

ANNUAL REPORT AND ACCOUNTS

2013-2014



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 2014 together with the independent auditor's report to the members of Highlands and Islands Enterprise, the Scottish Parliament and the Auditor General for Scotland.

Highlands and Islands Enterprise Annual Report and Accounts 2013-14

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Strategic Report

History and statutory background

Highlands and Islands Enterprise is an executive Non-Departmental Public Body of the Scottish Government, acting as a public agency with a statutory duty to undertake economic development within the Highlands and Islands of Scotland. A separate agency, Scottish Enterprise, covers lowland Scotland.

Highlands and Islands Enterprise (HIE) was established in 1991 in accordance with the provisions of the Enterprise and New Towns (Scotland) Act 1990. The legislation defines Highlands and Islands Enterprise key functions as

- Furthering the development of Scotland's economy and role providing, maintaining and safeguarding employment
- Promoting Scotland's industrial efficiency and international competitiveness
- Furthering Improvement of the environment of Scotland

Highlands and Islands Enterprise duties are as determined by Scottish Ministers under Section 24 of the Act. A range of general and specific powers are set out in full in section 8 of the Act.

Strategic aims

The second Government Economic Strategy was unveiled in September 2011. The strategy focuses actions on the six strategic priorities which aim to strengthen the recovery, drive sustainable growth and develop a more resilient and adaptable economy. Five of these priorities are in keeping with those set out in the 2007 strategy: Supportive Business Environment; Learning, Skills and Well-being; Infrastructure Development and Place, Effective Government; and Equity.

The new priority – Transition to a Low Carbon Economy – reflects Scotland's leading work in areas such as renewable energy and climate change. For further information on the Government Economic Strategy please see <http://www.hie.co.uk/about-hie/what-we-do.html>

Principal activities

As the Scottish Government's economic and community development agency for north and west Scotland, HIE's purpose is to generate sustainable economic growth across the Highlands and Islands. Our vision is for the Highlands and Islands to be a highly successful and competitive region in which increasing numbers of people choose to live, work, study and invest.

The following priorities reflect current challenges and opportunities and provide the framework for HIE's activities across the region:

- Supporting businesses and social enterprise to shape and realise their growth aspirations
- Strengthening communities and fragile areas
- Developing growth sectors, particularly distinctive regional opportunities
- Creating the conditions for a competitive and low carbon region.

Details of the full range of HIE's activities are included in our Operating Plan. <http://www.hie.co.uk/about-hie/policies-and-procedures/operatingplan.html>

Financial performance

Results

The results for the year to 31 March 2014 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.

Sources of finance

Highlands and Islands Enterprise (HIE) is mainly financed by Scottish Ministers through the Scottish Government Business Directorate. 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 expenditure for Highlands and Islands Enterprise for the year ended 31 March 2014 (excluding non-cash costs) was as follows:

Sources of Finance 2013-2014	Original Budget £000	Final Budget £000	Actual £000
Expenditure			
Operations	53,170	78,199	78,164
Management & Admin.	14,900	14,900	14,900
Total Expenditure	68,070	93,099	93,064
Income			
Grant in Aid	53,270	57,942	57,942
European Union	5,000	2,295	2,295
Business Receipts	9,800	30,162	30,162
Total Income	68,070	90,399	90,399
Net Over spend (Scottish Government Authorised)	-	(2,700)	(2,665)

Cash Outturn		
Revenue Expenditure	29,242	29,207
Capital Expenditure	28,700	28,700
Net spend	57,942	57,907

The group outturn against the elements of the budget allocation from the Scottish Government was as follows:

	Budget £000	Actual £000
Resource Budget Outturn		
Resource DEL	29,242	29,207
Capital DEL	28,600	31,400
Non-cash DEL cost including depreciation, provisions, property revaluation	12,697	3,202
Total Resource budget	70,539	63,809
Non-cash AME cost including pension, provisions, property revaluation	15,000	8,965
Total Funding Provision	85,539	72,774

Financial commentary

Investment Spend

During the year HIE successfully bid for additional funding of £4.6 million from the Scottish Government. This increased baseline grant in aid from £53.3 million to £57.9 million. As a result of the under spend during 2012/13 HIE was given permission by the Scottish Government to overspend the cash allocation (Grant In Aid) by £2.7 million. On 10th March 2014 HIE was awarded £2.8 million (Grant in aid) for capital investment, no Capital DEL budget was awarded and HIE was given permission to overspend the Capital Del budget by £2.8 million.

Income from activities of £6.3 million was in line with the prior year. Property rental income was marginally lower than the prior year. Other income of £24.9 million was £16.1 million higher than 2012/13. This was largely due to first payment associated with the rollout of superfast broadband. European income of £2.4 million was received for the year.

HIE drew down its full grant in aid allocation from the Scottish Government. At the yearend HIE had an agreed overspend against the cash budget of £2.7 million recovering the under spend from 2012/13. The overspend has been funded via the release of reserves generated in 2012/13.

During the year HIE transferred £14.0 million of revenue funding to its capital programme to augment capital spending on Regionally Significant Investments (RSI) and other investments across the Highlands and Islands region which included £14.8 million on property construction and plant and equipment additions.

Expenditure on operating activities within HIE increased by 12.8% to £68.6 million as a result of the additional Grant in Aid funding. Group operating expenditure rose by 12.8% to £72.1 million for the year.

Underlying management and administration expenditure in HIE showed a reduction of £300k. Overall group management and administration expenditure decreased by £100k.

Non Cash Financial Budgets

The non-cash resource accounting and budget (RAB) spend was £3.2 million, £9.5 million under the provision set by the Scottish Government, which is due to a historically high provision being provided.

The Annually Managed Expenditure was £8.9 million against a budget of £15.0 million. The under spend of £6.1 million was primarily driven by better than expected property valuations.

The Resource Budget for 2014/15 of £71.3 million awarded by the Scottish Government comprises Grant-in-Aid and 'non-cash' budget provision. This is deemed to be adequate for HIE to continue for the foreseeable future.

Fixed Assets

During 2013/14 Highlands and Islands Enterprise spent £14.8 million (Group £15.1 million) on property construction projects, plant and equipment additions.

At 31 March 2014 the net book value of HIE property, plant and equipment was £46.1 million (Group £46.2 million). This is an increase of £3.3 million (Group £3.1 million) on the prior year. Commercial properties were valued at market value.

Financial assets amounted to £6.0 million (Group £6.8 million).

Current Assets

Current assets stood at £9.2 million (Group £11.3 million) at 31 March 2014, £1.3 million (Group £0.9 million) lower than the prior year. The decrease is due to an insurance claim for a fire damaged building amounting to £1.9 million being settled during the year. The group is further affected by assets held for resale has increased by £1.0 million following the reclassification of CairnGorm Mountain Limited as an Asset Held for Resale.

Current Liabilities

Current liabilities stood at £9.5 million (Group £10.5 million) at 31 March 2014, £500k (Group £300k) lower than the prior year. The group numbers also include liabilities directly associated with the sale of Cairngorm Mountain Limited (0.9 million)

Pension Liabilities

The group pension liability has increased from £25.6 million to £25.9 million in 2013/14.

Payment to creditors

HIE observes the Government's policy for prompt payment and is committed to paying suppliers within 10 days of receipt of a valid invoice, where no other contract timetable applies

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

Standard	Performance 2013/14	Performance 2012/13
In line with government policy, aim to pay all invoices promptly - target 10 days <i>Note: excludes items under dispute or where other terms are agreed with a supplier</i>	87%	84%

Events after the Statement of Financial Position

Following the completion of the year end Statement of Financial Position, Highlands and Islands Enterprise sold CairnGorm Mountain Limited on 11th June 2014.

Business Performance

HIE is the Scottish Government's economic and community development agency for the North and West of Scotland, an area encompassing more than half the Scottish land mass including almost 100 inhabited islands. HIE's purpose is to generate sustainable economic growth across the Highlands and Islands.

Our vision is for the Highlands and Islands to be a highly successful and competitive region in which increasing numbers of people choose to live, work, study and invest. This is reflected to some extent in our 2020 ambitions which aim to see a region that is:

- An international marine renewables centre
- A digital region
- Home to more growth businesses operating in international markets
- Recognised internationally for digital healthcare and marine science expertise
- Characterised by dynamic, sustainable communities
- A globally-connected region
- An attractive region for young people

HIE's activity is based on the pursuit of four interlinked priorities:

- Supporting Businesses and Social Enterprises to shape and realise their growth aspirations
- Strengthening Communities and Fragile Areas
- Developing Growth Sectors, particularly distinctive regional opportunities
- Creating the conditions for a competitive and low carbon region

Year-end performance

Excellent out-turns are reported against the key measures as detailed below. These results demonstrate excellent progress and an appropriate balance of effort in implementing our organisational priorities across the Highlands and Islands.

Key measures

Annual Measures	Range	Out-turn
Forecast increase in turnover by supported businesses (£m/year 3)	70-90	89*
Forecast increase in international sales by supported businesses (£m/year 3)	20-30	28.7
Jobs supported (created/retained) FTE	700-900	882*
- of which in fragile areas	100-150	163
Forecast increase in turnover in the social economy (£m/year 3)	1.5-2.5	3.67
- of which generated by community-owned assets (£m/year 3)	0.5-1.0	2.65
Account managed communities delivering increased community benefit	25-30	43

**In addition, HIE invested £6.5m to support the development of additional quayside at Global Energy's Nigg Yard. Our investment is expected to generate an increase in turnover of £190m and support 1,246 jobs.*

Priority 1 - Supporting Businesses and Social Enterprises to shape and realise their growth aspirations

HIE's work with account managed businesses and social enterprises achieved significant contributions towards our key measures for 2013/14.

Grant-in-aid of £28m to businesses and £1.8m to social enterprises supported total investment of £113m for businesses and £6m for social enterprises which is expected to increase turnover by £279m and £3.7m respectively and support 2,128 jobs across the region. Our efforts to increase internationalisation included investment of £7m which is expected to generate a forecast increase in turnover of £29m through exports over three years.

HIE continues to use specialist advice as a key tool and provided 448 assignments to support the growth of 355 clients. The transition to a new supply partner was completed successfully.

In partnership with Scottish Development International (SDI), HIE supported 158 businesses to develop international trade activity, including 25 who participated in the Accelerated Export Support Programme (AESP). This aims to increase international sales by at least £300K over five years in each participating company. Following a successful pilot, the programme will run for a further three years.

Over the last eight years, HIE has built a strategic partnership with Massachusetts Institute of Technology (MIT) in Boston, to increase levels of innovation and entrepreneurship by engaging with one of the world's leading academic institutions. A new three year plan for high growth entrepreneurship began in March 2013.

Entrepreneurship activities led by HIE have been delivered across Scotland in a partnership with Scottish Enterprise. We held eight master classes, training 52 entrepreneurs in entrepreneurship, financing for growth, sales, branding, new product development, leadership, strategy and culture. Four entrepreneurs with high growth potential have been intensively supported to attend the MIT EDP programme. Five HIE staff have been connected to MIT to bring value to their clients and sectors, particularly in Energy and Life Sciences, and 39 entrepreneurs have been connected to the high impact Scottish Entrepreneurship Development Programme Alumni network.

Over the year, 120 businesses received advice on intellectual property (IP) and assets (IA). HIE's Enterprise Europe team supported 40 negotiations and one partnership agreement between Highlands and Islands companies with those located elsewhere in Europe. HIE awarded 23 innovation vouchers to businesses, all of which went on to develop their research. Increasing capacity for innovation in businesses and social enterprises resulted in 54 graduate placements, with 50% being retained in full time roles, and we supported 32 summer placements in 24 businesses. HIE has deepened its relationship with the Scottish Manufacturing Advisory Service (SMAS) which provided advice and support on productivity and efficiency to 25 organisations, 18 of which accessed a pilot diagnostic review.

Fifty two collaborative academic-company projects were under way at the end of March 2014 through Interface, which HIE funds to connect businesses to expertise, knowledge and facilities in Scotland's universities and research institutes. This has resulted in £354k public/university funding being awarded to industry-led projects across the region, leveraging in a further £110k of investment from Highlands and Islands businesses.

HIE's collaboration with the Institute of Directors supported 85 participants, including 13 social enterprises, in the Leadership for Growth programme. Our business mentoring programme, in partnership with Scottish Chambers of Commerce, matched 63 individuals with voluntary mentors to support their development.

Priority 2 - Strengthening Communities and Fragile Areas

Community Account Management (CAM) is the way that HIE works most intensively with its communities. The provision of Local Development Officers (LDOs) is just one of many HIE products that our account managers can offer through the relationship. £3.85m was approved to support a three year £6.5m Community Capacity Building (CCB) programme. Twenty-two separate interventions supporting communities across the Highlands and Islands, were approved in the first three months of the programme. CCB will also support high performing social enterprises with capacity to undertake significant innovative growth projects, and provide capacity for revenue earning projects.

At the year end, HIE had an account managed relationship with 47 communities and had supported 43 communities to deliver increased community benefit.

Managed by HIE on behalf of the Scottish Government, Community Broadband Scotland is helping kick-start community-led broadband projects in rural areas across Scotland. We are currently working with 63 communities accounting for 7,600 connections. We funded £154,428 for 18 technical appraisals for communities to scope solutions and invested £227,659 in producing 580 connections across five community groups.

HIE also delivered the Scottish Land Fund across Scotland in partnership with the BIG Lottery Fund, on behalf of the Scottish Government

HIE is taking forward a Local Energy Economy Programme (LEEP) in partnership with Community Energy Scotland. The programme aims to deliver a high level of community control of renewable energy generation and use, which strengthens local economies, builds community resilience and energy security. Five demonstrator projects from Orkney to Argyll are adopting innovative approaches to overcome grid constraints and fully use the energy generated locally.

During 2013/14, we supported 59 social and community enterprises across the region to increase their social impact. Anticipated outcomes include 39 jobs as well as opportunities for nearly 200 new volunteers. Almost 50 new or improved services were supported. Business development support was provided through the 'Just Enterprise' consortium to 112 social enterprises and 78 organisations received start-up advice.

Funding of £246k was approved to develop the 'HI - Enterprise in Schools' programme, delivered by Social Enterprise Academy (SEA). The project will be launched in spring 2014 and will enable pupils in all of the region's 215 schools to set up their own social enterprise. Around 150 new social enterprises will be created in schools over the next four years.

HIE investment of £3m with account managed businesses in fragile areas supported the delivery of 24 projects which are expected to generate an increase in turnover of £11m., while £1.9m investment to help seven businesses in fragile areas will increase turnover from international sales by a total of £2.6m. Nineteen business and 22 social enterprise projects in fragile areas are expected to deliver 163 FTEs.

HIE led a partnership to commission research into 'A Minimum Income Standard for Remote Rural Scotland'. The research identified the cost for householders in remote rural Scotland to achieve a minimum standard of living, with factors including higher fuel bills, travel costs and the price of food having a major impact. The partnership is developing an action plan.

HIE's Ambitious for Culture policy is focusing on several areas, including food and drink, diaspora engagement, inward investment, tourism, youth employment, and stimulating collaborative creative communities. We continued to forge close strategic relationships with national bodies such as Creative Scotland, Museums Galleries Scotland, the Crofting Commission (CC) and the Heritage Lottery Fund. We also led the development of enhanced collaborative public sector support for crofting communities, working with the Scottish Government, the Crofting Commission, Highland Council and Comhairle nan Eilean Siar to identify pilot areas for a more joined up approach to supporting crofting communities.

We supported the development of community cinemas and maintain our support for remote communities to participate through the Screen Machine mobile cinema. We continue to support the Fèisean movement and Pròiseact nan Ealan's An Cogadh Mòr project, commemorating the contribution which the population of the Hebrides made during World War One.

HIE is leading a partnership project to research the economic and social value which Gaelic delivers and explore how that impact can be maximised. We expect the partnership to continue to work collaboratively to support the enhancement of Gaelic as an asset. Research results will inform future policy priorities including HIE's own Gaelic plan.

Comunn na Gàidhlig (CnaG) is delivering two HIE-funded programmes that support projects which optimise the use of Gaelic for generating economic and social value - 'Business Innovation using Gaelic as an Asset' and 'Marketing and New Markets using Gaelic as an Asset'. CnaG also delivers our 'Gaelic Students Placements' programme.

Priority 3 - Developing Growth Sectors, particularly distinctive regional opportunities

HIE's efforts to develop the growth sectors are built around three areas; support for businesses and social enterprises to deliver their growth aspirations; specialist programmes and intervention to create the conditions for strong sectoral growth; and influencing sectoral and public policy within Scotland, the UK and Europe. Sector route maps articulate areas of priority and enable progress to be measured against key milestones.

Energy

Progress over the last twelve months in the energy sector has been mixed, with clear growth and opportunities in oil and gas, balanced by delays in offshore wind and challenges experienced by wave energy. Further clarity on electricity market reform (EMR) and progress on the case for grid investments have been achieved

HIE continued to inform the priorities of the Inter-Governmental Island Grid Group, which demonstrated the case for a policy solution to island transmission charging and access.

Following the award of consent to two Moray Firth offshore wind projects, efforts have now begun to ensure maximum local content in delivery of both projects, should they proceed. Supply chain programmes are assisting the identification of inward investment and local business opportunities. 72 businesses exhibited at All Energy 2014 under the HIE pavilion.

Securing investment in the area's key ports and harbours to support the development of the offshore renewables sector remains a priority. Investments were achieved at a number of sites over the last 12 months HIE continues to work closely with port owners and operators.

Life Sciences

During 2013/14 HIE contributed to the establishment of Innovation Centres, including the Digital Health Institute and the Industrial Biotechnology Innovation Centre. Each centre has been designed in response to industrial demand for innovation across areas of rapidly expanding market opportunity.

The first Natural Products Scotland Conference was hosted by HIE at the European Marine Science Park, Argyll, attracting delegates from many countries.

In January 2014, HIE signed a memorandum of understanding with the Satellite Applications Catapult to explore the use of space technology in health delivery. A number of projects are already active.

Food and Drink

In September 2013 our industry partner Scotland Food and Drink (SFD) established a new target of £16.5 billion turnover by 2017, having reaching the previous target five years early. While much of the success has been driven by whisky and salmon, many smaller companies in the Highlands and Islands are reaping the benefits of increased exporting.

HIE invested £4.3m in account managed businesses. In addition, as part of our 'Team Scotland' approach towards growing the sector, HIE leads on UK Market Growth. HIE funding includes £130k towards SFD's Access to Markets programme, and £143k in the Access six programme, which deliver new routes to market with retail, speciality and food service buyers, as well as increased skills and capacity in supported businesses. Our investment has enabled 37 Highlands and Islands companies to generate new markets including developing partnerships with Amazon, Waitrose, Asda, Sainsbury's, Dobbies, Clarks Foods, Wholefoods Market, Tesco Express, Aldi and Reids Foodservice.

Creative Industries

goNORTH continued to grow as Scotland's leading creative industries business to business conference and showcase. 2013/14 saw a jump in delegate numbers again, with over 1,000 delegates attending from the UK, Europe and North America. The social media campaign around the event reached 2.5 million people.

Trade networks delivering support on HIE's behalf to the creative sector worked with more than 400 businesses. The Music network increased its support for international activity, helping music businesses work in Canada, the US, Scandinavia, Europe and Australia. The Writing network generated increased sales and new publishing deals in Scandinavia and other markets. Crafts/fashion/textiles participated in several international trade missions including taking three designer/makers to the Maison d'Objets exhibition in Paris, in conjunction with SDI.

Sustainable Tourism

During the year, HIE invested over £5m in growing the tourism sector, supporting 92 projects with a total value of £15.9m.

We continue to account manage tourism businesses with strong potential to grow turnover and international sale and supported a number of significant new private sector projects which will enhance the region's tourism product.

We pioneered digital delivery of our services through a Tourism Webinar programme. We produced nine webinars, raising awareness of a range of business opportunities in the Year of Homecoming. HIE led this work on behalf of other public partners across Scotland, reaching nearly 600 businesses, around half in the Highlands and Islands. These are complemented with a range of guides, podcasts and animations which have supported some 1,600 businesses across the region.

Financial and Business Services

A growing number of inward investment enquiries were received from smaller, specialist IT companies. This represents a welcome diversification of the sector. Availability of skilled staff is a key driver in investment decisions and we are working with partners including Skills Development Scotland, University of the Highlands and Islands and partner colleges to build a skills pipeline to meet current recruitment needs and underpin future growth.

During the year, CapGemini initiated major expansion of their operations in Inverness, and Atos took occupancy of bespoke premises in Forres. These developments augment the growing cluster of business process outsourcing operations across the region.

There is increasing potential to extend the economic impact of the sector more widely throughout the region, building on the opportunities presented by investment in next generation broadband and increasing industry demand for home workers.

Priority 4 - Creating the conditions for a competitive and low carbon region

HIE continued to play a key role in developing the conditions to enable the Highlands and Islands to fulfil its potential as a globally competitive and low carbon region.

Following the signing of a £146m contract with BT in March 2013, HIE is managing a major project to bring high-speed fibre broadband to 156,000 premises across the Highlands and Islands. When added to BT's commercial rollout, 84% of premises in the region will have access to fibre broadband by the end of 2016. The project is probably the most complex of its type in the UK as it includes the installation of not only access infrastructure but also a substantial backhaul network of more than 400km of subsea cable across 20 routes and some 800km of land cable.

In October HIE announced the first eight exchange areas to go live under the project. Buckie, in Moray, went live in February and by the end of March over 5,000 premises in Buckie, Hopeman, Elgin, Milton of Leys, Inverness Culloden and Inverness Macdhuil were able to access faster broadband. Additional premises are going live week by week and each quarter new exchange areas will be announced.

HIE continued its programme of providing strategic business infrastructure across the region. Major projects progressed include completion of two advance units within the Enterprise Area at the Enterprise Park, Forres. Road infrastructure works to open up the remainder of the park were also completed. Design work commenced to fit out part of the first advance building on the European Marine Science Park at Dunstaffnage in Argyll. At year end, the Phase 1 infrastructure contract at Inverness Campus was within a few weeks of completion; whilst work on the new Inverness College UHI building is well under way on a site sold by HIE.

Design works progressed on a number of projects including large advance units at Hatston and Lyness in Orkney, Sandbank in Argyll, and for a trunk road access to a potential new business park at Scrabster, Caithness. All consents were obtained for a 1,000sq m advance life sciences building at Inverness Campus.

Flybe's daily Inverness-Amsterdam air service (which connects to KLM services at Schiphol Airport) successfully completed its second full year of operations in 2013, with passenger numbers rising 22% to 32,025. HIE provided £475k start-up support over the first two years, and the service is now operating on a commercial basis.

Following Flybe's announcement in May 2013 that it was to withdraw services from London Gatwick from the end of March 2014, HIE worked closely with Highlands and Islands Airports Ltd and other stakeholders to encourage easyJet to provide a new morning/evening return service between Inverness and Gatwick, in addition to their existing daytime service.

We worked with the Scottish Funding Council to develop a five-year action plan to grow engagement with the wider Scottish university sector in the region incorporating demand stimulation with SMEs and establishing a resource to provide deeper support to help business/university relationships and enable closer liaison with Scotland's eight Innovation Centres.

Almost 400 organisations received direct support through the Resource Efficient Scotland (RES) Advice and Support Service. The service identified savings to date following onsite visits and/or technical support in excess of £2m – an average of £5,600 saving per organisation.

Our vision of a successful transition to a low carbon economy has meant that the organisation has played an active role in a number of activities including: the roll out of Next Generation Broadband infrastructure; supporting the development of the renewable energy sector; working as part of the Scottish Government's Environment Clean Technologies Partnership to help Scotland to deliver on its climate change responsibilities to reduce carbon emissions.

HIE took a lead role in influencing the shape of the new EU Assisted Areas Map and also contributed substantive input to the structure of new Regional Aid guidelines.

HIE worked with the Scottish Government and local partners to shape the new European Structural and Investment (ESI) Fund programmes which will focus on strategic interventions delivering sustainable and inclusive growth and jobs, prioritising business competitiveness and innovation, skills, low carbon investments, and measures to promote social inclusion. HIE will be a lead agency, allocated funding to deliver agreed outputs, operating in a similar way to the current programme. Within an all Scotland programme structure, HIE and other regional stakeholders are working to ensure a specific focus on the challenges and opportunities present in the Highlands and Islands.

HIE is also helping to develop a strategy to maximise the region's benefit from future European programmes in addition to ESI funds and has been heavily involved in developing the Operational Plan for the new Northern Periphery and Arctic Programme, giving insight into how to optimise the impact we can generate from this programme

Corporate governance

Highlands and Islands Enterprise has procedures in place to ensure the highest standards of Corporate Governance are maintained at all times. Further information is provided within the Governance Statement. Risk associated with HIE's financial instruments is detailed in note 27

While the remuneration and the service contracts of Board members are set by the Scottish Government, the recommendations of the UK Corporate governance Code have been applied, in so far as they are appropriate to Highlands and Islands Enterprise. Full details of all elements in the remuneration package of each Board member are disclosed in the Remuneration Report.

Conflicts of interest procedures

HIE operates strict and comprehensive procedures to deal with potential conflicts of interest. These include HIE holding, and updating at least annually, registers of interests covering not only board members/directors but also members of staff. These registers are available to any member of the public who wishes to examine them. Interests which must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land and buildings, shares and securities, non-financial interests, gifts and hospitality.

Whenever a Board member/director or member of staff has an interest in an application for assistance, they are required to declare the interest and thereafter to take no part in the investigation, processing or approval of the case. Such declarations by Board members/directors are recorded in the minutes of the appropriate Board meetings.

Future Developments

In developing its operating plan Highlands and Islands Enterprise adopts a rolling planning process with a medium term focus. This process takes account of the challenging economic climate, progress against our objectives, consultation with our partners and strategic guidance received from Scottish ministers. This changing process is reflected in HIE's operating plan for 2014-17. <http://www.hie.co.uk/about-hie/policies-and-publications/default.html>

The central theme of our 2014-17 operating plan is 'Building our Future' recognising that within the Highlands and Islands we need to maintain the confidence currently building amongst businesses, social enterprises and communities, by promoting regional opportunities, maintaining the region's attractiveness as a location for inward investment and exploiting the benefits of superfast broadband and digital connectivity.

A greater proportion of businesses and social enterprises in the Highlands and Islands appear to be showing increased confidence and positive performance. Optimism for future prospects is generally high as is the aspiration to grow, with optimism strongly related to enhanced demand for products/services and tangible evidence of economic recovery.

Returning business confidence is apparent from HIE's client portfolio, with actual business performance data indicating that 90% of the growth projected in agreed growth plans has been achieved. This appears to be in line with trends across Scotland, with the Bank of Scotland recently indicating that business confidence is increasing among Scottish firms, with labour market conditions and the economy continuing to improve. However, while many indicators suggest that the region has generally suffered less than Scotland from the recession, it is evident that businesses in the Highlands and Islands have continued to experience mixed fortunes, and while some are doing very well, the impact of the downturn remains an on-going issue for others.

While the outlook for many businesses seems more optimistic, the severe impact and legacy of the financial crisis is reflected in the long term trends of new business statistics. These reveal that across both the Highlands and Islands and Scotland, the number and rate of new business starts continued to decline in 2013, reaching their lowest point over the decade, having peaked in 2007 prior to the recession. On a positive note, the Highlands and Islands continued to demonstrate a greater rate of business starts per 10,000 adults compared with the Scottish average.

Unemployment declined over the year and remains below the Scottish average across the majority of the Highlands and Islands. Positive signs are also evident from various tourism indicators, while the housing market also appears to be showing some improvement as the economy starts to recover. Looking back over the decade, a significant increase in the number employed in the professional occupations in the Highlands and Islands between 2001 and 2011 provides encouraging signs, suggesting the economic base may have widened to some extent. A rise in the number working in the professional occupations is welcome news, providing the potential for increased higher valued added employment opportunities in the area. The announcement in 2013 of a major expansion project in Inverness by Capgemini, which will involve the creation of 500 higher value IT services roles over the next three years, should contribute to further growth in the professional occupations in the region; and along with other key investments, may help to narrow the gap with the Scottish average over the longer term.

There are several regionally significant projects underway throughout the Highlands and Islands and across a number of sectors that, as they progress, both at construction stage and on completion, will help to drive future growth in the regional economy in the short, medium and longer term.

Public interest reporting

Information request processing

As a publicly-funded organisation, HIE is committed to full compliance with:-

Freedom of Information (Scotland) Act 2002 (FOISA)
Environmental Information (Scotland) Regulations 2004 (EIRs)
Data Protection Act 1988

In 2013-14, HIE received 78 information enquiries .

Freedom of Information (Scotland) Act 2002 (FOISA):	77
Environmental Information (Scotland) Regulations 2004 (EIRs):	01
Data Protection Act 1998	00
Total	78

Details of our response times and information request handling is as follows

Information request handling performance	
Average time to fully respond and close a request for information:	12 days
Percentage of requests which received a response within the statutory timescales:	91%
Percentage of requests which received a late response:	9%
Average time to fully respond and close a request for review:	19 days
Percentage of requests for reviews which received a response within the statutory timescales:	100%

FOISA exemptions and EIRs exceptions applied to requests for information

The number of occasions exemptions were applied to requests received under the Freedom of Information (Scotland) Act in 2013/2014.

Section of the Act	Description of exemption	Total
30 (c)	Prejudice effective conduct of public affairs	3
33 (1) (b)	Prejudice commercial activities	9
33 (2) (a)	Substantial prejudice to the economic interests of the UK	1
36 (2)	Breach of confidence	2
38 (1) (b)	Breach of Data Protection Principles / Third party personal data	9
38(1) (a)	Personal data of the applicant	1
30 (b) (1)	Prejudice to free and frank provision of advice	1

The number of occasions exceptions were applied to requests received under the Environmental Information (Scotland) Regulations in 2013/2014:

Section of the Regs	Description of exception	Total
10 (5) (e)	Confidentiality of commercial or industrial information, provided for by law to protect legitimate economic interest	1

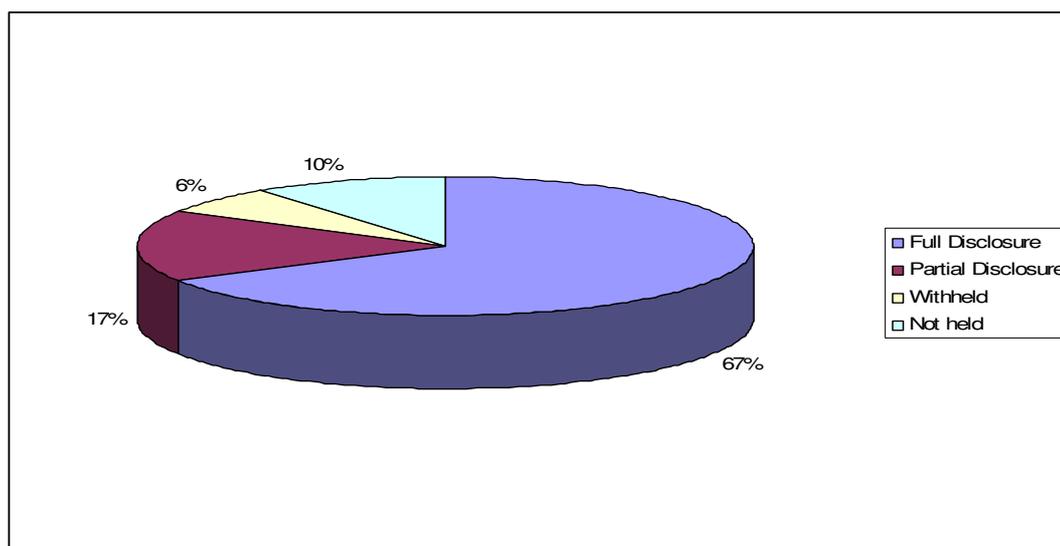
Number of requests for reviews:

Freedom of Information (Scotland) Act 2002	2
Environmental Information (Scotland) Regulations 2004	0
Total	2

Number of appeals to the Office of the Scottish Information Commissioner:

(In this case the position taken by HIE was upheld)	1
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The following chart shows the percentage of information enquiries where the requested information was fully disclosed, partially disclosed withheld or no information was held.



The Scottish Information Commissioner has asked all Scottish public authorities to provide FOI and EIR statistics on a quarterly basis. HIE has provided quarterly statistics towards the national dataset of FOI and EIR statistics in Scotland covering the year 2013/14.

Proactive disclosure of information

The HIE website contains details of HIE's publication scheme and information which we routinely publish, including approvals and Leadership team/Board minutes -

<http://www.hie.co.uk/about-hie/policies-and-publications/freedom-of-information/html>

In addition, under the Public Services Reform (Scotland) Act 2010 we have, along with other public bodies in Scotland, a duty to publish annual public statements relating to our expenditure in the following areas:

- Public relations
- Overseas travel
- Hospitality and entertainment
- External consultancy
- Payments with a value in excess of £25,000
- Employee/members who receive remuneration in excess of £150,000.

Customer Service

We are committed to continually improving our service and welcome comments and suggestions. We record both positive and negative feedback and ensure lessons are learned for the future.

Complaints

We take all complaints seriously and have an effective, easy to use complaints procedure. Where possible, we try to resolve complaints at the first point of contact through frontline resolution. If we are not able to do this, a complaint investigation will be carried out. During the period from 1 April 2013 – 31 March 2014, a total of 19 complaints were resolved at frontline resolution stage and a further 2 complaints investigations were carried out.

	Frontline resolution	Investigation	SPSO
1 April 2013 – 31 March 2014	19	2	0

When a complaint cannot be resolved internally, a complainant is entitled under the terms of the Scottish Public Services Ombudsman (SPSO) Act 2002 to have their complaint considered by the SPSO. No complaints were referred to the SPSO during the year.

On 28 March 2013 the SPSO published a new Model Complaints Handling Procedure which applies to organisations such as HIE. HIE submitted a compliance statement to the SPSO on 27 September 2013 which confirmed full compliance with the SPSO guidance.

Principal risks and uncertainties

Highlands and Islands Enterprise has a Risk Management Policy and operates an internal control assessment framework to complement its risk management and internal audit arrangements. The framework requires Leadership Team members to carry out an annual review of the internal controls within the business units for which they are accountable based on a detailed internal control checklist. Risks are classified strategic and tactical and both likelihood and impact are assessed on a consistent basis. Risk registers are maintained at project, business unit and corporate level, with the Corporate Risk Register being reviewed on a regular basis by the Highlands and Islands Enterprise Board.

As with every part of the country, the Highlands and Islands has experienced the effects of the recent challenging economic conditions. However a number of key economic indicators suggest that the region has weathered the difficulties relatively well. This together with regional opportunities, the region's attractiveness as a location and the significant investment in the region's infrastructure provide a good foundation on which to build further.

Key risks for Highlands and Islands Enterprise as an organisation include:-

- Ensuring effective support to businesses as they respond to the strengthening of the Scottish, United Kingdom and global economies.
- The effect of the costs and market uncertainties on realising the full benefits of the opportunities presented by renewable energy, and ensuring the investment in digital infrastructure is maximised for economic and community benefit.
- HIE's ability to attract and retain a highly skilled workforce in order to deliver its ambitious business plans

All internal and external risks in the Corporate Risk Register are actively managed at the appropriate level in the organisation.

Employee involvement and communication

Over the course of 2013/14, our HR activity has delivered on a number of priority areas and contributed to the wider development of the organisation.

Workforce development remains key to align our people resource with specific challenges and opportunities across the organisation, supporting the delivery of our organisational priorities and regional outcomes.

Throughout the year we have recruited to a number of key posts including a Director to lead, develop and deliver Community Broadband Scotland (CBS); several key appointments within the sector teams including SDI posts; and appointment of two new Area Managers to lead our area based activity in Innes Gair and Orkney.

We continue to support the youth employment agenda and our Graduate Placement Programme is now in its third year. We currently employ 6 graduates and 6 modern apprentices. In addition we supported 2 summer placements and contributed to Highland Youth Day.

An extensive consultation exercise was undertaken on proposed benefit changes to the HIE superannuation scheme for implementation later in 2014.

A range of training approaches were developed with the aim of supporting continual development of staff to help them be confident in their role, credible and on message. This included the introduction of the applied skills portal, development and delivery of project management workshops tailored to HIE's new guidance and methodology, inward investment training, induction, client relationship skills for account managers, financial appraisal mentoring, access to the SDI pioneer programme and the sharing of knowledge and experience via case conferences, lessons learnt sessions and a range of webinar events.

In December, we piloted a new initiative "SPOTLIGHTS" which provided 5 employees with the opportunity to spend time focusing on and generating new ideas and approaches relevant to HIE's current and future work. This pilot has been a useful way of helping to engage and support our staff in developing innovative ideas to take forward.

Work has been on-going to develop our internal digital presence. Specific initiatives include HR Online, a self-service tool, allowing employees and managers to access and manage HR and payroll information and book annual leave; Halogen – an online performance review system that encourages all staff to engage with the process to maximise the value of performance review; the operation of an online recruitment system; introduction of an applied skills portal, a web based modular development programme; and the piloting of the Civil Service Learning Portal. The introduction of these systems provides access for all staff regardless of location whilst also supporting the organisation's low carbon aspirations, and helping to drive efficiencies within the workplace.

Enhancing employee engagement is an important corporate priority. In September 2013 we achieved a silver award in the extended Investors in People Framework.

Employees by sex

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

	Male	Female	Total
Board*	7	2	9
Leadership Team*	1	3	4
Other employees	91	162	253

* Mr A L Paterson (Chief Executive) is included as a member of the Board in the table above. He is also a member of the Leadership Team

Social and Community

In pursuit of sustainable economic growth, Highlands and Islands Enterprise contributes to the Scottish Government's strategic objectives for social and regional equality. Our focus is on those opportunities that promote both sustainable economic growth and equality. This work continues to be embedded in our mainstream operational activities as a fundamental part of our approach to building globally competitive companies, sectors and business environment.

Diversity and equality

HIE welcomes the provisions of the Equality Act 2010 and the associated public sector equality duties which strengthen our ability to identify and address such as under-representation in employment, occupational segregation and under-employment. HIE defined a set of principles which underlie our approach to equality, incorporated in Equality, Diversity and HIE : a Framework for Action, endorsed by HIE's Leadership Team and HIE Board and providing clear direction for the subsequent development and achievement of our equality outcomes. It confirms HIE's commitment to considering equality as a routine part of our structures, behaviours and culture.

Despite relatively low unemployment rates compared to Scotland and higher levels of economic activity, business start-up and self-employment rates than Scotland as a whole, youth unemployment has risen more rapidly than other age groups since the start of the global downturn and female unemployment almost doubled between April 2008 and April 2012 as a direct result of a disproportionate dependence on public sector employment. Two of our equality outcomes directly address these issues - to increase employment opportunities for young people and to increase the number of women in leadership roles in the Highlands and Islands.

By capitalising on areas where we have comparative advantage we can attract higher-value employment opportunities in sectors such as renewable energy and life sciences and develop a culture of entrepreneurship and leadership in our businesses and social enterprises. For example, initiatives such as Graduate Placements with businesses and social enterprises have resulted in more young people staying in the Highlands and Islands to undertake further and higher education and then getting jobs in the region. It has also resulted in businesses reporting growth through an expansion of their youth workforce. HIE's most recent Leadership for Growth Programme saw a significantly higher proportion of female participants, increasing the contribution of women to business growth.

HIE's internal equality outcome considers the equality implications for HIE employees of dispersed work locations. HIE also works in partnership in Highland to adopt a cross-agency approach in raising community awareness and reducing the occurrence of incidents motivated by prejudice. This enables HIE to contribute to capacity-building of strong, tolerant and sustainable communities in which all people can participate fully in community life.

Over the past year we have focused primarily on improving equality benchmark data which will help us build a robust and relevant evidence base, addressing evidence gaps identified when we developed our outcomes. This will also support us in establishing an appropriate measurement framework to help us demonstrate progress over time.

HIE's people impact assessment resource is a key tool for mainstreaming equality across HIE. It raises employee awareness of and capability to help address persistent inequalities. It incorporates consideration of human rights, particularly increasing realisation of economic, social and cultural rights, as well as dovetailing with HIE's procurement function to ensure that we also maximise opportunities to advance equality through functions delivered on our behalf.

HIE's employment equality and diversity policy compliments our strategic framework setting out our approach to eliminating discrimination in employment and valuing the diversity of our employees. Our approach to equality and diversity as an employer and in the delivery of our functions is mainstreamed through our people policies and training programmes starting with induction. All of these activities aim to equip our staff to recognise and maximise opportunities which will help us deliver the general duty as an integral part of achieving our strategic objectives.

Analysis was carried out of HIE's workforce composition in March 2013 along with our staff survey providing evidence which led to the development of our employment equality outcome. This will enable HIE to ensure that our employment practices recognise the diversity of HIE's employees and that we advance equality of opportunity. HIE employees have been asked since 2007 to disclose personal data in relation to the equality characteristics protected by equality legislation. We have used employee data in a range of ways, from carrying out equal pay reviews to exploring occupational segregation and policy development. HIE continues to develop a robust evidence base of equality data, both in relation to the delivery of our functions and regarding how we act as an employer.

A range of information is published on our website including our Mainstreaming Report, published in 2013, which outlines our equality outcomes for the period 2013-17, employee information including occupational segregation and equal pay, and how we aim to maximise opportunities, both internally and with partners, to realise economic, social and community benefit for groups of people.

We will do so by reviewing four key areas :

- identifying our strategic opportunity for impact
- mainstreaming delivery
- clarifying roles
- base-lining information and identifying data gaps.

We will publish progress in achieving this, as required by the Public Sector Equality Duty, in April 2015.

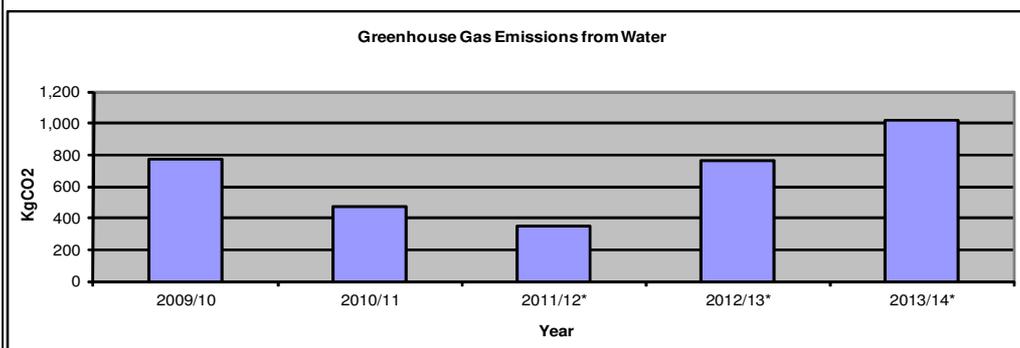
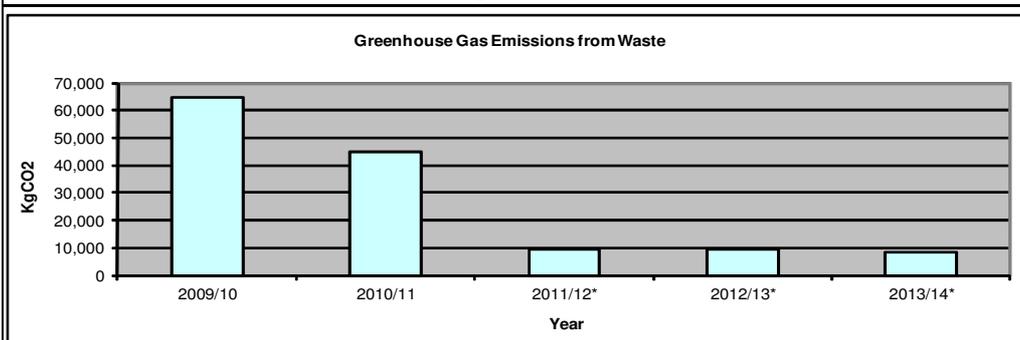
Sustainability and environment

HIE is committed to the reduction of carbon usage, our internal carbon management plan was launched in March 2011. Within the carbon management plan HIE have set a target to reduce our carbon consumption by 20% by 2014. HIE are one of 14 organisations within the Highlands and Islands who signed up to the Joint climate change declaration in June 2010.

We encourage our clients to reduce their carbon consumption and are committed to creating the conditions for a competitive and low carbon region. Further details of our planning for a low carbon region can be found in the HIE operating plan.

Waste and Water		2009/10	2010/11	2011/12*	2012/13*	2013/14*
Non-financial Indicators (KgCO2)	Total greenhouse emissions from general waste	64,670	44,906	9,322	9,602	8,482
	Measurable greenhouse emissions from water	768	470	352	767	1,015
Non-financial Indicators	General Waste (kg)	144,675	100,460	46,284	61,029	45,706
	Recycled Waste(kg)	52,099	64,895	25,430	39,548	26,730
	Measurable Consumption (m3)	1,901	1,163	872	1,898	2,512
Financial Indicators	Disposal Cost	50,351	51,559	44,135	52,709	51,252
	Measurable Water Cost	39,615	43,215	43,615	38,784	50,536

Graphical Analysis



Performance Commentary

There was a reduction in waste produced and a corresponding decline in carbon emissions. The amount of water used in the period increased on the previous year which resulted in a corresponding increase in cost and carbon emissions for water.

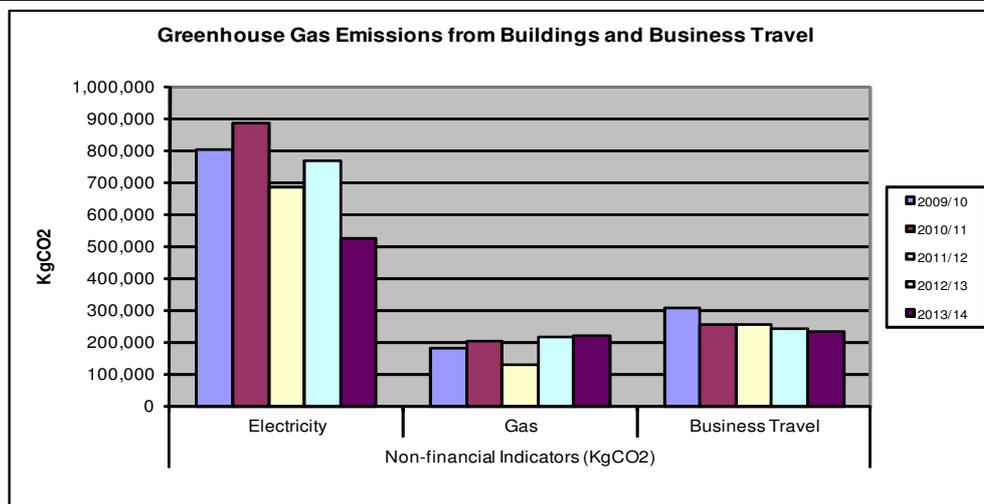
* Waste figures reduced considerably from 2011-12 following a change in method that Northern Recycling uses to weigh the waste collected.

Controllable Impacts Commentary

HIE is working alongside staff, suppliers and contractors to ensure that an improved culture encourages a better performance in waste management. In some cases, a reduction in water wastage will reduce cost. In all cases, it will reduce our carbon footprint, although for some offices this will not be measurable due to lease arrangements.

Utilities and Business Travel		2009/10	2010/11	2011/12	2012/13	2013/14
Non-financial Indicators (KgCO2)	Electricity	801,632	885,145	683,920	769,564	525,754
	Gas	179,842	203,435	128,891	214,638	218,389
	Business Travel	306,096	252,929	254,410	243,140	231,599
Related Energy	Electricity	1,492,797	1,648,314	1,323,285	1,433,080	979,058
	Gas	972,119	1,099,648	1,012,666	1,160,206	1,180,480
Financial Indicators (£'s)	Electricity	183,242	145,077	125,480	147,557	149,758
	Gas	28,941	29,226	29,015	39,538	52,673
	Business Travel	745,070	653,677	724,806	713,179	682,631

Graphical Analysis



Performance Commentary

The volume of electricity used reduced on last period resulting in a reduction in carbon emissions for the period. However there was an increase in gas use which resulted in increased carbon emissions. The cost of electricity used increased slightly and there was a larger increase in the cost of gas. Spend on travel decreased for the period and carbon emissions from travel also decreased.

Controllable Impacts Commentary

The scope of HIE's Carbon Management Plan includes business travel, waste, water and office energy consumption. The benefit of controlling these outputs are that cost savings and efficiency have been achieved, as well as a reduction in HIE's carbon footprint.

Accounts direction

The Group and Highlands and Islands Enterprise accounts are prepared in accordance with section 30(1) of the Enterprise and new Towns (Scotland) Act 1990 and the Accounts Direction from the Scottish Ministers

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

Prof. L D Crerar (Chair)
Mr A L Paterson (Chief Executive)
Prof. M Bownes OBE (Appointment ended 31st March 2014)
Mr J Royan OBE (Appointment ended 31st March 2014)
Mr C Spence
Mr S Thomson
Mr W Swann
Mr D MacDonald
Ms I MacTaggart
Prof D Macrae (Appointed 1st April 2014)
Mr G Hamilton (Appointed 1st April 2014)
Mr A Dodds (Appointed 1st April 2014)
Mr P Crerar (Appointed 1st April 2014)

Details of company directorships and other significant interests held by Board Members are available at <http://www.hie.co.uk/about-hie/who-we-are/hie-board.html>

Leadership Team

The leadership team are 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

Mr A L Paterson (Chief Executive)
Mr F C Duthie (Finance and Corporate Services Director)
Mrs C Buxton (Regional Development Director)
Mrs C Wright (Sector and Business Development Director)
Ms R McCormack (Strengthening Communities Director)

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, Highlands and Islands Enterprise 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.

<http://www.hie.co.uk/about-hie/who-we-are/board-members/default.html>

Strategic 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 strategic 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 primary source of funding is Grant in Aid from the Scottish Government. The Grant in Aid allocation for 2014/15 is £71.3m and together with in year budget revisions and funds generated by Highlands and Islands Enterprise from the use or sale of assets, European income and other partner contributions are 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 27 to the 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 Report and in notes 1 and 19 to the accounts.

Sickness absence

The attendance record for HIE employees for the year to 31 March 2014 was 1,889 (2013 1,205) days sick leave out of a total of 64,666 (2013 59,024) possible working days representing a lost time through sickness rate of 2.92% (2013 2.0%).

Data loss

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

Statement as to disclosure of information to the auditor

As far as the Accountable Officer is aware, there is no relevant information of which HIE's auditors are unaware. The Accountable Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish the Highlands and Islands Enterprise's auditors are aware of that information.

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 2014 was Brian Howarth, Assistant Director of Audit, Audit Scotland. Fees chargeable for audit services provided by Audit Scotland amounted to £128,250 (2013 - £128,250). There were no fees payable to Audit Scotland for non-audit work during the year (2013 Nil).

A L Paterson
Highlands and Islands Enterprise

Date 23 September 2014

Remuneration Report

Unaudited

Section 1 – General information

Highlands and Islands Enterprise’s sponsoring body, the Scottish Government, approves changes to Highlands and Islands Enterprise’s staff terms and conditions, including pay. Highlands and Islands Enterprise’s pay structure covers all employees of HIE and aims to address organisational challenges such as recruitment and retention and organisational change. This ensures continuation of the modernisation process, which commenced in 2002 with the introduction of a new pay and grading structure. This structure aims to provide pay progression based on inflation rate changes, plus an element of performance-related progression linked to Highlands and Islands Enterprise’s performance management system, introduced in April 2004.

Remuneration Committee

Highlands and Islands Enterprise decided to establish a remuneration committee with effect from April 2008. The role of the Remuneration Committee is as follows:

- To review annually and agree the broad policy framework for the remuneration of the HIE Chief Executive and HIE Group Directors;
- To monitor and evaluate the performance, on the advice of the Chief Executive, of the HIE Group Directors and determine the amount or percentage of their bonus remuneration;
- To approve total payments made under such a scheme;
- To consider issues of succession planning in relation to the senior management of the organisation.
- To inform the pay remit submissions to the Scottish Government.

Committee membership

Mr J Royan OBE (Chair- Appointment ended 31 March 2014)

Prof. L Crerar

Prof. M Bownes OBE (Appointment ended 31 March 2014)

Craig Spence (Chair – Appointed 29 April 2014)

Donald Macdonald (Appointed 29 April 2014)

Audited

Remuneration of Board members

Board members of Highlands and Islands Enterprise are appointed by Scottish Ministers normally for a period of three years. Under certain circumstances Board members may be eligible for re-appointment for a second term. Their remuneration is set by the Scottish Government and is normally not pensionable. No benefits in kind were made to members of the Board during the year ended 31 March 2014.

Professor L Crerar was appointed the Chairman on the 20 February 2012.

The remuneration of HIE Board members for the year ended 31 March 2014 was as follows:

	2014	2013	Appointment
	£000	£000	Expires
Prof L Crerar (Chairman – Appointed 20 February 2012)	35-40	35-40	28 February 2015
Prof M Bownes (Appointment ended 31/3/2014)	10-15	10-15	31 March 2014
J Royan (Appointment ended 31/3/2014)	10-15	10-15	31 March 2014
S Thomson	10-15	10-15	31 March 2015
C Spence	10-15	10-15	31 March 2015
W Swann	10-15	10-15	31 March 2017
D MacDonald	10-15	10-15	31 March 2017
I MacTaggart	10-15	10-15	31 March 2017

The above figures represent emoluments earned as Board members during the relevant financial year. The board members above have not received any benefits in kind or any pension benefits in the last two financial years. The figure for Prof L Crerar includes £nil (2013 - £nil) of travel expenses which have been subject to tax and national insurance. The cost to HIE for contributions to the pension fund for Mr Crerar was £nil (2013 - £nil).

Highlands and Islands Enterprise is also required to meet the pension benefits due to former full-time Chairmen and Board members of Highlands and Islands Development Board who were not members of the superannuation scheme. During the year ended 31 March 2014 £92,676 (2013 - £91,080) was paid to these former members.

Remuneration of Chief Executive

The Chief Executive’s contract of employment was signed on 2 July 2010. This contract is a permanent contract with a 6-month notice period. There are no early termination payment clauses within the contract. No benefits in kind were made to the Chief Executive.

Mr A L Paterson’s remuneration, for the year ended 31 March 2013 and the year ended 31 March 2014 was as follows:

	2014	2013
	Remuneration as Chief Executive	Remuneration as Chief Executive
	£	£
Salary	106,575	105,000
Performance-related bonus (paid in respect of the previous financial year)	-	-
Pension Benefits	28,692	19,516
	135,267	124,516

The Chief Executive is an ordinary member of the Highlands and Islands Enterprise superannuation scheme. Under the terms of the Chief Executive's contract of employment no annual bonus is payable.

Remuneration of other members of the HIE Leadership Team

The contracts of members of the HIE 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, with the exception of C Wright who is a member of the Highland Council Local Government Pension Scheme (LGPS). The ordinary members of the Highlands and Islands Enterprise Superannuation scheme contribute 1.5% of pensionable salary and HIE contributes 24.9% of the employees' pensionable salary. C Wright contributes 9.3% of pensionable salary to the LGPS and HIE contributes 19.0%. Both schemes are final salary schemes. The HIE scheme provides benefits at a normal retirement age of 60 and the LGPS has a normal retirement age of 65. Further information about the pension funds can be found in the Notes to the accounts (note 19).

The remuneration of members of the HIE Leadership Team for the year ended 31 March 2014 was as follows:

	2013-14					2012-13				
	Salary	Bonus (for 12/13)	Benefits in kind	Pension Benefits)	Total	Salary	Bonus (for 11/12)	Benefits in kind	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
A Paterson	105-110	-	-	29,000	135-140	105-110	-	-	20,000	120-125
F C Duthie	80-85	-	-	15,000	95-100	80-85	-	-	13,000	95-100
C Buxton	80-85	-	-	31,000	110-115	75-80	-	-	27,000	105-110
R McCormack (appointed 24 April 2012)	80-85	-	-	24,000	105-110	75-80 80-85*	-	-	19,000 21,000*	90-95 100-05*
C Wright	80-85	-	-	40,000	120-125	75-80	-	-	22,000	100-105

(* Full year equivalent of actual salary paid)

Note: In line with Government guidance on pay restraint there were no payments of performance bonuses in 2013/14.

Reporting bodies are required to disclose the relationship between the salary of the most highly paid director in their organisation and the median earnings of the organisation's workforce.

The banded salary of the most highly paid director in Highland and Islands Enterprise in the financial year 2014 was £105k-£110k (2013 £105k-£110k). This was 3.5 times (2013 3.5times) the median salary of the workforce, which was £30,786 (2013 £30,481).

In 2014 no employees (2013 None) received remuneration in excess of the highest paid director.

	2013-14	2012-13
Highest Paid Director's Total	£105k - £110k	£105k - £110k
Median Total Remuneration	30,786	30,481
Ratio	3.5	3.5

Retirement benefits of members of HIE Leadership Team:

	Accrued pension at age 60 as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV
	Bandings of £5,000	Bandings of £2,500	£000	£000	£000
A L Paterson	15-20 Lump sum 50-55	0-2.5 Lump sum 2.5-5	302	277	23
F C Duthie	20-25 Lump sum 65-70	0-2.5 Lump sum 0-2.5	500	474	24
C Buxton	10-15 Lump sum 35-40	0-2.5 Lump sum 2.5-5	208	183	24
R McCormack	0-5 Lump sum 5-10	0-2.5 Lump sum 2.5-5	25	11	12
	Accrued pension at age 65 as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at age 65	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV
C Wright	25-30 Lump sum 65-70	0-2.5 Lump sum 0-2.5	463	413	33

The Chief Executive and senior members of the HIE Leadership Team are members of the Highlands and Islands Enterprise Superannuation Scheme or the LGPF. These schemes provide benefits based on final pensionable salary. The assets of the schemes are held separately from those of Highlands and Islands Enterprise and are invested with independent investment managers agreed by the schemes' trustees.

Highlands and Islands Enterprise 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.

Highlands and Islands Enterprise Superannuation Scheme benefits accrue at the rate of one-eightieth of pensionable salary for each year of service subject to a maximum of 40 years. In addition, a lump sum equivalent to three years' pension is payable on retirement. Normal retirement age under the scheme is 60.

LGPF, benefits accrue at one-eightieth of pensionable salary plus three-eightieth lump sum payable for service to 31 March 2009 with benefits from 1 April 2009 accruing at one-sixtieth with lump sum by commutation. Automatic lump sum service ceased accruing on 31 March 2009. Normal retirement age under the scheme is 65.

Section 3 - Other information

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 spouses 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 as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

Real increase in CETV

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

A L Paterson
Highlands and Islands Enterprise

Date 23 September 2014

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, changes in taxpayers' equity 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 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 as the Accountable Officer of Highlands and Islands Enterprise. 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.

A L Paterson
Highlands and Islands Enterprise

Date 23 September 2014

Governance Statement

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Highlands and Islands Enterprise'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.

As Accountable Officer I have specific responsibility in relation to:

- Best Value, including the concepts of corporate governance and continuous improvement
- Planning, performance management and monitoring
- Advising the Board
- Managing risk and resources
- Accounting for HIE's activities

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. An element of my responsibility as Accountable Officer is to ensure HIE's internal control systems comply with the requirements of the SPFM.

The system of internal control is based on an on-going 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 of internal control is designed to manage rather than eliminate the risk of failure to achieve HIE's aims and objectives. As such it can only provide reasonable and not absolute assurance.

Governance framework

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

A Management Statement and associated financial memorandum, drawn up by the Scottish Government's Business Directorate, sets out the broad framework within which HIE will operate. It does not convey any legal powers or responsibilities.

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

Operation of the Board and sub-committees

As at 31 March 2014, the Board of Highlands and Islands Enterprise comprised the Chair, seven non-executive members and myself, as Chief Executive. 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 six times in the year. They met a further two times to consider specific items. 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 the 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 Business Directorate
- 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
- 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 and Remuneration Committees. Additionally an executive Health and Safety Committees is in place to report on issues related to Health and Safety.

The Risk and Assurance Committee comprises a Chair and three non-executive members. Representatives of the Scottish Government departmental accountable officer and Audit Scotland, the Director of Finance and Corporate Services and the Head of Business Improvement and Internal Audit and myself as Chief Executive, attend these meetings. The Committee met 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:

Mr S Thomson (Chair)
Mr J Royan
Mr D MacDonald
Mr C Spence

The work of the Risk and Assurance Committee during the year has been comprehensive and has provided positive assurance for the Board in relation to the Internal Control environment. The work of Internal and External Audit has identified a number of areas where action is required on an ongoing basis and the Risk and Assurance Committee will continue to monitor these on an on-going basis.

The Remuneration Committee, chaired by a non-executive member exists to review the reward arrangements of HIE directors and myself. This Committee met once in the year.

The members of the Remuneration Committee during the year were:

Mr J Royan (Chair)

Prof. M Bownes

Prof. L D Crerar

The Health and Safety Committee, chaired by an executive director, exists to review the organisation's compliance with health and safety legislation. The Committee met four times during the year.

Operational framework

Strategy and planning

HIE has a 3 year operating plan which reflects our statutory duties and priorities set by the Scottish Ministers. It sets out HIE's key objectives and performance measures for the forward years and is linked to GES and the National Performance Framework. The Board and Leadership team have responsibility for development of strategy and operating plan.

Business improvement

HIE has a single strategic programme of continuous improvement activity aimed towards ensuring that, internally and externally, we are regarded as an organisation which delivers best value, inspires innovation and achieves successful outcomes.

Performance management

HIE has a Corporate Reporting Framework which is in place to consider organisational performance throughout the year. This was discussed quarterly by the Board during the financial year.

Decision making

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

Risk management arrangements

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

HIE has a robust risk management strategy in place which empowers staff to be dynamic, 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 structure for the risk register by the Risk and Assurance Committee and the Board.

Implementation of the strategy includes:

- Assessment of risk by management on at least a quarterly basis
- Maintenance of business unit risk registers
- Maintenance of an overarching high level risk register
- Assessment of risk at individual project level
- Independent project reviews for high risk projects
- Action plans with clear accountability and timescales to address significant risks
- Provision of the high level risk register to the Board on at least a quarterly basis
- Alignment to the HIE corporate reporting framework

The risk register was considered at each Board meeting and Risk and Assurance Committee meeting during the year.

Procedures are in place to ensure information is being managed in accordance with legislation and that data is held accurately and securely. HIE has had no reported or recorded instances of data loss during the year.

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 who have responsibility for the development and maintenance of HIEs governance, performance and internal control frameworks and normally meets weekly
- The Board who has responsibility for receiving, monitoring and commenting on regular management reports on governance matters, performance outcomes and risk management
- The work of the Risk and Assurance Committee, as delegated by the Board, which includes on-going review of the external assurance functions and internal assessments on governance, risk and Best Value
- The work of the Business Improvement and Internal Audit team, who submit regular reports which include the independent and objective opinion on the adequacy and effectiveness of the systems of internal control, together with recommendations for improvement
- Comments made by the external auditors in their management letters and other reports

As part of HIE's internal control arrangement, we have in place an internal control assessment framework. This requires the heads of each business unit, including subsidiaries, to undertake an annual review of their area's internal controls. Each business unit and subsidiary completed an internal control checklist which is used to identify any control issues which should be brought to my attention. Information provided is used to complete an organisational internal control checklist and Certificate of Assurance for HIE. No significant control issues were noted during the financial year. We also received assurance from our Service Manager for IT services that they were not aware of any issues.

During 2013/14 HIE received a detailed controls report relating to the provision of IS services covering the period 2012/13. No significant issues were noted and we are not aware of any changes which would affect the findings of this report.

HIE has a Business Improvement and Internal Audit team which is independent of any operational group and the Head of Business Improvement and Internal Audit reports directly to me as Accountable Officer.

The Business Improvement and Internal Audit team:

- Informed its work by an analysis of the risk to which HIE is exposed and the annual Business Improvement and Internal Audit plan was based on this analysis. The plan was endorsed by the Risk and Assurance Committee
- Provided me with regular reports on internal audit activity and provided me with an annual report which included the Head of Business Improvement and Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement
- Supported HIE's continuous improvement activities through the identification of action points arising from ongoing audit activity.

The Auditor General for Scotland has appointed Audit Scotland to undertake the statutory audit of HIE. Audit Scotland have identified no significant issues as part of their audit process and have given unqualified opinions on the accounts for the year ended 31 March 2014 and on the regularity of transactions reflected in the accounts.

Review of effectiveness and conclusion

As Accountable Officer I can confirm that 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 there were no significant control weaknesses or identified lapses in data security during the year ended 31 March 2014 and to the date of signature of the accounts.

A L Paterson
Highlands and Islands Enterprise

Date 23 September 2014

Independent Auditor's Report

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

I have audited the financial statements of Highlands and Islands Enterprise for the year ended 31 March 2014 under the Enterprise and New Towns (Scotland) Act 1990. The financial statements comprise the Group Statement of Comprehensive Net Expenditure, the Group and Highlands and Islands Enterprise Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Taxpayers' Equity, the Highlands and Islands Enterprise Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 purposes. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Enterprise and New Towns (Scotland) Act 1990 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2014 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 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.

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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly 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 Strategic Report and Directors' Report for the financial year to which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from Scottish Ministers.

I have nothing to report in respect of these matters.

Group Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

		2014	2013
	Notes	£000	£000
Expenditure			
Operating expenditure	4	68,624	60,860
Net management expenditure on staff costs	5	10,726	10,087
Other management expenditure	5	4,684	5,188
Depreciation and amortisation	5	977	1,191
		<u>85,011</u>	<u>77,326</u>
Income			
Income from activities	3	(6,310)	(6,630)
Other income	3	(24,846)	(8,764)
		<u>(31,156)</u>	<u>(15,394)</u>
Net Operating Expenditure from activities		53,855	61,932
Discontinued operations	3,4&5	(191)	(468)
Net Operating Expenditure		53,664	61,464
Interest payable and similar charges	7	51	14
Share of (profits)/losses in equity accounted investees	11	62	444
Income from investments	6	(36)	(76)
Interest receivable	6	(201)	(108)
Other finance charges/(income)	6	1,079	623
Net Expenditure after interest		54,619	62,361
Taxation	9	(769)	809
Net expenditure after taxation		53,850	63,170
Minority interests		31	(22)
Net Expenditure		<u>53,881</u>	<u>63,148</u>
Other Comprehensive Expenditure/(Income)			
Items that will not be reclassified to Net Expenditure			
Net (gains)/losses on revaluation of property, plant and equipment		118	(82)
Net (gains)/losses on revaluation of property, plant and equipment by equity accounted investee		(76)	(249)
Actuarial (gains)/losses recognised in retirement benefit scheme		(1,292)	11,360
Items that may be reclassified to Net Expenditure			
Gains/ losses in revaluation of available for sales assets		2,338	3,118
Reclassification to net expenditure in the year		(160)	-
Other Comprehensive Expenditure/(Income) for the year		<u>928</u>	<u>14,147</u>
Total Comprehensive Net Expenditure/(Income) for the year		<u>54,809</u>	<u>77,295</u>

* 2013 restated following the adoption of IAS 19 and the transfer of SHIL via machinery of government change (note 28)

Group and Highlands and Islands Enterprise Statement of Financial Position as at 31 March 2014

	Notes	GROUP			HIE		
		2014	2013	2012	2014	2013	2012
		£000	*restated £000	*restated £000	£000	*restated £000	*restated £000
Non-current assets							
Property, plant and equipment	10	46,210	43,129	38,128	46,068	42,756	37,633
Intangible assets		-	-	3	-	-	-
Financial Assets	11	6,792	6,701	8,202	5,985	5,907	7,324
Investment in associate	11	657	643	838	-	-	-
Total non current assets		53,659	50,473	47,171	52,053	48,663	44,957
Current Assets							
Inventories	12	-	102	99	-	-	-
Trade and other receivables	14	6,580	9,179	5,612	6,437	8,817	5,300
Cash and cash equivalents	15	3,139	2,333	298	2,644	1,097	-
Assets classified as held for sale	16	1,531	535	1,021	85	535	1,021
Total current assets		11,250	12,149	7,030	9,166	10,449	6,321
Total Assets		64,909	62,622	54,201	61,219	59,112	51,278
Current Liabilities							
Trade payables and other current liabilities	17	(8,514)	(9,423)	(8,611)	(8,509)	(8,965)	(8,361)
Taxation	17	(1,029)	(1,401)	(308)	(1,029)	(1,041)	(220)
Liabilities directly associated with Assets classified as held for sale	16	(916)	-	-	-	-	-
Total current Liabilities		(10,459)	(10,824)	(8,919)	(9,538)	(10,006)	(8,581)
Non-current assets plus net current assets less current liabilities		54,450	51,798	45,282	51,681	49,106	42,697
Non-current liabilities							
Trade payables and other liabilities	18	(1,256)	(2,017)	(1,394)	(1,256)	(1,974)	(1,301)
Retirement benefit obligation	19	(25,865)	(25,616)	(13,722)	(25,979)	(25,724)	(14,021)
Total Non-current liabilities		(27,121)	(27,633)	(15,116)	(27,235)	(27,698)	(15,322)
Assets less Liabilities		27,329	24,165	30,166	24,446	21,408	27,375
Tax Payers' Equity							
Revaluation reserve		119	237	155	119	237	155
Government grant reserve		-	-	21	-	-	-
Other reserve		287	682	435	1	1	1
Pension reserve		(25,865)	(25,616)	(13,722)	(25,979)	(25,724)	(14,021)
Minority Interests		320	289	311	-	-	-
General reserve		52,468	48,573	42,966	50,305	46,894	41,240
		27,329	24,165	30,166	24,446	21,408	27,375

* 2013 restated following the adoption of IAS 19 and the transfer of SHIL via machinery of government change (note 28)

A L Paterson
Highlands and Islands Enterprise

Date 23 September 2014

The Accountable Officer authorised these financial statements for issue on 23 September 2014

Group statement of Cash Flows for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Cash flow from operating activities			
Profit/(Loss) before Taxation	21	(54,090)	(62,269)
Share of Associates profit/(loss)	11	62	444
Depreciation	5	1,130	1,404
Surplus on disposal of assets	3	595	623
Amortisation of Intangibles		-	3
Government Grant Release		-	(21)
Dividend income	6	(36)	(76)
Interest Income	6	(201)	(108)
Interest expense	7	51	14
		(52,489)	(59,986)
(Increase)/decrease in trade and other receivables		2,470	(2,900)
Provision for irrecoverable debts & losses		(83)	(62)
(Increase)/decrease in Inventories		(21)	(3)
Increase/(decrease) in trade and other payables		(326)	(643)
Movement in pension provision		462	(89)
Investments written off, net of provision		728	211
Loss/(profit) on sale of property, plant & equipment		(354)	(478)
Loss/(profit) on sale of assets classified as held for sale		(266)	(185)
Surplus of investments		(96)	(21)
Revaluation of assets property plant & equipment		7,717	14,739
Movement in deferred income		22	95
		(42,236)	(49,322)
Cash outflow from operating activities		(42,236)	(49,322)
Taxes paid		(144)	582
		(42,380)	(48,740)
Net cash outflow from operating activities		(42,380)	(48,740)
Net cash outflow from operating activities - Continuing operations		(42,546)	(49,715)
Net cash outflow from operating activities - Discontinued operations		166	975
Cash flows from investing activities			
Payments to acquire shares		(50)	(54)
Payments for the construction of property		(11,482)	(19,729)
Payments to acquire plant & equipment		(3,388)	(491)
Purchase of assets classified as held for sale		(153)	-
Proceeds from sale of plant, property and equipment		3,075	1,378
Proceeds from sale of assets classified as held for sale		649	522
Receipts from sale of shares		274	159
Loans advanced	11	(4,061)	(2,556)
Loans repaid	11	849	173
Interest received		222	57
Dividends received		39	43
		(14,026)	(20,498)
Net cash from investing activities		(14,026)	(20,498)
Net cash from investing activities - Continuing operations		(13,654)	(20,400)
Net cash from investing activities - Discontinued operations		(372)	(98)
Cash flows from financing activities			
Grant in aid		57,942	71,337
Debenture Loan repayments		(32)	(50)
Interest paid	7	(51)	(14)
		57,859	71,273
Net cash from financing activities		57,859	71,273
Net cash from financing activities - Continuing operations		57,908	71,356
Net cash from financing activities - Discontinued operations		(49)	(83)
Net increase/(decrease) in cash and cash equivalents		1,453	2,035
Cash and cash equivalents at beginning of period	15	2,333	298
Cash and cash equivalents at end of period	15	3,786	2,333
Cash and cash equivalents - Continuing operations		3,139	1,391
Cash and cash equivalents - Discontinued operations		647	942
		3,786	2,333

Group Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Revaluation reserve	Other reserve	Pension reserve	Government grant reserve	Minority Interest	General reserve	Total reserves
	£000	£000	£000	£000		£000	£000
Balance at 31 March 2012	155	435	(13,722)	21	311	42,997	30,197
Adjustments	-	-	-	-	-	(31)	(31)
Balance at 31 March 2012	155	435	(13,722)	21	311	42,966	30,166
Changes in Taxpayers' equity for 2012-13							
Net gain/(loss) on revaluation of property, plant and equipment	82						82
Net gain/(loss) on revaluation of intangible assets							-
Net gain/(loss) on investments						(3,118)	(3,118)
Grants received in year				(21)			(21)
Release of reserves to the I&E		(2)				2	-
Equity accounted investees		249					249
Transfers between reserves			(534)			534	-
Actuarial Gain/(loss)			(11,360)				(11,360)
Retained Surplus/Deficit					(22)	(63,148)	(63,170)
Total recognised Income and expense for 2012-13	82	247	(11,894)	(21)	(22)	(65,730)	(77,338)
Grant from Scottish Government						71,337	71,337
Balance at 31 March 2013	237	682	(25,616)	-	289	48,573	24,165
Changes in Taxpayers' equity for 2013-14							
Net gain/(loss) on revaluation of property, plant and equipment	(118)						(118)
Net gain/(loss) on revaluation of intangible assets							-
Net gain/(loss) on investments						(2,178)	(2,178)
Grants received in year				-			-
Release of reserves to the I&E		-					-
Equity accounted investees		76					76
Transfers between reserves		(471)	(1,541)			2,012	-
Actuarial Gain/(loss)			1,292				1,292
Retained Surplus/Deficit					31	(53,881)	(53,850)
Total recognised Income and expense for 2013-14	(118)	(395)	(249)	-	31	(54,047)	(54,778)
Grant from Scottish Government						57,942	57,942
Balance at 31 March 2014	119	287	(25,865)	-	320	52,468	27,329

* 2013 restated following the adoption of IAS 19 and the transfer of SHIL via machinery of government change (note 28)

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 £1k (2013 £1K) and the share of equity accounted investee revaluation reserves £309K (2013 £681K).

Pension reserve is the accumulated deficit arising from the HIE pension plan.

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 2014

	Revaluation reserve	Other reserve	Pension reserve	Government grant reserve	General reserve	Total reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	155	1	(14,021)	-	41,240	27,375
Adjustments	-	-	-	-	-	-
Balance at 31 March 2012	155	1	(14,021)	-	41,240	27,375
Changes in Taxpayers' equity for 2012-13						
Net gain/(loss) on revaluation of property, plant and equipment	82	-	-	-	-	82
Net gain/(loss) on revaluation of intangible assets	-	-	-	-	-	-
Net gain/(loss) on investments	-	-	-	-	(3,118)	(3,118)
Grants received in year	-	-	-	-	-	-
Release of reserves to the I&E	-	-	-	-	-	-
Equity accounted investees	-	-	-	-	-	-
Transfers between reserves	-	-	(547)	-	547	-
Actuarial Gain/(loss)	-	-	(11,156)	-	-	(11,156)
Retained Surplus/Deficit	-	-	-	-	(63,112)	(63,112)
Total recognised Income and expense for 2012-13	82	-	(11,703)	-	(65,683)	(77,304)
Grant from Scottish Government	-	-	-	-	71,337	71,337
Balance at 31 March 2013	237	1	(25,724)	-	46,894	21,408
Changes in Taxpayers' equity for 2013-14						
Net gain/(loss) on revaluation of property, plant and equipment	(118)	-	-	-	-	(118)
Net gain/(loss) on revaluation of intangible assets	-	-	-	-	-	-
Net gain/(loss) on investments	-	-	-	-	(2,178)	(2,178)
Grants received in year	-	-	-	-	-	-
Release of reserves to the I&E	-	-	-	-	-	-
Equity accounted investees	-	-	-	-	-	-
Transfers between reserves	-	-	(1,540)	-	1,540	-
Actuarial Gain/(loss)	-	-	1,285	-	-	1,285
Retained Surplus/Deficit	-	-	-	-	(53,893)	(53,893)
Total recognised Income and expense for 2013-14	(118)	-	(255)	-	(54,531)	(54,904)
Grant from Scottish Government	-	-	-	-	57,942	57,942
Balance at 31 March 2014	119	1	(25,979)	-	50,305	24,446

* 2013 restated following the adoption of IAS 19 and the transfer of SHIL via machinery of government change (note 28)

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.

Pension reserve is the accumulated deficit arising from the HIE pension plan.

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 2013-14 Government Financial Reporting Manual (FRoM) 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 FRoM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Highlands & Islands Enterprise for the purpose of giving a true and fair view has been selected. The particular policies adopted by Highlands & Islands Enterprise 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 10)
financial assets (note 12)
assets classified as held for sale (note 16)
financial commitments (note 24)

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

The Board and Accountable Officer have considered HIE's Operating Plan requirement and consider that the Resource budget awarded by the Scottish Government is adequate. The accounts are therefore prepared on a going concern basis.

Basis of consolidation The Group Accounts consolidate the accounts of Highlands and Islands Enterprise and all its subsidiary and associate undertakings drawn up to 31 March each year unless otherwise noted.

No Statement of Comprehensive Net Expenditure is presented for Highlands and Islands Enterprise as permitted by s408 of the Companies Act 2006 and with the approval of the Scottish Ministers.

(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 jointly controlled entities

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 ventures 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 income and expenses 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, Highlands and Islands Enterprise 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. Highlands and Islands Enterprise's role is to provide funding, primarily alongside venture capital co-investment partners, to individual companies to drive economic growth in Scotland.

Critical accounting estimates and judgements

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. Additional information is disclosed in Note 19.

(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 balance sheet date.

(c) Held-to-maturity investments

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would then be measured at fair value not amortised cost.

(d) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale 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.

Accounting for grant-in-aid

Highlands and Islands Enterprise 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.

Expenditure

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

Property, Plant & Equipment

Property, plant and equipment are accounted for in accordance with IAS 16 'Property, Plant & Equipment'.

HIE has 4 categories of property, plant and equipment:

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

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

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

For non-property assets HIE capitalises any purchases for individual items over £5,000 where the purchase is expected to have a useful life greater than one year. In line with IAS 16, for property, HIE capitalises any costs

directly attributable to bringing the property to the condition necessary for it to be used in the manner intended; this includes professional fees incurred but excludes any costs of a repair or maintenance nature.

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

Buildings – structure : 30-60 years
Buildings – engineering : 15-40 years
Buildings – specialist engineering : 15-40 years

Plant & Equipment : 3-40 years

Tenants' Improvements : 10 years

IT equipment : 4 years

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

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

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

Financial Assets - Equity	Equity instruments have been classified as Available for Sale financial assets and are shown at Fair Value in accordance with IAS 39. 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 market place 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.
- 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 and impairment considered, using information obtained from the monitoring and account management process. Movements in amortised cost are recognised in the Statement of Comprehensive Net Expenditure and impairment provided for where the amortised cost valuation is not considered to reflect a true and fair view. These impairments are effectively measured as the difference between the amortised cost and the discounted present value of estimated future cash flows.
Inventories	Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.
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 5 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 Open Market Value with an allowance made for legal costs related to the sales.
Irrecoverable income	Irrecoverable debts are written off at the earliest opportunity. Provision is made for debts which are considered unlikely to be recovered.
Lease commitments	Highlands & Islands Enterprise has entered into commercial property leases as lessor on its property portfolio and as lessee when it obtains the use of property, plant and equipment. The classification of such leases as operating or financial lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets. Assets acquired under finance leases are capitalised in the Statement of Financial Position and depreciated over their useful lives. The interest element of the rental obligations is charged to the Statement of Comprehensive Net Expenditure over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the life of the lease.
Research expenditure	All research expenditure is charged against revenue in the year it occurs.

Insurance	In line with central government policy, Highlands and Islands Enterprise 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 2011 have been agreed with the relevant tax authorities.
Employee Benefits	<p>Retirement Benefits</p> <p>Most staff are members of the Highlands and Islands Enterprise superannuation scheme or local government pension funds. The Highlands and Islands Enterprise superannuation scheme provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of Highlands and Islands Enterprise and are invested with independent investment managers agreed by the scheme's trustees. The local government pension funds are defined benefit schemes, the assets of which are held in independently administered funds.</p> <p>On the advice of independent qualified actuaries, contribution payments are made to the plans to ensure that the plans' assets are sufficient to cover future liabilities. Pension plan assets are measured using market values. Pension plan 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 plans expected to arise from employee service in the period is charged against operating surplus.</p> <p>The expected return on the plans' assets and the increase during the period in the present value of the plans' liabilities arising from the passage of time are included in investment income. Actuarial gains and losses are recognised in the statement of changes in tax payers' equity.</p> <p>Additional information is disclosed in note 20.</p> <p>Short term employee benefits</p> <p>A liability and an expense is recognised for holiday days, holiday pay, bonuses 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, bonuses and other short term benefits earned but not taken or paid at the Statement of Financial Position date.</p>
Trade receivables and payables	All commercial and trade sums due and payable (debtors and creditors) are stated at fair value.
Cash and cash equivalents	Cash and cash equivalents includes deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.
Provisions	<p>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.</p> <p>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.</p> <p>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.</p>
Accounting standards issued but not yet adopted	<p>There are a number of 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:</p> <p>IFRS 10 – Consolidated Financial Statements IFRS 11 – Joint Arrangements IFRS 12 – Disclosure of Interests in Other Entities IAS 27 – Separate Financial Statements IAS 28 – Investments in Associated and Joint Ventures</p> <p>These standards will be adopted in the FReM with effect from 2014/15. The adoption of these standards affects the consolidation and reporting of subsidiaries, associated and joint ventures. The impact on the consolidated accounts has not been determined.</p> <p>IFRS 13 – Fair Value Measurement</p> <p>The standard will be adopted in the FReM with effect from 2014/15. The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the consolidated accounts has not been determined.</p>

2. 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 2013 and 2014 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.

	HIE	
	2014	2013
	£000	£000
Income		
Grant In Aid	57,942	71,337
European		
SDB Projects	2,295	2,575
	<u>2,295</u>	<u>2,575</u>
Capital		
Loan Repayments	1,049	245
Equity Sales	218	
Property Sales	3,706	1,895
	<u>4,973</u>	<u>2,140</u>
Revenue		
Property Rental	3,990	5,825
Loan interest/Dividend	92	66
Other income	20,805	73
Other Receipts	302	192
	<u>25,189</u>	<u>6,156</u>
Other Income	<u>32,457</u>	<u>10,871</u>
Total Income	<u>90,399</u>	<u>82,208</u>
Expenditure		
Block A		
Regional Significant Investments	27,007	34,622
Business Support	3,849	5,242
Growth Investment	22,208	21,920
Broadband	20,000	
Total Block A	<u>73,064</u>	<u>61,784</u>
SDB Projects	2,295	2,575
Other expenditure	2,805	73
Total Block A	<u>78,164</u>	<u>64,432</u>
Block B		
Management, staff & Admin cost	14,900	15,076
Total Block B	<u>14,900</u>	<u>15,076</u>
Total Expenditure	<u>93,064</u>	<u>79,508</u>
Financial Position (I&E)	<u>(2,665)</u>	<u>2,700</u>
Reconciliation to Group net operating cost before taxation:		
Financial position (I&E)	(2,665)	2,700
Pension (IAS19)	(1,540)	(547)
Depreciation	(978)	(1,404)
Provisions & charges	(231)	(84)
Timing differences	1,267	765
EU Cost accrual	861	591
Property cost of sales	(3,421)	(1,272)
Capital revaluation and additions	9,742	7,539
Grant in aid	(57,942)	(71,337)
Taxation	107	891
Other group companies	44	(203)
Transfers from revaluation reserve	137	
Group net operating cost before taxation	<u>(54,619)</u>	<u>(62,361)</u>

3. Income from operating activities

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

	GROUP	
	2014	2013
	£000	£000
Income from Activities		
Property Rentals	5,777	6,078
Gain/loss on financial assets at fair value	(45)	(92)
Surplus/(Loss) on disposal of property	595	623
Surplus/(Loss) on disposal of investments	(17)	21
	6,310	6,630
Other Income		
Other European contributions	2,397	3,079
Scottish Government receipts	10,824	-
Other external income	11,625	5,685
	24,846	8,764
Discontinued operations	4,460	4,399
	4,460	4,399

4. Expenditure on operating activities

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

	Regional significant Investments	Business Support	Growth Investment	Tourism Attraction Operator	Total	2013
	£000	£000	£000	£000	£000	£000
Highlands and Islands Enterprise	29,924	14,516	23,647	-	68,087	60,794
Cairngorm Mountain Limited	-	-	-	3,449	3,449	3,079
Community Broadband	537	-	-	-	537	66
Former LECs *	-	-	-	-	-	-
HIE Ventures Limited	-	-	-	-	-	-
Group	30,461	14,516	23,647	3,449	72,073	63,939
2013	25,545	19,860	15,455	3,079	63,939	
2014						
Continuing operations	30,461	14,516	23,647	-	68,624	
Discontinuing operations	-	-	-	3,449	3,449	
	30,461	14,516	23,647	3,449	72,073	
2013						
Continuing operations	25,545	19,860	15,455	-	60,860	
Discontinuing operations	-	-	-	3,079	3,079	
	25,545	19,860	15,455	3,079	63,939	

* Local Enterprise Companies (LEC's) are dormant, HIE delivery continues through its area teams.

Expenditure includes grants of **£24,186,621** (2013 - £26,614,692) of which **£469,816** (2013- £202,182) were made to the public sector and **£23,716,805** (2013 - £26,412,510) to the private sector.

Property revaluation and management costs of **£9,416,265** (2013 - £14,955,211) are included within Business Support expenditure above.

5a. Administration and management charges by organisation

	GROUP	
	2014	2013
	£000	£000
Highlands and Islands Enterprise	16,284	16,438
Cairngorm Mountain Ltd	823	852
Cairngorm 2000 Ltd	-	6
Former LECs	-	-
HIE Ventures Limited	100	22
	17,207	17,318
Continuing operations	16,387	16,466
Discontinuing operations	820	852
	17,207	17,318

5b. Administration and management charges

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Continuing operations				
Staff & board member salaries (note 8)	10,265	10,171	10,265	10,171
Voluntary severance packages (note 8)	-	-	-	-
IAS 19 adjustment in respect of service costs and curtailments (note 8)	461	(84)	461	(84)
	10,726	10,087	10,726	10,087
Travel and subsistence - board members	24	27	24	27
Travel and subsistence - staff	696	710	696	710
Accommodation	1,167	1,803	1,167	1,803
Hospitality - board members	8	6	8	6
Hospitality - staff	53	67	53	67
Audit fees	129	123	129	121
Non-audit fees paid to auditors	-	-	-	-
Operating lease rentals - equipment	29	1	29	1
Equipment and furnishings	20	12	20	12
Provision for irrecoverable debts and losses	(103)	12	(20)	12
Investment Fair value adjustments	595	292	355	375
Other administration costs	2,066	2,135	2,037	2,035
	4,684	5,188	4,498	5,169
Depreciation of fixed assets	977	1,188	978	1,190
Amortisation of Intangible assets	-	3	-	-
Discontinued operations				
Staff & board member salaries (note 8)	-	-	-	-
	-	-	-	-
Travel and subsistence - board members	-	-	-	-
Travel and subsistence - staff	-	-	-	-
Accommodation	-	-	-	-
Audit Fees	18	18	-	-
Non-audit fees paid to auditors	3	3	-	-
Operating lease rentals - equipment	44	8	-	-
Provision for irrecoverable debts and losses	-	-	-	-
Other administration costs	602	607	-	-
	667	636	-	-
Depreciation of fixed assets	153	216	-	-

Fees chargeable for audit services provided by Audit Scotland amounted to £128,150 (2013 - £128,150).

Discontinued operations relate to the HIE subsidiary CairnGorm Mountain Limited

6. Investment Income and Other finance income /(charges)

	GROUP	
	2014 £000	2013 £000
Investment Income		
Dividends received	36	76
Interest Receivable		
Loan interest receivable	183	83
Bank interest receivable	18	15
Other Interest receivable	-	10
	201	108
Other finance income / (charges)		
Interest income on retirement benefit assets	3,633	3,283
Interest on retirement benefit scheme obligations	(4,712)	(3,906)
	(1,079)	(623)

7. Interest payable

	GROUP	
	2014	2013
	£000	£000
Other	51	14
	51	14

8. Staff costs

	GROUP			GROUP		
	2014			2013		
	Permanent UK Staff	Other Staff	Total Staff	Permanent UK Staff	Other Staff	Total Staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	7,648	3,706	11,354	7,405	3,010	10,415
Voluntary severance packages	-	-	-	-	-	-
Social security costs	584	269	853	593	216	809
Other pension costs	2,140	475	2,615	1,595	332	1,927
Contract/temporary staff	-	67	67	-	46	46
	10,372	4,517	14,889	9,593	3,604	13,197
Board members' remuneration	354	-	354	352	-	352
	10,726	4,517	15,243	9,945	3,604	13,549

The average number of employees was as follows:

	GROUP			GROUP		
	2014			2013		
	Permanent UK Staff	Other Staff	Total Staff	Permanent UK Staff	Other Staff	Total Staff
Senior management	50	23	73	50	18	68
Operational staff	114	162	276	119	135	254
Administration and support staff	35	18	53	37	18	55
	199	203	402	206	171	377

The figures for 'total staff' reflect the average number of staff employed over the course of the year. In addition to permanent UK staff employed directly by HIE, the figures for other staff include staff in short-term posts and staff employed by subsidiary: Cairngorm Mountain Ltd.

9. Taxation

Corporation tax is charged at 23 per cent (2013 24 per cent) on the taxable surplus of Highlands and Islands Enterprise and charged at rates between 10 and 20 per cent on the taxable income of its subsidiaries.

	GROUP	
	2014	2013
	£000	£000
Net expenditure after interest	54,619	62,361
Current tax at 23% (2013 24%)	12,562	14,967
Nontaxable income and disallowable expenditure	(12,646)	(15,635)
Tax under/(over) provided in previous years	114	438
Current tax charge	30	(230)
Current Tax		
Current tax on profits for the year	84	668
Adjustment in respect of prior years	(114)	(438)
Total current tax	(30)	230
Deferred Tax		
Current year	222	648
Adjustment in respect of previous periods	(879)	-
Effect of changes in Tax Rates	(82)	(69)
Total deferred tax	(739)	579
Tax per statement of comprehensive net expenditure	(769)	809

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

10. Property Plant & Equipment

At 31 March 2014, industrial and commercial properties were valued on an open market 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.

GROUP

	Land & Buildings held for regeneration purposes £000	Land & Buildings held for own use £000	Assets under construction £000	Total Land & Buildings £000	Tenants Improvements £000	IT Equipment £000	Plant & Equipment £000	Total £000
Cost or valuation								
At 1 April 2012	32,126	1,102	3,246	36,474	1,455	557	3,233	41,719
Additions	7,254	2	14,081	21,337	-	5	485	21,827
Write Down	-	-	-	-	-	-	-	-
Disposals	(894)	-	-	(894)	-	(40)	(20)	(954)
Assets held for resale	131	-	-	131	-	-	-	131
Reclassifications	(301)	-	301	-	-	-	-	-
Revaluations	(5,502)	(18)	-	(5,520)	-	-	-	(5,520)
Impairment	-	-	(9,961)	(9,961)	-	-	-	(9,961)
At 31 March 2013	32,814	1,086	7,667	41,567	1,455	522	3,698	47,242
Depreciation								
At 1 April 2012	-	-	-	-	980	490	2,121	3,591
Charged in year	790	37	-	827	82	23	472	1,404
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(40)	(15)	(55)
Assets held for resale	(7)	-	-	(7)	-	-	-	(7)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(783)	(37)	-	(820)	-	-	-	(820)
At 31 March 2013	-	-	-	-	1,062	473	2,578	4,113
Net Book Value								
At 31 March 2013	32,814	1,086	7,667	41,567	393	49	1,120	43,129
At 1 April 2013	32,814	1,086	7,667	41,567	1,455	522	3,698	47,242
Additions	5,704	-	6,046	11,750	-	102	3,287	15,139
Write Down	-	-	-	-	-	-	-	-
Disposals	(1,130)	-	(1,568)	(2,698)	-	(97)	(21)	(2,816)
Assets held for resale	74	-	-	74	-	(226)	(4,147)	(4,299)
Reclassifications	894	-	(894)	-	-	-	-	-
Revaluations	(4,641)	-	-	(4,641)	-	-	-	(4,641)
Impairment	-	-	(3,725)	(3,725)	-	-	-	(3,725)
At 31 March 2014	33,715	1,086	7,526	42,327	1,455	301	2,817	46,900
Depreciation								
At 1 April 2013	-	-	-	-	1,062	473	2,578	4,113
Charged in year	510	14	-	524	82	27	497	1,130
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(21)	(75)	(96)
Assets held for resale	-	-	-	-	-	(179)	(3,747)	(3,926)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(517)	(14)	-	(531)	-	-	-	(531)
At 31 March 2014	(7)	-	-	(7)	1,144	300	(747)	690
Net Book Value								
At 31 March 2014	33,722	1,086	7,526	42,334	311	1	3,564	46,210
At 1 April 2013	32,814	1,086	7,667	41,567	393	49	1,120	43,129
At 1 April 2012	32,126	1,102	3,246	36,474	475	67	1,112	38,128
Analysis of asset financing:								
	Land & Buildings held for regeneration purposes £000	Land & Buildings held for own use £000	Assets under construction £000	Total Land & Buildings £000	Tenants Improvements £000	IT Equipment £000	Plant & Equipment £000	Total £000
Owned	32,284	1,086	7,667	41,037	393	49	1,075	42,554
Finance Leased	530	-	-	530	-	-	45	575
Net Book Value								
At 31 March 2013	32,814	1,086	7,667	41,567	393	49	1,120	43,129
Owned	33,077	1,086	7,526	41,689	311	1	3,540	45,541
Finance Leased	645	-	-	645	-	-	24	669
Net Book Value								
At 31 March 2014	33,722	1,086	7,526	42,334	311	1	3,564	46,210
At 1 April 2013	32,814	1,086	7,667	41,567	393	49	1,120	43,129
At 1 April 2012	32,126	1,102	3,246	36,474	475	67	1,112	38,128

HIE

	Land & Buildings held for regeneration purposes £000	Land & Buildings held for own use £000	Assets under construction £000	Total Land & Buildings £000	Tenants Improvements £000	IT Equipment £000	Plant & Equipment £000	Total £000
Cost or valuation								
At 1 April 2012	32,626	585	3,246	36,457	1,227	302	1,270	39,256
Additions	7,256	-	14,081	21,337	-	-	380	21,717
Write Down	-	-	-	-	-	-	-	-
Disposals	(894)	-	-	(894)	-	-	-	(894)
Assets held for resale	131	-	-	131	-	-	-	131
Reclassifications	(301)	-	301	-	-	-	-	-
Revaluations	(5,506)	-	-	(5,506)	-	-	-	(5,506)
Impairment	-	-	(9,961)	(9,961)	-	-	-	(9,961)
At 31 March 2013	33,312	585	7,667	41,564	1,227	302	1,650	44,743
Depreciation								
At 1 April 2012	-	-	-	-	752	302	569	1,623
Charged in year	816	11	-	827	82	-	281	1,190
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Assets held for resale	(7)	-	-	(7)	-	-	-	(7)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(809)	(10)	-	(819)	-	-	-	(819)
At 31 March 2013	-	1	-	1	834	302	850	1,987
Net Book Value								
At 31 March 2013	33,312	584	7,667	41,563	393	-	800	42,756
At 1 April 2013	33,312	585	7,667	41,564	1,227	302	1,650	44,743
Additions	5,706	-	6,046	11,752	-	-	2,998	14,750
Write Down	-	-	-	-	-	-	-	-
Disposals	(1,130)	-	(1,568)	(2,698)	-	-	-	(2,698)
Assets held for resale	74	-	-	74	-	-	-	74
Reclassifications	894	-	(894)	-	-	-	-	-
Revaluations	(4,642)	-	-	(4,642)	-	-	-	(4,642)
Impairment	-	-	(3,725)	(3,725)	-	-	-	(3,725)
At 31 March 2014	34,214	585	7,526	42,325	1,227	302	4,648	48,502
Depreciation								
At 1 April 2013	-	1	-	1	834	302	850	1,987
Charged in year	516	7	-	523	82	-	373	978
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(523)	(8)	-	(531)	-	-	-	(531)
At 31 March 2014	(7)	-	-	(7)	916	302	1,223	2,434
Net Book Value								
At 31 March 2014	34,221	585	7,526	42,332	311	-	3,425	46,068
At 1 April 2013	33,312	584	7,667	41,563	393	-	800	42,756
At 1 April 2012	32,626	585	3,246	36,457	475	-	701	37,633

Analysis of asset financing:

	Land & Buildings held for regeneration purposes £000	Land & Buildings held for own use £000	Assets under construction £000	Total Land & Buildings £000	Tenants Improvements £000	IT Equipment £000	Plant & Equipment £000	Total £000
Owned	32,782	584	7,667	41,033	393	-	755	42,181
Finance Leased	530	-	-	530	-	-	45	575
Net Book Value								
At 31 March 2013	33,312	584	7,667	41,563	393	-	800	42,756
Owned	33,576	585	7,526	41,687	311	-	3,401	45,399
Finance Leased	645	-	-	645	-	-	24	669
Net Book Value								
At 31 March 2014	34,221	585	7,526	42,332	311	-	3,425	46,068
At 1 April 2013	33,312	584	7,667	41,563	393	-	800	42,756
At 1 April 2012	32,626	585	3,246	36,457	475	-	701	37,633

Analysis of fund of asset additions:

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Government Grant	15,048	20,299	14,659	20,189
EU	91	1,528	91	1,528
Total	15,139	21,827	14,750	21,717

Reconciliation of profit on sales:

	GROUP	
	2014 £000	2013 £000
Sales value of disposals	3,724	2,009
Net book value of disposals	(3,129)	(1,386)
Profit on sales	595	623

11. Financial Assets**GROUP****Financial assets**

	2014 £000	2013 £000
Available for sale unlisted equity shares	763	3,169

Available for sale financial assets 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 & Receivables

	Preference Shares £000	Loans & Receivables £000	Total £000	2013 £000
Amortised Cost				
At 1 April 2013	4,188	3,918	8,106	7,040
Additions	50	4,061	4,111	2,556
Repayments	-	(849)	(849)	(312)
Disposals	(500)	(46)	(546)	(4)
Fair Value Adjustment	-	95	95	(91)
Reclassification	-	(6)	(6)	-
Written off	-	(50)	(50)	(1,083)
At 31 March 2014	3,738	7,123	10,861	8,106
Diminution in value				
At 1 April 2013	3,691	227	3,918	4,627
Additions	372	366	738	381
Disposals	(403)	-	(403)	(4)
Released	-	(68)	(68)	(3)
Reclassification	-	-	-	-
Written off	-	(50)	(50)	(1,083)
At 31 March 2014	3,660	475	4,135	3,918
Net book value				
At 31 March 2014	78	6,648	6,726	4,188
At 1 April 2013	497	3,691	4,188	
Analysis of Loan & Receivables				
Due within 1 year	-	697	697	656
Due over 1 year	78	5,951	6,029	3,532

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.

HIE

Financial assets

	2014	2013
	£000	£000
Available for sale unlisted equity shares	726	3,059

Available for sale financial assets 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 comparable, other valuation methodologies were not considered appropriate.

Loans & Receivables

	Preference Shares £000	Loans & Receivables £000	Total £000	2013 £000
Amortised Cost				
At 1 April 2013	4,133	4,196	8,329	7,109
Additions	-	4,061	4,061	2,556
Repayments	-	(1,049)	(1,049)	(237)
Disposals	(500)	-	(500)	(4)
Fair Value Adjustment	-	113	113	(92)
Reclassification	-	(6)	(6)	-
Written off	-	-	-	(1,003)
At 31 March 2014	3,633	7,315	10,948	8,329
Diminution in value				
At 1 April 2013	3,637	1,121	4,758	5,387
Additions	322	366	688	381
Disposals	(403)	-	(403)	(4)
Released	-	(51)	(51)	(3)
Reclassification	-	-	-	-
Written off	-	-	-	(1,003)
At 31 March 2014	3,556	1,436	4,992	4,758
Net book value				
At 31 March 2014	77	5,879	5,956	3,571
At 1 April 2013	496	3,075	3,571	
Analysis of Loan & Receivables				
Due within 1 year	-	697	697	723
Due over 1 year	77	5,182	5,259	2,848

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.

All non-current assets acquired were financed by government grant

Details of subsidiary undertakings: all held by Highlands and Islands Enterprise unless indicated.

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
HIE Argyll and the Islands	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Caithness and Sutherland	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Innse Gall	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Inverness and East Highland	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Lochaber	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Moray	Scotland	n/a	n/a	Local enterprise company (Dormant)
HIE Orkney	Scotland	n/a	n/a	Local enterprise company (Dormant)
Ross and Cromarty Enterprise Limited	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 Limited	Scotland	n/a	n/a	Promote community involvement in renewable energy initiatives. (Dormant)
CairnGorm Mountain Ltd	Scotland	ordinary	100%	All year round tourist attraction including mountain railway and winter skiing facilities
HIE Ventures Limited	Scotland	Ordinary Shares	55%	Venture Capitalist
		'A' Ordinary Shares (non voting)	80%	
Taste of Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand
Made in Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand
CairnGorm 2000+ (subsidiary of CairnGorm Mountain Limited)	Scotland	Ordinary Shares	100%	Debenture financing

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

On 30 March 2012 50,000 ordinary shares of £1.00 each were acquired in HIE Ventures Limited, this increase 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 2014.

Details of associated and jointly controlled undertakings: all held by Highlands and Islands Enterprise unless indicated.

All HIE's associated and jointly controlled undertakings are consolidated using the equity method unless indicated

Limited by guarantee

Name of company	Country of incorporation	Accounting period end	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
Investors In People Scotland	Scotland	31 March	50	Assessment of organisations against the Investors in People (IIP) national standard

*The results of Scottish Intellectual Asset management are not consolidated within the HIE accounts. The results are consolidated within the Scottish Enterprise accounts

During the year HIE resigned membership of Scottish Health Innovation Limited (SHIL) a company which HIE had held a 50% membership.

Centre for Health Science limited was voluntarily dissolved 21 February 2014, HIE previously held 33.3% membership in the company.

Limited by Shares

Name of company	Country of incorporation	Accounting period end	Percentage of potential voting rights held	Nature of business
Rodel Hotels Limited	Scotland	31 October	43.5	Accommodation and leisure
Inverness Airport Business Park Limited	Scotland	31 March	25.0	Construction and development of a business park adjacent to Dalcross airport

During the year HIE reduced its ownership of membership of Sitekit Limited to 10%. Sitekit Limited is no longer included as an associate within HIE's Accounts.

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	Revenue	Expenses	Profit/ (Loss)
As at April 2012	1,643	784	2,427	(486)	(1,817)	(2,303)	3,236	(3,920)	(684)
As at March 2013	1,478	1,683	3,161	(1,022)	(1,944)	(2,966)	4,555	(4,280)	275
As at March 2014	1,564	1,557	3,121	(920)	(1,413)	(2,333)	4,623	(4,631)	(8)

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	Revenue	Expenses	Profit/ (Loss)
As at April 2012	6,205	2,901	9,106	(2,567)	(3,990)	(6,557)	3,815	(6,233)	(2,418)
As at March 2013	6,137	2,470	8,607	(2,914)	(3,955)	(6,869)	4,607	(6,211)	(1,604)
As at March 2014	5,441	1,687	7,128	(1,591)	(4,089)	(5,680)	2,083	(2,044)	39

Movements in carrying amount of investment in equity accounted investees

Carrying amount as at April 2012	£000
Share of surplus on revaluation	838
Share of net profit/(Loss)	249
Carrying amount as at 31 March 2013	(444)
	<u>643</u>
Carrying amount as at April 2013	643
Share of surplus on revaluation	76
Share of net profit/(Loss)	(62)
Carrying amount as at 31 March 2014	<u>657</u>

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

Details of undertaking which could be considered as associated and jointly controlled undertakings but are not consolidated due to lack of significant influence

Limited by Shares

Name of company	Country of incorporation	Accounting period end	Percentage of potential voting rights held	Nature of business	Reason for loss of influence
Aquapharm Bio Discovery Limited	Scotland	30 April	21.7	Research and development of marine micro-organism based products	Administration

Name of company - activity	% of voting rights	Holding as at 31 March 2014	Shares value paid £000	Loan outstanding £000	Outstanding commitment £000
Balcas Limited – production of renewable wood pellet fuel	-	29,811 cumulative convertible participating redeemable preferred shares	2,000		
Aquapharm	21.7%	433,161 ordinary shares	2,115	347	
Windtowers Limited	19.9%	63,646 ordinary shares	3,400	398	
Baxters Food Group Limited	-	None	-	1,293	
Rodel Hotel	43.5%	56,000 cumulative covetable participating preferred ordinary shares	56		
		44,000 redeemable preference shares	44		
Inverness Airport Business Park Limited	25%	3,385 class 'A' ordinary shares	3	423	
		500 class 'C' ordinary shares	1		
		24,997 class 'D' ordinary shares	25		
		275,000 redeemable preference shares	550		
HIE Ventures Limited	55%	110,000 Ordinary Shares	61	1,000	
		40,000 class A ordinary shares	40		
CairnGorm Mountain Limited	100%	565,000 ordinary shares	608		
Accunostics	-	None	-	1,250	
Investments in 26 other businesses			2,482	2,610	
			11,385	7,321	

12. Inventories

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Goods for resale	-	102	-	-
	-	102	-	-

Goods for resale are held by CairnGorm Mountain Ltd and consist of café catering supplies and retail shop goods.

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

13. Revaluations to Fair Value and impairments

Revaluations to fair value and impairment charges for the year

Group	Statement of	Revaluation	Total	2013
	comprehensive net expenditure	reserve		
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	4,641	(118)	4,523	5,602
Financial assets	2,281	-	2,281	3,126
	6,922	(118)	6,804	8,728
Impairments				
Property, plant and equipment	3,725	-	3,725	9,961
Financial assets	(738)	-	(738)	(381)
	2,987	-	2,987	9,580

HIE	Statement of	Revaluation	Total	2013
	comprehensive net expenditure	reserve		
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	4,642	(118)	4,524	5,602
Financial assets	2,224	-	2,224	3,033
	6,866	(118)	6,748	8,635
Impairments				
Property, plant and equipment	3,725	-	3,725	9,961
Financial assets	(688)	-	(688)	(381)
	3,037	-	3,037	9,580

14. Trade and other receivables

	Note	GROUP		HIE	
		2014 £000	2013 £000	2014 £000	2013 £000
Trade receivables		4,321	5,443	4,204	5,159
Provision for bad debts		(786)	(769)	(774)	(758)
		3,535	4,674	3,430	4,401
Taxation recoverable		1,084	1,161	1,047	1,000
Accrued income and prepayments		1,264	2,688	1,263	2,693
Loans & other receivables	11	697	656	697	723
		6,580	9,179	6,437	8,817

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

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Balances with other central government bodies	1,729	1,030	1,692	1,000
Balances with local authorities	234	132	234	132
Balances with NHS bodies	-	-	-	-
Balances with similar public bodies	73	14	67	14
	2,036	1,176	1,993	1,146
Balances with bodies external to government	4,544	8,003	4,444	7,671
	6,580	9,179	6,437	8,817

15. Cash and cash equivalents

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 April	2,333	298	1,097	-
Net change in cash and cash equivalent balances	806	2,035	1,547	1,097
	3,139	2,333	2,644	1,097

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Group and HIE funds	498	1,236	3	-
Other scheme funds held	2,641	1,097	2,641	1,097
	3,139	2,333	2,644	1,097

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

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Community Broadband Scotland	2,518	1,015	2,518	1,015
Scottish Land Fund	123	82	123	82
	2,641	1,097	2,641	1,097

16. Assets Classified as Held for Resale

Assets Held for resale

	Group		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Land and Buildings	85	535	85	535
Financial Assets	1,446	-	-	-
At 31 March 2014	1,531	535	85	535

Financial Assets, Land and buildings 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.

Liabilities directly associated with Assets Held for Resale

	Group		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Land and Buildings	-	-	-	-
Financial Assets	916	-	-	-
At 31 March 2014	916	-	-	-

Liabilities directly associated with assets held for resale or arising from the decision to dispose of an asset are classified as Liabilities directly associated with assets held for resale.

Financial Assets held for resale includes CairnGorm Mountain Limited £1,446k and CairnGorm 2000+ Limited £0k The subsidiary CairnGorm Mountain Limited was sold on 11th June 2014. CairnGorm 2000+ Limited was dissolved on 25th April 2014. Liabilities directly associated with assets held for resale relate to the disposal of CairnGorm Mountain Limited (note 29)

During the year it was decided 5 assets (2013 1) would no longer be marketed for sale. The assets were transferred out of assets held for resale back into non-current assets.

17. Trade payables and other current liabilities: Amounts falling due within one year

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade payables	4,719	5,082	4,702	4,822
Accruals and Deferred Income	3,340	3,788	3,340	3,446
Prepaid rental income	455	553	455	553
Owed to subsidiary undertakings	-	-	12	144
	8,514	9,423	8,509	8,965
Taxation and social security	247	445	247	229
Corporation tax	782	956	782	812
	1,029	1,401	1,029	1,041

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

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Balances with other central government bodies	247	1,257	247	1,041
Balances with local authorities	120	109	119	109
Balances with similar public bodies	312	415	309	415
	679	1,781	675	1,565
Balances with bodies external to government	8,864	9,043	8,863	8,441
	9,543	10,824	9,538	10,006

18. Trade payables and other liabilities: Amounts falling due after more than one year

	GROUP		HIE	
	2014 £000	2013 £000	2014 £000	2013 £000
Deferred income - other schemes	399	377	399	377
Deferred Tax	857	1,597	857	1,597
Debenture loans	-	43	-	-
	1,256	2,017	1,256	1,974

19. Retirement Benefit Obligation

Staff may be members of the Highlands and Islands Enterprise superannuation scheme or local government pension funds. The Highlands and Islands Enterprise and local government superannuation schemes are a defined benefit scheme with guaranteed benefits based on length of service final pensionable salary. The level of benefits provided depends upon the members' length of service and their final pensionable salary. The local government pension funds are defined benefit schemes, the assets of which are held in independently administered funds.

Contributions are made to the following local government pension funds by HIE:

- Highland Council Pension Fund
- Orkney Islands Council Pension Fund
- Shetland Islands Council Pension Fund
- Strathclyde Pension Fund

The pension scheme operated by CairnGorm Mountain Ltd (CML) is separate from HIE and involves no HIE employees. Further information about CML pension arrangements can be found in that company's annual report and accounts.

Highlands and Islands Enterprise Superannuation Scheme

The actuarial valuation at 5 April 2012 indicated a potential deficit of £27.0 million in the HIE pension fund. HIE, in agreement with the HIE Pension Fund Trustees and Scottish Government undertook to implement the following recovery plan to address this shortfall, following its acceptance by the Pensions Regulator:

- Lump sum contributions of £500K per annum from 2014 to 2030
- Pay additional contributions per months as a percentage of pensionable salaries from 2014 to 2030
 - Periods up to July 2014 1.6% of pensionable salaries
 - From August 2104 to July 2015 5.1% of pensionable salaries
 - From August 2015 to July 2016 6.6% of pensionable salaries
 - From August 2016 onwards 8.1% of pensionable salaries

From August 2014 the HIE final salary pension scheme will be closed. A new career average scheme will replace the HIE final salary scheme. The retirement age under the new scheme will be 65 years of age and member contributions will increase to 6% over the next 3 years

Pension disclosure under IAS 19

The assets of the scheme are held separately from those of Highlands and Islands Enterprise 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 Highlands and Islands Enterprise 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.

Highlands and Islands Enterprise operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 5 April 2012 and updated to 31 March 2014 by a qualified independent actuary.

The service cost has been calculated using the Projected Unit method.

The expected rates of return on the scheme 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

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

	31 March 14	31 March 13	31 March 12	31 March 11	31 March 10
	%	%	%	%	%
Rate of salary increases (% per annum)	3.90	3.90	3.80	4.00	4.10
Rate of pension increase (% per annum)	2.60	2.60	2.50	3.00	3.60
Discount rate (% per annum)	4.50	4.40	5.00	5.50	5.50
Inflation rate (% per annum)	3.40	3.40	2.50	2.70	3.60

During the year, Highlands and Islands Enterprise paid contributions equivalent to 24.9 per cent of pensionable salaries.

The expected rates of return on the scheme 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

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

	Long-term rate of return expected at 31 March 2014	Value at 31 March 2014	Long-term rate of return expected at 31 March 2013	Value at 31 March 2013	Long-term rate of return expected at 31 March 2012	Value at 31 March 2012	Long-term rate of return expected at 31 March 2011	Value at 31 March 2011	Long-term rate of return expected at 31 March 2010	Value at 31 March 2010
	%	£000	%	£000	%	£000	%	£000	%	£000
Equities	4.50	46,365	4.40	42,698	5.30	38,902	6.56	43,334	6.75	37,369
Gilts	4.50	12,811	4.40	13,466	2.30	17,851	3.60	11,935		
Bonds	4.50	7,298	4.40	7,101	3.80	6,270	4.70	7,276	5.30	18,804
Property	4.50	5,721	4.40	5,569						
Cash	4.50	1,164	4.40	1,048	0.00	960	0.00	1,276	0.00	3,905
Estimated employer assets		73,359		69,882		63,983		63,821		60,078
Present value of scheme liabilities		(94,674)		(92,589)		(74,867)		(71,921)		(76,620)
Deficit in the scheme		(21,315)		(22,707)		(10,884)		(8,100)		(16,542)
Related deferred tax asset/ (liability)		-		-		-		-		-
Net pension liability		(21,315)		(22,707)		(10,884)		(8,100)		(16,542)

The current values show an decrease in the deficit from 31 March 2013 of £1.4m to £21.3m at 31 March 2014.

Local Government Pension Funds

The valuation for the local government pension funds used for IAS 19 disclosures has been based on the most recent actuarial valuations at 31 March 2011 and updated by a qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the funds at 31 March 2014. Fund assets are stated at their market value at 31 March 2014:

The service cost has been calculated using the Projected Unit method.

The expected rates of return on the scheme 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

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

	31 March 14	31 March 13	31 March 12	31 March 11	31 March 10
	%	%	%	%	%
Main assumptions:					
Rate of salary increases (% per annum)	5.13	5.03	4.80	5.08	5.33
Rate of pension increase (% per annum)	2.83	2.75	2.50	2.78	3.30
Discount rate (% per annum)	4.30	4.55	4.75	5.50	5.50
Inflation rate (% per annum)	3.40	3.55	2.50	2.70	3.83

The share of the assets in the funds and the expected rate of return were:

	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at
	31 March 2014	31 March 2014	31 March 2013	31 March 2013	31 March 2012	31 March 2012	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	%	£000	%	£000	%	£000	%	£000	%	£000
Equities		8,762	6.11	8,413	6.53	7,162	7.58	7,235	7.83	6,447
Gilts		485	3.30	471	3.30	408	4.4	278	4.50	247
Bonds		1,416	4.20	984	4.25	783	5.05	818	5.13	781
Property		810	4.50	737	4.63	700	5.58	667	5.80	564
Cash		300	3.40	182	3.38	225	4.2	221	4.35	155
Estimated employer assets		11,773		10,787		9,278		9,219		8,194
Present value of scheme liabilities		(15,763)		(13,182)		(11,833)		(10,417)		(11,862)
Present value of unfunded liabilities		(674)		(622)		(582)		(340)		(383)
Deficit in the scheme		(4,664)		(3,017)		(3,137)		(1,538)		(4,051)
Related deferred tax liability		-		-		-		-		-
Net pension liability		(4,664)		(3,017)		(3,137)		(1,538)		(4,051)

The pension contributions with effect from 1 April 2014 for the local government pension funds are:

	2014	2013
Highland Council Pension Fund	19.1%	18.2%
Orkney Islands Council Pension Fund	21.4%	21.4%
Strathclyde Pension Fund	19.3%	19.3%

GROUP

	HIE	LGPF	CML	Total	HIE	LGPF	CML	Total
					*restated	*restated		*restated
	2014	2014	2014	2014	2013	2013	2013	2013
	£000	£000	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to Income Statement								
Current service cost	2,281	339	30	2,650	1,719	307	21	2,047
Past service cost	-	-	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-	-	-
Interest income on retirement benefit assets	(3,066)	(521)	(46)	(3,633)	(3,181)	(446)	(49)	(3,676)
Interest on retirement benefit scheme obligations	4,021	645	46	4,712	3,677	581	41	4,299
Net pension scheme expense	3,236	463	30	3,729	2,215	442	13	2,670
Analysis of the amount recognised in SOCs								
Actual return less expected return on pension scheme assets	(801)	(249)	35	(1,015)	3,408	836	(24)	4,220
Experience gains and (losses) arising on the scheme liabilities	(127)	18	(36)	(145)	2,867	27	13	2,907
Changes in demographic assumptions underlying the present value of the scheme liabilities	-	-	-	-	(7,388)	-	-	(7,388)
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,835)	1,709	(6)	(132)	(10,302)	(60)	(197)	(10,559)
Restriction on scheme surplus	-	-	-	-	-	-	4	4
Prior year adjustment on assets	-	-	-	-	-	-	-	-
Defined benefit income/(cost) recognised in SOCI	(2,763)	1,478	(7)	(1,292)	(11,415)	803	(204)	(10,816)
Reconciliation of defined benefit obligation								
Opening defined benefit obligation	92,589	13,804	994	107,387	74,867	12,415	738	88,020
Recognised on acquisition	-	-	-	-	-	-	-	-
	92,589	13,804	994	107,387	74,867	12,415	738	88,020
Movement in year:								
Current Service costs	2,281	339	30	2,650	1,719	307	21	2,047
Contributions by members	159	95	9	263	155	94	10	259
Past service costs	-	-	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-	-	-
Estimated unfunded benefits paid	-	(29)	-	(29)	-	(28)	-	(28)
Estimated benefits paid	(2,414)	(144)	-	(2,558)	(2,652)	(142)	-	(2,794)
Interest cost	4,021	645	46	4,712	3,677	581	41	4,299
Actuarial losses/(gains)	(1,962)	1,727	(42)	(277)	14,823	577	184	15,584
Closing defined benefit obligation	94,674	16,437	1,037	112,148	92,589	13,804	994	107,387
Present value of funded liabilities	94,674	16,015	1,037	111,726	92,589	13,426	994	107,009
Present value of unfunded liabilities	-	422	-	422	-	378	-	378
Reconciliation of fair value of assets								
Opening fair value of assets	69,882	10,787	1,102	81,771	63,983	9,278	1,041	74,302
Prior year adjustment	-	-	-	-	-	-	-	-
Opening fair value of assets –as restated	69,882	10,787	1,102	81,771	63,983	9,278	1,041	74,302
Recognised on acquisition	-	-	-	-	-	-	-	-
Expected return on assets	3,066	521	46	3,633	3,181	441	49	3,671
Contributions by members	159	95	9	263	155	94	10	259
Contributions by employer	1,865	265	29	2,159	1,807	275	26	2,108
Contribution in respect of unfunded benefits	-	29	-	29	-	28	-	28
Impact of settlements and curtailments	-	-	-	-	-	-	-	-
Actuarial gains/(losses)	801	249	(35)	1,015	3,408	841	(24)	4,225
Estimated unfunded benefits paid	-	(29)	-	(29)	-	(28)	-	(28)
Estimated benefits paid	(2,414)	(144)	-	(2,558)	(2,652)	(142)	-	(2,794)
	73,359	11,773	1,151	86,283	69,882	10,787	1,102	81,771
Estimated employer contributions for the year ended 31 March 2015	2,538	268	*	2,806	1,877	261	31	2,169
Surplus not recognised	-	-	-	-	-	-	-	-

*It has not been possible to calculate estimated employer contributions for CML due to possible changes to the pension scheme arising from the sale

HIE

	HIE	LGPF	Total	HIE	LGPF	Total
				*restated	*restated	*restated
	2014	2014	2014	2013	2013	2013
	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to Income Statement						
Current service cost	2,281	339	2,620	1,719	307	2,026
Past service cost	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-
Interest income on retirement benefit assets	(3,066)	(521)	(3,587)	(3,181)	(446)	(3,627)
Interest on retirement benefit scheme obligations	4,021	645	4,666	3,677	581	4,258
Net pension scheme expense	3,236	463	3,699	2,215	442	2,657
Analysis of the amount recognised in SOCIs						
Actual return less expected return on pension scheme assets	(801)	(249)	(1,050)	3,408	836	4,244
Experience gains and (losses) arising on the scheme liabilities	(127)	18	(109)	2,867	27	2,894
Changes in demographic assumptions underlying the present value of the scheme liabilities	-	-	-	(7,388)	-	(7,388)
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,835)	1,709	(126)	(10,302)	(60)	(10,362)
Restriction on scheme surplus	-	-	-	-	-	-
Prior year adjustment on assets	-	-	-	-	-	-
Defined benefit income/(cost) recognised in SOCI	(2,763)	1,478	(1,285)	(11,415)	803	(10,612)
Reconciliation of defined benefit obligation						
Opening defined benefit obligation	92,589	13,804	106,393	74,867	12,415	87,282
Recognised on acquisition	-	-	-	-	-	-
	92,589	13,804	106,393	74,867	12,415	87,282
Movement in year:						
Current Service costs	2,281	339	2,620	1,719	307	2,026
Contributions by members	159	95	254	155	94	249
Past service costs	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-
Estimated unfunded benefits paid	-	(29)	(29)	-	(28)	(28)
Estimated benefits paid	(2,414)	(144)	(2,558)	(2,652)	(142)	(2,794)
Interest cost	4,021	645	4,666	3,677	581	4,258
Actuarial losses/(gains)	(1,962)	1,727	(235)	14,823	577	15,400
Closing defined benefit obligation	94,674	16,437	111,111	92,589	13,804	106,393
Present value of funded liabilities	94,674	16,015	110,689	92,589	13,426	106,015
Present value of unfunded liabilities	-	422	422	-	378	378
Reconciliation of fair value of assets						
Opening fair value of assets	69,882	10,787	80,669	63,983	9,278	73,261
Prior year adjustment	-	-	-	-	-	-
Opening fair value of assets –as restated	69,882	10,787	80,669	63,983	9,278	73,261
Recognised on acquisition	-	-	-	-	-	-
Expected return on assets	3,066	521	3,587	3,181	441	3,622
Contributions by members	159	95	254	155	94	249
Contributions by employer	1,865	265	2,130	1,807	275	2,082
Contribution in respect of unfunded benefits	-	29	29	-	28	28
Impact of settlements and curtailments	-	-	-	-	-	-
Actuarial gains/(losses)	801	249	1,050	3,408	841	4,249
Estimated unfunded benefits paid	-	(29)	(29)	-	(28)	(28)
Estimated benefits paid	(2,414)	(144)	(2,558)	(2,652)	(142)	(2,794)
	73,359	11,773	85,132	69,882	10,787	80,669
Estimated employer contributions for the year ended 31 March 2015	2,538	268	2,806	1,877	261	2,138

Expenditure recognised in the Statement of Comprehensive net expenditure

	2014	2013
	£000	£000
Net management expenditure on staff costs	461	(84)
Other finance charges/(income)	1,079	623

The total loss amount recognised in the statement of other comprehensive income in respect of net actuarial gains and losses is £1,292k gain (2013 £10,994k loss).

Cumulative actuarial gains and losses recognised in the statement of comprehensive income since 1 April 2002 are net losses of £14,667k (2013 £15,959k loss).

A history of the Highlands & Islands Enterprise superannuation scheme and for its share of the Local Government Pension schemes for prior periods is as follows:

	HIE					Local government pension funds				
	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience gains and losses										
Difference between expected and actual return on scheme assets	801	3,917	2,071	(1,164)	12,630	249	737	814	(96)	1,916
Value of assets	73,359	69,882	63,983	63,821	60,078	11,773	10,787	9,278	9,219	8,194
Percentage of scheme assets	1.1%	5.6%	3.2%	(1.8)%	21.0%	2.1%	6.8%	8.8%	(1.0)%	23.4%
Experience gains and (losses) on scheme liabilities	127	2,822	2	(128)	3,246	(18)	(17)	150	127	(9)
Present value of liabilities	(94,674)	(92,589)	(74,867)	(71,921)	(76,620)	(16,437)	(13,804)	(12,415)	(10,757)	(12,245)
Percentage of scheme liabilities	(0.1)%	(3.0)%	(0.0)%	0.2%	(4.2)%	0.1%	0.1%	(1.2)%	(1.2)%	0.1%

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 assumptions are equivalent to expecting a 60 year old to live for a number of years as follows:

	HIE		LGPF*		CML*	
	UK	UK	UK	UK	UK	UK
	31/03/14	31/03/13	31/03/14	31/03/13	31/03/14	31/03/13
1. Male member aged 60 (current life expectancy)	27.6	27.5	22.1	22.4	21.3	21.4
2. Male member age 40 (life expectancy at 60)	29.7	29.6	23.9	24.1	22.6	22.7
3. Female member aged 60 (current life expectancy)	30.3	30.2	24.7	25.1	23.4	23.6
4. Female member aged 40 (life expectancy at 60)	32.4	32.3	26.5	26.8	24.9	25.1

*LGPF & CML life expectancy is based on a retirement age of 65

Defined benefit obligation analysed by participant status

	HIE 2014		LGPF 2014		HIE 2013		LGPF 2013	
	%	£000	%	£000	%	£000	%	£000
Active members	31.8%	30,141	48.6%	7,779	29.9%	27,674	48.0%	6,438
Vested deferred members	25.5%	24,173	28.7%	4,589	25.4%	23,490	29.0%	3,887
Retired members	42.6%	40,360	22.8%	3,647	44.7%	41,425	23.1%	3,101
		<u>94,674</u>		<u>16,015</u>		<u>92,589</u>		<u>13,426</u>

Sensitivity Analysis

	HIE 2014		LGPF 2014	
	%	£000	%	£000
0.5% decrease in real discount rate	10	9,364	13	2,179
1 Year increase in member life expectancy	2	2,111	3	493
0.5% increase in the salary increase rate	2	1,602	5	721
0.5% increase in pension increase rate		Not Available	9	1,416

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.

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 the level of 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.

	HIE	LGPF
	Years	Years
Weighted average duration of defined benefit obligation	19.1	23.8

20. Losses statement

	Group No of cases	£000	HIE No of Cases	£000
Claims waived (amounts written off) during the year ended 31 March 2014	10	382	10	382

These write-offs relate to Scottish Government approved balances and Highlands and Islands Enterprise delegated authority.

In the year to 31 March 2014 there was 1 (2013 2 cases) case written off which exceeded £250,000. These were as follows

	2014
	£000
Scotia Nutritionals Limited	333

Highlands and Islands Enterprise continues to pursue all outstanding debts.

21. Net Cash Flow From Operating Activities

	Note	GROUP 2014 £000	2013 £000
Deficit on operating activities		53,855	61,932
Interest received	6	(201)	(108)
Dividends received	6	(36)	(76)
Share of related company results	11	62	444
Gain/loss on financial assets at fair value	3	(45)	(92)
Profit of sale of assets	3	595	623
Interest payable	7	51	14
Net cash outflow from operating activities		54,281	62,737
Discontinued operations	3,4&5	(191)	(468)
Net cash outflow from operating activities		54,090	62,269

22. Commitments

	GROUP 2014 £000	2013 £000	HIE 2014 £000	2013 £000
Commitments				
Property	12,712	12,228	12,712	12,228
Grants and loans	41,881	43,806	41,881	43,806

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

23. Contingent Liabilities

HIE acquired control of CairnGorm Mountain Ltd during 2008/09 and the company continues trading. In addition, as the owner of the CairnGorm mountain railway, HIE will continue to fulfil its responsibilities to ensure the continuance of this

public service. In the event of permanent closure, HIE would have responsibility for the costs of removal of equipment and re-instatement of the site of the funicular railway to a natural condition.

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.

24. Financial Commitments

Highlands & Islands Enterprise has entered into commercial leases on certain properties and items of equipment. These leases have an average duration of between 3 and 20 years.

Future minimum payments due under non-cancellable operating leases:

GROUP

	Property £000	Equipment £000	Total £000	2013 £000
Obligations under Operating and similar leases:				
Within one year	1,041	4	1,045	1,153
Within two to five years	3,676	-	3,676	3,898
In over five years	3,273	-	3,273	4,094
	7,990	4	7,994	9,145

HIE

	Property £000	Equipment £000	Total £000	2013 £000
Obligations under Operating and similar leases:				
Within one year	1,041	4	1,045	1,148
Within two to five years	3,676	-	3,676	3,896
In over five years	3,273	-	3,273	4,094
	7,990	4	7,994	9,138

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 2014 is £4,882k (2013 £1,000k).

Highlands & Islands holds office and manufacturing buildings as investment properties, which are let to third parties. These non-cancellable leases have remaining terms between 1 and 20 years.

Future minimum rentals receivable under non-cancellable operating leases:

GROUP

	Property £000	Equipment £000	Total £000	2013 £000
Receivable under Operating and similar leases:				
Within one year	3,592	430	4,022	3,216
Within two to five years	11,799	1,720	13,519	10,614
In over five years	11,719	140	11,859	9,260
	27,110	2,290	29,400	23,090

HIE

	Property £000	Equipment £000	Total £000	2013 £000
Receivable under Operating and similar leases:				
Within one year	3,692	430	4,122	3,316
Within two to five years	12,199	1,720	13,919	11,014
In over five years	12,938	140	13,078	10,579
	28,829	2,290	31,119	24,909

Highlands and Islands Enterprise has entered into a number of finance leases to acquire certain properties and items of plant

Future minimum payments due under non-cancellable finance leases:

GROUP

	Property £000	Plant & Equipment £000	Total £000	2013 £000
Obligations under Finance and similar leases:				
Within one year	140	12	152	151
Within two to five years	560	16	576	571
In over five years	3,583	-	3,583	3,723
	4,283	28	4,311	4,445
Finance charges allocated to future periods				
		(6)	(6)	(7)
	4,283	22	4,305	4,438
Present Value of minimum lease payments				
Within one year	140	10	150	149
Within two to five years	560	12	572	566
In over five years	3,583	-	3,583	3,723
	4,283	22	4,305	4,438

HIE

	Property £000	Plant & Equipment £000	Total £000	2013 £000
Obligations under Finance and similar leases:				
Within one year	140	12	152	151
Within two to five years	560	16	576	571
In over five years	3,583	-	3,583	3,723
	4,283	28	4,311	4,445
Finance charges allocated to future periods				
		(6)	(6)	(7)
	4,283	22	4,305	4,438
Present Value of minimum lease payments				
Within one year	140	10	150	149
Within two to five years	560	12	572	566
In over five years	3,583	-	3,583	3,723
	4,283	22	4,305	4,438

25. Transactions involving Board members' registered interests

During the year the following transactions were made by the Highlands & Islands Enterprise with businesses in which Highlands and Islands Enterprise Board members had an interest:

Transactions where a director had a financial interest					
Business	Approvals brought forward (£)	Amount approved/ (withdrawn) in year (£)	Amount paid in year (£)	Nature of transaction	Board member and interest
Aros (Isle of Skye) Ltd	-	4,370	2,992	Graduate Placement Grant	D MacDonald – Managing Director
Harper Macleod	-	43,771	43,771	Legal fees with a framework agreement	L Crerar - Member
Scottish Association of Marine Science	-	4,934	4,934	Project Grant	M Bownes – Board Member
Hebridean Sea Salt	-	55,035	55,035	Project Grant	S Thomson – Board Member
University of Edinburgh	-	35	35	Provision of educational services	M Bownes – Board Member

Other transactions taking place with organisations where HIE Board members were remunerated:

Highlands and Islands Enterprise entered into a shared services agreement with Skills Development Scotland on 15 February 2011 for the provision of information technology services.

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

City of Elgin BIDS
Commun na Gaidhlig
Investors in People
Islay Energy Trust
Sabhal Mor Ostaig
Staffin Community Trust
University of the Highlands & Islands

26. Related party transactions

Highlands and Islands Enterprise is a Non-Departmental Public Body sponsored by the Scottish Government.

The Scottish Government is regarded as a related party. During the year, Highlands and Islands Enterprise 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, Highlands and Islands Enterprise has had a small number of transactions with other Government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

Transactions have taken place with:

Argyll & Bute Council
Audit Scotland
Business Gateway
Comhairle Nan Eilean Siar
Companies House
Crown Estates Commission
Dundee City Council
Forestry Commission
Glasgow City Council
Her Majesty's Customs & Revenue
Highlands and Islands Airports Limited
Information Commissioner
NHS Education for Scotland
NHS Grampian
NHS Highland
North Ayrshire Council
Orkney Islands Council
Renfrewshire Council
Scottish Enterprise
Scottish Government
Scottish Natural Heritage
Shetland Island Council
Skills Development Scotland
The Highland Council
The Moray Council
UHI Millennium Institute
Visit Scotland

None of the Board members, key managerial staff or other related parties have undertaken any material transactions with Highlands and Islands Enterprise other than those disclosed in note 25.

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 £7K (2013: £7K) employers national insurance contributions and Nil (2013 : Nil) employer pension contributions.

27. Financial instruments

Highland and Islands Enterprise 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 Highlands & Island Enterprise 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 the company's risk management framework. The audit committee oversees how management monitors compliance with Highlands & Islands Enterprise risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by Highlands and Islands Enterprise.

The Group and Highlands and Islands Enterprise have no derivative financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that Highlands and Islands Enterprise 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. Highlands & Islands Enterprise's primary source of liquidity is the Grant in Aid provision from the Scottish Government. Highlands and Islands Enterprise has no debt or borrowing facility with any external party,

Liquidity is managed by the use of 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.

2014

Group

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	8,059	8,059	8,059	-
	8,059	8,059	8,059	-

HIE

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	8,054	8,054	8,054	-
	8,054	8,054	8,054	-

2013

Group

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	8,870	8,870	8,870	-
	8,870	8,870	8,870	-

HIE

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	8,412	8,412	8,412	-
	8,412	8,412	8,412	-

The Group and Highlands and Islands Enterprise have no outstanding borrowings at 31 March 2014 (2013 : £nil).

Credit risk

Credit risk is the risk of financial loss to Highlands and Islands Enterprise if a customer or counter party fails to meet its contractual obligations and arises from the trade receivables.

Credit risk arising from the Group and Highlands and Islands Enterprise's normal operations, including holding non-current financial assets (other investments, is controlled by individual business unit and companies operating in accordance with policies and procedures.

In pursuit of economic growth targets, Highlands and Islands Enterprise 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 assets available for sale to their fair value and provides, where appropriate, for impairment of assets held to maturity, loans and other materials.

Highlands and Islands carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk Highlands and Islands Enterprise 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.

Highlands and Islands 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.

Highlands and Islands' 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:-

Group	Carrying Amount	
	2014 £000	2013 £000
Financial Assets - Other Investments		
Available for sale unlisted equity shares	763	3,169
Preference shares	78	497
Loans and other receivables	6,648	3,691
Financial assets		
Trade and other receivables	4,799	7,362
Cash and cash equivalents	3,139	2,333
	15,427	17,052
HIE		
	Carrying Amount	
	2014 £000	2013 £000
Financial Assets - Other Investments		
Available for sale unlisted equity shares	726	3,059
Preference shares	77	496
Loans and other receivables	5,879	3,075
Financial assets		
Trade and other receivables	4,693	7,094
Cash and cash equivalents	2,644	1,097
	14,019	14,821

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

Group	2014		2013	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	5,086	(1)	6,246	-
Past due 0 to 30 days	100	(19)	1,149	(127)
Past due more than 31 days	399	(767)	736	(642)
	5,585	(787)	8,131	(769)
HIE				
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	4,968	(1)	5,967	-
Past due 0 to 30 days	100	(19)	1,149	(127)
Past due more than 31 days	399	(755)	736	(631)
	5,467	(775)	7,852	(758)

Movements in impairment of trade and other receivables is shown in Note 14. Impairment provisions are used to record impairment losses unless the Group and Highlands and Islands Enterprise 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 Highlands and Islands Enterprise's interest bearing financial instruments was:-

Group	Carrying Amount	
	2014 £000	2013 £000
Fixed rate instruments		
Financial assets	6,726	4,188
Financial liabilities	-	-
	<u>6,726</u>	<u>4,188</u>
Variable rate instruments		
Cash and cash equivalents	3,139	2,333
	<u>3,139</u>	<u>2,333</u>
HIE	Carrying Amount	
	2014 £000	2013 £000
Fixed rate instruments		
Financial assets	5,956	3,571
Financial liabilities	-	-
	<u>5,956</u>	<u>3,571</u>
Variable rate instruments		
Cash and cash equivalents	2,644	1,097
	<u>2,644</u>	<u>1,097</u>

Interest receivable by the Group and Highlands & Islands Enterprise from cash and cash equivalents is 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:

	Group 100 basis points change £000	HIE 100 basis points change £000
Cash and cash equivalents		
31 March 2013	13	5
31 March 2014	27	19

Currency risk

Highlands and Islands Enterprise is exposed to currency risk on transactions and balances that are denominated in currencies other than Sterling. Whenever practical, Highlands and Islands Enterprise enters into agreements in its functional currency in order to minimise currency risks.

Highlands and Islands Enterprise 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:-

Group	Carrying Amount		Fair Value	
	2014	2014	2013	2013
	£000	£000	£000	£000
Available for sale unlisted equity shares	763	763	3,169	3,169
Preference shares	78	78	497	497
Loans and other receivables	6,648	6,648	3,691	3,691
Trade and other receivables	4,799	4,799	7,362	7,362
Cash and cash equivalents	3,139	3,139	2,333	2,333
Trade and other payables	(8,059)	(8,059)	(8,870)	(8,870)
Taxation recoverable	1,084	1,084	1,161	1,161
	8,452	8,452	9,343	9,343

HIE	Carrying Amount		Fair Value	
	2014	2014	2013	2013
	£000	£000	£000	£000
Available for sale unlisted equity shares	726	726	3,059	3,059
Preference shares	77	77	496	496
Loans and other receivables	5,879	5,879	3,075	3,075
Trade and other receivables	4,693	4,693	7,094	7,094
Cash and cash equivalents	2,644	2,644	1,097	1,097
Trade and other payables	(8,054)	(8,054)	(8,412)	(8,412)
Taxation recoverable	1,047	1,047	1,000	1,000
	7,012	7,012	7,409	7,409

Financial assets available for sale are not being actively marketed and there is no expectation that completed sales will occur within one year.

Fair value hierarchy

Group and Highlands and Islands Enterprise 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).

Estimation of fair values

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

Financial assets available for sale	The fair value is based on market 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

28. Prior Period Adjustment

This note explains how any changes in Accounting Policies have affected the reported financial position, financial performance and cash flows of the group and Highlands and Islands Enterprise.

	Audited Accounts £'000	IAS 19 (Revised) Pension Adjustment £'000	Transfer of Financial Asset under Machinery of Government £'000	Subsidiary Tax Adjustment £'000	Restated Balance £'000
2012/13 Group Statement of Comprehensive Net Expenditure					
Operating Expenditure		-			-
Net management expenditure on staff costs	10,016	71			10,087
Other finance charges	1,060	(437)	-		623
Share of (profits)/losses in Equity accounted investees	454		(10)		444
Taxation	953			(144)	809
Net Expenditure	63,668	(366)	(10)	(144)	63,148
Actuarial (gains)/losses recognised in retirement benefit scheme	10,994	366			11,360
Group Statement Of Financial Position at 31 March 2012					
Investment in Associates	869		(31)		838
General reserve	42,997	-	(31)		42,966
Group Statement Of Financial Position at 31 March 2013					
Investment in associate	664		(21)		643
Trade and other receivables	9,035			144	9,179
General reserve	48,450		(21)	144	48,573

IAS 19 (Revised) Employee Benefits

The provisions in IAS 19 (as revised in 2011) have now been adopted in full. As a consequence of the adoption of this standard changes in the composition of the net expense have been recognised in the Statement of Comprehensive Net Expenditure. Service costs, included within staff costs have been amended because of the treatment of interest on the service costs and the incorporation of administrative costs not associated with the management of the plan assets. Other finance income has been amended to reflect the net interest income, based on the net defined benefit asset and the discount rate measured at the beginning of the financial year, which replaces the previous basis of calculation under IAS 19. There are no changes to the value of the defined benefit scheme as a consequence.

Transfer of financial asset to another public sector body

With effect from 25th March 2014 and for no consideration Highlands and Islands Enterprise resigned from Scottish Health Innovations Limited and assigned its full interest to NHS Scotland. Transfers of functions from one part of the public sector to another in the UK (known as Machinery of Government Changes or MOGs) are accounted for using merger accounting, as applied by the Government Financial Reporting Manual. Under merger accounting, the transferor and the transferee account for the function as if the transferee has always undertaken it. As such, Highlands and Islands Enterprise has adjusted comparative amounts disclosed for each prior period to remove this financial asset. This transfer results in a decrease in equity accounted investees and a decrease in general reserve.

Subsidiary tax adjustment

As part of the finalisation of the 2013 accounts it was agreed that HIE would purchase the tax losses of one of the HIE subsidiaries. This transaction was not reflected in the HIE group accounts for 2013. The 2013 comparative figures for the group have been updated to reflect the correct tax position for 2013.

29. Discontinued operations

Discontinued operations relate Highlands and Islands Enterprise subsidiary CairnGorm Mountain Limited and CairnGorm 2000+ Limited, a subsidiary of CairnGorm Mountain Limited.

CairnGorm Mountain Limited was sold on 11th June 2014. Detailed financial information relating to CairnGorm Mountain Limited is available from their accounts. Under the provisions of IFRS 5 CairnGorm Mountain Limited has been treated as an asset held for resale.

CairnGorm 2000+ Limited was dissolved on 25th April 2014. At 31st March 2014 CairnGorm 200+ Limited has no assets or liabilities.

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 (FRM) 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 & 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 & 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 & Islands Enterprise:
 - Total number of companies involved
 - Total amount invested
 - Total amount of loans given
 - Total amount of any other commitments

