zero practices.

There was especially strong engagement from the food and drink and tourism sectors in net zero along with the capital asset development in energy and TAE indicative of the growing opportunities in the region.

INVESTING IN COMMUNITIES

2024/25 represented the highest value of approvals made by HIE to community organisations in three years with a total of £7.5m invested. These were mostly in islands and particularly in the Outer Hebrides due to the Cnoc Soilleir and Calanais investments.

Thirty community anchor organisations, most of them in focus areas, were supported with delivery resource during the year, which enabled them to develop a wide range of assets and provide vital services for their communities. Housing, business units, tourism infrastructure projects and net zero projects were progressed.

Options appraisal and financial modelling were also supported to take forward planned developments in social care and childcare, which play an important role in underpinning the regional economy.

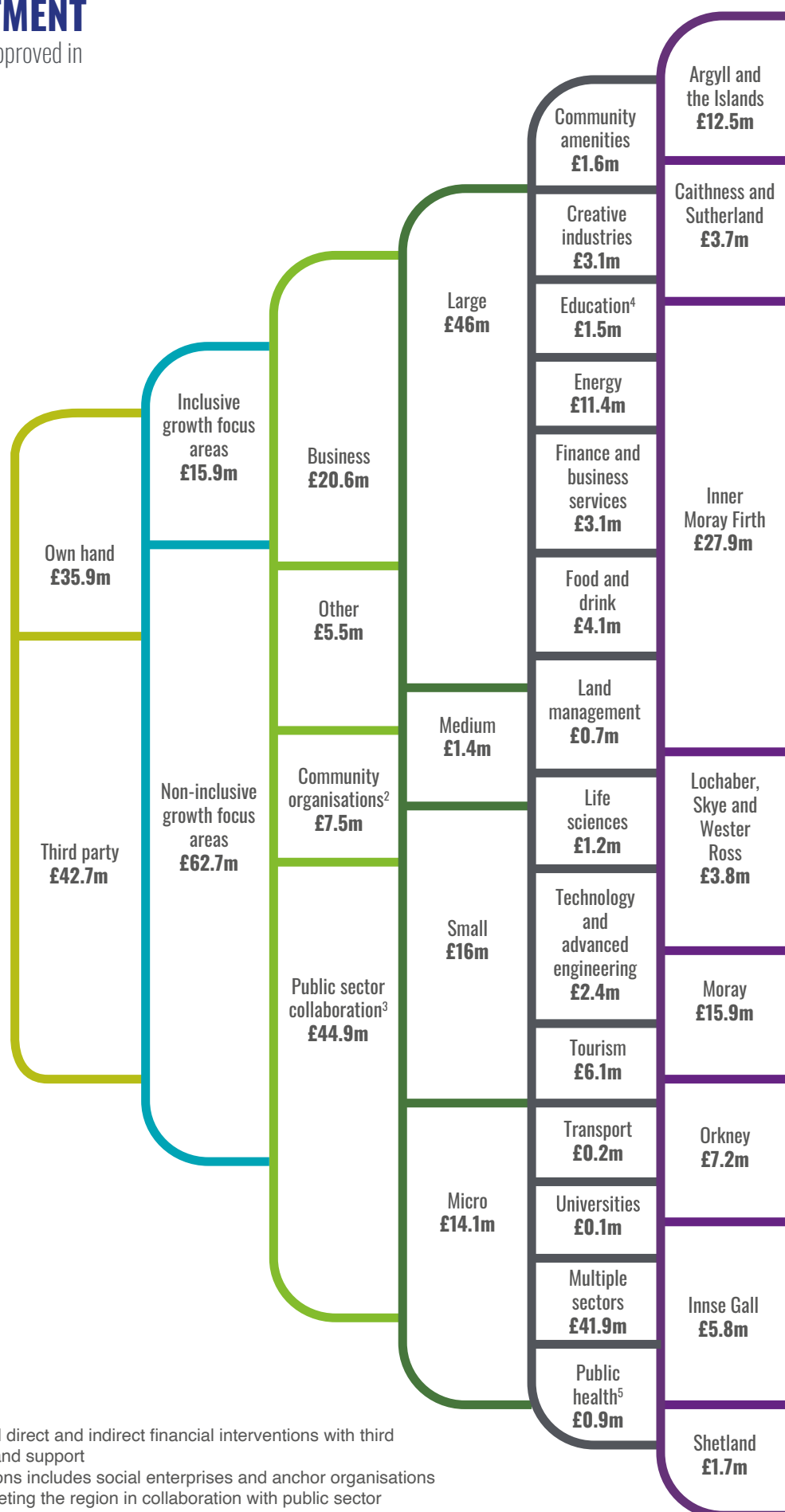
Community organisations are key to delivering housing in rural areas and we supported the creation of 58 new housing units.

Social innovation and net zero actions featured strongly, with £10m of green capital asset investment delivered this year and 21 assets with net zero objectives supported. Net zero is being embedded into wider developments to improve sustainability and deliver community benefits, with examples including our investment in Farmer Jones Academy in Easter Ross.

HIE's INVESTMENT

£78.5m investment approved in

611 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.

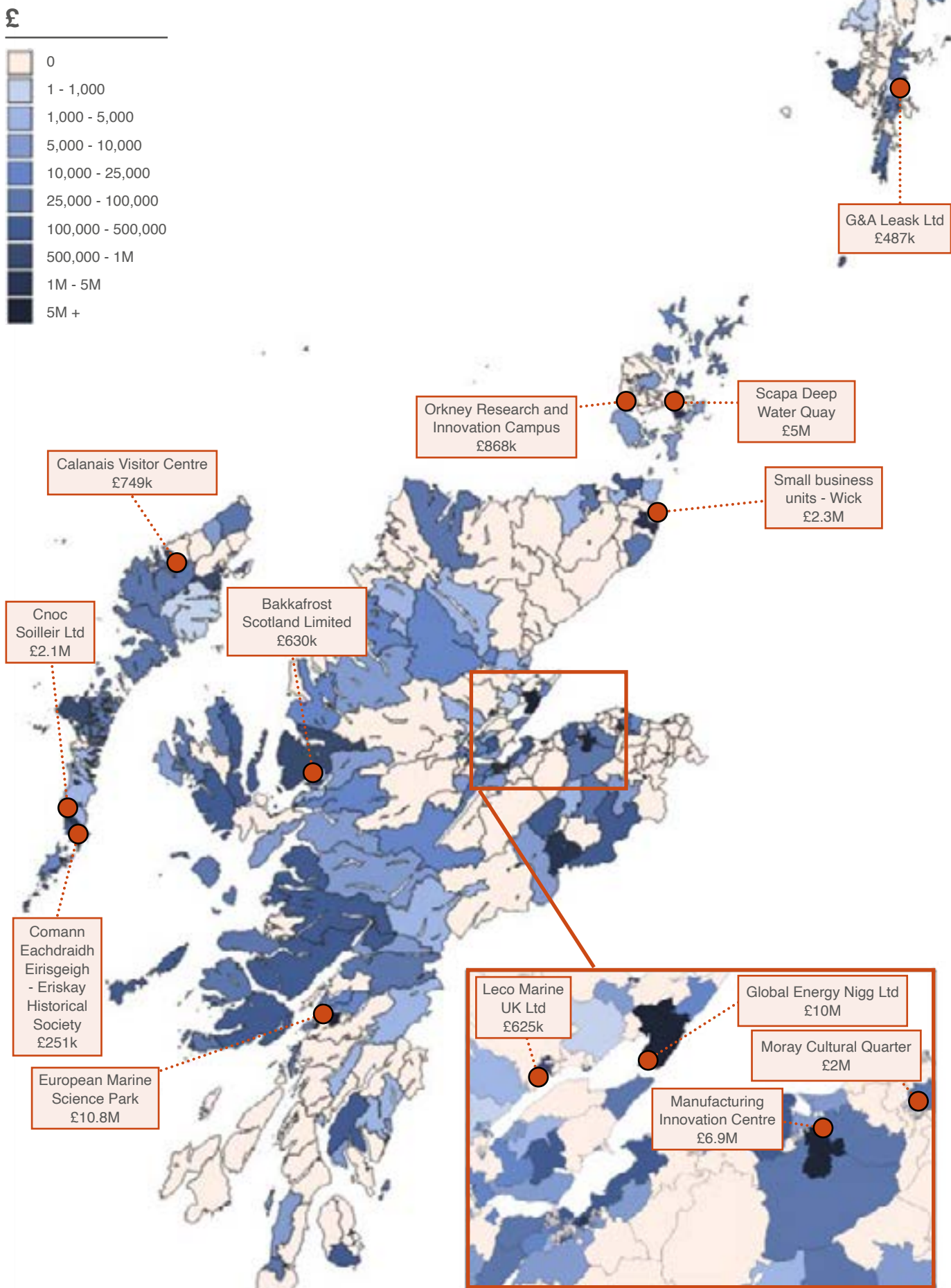
⁴ Education, training and employment

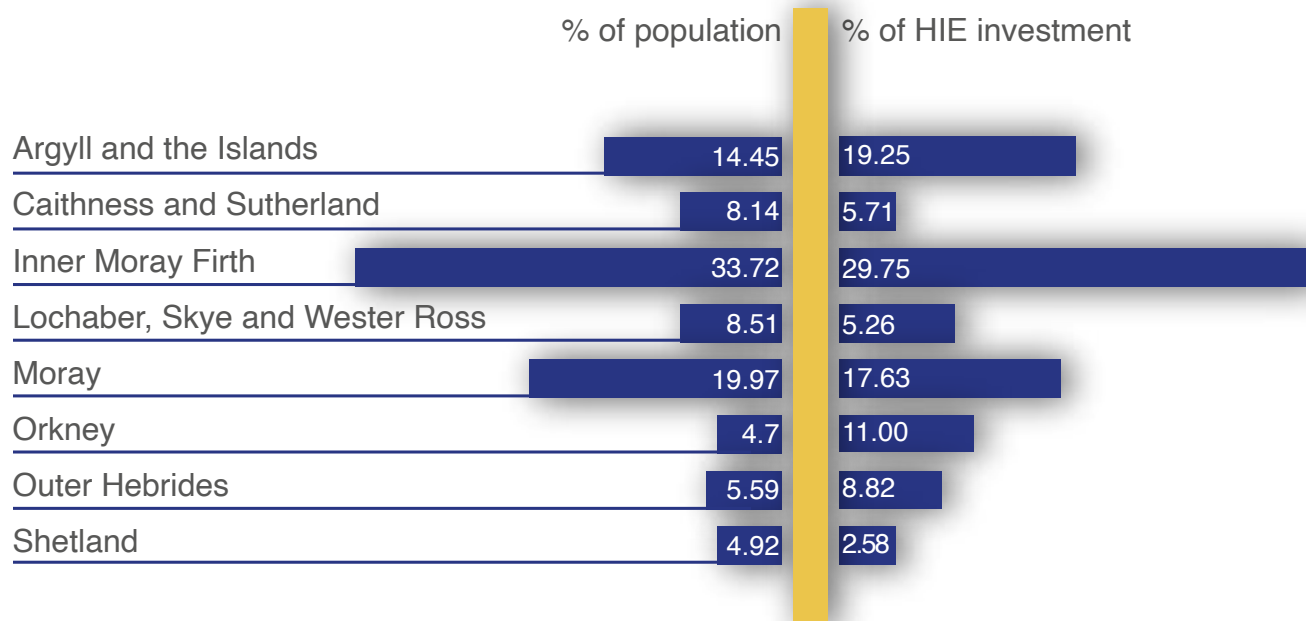
⁵ Health, housing, environment, sport

Values may not sum to £78.5m due to rounding

Geographic distribution of HIE investment 2024/25

(Direct, indirect financial assistance and pan-area approvals*)

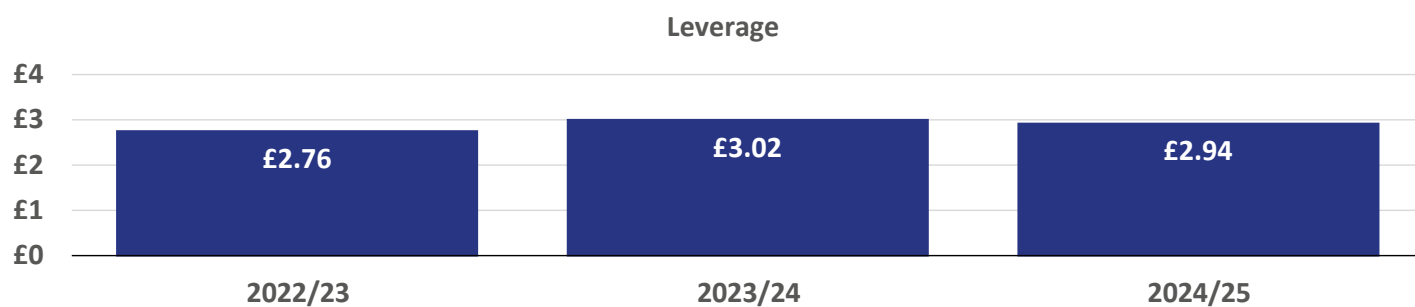




LEVERAGE AND INTERVENTION RATE OF THIRD-PARTY INVESTMENT

Leverage and intervention rates

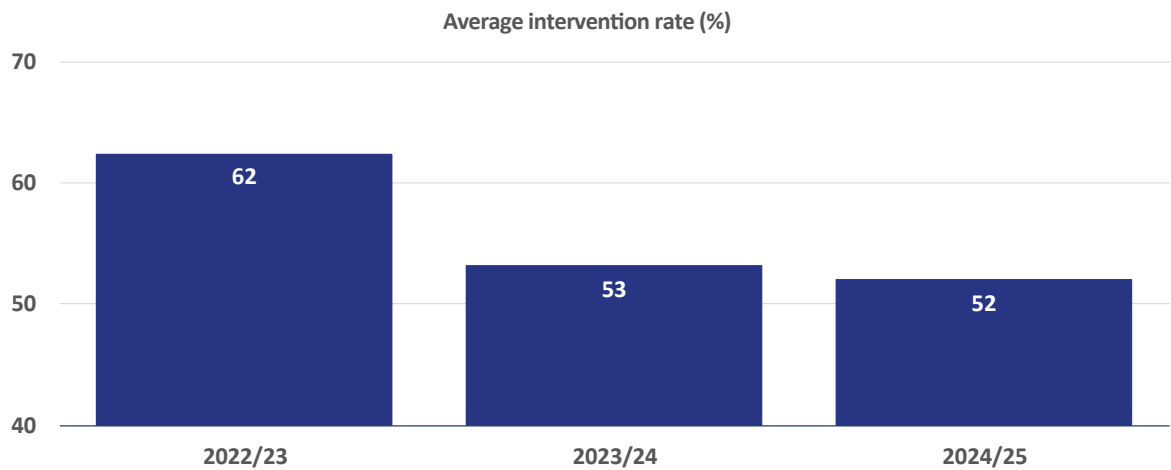
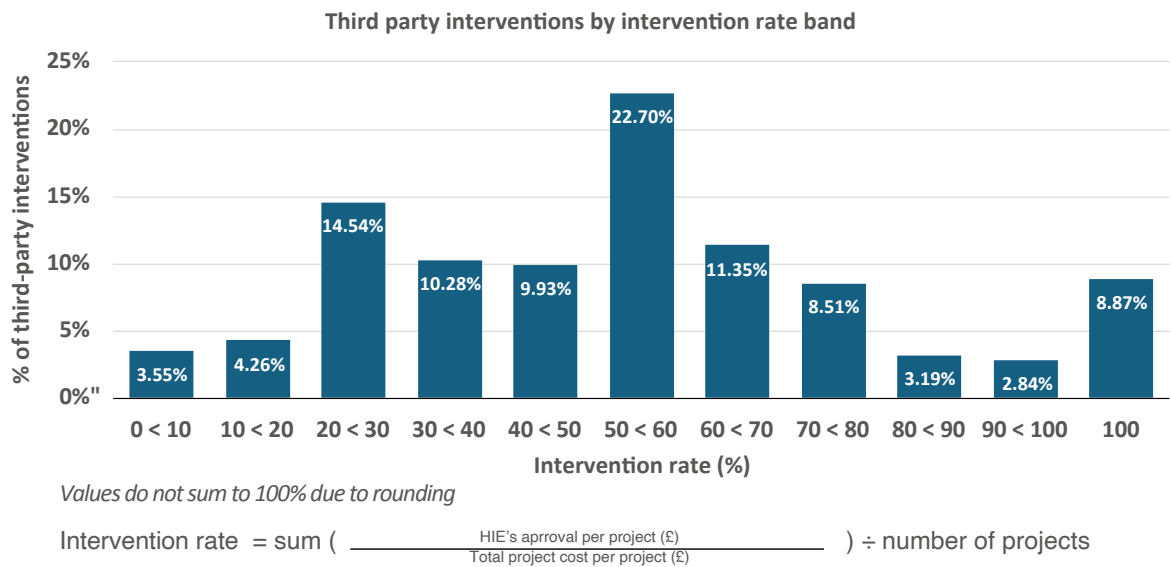
Every £1 of HIE funding approved to support third-party projects, directly levered £2.94 of other funding. Leverage achieved has been similar over the last three financial years when outliers are excluded.



Excludes the following outliers: Ross-shire Engineering in 2022/23, and Sumitomo in 2023/24

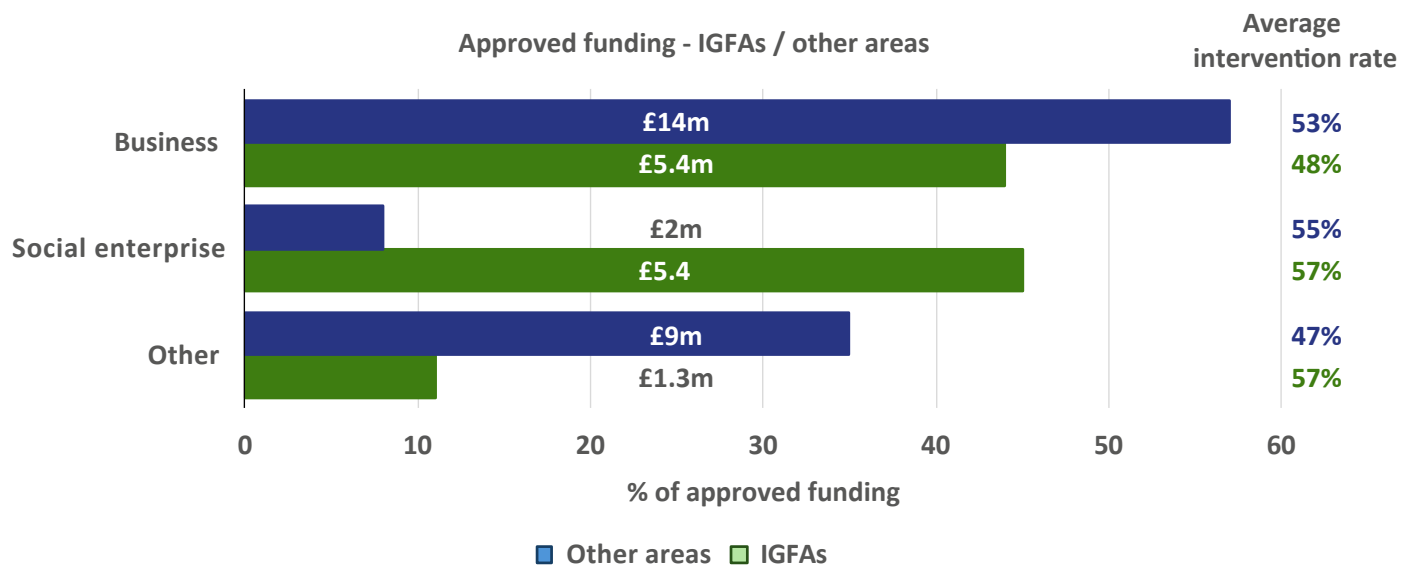
Leverage = $\text{sum} \left(\frac{\text{Total project cost per project (£)} - \text{HIE's approval per project (£)}}{\text{number of projects}} \right)$

Across all third-party projects, our average intervention rate was the lowest in three years at 52% but with a wide spread, as illustrated below. 58% of all 282 financial interventions received 50% or above.



Following Board endorsement of the Inclusive Growth Focus Area model in 2024, targets were included for 2024/25 along with commitments to use levers such as flexible intervention rates as a means of stimulating investment. Analysis concluded that:

- A greater proportion of 100% funded projects were in focus areas but average intervention rates were the same as other areas.
- Although intervention rates for social enterprises were higher than for businesses, intervention rates for businesses in focus areas were lower (48%) than for other areas (53%).



FINANCIAL MANAGEMENT COMMENTARY

This section provides commentary to support the Financial Statements and our performance during financial year 2024/25 plus a brief section on future financial outlook. The Financial Statements are set out from page 61. Note 4 to the Financial Statements on page 74 details the net operating costs for each of the segments below and notes 5 to 10 on pages 76 to 79 set out the expenditure and income in detail. Below are the largest movements in spend, comparing 2024/25 to 2023/24.

DISCRETIONARY SPEND £18.6M (£3.6M DECREASE)

Generally, this is expenditure that is controlled and directed by HIE's area teams (which cover eight geographical areas within the region) and business units who deliver region wide programmes and strategic investments. The key reason for the decrease in spend was that the opening discretionary revenue budget in 2024/25 was £1.8m lower than in 2023/24 due to the 4.9% budget cut in 2024/25 to HIE's core revenue funding in addition to having to manage inflationary and pay award pressures. The result was the requirement to cut the discretionary budget. A further factor was reduced spend on the Destination Management Organisation (DMO) programme with spend of £1.0m in 2023/24 but only £0.2m in 2024/25 as the programme wound down.

BUSINESS SUPPORT £5.8M (£0.5M DECREASE)

Business support relates to internal expenditure which directly supports the frontline activities of the organisation, for example, irrecoverable VAT and property factoring costs. The lower spend in 2024/25 was primarily due to reallocating £0.7m spend to management, staff and administration costs for salary and ICT costs and reduced spend of £0.2m on legal fees and tax advice. There was also £0.4m included in 2023/24 for a Pension Recovery Plan lump sum payment while the payment was made from the management, staff and administration budget in 2024/25. These reductions in spend were partially offset by increased factoring spend of £0.2m and increased capital spend of £0.7m on the ERP finance system implementation.

PRIORITY INVESTMENTS £25.9M (£2.9M DECREASE)

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

The key reason for the decrease in spend was that HIE did not receive a Financial Transactions (FT) budget in 2024/25 so that while there was £2.3m spend on FTs in 2023/24 there was zero spend in 2024/25. In addition, top-sliced revenue spend in 2023/24 included £0.7m spend for the removal of shot blast waste at Arnish Industrial Estate, Isle of Lewis.

CAIRNGORM MOUNTAIN (SCOTLAND) LTD (CMSL) £2.1M (£0.1M INCREASE)

CMSL is a subsidiary of HIE that operates at Cairngorm Estate. HIE expenditure relates to support for the operating company.

WAVE ENERGY SCOTLAND (WES) £2.3.M (£1.1M DECREASE)

Wave Energy Scotland (WES) is a subsidiary of HIE whose purpose is to research and develop wave energy technology that can survive in real world conditions. It receives specific funding via HIE from the Scottish Government and does not draw upon HIE's core funding. The opening WES budget and expenditure in 2024/25 was £1.1m lower than in 2023/24.

HIE ORKNEY £0.9M

HIE Orkney is a subsidiary of HIE which during the year acquired a 50% share of Orkney Research and Innovation Campus LLP (ORIC) from Orkney Islands Council (OIC). Expenditure of £0.9m during the year represents the cost of HIE Orkney obtaining the OIC share of Orkney Research and Innovation Campus.

ORKNEY RESEARCH AND INNOVATION CAMPUS LLP (ORIC) £0.0M

ORIC, previously an associate, became a subsidiary of HIE on 20 March 2025. The purpose of ORIC is to develop and operate 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 period from 20 March 2025 to 31 March 2025 a surplus £22k was made by ORIC.

OTHER INCOME LESS OTHER EXPENDITURE £1.6M (£1.0M 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, which can show a credit balance if an ECL is released due to a loan being brought back on track. The increase relates to ECLs, which showed a debit balance of £0.4m in 2023/24 and a debit balance of £1.4m in 2024/25.

INCOME FROM EUROPEAN FUNDS (£0.0M) (£0.2M DECREASE)

European income was zero 2024/25 due to EU-funded programmes coming to a conclusion and HIE activity being on concluding EU audits.

MANAGEMENT, STAFF AND ADMINISTRATION COSTS £18.7M (£2.1M INCREASE)

Salary costs were £0.75m higher in 2024/25 due to the level of pay award. In 2024/25 a £0.6m Pension Recovery Plan Lump Sum payment and £0.2m Audit Scotland fees were made from this budget while in 2023/24 these payments were made from Business Support. A £0.5m recharge to project budgets made in 2023/24 was only £0.06m in 2024/25 due to the charge only being made for the Scottish Land Fund to comply with the funding agreement.

BEST VALUE AND EFFICIENCIES

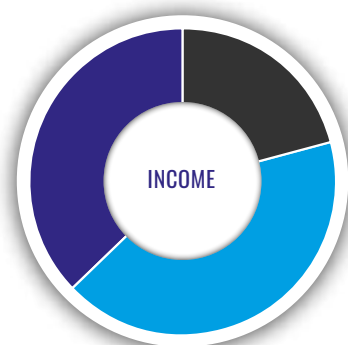
During 2024/25 HIE continued to implement its Best Value plan realising significant savings to enable it to meet running the business costs alongside core delivery of business and community support and strategic projects.

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 £6.4m received from the Scottish Government. This included £5.2m from the Offshore Wind Investment Programme (OWIP).

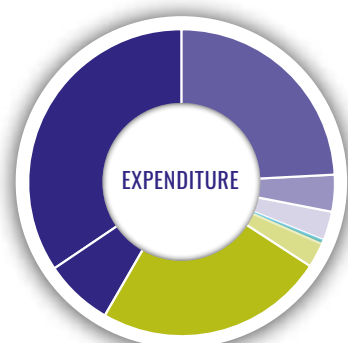
The table below lists a selection of capital projects from across the region where HIE's investment in 2024/25 was £0.5m or higher.

PROJECT	SPEND £M
Sumitomo Electric Industries – cable factory at Nigg, Easter Ross	£4.75m
Camas House construction, European Marine Science Park, Oban, Argyll	£3.8m
Bakkafrost "Applecross" aquaculture R&D project, Wester Ross	£2.4m
Small business unit construction, Broadford, Isle of Skye	£1.4m
Scapa Deep Water Quay, Orkney	£1.3m
Fair Isle Bird Observatory and guesthouse new build	£1.3m
Inverness Castle visitor attraction	£1.2m
Sutherland Spaceport Limited (Orbex) – Development of spaceport at Melness, Sutherland	£1.0m
Purchase of Orkney Islands Council's share of Orkney Research and Innovation Campus	£0.9m
Purchase of An Lòchran, First Floor, Inverness Campus	£0.8m
Spaceport 1 – enabling works, Isle of North Uist	£0.8m
Stornoway Deep Water Port, Isle of Lewis	£0.7m
Ross-Shire Engineering – modular water treatment filtration project	£0.6m
Small business unit construction, Balivanich, Isle of Benbecula	£0.6m
Port Ellen playing fields community hub and motorhome site, Isle of Islay	£0.5m
G & A Leask Ltd – commercial property infrastructure development, Lerwick, Shetland	£0.5m



- GIA revenue 37%
- GIA capital 42%
- EU income 0%
- Other trading 21%

Total income **£77.8m**



- Regional significant investments 33%
- Business support 7%
- ORIC and HIE Orkney 1%
- Discretionary spend 24%
- Wave Energy Scotland 3%
- Cairngorm 3%
- Other expenditure 5%
- Admin 24%

Total expenditure **£78.1m**

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 2024/25	Opening budget allocation	Autumn budget revision	Spring budget revision	Final budget allocation	Spend	(Over) / underspend
	£000	£000	£000	£000	£000	£000
Resource budget	27,865	-	1,209	29,074	29,827	(753)
Capital budget	23,200	1,200	7,952	32,352	31,856	496
	51,065	1,200	9,161	61,426	61,683	(257)
Non-cash costs including depreciation	3,696	-	(121)	3,575	2,411	1,164
Total	54,761	1,200	9,040	65,001	64,094	907
Annually managed expenditure	-	-	11,000	11,000	9,876	1,124
Total budget/spend	54,761	1,200	20,040	76,001	73,970	2,031

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, which relates to equity or loan provisions and write-offs. The resource budget showed an overspend of £0.75m. This overspend was covered by the Scottish Government as an authorised overspend.

The capital budget covers expenditure that tends to be one-off in nature, usually on assets whose lives extend beyond the current financial year. Examples would include expenditure on purchasing property as well as research and development. It also includes grants to third parties for similar categories of expenditure. The budget is supplemented by other forms of income, such as project specific grant funding or property sales. The capital budget showed a marginal underspend of £0.5m.

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 £1.2m.

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 £1.1m 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 2024/25 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 £3.6m in 2023/24 to a net asset position of £6.9m at the end of 2024/25.

Property, plant and equipment of £44.0m is £0.5m higher than prior year. The marginal increase relates to the inclusion of the Orkney Research and Innovation Campus LLP assets following the purchase of Orkney Islands Council share of the LLP.

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

Intangible assets increased by £0.7m in the year to £3.1m following further development of a core customer relationship management (CRM) system and the start of the upgrade of our Finance System.

Financial assets decreased by £1.6m due to repayments and increased provisions in the year.

Investments in associates fell to £0.1m following the acquisition of Orkney Islands Council share of Orkney Research and Innovation Campus by HIE subsidiary HIE Orkney resulting in ORIC becoming a subsidiary during the year.

Trade and other receivables of £6.3m are £6.6m lower than 2023/24. The decrease is due to a decrease in accrued income and outstanding debts due to the group.

The increase in cash and cash equivalents of £3.8m to £19.5m at the year-end relates to the cash drawn to support capital investment which was not complete by the end of the financial year plus an increase in trade payables/accruals.

Assets held for resale of £3.2m are £1.3m higher than in 2023/24 due to the timings of our asset disposal programme.

Trade payables and other current liabilities of £13.4m have increased by £1.1m. the marginal increase is due to an increase in retentions held on capital projects.

Taxation is relatively unchanged at £0.5m.

Current lease liabilities have increased by £1.5m to £2.0m following the reclassification of a lease relating to an asset held for resale.

Current year provisions of £0.2m relate to potential repair cost of lease properties which HIE may vacate within the next 12 months.

Non-current trade payables and other liabilities decreased by £0.3m to £8.0m due to deferred EuropeWave project funding of £0.5m moving to current liabilities.

Non-current lease liabilities have decreased by £1.9m to £12.1m. The majority of the decrease relates to the re classification of a lease from non-current liabilities to current liabilities.

Retirement benefit obligation of £39.6m is £8.1m lower than the prior year. The net liability position in respect of the HIE pension scheme has decreased by £8.1m as a result of higher discount rates. The net asset position on the Local Government Pension Scheme, of £10.0m cannot be recognised in the SoFP under IAS 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 pension recovery plan in place in relation to the HIE pension scheme, which was agreed with the HIE pension trustees in 2021.

During 2024/25 HIE worked with the Trustees of the HIE Superannuation Scheme to finalise the triennial actuarial valuation as at 5 April 2024 and agree a future contribution and deficit recovery plan. 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 2025/26 capital budget allocation is £25.25m, an increase of £2.0m from 2024/25. This is a reduction of £4.8m (15.9%) from HIE’s budget opening budget in 2022/23.

During 2025/26 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 2025/26 opening revenue budget is £28.0m, a small increase of £0.15m from 2024/25 and represents a reduction of £3.5m (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.

HIE has not been allocated any budget for Financial Transactions (FT) 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 2025/26 will need to be scored against capital budgets.

HIE faces the following principal financial risks in 2025/26:

- Predicting the final outturn of Cairngorm Mountain (Scotland) Limited is dependent on factors out with 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
- Realising further efficiencies within our revenue budget to absorb running the business cost pressures, while continuing to provide support to businesses and communities
- Conclusion of EU audits and uncertainty of outcome and potential for recovery, which were resolved prior to finalisation of the annual report and accounts
- Potential loan write-offs

The financial outlook beyond 2025/26 is likely to be exceptionally challenging, both in terms of resource and capital. The Scottish Government published their 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 noted up to 2029/30. 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 the public services. It is clear that HIE will be required to demonstrate Best Value and realise efficiencies ongoing.

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.

This is a time of significant unprecedented opportunity for the region, particularly in relation to renewable energy. Projects in the HIE region will be crucial to Scotland realising this opportunity and HIE has a lead role to continue to play in this. Our Regional Transformational Opportunities research published in May 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 and 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

There are no events after the Statement of Financial Position.

PAYMENT TO CREDITORS

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

STANDARD	PERFORMANCE	
	2024/25	2023/24
In line with government policy, HIE aims to pay all invoices promptly - target 10 working days. Note: excludes items under dispute or where other terms are agreed with a supplier.	73%	79%



OUR PEOPLE

Our people are HIE’s most valuable resource. Our eight strategic people themes and priority actions support our vision and are a key contributor of success in delivering HIE’s strategic priorities.

During 2024/25, we evolved and delivered Our People Strategy to attract, retain and develop a workforce with the required skills, of the right size, shape, age profile cost and agility.

Our priorities included:

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



Our Workforce Planning Forum is now embedded as a mechanism to review and prioritise workforce resources; balance savings that need to be delivered to fund our current pay award; ensure resources are targeted to client-facing delivery, and address succession issues.

We continue to develop our young workforce through targeted recruitment and development of graduates and modern apprentices. We monitor internal progression opportunities and have seen most appointments to promoted posts coming from internal applicants.

With Age Scotland, we support employees to take advantage of flexible opportunities to extend working life beyond traditional retirement ages and highlight options for employees at different stages of their career to plan for their future.

Fair Work principles and support for flexible and family friendly working have made a positive impact in attracting a range of diverse talent, retaining staff, improving business reputation and creating a happier, more engaged workforce.

In 2024 we progressed applications to achieve the next level as a Disability Confident and Carer Positive Employer. HIE is the first and only employer in the Highlands and Islands to be recognised by Carer Positive as an Exemplary Employer for the level and range of support for employees who have caring responsibilities.

HIE has been re-accredited as a Real Living Wage employer and supports national initiatives including commitment to the Social Impact Pledge, the Armed Forces Covenant and the Young Person's Guarantee.

Our hybrid working policy ensures most employees can choose to blend home- and office-based working. Hybrid working is proving effective and is seen by the majority of employees as a benefit.

Our [2025 Equality Mainstreaming report](#) provides evidence, analysis and case studies of HIE's performance against a range of equality outcomes.

We aim to ensure employees are fully aware of legislation and protection in relation to bullying, harassment and victimisation. A new learning pathway was developed and delivered to all employees during 2024/25 to promote HIE's commitment to safety and dignity at work.

Building on our Introduction to Line Management Programme, which all line managers have now attended, our HR team launched a suite of in-house training modules on performance management, attendance management, flexible and hybrid working, employment law essentials and menopause support. Tailored events were also facilitated by HR to support team effectiveness, prioritisation, adaptability and agility.

During 2024, we launched our in-house mentoring programme to pair employees with mentors to guide and support them in their career development.

Recognising the cultural and economic importance of Gaelic language and culture, we launched a new online Gaelic awareness training programme, open to all employees.

As part of our performance review and development planning process, we ensure conversations take place on career development, which has been a consistent theme in line management training. Corporate objectives have been introduced to goal setting to promote innovation and continuous improvement, consequence management and dignity at work, along with individual actions to support net zero ambitions.

HR worked with business units to tailor inhouse e-learning packages to support corporate and compliance training requirements. All employees have undertaken mandatory cyber security training.

Our Staff Forum, with representation from across the organisation, has been reviewed, with membership refreshed to ensure all employees have a voice. Frequent HR and line management clinics ensure employees are well informed and have opportunities to raise issues, ask question and influence decision making.

Our annual all-staff conference, *Maximising Our Impact*, took place in September 2024, combining in-person workshop meetings in all our premises with virtual sessions focusing on themes around delivering impact through innovation and excellent customer service.

Employee wellbeing underpins our culture of delivery and success and we offer a comprehensive employee assistance program, independent counselling, mental health support and resources for work-life balance as well as an in-house mental health first aider programme and an externally provided occupational health service.

During 2024/25, HR reviewed all our people policies to reflect current employment legislation and best practice and ensure consistency. These policies underpin a supportive and inclusive approach that we have developed and embedded over many years. They also play an important role in clarifying organisational standards and expectations which can have a significant impact on staff engagement and our ability to attract and retain talent to maximise HIE's effectiveness.

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 2024/25, HIE received 80 FOI requests and had dealt with 78 of these by the year-end.

HIE also received eight EIRs, two of which did not require a response.

INFORMATION REQUEST HANDLING PERFORMANCE (FOISA).

	2024/25	2023/24
Average time to respond fully and close a request for information	12 days	13 days
Percentage of requests requiring a response that received one within statutory timescales	95%	98%
Percentage of requests that received a late response	5%	2%
Percentage of requests requiring a response that were fully or partially disclosed	74%	86%
Percentage of requests that were vexatious	0%	1%
Percentage of requests for which HIE did not hold information	26%	10%

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 2024/25 and 2023/24.

SECTION OF ACT (FOISA)	DESCRIPTION OF EXEMPTION	2024/25	2023/24
30 (b) or (c)	Prejudice effective conduct of public affairs / Free or frank exchange of advice	13	7
33 (1) (b)	Commercial interests and the economy	8	7
38 (1) (b)	Breach of data protection principles / third party personal data	15	7
36 (2)	Confidentiality of communications	0	1
27	Information intended for future publication	0	0
25	Information otherwise accessible	1	5
17	Information not held	22	14

REGULATION (EIR)	DESCRIPTION OF EXCEPTION	2024/25	2023/24
10 (4) (a)	Information not held.	0	1
10 (4) (d)	Material still in the course of completion	2	2
10 (5) (a)	Public safety	1	1
10 (5) (d)	Confidentiality of information.	2	1
11 (2)	Personal data	2	2

SUSTAINABILITY

Highlands and Islands Enterprise recognises the importance of managing its carbon footprint and is committed to reducing emissions and supporting the Scottish Government's ambition to end our country's contribution to climate change no later than 2045. This is a key priority for HIE, which is embedded both in our Strategy 2023-28 and our annual operating plan.

Strategic approach

This priority is recognised in delivery across all of our activity including strategic projects in all parts of our region, our client support and in how we run our business. Examples are highlighted throughout the annual report, including dedicated sections in the Performance summary (p14) and Performance analysis (p22).

Governance and risk management

Our activity in this area is supported by a Net Zero Steering Group which has oversight of our action plan and risk management arrangements. This activity is also reported to our Leadership Team.

Specific projects within the net zero action plan will be underpinned by robust governance structures, including establishing project boards with key roles and responsibilities to ensure timely delivery and maximum benefit to HIE.

Through our risk management activity, we consider risks on an ongoing basis and our corporate risk register reflects risks relating to net zero, climate adaption and energy transition opportunities.

Training and awareness

A programme of climate literacy training continues to be delivered to all staff, enabling HIE employees to better understand and reduce the impacts of their behaviours on our corporate carbon footprint.

Metrics and targets

HIE monitors and measures its operational carbon footprint annually under the Public Bodies Climate Change Duties reporting process, which it uses to identify areas of focus to achieve year-on-year emissions reduction. We submit annual [Public Bodies Climate Change Duties Compliance reports](#) to the Sustainable Scotland Network and these are published online.

Our Net Zero Transition Group, established in 2022, has overall responsibility for the development of HIE's net zero action plan, which was finalised and approved by the Leadership Team in Q1 2025/26.

To better inform strategic emissions reduction across the operational estate, we completed an audit of our property portfolio in 2024/25. This has assessed net zero readiness of both our operational and investment portfolio and recommended interventions to improve performance. The audit directly informed our updated net zero action plan, with several projects planned for 2025-27 to reduce emissions while also generating revenue savings.

The plan outlines different scenarios, trajectories and pathways to net zero for HIE and focuses on opportunities that will deliver both carbon and cost savings to HIE in the short term, as well as improved working conditions for staff (e.g. installation of LED lighting, heating controls and ventilation).

UTILITIES AND BUSINESS TRAVEL		2020/21	2021/22	2022/23	2023/24	2024/25
Non-financial indicators (KgCO ₂)	Electricity	144,612	130,840	128,106	131,670	104,322
	Gas	89,839	102,033	109,796	78,119	79,969
	Business travel	6,675	11,883	94,834	96,040	72,542
Related energy consumption (KWh)	Electricity	625,919	622,571	625,029	642,146	509,062
	Gas	419,434	476,365	512,615	364,715	373,357
Financial indicators (£)	Electricity	81,904	91,357	118,599	180,348	171,712
	Gas	17,853	18,246	40,404	31,559	32,611
	Business travel	23,403	58,551	388,632	443,277	394,481

WASTE AND WATER		2020/21	2021/22	2022/23	2023/24	2024/25
Non-financial indicators (KgCO ₂ e)	Total greenhouse emissions from general waste	224	1,460	1,238	1,480	1,502
	Measurable greenhouse emissions from water	259	103	294	224	179
Non-financial indicators	General waste (kg)	489	3,125	2,379	2,844	2,887
	Recycled waste (kg)	2,651	2,677	5,253	6,152	5,657
	Measurable consumption (m ³)	752	691	1,661	1,263	963
Financial indicators (£)	Disposal cost	8,015	12,957	17,650	19,250	16,922
	Measurable water cost	17,346	22,111	23,920	21,740	-16,431

Electricity consumption represents the biggest single source of emissions for HIE. As the cost of electricity continues to increase, it is important for us to become even more efficient in its use and to proactively investigate generation of our own renewable energy, including, for example, solar PV installations.

We have significantly reduced our electricity consumption compared to pre-Covid levels and cut emissions; year-on-year. 2024/25 saw a 20.8% reduction in carbon emissions from our use of electricity compared to 2023/24, alongside a 4.8% decrease in associated costs.

Gas usage in our occupied Inverness, Lochgilphead and Forres offices increased slightly, by 2.4%. A key factor driving this was the need to increase heating in occupied premises as more employees returned to office working. Weather also played a part as, across the region, winter 2024/25 was slightly colder than the previous year and there was also more rainfall (*Source: Met Office*).

Emissions and costs arising from business travel fell when compared to 2023/24. This was in part driven by an overall reduced travel budget, as well as much internal and client-facing work being delivered electronically rather than in person.

Our 2024/25 business travel budget was held at the previous year's level of £300k. Although the figures for 2024/25 in the above table show spend of £394k, only £295k was related to Block B travel which meant that HIE underspent on the Block B travel budget by £5k. We aim to achieve this again in 2025/26 by close monitoring of teams' travel practices that will include submitting a monthly travel report to the Leadership Team.

In line with aspirations set out in our net zero action plan 2025-28, we are committed to continue to reduce our operational carbon footprint and ensure we remain on target to meet the Scottish Government's net zero target for 2045.



DR J S BLACK

Chief Executive and Accountable Officer
Highlands and Islands Enterprise

06 November 2025

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)
- J Stuart Black (Chief Executive)
- Angus Campbell (Deputy Chair)
- Freda Newton MBE
- Calum Ross
- Keith Nicholson
- Ailsa Raeburn
- Anna Salgado
- Simon Cotton
- David Wilson
- Allan Clow (Appointed 1 May 2024)
- Melanie Collett (Appointed 1 May 2024)
- Mary Bowman (Shadow member appointed 1 January 2025)

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

- J Stuart Black (Chief Executive)
- Nick Kenton (Director of Finance and Corporate Services) (Resigned 2 December 2024)
- Carroll Buxton (Deputy Chief Executive) (Resigned 30 June 2024)
- 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) (Appointed 1 July 2024)

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 2025/26 is £53.2m 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 2025 was Pauline Gillen, Audit Director, Audit Scotland. Fees chargeable for audit services provided by Audit Scotland amounted to £203,400 (2024 £199,529). There were no fees payable to Audit Scotland for non-audit work during the year (2024 nil).

SEVERANCE PAYMENTS

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

CONTINGENT LIABILITIES

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

GIFTS

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250k to be noted separately. HIE has nothing to report for the year ended 31 March 2025 in respect of gifts.

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, the Scottish Ministers have directed 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, and
- accounting for HIE's activities.

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

An element of the Accountable Officer's responsibility is to ensure HIE's internal control systems comply with the requirements of the SPFM, including any written authorities provided. No written authorities were provided to the Accountable Officer in 2024/25.

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 pursuing the National Strategy for Economic Transformation (NSET).

A [framework document](#), agreed between HIE and the Scottish Ministers, sets out the broad framework within which HIE will operate. It does not convey any legal powers or responsibilities.

The HIE corporate governance framework provides a balance between the underpinning governance standards 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 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 the processes to support staff in reporting any concerns and the action that will be taken to investigate. 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 clear 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, which further enhances 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.

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 engagement activity, 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.

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

At 31 March 2025, the Board of HIE comprised the Chair, ten non-executive members, the Chief Executive and one shadow Board member.

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

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

The Board met in full as planned six times in-year. In addition, it met on four further occasions to consider time-critical matters. Two separate meetings were held for Board members only.

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

BOARD MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Alistair Dodds, CBE, Chair	6	6
Angus Campbell, Deputy Chair	6	6
Stuart Black, Chief Executive	6	6
Ailsa Raeburn	6	6
Allan Clow (joined 1 May 2024)	5	4
Anna Salgado	6	6
Calum Ross	6	6
David Wilson	6	6
Freda Newton, MBE	6	6
Keith Nicholson	6	6
Melanie Collett (joined 1 May 2024)	5	5
Simon Cotton	6	6
Mary Bowman, Shadow member (joined 1 January 2025)	1	1

As part of their ongoing development, the Board also took part in a second carbon literacy training session delivered in-house by HIE staff, the first session having taken place in 2023/24.

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

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

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

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

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 and an annual report on its activities is also provided.

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

- Angus Campbell (Chair)
- Calum Ross
- Keith Nicholson
- Allan Clow (from 1 May 2024)

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

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

REMUNERATION COMMITTEE

The Remuneration Committee reviews and agrees the reward arrangements of HIE's Chief Executive and the HIE executive directors in line with Scottish Government pay policy. The committee met once in-year. The minutes of the meeting were presented to the full Board for information.

The members of the Remuneration Committee during the year were:

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

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, four sub-groups met:

- The Cairngorm sub-group met four times in-year to provide support, advice and challenge on matters relating to Cairngorm Estate.
- The Arnish sub-group met once in-year to focus on key strategic issues related to Arnish.
- The Space sub-group met once in-year to focus on key strategic issues related to the opportunities for Space.
- The Community Benefits from Net Zero sub-group met once in-year to discuss and confirm final text for HIE's response to Scottish Government's "Community Benefits from Net Zero Energy Developments".

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 and were updated in-year. The committee met in full three times during 2024/25.

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

Information Security Governance Group

The Information Security 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 that outline its accountability for ensuring, in relation to systems and information, that HIE complies with legislation, manages the governance of information throughout HIE, develops staff understanding of information governance, has appropriate supportive policies and ensures collaboration opportunities are taken with partner organisations. The group met in full two times during the year.

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

STRATEGIC AND OPERATIONAL FRAMEWORK – DELIVERING BEST VALUE

Strategy and planning

The [HIE Strategy 2023-2028](#) launched in August 2023, following extensive analytical work and internal and external consultation. Our [2024/25 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

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

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

We continue to develop and refine our processes and digital environment to support effective delivery and an improved customer experience and enable HIE staff to make greater use of data and analytics to target support and confirm impact. During the year we implemented an Enterprise Resource Planning Finance system which we will continue to embed and use to drive efficiencies going forward.

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 get 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, engaging with and listening to local communities and businesses.
- Our [Business Panel surveys](#) inform us of the challenges and opportunities facing businesses, community groups and social enterprises across the Highlands and Islands. During 2024/25 we continued to track business confidence, growth aspirations, trade, performance, workforce issues, and adapting to change.
- Our research informs our own and partnership interventions. [The Baseline Inventory for Greenhouse Gas \(GHG\) Emissions in the Highlands and Islands](#), published in July 2024, will support local and regional planning and implementation. Two further significant pieces of research were undertaken during the year seeking views from both business and community stakeholders. The first was delivered with the Highlands and Islands Regional Economic Partnership (HIREP) and was to quantify and better understand the breadth of economic opportunities in the region, focusing on those with the potential to bring the most transformational change. This was published in May 2025. The second related to community wealth building and explored how land and community asset ownership could better support community wealth along with an examination of how to maximise community benefits associated with broader commercial and public sector development. This is due to publish in 2025/26. We develop a clearer understanding of how we can address inequalities and

inclusive growth using the framework of the Public Sector Equality duties, including the Fairer Scotland Duty, and through the ongoing development of our inclusive growth model to better understand our region and our impact. The model has been utilised in 2024/25, helping to prioritise resource and target investment, and was included in target setting.

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

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

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.

With the exception of pilot work on the Social Impact Measurement tool, no external evaluation was undertaken. Previous work, however, continued to provide intelligence to support delivery and review work is built into performance reporting.

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

The diagram below represents the approach taken in this annual report and accounts year and into 2025/26.

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

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

LEADERSHIP, ACCOUNTABILITY AND GOVERNANCE

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

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 which are transparent and supported by evidence.

Risk management arrangements

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

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

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

Implementation of the strategy includes:

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

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

Significant risks

Principal risks and uncertainties identified at the end of 2024/25 are described in the Performance summary (pages 8-9).

These concern:

- Financial and budgetary environment
- Cairngorm
- Economic and strategic context
- New strategic opportunities
- Regional infrastructure
- Organisational delivery and transformation approach
- 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 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-year the Orkney Islands Council's share in the LLP was transferred to HIE Orkney. The result of this change is that ORIC LLP is now within the full ownership of HIE, which will take 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 acquired a 50% share of ORIC LLP from Orkney Islands Council in March 2025. Due to the timing of the transfer, no separate assurance statement was requested for HIE Orkney as related to the operations at ORIC.

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; and
- comments made by the external auditors in their management letters and other reports.

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

For 2024/25, each business unit and non-dormant group company completed a review which is used to identify any control issues, and to allow completion of an organisational internal control checklist and certificate of assurance for HIE.

Data security and information security assurance

Procedures are in place to ensure information is managed in accordance with legislation and that data is held accurately and securely. No instances of data loss were noted in-year and no reportable incidents occurred

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

During 2024/25, the Director of Corporate Services and the Audit and Assurance team liaised with Scottish Enterprise and Skills Development Scotland in ensuring appropriate assurance reviews related to IT services provision were undertaken for the partners. The results of these reviews are reported to the EIS Partnership Board, which is chaired by the partners in rotation and of which HIE is a member. The Partnership Board is attended by the HIE Director of Corporate Services.

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

An assurance mapping exercise was undertaken, and an agreed programme of systems assurance work developed with our partners. This included reviews of IT governance and a follow-up on recommendations made in previous reviews. At the end of March, these reviews remained in progress.

Internal audit

HIE has an Audit and Assurance team which sits 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;
- 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, and
- 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 2025/26. 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, and
- knowledge capture and sharing.

External audit

The Auditor General for Scotland has appointed Audit Scotland to undertake the statutory audit of HIE. Audit Scotland identified no significant control issues as part of their audit process and have given unqualified opinions on the accounts for the year ended 31 March 2025 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 2025 and to the date of signature of the accounts and there were no significant control weaknesses or identified lapses in data security reported.

REMUNERATION REPORT

Section 1 – General information

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

REMUNERATION COMMITTEE

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

COMMITTEE MEMBERSHIP

- Freda Newton MBE (Chair)
- Alistair Dodds CBE (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 2025 was as follows:

	2024/25	2023/24	APPOINTMENT EXPIRES
	£	£	
Alistair Dodds CBE (Chair to 31 July 2025)	45,174	45,174	Retired 31 July 2025
Angus Campbell (Deputy Chair)	12,570	10,483	31 August 2026
Freda Newton MBE	12,570	10,483	31 August 2026
Calum Ross	12,570	10,483	31 August 2026
Anna Salgado	12,570	10,480	12 June 2025
Ailsa Raeburn	12,570	10,480	12 June 2025
Keith Nicholson	12,570	10,480	12 June 2025
Simon Cotton	12,570	10,480	31 March 2026
David Wilson	12,570	9,644	30 April 2026
Allan Clow (Appointed 1 May 2024)	11,523	0	30 April 2027
Melanie Collett (Appointed 1 May 2024)	11,523	0	30 April 2027
Mary Bowman (Appointed 1 January 2025)*	629	0	30 June 2026

* Shadow Board member - full year equivalent £2,514

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 2025, £63,933 (2024 - £59,773) was paid to these former members.

EXECUTIVE LEADERSHIP TEAM REMUNERATION

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

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

The contracts of members of the Executive Leadership Team are permanent and have a three-month notice period. There are no early termination payment clauses within these contracts. No benefits in kind were made to senior members of the HIE Leadership Team. All members of the HIE Leadership Team are ordinary members of the Highland and Islands Enterprise Superannuation scheme.

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 Executive Leadership Team who served during the year ended 31 March 2025 was as follows:

	2024/25			2023/24		
	SALARY BAND	PENSION BENEFITS	TOTAL	SALARY BAND	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Stuart Black, Chief Executive	125-130	26	150-155	115-120	34	150-155
David J Oxley, Director of Strategic Projects	105-110	9	110-115	100-105	20	120-125
Sandra Dunbar, Director of Corporate Services	95-100	23	115-120	85-90	6	90-95
Karen Moncrieff, Director of Human Resources	95-100	-	95-100	85-90	44	130-135
Rachel Hunter, Director of Enterprise and Community Support	95-100	25	120-125	85-90	29	115-120
Martin Johnson, Director of Strategy and Regional Economy	105-110	13	115-120	100-105	33	130-135
Joanna Peteranna, Director of Area Operations (from 1 Jul 2024)	65-70*	12	75-80	-	-	-
Carroll Buxton, Deputy Chief Executive (left 30 Jun 2024)	20-25*	-	20-25	60-65	(27)	30-35
Nick Kenton, Director of Finance and Corporate Services (left 2 Dec 2024)	70-75*	7	75-80	100-105	34	135-140

*FTE salary band £100-105k

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 2024/25 or 2023/24, and no member of the Executive Leadership Team received any benefits in kind in either year.

No employee received remuneration more than the highest paid director in 2024/25 or 2023/24.

RETIREMENT BENEFITS OF MEMBERS OF HIE LEADERSHIP TEAM

	CASH EQUIVALENT TRANSFER VALUE				
	ACCRUED PENSION AT NORMAL RETIREMENT DATE AS AT 31 MARCH 2025 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	AT 31 MARCH 2025 OR END OF APPOINTMENT IF EARLIER	AT 31 MARCH 2024 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 20-25	0-2.5 Lump sum 5-7.5	97	79	5
David J Oxley, Director of Strategic Projects	25-30 Lump sum 85-90	0- 2.5 Lump sum 5-7.5	425	421	(31)
Sandra Dunbar, Director of Corporate Services	40-45 Lump sum 125-130	2.5-5 Lump sum 10-12.5	653	650	(46)
Karen Moncrieff, Director of Human Resources	40-45 Lump sum 125-130	2.5-5 Lump sum 7.5-10	687	714	(81)
Rachel Hunter, Director of Enterprise and Community Support	30-35 Lump sum 90 -95	2.5-5 Lump sum 7.5-10	349	359	(40)
Martin Johnson, Director of Strategy and Regional Economy	30-35 Lump sum 90-95	2.5-5 Lump sum 7.5-10	372	381	(40)
Joanna Peteranna, Director of Area Operations (appointed 1 July 2024)	10-15 Lump sum 30-35	0-2.5 Lump sum 2.5-5	93	100	(18)
Carroll Buxton, Deputy Chief Executive (left 30 June 2024)	35 -40 Lump sum 110 -115	0 - 2.5 Lump sum 0 - 2.5	547	662	(160)
Nick Kenton, Director of Finance and Corporate Services (left 2 Dec 2024)	10-15 Lump sum 30 - 35	0 - 2.5 Lump sum 2.5 - 5	32	121	(1)

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

FAIR PAY DISCLOSURE

Fair pay disclosure

PERCENTAGE CHANGE IN REMUNERATION OF HIGHEST PAID DIRECTOR		
	2024/25	2023/24
Salary of highest paid director (based on highest full-time equivalent salary of a director during the year)	£127,500	£117,500
Movement from previous year	9%	0%

PERCENTAGE CHANGE IN REMUNERATION OF ALL OTHER EMPLOYEES		
	2024/25	2023/24
Average remuneration	£51,346	£49,505
Movement from previous year	4%	7%

PAY RATIO INFORMATION		
THE RATIO OF THE REMUNERATION OF THE HIGHEST PAID DIRECTOR TO THE PAY OF EMPLOYEES IN THE FINANCIAL YEAR	2024/25	2023/24
25th percentile pay ratio	3.2:1	3.2: 1
Median pay ratio	2.6:1	2.4: 1
75th percentile pay ratio	2.4:1	2.3: 1

The median remuneration of HIE’s employees is based on the annualised full-time equivalent salary of employees at 31 March 2025.

The full-time equivalent remuneration paid to HIE staff ranged from £25.7k to £128.8k (2024 £23.1k to £119.6k). 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 PERCENTILE OF PAY FOR EMPLOYEES FOR THE FINANCIAL YEAR	2024/25	2023/24	2022/23
25th percentile	£39,899	£36,983	£34,564
50th percentile	£49,838	£48,386	£45,221
75th percentile	£52,330	£50,806	£47,482

There were no performance-related pay payments or benefits in kind payable to any employee in 2024/25 or 2023/24. The percentiles for pay and benefits are therefore the same as the total for pay alone.

STAFF REPORT

STAFF NUMBERS AND COST - GROUP

	GROUP			GROUP		
	2025			2024		
	Permanent	Other	Total	Permanent	Other	Total
	staff	staff	staff	staff	staff	staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	10,986	3,401	14,387	10,993	3,545	14,538
Social security costs	1,423	334	1,757	1,262	330	1,592
Other pension costs	3,493	587	4,080	3,465	608	4,073
Contract/temporary staff	-	192	192	-	224	224
	15,902	4,514	20,416	15,720	4,707	20,427
Board members' remuneration	434	-	434	391	-	391
	16,336	4,514	20,850	16,111	4,707	20,818

The average number of employees was as follows:

	GROUP			GROUP		
	2025			2024		
	Permanent	Other	Total	Permanent	Other	Total
	staff	staff	staff	staff	staff	staff
Senior management	48	27	75	48	24	72
Operational staff	107	78	185	103	91	194
Administration and support staff	56	21	77	59	35	94
	211	126	337	210	150	360

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

STAFF NUMBERS AND COST - HIE						
	HIE			HIE		
	2025			2024		
	Permanent	Other	Total	Permanent	Other	Total
	staff	staff	staff	staff	staff	staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	10,155	1,871	12,026	9,887	2,079	11,966
Social security costs	1,175	207	1,382	1,127	220	1,347
Other pension costs	3,401	515	3,916	3,376	570	3,946
Contract/temporary staff	-	163	163	-	185	185
	14,731	2,756	17,487	14,390	3,054	17,444
Board members' remuneration	434	-	434	391	-	391
	15,165	2,756	17,921	14,781	3,054	17,835

The average number of employees was as follows:						
	HIE			HIE		
	2025			2024		
	Permanent	Other	Total	Permanent	Other	Total
	staff	staff	staff	staff	staff	staff
Senior management	48	11	59	48	12	60
Operational staff	107	23	130	103	32	135
Administration and support staff	56	5	61	59	5	64
	211	39	250	210	49	259

COMPENSATION AND EXIT PACKAGES

No staff left under voluntary severance terms between 1 April 2024 and 31 March 2025 (2023/24 nil).

STAFF TURNOVER

HIE had a staff turnover rate of 6.8% in 2024/25 (7.3% 2023/24).

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

EMPLOYEES BY SEX

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

HIE staff:

	MALE	FEMALE	TOTAL
Board*	8	4	12
Leadership Team*	3	4	7
Other employees	80	172	252

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

GENDER PAY GAP

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

	AUG 2014	AUG 2016	AUG 2018	MARCH 2021	MARCH 2022	MARCH 2024
Pay gap	15.94%	14.25%	14.35%	15.86%	12.2%	11.85%

Sickness absence

HIE staff:

The attendance record for HIE employees for the year to 31 March 2025 was 1,575 days (2024 1,107 days) sick leave out of a total of 53,475 (2024 56,364) possible working days, representing a lost time through sickness rate of 2.95% (2024 1.96%).

Trade union facility time

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

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

There was 1 staff member who was a trade union official during 2024/25.

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

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

PARLIAMENTARY ACCOUNTABILITY REPORT

The results for the year to 31 March 2025 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. In addition, however, HIE also generates additional income from rents, loan interest, European Union funding and, furthermore, generates capital receipts from loan repayments and the sale of assets.

The net out-turn for HIE for the year ended 31 March 2025 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	35,771	5,944	29,827	29,074	(753)
Capital budget	42,314	10,458	31,856	32,352	496
	78,085	16,402	61,683	61,426	(257)
Non-cash costs including depreciation	2,411	-	2,411	3,575	1,164
Annually managed expenditure	9,876	-	9,876	11,000	1,124
	90,372	16,402	73,970	76,001	2,031

HIE's net underspend against its allocated budget for the year to March 2025 was £2.0m.

SOURCES OF FINANCE

Grant-in-aid allocation

Highlands and Islands Enterprise drew down grant-in-aid (GIA) of £57.9m available from Scottish Government including an authorised overspend of up to £1.5m in respect of resource funding.

Budget outturn

The resource outturn of £29.8 million is £0.8 million higher than the budget allocation. The overspend was agreed with the Scottish Government post spring budget allocation and forms part of the £1.5 million additional GIA allocation.

The capital expenditure outturn of £31.9 million was £0.5 million lower than budget due to HIE receiving additional grant in aid

in-year. HIE received additional budget for the Offshore Wind Investment Programme (OWIP) which was not fully spent by the year end.

Non cash costs including depreciation were £2.4 million, £1.2 million under the provision set by the Scottish Government. The underspend was in line with forecasts for the group.

The annually managed expenditure (AME) was £9.9million against a budget of £11.0 million; £1.1 million below the provision set by the Scottish Government. The main element of the underspend relates to lower-than-expected property Impairments.

The budget for 2025/26 of £56.3 million awarded by the Scottish Government comprises GIA and 'ring-fenced' budget provision. This is deemed to be adequate for HIE.

RECONCILIATION OF RESOURCE AND CAPITAL OUTTURN TO GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE				NOTE	£000
Resource and capital outturn					73,970
Property plant and equipment disposals HIE				11	766
Property plant and equipment additions HIE				11	(12,017)
Plant and equipment revaluations HIE				11	15
Intangible asset additions				13	(1,313)
Consolidation adjustments				4	180
Investment disposals and repayments				14	354
Net expenditure after interest					61,955

LOSSES AND SPECIAL PAYMENTS


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

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

LOSSES AND CLAIMS WAIVED		
	GROUP and HIE	
	No of cases	£000
Financial asset losses (losses arising from the disposal of financial assets) 2024/25 (2023/24 4 cases £1,249k)	3	250
Claims waived 2024/25 (2023/24 8 cases £10,252k)	-	-
Financial asset losses in the year which exceeded £300k (2023/24 2 total £1,080k)	-	-
Claims waived in the year which exceeded £300k (2023/24 1 claim £9,873k)	-	-

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

06 November 2025

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 2025 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 2024/25 Government Financial Reporting Manual (the 2024/25 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 2025 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 2024/25 FReM; and
- have been prepared in accordance with the requirements of the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

Opinion on regularity

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

Responsibilities for regularity

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

REPORTING ON OTHER REQUIREMENTS

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

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

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

USE OF MY REPORT

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

Pauline Gillen

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

06 November 2025

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2025

		Group		HIE	
		2025	2024	2025	2024
	Notes	£000	£000	£000	£000
Expenditure					
Operating expenditure	6	54,164	63,585	55,561	61,833
Net management expenditure on staff costs	7	15,470	14,749	14,136	13,420
Other management expenditure	7	6,109	4,803	3,953	2,304
Depreciation and amortisation	7	2,383	2,235	1,923	1,820
		78,126	85,372	75,573	79,377
Income					
Income from activities	5	(3,388)	(1,986)	(3,463)	(2,066)
Other income	5	(14,488)	(31,167)	(11,133)	(24,916)
		(17,876)	(33,153)	(14,596)	(26,982)
Net operating expenditure		60,250	52,219	60,977	52,395
Interest payable and similar charges	9	145	178	134	157
Share of (profits)/losses in equity accounted investees	14	28	(39)	-	-
Interest income	8	(624)	(748)	(544)	(693)
Other finance (income)/charges	8	2,156	1,859	2,156	1,859
Net expenditure after interest		61,955	53,469	62,723	53,718
Taxation	10	449	(56)	430	(67)
Net expenditure after taxation		62,404	53,413	63,153	53,651
Minority interests		6	6	-	-
Net expenditure after minority interests		62,410	53,419	63,153	53,651
Other comprehensive net expenditure/(income)					
Items that will not be reclassified to net expenditure					
Net (gains)/losses on revaluation of property, plant and equipment		(141)	(327)	(141)	(327)
Actuarial (gains)/losses recognised in retirement benefit scheme and asset ceiling adjustment	22	(6,995)	5,038	(6,995)	5,038
Other comprehensive net expenditure/(income) for the year		(7,136)	4,711	(7,136)	4,711
Total comprehensive net expenditure for the year		55,274	58,130	56,017	58,362

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

		GROUP		HIE	
		2025	2024	2025	2024
	Notes	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	11/12	44,020	43,538	39,633	40,604
Finance lease receivables	12	4,154	4,185	4,154	4,185
Intangible assets	13	3,067	2,393	3,067	2,392
Financial assets	14	2,177	3,792	3,633	5,261
Investment in associates	14	50	920	-	-
Retirement benefit asset	22	-	2,230	-	2,230
Total non-current assets		53,468	57,058	50,487	54,672
Current assets					
Inventories	16	102	128	-	-
Trade and other receivables	17	6,339	12,876	6,210	12,111
Cash and cash equivalents	18	19,512	15,667	12,928	9,404
Finance lease receivables	12	30	30	30	30
Assets classified as held for sale	19	3,171	1,836	3,171	1,836
Total current assets		29,154	30,537	22,339	23,381
Total assets		82,622	87,595	72,826	78,053
Current liabilities					
Trade payables and other current liabilities	20	(13,384)	(12,331)	(9,671)	(8,757)
Taxation	20	(527)	(656)	(447)	(473)
Lease liabilities	12	(2,012)	(484)	(2,012)	(484)
Provisions	21	(152)	(504)	(152)	(504)
Total current liabilities		(16,075)	(13,975)	(12,282)	(10,218)
Non-current assets plus net current assets		66,547	73,620	60,544	67,835
Non-current liabilities					
Trade payables and other liabilities	20	(7,986)	(8,326)	(6,682)	(6,491)
Provisions	21	-	-	-	-
Lease liabilities	12	(12,080)	(14,007)	(12,080)	(14,007)
Retirement benefit obligation	22	(39,611)	(47,709)	(39,611)	(47,709)
Total non-current liabilities		(59,677)	(70,042)	(58,373)	(68,207)
Assets less liabilities		6,870	3,578	2,171	(372)
Taxpayers' equity					
Revaluation reserve		3,854	3,713	3,853	3,712
Other reserve		15	2	-	-
Pension reserve		(39,611)	(45,479)	(39,611)	(45,479)
Minority interests		403	397	-	-
General reserve		42,209	44,945	37,929	41,395
Total equity		6,870	3,578	2,171	(372)

J. S. Black

DR J S BLACK

Chief Executive and Accountable Officer, Highlands and Islands Enterprise
The Accountable Officer authorised these financial statements for issue on 06 November 2025

GROUP AND HIGHLANDS AND ISLANDS ENTERPRISE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2025

		Group		HIE	
		2025	2024	2025	2024
	Notes	£000	£000	£000	£000
Cash flow from operating activities					
Net expenditure after interest		(61,955)	(53,469)	(62,723)	(53,718)
Adjustments for non-cash items:					
Depreciation	7	2,383	2,235	1,923	1,820
Provision for irrecoverable debts and losses		111	(633)	111	(633)
Investments written off, net of provision		1,219	238	1,230	213
Deficit on revaluation of property		8,885	10,060	8,885	10,060
Deficit on revaluation of plant and equipment		6	-	6	-
Surplus on disposal of property, plant and equipment		(294)	43	(294)	44
Surplus on disposal of investments		(632)	-	(632)	-
Allowance for legal fees on sales and disposals of Assets held for sale		(29)	18	(29)	18
Share of associates profit/(loss)		28	(39)	-	-
Interest payable	9	145	178	134	157
Interest receivable	8	(624)	(748)	(544)	(693)
Financial transactions repayments waived by Scottish Government		(580)	(250)	(580)	(250)
Retirement benefit scheme net changes		1,127	313	1,127	313
		(50,210)	(42,054)	(51,386)	(42,669)
(Increase)/decrease in inventories		25	(24)	-	-
(Increase)/decrease in trade and other receivables		6,783	(304)	5,775	226
Increase/(decrease) in trade and other payables		(291)	275	695	1,667
(Decrease)/increase in provision for future liabilities		(352)	(243)	(352)	(243)
		(44,045)	(42,350)	(45,268)	(41,019)
Tax paid		(24)	1	-	-
Net cash outflow from operating activities		(44,069)	(42,349)	(45,268)	(41,019)
Cash flows from investing activities					
Proceeds of disposal of property, plant and equipment		1,060	439	1,060	402
Proceeds of disposal of investments		632	-	632	-
Acquisition of subsidiary		313	-	-	-
Interest received		551	709	471	654
Lease income received		70	70	70	70
Loans advanced in year	14	-	(2,307)	-	(2,307)
Loans repaid in year	14	445	660	445	660
Purchase of investments		(842)	-	-	-
Purchase of intangible assets		(1,312)	(629)	(1,312)	(629)
Purchase of property, plant and equipment		(10,819)	(11,407)	(10,401)	(10,496)
Net cash inflow from investing activities		(9,902)	(12,465)	(9,035)	(11,646)
Cash flows from financing activities					
Grants from Scottish Government		58,560	59,126	58,560	59,126
Financial transactions funding from Scottish Government net of repayments		(94)	2,837	(94)	2,837
Interest paid	9	(11)	(37)	-	(16)
Repayment of leasing liabilities		(639)	(766)	(639)	(766)
Net cash inflow from financing activities		57,816	61,160	57,827	61,181
Net increase/(decrease) in cash and cash equivalents in the period	18	3,845	6,346	3,524	8,516
Cash and cash equivalents at the beginning of the period	18	15,667	9,321	9,404	888
Cash and cash equivalents at the end of the period	18	19,512	15,667	12,928	9,404

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2025

	Revaluation reserve	Other reserve	Pension reserve	Minority interest	General reserve	Total reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	3,372	28	(40,128)	391	38,913	2,576
Net expenditure during the year	-	-	-	6	(53,419)	(53,413)
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	(5,038)	-	-	(5,038)
Net gains on revaluation of property, plant and equipment	341	(14)	-	-	-	327
Transfers between reserves	-	(12)	(313)	-	325	-
Total recognised income and expense for year to 31 March 2024	341	(26)	(5,351)	6	(53,094)	(58,124)
Grant-in-aid from Scottish Government	-	-	-	-	59,126	59,126
Balance at 31 March 2024	3,713	2	(45,479)	397	44,945	3,578
Net expenditure during the year	-	-	-	6	(62,410)	(62,404)
Actuarial gains /(losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	6,995	-	-	6,995
Net gains/(losses) 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

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

Other reserves are the balance arising on unrealised gains from the revaluation of assets not included within the revaluation reserve £nil (2024: £nil) and the share of equity accounted investee reserves £16k (2024: £2k).

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

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

HIGHLANDS AND ISLANDS ENTERPRISE STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2025

	Revaluation reserve	Other reserve	Pension reserve	General reserve	Total reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2023	3,371	14	(40,128)	35,607	(1,136)
Net expenditure during the year	-	-	-	(53,651)	(53,651)
Actuarial gains recognised in retirement benefit scheme and asset ceiling adjustment	-	-	(5,038)	-	(5,038)
Net gains on revaluation of property, plant and equipment	341	(14)	-	-	327
Transfers between reserves	-	-	(313)	313	-
Total recognised income and expense for year to 31 March 2024	341	(14)	(5,351)	(53,338)	(58,362)
Grant-in-aid from Scottish Government	-	-	-	59,126	59,126
Balance at 31 March 2024	3,712	-	(45,479)	41,395	(372)
Net expenditure during the year	-	-	-	(63,153)	(63,153)
Actuarial gains/(losses) recognised in retirement benefit scheme and asset ceiling adjustment	-	-	6,995	-	6,995
Net gains/(losses) 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

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

Other reserves are the balance arising on unrealised gains from the revaluation of assets not included within the revaluation reserve £nil (2024: £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 2024/25 Government Financial Reporting Manual (FReM) and Accounts Direction issued by Scottish Ministers, in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990.

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

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

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

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

GOING CONCERN

The financial statements for the year ended 31 March 2025 show a net asset position of £2.171m (Group net assets £6.870m). 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 Accountable Officer have considered HIE's Operating Plan requirements and consider that the budget awarded by the Scottish Government for 2025/26 is adequate.

BASIS OF CONSOLIDATION

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

(a) Subsidiaries

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

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

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

(b) Associates and joint arrangements

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

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

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

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

(c) Other

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

ACCOUNTING FOR GRANT-IN-AID

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

EUROPEAN UNION FUNDING AND OTHER GRANTS

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

INCOME

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

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

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

EXPENDITURE

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

PROPERTY, PLANT AND EQUIPMENT

HIE has 4 categories of property, plant and equipment:

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

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

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

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

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

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

The Current Value for completed property is based on the Fair Value as defined by the guidance notes issued by the Royal Institution of Chartered Surveyors. Professional external valuations are carried out annually for all assets other than forestry assets which are revalued biennially.

Assets Under Construction are shown at impaired cost. This recognises the costs of construction with an allowance made for a proportion of the expected impairment of these on completion, based on the degree of completion at the year end.

This adjustment is considered necessary to reflect the fact that the market values of Assets Under Construction are less than the cost. This arises as one of the purposes of HIE's property function is to address market failure. Once completed and ready for use, these assets are reclassified as either land and buildings held for regeneration purposes or for own use and accounted for accordingly.

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

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

INTANGIBLE ASSETS

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

The FReM directs users to value intangible assets at fair value of the asset rather than cost and recommends depreciated replacement cost as an appropriate method. However, HIE does not currently index software on the basis that assets have a short useful life, costs are unlikely to fluctuate significantly over that life, and that the asset may not be replaceable like for like due to technological advances.

Applying indexation to the original cost would also not give a reliable estimation of the replacement cost of the asset. Intangible assets are therefore carried at depreciated historical cost and are amortised over 4-8 years.

FINANCIAL ASSETS - EQUITY

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

FINANCIAL ASSETS - LOANS AND RECEIVABLES

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

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

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

INTANGIBLE ASSETS GOODWILL

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

LEASED ASSETS

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

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

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

The group as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

The group as a lessor

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

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

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

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

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

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

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

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

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

IRRECOVERABLE INCOME

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

RESEARCH EXPENDITURE

All research expenditure is charged in the year it occurs.

INSURANCE

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

TAXATION

The companies in the HIE group are subject to corporation tax on their annual surplus as computed for taxation purposes. HIE and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Provision is made for deferred taxation only when material liabilities are expected to arise in the foreseeable future. Provision for Corporation tax is made on gains, profits and losses, as computed for tax purposes, arising from business activities. The

tax computations for all periods ending before 31 March 2023 have been agreed with the relevant tax authorities.

EMPLOYEE BENEFITS

Retirement benefits

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

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

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

Additional information is disclosed in note 22.

Short-term employee benefits

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

TRADE RECEIVABLES AND PAYABLES

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

CASH AND CASH EQUIVALENTS

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

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is

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

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

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IFRS 17 – Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The standard introduces a consistent, principle-based accounting model for insurance contracts, requiring liabilities to be measured as the present value of future cash flows with an explicit risk adjustment.

In the public sector, HM Treasury, in consultation with the Financial Reporting Advisory Board (FRAB), has deferred the mandatory implementation of IFRS 17 for central government entities until 1 April 2025.

The Group has undertaken a high-level review of IFRS 17 and, at this stage, has not identified any arrangements that would fall within the scope of the standard. However, a comprehensive assessment is yet to be completed. The Group will continue to evaluate the potential impact of IFRS 17 on its financial reporting and will provide further updates in future reporting periods as necessary

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The Public Sector implementation date is not yet confirmed. The impact of IFRS 18 on the Public Sector is still being assessed.

2. Critical judgements made in applying accounting policies

The preparation of the accounts in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Retirement benefit obligations

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

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

(b) Fair value of financial instruments

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

(c) Held-to-maturity investments

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

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

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

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

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

(e) EU Income

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

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

(f) Property

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

The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Group at 31 March 2025 and can be relied upon.

(g) Provisions

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

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

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

The balance sheet of HIE at 31 March 2025 includes the following items for which there is significant risk of material adjustment in the forthcoming financial year:

ITEM	UNCERTAINTIES	EFFECT IF RESULTS DIFFER FROM ASSUMPTIONS
Pensions liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The HIE Superannuation Scheme and LGPS have engaged consulting actuaries to provide expert advice about the assumptions to be applied.</p> <p>HIE has incorporated actuarial assumptions which are unbiased, mutually compatible and represent the best estimate of the variables which are used to measure the scheme liabilities. At 31 March 2025, after recognising the effect of the net asset ceiling, HIE's pension schemes had a net liability of £39.611m (2024 net liability £45.479m).</p>	<p>The impact of changes in assumptions used to calculate the pension liability has been assessed by the actuaries as described in note 22.</p>

4. Segmental information

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

The following table presents the revenue and profit information regarding HIE's operating segments for the years ended 31 March 2024 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		
	2025	2024
	£000	£000
Expenditure		
Operations		
Discretionary spend	18,627	22,241
Priority investment	25,942	28,832
Business support	5,799	6,263
HIE Orkney	867	-
Orkney Research and Innovation Campus LLP	(22)	-
Cairngorm Mountain (Scotland) Limited	2,093	1,959
WES	2,270	3,405
Total operations	55,576	62,700
Running the business		
Management, staff and administration cost	18,731	16,594
Total running the business	18,731	16,594
Total gross expenditure	74,307	79,294
Income		
Loan repayments	352	660
Equity sales	632	-
Property sales	1,060	472
Property rental	2,537	2,110
Loan interest / dividend	544	381
Broadband	7,718	7,760
SHS UKSA & NDA milestone income	1,188	2,334
Cairngorm settlement Income	-	11,273
Other income	169	124
Total other income	14,200	25,114
Net expenditure funded by core SG income	60,107	54,180

Other income and expenditure		
Expenditure		
European funds	42	241
Shared Prosperity Fund - Argyll & Moray	210	-
Scottish Land Fund (SLF)	-	545
Inverness and Highland City-Region Deal - Science Skills Academy	438	269
Inverness and Highland City-Region Deal - Northern Innovation Hub	1,454	1,560
Orkney the Brand	98	69
Interest payable	134	117
Expected credit losses	1,402	433
	3,778	3,234
Income		
European funds	-	241
Shared Prosperity Fund- Argyll & Moray	206	-
Scottish Land Fund (SLF)	-	545
Inverness and Highland City-Region Deal - Science Skills Academy	438	269
Inverness and Highland City-Region Deal - Northern Innovation Hub	1,460	1,560
Orkney the Brand	98	69
	2,202	2,684
Financial position (I&E)	61,683	54,730
Reconciliation to Group net operating cost before taxation:		
Financial position (I&E)	(61,683)	(54,730)
Pension (IAS19)	(1,127)	(313)
Depreciation	(1,745)	(1,816)
Amortisation	(638)	(419)
Provisions and charges	242	934
Property cost of sales	(765)	(516)
Capital revaluation and additions	4,116	2,954
Exchange rate movements	(147)	(145)
Taxation provision and charges	-	-
Associate companies	(28)	39
Consolidation adjustments	(180)	543
Group net operating cost before taxation	(61,955)	(53,469)

5. Income from operating activities

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

5. INCOME FROM OPERATING ACTIVITIES				
	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Income from activities				
Property rentals	2,462	2,029	2,537	2,110
Surplus/(deficit) on disposal of property	294	(43)	294	(44)
Surplus on disposal of investments	632	-	632	-
	3,388	1,986	3,463	2,066
Other income				
Other European contributions	(80)	(557)	(80)	(557)
Other external income	14,568	31,724	11,213	25,473
	14,488	31,167	11,133	24,916

6. Expenditure on operating activities

GROUP	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2025 TOTAL	2024 TOTAL
	£000	£000	£000	£000	£000	£000
Highlands and Islands Enterprise	20,198	14,632	14,841	-	49,671	55,687
Cairngorm Mountain (Scotland) Limited	-	-	-	1,987	1,987	2,794
Wave Energy Scotland	2,506	-	-	-	2,506	5,104
HIE Ventures Limited	-	-	-	-	-	-
2025	22,704	14,632	14,841	1,987	54,164	63,585
2024	26,653	15,963	18,175	2,794	63,585	

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

Expenditure includes grants of £28,244k (2024: £30,660k) of which £7,430k (2024: £1,117k) was made to the public sector and £20,814k (2024: £29,543k) to the private sector.

Property revaluation and management costs of £9,191k (2024: £10,294k) are included within Business Support expenditure above.

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

HIGHLANDS AND ISLANDS ENTERPRISE	PRIORITY INVESTMENTS	BUSINESS SUPPORT	GROWTH INVESTMENT	TOURISM ATTRACTION OPERATOR	2025 TOTAL	2024 TOTAL
	£000	£000	£000	£000	£000	£000
Highlands and Islands Enterprise	26,088	14,632	14,841	-	55,561	61,833
Cairngorm Mountain (Scotland) Limited	-	-	-	-	-	-
Wave Energy Scotland	-	-	-	-	-	-
HIE Ventures Limited	-	-	-	-	-	-
2025	26,088	14,632	14,841	-	55,561	61,833
2024	27,695	15,963	18,175	-	61,833	

7A. Staff costs and administration expenditure by organisation

	GROUP	
	2025	2024
	£000	£000
Highlands and Islands Enterprise	20,012	17,571
Cairngorm Mountain (Scotland) Limited	2,475	2,705
Wave Energy Scotland Limited	1,457	1,509
Orkney Research and Innovation Campus LLP	2	-
HIE Orkney	15	-
HIE Ventures Limited	1	2
Continuing operations	23,962	21,787

7B. Staff costs and administration expenditure

Fees chargeable for audit services provided by Audit Scotland amounted to £203k (2024: £200k).

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

	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Continuing operations				
Staff and board member salaries	16,499	16,295	15,165	14,966
IAS 19 employer contributions net of current service costs	(1,029)	(1,546)	(1,029)	(1,546)
	15,470	14,749	14,136	13,420
Travel and subsistence - board members	12	15	12	15
Travel and subsistence - staff	472	356	378	300
Accommodation	637	405	340	330
Hospitality – staff	12	(6)	12	(6)
Audit fees	225	221	203	200
Non-audit fees paid to auditors	4	4	-	-
Operating lease rentals – equipment	126	135	10	14
Equipment and furnishings	15	15	15	15
Provision for irrecoverable debts and losses and write off of debts	124	541	124	541
Movement in investment provisions and write off of investments	1,280	(521)	1,280	(521)
Investment fair value adjustments	(34)	63	(48)	38
Other provisions	(352)	(243)	(352)	(243)
Other administration costs	3,588	3,818	1,979	1,621
	6,109	4,803	3,953	2,304
Depreciation of fixed assets	1,745	1,816	1,285	1,401
Amortisation of intangible assets	638	419	638	419
	2,383	2,235	1,923	1,820
Total administration and management charges	23,962	21,787	20,012	17,544

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

	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Interest receivable				
Loan interest receivable	(118)	(173)	(118)	(173)
Bank interest receivable	(466)	(535)	(386)	(480)
Lease interest receivable	(40)	(40)	(40)	(40)
	(624)	(748)	(544)	(693)
Other finance (income) / charges				
Interest income on retirement benefit assets	(5,103)	(4,960)	(5,103)	(4,960)
Interest on retirement benefit scheme obligations	7,042	6,535	7,042	6,535
Interest on the effect of asset ceiling adjustment	217	284	217	284
	2,156	1,859	2,156	1,859

9. Finance costs

	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Interest expense for borrowings at amortised cost	2	25	-	16
Interest expense for leasing arrangements	143	153	134	141
	145	178	134	157

10. Taxation

Corporation tax is charged at 25% (2024 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	
	2025	2024	2025	2024
	£000	£000	£000	£000
Current tax				
Current tax on profits for the year	19	4	-	-
Adjustment in respect of prior years	-	1	-	-
Total current tax	19	5	-	-
Deferred tax				
Current year	503	275	503	269
Adjustment in respect of previous periods	(73)	(336)	(73)	(336)
Effect of changes in tax rates	-	-	-	-
Total deferred tax	430	(61)	430	(67)
Tax per statement of comprehensive net expenditure	449	(56)	430	(67)
Factors affecting tax charge for the period				
Net expenditure after interest	61,955	53,469	62,723	53,718
Tax on loss at 25% (2024 25%)	(15,489)	(13,367)	(15,679)	(13,429)
Tax under/(over) provided in previous years	(73)	(335)	(73)	(336)
Non taxable income and disallowable expenditure	15,854	13,715	16,025	13,767
Effect of changes in tax rates	157	(69)	157	(69)
Revaluation	-	-	-	-
Current tax charge	449	(56)	430	(67)

11. Property, plant and equipment

Land and buildings held for industrial and commercial use, were valued at 31 March 2025 on a fair value basis, in accordance with the guidance notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. The valuations were carried out by Graham and Sibbald, Chartered Surveyors and had a total value of £32.0m (2024 £31.5m). Professional external valuations are carried out annually for all properties other than forestry assets which are revalued biennially. 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 2023	34,019	5,051	201	39,271	99	652	8,538	48,560
Additions	5,219	891	5,103	11,213	20	-	418	11,651
Disposals	(502)	-	-	(502)	(19)	-	(291)	(812)
Reclassifications	684	412	(507)	589	-	-	115	704
Revaluations	(4,808)	(659)	-	(5,467)	-	-	-	(5,467)
Impairment	-	-	(3,947)	(3,947)	-	-	-	(3,947)
At 31 March 2024	34,612	5,695	850	41,157	100	652	8,780	50,689
Depreciation								
At 1 April 2023	710	12	-	722	73	596	3,918	5,309
Charged in year	909	212	-	1,121	12	21	662	1,816
Disposals	(193)	-	-	(193)	(15)	-	(74)	(282)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(254)	(50)	-	(304)	-	-	612	308
At 31 March 2024	1,172	174	-	1,346	70	617	5,118	7,151
Net book value								
At 31 March 2024	33,440	5,521	850	39,811	30	35	3,662	43,538
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
At 1 April 2024	33,440	5,521	850	39,811	30	35	3,662	43,538
At 1 April 2023	33,309	5,039	201	38,549	26	56	4,620	43,251

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

* 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 2023	34,021	3,628	-	37,649	98	647	7,141	45,535
Additions	5,219	874	4,593	10,686	20	-	34	10,740
Disposals	(502)	-	-	(502)	(19)	-	(226)	(747)
Reclassifications	684	-	19	703	-	-	-	703
Revaluations	(4,808)	(659)	-	(5,467)	-	-	-	(5,467)
Impairment	-	-	(3,947)	(3,947)	-	-	-	(3,947)
At 31 March 2024	34,614	3,843	665	39,122	99	647	6,949	46,817

Depreciation

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

Net book value

At 31 March 2024	33,442	3,843	665	37,950	29	30	2,595	40,604
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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)
At 31 March 2025	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
At 1 April 2024	33,442	3,843	665	37,950	29	30	2,595	40,604
At 1 April 2023	33,311	3,628	-	36,939	25	51	3,762	40,777

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

Net book value at 31 March 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

* 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

	2025	2024
	£000	£000
Sales value of disposals	1,060	510
Less net book value of disposals	(766)	(553)
Profit/(loss) on disposals	294	(43)

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

GROUP

HIE

	2025	2024	2025	2024
	£000	£000	£000	£000
Government grant-in-aid	11,674	11,652	11,255	10,741
EU and other income	1,497	-	-	-
Total	13,171	11,652	11,255	10,741

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 3 years to 92 years. Lease payments are generally fixed however the Group a limited number of property leases where rentals are linked to annual changes in an index (either RPI or CPI).

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

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

RIGHT-OF-USE 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 ASSET	NO OF RIGHT-OF-USE ASSETS LEASED	RANGE OF REMAINING TERM (YEARS)	AVERAGE REMAINING LEASE TERM (YEARS)	NO OF LEASES WITH VARIABLE PAYMENTS LINKED TO INDEX
Property at 31 March 2025	9	3-92	33	5
Property at 31 March 2024	13	1-93	20	6

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.

	2025	2024
	£000	£000
Right-of-use asset	Property	Property
Cost		
At 1 April	11,318	11,644
Additions	227	40
Disposals	(579)	(366)
Remeasurement	(121)	-
Reclassifications	(1,674)	-
At 31 March	9,171	11,318
Depreciation		
At 1 April	1,172	710
Charge for the year	547	655
Remeasurement	-	-
Disposals	(581)	(193)
Reclassifications	(58)	-
At 31 March	1,080	1,172
Carrying amount		
At 31 March	8,091	10,146

FINANCE LEASE RECEIVABLES

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

LESSOR

	2025	2024
	£000	£000
Current	30	30
Non-current	4,154	4,185
Total discounted lease receivables	4,184	4,215

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 is as follows:

	2025			2024
	Within 1 year	2-5 years	Over 5 years	Total
	£000	£000	£000	£000
Lease receivable	70	284	5,524	5,878
Finance charges	(40)	(155)	(1,499)	(1,694)
Net Present values	30	129	4,025	4,184

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

LESSEE

LEASE LIABILITIES

The following lease liabilities are presented in the Statement of Financial Position.

	2025	2024
	£000	£000
Current	2,012	484
Non-current	12,080	14,007
Total discounted lease liabilities	14,092	14,491

The undiscounted maturity analysis of lease liabilities at 31 March 2025 is as follows:

	Within 1 year	2-5 years	Over 5 years	2025 Total	2024 Restated
	£000	£000	£000	£000	£000
31 March 2025					
Lease payments	2,936	1,819	13,037	17,792	18,554
Finance charges	(924)	(398)	(2,378)	(3,700)	(4,063)
Net present values	2,012	1,421	10,659	14,092	14,491

The lease liabilities are secured by the related underlying assets.

13. INTANGIBLE ASSETS

At 31 March 2025, 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 2023	135	3,020	3,155
Additions	203	426	629
Reclassifications	-	-	-
At 31 March 2024	338	3,446	3,784
Amortisation			
At 1 April 2023	-	972	972
Charged in year	-	419	419
At 31 March 2024	-	1,391	1,391
Net book value			
At 31 March 2024	338	2,055	2,393
Cost or valuation			
At 1 April 2024	338	3,446	3,784
Additions	-	1,312	1,312
Disposals	-	-	-
Reclassifications	(338)	338	-
Impairment	-	-	-
At 31 March 2025	-	5,096	5,096
Amortisation			
At 1 April 2024	-	1,391	1,391
Charged in year	-	638	638
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2025	-	2,029	2,029
Net book value			
At 31 March 2025	-	3,067	3,067
At 1 April 2024	338	2,055	2,393

INTANGIBLE ASSETS - HIE			
	Intangible assets in development	Intangible assets	Total Intangible assets
	£000	£000	£000
Cost or valuation			
At 1 April 2023	135	3,019	3,154
Additions	203	426	629
Reclassifications	-	-	-
At 31 March 2024	338	3,445	3,783
Amortisation			
At 1 April 2023	-	972	972
Charged in year	-	419	419
At 31 March 2024	-	1,391	1,391
	-		
Net book value			
At 31 March 2024	338	2,054	2,392
Cost or valuation			
At 1 April 2024	338	3,445	3,783
Additions	-	1,313	1,313
Disposals	-	-	-
Reclassifications	(338)	338	-
Impairment	-	-	-
At 31 March 2025	-	5,096	5,096
Amortisation			
At 1 April 2024	-	1,391	1,391
Charged in year	-	638	638
Write down	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2025	-	2,029	2,029
Net book value			
At 31 March 2025	-	3,067	3,067
At 1 April 2024	338	2,054	2,392

14. Financial assets

FINANCIAL ASSETS - GROUP				
			2025	2024
			£000	£000
Financial assets at fair value through profit and loss				
Unlisted equity shares			28	28
Investment through membership			-	-
			28	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 or redemption date.

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

LOANS AND RECEIVABLES				
	Preference shares	Loans and receivables	Total 2025	Total 2024
	£000	£000	£000	£000
Amortised cost				
At 1 April 2024	275	6,264	6,539	6,842
Additions	-	34	34	2,307
Repayments	-	(445)	(445)	(660)
Disposals	-	-	-	-
Fair value adjustment	-	59	59	(64)
Written off	-	(135)	(135)	(1,886)
At 31 March 2025	275	5,777	6,052	6,539
Diminution in value				
At 1 April 2024	275	1,898	2,173	3,885
Additions	-	1,313	1,313	593
Released	-	(49)	(49)	(603)
Risk premium	-	-	-	11
Written off	-	(122)	(122)	(1,713)
At 31 March 2025	275	3,040	3,315	2,173
Net book value				
At 31 March 2025	-	2,737	2,737	4,366
At 1 April 2024	-	4,366	4,366	
Analysis of loans and receivables				
Due within 1 year		588	588	602
Due over 1 year	-	2,149	2,149	3,764
	-	2,737	2,737	4,366

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

Risk premium represents the movement in risk premium in year.

FINANCIAL ASSETS - HIE				
			2025	2024
			£000	£000
Financial assets at fair value through profit and loss				
Unlisted equity shares			572	564
Investment through membership			853	873
			1,425	1,437

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

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

LOANS AND RECEIVABLES				
	Preference	Loans and	Total	Total
	shares	receivables	2025	2024
	£000	£000	£000	£000
Amortised cost				
At 1 April 2024	275	6,683	6,958	7,262
Additions	-	34	34	2,307
Repayments	-	(445)	(445)	(660)
Disposals	-	-	-	-
Fair value adjustment	-	59	59	(64)
Written off	-	(135)	(135)	(1,886)
At 31 March 2025	275	6,196	6,471	6,959
Diminution in value				
At 1 April 2024	275	2,258	2,533	4,245
Additions	-	1,146	1,146	593
Released	-	(49)	(49)	(603)
Risk premium	-	167	167	11
Written off	-	(122)	(122)	(1,713)
At 31 March 2025	275	3,400	3,675	2,533
Net book value				
At 31 March 2025	-	2,796	2,796	4,426
At 1 April 2024	-	4,426	4,426	
Analysis of loans and receivables				
Due within 1 year	-	588	588	602
Due over 1 year	-	2,208	2,208	3,824
	-	2,796	2,796	4,426

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				
			2025	2024 Restated
			£000	£000
At 1 April 2024			873	856
Increase/(decrease) in value			(20)	17
At 31 March 2025			853	873

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% as 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.

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

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

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

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

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

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

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

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

Until 20 March 2025, the results of Orkney Research and Innovation campus were recognised in HIE's accounts by virtue of the 50% interest in the LLP. From 20 March 2025, HIE acquired the remaining 50% control through its subsidiary HIE Orkney and the results of Orkney Research and Innovation Campus are consolidated into the group position.

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

	NON CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	TOTAL LIABILITIES	NET ASSETS	REVENUE	EXPENSES	PROFIT/ (LOSS)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at March 2025	5,246	8,290	13,536	(4,685)	(4,915)	(9,601)	3,935	9,014	(12,109)	(3,095)
As at March 2024	2,936	7,647	10,583	(4,305)	(4,916)	(9,220)	1,363	8,057	(11,964)	(3,907)
As at March 2023	2,477	9,860	12,337	(4,125)	(6,218)	(10,343)	1,994	11,273	(10,755)	518

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

	NON CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	TOTAL LIABILITIES	NET ASSETS	REVENUE	EXPENSES	PROFIT/ (LOSS)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at March 2025	1,108	6,174	7,282	(2,712)	(3,574)	(6,286)	995	172	(144)	28
As at March 2024	2,607	8,638	11,245	(5,059)	(3,498)	(8,558)	2,688	1,821	(1,347)	474
As at March 2023	2,693	6,657	9,350	(2,583)	(4,558)	(7,141)	2,209	521	(600)	(79)

MOVEMENTS IN CARRYING AMOUNT OF INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

	£000
Carrying amount as at 1 April 2023 (restated)	881
Share of net profit/(loss)	39
Carrying amount as at 31 March 2024	920
Carrying amount as at 1 April 2024	920
Disposal	(842)
Share of net profit/(loss)	(28)
Carrying amount as at 31 March 2025	50

SIGNIFICANT HOLDINGS

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

(a)	equals 20%, or more than 20%, of the voting rights and exceeds £100,000 or;				
(b)	the total investment exceeds £1,000,000				
Name of company	Activity	Percentage of voting rights	Holding as at 31 March 2025	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	-	1,000
			24,997 Class 'D' Ordinary shares	29	-
			275,000 redeemable preference shares	550	-
HIE Ventures Limited	Equity investment company	55%	110,000 ordinary shares	61	1,000
			40,000 class 'A' ordinary shares	40	-
Cairngorm Mountain (Scotland) Limited	Tourism attraction operator	100%	1,060,952 ordinary shares	1,061	700
Investments in 26 other businesses				595	5,198
				2,336	7,898

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 2025	Total 2024
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	2,608	141	2,749	5,775
Intangible assets	-	-	-	-
Financial assets	-	-	-	(63)
	2,608	141	2,749	5,712
Impairments				
Property, plant and equipment	6,001	-	6,001	3,947
Intangible assets	-	-	-	-
Assets classified as held for sale	256	-	256	-
Financial assets	-	-	-	604
	6,257	-	6,257	4,551

HIE

	Statement of comprehensive net expenditure	Revaluation reserve	Total 2025	Total 2024
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	2,608	141	2,749	5,775
Intangible assets	-	-	-	-
Financial assets	-	-	-	(38)
	2,608	141	2,749	5,737
Impairments				
Property, plant and equipment	6,001	-	6,001	3,947
Intangible assets	-	-	-	-
Assets classified as held for sale	256	-	256	-
Financial assets	-	-	-	604
	6,257	-	6,257	4,551

16. Inventories

	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Goods for resale	102	128	-	-

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

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

17. Trade and other receivables

		GROUP		HIE	
		2025	2024	2025	2024
	Note	£000	£000	£000	£000
Trade receivables		3,016	8,178	2,891	8,151
Impairment for bad debts		(402)	(291)	(402)	(291)
		2,614	7,887	2,489	7,860
Taxation recoverable		952	924	930	920
Accrued income and prepayments		2,185	3,463	1,861	2,503
Owed by subsidiary undertakings		-	-	342	226
Loans and other receivables	14	588	602	588	602
		6,339	12,876	6,210	12,111

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

		GROUP		HIE	
		2025	2024	2025	2024
		£000	£000	£000	£000
Balances with other central government bodies		952	930	930	926
Balances with local authorities		951	287	951	287
Balances with NHS bodies		-	6	-	6
Balances with similar public bodies		292	601	292	601
		2,195	1,824	2,173	1,820
Balances with bodies external to government		4,144	11,052	4,037	10,291
		6,339	12,876	6,210	12,111

18. Cash and cash equivalents

		GROUP		HIE
Cash and cash equivalents	2025	2024	2025	2024
	£000	£000	£000	£000
Balance at 1 April	15,667	9,321	9,404	888
Net change in cash and cash equivalent balances	3,845	6,346	3,524	8,516
Balance as at 31 March	19,512	15,667	12,928	9,404
		GROUP		HIE
Balances held	2025	2024	2025	2024
	£000	£000	£000	£000
Commercial funds	19,393	15,552	12,809	9,289
Other scheme funds held	119	115	119	115
	19,512	15,667	12,928	9,404
The Statement of Financial Position includes funds held by Highlands and Islands Enterprise relating to the following scheme:				
		GROUP		HIE
	2025	2024	2025	2024
	£000	£000	£000	£000
Community Broadband Scotland	119	115	119	115
	119	115	119	115

19. Assets classified as held for resale

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

ASSETS CLASSIFIED AS HELD FOR RESALE - GROUP	
	Land and buildings
	£000
As at 1 April 2023	2,592
Transfers to/(from) assets held for resale	(703)
Disposals of non current assets held for sale	(27)
Other costs associated with sale of assets	(26)
Impairment recognised on remeasurement	-
At 31 March 2024	1,836
	Land and buildings
	£000
As at 1 April 2024	1,836
Transfers to/(from) assets held for resale	2,180
Disposals of non current assets held for sale	(563)
Other costs associated with sale of assets	(26)
Impairment recognised on remeasurement	(256)
At 31 March 2025	3,171

During the year there were no assets transferred out of assets held for resale into non-current assets (2024 – 6).

ASSETS CLASSIFIED AS HELD FOR RESALE - HIE

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

	Land and buildings
	£000
As at 1 April 2024	1,836
Transfers to/(from) assets held for resale	2,180
Disposals of non current assets held for sale	(563)
Other costs associated with sale of assets	(26)
Impairment recognised on remeasurement	(256)
At 31 March 2025	3,171

20. Trade and other payables

AMOUNTS FALLING DUE WITHIN ONE YEAR				
	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Trade payables	7,543	7,964	6,470	6,820
Accruals and deferred income	5,542	4,096	2,683	1,447
Prepaid rental income	299	271	299	271
Owed to subsidiary undertakings	-	-	219	219
	13,384	12,331	9,671	8,757
Taxation and social security	522	656	447	473
Corporation tax	5	-	-	-
	527	656	447	473
	13,911	12,987	10,118	9,230

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

	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Balances with other central government bodies	1,755	2,877	1,755	2,709
Balances with local authorities	182	57	182	57
Balances with similar public bodies	67	120	67	120
	2,004	3,054	2,004	2,886
Balances with bodies external to government	11,907	9,933	8,114	6,344
	13,911	12,987	10,118	9,230

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
	GROUP		HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Deferred income	1,304	1,835	-	-
Scottish Government	3,745	3,984	3,745	3,984
Deferred tax	2,937	2,507	2,937	2,507
	7,986	8,326	6,682	6,491

21. Provisions

PROVISIONS - GROUP AND HIE	
Dilapidations	Total
	£000
As at 1 April 2023	748
Recognised on transition to IFRS 16	223
Released during the year	(467)
At 31 March 2024	504
Timing of provisions	
Due within 1 year	504
Due over 1 year	-
	504

Dilapidations	Total
	£000
As at 1 April 2024	504
Increase in year	19
Released in year	(371)
At 31 March 2025	152
Timing of provisions	
Due within 1 year	152
Due over 1 year	-
	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 $1/80 \times$ pensionable salary for each year of service accrued. Prior to 1 August 2014, benefits were based on final pensionable salary ($1/80 \times$ final pensionable salary \times pensionable service up to and including 31 July 2014).

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

Some employees are members of the Local Government Pension Scheme (LGPS). As at 1 April 2025 there were 18 members in the Highland Council Pension Fund.

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

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

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

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

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

HIE SUPERANNUATION SCHEME

The IAS 19 valuation at 31 March 2025, indicated a potential deficit of £39.1 million in the HIE pension fund.

In December 2013 HIE, with agreement of the HIE Pension Fund Trustees and Scottish Government implemented a recovery plan to address the actuarial shortfall. The plan was updated in December 2018 and further updated in 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 2021 and updated to 31 March 2025 by a qualified independent actuary.

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

AT 31 MARCH	2025	2024	2023	2022	2021
Main assumptions:					
Rate of salary increases (% per annum)	3.69%	3.50%	3.50%	2.50%	2.50%
Rate of pension increase CPI (% per annum)	2.80%	2.98%	3.07%	3.33%	2.87%
Discount rate (% per annum)	5.50%	4.80%	4.73%	2.73%	2.03%

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

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

THE ASSETS IN THE SCHEME AND EXPECTED RATE OF RETURN WERE:					
Value as at 31 March	2025	2024	2023	2022	2021
	£000	£000	£000	£000	£000
Equities	35,750	35,379	44,887	76,592	69,560
Gilts	18,660	23,743	24,344	28,253	25,756
Property	18,629	17,878	8,222	9,777	8,859
Cash	2,094	1,693	2,669	2,633	7,530
Employer assets	75,133	78,693	80,122	117,255	111,705
Present value of scheme liabilities	(114,217)	(125,793)	(120,249)	(162,646)	(168,790)
Deficit in the scheme	(39,084)	(47,100)	(40,127)	(45,391)	(57,085)
Related deferred tax asset/(liability)	-	-	-	-	-
Net pension asset/(liability)	(39,084)	(47,100)	(40,127)	(45,391)	(57,085)

The current values show a decrease in the deficit in the year from £47.1m at 31 March 2024 to £39.1m at 31 March 2025.

LOCAL GOVERNMENT PENSION FUNDS

The IAS 19 valuation at 31 March 2025, indicated an asset of £9.998m 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 as at 31 March 2023 by a qualified independent actuary.

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

AT 31 MARCH	2025	2024	2023	2022	2021
Main assumptions:					
Rate of salary increases (% per annum)	3.69%	3.50%	3.50%	2.50%	2.59%
Rate of pension increase CPI (% per annum)	2.80%	2.98%	3.07%	3.33%	2.87%
Discount rate (% per annum)	5.50%	4.80%	4.73%	2.73%	2.02%

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

THE ASSETS IN THE SCHEME AND EXPECTED RATE OF RETURN WERE:					
Value at 31 March	2025	2024	2023	2022	2021
	£000	£000	£000	£000	£000
Equities	7,719	10,077	14,193	17,667	18,269
Gilts	4,658	6,148	1,798	671	287
Bonds	5,000	2,337	2,137	3,596	2,641
Property	4,208	1,978	5,544	2,677	1,834
Cash	7,280	7,448	1,365	921	1,370
Employer assets	28,865	27,988	25,037	25,532	24,401
Present value of scheme liabilities	(18,867)	(21,234)	(18,422)	(26,289)	(27,123)
Present value of unfunded liabilities	(527)	(610)	(605)	(729)	(772)
Surplus/(deficit) in the scheme	9,471	6,144	6,010	(1,486)	(3,494)
Related deferred tax liability	-	-	-	-	-
Net pension asset / (liability)	9,471	6,144	6,010	(1,486)	(3,494)

The pension contributions with effect from 1 April 2025 for the Highland Council Pension Fund are 23.8% (2024 23.8%)

RETIREMENT BENEFIT OBLIGATION - GROUP AND HIE						
	HIE	LGPS	Total	HIE	LGPS	Total
	2025	2025	2025	2024	2024	2024
	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to SOCNE						
Current service cost	2,332	270	2,602	1,980	319	2,299
Past service cost	-	-	-	-	-	-
Admin expenses	394	-	394	183	-	183
Interest income on retirement benefit assets	(3,764)	(1,339)	(5,103)	(3,772)	(1,188)	(4,960)
Interest on the effect of the asset ceiling	-	217	217	-	(284)	(284)
Interest on retirement benefit scheme obligations	5,999	1,043	7,042	5,638	897	6,535
Net pension scheme expense	4,961	191	5,152	4,029	(256)	3,773
Analysis of the amount recognised in SOCNE (Other Comprehensive Income/expenditure)						
Actual return less expected return on pension scheme assets	(6,842)	(295)	(7,137)	(4,618)	1,691	(2,927)
Experience gains and (losses) arising on the scheme liabilities	429	234	663	(5,782)	(2,737)	(8,519)
Changes in the effect of the asset ceiling	-	(5,257)	(5,257)	-	1,770	1,770
Changes in financial assumptions underlying the present value of the scheme liabilities	15,649	3,077	18,726	4,008	630	4,638
Defined benefit income/(cost) recognised in SOCNE	9,236	(2,241)	6,995	(6,392)	1,354	(5,038)
Reconciliation of defined benefit obligation						
Opening defined benefit obligation	125,793	21,844	147,637	120,249	19,027	139,276
Movement in year						
Current service costs	2,332	270	2,602	1,980	319	2,299
Administration costs	394	-	394	183	-	183
Contributions by members	674	77	751	668	92	760
Unfunded benefits paid	-	(40)	(40)	-	(37)	(37)
Benefits paid	(4,897)	(489)	(5,386)	(4,699)	(561)	(5,260)
Interest cost	5,999	1,043	7,042	5,638	897	6,535
Actuarial losses/(gains) arising from demographic changes	(429)	(234)	(663)	5,782	2,737	8,519
Actuarial losses/(gains) arising from changes in financial assumptions	(15,649)	(3,077)	(18,726)	(4,008)	(630)	(4,638)
Closing defined benefit obligation	114,217	19,394	133,611	125,793	21,844	147,637
Present value of funded liabilities	114,217	18,867	133,084	125,793	21,234	147,027
Present value of unfunded liabilities	-	527	527	-	610	610
Reconciliation of fair value of assets						
Opening fair value of assets	78,694	27,988	106,682	80,121	25,037	105,158
Movement in year						
Expected return on assets	3,764	1,339	5,103	3,772	1,188	4,960
Contributions by members	674	77	751	668	92	760
Contributions by employer	3,740	245	3,985	3,450	541	3,991
Contribution in respect of unfunded benefits	-	40	40	-	37	37
Actuarial gains/(losses)	(6,842)	(295)	(7,137)	(4,618)	1,691	(2,927)
Unfunded benefits paid	-	(40)	(40)	-	(37)	(37)
Benefits paid	(4,897)	(489)	(5,386)	(4,699)	(561)	(5,260)
Closing fair value of assets	75,133	28,865	103,998	78,694	27,988	106,682
Net pension asset / (liability)	(39,084)	9,471	(29,613)	(47,099)	6,144	(40,955)

Estimated employer contributions for the year to 31 March 2026 are £4,630k for the HIE Superannuation scheme and £0.290m for the Local Government Pension Scheme.

Expenditure recognised in the Statement of Comprehensive Net Expenditure

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

	2025	2024
	£000	£000
Net management expenditure on staff costs	(1,029)	(1,546)
Other finance charges/(income)	2,156	1,859
	1,127	313

HIE					
	2025	2024	2023	2022	2021
	£000	£000	£000	£000	£000
Experience gains and losses					
Difference between expected and actual return on scheme assets	(6,842)	(4,618)	(39,448)	3,339	13,912
Value of assets	75,133	78,694	80,121	117,255	111,704
Percentage of scheme assets	(9.1)%	(5.9)%	(49.2)%	2.8%	12.5%
Experience gains and (losses) on scheme liabilities	429	(5,782)	(12,300)	(5,201)	2,324
Present value of liabilities	(114,217)	(125,793)	(120,249)	(162,646)	(168,790)
Percentage of scheme liabilities	(0.4)%	4.6%	10.2%	3.2%	(1.4)%
LGPS					
	2025	2024	2023	2022	2021
	£000	£000	£000	£000	£000
Experience gains and losses					
Difference between expected and actual return on scheme assets	(295)	1,691	(1,360)	464	4,791
Value of assets	28,865	27,988	25,037	25,532	24,401
Percentage of scheme assets	(1.0)%	6.0%	(5.4)%	1.8%	19.6%
Experience gains and (losses) on scheme liabilities	234	(2,737)	(1,126)	(30)	(7)
Present value of liabilities	(19,394)	(21,844)	(19,027)	(27,018)	(27,895)
Percentage of scheme liabilities	(1.2)%	12.5%	5.9%	0.1%	0.0%

The total amount recognised in the statement of other comprehensive net expenditure in respect of net actuarial gains and losses is a gain of £6.995m (2024: loss £5.038m).

Cumulative actuarial gains and losses recognised in the statement of comprehensive net expenditure since 1 April 2002 are net losses of £5.879m (2024: £12.874m net losses).

EFFECT OF ASSET CEILING LIMITATION ON NET ASSET

Local Government Pension Scheme

Group and HIE	2025	2024
	£000	£000
Present value of funded defined benefit obligations	(18,867)	(21,234)
Future value of plan assets	28,865	27,988
	9,998	6,754
Effect of asset ceiling limitation on net defined benefit asset	(9,998)	(4,524)
Net asset	-	2,230

In deriving the asset ceiling, assumptions have been made on the present value of the economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. No economic benefit has been recognised with regards to a refund as it is an entitlement which is not wholly within organisation's control. The economic benefit associated with a reduction in future contributions, recognising a minimum funding requirement for future service, has been estimated on the present value of employer future service costs less the present value of future employer contributions. This economic benefit, however, cannot be reduced below zero where the present value of future employer contributions exceeds the present value of future service costs.

Using assumptions consistent with those used to determine the defined benefit obligation at 31 March 2025, the asset ceiling has been valued at £nil, recognising the net present value of employer future service costs of £12.262m and the net present value of employer future contributions of £14.039m.

RECONCILIATION OF PENSION ASSET AND LIABILITY TO STATEMENT OF FINANCIAL POSITION

Group and HIE	2025	2024
	£000	£000
Retirement benefit asset		
Local Government Pension Scheme	-	2,230
Retirement benefit liability		
HIE Superannuation Scheme	(39,084)	(47,099)
LGPS unfunded liability	(527)	(610)
	(39,611)	(47,709)

The net assets of the defined benefit plan at 31 March 2025 have been measured to the aggregate of the unfunded liabilities and the lower of the surplus in the funded plan and the asset ceiling.

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:

	HIE		LGPS	
	2025	2024	2025	2024
	Years	Years	Years	Years
1. Male member aged 65 (current life expectancy)	22.4	22.4	21.8	21.9
2. Male member age 45 (life expectancy at 65)	23.4	23.4	22.5	22.6
3. Female member aged 65 (current life expectancy)	24.4	24.4	23.5	23.6
4. Female member aged 45 (life expectancy at 65)	26.2	26.2	25.7	25.7

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

HIE				
	2025		2024	
	%	£000	%	£000
Active members	34.9%	39,896	35.7%	44,958
Vested deferred members	16.6%	19,006	17.1%	21,473
Retired members	48.5%	55,315	47.2%	59,362
Total members		114,217		125,793

LGPS				
	2025		2024	
	%	£000	%	£000
Active members	48.3%	9,373	47.4%	10,345
Vested deferred members	27.8%	5,387	28.5%	6,220
Retired members	23.9%	4,634	24.2%	5,279
Total members		19,394		21,844

SENSITIVITY ANALYSIS				
HIE				
	2025		2024	
	%	£000	%	£000
0.5% decrease in real discount rate	7.6%	8,680	8.4%	10,567
1 Year increase in member life expectancy	2.9%	3,312	3.1%	3,900
0.5% increase in the salary increase rate	0.4%	457	0.4%	503
0.5% increase in pension increase rate	6.5%	7,424	7.1%	8,931

LGPS				
	2025		2024	
	%	£000	%	£000
0.1% decrease in real discount rate	2.0%	360	2.0%	425
1 Year increase in member life expectancy	4.0%	776	4.0%	874
0.1% increase in the salary increase rate	0.0%	32	0.0%	36
0.1% increase in pension increase rate	2.0%	336	2.0%	394

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.

23. FINANCIAL COMMITMENTS				
GROUP			HIE	
	2025	2024	2025	2024
	£000	£000	£000	£000
Commitments				
Property	20,939	16,514	20,939	16,514
Grants and loans	61,556	49,551	60,519	49,434
Total	82,495	66,065	81,458	65,948

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.

LIFE EXPECTANCY				
	HIE	LGPS	HIE	LGPS
	2025	2025	2024	2024
	Years	Years	Years	Years
Weighted average duration of defined benefit obligation	14.5	17.0	16.6	17.0

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				Restated
	Property	Plant and equipment	Total 2025	Total 2024
	£000	£000	£000	£000
Receivable under operating and similar leases				
Within one year	1,832	128	1,960	1,424
Within two to five years	5,041	512	5,553	3,995
In over five years	6,204	384	6,588	5,951
	13,076	1,024	14,100	11,370
HIE				
	Property	Plant and equipment	Total 2025	Total 2024
	£000	£000	£000	£000
Receivable under operating and similar leases				
Within one year	1,840	192	2,032	1,498
Within two to five years	5,073	758	5,831	4,283
In over five years	6,276	438	6,714	6,147
	13,188	1,388	14,576	11,928

HIE has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2025 is £30k (2024: £32k).

Highlands and Islands Enterprise holds office and manufacturing buildings for the purpose of economic development, which are let to third parties. These non-cancellable leases have remaining terms between two years and 25 years.

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

25. Contingent liabilities

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

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

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

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

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

Indemnity 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.

Business	Value	Nature of transaction	Board member	Interest
UHI	£5,470,901 -£603,706	Grants and invoices paid Recoveries received	Angus Campbell	Ex Officio Member of Court
MacNaughton Holdings Ltd	£24,685	Grant paid	Simon Cotton	Chief Executive
Scottish Water	£2,037	Invoices paid	Allan Clow	Non Executive 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

During the year HIE transacted with the following organisations in which a board member, key managerial staff or other related parties have a non-financial interest:

- Argyll and the Isles Tourism Co-operative Limited
- Borrodale Hotel (South Uist) Ltd
- Caithness Chamber of Commerce
- Community Land Scotland
- Dark Island Ltd
- Economic Development Association of Scotland
- Enterprise North East Trust Ltd
- HIE Orkney
- Highlands and Islands Thistle Awards
- Isle of Eigg Heritage Trust
- Isle of Skye Candle Company Ltd
- Mikeysline
- National Trust for Scotland
- NHS Highland
- Prosper
- Scottish Tourism Alliance
- Visit Inverness Loch Ness Ltd
- Wave Energy Scotland Ltd

27. Related party transactions

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

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

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

During the year transactions have taken place with:

- Argyll and Bute Council
- Audit Scotland
- Cairngorm Mountain (Scotland) Limited
- Comhairle Nan Eilean Siar
- HM Revenue and Customs
- Moray Council

- Orkney Islands Council
- Orkney Research and Innovation Campus LLP
- Scottish Enterprise
- Scottish Water
- Shetland Islands Council
- Skills Development Scotland
- South of Scotland Enterprise
- The Highland Council
- The Pensions Regulator
- 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 (2024 £3k) employers national insurance contributions and Nil (2023 Nil) employer pension contributions.

TRANSACTIONS AND BALANCES WITH GROUP COMPANIES 2024/25						
	HIE Ventures LTD	Cairngorm Mountain (Scotland) Ltd	Wave Energy Scotland Ltd	Orkney Research and Innovation Campus LLP	HIE Orkney	Inverness Airport Business Park Ltd
	£000	£000	£000	£000	£000	£000
Paid by HIE in the year						
Grant funding	-	2,807	2,520	-	867	-
Partner investment	-	-	-	200	-	-
Shareholder contributions	-	-	-	-	-	5
Received by HIE in the year						
Management charges	-	-	220	18	-	-
Balance due to HIE at 31 March 2025	-	400	-	199	-	906
Balance due from HIE at 31 March 2025	219	-	-	-	-	-

28. Financial instruments

HIE has exposure to the following risks from the use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the Group and HIE exposure to each of the above risks. Further quantitative disclosures are included throughout these accounts.

The Leadership Team has overall responsibility for the establishment and oversight of HIE's risk management framework. The risk and assurance committee oversees how management monitors compliance with HIE risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by HIE.

The Group and HIE have no derivative financial assets or liabilities.

LIQUIDITY RISK

Liquidity risk is the risk that HIE will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. HIE's primary source of liquidity is the grant-in-aid provision from the Scottish Government. HIE has no debt or borrowing facility with any external party.

Liquidity is managed using the annual business plan process and the monitoring of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

The Group and HIE have no outstanding borrowings at 31 March 2025 (2024: £nil).

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES				
2025				
GROUP				
	Carrying amount	Contractual cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	9,043	9,043	9,043	-
	9,043	9,043	9,043	-
HIE				
	Carrying amount	Contractual cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	8,848	8,848	8,848	-
	8,848	8,848	8,848	-
2024				
GROUP				
	Carrying amount	Contractual cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	7,597	7,597	7,597	-
	7,597	7,597	7,597	-
HIE				
	Carrying amount	Contractual cashflows	Within one year	After more than one year
	£000	£000	£000	£000
Financial Liabilities				
Trade and other payables	8,110	8,110	8,110	-
	8,110	8,110	8,110	-

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' exposure to credit risk is likely to have increased in the current economic climate, but management do not consider this to have had a significant impact as the risk is spread across a large number of receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The maximum exposure to credit risk at 31 March was:

CREDIT RISK EXPOSURE		
GROUP		
	Carrying amount	Carrying amount
	2025	2024
	£000	£000
Financial assets - other investments		
Financial assets at fair value through profit and loss	28	28
Preference shares	-	-
Loans and other receivables	2,737	4,366
Financial assets		
Trade and other receivables	3,676	10,697
Cash and cash equivalents	19,512	15,667
	25,953	30,758
HIE		
	Carrying amount	Carrying amount
	2025	2024
	£000	£000
Financial assets - other investments		
Financial assets at fair value through profit and loss	1,425	1,437
Preference shares	-	-
Loans and other receivables	2,796	4,426
Financial assets		
Trade and other receivables	3,496	9,943
Cash and cash equivalents	12,928	9,404
	20,645	25,210

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

AGEING				
GROUP				
	Gross	Impairment	Gross	Impairment
	2025	2025	2024	2024
	£000	£000	£000	£000
Not past due	3,854	-	9,058	-
Past due 0 to 30 days	-	-	10	-
Past due more than 31 days	197	(402)	1,872	(291)
	4,051	(402)	10,940	(291)

HIE				
	Gross	Impairment	Gross	Impairment
	2025	2025	2024	2024
	£000	£000	£000	£000
Not past due	3,701	-	8,352	-
Past due 0 to 30 days	-	-	10	-
Past due more than 31 days	197	(402)	1,872	(291)
	3,898	(402)	10,234	(291)

Movements in impairment of trade and other receivables is shown in Note 15.

Impairment provisions are used to record impairment losses unless the Group and HIE is satisfied that no recovery of the amount owing is possible; at that point, the amount is considered irrecoverable and is written off directly against the financial asset.

MARKET RISK

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments.

INTEREST RATE RISK

At the date of the Statement of Financial Position, the market risk of HIE's interest-bearing financial instruments was:

INTEREST RATE RISK		
GROUP		
	Carrying amount	Carrying amount
	2025	2024
	£000	£000
Fixed rate instruments		
Financial assets	2,737	4,366
Financial liabilities	-	-
	2,737	4,366
Variable rate instruments		
Cash and cash equivalents	19,512	15,667
	19,512	15,667
HIE		
	Carrying amount	Carrying amount
	2025	2024
	£000	£000
Fixed rate instruments		
Financial assets	2,796	4,426
Financial liabilities	-	-
	2,796	4,426
Variable rate instruments		
Cash and cash equivalents	12,928	9,404
	12,928	9,404

In assessing the sensitivity of financial instruments HIE does not believe our financial assets are significantly affected by market risk. Cash and cash equivalents are subject to variation based on movements in the Bank of England base rate and associated interest rates. Assuming that all other variables remain constant a change of 100 basis points in interest rates at the reporting date would have increased /decreased net operating costs as follows:

INTEREST RATE RISK - CASH		
	GROUP	HIE
	100 basis points change	100 basis points change
	£000	£000
Cash and cash equivalents		
31 March 2025	176	112
31 March 2024	125	51

CURRENCY RISK

HIE is exposed to currency risk on transactions and balances that are denominated in currencies other than Sterling. Whenever practical, HIE enters into agreements in its functional currency in order to minimise currency risks. HIE is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

FAIR VALUES

The fair values, together with the carrying amounts of financial assets and liabilities in the Statement of Financial Position, are as follows:

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
	2025	2025	2024	2024
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	28	28	28	28
Preference shares	-	-	-	-
Loans and other receivables	2,737	2,737	4,366	4,366
Trade and other receivables	3,676	3,676	10,697	10,697
Cash and cash equivalents	19,512	19,512	15,667	15,667
Trade and other payables	(9,043)	(9,043)	(7,597)	(7,597)
	16,910	16,910	23,161	23,161
HIE				
	Carrying amount	Fair value	Carrying amount	Fair value
	2025	2025	2024	2024
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,425	1,425	1,437	1,437
Preference shares	-	-	-	-
Loans and other receivables	2,796	2,796	4,426	4,426
Trade and other receivables	3,496	3,496	9,943	9,943
Cash and cash equivalents	12,928	12,928	9,404	9,404
Trade and other payables	(8,848)	(8,848)	(8,110)	(8,110)
	11,797	11,797	17,100	17,100

NON-CURRENT ASSETS

Valuation process

The company's finance department is responsible for performing annual valuations of fair value measurements included in the financial statements, including Level 3 fair values. The valuation process uses recent marketplace transaction, where available, or on a net worth basis of valuation.

These valuations for recurring measurements are reviewed and approved by the Capital and Resource Planning Manager and the Head of Financial Services.

FAIR VALUE HIERARCHY

Group and HIE financial assets and liabilities that are valued at fair value are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

FAIR VALUES (CONTINUED)

GROUP					
	2025	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains/ (Losses)
	£000	£000	£000	£000	£000
Recurring measurements					
Fair value through profit and loss unlisted equity shares	28	-	-	28	-
Non-recurring measurements					
Property classified as held-for-resale	-	-	-	-	-
Plant and equipment classified as held-for-resale	-	-	-	-	-
HIE					
	2025	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total gains/ (losses)
	£000	£000	£000	£000	£000
Recurring measurements					
Fair value through profit and loss unlisted equity shares	1,425	-	-	1,425	-
Non-recurring measurements					
Property classified as held-for-resale	-	-	-	-	-
Plant and equipment classified as held-for-resale	-	-	-	-	-

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

CHANGES IN RECURRING FAIR VALUE MEASUREMENTS		
	GROUP	HIE
	£000	£000
Opening balance	28	564
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Additions	-	-
Disposals	-	-
Impairment	-	8
Total gains or losses for the period:	-	-
Included in other income and expenses	-	-
Included in other comprehensive income	-	-
Closing balance	28	572

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

QUANTITATIVE INFORMATION				
Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
Equity	Group £28k	Net asset value (a)	n/a	n/a
Equity	HIE £564k	Net asset value (a)	n/a	n/a

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

There are no unobservable inputs available to provide a sensitivity analysis of the fair value measurement.

ESTIMATION OF FAIR VALUES

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

Financial assets at fair value through profit & loss	The fair value is based on net asset value, where this exists, or the last known purchase price
Assets held to maturity	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Loans and other receivables	The fair value is based on amortised cost using the effective interest rate method, less any provision for impairment
Trade and other receivables	The fair value is deemed to be the same as book value, less any provision for impairment
Cash and cash equivalents	The fair value is deemed to be the same as book value
Trade and other payables	The fair value is deemed to be the same as book value
Other borrowings	The fair value is deemed to be equal to the net present value of future lease payments

ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2010, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the Income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year. Additional disclosure requirements are set out in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 14 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers



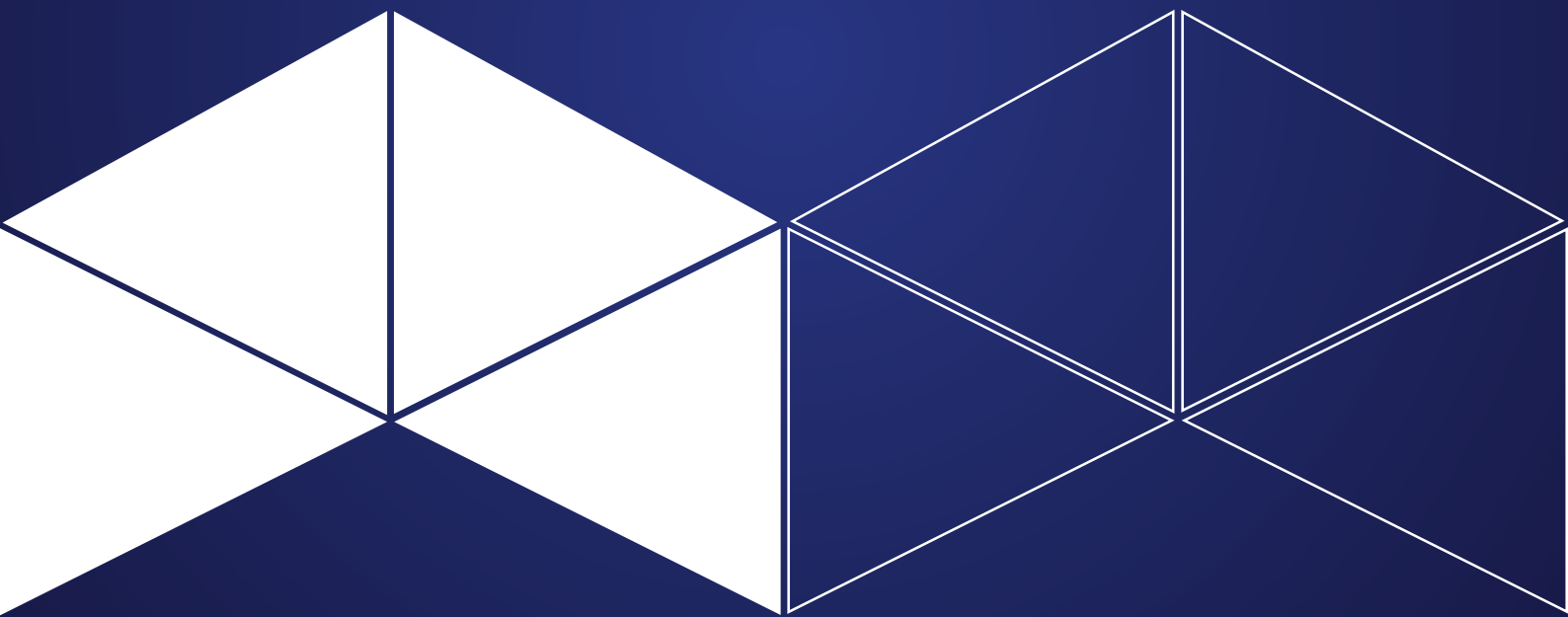
Head of Enterprise Policy Delivery Division

10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The notes to the accounts shall include a schedule of all investments showing:
 - 1.1. In respect of companies in which Highlands and Islands Enterprise holds 20% or more of the voting rights and where the total investment (including loans) is in excess of £100,000:
 - Name of company
 - Nature of its business
 - Percentage of voting rights held
 - Amount invested in shares (distinguishing between ordinary and preference shares)
 - Amount of loan given to each company
 - Any other commitments in respect of each company
 - 1.2. In respect of companies in which Highlands and Islands Enterprise holds less than 20% of the voting rights but where the total investment (including loans) is in excess of £1,000,000:
 - Name of company
 - Nature of its business
 - Percentage of voting rights held
 - Amount invested in shares (distinguishing between ordinary and preference shares)
 - Amount of loan given to each company
 - Any other commitments in respect of each company
 - 1.3. In respect of all other investments by Highlands and Islands Enterprise:
 - Total number of companies involved
 - Total amount invested
 - Total amount of loans given
 - Total amount of any other commitments



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean