

ANNUAL REPORT AND ACCOUNTS

HIE 2014-15



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 2015 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 2014-15

Laid before the Scottish Parliament under section 30(1) of the Enterprise and New Towns (Scotland) Act 1990

October 2015

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Management Commentary

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 third Scotland's Economic Strategy was unveiled in March 15. The strategy focuses actions on the four strategic priorities which aim to increase competitiveness and tackle inequality. These four priorities are investing in our people and our infrastructure in a sustainable way; fostering a culture of innovation and research and development; promoting and creating opportunity through a fair and inclusive jobs market and regional cohesion; and promoting Scotland on the international stage to boost our trade and investment, influence and networks. For further information on the Scotland's 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 2015 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 2015 (excluding non-cash costs) was as follows:

Sources of Finance 2014-2015

	Original Budget £000	Final Budget £000	Actual £000
Expenditure			
Operations	59,200	82,451	82,428
Management & Admin.	14,500	14,500	14,495
Total Expenditure	73,700	96,951	96,923
Income			
Grant in Aid	58,600	59,723	59,723
European Union	5,000	3,317	3,317
Business Receipts	10,100	33,911	33,911
Total Income	73,700	96,951	96,951
Net under spend	-	-	28

Cash Budget Outturn

Revenue Expenditure		29,623	29,595
Capital Expenditure		30,100	30,100
Net spend		59,723	59,695

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

Resource Budget Outturn

Resource DEL		29,623	29,595
Capital DEL		30,100	30,100
Non-cash DEL cost including depreciation, provisions, property revaluation		12,697	2,509
Total Resource budget		72,420	62,204

Non-cash AME cost including pension, provisions, property revaluation		8,000	9,917
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Total Funding Provision

	80,420	72,121
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Financial commentary

Investment Spend

During the year HIE received additional funding of £1.1 million from the Scottish Government. This increased baseline grant in aid from £58.6 million to £59.7 million.

Income from activities of £6.8 million was £0.5 million higher than the prior year. Property rental income was in line with the prior year and profit from the sale of investments increased. Other income of £30.3 million was £5.5 million higher than 2013/14. This was mainly due to income associated with the rollout of superfast broadband. European income of £2.8 million was received for the year, £0.4 million higher than the prior year.

HIE drew down its full grant in aid allocation from the Scottish Government. At the yearend HIE had a small underspend of £28k.

During the year HIE transferred £5.3 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 £10.4 million on property construction and plant and equipment additions.

Expenditure on operating activities within HIE increased by 14.0% (Group 15.2%) to £78.0 million (Group £79.4 million) as a result of the additional Grant in Aid and broadband funding.

Underlying management and administration expenditure in HIE showed an increase of £1.5 million (Group £3.1 million) due to additional provisions against loans and receivables.

Non Cash Financial Budgets

The non-cash resource accounting and budget (RAB) spend was £2.3 million, £10.4 million under the provision set by the Scottish Government, which is due to a historically high provision being provided.

The Annually Managed Expenditure was £9.9 million against a budget of £8.0 million. The over spend of £1.9 million was primarily driven by increased impairment of property under construction and provisions for loans and receivables.

The Resource Budget for 2015/16 of £71.2 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 2014/15 Highlands and Islands Enterprise spent £10.4 million (Group £10.5 million) on property construction projects, plant and equipment additions.

At 31 March 2015 the net book value of HIE property, plant and equipment was £47.2 million (Group £47.3 million). This is a decrease of £0.1 million (Group £0.2 million) on the prior year. Commercial properties were valued at market value.

Financial assets amounted to £2.4 million (Group £2.8 million). This was a decrease of £3.6 million (Group £4.0 million) on the prior year following an increase in provisions against financial assets.

Current Assets

Current assets stood at £16.3 million (Group £16.9 million) at 31 March 2015, £7.1 million (Group £5.6 million) higher than the prior year. The majority of the increase in assets relates to European Union income due at the year end and increased in cash holdings for Community Broadband Scotland and Scottish Land Funds

Current Liabilities

Current liabilities stood at £13.9 million (Group £14.2 million) at 31 March 2015, £4.4 million (Group £3.6 million) higher than the prior year. The increase primarily relates to the increased trade payables at the end of the year.

Pension Liabilities

The group pension liability has increased from £26.0 million to £34.5 million in 2014/15.

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 2014/15	Performance 2013/14*
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>	83%	87%

- The improved performance in 13/14 was as a direct result of the £2.8m agreed underspend in 12/13 providing a lower than normal year end creditor position

Events after the Statement of Financial Position

No post Statement of Financial Position events occurred.

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)	80-100	122
Forecast increase in international sales by supported businesses (£m/year 3)	30-40	50
Jobs supported (created/retained) FTE	700-900	1,121
- of which in fragile areas	100-150	120
Forecast increase in turnover in the social economy (£m/year 3)	2.5-3.5	7.0
of which generated by community-owned assets (£m/year 3)	1.5-2.0	3.6
Account managed communities delivering increased community benefit	40-60	40

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

During the year, HIE approved GIA of £32m to support total investment of £184m in business projects across the region. This investment is expected to generate an increase in turnover of £122m and support the creation/retention of over 1,100 full time equivalent jobs.

In our fragile areas, we invested £2.5m to support account managed businesses to deliver 29 projects which are expected to generate an increase in turnover of £14m. Three projects contributed £10m towards this figure. Twenty business and fourteen social enterprise projects in fragile areas are expected to support 120 FTEs.

In July 2014, changes to state aid rules lowered the maximum support that can be provided to large firms. HIE saw a number of projects accelerated by our clients to take advantage of the higher limits which were in place until 30 June 2014. These large investments, predominantly in manufacturing, presented growth opportunities across the region and generated significant contributions to HIE's key measure out-turns.

We continue to use specialist advice as a key tool to support business growth. The Framework covers finance and funding, sales and marketing, business planning and strategic reviews along with complementary programmes such as Digital, Strategy Workshops, Internationalisation and Innovation. Over the last year our supply partner has delivered 404 assignments to 270 clients.

An independent evaluation of HIE's support to account managed businesses reported in September and was highly encouraging. The consultants found strong evidence to justify HIE's rationale to deliver business support and reported many positive aspects to our approach as well as areas for improvement. Work is under way to implement the recommendations.

2014/15 saw the successful delivery of the second year of a three year programme of entrepreneurship support to businesses and social enterprises. A number of the programmes are delivered in partnership with Scottish Enterprise. They provide access to innovative and world class support, training courses and activities to encourage entrepreneurship and accelerate business growth.

We delivered eight entrepreneurship masterclasses in core topics for accelerated business growth, attracting 60 entrepreneurs from 33 companies and five social enterprises from the Highlands and Islands. Two new masterclasses were developed to offer sales training for account managed businesses and were well received. A further four high impact entrepreneurs took part in the world class executive education course the Massachusetts Institute of Technology (MIT) Entrepreneurship Development Program (EDP).

Our efforts in this area captured 10 foreign direct investments which are expected to deliver 381 jobs, and secure investment of £21.6m. A further four companies expanded into the Highlands and Islands from other Scottish regions, creating an additional 103 jobs and investing over £7m.

In partnership with Scottish Development International (SDI) HIE supported 175 businesses to develop international trade activity, including seven who completed the Accelerated Export Support Programme (AESP) to support non or early stage exporters to increase international sales by at least £300k each over five years. HIE also partnered SDI to support 58 businesses across the region to take part in international marketing events which include exhibitions, missions and learning journeys to increase their engagement in US, Europe and Asia.

HIE awarded 27 innovation vouchers to enable businesses to work with academia on small innovation projects. 174 businesses used our Innovate Your Business programme to access an enquiry service, innovation clinics, specialist advice and a small grant scheme. 271 companies have used the service since its inception in November 2013, with 25 awarded small innovation grants.

With HIE funding, dedicated Interface personnel are working across the region to increase links between SMEs and the academic world. Forty-one collaborative academic-company projects were under way at the end of March 2015.

Priority 2 - Strengthening Communities and Fragile Areas

At the year end, HIE had an account managed relationship with 44 communities, 7 of which were new engagements. All are pursuing revenue earning projects. We supported 40 communities to deliver increased community benefit, 15 of which include prioritised crofting projects within their growth plans. Increase in turnover projected from Community Asset Management (CAM) areas funded through our community capacity building programme (CCBP) is £2.05m.

In delivering the Scottish Land Fund, we work with the BIG Lottery to support communities as they develop asset acquisition and development plans. In autumn 2014, the Scottish Government committed to more than trebling the value of the current fund to £10m per year in response to significant community demand, especially in the Highlands and Islands. The total amount committed to projects across Scotland during the year was £4.8m.

Since the launch of SLF in 2012, 134 communities across Scotland have received dedicated, specialist support. This year, 14 acquisitions received a total SLF investment of £4.67m, bringing the total number of asset acquisitions to 32. This placed an additional 17,833 acres of land in community ownership. Most SLF funded acquisitions were in the Highlands and Islands, with our communities benefiting from capacity building and investments made by HIE over many years.

As well as supporting community asset ownership through the SLF, we provided direct financial support to a further 30 communities including technical assistance to large estate buy outs such as Urras Oighreachd Chàrlabhaigh in Lewis and investment to enable communities to create employment and affordable housing such as Here we Are, Cairndow, in Argyll.

In advancing our support for community owned renewables, we led the development of a Highlands and Islands local energy consortium to take forward projects to the first phase of the Local Energy Challenge Fund. Six of the ten bids submitted were from the region.

We were again active on the steering groups for Community and Renewable Energy Scheme (CARES) and Renewable Energy Investment Fund (REIF) and helped develop the ESI Low Carbon Transition Infrastructure Programme (LCITP) to support low carbon community projects with expert advice and funding to achieve investment readiness.

During this year, 160 approvals to social enterprises with £4.0m GIA supported a total investment of £17.9m. 65 approvals were in fragile areas, focusing on lifeline services, local amenities and jobs. HIE's investments are expected to generate a £6.8m increase in turnover in the social economy, an increase of 77% from 2013/14. Increase in turnover generated by international sales will be almost £322k.

The £1m four-year EU funded Working with Social Enterprise (WwSE) programme, delivered by the Social Enterprise Academy, ended in December 2014. Our investment of £200k helped 783 learners from over 500 third sector organisations participate in at least one course, with 56% from fragile areas. Learning opportunities increased the skills and capacity of individuals and organisations. 259 16-24 year olds participated in various programmes. To date 73 of those have moved on to a positive destination (after six months); 26 have achieved ILM qualifications: 21 achieving Level 2, Effective Team Member/Enterprise Skills and 5 achieving ILM Level 5, Leadership for Social Enterprise.

Our Highlands and Islands Social Enterprise in Schools programme, in its first year of delivery, established a small team in Inverness and is developing a portfolio of programme information, together with a growing network of schools and partners. 59 schools from across the region have expressed an interest in engaging with the programme. Five new social enterprises, led by children and young people, have already been created.

An independent evaluation of HIE's investment in Fèisean nan Gaidheal's 2012-15 cultural development programme found evidence of considerable impact, including 17 jobs supported; 137 cultural tourism activities; 52 Fèisean groups supported; 53 Fèisean groups engaged in skills development, and eight new services in fragile areas. FnG exceeded its traded income target of 35% and is on course to exceed 60% after securing new contracts.

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

The energy sector saw dramatic changes in the oil price, the outcome of Electricity Market Reform (EMR) driving investment in offshore wind, growing political support for island grid solutions across Government, and uncertainty around the long term security of electricity supply. The tidal sector is maturing towards commercial rollout, but the wave industry is facing retrenchment and a focus on overcoming technical challenges.

The Beatrice Offshore Wind (BOWL) project is progressing well. Ports and wider supply chain within the region will be well placed to accommodate both construction and Operation and Maintenance work that will be required to establish and run this new wind farm.

Onshore construction of the world's largest tidal stream array began in January 2015, on the north coast of Caithness, with Phase 1a of Meygen project. Meygen has achieved the world's first commercial scale tidal array to be consented, as well as an agreed and contracted supply chain, and reached financial closure. HIE has invested £3.3m in the project.

HIE has led on scoping out the feasibility of establishing a Floating Offshore Wind test and demonstration site. A site at Dounreay is currently being explored, and market and environmental testing will be undertaken during 2015. The aim is to put the Highlands and Islands at the heart of a new emerging market, as EMEC has done for wave and tidal.

In November, the Scottish Government announced a new wave energy technology development body, Wave Energy Scotland (WES), to bring together the best engineering and academic minds to collaborate on innovative projects that will accelerate the development of wave technologies. The Scottish Government asked HIE to establish and operate Wave Energy Scotland, and confirmed in the Scottish Parliament that HIE would receive an additional £14.3m to cover WES activities to 31 March 2016

Life Sciences

HIE continued to play an active part in the work of Innovation Centres, with Board and Operational level representation in the Digital Health Institute, Industrial Biotechnology and Aquaculture Innovation Centres. We also engage with the Innovate UK Catapults including the Satellite Applications; Cell Therapy; Digital; and Stratified Medicine Catapults.

In October 2014 the first Pathfinder Accelerator programme was launched within the Centre for Health Science, Inverness. The six-month Accelerator included a 12-week entrepreneurship programme, followed by one-to-one coaching, alumni events and hot-desk facilities. Programme feedback was very positive and evidenced that learning was being applied in participant businesses.

Food and Drink

The Food and Drink Industry continues to make progress towards its enhanced 2017 target of £16.5 billion turnover. Industry leadership body Scotland Food and Drink (SFD) is promoting a range of activities within the UK Market Development programme, including the Access to Markets programme run by SFD and supported by HIE. This helped 53 businesses from across the Highlands and Islands to seek new retail and foodservice markets in the UK through Meet the Buyer events, trade exhibitions and learning journeys. HIE also supports SFD's role in the Interreg programme Access 6 which provided international market opportunities to 30 SMEs.

We have account managed relationships with over 100 food and drink companies. Support of £3.4m was provided through 61 approvals to food and drink firms, securing total investment in sector development of some £15m. Significant developments supported included establishment of distilleries on Skye and in Shetland, expansion of two independent craft breweries and a programme of capital investment to support Scotland's only independent salmon producer.

We helped 21 food and drink firms attend the inaugural Showcasing Scotland event organised by SDI at Dunblane Hydro, where they met 80 UK and overseas buyers over two days. Satisfaction levels among buyers and producers were high and the event will be repeated in October 2015 at Gleneagles.

Creative Industries

HIE Creative Industries Strategy was formally launched in December 2014. The strategy identified key regional opportunities including: an aptitude for innovation and creativity; a rich cultural offering; a unique sense of 'place'; the availability of high speed broadband; and HIE's long standing support of the sector.

It recommended three key areas of focus around building the region's reputation as an exemplar of developing the creative economy in rural regions, providing flexible support to creative businesses and leveraging more from existing assets. Significant progress has been made in all of these areas. Following on from the success highlighted in an independent review, contracts were awarded to continue the industry networks model. The central conference goNORTH, had its most successful year, with 1,300 industry delegates coming to Inverness from around the globe. As well as business being done by individuals, the event attracted new partnerships with France, Germany and Scandinavia, and strengthened its position as Scotland's leading Creative Industries business conference. To highlight this increase in sectors covered, the event has been rebranded and will be XPONORTH in 2015.

New industry network contracts were awarded in November 2014, providing support and advice to businesses and creating new opportunities. The networks are increasingly working more closely with SDI and have led on learning journeys for Scottish businesses, most recently for jewellers attending a trade event in Paris. Work also commenced on the development of a new Design industry network, adding to music, screen and broadcast, crafts/fashion/textiles and writing/publishing. This work is being delivered under HIE's new strategic partnership with the Glasgow School of Art.

Sustainable Tourism

The successes of Homecoming, the Commonwealth Games and the Ryder Cup underlined Scotland's global reputation as a welcoming, first class destination for visitors from at home and around the world. The Highlands and Islands was particularly well represented within the Homecoming programme, with more than 300 of the 1,000-plus Homecoming events taking place in the region.

We assisted 80 projects during the year, with approvals to businesses and social enterprises totalling over £6m. This included investment in ski infrastructure and in accommodation stock, especially to support higher spending markets and international trade. Over the last year we have seen increased interest from the private sector with significant investments in Argyll, Inverness and Moray, with further high impact projects in the pipeline. Inverness City remains a key prospect for hotel inward investment with occupancy rates higher than those in Edinburgh, Aberdeen, Perth, Dundee and Stirling.

Financial and Business Services

As part of the Digital Business Excellence Partnership, we are working to build a skills pipeline to meet recruitment needs and underpin future growth. This includes establishing effective links between industry, schools and UHI to raise awareness of career and study opportunities in the sector. Key clients including Capgemini, Atos and Fujitsu now employ significant numbers of Modern Apprentices.

Following site closures during the year, we are working with Scottish Enterprise and SDI to research global trends in the rural global business services market. This will identify opportunities as well as risks and help us understand our competitive advantages and strengths to build on our reputation as a cost effective business services location.

Notable successes in the IT service sector include the transfer of work from Portugal by Fujitsu in recognition of the skills of our regional workforce, while Capgemini and Atos continue to bring higher level roles to the area. Investment wins include Serco's decision to establish the headquarters and customer service function of the Caledonian Sleeper Service in Inverness and ERPaaS setting up a software development centre.

Universities

HIE continues to work closely with the University of the Highlands and Islands to ensure synergy of its future developments with the economic opportunities for the region. Over the last year HIE has met with 12 Scottish universities to establish relationships aimed at targeting activity which is mutually beneficial to the region and the university's strategy for growth. As a result, HIE has become a strategic partner with the Making the Most of Masters placement programme, alongside the universities of Edinburgh, Stirling, Aberdeen, Dundee, Abertay and the West of Scotland. In addition, HIE has established a new strategic partnership with the Glasgow School of Art which will deliver a range of outcomes, including the establishment of a new Design trade network.

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

HIE continued to be a regional leader in developing the conditions to enable the Highlands and Islands to fulfil its potential as a globally competitive and low carbon region.

In the first year of a three year fibre broadband rollout, 55,000 new premises from Shetland to Argyll, which would not have been reached by the commercial market, are now part of a next generation broadband network. 500 miles of fibre optic cabling to deliver a future-proofed modern digital network have been laid across the region, including the successful completion of a subsea programme which will ultimately connect many of our island communities. As this rollout progresses HIE is also leading on a collaborative region wide programme which is helping businesses and communities maximise the potential benefits from online access.

HIE is delivering Community Broadband Scotland (CBS) on behalf of the Scottish Government to reach those premises in Scotland unlikely to be reached by the fibre project. The team is supporting 85 communities across Scotland to get access to faster broadband as part of the Scottish Government Digital Scotland project.

Infrastructure for Phase 1 of Inverness Campus, comprising 89 acres of prime development land, has been completed and the site has been handed over by the main contractor to HIE.

The Campus now boasts a unique, high amenity environment for work, study and leisure. Investment at the site is already approaching £100m. The site was opened to the public by the Deputy First Minister in May 2015.

We have enhanced our efforts to increase employment opportunities for young people with our Graduate Placement Programme enabling 248 people to live and work in the region since it began in 2010. In 2014/15, we supported 80 placements, an increase from 40 placements in 2011. Since 2011, 24% of placements have been in fragile areas and 24% in employment action areas. For many graduates this has led to longer term employment, with 45% retained by their employer and 70% going into positive destinations in the region. Additional initiatives such as the Youth Employment Accelerator Programme and the Gaelic Summer Placement Scheme have also benefited many young people.

The Highlands and Islands Skills Investment Plan was developed through a partnership between Skills Development Scotland, Scottish Funding Council and HIE, working with UHI and involving the seven local authorities. It was published at the Convention of the Highlands and Islands (CoHI) in October 2014, and built around five themes: meeting the current skills needs of employers; planning for the future; a region for young people; people attraction and place attractiveness; and strengthening the employer voice in the skills system.

HIE is leading on Theme 4, which will be underpinned by the results of our ongoing young people research which was published on 6th August 2015. Other activities in this theme concern the marketing of the region; establishing the campus experience in Inverness; attracting talent in the region; and the rollout of Superfast Broadband.

We continued to procure and manage new investments in strategic property and business infrastructure, including development of a 1,000 sq m advance business unit at Sandbank Business Park, Dunoon. We obtained consent to construct small business units at Upper Achintore, Fort William and carried out site investigation for industrial development on a site at Rothesay, Bute.

We continue to influence the development of vital transport infrastructure and service provision. Flybe's daily Inverness-Amsterdam air service (which received HIE support in its first two years) successfully completed its third full year in 2014, with passenger numbers rising a further 14% to 36,414. A study showed that the service is providing annual economic benefits to travellers of £2.3m, and net tourist expenditure impact in Scotland of £3.7m (GVA £3.1m, 107 FTEs), in line with our expectations.

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

HIE's new three-year operating plan was formally launched by the First Minister on 26th March 2015.
<http://www.hie.co.uk/about-hie/policies-and-publications/default.html>

Entitled 'Building our Future', the plan shows how HIE will invest its annual budget of £97.7m to build successful businesses, social enterprises and resilient communities; supporting the growth of industry sectors, and make key strategic interventions to create the conditions for a competitive global region.

In line with Scotland's new Economic Strategy, which the First Minister launched on 3 March 2015, HIE is increasing its efforts to support innovation, investment, internationalisation and inclusive growth.

Highlands and Islands Enterprise, which is currently leading a £146m project to deliver high-speed fibre broadband across the Highlands and Islands, also aims to expand and maximise the benefits of digital technologies.

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 2014-15, HIE received 134 information enquiries.

	2015	2014
Freedom of Information (Scotland) Act 2002 (FOISA):	134	77
Environmental Information (Scotland) Regulations 2004 (EIRs):	0	1
Data Protection Act 1998	0	0
Total	134	78

A detail of our response times and information request handling is as follows.

Information request handling performance	2015	2014
Average time to fully respond and close a request for information:	8 days	12 days
Percentage of requests which received a response within the statutory timescales:	82%	91%
Percentage of requests which received a late response:	18%	9%
Percentage of requests fully or partially disclosed:	72%	89%
Percentage of requests which were vexatious:	17%	0%
Percentage of requests which were withdrawn:	1%	0%
Percentage of requests not held:	10%	11%

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 2014/2015.

Section of the Act	Description of exemption	2015	2014
30 (c)	Prejudice effective conduct of public affairs	9	3
33 (1) (b)	Prejudice commercial activities	18	9
38 (1) (b)	Breach of Data Protection Principles / Third Party Personal Data	17	14

Number of requests for reviews:	2015	2014
Freedom of Information (Scotland) Act 2002	3	2
Environmental Information (Scotland) Regulations 2004	0	0
Total	3	2

Number of appeals to the Office of the Scottish Information Commissioner: 0 1

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 2014/15.

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 2014 – 31 March 2015, a total of 18 were dealt with through Frontline Resolution 5 of which required investigation.

	Frontline resolution	Investigation	SPSO
1 April 2014 – 31 March 2015	18	5	2

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. 2 complaints were referred to the SPSO during the year both were not taken forward.

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 -

www.hie.co.uk/publicationscheme

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.

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 2014/15, our HR activity has delivered on a number of priority areas and contributed to the wider development of the organisation.

Within the past year, HR dealt with over 160 resource allocation, organisational development and performance issues. These include a strategic review of resources, input to the accelerating business growth agenda, promotion of equality, the review and development of progressive workplace policies, and key recruitment appointments and performance issues.

We recognise the benefits of attracting younger people and continue to support the Scottish Government's youth agenda through our graduate placement and modern apprenticeship programmes and becoming one of the first public bodies in Scotland to achieve Investors in Young People (IYPP) accreditation in 2014. We are working with IIP Scotland and Scottish Government to develop the framework to include a gold and silver award, testing where the areas of stretch and challenge would be for organisations investing in young people.

The HR team continues to develop policy and practice to encourage greater equality which includes working towards addressing each of HIE's employment equality outcomes which have a particular focus on youth employment, women in leadership and inclusive working practices which recognise the diverse ways that working in dispersed locations affects employees. Annual monitoring of equality categories of employees and HIE's recruitment activities enables HIE to identify key issues in employment and understand the impact of employment practices and to consider areas for changes in policy to support the changing needs of HIE's workforce and ensure equality of opportunity.

Working with the recognised trade union we successfully obtained approval for the implementation of a two-year pay deal covering 1 August 2014 to 31 July 2016. This demonstrated our ongoing commitment to payment of the living wage for all staff.

In February 2015 we launched our new senior leadership programme with the aim of developing a pool of talent for the next generation of senior leaders. Developed in conjunction with Roffey Park, the programme will draw on latest approaches/best practice to provide an experience that delivers impact for the business, as well as developing the potential of individuals. A total of 34 applications were received for the first Cohort starting April 2015 and, for those not selected, a selection of other development options have been identified.

A range of other in-house and external learning and development opportunities have been provided to support the on-going development of all staff, including Hogan leadership assessments for the Senior Leadership team; executive coaching, financial appraisal mentoring; client relationship skills for account managers; knowledge sharing business improvement webinars using Lync technology; Strengthening Communities Directorate workshop: Creating the Environment for Continuous Improvement; opportunities for HIE staff selected to attend the Entrepreneurship Development Programme (EDP) run by MIT in Boston MIT; Scottish Government supported Fuel Good training and Gaelic promotion, training and awareness. Staff have also been supported to undertake a range of further education opportunities and achieve qualifications e.g. Advanced Certificate in International Trade, Chartered Global Management Accounting, Contract Management and Sustainable Rural Development.

The SPOTLIGHTS initiative continued for a second year which provided two employees with the opportunity to spend time focusing on generating creative ideas and approaches relevant to HIE's priorities. This year's topics had a low carbon, sustainability theme.

A range of opportunities for staff engagement and feedback focused on the topics of health and wellbeing, our recruitment processes and the experience of young people on our graduate placement scheme. These provide a useful temperature check and recommendations for continuous business improvement, particularly in the areas of staff engagement, building capability, performance management and health and wellbeing.

Employees by sex

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

	Male	Female	Total
Board**	9	1	10
Leadership Team*	1	3	4
Other employees	106	181	287

* 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

**Excludes shadow board member

In the final quarter of 2014-15, HIE developed a new Board Recruitment Strategy which aims to ensure that a suitably diverse range of candidates would be attracted to apply for vacant positions on the HIE Board. The strategy made recommendations on how opportunities to apply for Board positions should be advertised and promoted, in particular to reach and encourage more applicants from groups which are currently under-represented on boards across the public sector. In particular, it aims to support the Scottish Government's ambition to achieve a 50:50 gender balance on public boards by the year 2020.

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 can play a significant role in supporting [Scotland's Economic Strategy](#) which overtly recognises the interdependence of sustainable economic growth and tackling inequality as mutually supportive objectives. Encouraging inclusive growth not only supports a strong, vibrant and diverse economy but also ensures that growth is shared, creating greater prosperity and fairness for all.

We recognise the impact of unemployment, under-employment, in-work poverty and the gender pay gap on people, on businesses and on economic growth. We are also aware of the barriers faced by some rural or fragile communities in accessing services. HIE is well placed to support an economic framework which values fair work, finding ways to support the adoption of the living wage and the emerging role of the Scottish Business Pledge, through our use of procurement and by exploring the workforce and community benefits of increased access to childcare.

Our approach to equality and diversity is founded on the provisions of the [Equality Act 2010](#) and the [Public Sector Equality Duty](#) as enabling frameworks which help focus our activity and achievements. A significant part of this is delivering against a suite of equality outcomes: addressing disadvantage faced by young people in employment, under-representation of women in leadership roles, disadvantage faced by employees working in dispersed locations and prejudice faced by a range of people living in our communities. In April 2015 we published an [Equality Mainstreaming report](#) which charts progress in achieving these outcomes:

- HIE's policies and support for a range of initiatives have increasingly helped young people move into suitable employment in the Highlands and Islands
- we have increased the proportion of women accessing our leadership programmes and the gender profile of HIE's leadership team as well as further reducing HIE's gender pay gap
- our focus on flexible working, reducing business travel and remote working technology has helped HIE to reduce disadvantage currently experienced by some employees, particularly women and disabled employees
- finally we have improved the tools available for people experiencing or witnessing prejudice to report the incidents, paving the way for further work with third party support agencies.

We continue to review our internal practices to integrate equality within our day to day functions, focusing on four key areas - identifying strategic opportunities for impact, clarifying roles, mainstreaming equality into operational delivery and base-lining information.

We are commissioning training to explore the strategic context within which HIE operates and persistent areas of inequality in the economy of the Highlands and Islands to identify how HIE can have greatest strategic impact on addressing inequalities. We continue to give HIE employees access to both generic and specific equality training, strengthening their ability to integrate equality into both our strategic approach and day to day delivery of our functions.

We use people impact assessment as a powerful tool to progressing equality and this is a requirement of our project appraisal process. HIE's people impact assessment and procurement processes dovetail to maximise opportunities to advance equality through procurement. This will be further developed in 2015 as clarity is gained on topics such as applying the living wage in procurement activity

Baseline information provides benchmark data and identifies appropriate measures which enable us to chart progress over time. Building a robust and relevant evidence base for the Highlands and Islands feeds into and strengthens our people impact assessments and helps provide focus for both strategic and operational interventions. Specific research on young people and on the equality issues facing growth sectors are helping us build a robust evidence base which informs our future plans and activity.

In relation to HIE's internal employment function we continue to review equal pay and the demographics of our workforce. As well as gathering employee data we use this to inform a range of policies and employment practices, ensuring that it supports organisational decision-making. Further information can be found on the HIE website [equality and diversity](#) page alongside our Equality Mainstreaming report.

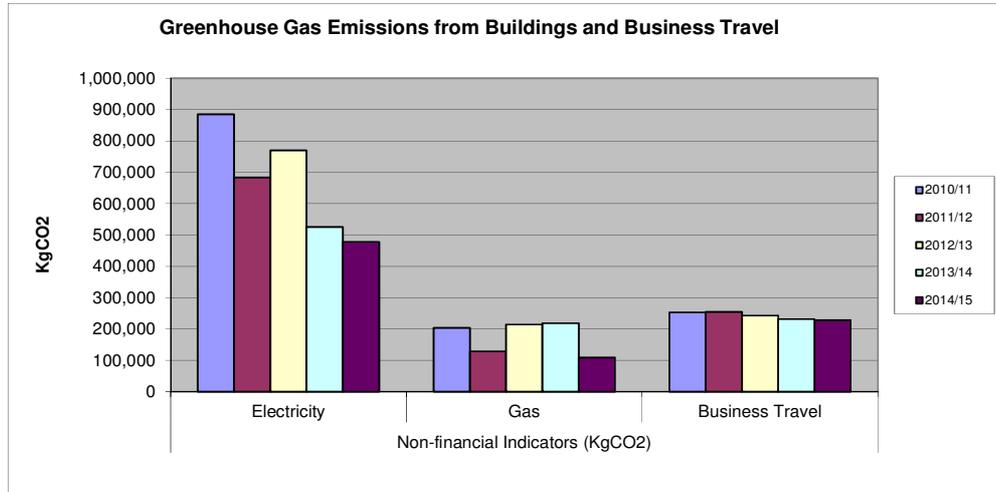
Sustainability and environment

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 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.

Utilities and Business Travel		2010/11	2011/12	2012/13	2013/14	2014/15
Non-financial Indicators (KgCO2)	Electricity	885,145	683,920	769,564	525,754	477,762
	Gas	203,435	128,891	214,638	218,389	108,616
	Business Travel	252,929	254,410	243,140	231,599	227,952
Related Energy Consumption (KWh)	Electricity	1,648,314	1,323,285	1,433,080	979,058	889,687
	Gas	1,099,648	1,012,666	1,160,206	1,180,480	587,113
Financial Indicators (£'s)	Electricity	145,077	125,480	147,557	149,758	104,674
	Gas	29,226	29,015	39,538	52,673	23,705
	Business Travel	653,677	724,806	713,179	682,631	692,167

Graphical Analysis



Performance Commentary

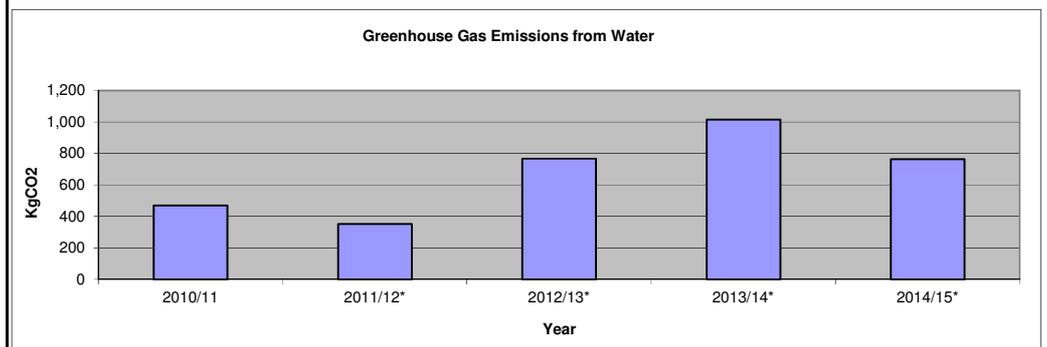
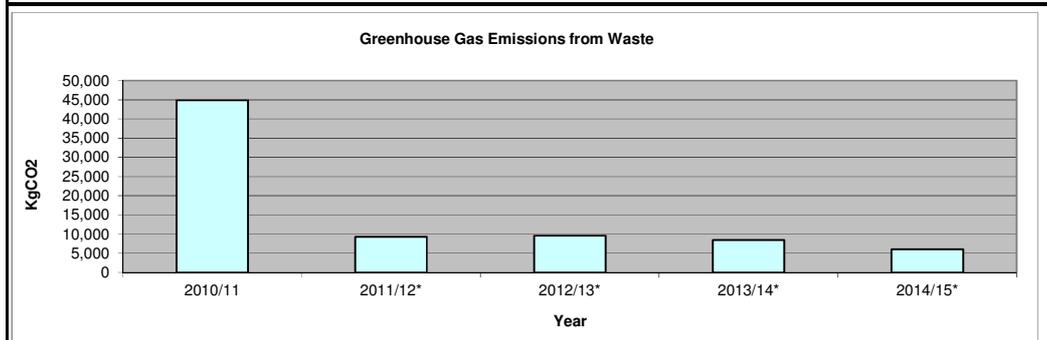
The volume of gas and electricity usage reduced on last period, resulting in a reduction in carbon emissions for 2014-15, due mainly to the rationalisation of HIE occupied estate. The spend on both gas and electricity usage also decreased as a result. Spend on travel increased for the period, although carbon emissions 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.

Waste and Water		2010/11	2011/12*	2012/13*	2013/14*	2014/15*
Non-financial Indicators (KgCO2)	Total greenhouse emissions from general waste	44,906	9,322	9,602	8,482	6,086
	Measurable greenhouse emissions from water	470	352	767	1,015	764
Non-financial Indicators	General Waste (kg)	100,460	46,284	61,029	45,706	40,177
	Recycled Waste(kg)	64,895	25,430	39,548	26,730	26,563
	Measurable Consumption (m3)	1,163	872	1,898	2,512	1,891
Financial Indicators (£'s)	Disposal Cost	51,559	44,135	52,709	51,252	48,518
	Measurable Water Cost	43,215	43,615	38,784	50,536	37,414

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 also reduced on the previous year which resulted in a decrease 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.

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

A L Paterson
Highlands and Islands Enterprise

Date 16 September 2015

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)
Mr C Spence
Mr S Thomson
Mr W Swann
Mr D MacDonald
Ms I MacTaggart
Prof D Macrae
Mr G Hamilton (resigned – 11 February 2015)
Mr A Dodds
Mr P Crerar
Ms S Campbell Lloyd (Shadow board member – 12 month contract)
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 2015/16 is £71.2m and together with in year budget revisions and funds generated by Highlands and Islands Enterprise from the use or sale of assets, European income and other partner contributions 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 2015 was 1,956 (2014 1,889) days sick leave out of a total of 63,364 (2014 64,666) possible working days representing a lost time through sickness rate of 3.09% (2014 2.92%).

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 2015 was Brian Howarth, Assistant Director of Audit, Audit Scotland. Fees chargeable for audit services provided by Audit Scotland amounted to £129,500 (2014 - £128,250). There were no fees payable to Audit Scotland for non-audit work during the year (2014 Nil).

A L Paterson
Highlands and Islands Enterprise

Date 16 September 2015

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

Craig Spence (Chair – Appointed 29 April 2014)
 Prof. L Crerar
 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 2015.

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

The remuneration of HIE Board members for the year ended 31 March 2015 was as follows:

	2015	2014	Appointment
	£000	£000	Expires
Prof L Crerar (Chairman)	35-40	35-40	28 February 2018
P Crerar (Appointed 1/4/2014)	10-15	-	31 March 2017
D Macrae (Appointed 1/4/2014)	10-15	-	31 March 2017
S Thomson	10-15	10-15	31 March 2016
C Spence	10-15	10-15	31 March 2016
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
A Dodds (Appointed 1/4/2014)	10-15	-	31 March 2017
J Royan (Term of office concluded on 31/3/2014)	-	10-15	31 March 2014
Prof M Bownes (Term of office concluded on 31/3/2014)	-	10-15	31 March 2014
G Hamilton (Appointed 1/4/2014 and Resigned on 11/2/2015)	5-10	-	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 (2014 - £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 (2014 - £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 2015 £104,526 (2014 - £92,676) 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 2014 and the year ended 31 March 2015 was as follows:

	2015	2014
	Remuneration as Chief Executive	Remuneration as Chief Executive
	£	£
Salary	109,254	106,575
Performance-related bonus (paid in respect of the previous financial year)	-	-
Pension Benefits	38,404	28,692
	<u>147,658</u>	<u>135,267</u>

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 contributed 1.5% up until the 31st of July 2014 of pensionable salary. From that date till the 31st of March 2015 ordinary members contributions increased to 3% of pensionable salary with HIE contributing 24.9% of the employees' pensionable salary throughout the year. C Wright contributes 9.5% of pensionable salary to the LGPS and HIE contributes 19.9%. THE LGPS is a final salary scheme. The HIE final salary scheme closed on the 31st of July 2014. On the 1st of August 2014 HIE opened a new Career Average Revalued Earning (CARE) scheme. The old HIE scheme, provides benefits at a normal retirement age of 60 but this can be deferred to 65 and the LGPS and the new HIE scheme have 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 2015 was as follows:

	2014-15					2013-14				
	Salary	Bonus (for 13/14)	Benefits in kind	Pension Benefits	Total	Salary	Bonus (for 12/13)	Benefits in kind	Pension Benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
A Paterson	105-110	-	-	38	145-150	105-110	-	-	29	135-140
F C Duthie	80-85	-	-	26	110-115	80-85	-	-	15	95-100
C Buxton	80-85	-	-	29	110-115	80-85	-	-	31	110-115
R McCormack	80-85	-	-	23	105-110	80-85	-	-	24	105-110
C Wright	85-90	-	-	42	125-130	80-85	-	-	40	120-125

Note: In line with Government guidance on pay restraint there were no payments of performance bonuses in 2014/15.

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 2015 was £105k-£110k (2014 £105k-£110k). This was 3.2 times (2014 3.5 times) the median salary of the workforce, which was £33,800 (2014 £30,786).

In 2015 no employees (2014 None) received remuneration in excess of the highest paid director.

	2014-15	2013-14
Highest Paid Director's Total	£105k - £110k	£105k - £110k
Median Total Remuneration	33,800	30,786
Ratio	3.2	3.5

Retirement benefits of members of HIE Leadership Team:

	Accrued pension at age 60 as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/15	CETV at 31/3/14*	Real increase in CETV
	Bandings of £5,000	Bandings of £2,500	£000	£000	£000
A L Paterson	15-20 Lump sum 55-60	0-2.5 Lump sum 5-7.5	429	388	28
F C Duthie	20-25 Lump sum 65-70	0-2.5 Lump sum 2.5-5	532	504	12
C Buxton	15-20 Lump sum 50-55	0-2.5 Lump sum 2.5-5	*415	272	21
R McCormack	5-10 Lump sum 25-30	0-2.5 Lump sum 2.5-5	*200	46	22
	Accrued pension at age 65 as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at age 65	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV
C Wright	30-35 Lump sum 70-75	0-2.5 Lump sum 0-2.5	456	405	31

*The closing value of the CETV also includes benefits that have been transferred into the scheme

+Restated in accordance with the professional pension calculation

The Chief Executive and senior members of the HIE Leadership Team are members of the Highlands and Islands Enterprise Superannuation Scheme or the LGPS. The HIE Scheme was final salary until the 31st of July 2014. A new Career Average Revalued Earning (CARE) scheme opened on the 1st August 2014. The LPGA scheme is a final salary scheme. 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 old final salary scheme was 60, although this can be deferred to 65. The normal retirement age increased to 65 with the introduction of the CARE scheme.

LGPS, 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 16 September 2015

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 16 September 2015

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 ongoing process designed to identify, prioritise and manage the principal risks facing HIE. The system aims to evaluate the nature and extent of risks, and manage them efficiently, effectively and economically. The system 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 Scotland's 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 2015, the Board of Highlands and Islands Enterprise comprised the Chair, eight non-executive members and myself, as Chief Executive. Our Board also included one Shadow Board member, HIE being a forerunner in the public sector in Scotland on this as part of a strategic approach to address Board diversity.

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 and met a further once to consider a specific item. It also attended a Board-to-Board meeting with one organisation in year. The Board is responsible for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers. It has general corporate responsibility for:

- Establishing the overall strategic direction of HIE within the policy, planning and resources framework determined by 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 Shadow Board member also attended these meetings.

The Committee met five 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 D MacDonald
Mr C Spence
Mr A Dodds

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 areas.

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

The members of the Remuneration Committee during the year were:

Mr C Spence (Chair)
Professor L Crerar
Mr D MacDonald

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 three 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 Scotland's Economic Strategy 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 by the Board at each Board meeting.

Decision making

HIE's governance arrangements include 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 corporate risk register
- Assessment of risk at individual project level
- Independent reviews for high risk projects
- Action plans with clear accountability and timescales to address significant risks
- Provision of the corporate 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. The Risk and Assurance Committee also considered the effectiveness of the process in year.

Data security

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

Subsidiary arrangements

In 2014/15 we put in place new operating arrangements for Cairngorm Mountain Ltd which included disposal of the subsidiary. These arrangements were transferred to a new operator, Natural Assets Investments Ltd.

Also in year we created a subsidiary to address issues in the wave energy sector, Wave Energy Scotland. We have worked to ensure appropriate governance arrangements and controls are in place to allow this subsidiary to meet its remit.

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 ongoing 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 2014/15 HIE received a detailed controls report relating to the provision of IS services in the period. This noted an unqualified audit opinion. New arrangements for our IT provision will be introduced during 2015/16 and implementation will be considered as part of the Business Improvement and Internal Audit plan for the year.

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. No significant control issues were noted in year
- Supported HIE's continuous improvement activities through the identification of action points arising from ongoing audit activity and from involvement in development meetings.

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 2015 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 2015 and to the date of signature of the accounts.

A L Paterson
Highlands and Islands Enterprise

Date 16 September 2015

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 2015 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 2014/15 Government Financial Reporting Manual (the 2014/15 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 purpose. 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 and accounts 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 2015 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 2014/15 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 Management Commentary for the financial year for 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 the Scottish Ministers.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA

Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW G2 1BT

Date 21 September 2015

Group Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Notes	2015 £000	2014 restated* £000
Expenditure			
Operating expenditure	4	79,359	68,907
Net management expenditure on staff costs	5	11,060	10,726
Other management expenditure	5	7,221	4,690
Depreciation and amortisation	5	1,346	1,081
		<u>98,986</u>	<u>85,404</u>
Income			
Income from activities	3	(6,782)	(6,310)
Other income	3	(30,339)	(24,846)
		<u>(37,121)</u>	<u>(31,156)</u>
Net Operating Expenditure from activities		61,865	54,248
Discontinued operations	3,4&5	740	(191)
Net Operating Expenditure		62,605	54,057
Interest payable and similar charges	7	13	51
Share of (profits)/losses in equity accounted investees	11	(11)	36
Income from investments	6	(28)	(36)
Interest receivable	6	(177)	(201)
Other finance charges/(income)	6	1,099	1,079
Net Expenditure after interest		63,501	54,986
Taxation	9	14	(769)
Net expenditure after taxation		63,515	54,217
Minority interests		(35)	31
Net Expenditure		63,480	54,248
Other Comprehensive Expenditure/(Income)			
Items that will not be reclassified to Net Expenditure			
Net (gains)/losses on revaluation of property, plant and equipment		(289)	118
Net (gains)/losses on revaluation of property, plant and equipment by equity accounted investee		4	76
Actuarial (gains)/losses recognised in retirement benefit scheme		7,465	(1,292)
Items that may be reclassified to Net Expenditure			
Gains/ losses in revaluation of available for sales assets		-	2,338
Reclassification to net expenditure in the year		-	(160)
Other Comprehensive Expenditure/(Income) for the year		7,180	1,080
Total Comprehensive Net Expenditure/(Income) for the year		70,660	55,328

* 2014 restated following changes fixed asset opening balances, financial asset opening balances and investments in associates (note 28)

Group and Highlands and Islands Enterprise

Statement of Financial Position as at 31 March 2015

	Notes	GROUP			HIE		
		2015	2014	2013	2015	2014	2013
		£000	*restated £000	*restated £000	£000	*restated £000	*restated £000
Non-current assets							
Property, plant and equipment	10	47,290	47,490	44,796	47,206	47,349	44,423
Intangible Assets		-	-	-	-	-	-
Financial Assets	11	2,754	6,786	6,701	2,405	5,979	5,907
Investment in associate	11	570	563	596	-	-	-
Total non-current assets		50,614	54,839	52,093	49,611	53,328	50,330
Current Assets							
Inventories	12	-	-	102	-	-	-
Trade and other receivables	14	9,970	6,580	9,179	9,816	6,437	8,817
Cash and cash equivalents	15	5,648	3,139	2,333	5,175	2,644	1,097
Assets classified as held for sale	16	1,294	1,531	535	1,294	85	535
Total current assets		16,912	11,250	12,149	16,285	9,166	10,449
Total Assets		67,526	66,089	64,242	65,896	62,494	60,779
Current Liabilities							
Trade payables and other current liabilities	17	(13,902)	(8,514)	(9,423)	(13,571)	(8,509)	(8,965)
Taxation	17	(288)	(1,029)	(1,401)	(288)	(1,029)	(1,041)
Liabilities directly associated with Assets classified as held for sale	16	-	(916)	-	-	-	-
Total current Liabilities		(14,190)	(10,459)	(10,824)	(13,859)	(9,538)	(10,006)
Non-current assets plus net current assets less current liabilities		53,336	55,630	53,418	52,037	52,956	50,773
Non-current liabilities							
Trade payables and other liabilities	18	(1,315)	(1,256)	(2,017)	(1,316)	(1,256)	(1,974)
Retirement benefit obligation	19	(34,484)	(25,865)	(25,616)	(34,484)	(25,979)	(25,724)
Total Non-current liabilities		(35,799)	(27,121)	(27,633)	(35,800)	(27,235)	(27,698)
Assets less Liabilities		17,537	28,509	25,785	16,237	25,721	23,075
Tax Payers' Equity							
Revaluation reserve		406	119	237	406	119	237
Other reserve		197	199	746	3	1	1
Pension reserve		(34,484)	(25,865)	(25,616)	(34,484)	(25,979)	(25,724)
Minority Interests		285	320	289	-	-	-
General reserve		51,133	53,736	50,129	50,312	51,580	48,561
		17,537	28,509	25,785	16,237	25,721	23,075

* 2014 restated following changes fixed asset opening balances, financial asset opening balances and investments in associates (note 28)

A L Paterson
Highlands and Islands Enterprise

Date 16 September 2015

The Accountable Officer authorised these financial statements for issue on 16 September 2015

Group statement of Cash Flows for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flow from operating activities			restated*
Profit/(Loss) before Taxation	21	(62,923)	(54,457)
Share of Associates profit/(loss)	11	(11)	36
Depreciation	5	1,346	1,234
Surplus on disposal of assets	3	723	595
Amortisation of Intangibles		-	-
Dividend income	6	(28)	(36)
Interest income	6	(177)	(201)
Interest expense	7	13	51
		(61,057)	(52,778)
(Increase)/decrease in trade and other receivables		(2,296)	2,470
Provision for irrecoverable debts & losses		(213)	(83)
(Increase)/decrease in Inventories		-	(21)
Increase/(decrease) in trade and other payables		4,039	(326)
Movement in pension provision		55	462
Investments written off, net of provision		3,345	734
Loss/(profit) on sale of property, plant & equipment		(633)	(354)
Loss/(profit) on sale of assets classified as held for sale		(18)	(266)
Surplus of investments		(750)	(96)
Revaluation of assets property plant & equipment		6,478	8,000
Movement in deferred income		(5)	22
Cash outflow from operating activities		(51,055)	(42,236)
Taxes paid		(673)	(144)
Net cash outflow from operating activities		(51,728)	(42,380)
Net cash outflow from operating activities - Continuing operations		(51,728)	(42,546)
Net cash outflow from operating activities - Discontinued operations		-	166
Cash flows from investing activities			
Payments to acquire shares		(200)	(50)
Payments for the construction of property		(8,211)	(11,482)
Payments to acquire plant & equipment		(1,596)	(3,388)
Purchase of assets classified as held for sale		(53)	(153)
Proceeds from sale of plant, property and equipment		2,988	3,075
Proceeds from sale of assets classified as held for sale		235	649
Receipts from sale of shares		893	274
Loans advanced	11	(215)	(4,061)
Loans repaid	11	488	849
Interest received		70	222
Dividends received		128	39
Net cash from investing activities		(5,473)	(14,026)
Net cash from investing activities - Continuing operations		(5,473)	(13,654)
Net cash from investing activities - Discontinued operations		-	(372)
Cash flows from financing activities			
Grant in aid		59,723	57,942
Debenture Loan repayments		-	(32)
Interest paid	7	(13)	(51)
Net cash from financing activities		59,710	57,859
Net cash from financing activities - Continuing operations		59,710	57,908
Net cash from financing activities - Discontinued operations		-	(49)
Net increase/(decrease) in cash and cash equivalents		2,509	1,453
Cash and cash equivalents at beginning of period	15	3,139	2,333
Cash and cash equivalents at end of period		5,648	3,786
Cash and cash equivalents - Continuing operations		5,648	3,139
Cash and cash equivalents - Discontinued operations		-	647
		5,648	3786

* 2014 restated following changes fixed asset opening balances, financial asset opening balances and investments in associates (note 28)

Group Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	Revaluation reserve	Other reserve restated*	Pension reserve	Minority Interest	General reserve restated*	Total reserves
	£000	£000	£000		£000	£000
Balance at 31 March 2013	237	682	(25,616)	289	48,573	24,165
Adjustments	-	64	-	-	1,556	1,620
Balance at 31 March 2013	237	746	(25,616)	289	50,129	25,785
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)			79	3
Transfers between reserves		(471)	(1,541)		2,012	-
Actuarial Gain/(loss)			1,292			1,292
Retained Surplus/Deficit				31	(54,248)	(54,217)
Total recognised income and expense for 2013-14	(118)	(547)	(249)	31	(54,335)	(55,218)
Grant from Scottish Government					57,942	57,942
Balance at 31 March 2014	119	199	(25,865)	320	53,736	28,509
Changes in Taxpayers' equity for 2014-15						
Net gain/(loss) on revaluation of property, plant and equipment	287	2				289
Net gain/(loss) on revaluation of intangible assets						-
Net gain/(loss) on investments					-	-
Grants received in year						-
Release of reserves to the I&E						-
Equity accounted investees		(4)				(4)
Transfers between reserves			(1,154)		1,154	-
Actuarial Gain/(loss)			(7,465)			(7,465)
Retained Surplus/Deficit				(35)	(63,480)	(63,515)
Total recognised income and expense for 2014-15	287	(2)	(8,619)	(35)	(62,326)	(70,695)
Grant from Scottish Government					59,723	59,723
Balance at 31 March 2015	406	197	(34,484)	285	51,133	17,537

* 2014 restated following changes fixed asset opening balances, financial asset opening balances and investments in associates (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 £3k (2014 £1K) and the share of equity accounted investee revaluation reserves £194K (2014 £198K).

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 2015

	Revaluation reserve	Other reserve	Pension reserve	General reserve restated*	Total reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2013	237	1	(25,724)	46,894	21,408
Adjustments	-	-	-	1,667	1,667
Balance at 31 March 2013	237	1	(25,724)	48,561	23,075
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				(54,285)	(54,285)
Total recognised income and expense for 2013-14	(118)	-	(255)	(54,923)	(55,296)
Grant from Scottish Government				57,942	57,942
Balance at 31 March 2014	119	1	(25,979)	51,580	25,721
Changes in Taxpayers' equity for 2014-15					
Net gain/(loss) on revaluation of property, plant and equipment	287	2			289
Net gain/(loss) on revaluation of intangible assets					-
Net gain/(loss) on investments				-	-
Grants received in year					-
Release of reserves to the I&E					-
Equity accounted investees					-
Transfers between reserves			(8,505)	8,505	-
Actuarial Gain/(loss)			-		-
Retained Surplus/Deficit				(69,496)	(69,496)
Total recognised income and expense for 2014-15	287	2	(8,505)	(60,991)	(69,207)
Grant from Scottish Government				59,723	59,723
Balance at 31 March 2015	406	3	(34,484)	50,312	16,237

* 2014 restated following changes fixed asset opening balances and financial asset opening balances (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	<p>The financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FRM) and Accounts Direction issued by Scottish Ministers, in accordance with Section 30(1) of the Enterprise and New Towns (Scotland) Act 1990</p> <p>The accounting policies contained in the FRM apply International Financial Reporting Standards (IAS) as adapted or interpreted for the public sector context. Where FRM 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.</p> <p>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 11) assets classified as held for sale (note 16) financial commitments (note 24)</p> <p>The consolidated financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.</p> <p>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.</p>
Basis of consolidation	<p>The Group Accounts include the accounts of Highlands and Islands Enterprise and all its subsidiary and associate undertakings drawn up to 31 March each year unless otherwise noted.</p> <p>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.</p> <p>(a) Subsidiaries</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>(b) Associates and joint arrangements</p> <p>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.</p> <p>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.</p> <p>Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.</p> <p>The Group's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The Group accounts include the Group's share of the profit and equity movements of equity accounted investees, after adjustments to align the accounting policies of those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.</p> <p>(c) Other</p> <p>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.</p>
Critical accounting estimates and judgements	<p>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</p>

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	HIE has 4 categories of property, plant and equipment: <ul style="list-style-type: none"> • Land and buildings • Tenants' improvements • Plant & Equipment • IT equipment <p>As land and buildings are primarily held by HIE for economic development purposes, in accordance with the FReM, the principles of IAS 16 'Property, Plant & Equipment' are followed.</p> <p>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.</p> <p>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.</p> <p>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:</p> <p>Buildings – structure : 15-60 years Buildings – engineering : 15-45 years Buildings – specialist engineering : 15-45 years</p> <p>Plant & Equipment : 3-40 years</p> <p>Tenants' Improvements : 10 years</p>

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 Insurance	All research expenditure is charged against revenue in the year it occurs. 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	Retirement Benefits 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 career average 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.

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.

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.

Additional information is disclosed in note 19.

Short term employee benefits

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.

Trade receivables and payables **Cash and cash equivalents**

All commercial and trade sums due and payable (debtors and creditors) are stated at fair value.

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

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Accounting standards issued but not yet adopted

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:

IFRS 13 – Fair Value Measurement

IAS 36 – Impairment of assets

These standards will be adopted in the FReM with effect from 2015/16. The adoption of these standards could change the measurement techniques used when determining fair value and also modifies some of the disclosure requirements. The impact on the consolidated accounts has not been determined.

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 2014 and 2015 based on the management information produced, a further table is presented reconciling the segmental information provided for HIE to the group net operating cost before taxation.

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

	HIE	
	2015	2014
	£000	£000
Income		
Grant In Aid	59,723	57,942
European		
SDB Projects	3,317	2,295
	<u>3,317</u>	<u>2,295</u>
Capital		
Loan Repayments	1,388	1,049
Equity Sales	327	218
Property Sales	2,877	3,706
	<u>4,592</u>	<u>4,973</u>
Revenue		
Property Rental	4,335	3,990
Loan interest/Dividend	65	92
Other income	24,682	20,805
Other Receipts	237	302
	<u>29,319</u>	<u>25,189</u>
Other Income	<u>37,228</u>	<u>32,457</u>
Total Income	<u>96,951</u>	<u>90,399</u>
Expenditure		
Block A		
Regional Significant Investments	24,286	27,007
Business Support	4,099	3,849
Growth Investment	22,794	22,208
Broadband	23,265	20,000
Total Block A	<u>74,444</u>	<u>73,064</u>
SDB Projects	3,317	2,295
Other expenditure	4,667	2,805
Total Block A	<u>82,428</u>	<u>78,164</u>
Block B		
Management, staff & Admin cost	14,495	14,900
Total Block B	<u>14,495</u>	<u>14,900</u>
Total Expenditure	<u>96,923</u>	<u>93,064</u>
Financial Position (I&E)	<u>28</u>	<u>(2,665)</u>
Reconciliation to Group net operating cost before taxation:		
Financial position (I&E)	28	(2,665)
Pension (IAS19)	(1,040)	(1,540)
Depreciation	(1,347)	(1,082)
Provisions & charges	(2,483)	(237)
Accruals & Prepayments	1,715	2,128
Property cost of sales	(2,582)	(3,421)
Capital revaluation and additions	3,578	9,459
Grant in aid	(59,673)	(57,942)
Taxation	(212)	107
Transfers from revaluation reserve	-	137
HIE Ventures Limited	185	66
Wave Energy Scotland	32	-
Discontinued operations	345	(75)
Associate companies	11	(36)
Consolidation adjustments	(2,058)	115
Group net operating cost before taxation	<u>(63,501)</u>	<u>(54,986)</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	
	2015	2014
	£000	£000
Income from Activities		
Property Rentals	5,453	5,777
Gain/(loss) on financial assets at fair value	(202)	(45)
Surplus/(loss) on disposal of property	723	595
Surplus/(loss) on disposal of investments	808	(17)
	6,782	6,310
Other Income		
Other European contributions	2,767	2,397
Scottish Government receipts	24,968	10,824
Other external income	2,604	11,625
	30,339	24,846
Discontinued operations	672	4,460
	672	4,460

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	45,594	11,453	20,957	-	78,004	68,370
Cairngorm Mountain Limited	-	-	-	794	794	3,449
Community Broadband	874	-	-	-	874	537
Wave Energy Scotland	481	-	-	-	481	-
HIE Ventures Limited	-	-	-	-	-	-
Group	46,949	11,453	20,957	794	80,153	72,356
2014	30,461	14,799	23,647	3,449	72,356	
2015						
Continuing operations	46,949	11,453	20,957	-	79,359	
Discontinuing operations	-	-	-	794	794	
	46,949	11,453	20,957	794	80,153	
2014						
Continuing operations	30,461	14,799	23,647	-	68,907	
Discontinuing operations	-	-	-	3,449	3,449	
	30,461	14,799	23,647	3,449	72,356	

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

Expenditure includes grants of **£27,796,988** (2014 - £24,186,621) of which **£1,049,377** (2014- £469,816) were made to the public sector and **£26,747,611** (2014 - £23,716,805) to the private sector.

Property revaluation and management costs of **£8,671,309**(2014 - £9,416,265) are included within Business Support expenditure above.

5a. Administration and management charges by organisation

	GROUP	
	2015	2014
	£000	£000
Highlands and Islands Enterprise	19,284	16,394
Cairngorm Mountain Ltd	65	823
Cairngorm 2000 Ltd	(12)	-
Wave Energy Scotland Limited	672	-
Former LECs	-	-
HIE Ventures Limited	236	100
	20,245	17,317
Continuing operations	19,627	16,497
Discontinuing operations	618	820
	20,245	17,317

5b. Administration and management charges

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Continuing operations				
Staff & board member salaries (note 8)	11,119	10,265	10,955	10,265
Voluntary severance packages (note 8)	-	-	-	-
IAS 19 adjustment in respect of service costs and curtailments (note 8)	(59)	461	(59)	461
	11,060	10,726	10,896	10,726
Travel and subsistence - board members	30	24	24	24
Travel and subsistence - staff	698	696	698	696
Accommodation	1,241	1,167	985	1,167
Hospitality - board members	6	8	6	8
Hospitality - staff	39	53	39	53
Audit fees	130	129	130	129
Non-audit fees paid to auditors	-	-	-	-
Operating lease rentals - equipment	72	29	72	29
Equipment and furnishings	34	20	15	20
Provision for irrecoverable debts and losses	2,848	(103)	2,131	(20)
Investment Fair value adjustments	(299)	601	(298)	361
Other administration costs	2,422	2,066	1,776	2,037
	7,221	4,690	5,578	4,504
Depreciation of fixed assets	1,346	1,081	1,347	1,082
Amortisation of Intangible assets	-	-	-	-
Discontinued operations				
Staff & board member salaries (note 8)	-	-	-	-
	-	-	-	-
Accommodation	-	-	-	-
Audit Fees	17	18	-	-
Non-audit fees paid to auditors	-	3	-	-
Operating lease rentals - equipment	-	44	-	-
Provision for irrecoverable debts and losses	321	-	-	-
Investment Fair value adjustments	-	-	-	-
Other administration costs	280	602	-	-
	618	667	-	-
Depreciation of fixed assets	-	153	-	-

Fees chargeable for audit services provided by Audit Scotland amounted to £129,500 (2014 - £128,150).

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

	GROUP	
	2015 £000	2014 £000
Investment Income		
Dividends received	28	36
Interest Receivable		
Loan interest receivable	160	183
Bank interest receivable	17	18
Other Interest receivable	-	-
	177	201
Other finance income / (charges)		
Interest income on retirement benefit assets	3,820	3,633
Interest on retirement benefit scheme obligations	(4,919)	(4,712)
	(1,099)	(1,079)

7. Interest payable

	GROUP	
	2015	2014
	£000	£000
Other	13	51
	13	51

8. Staff costs

	GROUP 2015			GROUP 2014		
	Permanent UK Staff	Other Staff	Total Staff	Permanent UK Staff	Other Staff	Total Staff
	£000	£000	£000	£000	£000	£000
Wages and salaries	8,188	2,076	10,264	7,648	3,706	11,354
Voluntary severance packages	-	-	-	-	-	-
Social security costs	604	171	775	584	269	853
Other pension costs	1,742	702	2,444	2,140	475	2,615
Contract/temporary staff	-	202	202	-	67	67
	10,534	3,151	13,685	10,372	4,517	14,889
Board members' remuneration	389	-	389	354	-	354
	10,923	3,151	14,074	10,726	4,517	15,243

The average number of employees was as follows:

	GROUP 2015			GROUP 2014		
	Permanent UK Staff	Other Staff	Total Staff	Permanent UK Staff	Other Staff	Total Staff
	Senior management	52	11	63	50	23
Operational staff	116	48	164	114	162	276
Administration and support staff	38	21	59	35	18	53
	206	80	286	199	203	402

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: Wave Energy Scotland Limited.

9. Taxation

Corporation tax is charged at 21 per cent (2014 23 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	63,501	54,619
Current tax at 23% (2013 24%)	14,605	12,562
Nontaxable income and disallowable expenditure	(14,605)	(12,646)
Tax under/(over) provided in previous years	51	114
Current tax charge	51	30
Current Tax		
Current tax on profits for the year	-	84
Adjustment in respect of prior years	(51)	(114)
Total current tax	(51)	(30)
Deferred Tax		
Current year	(48)	222
Adjustment in respect of previous periods	158	(879)
Effect of changes in Tax Rates	(45)	(82)
Total deferred tax	65	(739)
Tax per statement of comprehensive net expenditure	14	(769)

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 2015, 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*	Land & Buildings held for own use*	Assets under construction	Total Land & Buildings	Tenants Improvements	IT Equipment	Plant & Equipment*	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2013	32,814	1,086	7,667	41,567	1,455	522	5,782	49,326
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)	(2,178)	(2,330)
Reclassifications	894	-	(894)	-	-	-	-	-
Revaluations	(4,923)	-	-	(4,923)	-	-	-	(4,923)
Impairment	-	-	(3,725)	(3,725)	-	-	-	(3,725)
At 31 March 2014	33,433	1,086	7,526	42,045	1,455	301	6,870	50,671
Depreciation								
At 1 April 2013	-	-	-	-	1,062	473	2,995	4,530
Charged in year	510	14	-	524	82	27	601	1,234
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(21)	(75)	(96)
Assets held for resale	-	-	-	-	-	(179)	(1,778)	(1,957)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(517)	(14)	-	(531)	-	-	-	(531)
At 31 March 2014	(7)	-	-	(7)	1,144	300	1,743	3,180
Net Book Value								
At 31 March 2014	33,440	1,086	7,526	42,052	311	1	5,127	47,491
At 1 April 2014	33,433	1,086	7,526	42,045	1,455	301	6,870	50,671
Additions	1,815	-	7,050	8,865	-	-	1,597	10,462
Write Down	-	-	-	-	-	-	-	-
Disposals	(2,203)	(1)	-	(2,204)	(228)	-	(262)	(2,694)
Assets held for resale	(1,239)	-	-	(1,239)	-	-	-	(1,239)
Reclassifications	6,905	(760)	(6,145)	-	-	-	-	-
Revaluations	(645)	-	-	(645)	-	-	-	(645)
Impairment	-	-	(5,501)	(5,501)	-	-	52	(5,449)
At 31 March 2015	38,066	325	2,930	41,321	1,227	301	8,257	51,106
Depreciation								
At 1 April 2014	(7)	-	-	(7)	1,145	300	1,743	3,181
Charged in year	427	4	-	431	80	1	834	1,346
Write Down	-	-	-	-	-	-	52	52
Disposals	-	-	-	-	(228)	-	(111)	(339)
Assets held for resale	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(420)	(4)	-	(424)	-	-	-	(424)
At 31 March 2015	-	-	-	-	997	301	2,518	3,816
Net Book Value								
At 31 March 2015	38,066	325	2,930	41,321	230	-	5,739	47,290
At 31 March 2014	33,440	1,086	7,526	42,052	310	1	5,127	47,490
At 1 April 2013	32,814	1,086	7,667	41,567	393	49	2,787	44,796
Analysis of asset financing:								
	Land & Buildings held for regeneration purposes	Land & Buildings held for own use	Assets under construction	Total Land & Buildings	Tenants Improvements	IT Equipment	Plant & Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Owned	32,284	1,086	7,667	41,037	393	49	1,075	42,554
Finance Leased	645	-	-	645	-	-	24	669
Net Book Value								
At 31 March 2014	32,929	1,086	7,667	41,682	393	49	1,099	43,223
Owned	37,436	325	2,930	40,691	230	-	5,730	46,651
Finance Leased	630	-	-	630	-	-	9	639
Net Book Value								
At 31 March 2015	38,066	325	2,930	41,321	230	-	5,739	47,290
At 1 April 2014	33,440	1,086	7,526	42,052	310	1	5,127	47,490
At 1 April 2013	32,814	1,086	7,667	41,567	393	49	2,787	44,796

* 2014 restated following changes fixed asset opening balances (note 28)

HIE

	Land & Buildings held for regeneration purposes*	Land & Buildings held for own use*	Assets under construction	Total Land & Buildings	Tenants Improvements	IT Equipment	Plant & Equipment*	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2013	33,312	585	7,667	41,564	1,227	302	3,734	46,827
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	(4,932)	-	-	(4,932)	-	-	-	(4,932)
Impairment	-	-	(3,725)	(3,725)	-	-	-	(3,725)
At 31 March 2014	33,924	585	7,526	42,035	1,227	302	6,732	50,296
Depreciation								
At 1 April 2013	-	1	-	1	834	302	1,267	2,404
Charged in year	516	7	-	523	82	-	477	1,082
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(523)	(8)	-	(531)	-	-	-	(531)
At 31 March 2014	(7)	-	-	(7)	916	302	1,744	2,955
Net Book Value								
At 31 March 2014	33,931	585	7,526	42,042	311	-	4,988	47,341
At 1 April 2014	33,932	585	7,526	42,043	1,227	302	6,732	50,304
Additions	1,815	-	7,051	8,866	-	-	1,502	10,368
Write Down	-	-	-	-	-	-	-	-
Disposals	(2,203)	-	-	(2,203)	-	-	(59)	(2,262)
Assets held for resale	(1,239)	-	-	(1,239)	-	-	-	(1,239)
Reclassifications	6,405	(260)	(6,145)	-	-	-	-	-
Revaluations	(646)	-	-	(646)	-	-	-	(646)
Impairment	-	-	(5,501)	(5,501)	-	-	-	(5,501)
At 31 March 2015	38,064	325	2,931	41,320	1,227	302	8,175	51,024
Depreciation								
At 1 April 2014	(7)	1	-	(6)	916	302	1,743	2,955
Charged in year	427	4	-	431	82	-	834	1,347
Write Down	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(59)	(59)
Assets held for resale	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(420)	(5)	-	(425)	-	-	-	(425)
At 31 March 2015	-	-	-	-	998	302	2,518	3,818
Net Book Value								
At 31 March 2015	38,064	325	2,931	41,320	229	-	5,657	47,206
At 1 April 2014	33,939	584	7,526	42,049	311	-	4,989	47,349
At 1 April 2013	33,312	584	7,667	41,563	393	-	2,467	44,423

Analysis of asset financing:

	Land & Buildings held for regeneration purposes	Land & Buildings held for own use	Assets under construction	Total Land & Buildings	Tenants Improvements	IT Equipment	Plant & Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Owned	32,782	584	7,667	41,033	311	-	4,964	46,308
Finance Leased	645	-	-	645	-	-	24	669
Net Book Value								
At 31 March 2014	33,427	584	7,667	41,678	311	-	4,988	46,977
Owned	37,434	325	2,931	40,690	229	-	5,648	46,567
Finance Leased	630	-	-	630	-	-	9	639
Net Book Value								
At 31 March 2015	38,064	325	2,931	41,320	229	-	5,657	47,206
At 1 April 2014	33,939	584	7,526	42,049	311	-	4,989	47,349
At 1 April 2013	33,312	584	7,667	41,563	393	-	2,467	44,423

* 2014 restated following changes fixed asset opening balances (note 28)

Analysis of fund of asset additions:

	GROUP		HIE	
	2015	2014	2015	2014
	£000	£000	£000	£000
Government Grant	8,934	15,048	8,840	14,659
EU	1,528	91	1,528	91
Total	10,462	15,139	10,368	14,750

Reconciliation of profit on sales:

	GROUP	
	2015 £000	2014 £000
Sales value of disposals	2,884	3,724
Net book value of disposals	(2,160)	(3,129)
Profit on sales	724	595

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

	2015 £000	2014 £000
Available for sale unlisted equity shares	245	763

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	2014* £000
Amortised Cost				
At 1 April 2014	3,738	7,117	10,855	8,106
Additions	-	215	215	4,111
Repayments	-	(488)	(488)	(849)
Disposals	-	(58)	(58)	(546)
Fair Value Adjustment	(1)	299	298	89
Reclassification	(45)	-	(45)	(6)
Written off	(502)	(19)	(521)	(50)
At 31 March 2015	3,190	7,066	10,256	10,855
Diminution in value				
At 1 April 2014	3,660	475	4,135	3,918
Additions	52	3,302	3,354	738
Disposals	-	-	-	(403)
Released	-	-	-	(68)
Reclassification	(45)	-	(45)	-
Written off	(502)	(19)	(521)	(50)
At 31 March 2015	3,165	3,758	6,923	4,135
Net book value				
At 31 March 2015	25	3,308	3,333	6,720
At 1 April 2014	78	6,642	6,720	
Analysis of Loan & Receivables				
Due within 1 year	-	824	824	697
Due over 1 year	25	2,484	2,509	6,023

* 2014 restated following changes financial asset opening balances (note 28)

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

	2015	2014
	£000	£000
Available for sale unlisted equity shares	595	726

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	2014* £000
Amortised Cost				
At 1 April 2014	3,633	7,309	10,942	8,329
Additions	-	215	215	4,061
Repayments	-	(1,187)	(1,187)	(1,049)
Disposals	-	-	-	(500)
Fair Value Adjustment	(1)	299	298	107
Reclassification	(45)	6	(39)	(6)
Written off	(502)	(18)	(520)	-
At 31 March 2015	3,085	6,624	9,709	10,942
Diminution in value				
At 1 April 2014	3,556	1,436	4,992	4,758
Additions	52	3,297	3,349	688
Disposals	-	-	-	(403)
Released	-	(700)	(700)	(51)
Reclassification	(45)	-	(45)	-
Written off	(502)	(19)	(521)	-
At 31 March 2015	3,061	4,014	7,075	4,992
Net book value				
At 31 March 2015	24	2,610	2,634	5,950
At 1 April 2014	77	5,873	5,950	
Analysis of Loan & Receivables				
Due within 1 year	-	824	824	697
Due over 1 year	24	1,786	1,810	5,253

* 2014 restated following changes financial asset opening balances (note 28)

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 Ventures Limited	Scotland	Ordinary Shares	55%	Venture Capitalist
Wave Energy Scotland Limited	Scotland	'A' Ordinary Shares (non voting)	80%	Promote and assist the development of wave energy technology in Scotland
HIE Argyll and the Islands	Scotland	Limited by Guarantee	100%	
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)
Taste of Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand
Made in Orkney Limited	Scotland	Ordinary Shares	100%	Dormant company to protect brand

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

On 30 March 2012 50,000 ordinary shares of £1.00 each were acquired in HIE Ventures Limited, this increased HIE's holding from 30% to 55% of the ordinary shares. HIE acquired the shares to ensure the continuity of the HIE Ventures investment fund. The non-controlling interest amounts to 45% as at 31 March 2015.

On 25 November 2014 the Scottish Government announced a new body would be created to encourage innovation in wave energy technology in Scotland. Wave Energy Scotland was incorporated as a subsidiary of HIE on 19 December 2014 to deliver the Scottish Government aims

On 9th June 2014 HIE sold Cairngorm Mountain Limited. On 25th April 2014 Cairngorm 2000+ plc was dissolved.

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 recognised in the accounts 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 recognised within the HIE accounts. The results are consolidated within the Scottish Enterprise accounts

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

HIE sold its investment in Rodel Hotel on 13th May 2015

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 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)
As at March 2015	842	721	1,563	(516)	(300)	(816)	(520)	705	185

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 2013	6,137	2,470	8,607	(2,914)	(3,955)	(6,869)	4,615	(6,219)	(1,604)
As at March 2014	5,441	1,687	7,128	(1,591)	(4,089)	(5,680)	2,083	(2,044)	39
As at March 2015	5,956	1,963	7,919	(2,587)	(4,053)	(6,640)	2,823	(2,892)	(69)

Movements in carrying amount of investment in equity accounted investees

	£000*
Carrying amount as at April 2013	596
Share of surplus on revaluation	(69)
Share of net profit/(Loss)	36
Carrying amount as at 31 March 2014	<u>563</u>
Carrying amount as at April 2014	563
Share of surplus on revaluation	(4)
Share of net profit/(Loss)	11
Carrying amount as at 31 March 2015	<u>570</u>

* 2014 restated following changes to investments in associates (note 28)

Details of undertaking which could be considered as associated and jointly controlled undertakings but are not recognised 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

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

Significant holdings

Name of company - activity	% of voting rights	Holding as at 31 March 2015	Shares value paid £000	Original Loan Capital £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
Rodel Hotel	43.5%	56,000 cumulative covetable participating preferred ordinary shares	56	
Inverness Airport Business Park Limited	25%	44,000 redeemable preference shares	44	
		500 class 'C' ordinary shares	1	423
		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	
Accunostics	-	None	-	1,250
Baxters Food Group	-	None	-	1,500
Investments in 26 other businesses			3,047	4,696
			<u>11,339</u>	<u>9614</u>

12. Inventories

	GROUP		HIE	
	2015	2014	2015	2014
	£000	£000	£000	£000
Goods for resale	-	-	-	-
	-	-	-	-

Goods for resale are held by CairnGorm Mountain Ltd and Wave energy Scotland Limited

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 comprehensive net expenditure	Revaluation reserve	Total	2014
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	645	287	932	4,805
Financial assets	492	-	492	2,281
	1,137	287	1,424	7,086
Impairments				
Property, plant and equipment	5,449	-	5,449	3,725
Financial assets	(3,354)	-	(3,354)	(738)
	2,095	-	2,095	2,987
HIE				
	Statement of comprehensive net expenditure	Revaluation reserve	Total	2014
	£000	£000	£000	£000
Revaluations to fair value				
Property, plant and equipment	646	287	933	4,524
Financial assets	290	-	290	2,224
	936	287	1,223	6,748
Impairments				
Property, plant and equipment	5,501	-	5,501	3,725
Financial assets	(3,349)	-	(3,349)	(688)
	2,152	-	2,152	3,037

14. Trade and other receivables

	Note	GROUP		HIE	
		2015 £000	2014 £000	2015 £000	2014 £000
Trade receivables		7,826	4,321	7,716	4,204
Provision for bad debts		(571)	(786)	(561)	(774)
		7,255	3,535	7,155	3,430
Taxation recoverable		304	1,084	258	1,047
Accrued income and prepayments		1,587	1,264	1,547	1,263
Owed by subsidiary undertakings		-	-	32	-
Loans & other receivables	11	824	697	824	697
		9,970	6,580	9,816	6,437

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

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Balances with other central government bodies	304	1,729	258	1,692
Balances with local authorities	135	234	135	234
Balances with NHS bodies	-	-	-	-
Balances with similar public bodies	171	73	203	67
	610	2,036	596	1,993
Balances with bodies external to government	9,360	4,544	9,220	4,444
	9,970	6,580	9,816	6,437

15. Cash and cash equivalents

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Balance at 1 April	3,139	2,333	2,644	1,097
Net change in cash and cash equivalent balances	2,509	806	2,531	1,547
	5,648	3,139	5,175	2,644

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Group and HIE funds	473	498	-	3
Other scheme funds held	5,175	2,641	5,175	2,641
	5,648	3,139	5,175	2,644

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

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Community Broadband Scotland	5,008	2,518	5,008	2,518
Scottish Land Fund	167	123	167	123
	5,175	2,641	5,175	2,641

16. Assets Classified as Held for Resale

Assets Held for resale

	Group		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Land and Buildings	1,294	85	1,294	85
Financial Assets	-	1,446	-	-
At 31 March 2015	1,294	1,531	1,294	85

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	
	2015 £000	2014 £000	2015 £000	2014 £000
Land and Buildings	-	-	-	-
Financial Assets	-	916	-	-
At 31 March 2015	-	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 2 assets (2014 - 5) 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	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade payables	9,457	4,719	9,441	4,702
Accruals and Deferred Income	4,045	3,340	3,730	3,340
Prepaid rental income	400	455	400	455
Owed to subsidiary undertakings	-	-	-	12
	13,902	8,514	13,571	8,509
Taxation and social security	256	247	256	247
Corporation tax	32	782	32	782
	288	1,029	288	1,029

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

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Balances with other central government bodies	425	247	425	247
Balances with local authorities	416	120	416	120
Balances with similar public bodies	682	312	682	312
	1,523	679	1,523	679
Balances with bodies external to government	12,667	8,864	12,336	8,859
	14,190	9,543	13,859	9,538

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

	GROUP		HIE	
	2015	2014	2015	2014
	£000	£000	£000	£000
Deferred income – other schemes	394	399	394	399
Deferred Tax	921	857	922	857
Debenture loans	-	-	-	-
	1,315	1,256	1,316	1,256

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 defined benefit scheme with guaranteed benefits based on length of service and career average salary. The level of benefits provided depends upon the members' length of service and their career average salary. Benefits within the HIE scheme accrue at 1/80th for every year served. The benefits within the local government scheme accrue at 1/49th for every year of service. 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 April 2015 actuarial valuation of the superannuation scheme has not been completed, 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 implemented 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 2014 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 was closed. A new Career Average Revalued Earnings (CARE) scheme replaced 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 2015** 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 15	31 March 14	31 March 13	31 March 12	31 March 11
	%	%	%	%	%
Rate of salary increases (% per annum)	3.50	3.90	3.90	3.80	4.00
Rate of pension increase (% per annum)	2.00	2.60	2.60	2.50	3.00
Discount rate (% per annum)	3.30	4.50	4.40	5.00	5.50
Inflation rate (% per annum)	3.00	3.40	3.40	2.50	2.70

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

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

	Value at 31 March 2015	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
		£000	%	£000	%	£000	%	£000
Equities	50,613	46,365	4.40	42,698	5.30	38,902	6.56	43,334
Gilts	16,446	12,811	4.40	13,466	2.30	17,851	3.60	11,935
Bonds	8,255	7,298	4.40	7,101	3.80	6,270	4.70	7,276
Property	7,458	5,721	4.40	5,569				
Cash	1,243	1,164	4.40	1,048	0.00	960	0.00	1,276
Estimated employer assets	84,015	73,359		69,882		63,983		63,821
Present value of scheme liabilities	(112,085)	(94,674)		(92,589)		(74,867)		(71,921)
Deficit in the scheme	(28,070)	(21,315)		(22,707)		(10,884)		(8,100)
Related deferred tax asset/ (liability)	-	-		-		-		-
Net pension liability	(28,070)	(21,315)		(22,707)		(10,884)		(8,100)

The current values show an increase in the deficit from 31 March 2014 of £6.8m to £28.1m at 31 March 2015.

Local Government Pension Funds

The local government final salary pension scheme was closed on 31 March 2015. From April 2015 the local government pension fund will be a career average salary scheme.

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.

The local government pension fund is a defined benefit scheme. A full actuarial valuations at 31 March 2014 and updated to 31 March 2015 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 15	31 March 14	31 March 13	31 March 12	31 March 11
	%	%	%	%	%
Main assumptions:					
Rate of salary increases (% per annum)	4.33	5.13	5.03	4.80	5.08
Rate of pension increase (% per annum)	2.43	2.83	2.75	2.50	2.78
Discount rate (% per annum)	3.23	4.30	4.55	4.75	5.50
Inflation rate (% per annum)	2.40	3.40	3.55	2.50	2.70

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

	Value at 31 March 2015	Value at 31 March 2014	Long-term rate of return expected at 2013	Value at 31 March 2013	Long-term rate of return expected at 2012	Value at 31 March 2012	Long-term rate of return expected at 2011	Value at 31 March 2011
	£000	£000	%	£000	%	£000	%	£000
Equities	9,921	8,762	6.11	8,413	6.53	7,162	7.58	7,235
Gilts	576	485	3.30	471	3.3	408	4.4	278
Bonds	1817	1416	4.20	984	4.25	783	5.05	818
Property	1210	810	4.50	737	4.63	700	5.58	667
Cash	180	300	3.40	182	3.38	225	4.2	221
Estimated employer assets	13,704	11,773		10,787		9,278		9,219
Present value of scheme liabilities	(19,367)	(15,763)		(13,182)		(11,833)		(10,417)
Present value of unfunded liabilities	(751)	(674)		(622)		(582)		(340)
Deficit in the scheme	(6,414)	(4,664)		(3,017)		(3,137)		(1,538)
Related deferred tax liability	-	-		-		-		-
Net pension liability	(6,414)	(4,664)		(3,017)		(3,137)		(1,538)

The pension contributions with effect from 1 April 2015 for the local government pension funds are:

	2015	2014
Highland Council Pension Fund	20.7%	19.1%
Orkney Islands Council Pension Fund	21.4%	21.4%
Strathclyde Pension Fund	18.0%	19.3%

GROUP

	HIE	LGPF	CML	Total	HIE	LGPF	CML	Total
	2015	2015	2015	2015	2014	2014	2014	2014
	£000	£000	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to SCNE								
Current service cost	2,084	423	-	2,507	2,281	339	30	2,650
Past service cost	-	-	-	-	-	-	-	-
Admin expenses	348	-	-	348	-	-	-	-
Interest income on retirement benefit assets	(3,311)	(509)	-	(3,820)	(3,066)	(521)	(46)	(3,633)
Interest on retirement benefit scheme obligations	4,207	712	-	4,919	4,021	645	46	4,712
Net pension scheme expense	3,328	626	-	3,954	3,236	463	30	3,729
Analysis of the amount recognised in SOCEs								
Actual return less expected return on pension scheme assets	(7,221)	(1,255)	-	(8,476)	(801)	(249)	35	(1,015)
Experience gains and (losses) arising on the scheme liabilities	(141)	51	-	(90)	(127)	18	(36)	(145)
Changes in demographic assumptions underlying the present value of the scheme liabilities	-	201	-	201	-	-	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	13,395	2,435	-	15,830	(1,835)	1,709	(6)	(132)
Restriction on scheme surplus	-	-	-	-	-	-	-	-
Prior year adjustment on assets	-	-	-	-	-	-	-	-
Defined benefit income/(cost) recognised in SOCE	6,033	1,432	-	7,465	(2,763)	1,478	(7)	(1,292)
Reconciliation of defined benefit obligation								
Opening defined benefit obligation	94,674	16,437	1,037	112,148	92,589	13,804	994	107,387
Recognised on acquisition	-	-	(1,037)	(1,037)	-	-	-	-
	94,674	16,437	-	111,111	92,589	13,804	994	107,387
Movement in year:								
Current Service costs	2,084	423	-	2,507	2,281	339	30	2,650
Contributions by members	253	98	-	351	159	95	9	263
Past service costs	-	-	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-	-	-
Estimated unfunded benefits paid	-	(30)	-	(30)	-	(29)	-	(29)
Estimated benefits paid	(2,387)	(209)	-	(2,596)	(2,414)	(144)	-	(2,558)
Interest cost	4,207	712	-	4,919	4,021	645	46	4,712
Actuarial losses/(gains)	13,254	2,687	-	15,941	(1,962)	1,727	(42)	(277)
Closing defined benefit obligation	112,085	20,118	-	132,203	94,674	16,437	1,037	112,148
Present value of funded liabilities	112,085	19,367	-	131,452	94,674	16,015	1,037	111,726
Present value of unfunded liabilities	-	751	-	751	-	422	-	422
Reconciliation of fair value of assets								
Opening fair value of assets	73,359	11,773	1,151	86,283	69,882	10,787	1,102	81,771
Prior year adjustment	-	-	(1,151)	(1,151)	-	-	-	-
Opening fair value of assets –as restated	73,359	11,773	-	85,132	69,882	10,787	1,102	81,771
Recognised on acquisition	-	-	-	-	-	-	-	-
Expected return on assets	3,311	509	-	3,820	3,066	521	46	3,633
Contributions by members	253	98	-	351	159	95	9	263
Contributions by employer	2,606	278	-	2,884	1,865	265	29	2,159
Contribution in respect of unfunded benefits	-	30	-	30	-	29	-	29
Admin expenses	(348)	-	-	(348)	-	-	-	-
Actuarial gains/(losses)	7,221	1,255	-	8,476	801	249	(35)	1,015
Estimated unfunded benefits paid	-	(30)	-	(30)	-	(29)	-	(29)
Estimated benefits paid	(2,387)	(209)	-	(2,596)	(2,414)	(144)	-	(2,558)
	84,015	13,704	-	97,719	73,359	11,773	1,151	86,283
Estimated employer contributions for the year ended 31 March 2015	2,679	297	-	2,976	2,538	268	*	2,806
Surplus not recognised	-	-	-	-	-	-	-	-

*It has not been possible to calculate estimated 2014 employer contributions for CML due to possible changes to the pension scheme arising from the sale

HIE

	HIE	LGPF	Total	HIE	LGPF	Total
	2015	2015	2015	2014	2014	2014
	£000	£000	£000	£000	£000	£000
Analysis of the amount charged to SCNE						
Current service cost	2,084	423	2,507	2,281	339	2,620
Past service cost	-	-	-	-	-	-
Admin expenses	348	-	348	-	-	-
Interest income on retirement benefit assets	(3,311)	(509)	(3,820)	(3,066)	(521)	(3,587)
Interest on retirement benefit scheme obligations	4,207	712	4,919	4,021	645	4,666
Net pension scheme expense	3,328	626	3,954	3,236	463	3,699
Analysis of the amount recognised in SOCEs						
Actual return less expected return on pension scheme assets	(7,221)	(1,255)	(8,476)	(801)	(249)	(1,050)
Experience gains and (losses) arising on the scheme liabilities	(141)	51	(90)	(127)	18	(109)
Changes in demographic assumptions underlying the present value of the scheme liabilities	-	201	201	-	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	13,395	2,435	15,830	(1,835)	1,709	(126)
Restriction on scheme surplus	-	-	-	-	-	-
Prior year adjustment on assets	-	-	-	-	-	-
Defined benefit income/(cost) recognised in SOCE	6,033	1,432	7,465	(2,763)	1,478	(1,285)
Reconciliation of defined benefit obligation						
Opening defined benefit obligation	94,674	16,437	111,111	92,589	13,804	106,393
Recognised on acquisition	-	-	-	-	-	-
	94,674	16,437	111,111	92,589	13,804	106,393
Movement in year:						
Current Service costs	2,084	423	2,507	2,281	339	2,620
Contributions by members	253	98	351	159	95	254
Past service costs	-	-	-	-	-	-
Impact of settlements and curtailments	-	-	-	-	-	-
Estimated unfunded benefits paid	-	(30)	(30)	-	(29)	(29)
Estimated benefits paid	(2,387)	(209)	(2,596)	(2,414)	(144)	(2,558)
Interest cost	4,207	712	4,919	4,021	645	4,666
Actuarial losses/(gains)	13,254	2,687	15,941	(1,962)	1,727	(235)
Closing defined benefit obligation	112,085	20,118	132,203	94,674	16,437	111,111
Present value of funded liabilities	112,085	19,367	131,452	94,674	16,015	110,689
Present value of unfunded liabilities	-	751	751	-	422	422
Reconciliation of fair value of assets						
Opening fair value of assets	73,359	11,773	85,132	69,882	10,787	80,669
Prior year adjustment	-	-	-	-	-	-
Opening fair value of assets –as restated	73,359	11,773	85,132	69,882	10,787	80,669
Recognised on acquisition	-	-	-	-	-	-
Expected return on assets	3,311	509	3,820	3,066	521	3,587
Contributions by members	253	98	351	159	95	254
Contributions by employer	2,606	278	2,884	1,865	265	2,130
Contribution in respect of unfunded benefits	-	30	30	-	29	29
Admin expenses	(348)	-	(348)	-	-	-
Actuarial gains/(losses)	7,221	1,255	8,476	801	249	1,050
Estimated unfunded benefits paid	-	(30)	(30)	-	(29)	(29)
Estimated benefits paid	(2,387)	(209)	(2,596)	(2,414)	(144)	(2,558)
	84,015	13,704	97,719	73,359	11,773	85,132
Estimated employer contributions for the year ended 31 March 2015	2,679	297	2,976	2,538	268	2,806

Expenditure recognised in the Statement of Comprehensive net expenditure

	2015	2014
	£000	£000
Net management expenditure on staff costs	(59)	(461)
Other finance charges/(income)	1,099	1079

The total loss amount recognised in the statement of other comprehensive net expenditure in respect of net actuarial gains and losses is £7,465 loss (2014 £1,292 gain).

Cumulative actuarial gains and losses recognised in the statement of comprehensive net expenditure since 1 April 2002 are net losses of £22,132k (2014 £14,667k 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					LGPF				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Experience gains and losses										
Difference between expected and actual return on scheme assets	7,221	801	3,917	2,071	(1,164)	1,255	249	737	814	(96)
Value of assets	84,015	73,359	75,781	63,983	63,821	13,704	11,773	12,296	9,278	9,219
Percentage of scheme assets	8.6%	1.1%	5.2%	3.2%	(1.8)%	9.2%	2.1%	6.0%	8.8%	(1.0)%
Experience gains and (losses) on scheme liabilities										
Present value of liabilities	(112,085)	(94,674)	(92,589)	(74,867)	(71,921)	(20,118)	(16,437)	(13,804)	(12,415)	(10,757)
Percentage of scheme liabilities	(0.1)%	(0.1)%	(3.0)%	(0.0)%	0.2%	0.3%	0.1%	0.1%	(1.2)%	(1.2)%

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	
	31/03/15	31/03/14	31/03/15	31/03/14	31/03/15	31/03/14
1. Male member aged 60 (current life expectancy)	27.8	27.6	22.5	22.1	+	21.3
2. Male member age 40 (life expectancy at 60)	29.8	29.7	24.9	23.9	+	22.6
3. Female member aged 60 (current life expectancy)	30.5	30.3	23.8	24.7	+	23.4
4. Female member aged 40 (life expectancy at 60)	32.5	32.4	26.7	26.5	+	24.9

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

+ Mortality rates have not been disclosed following the sale of CML in June 2014

Defined benefit obligation analysed by participant status

	HIE		LGPF		HIE		LGPF	
	2015		2015		2014		2014	
	%	£000	%	£000	%	£000	%	£000
Active members	35.4%	39,684	59.6%	11,543	31.8%	30,141	48.6%	7,779
Vested deferred members	26.3%	29,479	22.3%	4,328	25.5%	24,173	28.7%	4,589
Retired members	38.3%	42,922	18.1%	3,496	42.6%	40,360	22.8%	3,647
		<u>112,085</u>		<u>19,367</u>		<u>94,674</u>		<u>16,015</u>

Sensitivity Analysis

	HIE		LGPF	
	2015		2015	
	%	£000	%	£000
0.5% decrease in real discount rate	10	9,364	13	2,612
1 Year increase in member life expectancy	2	2,111	3	603
0.5% increase in the salary increase rate	2	1,602	5	966
0.5% increase in pension increase rate		Not Available	9	1,576

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 and 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	19.7	22.6

20. Losses statement

	Group No of cases	£000	HIE No of Cases	£000
Claims waived (amounts written off) during the year ended 31 March 2015	5	863	5	863

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

In the year to 31 March 2015 there was 1 (2014 1 case) case written off which exceeded £250,000. This was as follows

	2015
	£000
Highland Airways (Inverness) Limited	823

Highlands and Islands Enterprise continues to pursue all outstanding debts.

21. Net Cash Flow From Operating Activities

	Note	GROUP	
		2015 £000	2014* £000
Deficit on operating activities		61,865	54,248
Interest received	6	(177)	(201)
Dividends received	6	(28)	(36)
Share of related company results	11	(11)	36
Gain/loss on financial assets at fair value	3	(202)	(45)
Profit of sale of assets	3	723	595
Interest payable	7	13	51
Net cash outflow from operating activities		62,183	54,648
Discontinued operations	3,4&5	740	(191)
Net cash outflow from operating activities		62,923	54,457*

2014 restated following changes fixed asset opening balances and investments in associates (note 28)

22. Commitments

	GROUP		HIE	
	2015 £000	2014 £000	2015 £000	2014 £000
Commitments				
Property	12,622	12,712	12,622	12,712
Grants and loans	52,002	41,881	52,002	41,881

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

As the owner of the CairnGorm mountain ski area HIE has responsibility for the costs of removal of equipment and reinstatement 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	2014 £000
Obligations under Operating and similar leases:				
Within one year	1,120	3	1,123	1,045
Within two to five years	3,651	-	3,651	3,676
In over five years	2,533	-	2,533	3,273

7,304	3	7,307	7,994
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HIE

	Property £000	Equipment £000	Total £000	2014 £000
Obligations under Operating and similar leases:				
Within one year	1,120	3	1,123	1,045
Within two to five years	3,651	-	3,651	3,676
In over five years	2,533	-	2,533	3,273
	7,304	3	7,307	7,994

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 2015 is £4,737k (2014 £4,882k).

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	2014 £000
Receivable under Operating and similar leases:				
Within one year	4,185	430	4,615	4,022
Within two to five years	13,245	1,360	14,605	13,519
In over five years	10,132	70	10,202	11,859
	27,562	1,860	29,422	29,400

HIE

	Property £000	Equipment £000	Total £000	2014 £000
Receivable under Operating and similar leases:				
Within one year	4,185	430	4,615	4,122
Within two to five years	13,245	1,360	14,605	13,919
In over five years	10,132	70	10,202	13,078
	27,562	1,860	29,422	31,119

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	2014 £000
Obligations under Finance and similar leases:				
Within one year	140	12	152	152
Within two to five years	560	4	564	576
In over five years	3,443	-	3,443	3,583
	4,143	16	4,159	4,311
Finance charges allocated to future periods	-	(6)	(6)	(6)
	4,143	10	4,153	4,305
Present Value of minimum lease payments				
Within one year	140	10	150	150
Within two to five years	560	-	560	572
In over five years	3,443	-	3,443	3,583
	4,143	10	4,153	4,305

HIE

	Property £000	Plant & Equipment £000	Total £000	2014 £000
Obligations under Finance and similar leases:				
Within one year	140	12	152	152
Within two to five years	560	4	564	576
In over five years	3,443	-	3,443	3,583
	4,143	16	4,159	4,311
Finance charges allocated to future periods	-	(6)	(6)	(6)
	4,143	10	4,153	4,305
Present Value of minimum lease payments				
Within one year	140	10	150	150
Within two to five years	560	-	560	572
In over five years	3,443	-	3,443	3,583
	4,143	10	4,153	4,305

25. Transactions involving Board members' registered interests

During the year the following transactions were made by 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
Orkney Housing Association	-	11,841	1,828	Housing seminar costs	C Spence - Director
Aros (isle of Skye) Ltd	1,378	150,700	26,179	Development grant and graduate placement grant	D MacDonald - Managing Director
Crerar Hotels	-	2,996	2,996	Accommodation and room hire	P Crerar - Chief Executive Officer
MG Alba	-	66	66	Room hire	I MacTaggart
Harper Macleod	-	390	390	Legal fees with a framework agreement	L Crerar - Member
University of Glasgow	-	35,880	35,880	Provision of research services and reports	L Crerar - Professor of Law
Visit Scotland	-	29,360	29,360	Ryder cup and Scottish Thistle awards	P Crerar - Non Executive director
Commsworld Ltd	-	12,604	12,604	Installation of communications equipment	S Thompson - Non Executive director
Hebridean Sea Salt	-	117,700	90,157	Project grant	S Thomson - Board Member
Accunostics Limited	-	1,250,000	185,093	Project grant	G Hamilton - Chief Executive Officer

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:

**Comunn na Gaidhlig
Highland Hospice
HIE Ventures Limited
Investors In People Scotland
Mac TV
Mull & Iona Community Enterprise
Orkney Islands Council
Sabhal Mor Ostaig
Staffin Community Trust
University of Highlands & Islands
Wave Energy Scotland Limited**

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:

**Aberdeenshire Council
Argyll & Bute Council
Audit Scotland
British Library
Business Gateway
Comhairle Nan Eilean Siar
Companies House
Forestry Commission
Her Majesty's Customs & Revenue
Highlands and Islands Airports Limited
Information Commissioner
NHS Highland
North Ayrshire Council
Orkney Islands Council
Registers of Scotland
Scottish Enterprise
Scottish Water
Shetland Island Council
Skills Development Scotland
The City of Edinburgh Council
The Highland Council
The Moray Council
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 (2014: £7K) employers national insurance contributions and Nil (2014 : 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.

2015

Group

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	13,502	13,502	13,502	-
	13,502	13,502	13,502	-

HIE

	Carrying Amount £000	Contractual Cashflows £000	Within one year £000	After more than one year £000
Financial Liabilities				
Trade and other payables	13,171	13,171	13,171	-
	13,171	13,171	13,171	-

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	-

The Group and Highlands and Islands Enterprise have no outstanding borrowings at 31 March 2015 (2014: £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 trade receivables.

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

In pursuit of economic growth targets, 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 Enterprise 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 Enterprise 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 Enterprise' 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	
	2015 £000	2014 £000
Financial Assets - Other Investments		
Available for sale unlisted equity shares	245	763
Preference shares	25	78
Loans and other receivables	3,308	6,642
Financial assets		
Trade and other receivables	8,842	4,799
Cash and cash equivalents	5,648	3,139
	18,068	15,421

HIE	Carrying Amount	
	2015 £000	2014 £000
Financial Assets - Other Investments		
Available for sale unlisted equity shares	595	726
Preference shares	24	77
Loans and other receivables	2,610	5,873
Financial assets		
Trade and other receivables	8,702	4,693
Cash and cash equivalents	5,175	2,644
	17,106	14,013

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

Group	2015		2014	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	8,257	-	4,587	(1)
Past due 0 to 30 days	324	(14)	100	(19)
Past due more than 31 days	832	(557)	898	(767)
	9,413	(571)	5,585	(787)

HIE	2015		2014	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	8,107	-	4,469	(1)
Past due 0 to 30 days	324	(14)	100	(19)
Past due more than 31 days	832	(547)	898	(755)
	9,263	(561)	5,467	(775)

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	
	2015 £000	2014 £000
Fixed rate instruments		
Financial assets	3,333	6,720
Financial liabilities	-	-
	3,333	6,720
Variable rate instruments		
Cash and cash equivalents	5,648	3,139
	5,648	3,139

HIE

	Carrying Amount	
	2015 £000	2014 £000
Fixed rate instruments		
Financial assets	2,634	5,950
Financial liabilities	-	-
	<u>2,634</u>	<u>5,950</u>
Variable rate instruments		
Cash and cash equivalents	5,175	2,644
	<u>5,175</u>	<u>2,644</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	HIE
	100 basis points change £000	100 basis points change £000
Cash and cash equivalents		
31 March 2014	27	19
31 March 2015	44	39

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	
	2015 £000	2015 £000	2014 £000	2014 £000
Available for sale unlisted equity shares	245	245	763	763
Preference shares	25	25	78	78
Loans and other receivables	3,308	3,308	6,642	6,642
Trade and other receivables	8,842	8,842	4,799	4,799
Cash and cash equivalents	5,648	5,648	3,139	3,139
Trade and other payables	(13,502)	(13,502)	(8,059)	(8,059)
Taxation recoverable	304	304	1,084	1,084
	<u>4,870</u>	<u>4,870</u>	<u>8,446</u>	<u>8,446</u>
HIE				
	Carrying Amount		Fair Value	
	2015 £000	2015 £000	2014 £000	2014 £000
Available for sale unlisted equity shares	595	595	726	726
Preference shares	24	24	77	77
Loans and other receivables	2,610	2,610	5,873	5,873
Trade and other receivables	8,702	8,702	4,693	4,693
Cash and cash equivalents	5,175	5,175	2,644	2,644
Trade and other payables	(13,171)	(13,171)	(8,054)	(8,054)
Taxation recoverable	258	258	1,047	1,047
	<u>4,193</u>	<u>4,193</u>	<u>7,006</u>	<u>7,006</u>

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	Plant & Equipment Depreciation £'000	Plant & Equipment Revaluation £'000	Financial Assets Amortised Cost £'000	Equity accounted investee £'000	Restated Balance £'000
2013/14 Group Statement of Comprehensive Net Expenditure						
Operating expenditure	68,624		283			68,907
Other management expenditure	4,684			6		4,690
Depreciation and Amortisation	977	104				1,081
Share of (profits)/losses in Equity accounted investees	62				(26)	36
Net Expenditure	53,881	104	283		(26)	54,242
Group Statement Of Financial Position at 31 March 2013						
Property, plant and Equipment	43,129		1,667			44,796
Investment in associate	643				(47)	596
General reserve	(48,573)		(1,667)		111	(50,129)
Other reserve	(682)				(64)	(746)
Group Statement Of Financial Position at 31 March 2014						
Property, plant and Equipment	46,210	(104)	1,384			47,490
Investment in associate	657				(94)	563
General reserve	(52,468)	104	(1,384)	6	6	(53,736)
Other reserve	(287)				88	(199)

Investment in associate

The 2013/14 figures have been restated as part of our on-going review of our investment portfolio a company which has ceased to be an associate during 2013/14 had been included in the HIE group accounts. The review also highlighted an associate had been recognised above the value of investment

Non-current assets – Plant & Equipment

The 2013/14 figures have been restated following a review of HIE's property portfolio. During the review it was identified that a number of pieces of plant and equipment has be incorrectly classified within land and buildings held for regeneration. These items have been reclassified to plant & equipment and the depreciation charges have been updated to reflect the reclassification.

Financial assets amortised costs

The 203/14 figures have been restated following a revision of the cashflow assumptions on loans and receivables. The revised assumption now allow the calculations to reflect actual cashflows over planned cashflows.

29. Discontinued operations

Discontinued operations relate to 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.

CairnGorm 2000+ Limited was dissolved on 25th April 2014.

Accounts Direction by the Scottish Ministers

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

Signed by the authority of the Scottish Ministers



Head of Enterprise Policy Delivery Division
10 June 2010

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The notes to the accounts shall include a schedule of all investments showing:
 - 1.1. In respect of companies in which Highlands & 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