Highlands and Islands Airports Limited
Puirt-adhair na Gàidhealtachd is nan Eilean Earranta

Annual Report and Accounts to 31 March 2024

About us

Highlands and Islands Airports Limited (HIAL) is a private limited company wholly owned by the Scottish Ministers and is responsible for the management and operation of 11 airports.

Our airports are located at: Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick.

Working with our partners and stakeholders, we are committed to supporting the essential socio-economic role of aviation in Scotland by maintaining and developing our airports and the vital services and connections they provide for some of our country's more remote communities.

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Cover image – Benbecula Airport

Our Mission, Ambition and Values

Our mission is to enable air connectivity and support lifeline services for the communities we serve through a network of safe and sustainable airports.

This is reinforced by our ambition to become a net zero regional airport group.

Our Values

Our values underpin everything we do and how we do it. They shape our culture and define who we are; our expectations of each other; how we interact with each other and how we interact with our customers, communities, and other stakeholders. A strong values-driven culture that supports the delivery of our strategic priorities is key to our long-term success.

Openness

We work collaboratively to build trust in our expertise; we do not work in silos of self-interest.

Respect

We always listen and respond to customers and colleagues; we do not ignore the needs of others.

Innovation

We always look to make things better in the future; we do not accept the status quo.

Ownership

We always take responsibility for our actions; we do not expect others to cover for us.

Excellence

We always try to deliver the very best we can; we do not and will not accept anything less.

Foreword from the Chair

Over the past year our strategic focus has been on delivering our core activities to provide safe and regulatory compliant airports to support the air connectivity that is so vital for the communities we serve.

The financial pressures we continue to face led us to re-calibrate our goals and reappraise our strategic priorities and spending decisions and, following an extensive consultation programme with colleagues, partner organisations and key stakeholders, we published our revised **Strategic Plan for 2023-28** on 22 June 2023.

Our colleagues embraced our revised strategic direction and ensured that that we continued to provide essential services to support fundamental air connections for the businesses and people in our communities. They did that without impacting the highly professional yet friendly level of customer service that HIAL is renowned for. On behalf of the Board, I would like to thank our colleagues right across the Company for their continued dedication, often going above and beyond to ensure some of our more remote communities remain connected.

Sumburgh Airport

Foreword from the Chair

Over the year ended 31 March 2024, we maintained a steady passenger base with just under 1.5 million passengers across all 11 of our airports. This represents an increase of 3.5% in passenger figures compared to the 2022/23 financial year. However, despite the increases over the past two years, passenger numbers still sit at almost 12% below the pre-pandemic levels of 2019/20.

During the year, HIAL received a public subsidy of £50,689,000 including revenue funding of £38,221,000 and capital funding of £11,812,000 which was supplemented by £656,000 of capital loan funding for our commercial activities.

Against a backdrop of ever-increasing financial pressures, the Board's strategic direction was to scrutinise business and operating costs. The push over the year to reduce costs, increase commercial revenue and develop new revenue streams has paid dividends. By 31 March 2024, our turnover was £2.3m ahead of expectations and, along with lower than anticipated operational costs, we delivered an end of year outturn of £3.6m below the annual grant offer made to us by Transport Scotland.

Throughout the year, we continued to invest in sustaining the longevity of our airports. HIAL has aligned its infrastructure investment with available resource, prioritising spending on maintaining safe airport operations and meeting regulatory requirements.

The continued funding and support from Transport Scotland has helped us deliver a capital programme of over £12 million to improve airport infrastructure. The capital programme was spread across all airports and ranged from the expansion of the terminal building at Barra to the runway resurfacing and rehabilitation project at Islay. Examples of some of the capital projects undertaken over the year are included later in this report.

The past year has seen significant change at a senior level within HIAL. Inglis Lyon stepped down from his role as Managing Director on 14 June 2023, after 18 years with the Company, and Stewart Adams joined us as Interim Chief Executive Officer (CEO). I would like to take this opportunity to thank Stewart for filling the role and for his significant contribution to help us drive efficiencies and increase commercial revenue in the short time that he was with HIAL.

The Board appointed Paul Kelsall as HIAL's permanent CEO on 20 May 2024 and was delighted to have secured someone of Paul's calibre and experience to help us deliver our strategic objectives and continue to drive our renewed focus.

I would like to formally thank the Board for their continued service and direction. Their guidance and input have been invaluable through a year that has seen a change to our strategic priorities and a change of leadership at HIAL.

Engagement with colleagues, partner organisations and stakeholders remains high on the Board's agenda and Members took the opportunity to meet with local colleagues and stakeholders when visiting different airports for Board meetings throughout the year.

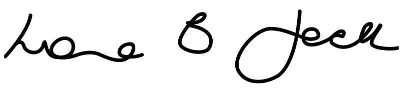
More recently, Transport Scotland published their Aviation Statement. The Board welcomes the statement which recognises that HIAL's airports are an essential part of Scotland's transport network and the vital role HIAL plays in supporting connectivity for some of the country's remote areas.

The statement acknowledges HIAL's contribution in supporting the Scottish Government's commitment to make the Highlands and Islands a zero-emission aviation region, whilst underscoring that there is still more to do. To that end, we will continue our programme to decarbonise our airport operations and infrastructure and look forward to working with Transport Scotland to deliver on their key aviation priorities.

HIAL has a key role to play in delivering more efficient airport operations in the Highlands and Islands and we will work in partnership with local authority airport owners and Transport Scotland to explore potential for economies of scale.

Looking ahead, it is clear that the financial position for the public sector will be extremely challenging for some time to come. HIAL's focus on generating commercial income, reducing costs, and improving efficiencies will continue throughout 2024/25 and beyond as part of our business-as-usual activity.

I have every confidence that our colleagues will continue to meet that challenge and deliver efficiencies without affecting the high level of customer service for which we are known.



Lorna Jack
Chair

Dundee Airport

Statement from the CEO

I have been privileged to have enjoyed a long career in the aviation sector that started with the Royal Navy before moving on to commercial operations in the private aviation sector.

Throughout my career, I have regularly visited several airports in the HIAL group and worked from Sumburgh Airport in 2006. I have always been impressed by the professional, friendly and high-quality of services that the teams across HIAL provide.

I was delighted to accept the position of Chief Executive Officer of HIAL on 20 May 2024. It is exciting to lead such a highly respected organisation that has played a large part in my working career.

While I was not with the Company during the 2023/24 financial reporting period, I have been with HIAL for five months at the time of signing these accounts.

Over the past few months, I have managed to visit every one of our 11 airports and meet the local teams and the support teams at head office. I have enjoyed the open and constructive conservations with colleagues right across the Company.

As part of my initial engagement programme, I have also met with local stakeholders and colleagues from partner organisations and have been delighted with their positive comments on the service we provide.

While out and about travelling I have experienced at first hand the professional and friendly levels of service that HIAL is renowned for, and this has been endorsed by passengers and customers that I have talked with whilst in the terminal buildings.

My first impressions are that our people make HIAL what it is. We are a people centric organisation with strong teams right across the company. From what I have witnessed to date, our teams deliver the service we provide with an envious level of pride and passion, and I already have numerous examples of 'Team HIAL' going above and beyond to ensure our communities remain connected.

As the Chair has already mentioned, my focus will be ensuring that our airports remain safe and are regulatory compliant whilst operating as efficiently as possible. As an organisation, we will look to build on the initial drive of my predecessor, Stewart Adams, to deliver our strategic objectives of increasing our commercial revenue and reducing costs. The push to deliver these objectives has identified significant savings, increased efficiency, and increased our commercial revenue.

We will continue what we have begun with a renewed focus on cost efficiencies, and a grass roots focus on efficiency and saving money, without impacting safety or value to our customers. We will strive to "do more with what we have" and, of course, exploring opportunities to increase our commercial revenue will remain a priority.

The Chair has mentioned the financial challenges facing the public sector and our overriding objective moving forward is to operate as efficiently and effectively as possible, while at the same time maintaining the high level of service that HIAL's customers expect.

I have been truly humbled by the warm welcome I've received and would like to thank colleagues and stakeholders who have been both friendly and supportive. I look forward to working in partnership to provide safe, secure and efficient airport services that support the essential connectivity for the communities we serve.

Paul Kelsall
Chief Executive Officer

Tiree Airport

Strategic Report

The directors submit their Strategic Report and the Group financial statements for the year ended 31 March 2024.

Principal activity

The Group's principal activity during the year focused on the provision of safe and regulatory compliant airports across the 11 airports we operate. The Group generates commercial revenue from the levying of airport charges, and other non-aeronautical revenue streams, which partially offset the Group's operating costs.

Results and dividends

As a publicly funded company, HIAL is acutely aware that it must manage its resources responsibly and efficiently. Given the pressure on public sector budgets, this is a significant challenge, particularly in many of our smaller, more remote airports, where passenger numbers are low and fixed costs remain relatively high.

The parent company profit after taxation from continuing operations amounted to £2,212,000 (2023: loss after taxation of £663,000). The directors recommend that no dividend be paid.

Review of the business

Public subsidies received for the year ended 31 March 2024 totalled £50,689,000 (2023: £55,869,000) comprising of £38,221,000 in revenue subsidy (2023: £37,882,000) and £11,812,000 in capital subsidy (2023: £17,986,500). The Scottish Government provided capital loan funding of £656,000. Transport Scotland also paid HIAL £184,000 for services rendered with regard to the Airport Discount Scheme during the year (2023: £123,000).

Capital expenditure during the year amounted to £12,468,000 funded by the capital subsidy and loan funding noted above (2023: £19,554,000).

Passenger numbers across the Group increased by 3.5% year-on-year, although still approximately 12% lower than in 2019/20. Aircraft movements reduced by 20% year-on-year, reflecting the loss of a local flying school at Dundee.

Future developments

The directors aim to ensure that the Group continues to operate and manage its 11 airports in accordance with Scottish Ministerial policy and to support the social and economic welfare of the areas concerned.

Campbeltown Airport

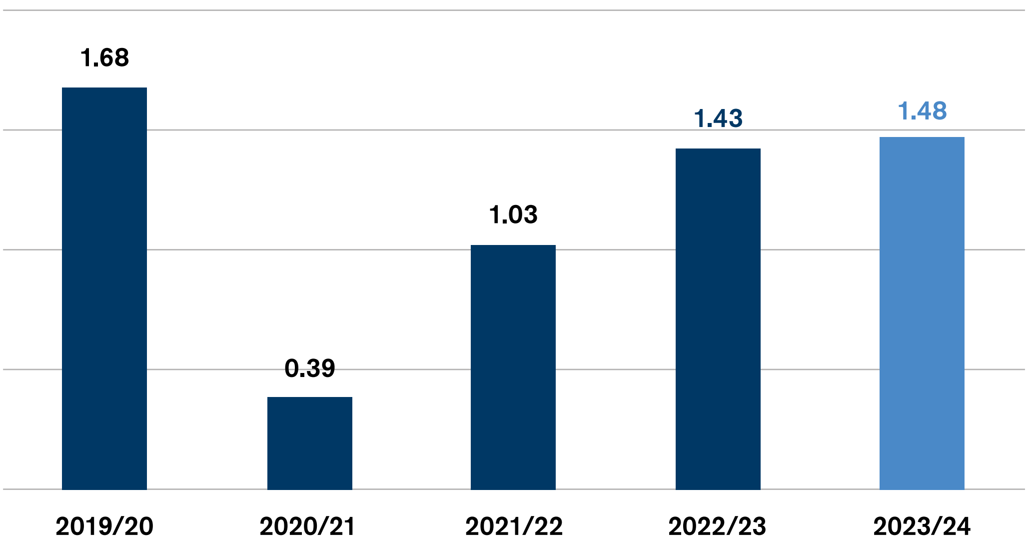
Strategic Report

Annual traffic statistics

For the year ended 31 March 2024

	Passengers			Movements		
	2023/24 No.	2022/23 No.	Variance %	2023/24 No.	2022/23 No.	Variance %
Barra	12,536	12,928	(3%)	1,270	1,283	(1%)
Benbecula	29,884	31,372	(5%)	2,498	2,739	(9%)
Campbeltown	7,734	6,712	15%	1,464	1,425	3%
Dundee	34,010	41,127	(17%)	6,551	25,270	(74%)
Inverness	792,150	749,908	6%	25,897	26,931	(4%)
Islay	29,919	27,740	8%	2,449	2,460	0%
Kirkwall	134,250	127,915	5%	11,819	11,818	0%
Stornoway	105,007	103,856	1%	7,668	7,616	1%
Sumburgh	307,664	304,836	1%	18,811	19,372	(3%)
Tiree	12,169	11,600	5%	1,668	1,625	3%
Wick John O'Groats	11,224	9,182	22%	3,177	3,349	(5%)
Total	**1,476,547**	**1,427,176**	**3%**	**83,272**	**103,888**	**(20%)**

Total Passenger Movements (millions of passengers)



Strategic Report

Principal risks and uncertainties

The Group recognises the importance of identifying and managing a wide range of risks faced by the business. We have established a robust risk management framework to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact. Our risk identification processes seek to identify risks from both a top-down strategic perspective and a bottom-up tactical perspective. Operationally, the executive team are responsible for ensuring that the Group has appropriate procedures, resources and the skills required to identify and manage risks effectively. To this end, a Risk Oversight Group, which is accountable to the Board through the Audit Committee, conducts regular reviews of risks facing the Group. Risk treatment plans are developed in response to any identified risks that exceed the Group's risk appetite. The Audit Committee and the Board review the Group's risks at each meeting.

The principal risks and uncertainties facing the Group are broadly grouped as strategic, financial, commercial, legislative and operational.

- **Strategic Risks**
  The Group has established a formal process for capturing and managing strategic and sensitive risks within the business. This now forms a standing agenda item for Board and Audit Committee scrutiny.
- **Financial Risks**
  The Group is exposed to a variety of financial risks which are regularly monitored and reviewed by the executive team, Audit Committee and Board. As the Group relies on public funds to maintain operations across its 11 airports, it is susceptible to changes in public funding, which is influenced by the wider economic climate and decisions made at the UK and Scottish Government level. Indicative revenue and capital budget allocations reflect the challenging nature of the wider public finance environment. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring actual and forecasted cash flows.
- **Commercial Risks**
  Commercial revenue generated by the Group is mainly derived from a limited number of airline customers. Any external pressures faced by those customers may lead to them reviewing their operating schedule and this in turn may impact on the Group's income and associated expenditure.
- **Legislative risks**
  Airport operations across the Group are regulated by the Health and Safety Executive, UK Civil Aviation Authority (CAA) and the Scottish Environmental Protection Agency (SEPA). Security standards are set by the Department for Transport and inspected by the CAA. These bodies regularly review and update their standards and requirements and it is unlikely that the regulatory burden will reduce.
- **Operational risks**
  The Group manages operational risk through its safety management and risk management systems. The Group's overarching strategy and direction is determined by the Board and informed by Scottish Government policy.

Strategic Report

HIAL's Strategic Objectives

In response to the publication of the Scottish Government's Resource Spending Review in May 2022, the Board took the decision to review and recalibrate HIAL's strategic priorities to focus on its core functions to enable and maintain essential air connectivity now and into the future. The revised **Strategic Plan** was published in June 2023 and covers the period 2023 to 2028.

HIAL's **Corporate Operating Plan** set the key priority areas for delivery between 1 April 2023 and 31 March 2024 to meet its strategic priorities:

- Deliver a safe and sustainable airport operating model to meet customer and local needs.
- Realign our infrastructure investment to meet available resource.
- Increase our commercial revenue and develop new revenue streams.
- Reduce our environmental impact.
- Develop our workforce to deliver a flexible modern business model.
- Work in partnership for a sustainable future.

Some of the actions in the operating plan are significant in scale and as such delivery will span more than one financial year.

Progress reports were prepared at the end of each quarter to provide performance information and effectively manage our activities throughout the reporting year.

The quarterly progress reports were monitored by the Senior Management Team to allow effective performance scrutiny and management planning. The reports were shared with the HIAL Board to allow strategic oversight of the key priority areas they had approved for the year.


Inverness Airport

Strategic Report

What we have achieved

At the end of the reporting period, 10 of the 19 objectives were completed, with 6 objectives that span into 2024/25 remaining on target. Three of the objectives were behind target on 31 March 2024 but have been incorporated into objectives in the **Corporate Operating Plan for 2024/25** and progress reported in the quarterly updates.

☑ Objective completed ☑ Objective on target ☑ Objective partly completed

Deliver a safe and sustainable airport operating model to meet customer and local needs

We have:

☑ Completed an exercise to determine the core services provided at each of our airports. A review of airport opening hours has also been completed and published on airport websites. We will undertake a further review of opening hours once the roster review project has been completed. The work to determine revised operating models will continue during 2024/25.

☑ Scrutinised our business and operating costs to identify cost reductions, increase commercial revenue and work as efficiently and effectively as possible. This included suggestions and input from colleagues on how these priorities could be achieved. By 31 March 2024, the turnover was £2.3m ahead of expectations and along with lower than anticipated operational costs delivered an end of year outturn some £3.6m below the annual grant available to us. This includes the cost of the 2023/24 pay offer which exceeded initial assumptions. The focus on generating commercial income, reducing costs, and improving efficiencies will continue throughout 2024/25 and beyond as part of business-as-usual activity.

☑ Reviewed our Safety Management System (SMS) and undertaken an exercise to validate the real-time data within the SMS. We undertook a complete revision of the SMS manual. The revised manual was published in November 2023 following acceptance from the Civil Aviation Authority (CAA).

☑ Completed the revised ATS Structure and Project Mandate which was approved in March 2024 to allow the initiation of project plan and associated work packages. The implementation of the revised staffing structure will form an objective in the Corporate Operating Plan for 2024/25.

Realign our infrastructure investment to meet available resource

We have:

- ☑ Prepared draft documentation to support the tender process for a new facilities management services, including Property Management, Facilities Management and Mechanical & Electrical (large sites). It is anticipated that tenders will be issued during Quarter 3 of 2024/25. These actions will be incorporated into an objective in the 2024/2025 Corporate Operation Plan.
- ☑ Drafted an asset management strategy which has been circulated for internal review before being submitted for final approval. Work on the creation of an asset management plan is underway and this objective will be carried forward to the 2024/2025 Corporate Operating Plan.
- ☑ Developed an integrated technology modernisation plan that builds on our smart technology programme. We have completed an inventory of the Internet of Things (IoT) antennae and sensors across all 11 airports. An analysis of all devices has been undertaken and logged in the Management System. This includes identification of the purpose, and further case use for each device to derive savings, help decrease risk and/or contribute to safety.

Increase our commercial revenue and develop new revenue streams

We have:

- ☑ Reviewed our current cost recovery mechanisms and implemented a revised revenue structure. We have introduced a tiered airport grouping approach to provide a flexible pricing structure by tier.
- ☑ Undertaken a full review of the HIAL and DAL Conditions of Use (CoU) and airport charges. The CoU and Fees and Charges documents were published on the HIAL and airport websites on 1 February 2024.
- ☑ Explored alternative aeronautical and non-aeronautical commercial opportunities to support the transition to net-zero. We have identified a renewables partner and drafted proposals for individual airports for suitable renewable applications. This objective will continue as an objective in the Corporate Operating Plan for 2024/25.

Reduce our environmental impact

We have:

- Completed an energy audit report as part of the Energy Roadmap Project. This will inform the next steps and the production of the Renewable Energy Transition plan and will continue as an objective in the Corporate Operating Plan for 2024/25.
- Completed Climate Change Risk Assessments for all airports and a Summary Report identifying future climate risks has been produced. The risks will be managed and prioritised in line with our risk management process.
- Developed an airside programme to reduce carbon emissions at all our airports to identify low or zero carbon equipment for non-renewable powered handling equipment. A replacement schedule has been identified for all vehicles and equipment at each airport which will inform the business case for replacement when due, subject to budget availability.

Develop our workforce to deliver a flexible modern business model

We have:

- Refreshed the 2020 business case for the pay and grading review. This was not completed within the reporting period and was reviewed by the People Committee of the HIAL Board in April 2024. This work will continue and form an objective in the Corporate Operating Plan for 2024/25.
- Completed an assessment to determine common principles for efficient organisational rosters that comply with working time regulations.
- Published the Equality, Diversity, and Inclusion Strategy and developed an action plan to promote a workplace culture where equality and respect are valued and evident for all colleagues across the HIAL group.

Work in partnership for a sustainable future

We have:

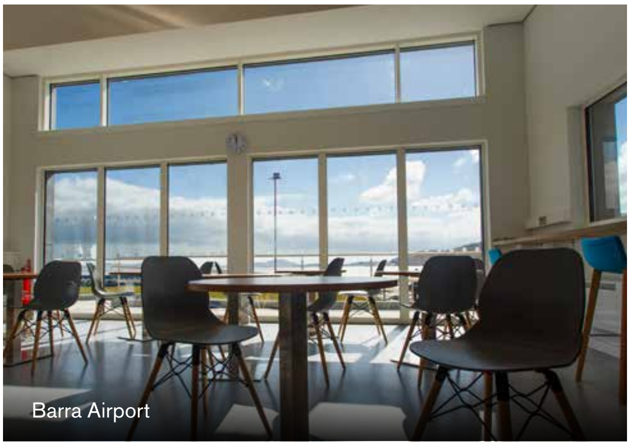
- Developed an enhanced Engagement Policy and associated guidance to ensure effective engagement framework and plans are in place at a board, corporate, and local level.
- Developed Terms of Reference (ToR) document for an Airport Community Forum to allow local communities, stakeholders and interested parties to exchange information and ideas. The inaugural meeting of the Kirkwall Airport Community Forum meeting took place in March 2024. The ToR document will form the basis for the development of community engagement forums at Campbeltown, Dundee, Islay and Tiree airports. This will form an objective in the 2024/25 Corporate Operating Plan.
- Aligned surveys for passengers with reduced mobility (PRM) to CAA requirements. The PRM surveys are now live for the two required airports, Inverness and Sumburgh. The PRM survey is available for use by all other airports and can be implemented when required. The next step for passenger surveys will be included as an objective in the 2024/25 Corporate Operating Plan.

Strategic Report

Investing in our airports

During the year, we continued to maintain and invest in our airports, and invested over £12m in our airports and head office in key capital projects. Examples of some of the works progressed or completed are included below:

- **Barra Airport** – expansion of the terminal building, vehicle fleet upgrades and digital fire panels.
- **Benbecula Airport** – terminal heating, ventilation and air conditioning, next generation security check points and body scanners.
- **Campbeltown Airport** – resurfacing of terminal building path, digital fire panels and vehicle fleet upgrades.
- **Dundee Airport** – security fencing replacement, taxiway resurfacing and instrument landing system upgrade.
- **Inverness Airport** – aerodrome ground lighting project, fireground development, surface water drainage and pavement refurbishment.
- **Islay Airport** – Resurfacing of Runways 13/31 and 08/26, fireground equipment and vehicle fleet replacements.
- **Kirkwall Airport** – aerodrome ground lighting project, runway resurfacing and apron extension project and DVOR navigation aid refresh.
- **Stornoway Airport** – completion of coastal erosion project, approach lighting for Runway 18, digital fire panels and body scanners.
- **Sumburgh Airport** – cargo x-ray replacement, terminal heating system upgrade, digital fire panels and security check points.
- **Tiree Airport** – portable LED lighting, digital fire panels, meteorological equipment and workshop equipment.
- **Wick John O'Groats Airport** – drainage assessments, vehicle fleet upgrades, digital fire panels and security check points.


Barra Airport


Islay Runway Resurfacing Works

Strategic Report

Team HIAL

Our people lie at the heart of HIAL, and they are responsible for ensuring we operate a safe, welcoming airport network to the very highest professional standards.

One of our key people focus areas during 2023/24 was the creation of an Equality, Diversity and Inclusion Strategy. The Strategy was published in May 2023 and sits alongside a suite of supportive employee policies and procedures. It includes four pillars to support and deliver the highest possible standards in both people management and customer service.

The pillars are attracting and selecting a diverse workforce; being an employer of choice for all staff; ensuring quality experiences for all our passengers and engaging people from protected groups to improve our service.

Providing colleagues with quality training and development opportunities was a key objective during the year. We enhanced our learning and development online portal to provide individuals with easy access to their learning goals and achievements through a personalised training dashboard.

Sumburgh Airport

The development of the online portal also provides management oversight of learning achievements, including mandatory training. The introduction of the new system has seen a significant improvement in completion rates of mandatory training across all airports and functions within the Company. By the end of March 2024, the completion rate across the Company for a range of mandatory training was 89% – a significant improvement on the 16% completion rate for the same courses at the end of the 2022/23 financial year.

Apprenticeships in HIAL have gone from strength to strength, with 12 new colleagues undertaking a Modern Apprenticeship. These apprenticeships typically take 12 to 18 months to complete resulting in a SVQ in Management Level 7 SCQF qualification.

We have secured funding for Modern Apprenticeships for 2024/25 and are advertising for a further cohort to undertake this qualification.

We also have Graduate Apprentices continuing their apprenticeship programme with one colleague in year 1, two in year 2, two in year 3 and one in year 4.

The training programme established to equip and empower colleagues at a local level to undertake effective communication and engagement on behalf of HIAL continued this year. Eight senior managers and members of local management teams took the opportunity to develop their communication and engagement skills by completing a three-day executive communications and engagement course in 2024. Positive feedback was received from all those managers who attended.

HIAL continues to be:

- A Disability Confident Employer
- A Living Wage Accredited Employer
- A Carer Positive Employer

disability confident COMMITTED

We are a Living Wage Employer

CARER POSITIVE Employer in Scotland ENGAGED

Strategic Report

HIAL in the community

HIAL's 11 airports support essential air connectivity for their local communities and are very much community airports. The teams across HIAL's operating area get involved in different ways to engage and support events in their area.

We are keen to encourage local people to join HIAL and build a career at any of our airports and head office. In November 2023, colleagues attended a career convention at Castlebay Community School to highlight career opportunities at Barra airport. Pupils who attended the convention were very interested in finding out more about the roles that exist at the airport. Trying on the firefighting apparatus for size was one of the highlights for many pupils on the day.

Inverness Airport welcomed S3 pupils from Drumnadrochit's Glen Urquhart High School as part of their 'Week of Work' activities focusing on skills and careers. The pupils spent time with staff and found the rigour of the airport security for passengers and baggage 'a real eye opener'. The pupil highlights of the day were too many to mention, with the 'putting out a fire' simulation and the crucial work that our air traffic control colleagues manage at the top in their list.

In addition to showcasing future career opportunities across the HIAL group, we welcome groups for continued learning and development whenever possible.

Our teams also support local partnership initiatives and, in January 2024, the team at Kirkwall Airport helped deliver a ten-week Fireskills programme that aims to develop firefighting and rescue skills for young people.

Fireskills is a unique learning experience that develops core employability skills such as leadership and team building alongside more practical skills such as first aid and the safe and appropriate use of equipment including personal protective equipment (PPE) and breathing apparatus.

The programme was delivered in partnership with the Scottish Fire and Rescue Service and Orkney Island Council's Community Learning, Development and Employability Service (CDLE).

The team at Kirkwall Airport provided practical skills on drills and routines and hot fire training. The young students also had a station tour of the fire station to see how different the firefighting equipment and operational vehicles are at an airport.

Barra Airport at Career Convention, Castlebay Community School


Glen Urquhart High School pupils at Inverness Airport


Fireskills Training

Card from Drumlemble Primary School

Colleagues at Dundee Airport welcomed the local Beavers group from the 22nd Dundee Scout Group for a familiarisation visit in April 2023. The children, whose ages ranged from five to eight years old thoroughly enjoyed their tour of the airport and had great fun at the fire station witnessing hose demonstrations.

Our airports welcome pupils of all ages, and in October 2024, the team at Campbeltown hosted P1 – P4 children from Drumlemble Primary School. Live demonstrations of fire equipment and appliances seemed to be the highlight for most, with the children getting to see the flashing lights, and hear the sirens of the appliances up close. The pupils were delighted with their visit and sent a lovely thank you card to show their appreciation.

Kirkwall Airport firefighter Mark Rendall visits the local primary schools every year in his own time, providing the pupils with some hands-on first aid training. He visited Firth Primary School and Evie Primary Schools in Orkney in February and March 2024.

Mark took the opportunity to use Kirkwall Airport's training defibrillator to take the children through a demonstration as well as providing practical, hands-on training, which gave every pupil the chance to practice what they had learned. In addition to the defibrillator training, the children are taught basic first aid and CPR.

First Aid Training at Kirkwall

Scottish Government 'Drive on the Left' Campaign

As well as supporting local campaigns, teams across HIAL's airports work with partner organisations to promote national initiatives. During the summer of 2023, all airports supported the Scottish Government's 'Drive on the Left' safety campaign.

As well as encouraging visitors from overseas to drive on the left-hand side of our roads, our teams shared useful information about Scotland's road experience and advice on driving long single-track roads, passing places, navigating roundabouts and dealing with our changing weather. We helped hand out wristbands in many languages, window stickers and leaflets across the airports and airport car rental kiosks. Our partner airline Loganair shared the safety message across their passenger experience touchpoints too.

GOING THAT EXTRA MILE AT BARRA

Teamwork was key when it came to an important message being written in the sand at Barra Airport in August 2023.

The famous beach runway was the location of choice for Stephen McCann to ask his now fiancée, Bridget Byrne, to marry him, and she said yes.

The team at the airport worked closely with Loganair and helped to facilitate a fly over the beach so that Bridget could clearly see the message that had been arranged in the sand especially for her.

© Alan McGee Photography

RNLI Harbour Day event, Wick

Colleagues from Wick John O'Groats Airport took part in Wick's annual Royal National Lifeboat Institution (RNLI) Harbour Day in June 2023.

The team joined other local representatives including the Civil Nuclear Constabulary, Police Scotland, the Scottish Fire and Rescue Service, the Scottish Ambulance Service and HM Coastguard.

The event attracted a crowd of almost 2,000 and was a great success for the charity.

FINAL RUN THE RUNWAY

The team at Inverness Airport helped facilitate their last Maggie's Highlands Run the Runway event at midnight on Saturday 26 August 2023. Over 300 participants made their way down the runway in aid of the charity with final donation figures of almost £93,500!

Strategic Report

Our teams support charities all year round and do all they can to support national and local campaigns. Here is a montage of pictures from our teams at Sumburgh, Barra, Stornoway, Head Office, Benbecula and Kirkwall in December 2023.

Tiree Airport hosted a tractor run in aid of two charities – the Tiree Parties Committee and Scottish Charity Air Ambulance. There were 65 vehicles that took part raising a grand total of £2,000 with each charity receiving £1,000.

Tractor run at Tiree Airport

Trade Union Act 2016:

Facility Time Reporting from 1 April 2023 to 31 March 2024

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish information relating to facility time.

HIAL recognises three trade unions: Prospect, Public and Commercial Services Union (PCS) and Unite.

A Facility Time agreement is in place to provide union representatives:

- with facilities to enable them to communicate with members and promote good employee relations.
- reasonable time off during working hours to undertake union duties including representing staff, attending consultation meetings and conducting health and safety inspections.
- reasonable time off during working hours to undertake training relevant to carry out duties as a union representative.


Stornoway Airport

The Company interaction with the trade unions is mainly undertaken with the full-time Negotiation Officers from each of the trade unions. Full-time officials attend the Company Joint Negotiation and Consultative Committee (JNCC) and, in most cases, represent individual members of staff in case management meetings.

The JNCC is attended by local trade union representatives. In addition, the Company has specific arrangements and meetings with the relevant trade union for significant projects and programmes of work. Each airport has in place interface arrangements in which local representatives participate.

Trade Union Representatives 2023/24

Prospect	15
PCS	1
Unite	8

HIAL has no full-time trade union officials. Each of the 24 representatives will spend less than 10% of their working time on trade union duties.

Over the last year the Company has seen a reduction in both Prospect and Unite representation but there remains good and constructive engagement with all three HIAL recognised trade unions. We continue to have open and constructive dialogue with Prospect's full-time Negotiation Officer which includes pay negotiations.

Engagement continues with officials through our JNCC as well as our Policy Steering Group which provides more time to discuss the development of HIAL people policies and the continued trade union participation in HIAL projects, for example the Rostering project, will be encouraged and welcomed over the coming year.

Strategic Report

Streamlined Energy and Carbon Reporting (SECR)

SECR reporting requirements

The Streamlined Energy and Carbon Reporting (SECR) regulations is a mandatory reporting framework to replace the CRC Energy Efficiency Scheme. The regulation came into force on 1 April 2019 and covers financial reporting years starting on or after this date. Companies in scope need to include energy and greenhouse gas information in their Directors' Report as part of their annual filing obligations. For Highlands and Islands Airports Limited (HIAL) this is 1 April 2023 to 31 March 2024.

The regulation applies to large companies that meet two of the following criteria:

- Over 250 employees
- Turnover of over £36 million
- Balance sheet total of over £18 million

Since HIAL is a large, unquoted company, the following should be included as a minimum:

- UK energy use (as a minimum gas, electricity, and transport fuels where HIAL is responsible for purchasing the fuel).
- Associated greenhouse gas emissions from UK energy use.
- Previous year's figures for energy use and GHG emissions (except in the first year).
- At least one intensity ratio (e.g. emission per FTE staff numbers or per £,000 turnover).
- Information about energy efficiency action taken in the organisation's financial year.
- Methodology used in the calculation of disclosures.

At HIAL, we have been publicly reporting emissions in line with UK mandatory greenhouse gas reporting regulations since 2018/19. Reported emissions include those from all HIAL owned and operated airports. These are: Barra Airport, Benbecula Airport, Campbeltown Airport, Dundee Airport, Inverness Airport, Inverness Head Office, Islay Airport, Kirkwall Airport, Stornoway Airport, Sumburgh Airport, Tiree Airport, and Wick John O'Groats Airport. Emissions are consolidated and reported at group level consistent with our financial reporting.

Mandatory disclosures

Table 1 outlines the emissions profile for the 2023/24 financial year under two approaches – location-based emissions and market-based emissions.

Location-based emissions reflect the average emissions intensity of grids on which energy consumption occurs. Market-based emissions reflect emissions from electricity that HIAL has chosen to purchase for environmental reasons. For the 2023/24 financial year, all electricity was purchased under a zero emissions contract that is fully backed by Renewable Energy Guarantees of Origin (REGO) certificates. Therefore, market-based electricity emissions are reported as zero emissions.

Table 1 HIAL Emissions Profile

Mandatory emissions reporting for the 2023/24 financial year (plus 2022/23 comparison year)

		Location Based		Market Based	
	Unit	**22/23**	**23/24**	**22/23**	**23/24**
Energy consumption used to calculate emissions: kWh	**kWh**	17,028,565	18,548,222	17,028,565	18,548,222
Emissions from combustion of heating fuels and transport fuels (Scope 1)	**tCO2e**	1,992	2,184	1,992	2,184
Emissions from purchased electricity (Scope 2)	**tCO2e**	1,670	1,805	-	-
Emissions from business travel in rental cars (fuel cards) or employee-owned vehicles (mileage claims) where company is responsible for purchasing the fuel (Scope 3)	**tCO2e**	5	1	5	1
Total like-for-like CO2e based on above	**tCO2e**	**3,667**	**3,990**	**1,997**	**2,185**
Like-for-like Intensity ratio: kgCO2e/total passenger numbers	**kgCO2e/PAX**	**2.57**	**2.70**	**1.40**	**1.48**

Emissions profile analysis

For 2023/24, mandatory reported emissions have increased by approximately 9%. This is predominantly attributable to increased electricity consumption and fuel use, and natural gas consumption at an additional site being included in this years' data for the first time. Airport activities continue to increase post-Covid-19. Passenger numbers have increased by 3.5% relative to the previous reporting year, and employment of additional staff has led to increased fuel use for fire training and other activities

Table 1 notes:

1. Location-based emissions for electricity use local grid emission factor.
2. Market-based emissions for electricity are reported as zero emissions to reflect 100% REGO-backed purchases for 2023/24.
3. Emissions for both 'Location Based' and 'Market Based' include UK and Offshore activities.
4. Like-for-like intensity ratio is calculated based on emissions per total passenger numbers for the reporting year. Passenger numbers were 1,427,176 for 2022/23 and 1,476,547 passengers for 2023/24.
5. Some emissions totals for 2022/23 have been changed since publication of the previous SECR report due to data errors and scope adjustments. The correct 2022/23 values for the comparison year are reported in Table 1.

Optional disclosures

HIAL continue to focus on extending the scope of emissions reporting activities. For the third year, we are able to provide additional emission reporting insight into Scope 3 activities. This includes:

- Emissions associated with fuel and energy activities that are not typically included in Scope 1 and 2 boundaries. This includes Well-to-tank (WTT) and transmission and distribution (T&D) losses associated with electricity, heat, and fuel consumption in Scope 1 and 2.
- Emissions associated with business travel undertaken by HIAL employees, including UK and international travel via road, rail, ferry, and air.

Table 2 HIAL Profile

Optional Scope 3 emissions reporting for the 2023/24 financial year

		Location Based		Market Based	
	Unit	**22/23**	**23/24**	**22/23**	**23/24**
Emissions from combustion of heating and transport fuels (Scope 3 WTT)	**tCO2e**	470	498	470	498
Emissions from business travel via use of public transport (Scope 3)	**tCO2e**	452	286	452	286
Emissions from purchased electricity (Scope 3 WTT, T&D, WTT and T&D)	**tCO2e**	1,589	633	589	633
Total Scope 3 CO2e emissions	**tCO2e**	**1,511**	**1,417**	**1,511**	**1,417**
Total Gross CO2e emissions (including the like-for-like CO2e per Table 1)	**tCO2e**	**5,178**	**5,407**	**3,508**	**3,602**

Table 2 notes:

1 Some emissions totals for 2022/23 have been changed since publication of the previous SECR report due to data errors and scope adjustments. The correct 2022/23 values for the comparison year are reported in Table 2.

Energy efficiency actions

Though emissions from energy use have increased overall in 2023/24, HIAL has continued to progress projects and activities to improve the energy efficiency of airport and head office sites and reduce carbon emissions during the 2023/24 financial year. This includes:

- Starting projects to replace Airfield Ground Lighting at Kirkwall and Dundee, moving to more efficient lighting systems.
- Continued rollout of electric and hybrid vehicles and ground support equipment, including trialling automatic electric lawn mowers.
- Maintained Airport Carbon Accreditation (ACA) certification at Level 1 for Inverness.
- Continued reduction in emissions from fire training by reducing training frequency and testing of equipment and introducing virtual training.
- Ongoing energy efficiency communications and campaigns to encourage behaviour change.
- Installing automatic door close sensors on appliance bay doors at fire stations to prevent heat loss.

Methodology

The carbon footprint has been calculated by Waterman Infrastructure & Environment Ltd (‘Waterman’), using a methodology aligned with the principles of the Greenhouse Gas Protocol (GHG) Standard for Corporate Accounting and Reporting produced by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). The GHG Protocol is a globally recognised standard and one of the recommended methodologies under SECR guidelines. The footprint utilises UK Government conversion factors for the year of reporting and the comparison year. For energy use, where figures were not already in kWh these have been converted using their density and gross calorific value taken from the UK Government GHG conversion factors fuel properties tab for the year of reporting. For owned vehicles this was based on the conversion factors for diesel, petrol, kerosene, propane, and gas oil.

The data captured within this year’s carbon footprint calculation has predominantly been derived from invoices from energy suppliers. Carbon emissions emitted from vehicles owned by HIAL have been calculated based on the litres of fuel consumed due to mileage not being available as a conversion metric. HIAL also have tenants where the responsibility for purchasing the energy is within HIAL’s remit, but the energy is being consumed by the tenant and is then re-charged to the tenant. Emissions from these sources were excluded from this report.

For electricity, HIAL have reported the market-based emissions alongside the mandatory location-based emissions methodology, as this reflects HIAL’s purchase of 100% REGO backed electricity during the 2023/24 financial year. With evidence to support this, all electricity supplied to HIAL by EDF Energy has been reported as zero emissions (consumption multiplied by an emission factor of zero).

Emissions from business travel activities were calculated based on business expenses data. When calculating emissions from fuel purchases, where the fuel type was not known, an assumption was made that 50% of spend is petrol and 50% is diesel. As only aggregated data on rail and ferry expenses was available, HIAL have determined a split of two-thirds rail and one-third ferry. The Sustainable Scotland Network Carbon Footprint and Project Register (CFPR) tool was used to determine costs per unit of distance travelled for the five categories of public transport (air, ferry, rail, bus and taxi). Therefore, total emissions for business travel are indicative only but demonstrate HIAL’s ongoing commitment to report Scope 3 business travel emissions.

Waterman has identified and discussed with HIAL opportunities to further improve data collection processes in future reporting years, these are summarised in the accompanying Compliance Statement.

airport carbon accredited
MAPPING

Compliance Statement

Waterman has supported HIAL to calculate HIAL's 2023/24 greenhouse gas (GHG) and environmental data for SECR reporting. This statement summarises the outcome of the process.

Assurance period

The period for which emissions are reported is 1 April 2023 to 31 March 2024.

Level and scope of assurance

Waterman has carried out a limited level assurance review of HIAL's 2023/24 GHG and environmental data, to enable HIAL to comply with the SECR requirements and guidance. The data provided covered mandatory and some voluntary reporting data. This assurance covers the emissions profile outlined above in Tables 1 and 2 for Highlands and Islands Airports Limited annual report.

Assurance methodology

The assurance of HIAL's 2023/24 greenhouse gas and environmental data by Waterman has been conducted in line with ISO 14064-3: 2019 Specification with guidance for the validation and verification of greenhouse gas statements.

Waterman's opinion

Based on Waterman's review:

1. HIAL is well prepared for complying with the SECR legislation and the requirements of the scheme in 2023/24.
2. The data that will be used to create the SECR annual report submission is comprehensive, with suitable data management practices in place.
3. Recommendations from the previous year's SECR report for improvements in data management processes have been progressed, including:
    - Monthly Environmental Performance Monitoring has been introduced, with water, electricity and fuel consumption data now gathered and reviewed on a monthly basis, allowing for earlier detection of data outliers and simplifying the end of year data collection process.
    - Environmental Performance Monitoring data is stored centrally so all airport departments can access and update the data.
    - Although out with the scope of this report, an annual data request process for Scope 3 aircraft data from airline operators has been introduced, creating efficiencies in data collection processes.
4. Opportunities remain for further improvements in data management processes, including:
    - Extending the monthly Environmental Performance Process to include waste data.
    - Updating business expenses procedures so that more accurate data is available for calculating business travel emissions. For example, mandating entry of 'from' and 'to' locations and fuel types (where relevant) for transport-related expense claims.
    - Capturing the end use for all Scope 1 fuel used at the airports so that emissions from combustion of heating and transport fuels can be reported separately.

Conclusion

Based on the review of the processes and procedures conducted, there is no evidence that the 2023/24 GHG data is not materially correct and is not a fair representation of HIAL's data and information. Waterman recommends that HIAL undertakes a similar review process in 12 months' time and routinely checks its greenhouse gas data.

Independence and competence

Waterman Group is a leading environmental and engineering consultancy, providing multidisciplinary solutions in environmental consultancy, property and buildings, power and energy, transport, and urban and regional planning. Waterman's experts provide independent advice and expertise across a broad range of environmental services, working with government agencies, local authorities, government-regulated industries and private sector clients to provide innovative, sustainable and economic solutions across a wide spectrum of business activities.

Validity of statement

This statement is valid for the greenhouse gas and environmental data assurance review, for the period from 1st April 2023 to 31st March 2024. Waterman accepts no liability whatsoever to any third party for any loss or damage arising from any interpretation or reliance upon this assessment.

Cara Labuschagne, Associate Director

For and on behalf of
Waterman Infrastructure & Environment Ltd

Carbon Footprint

Our carbon footprint is a calculation of the greenhouse gas emissions caused as a result of all HIAL's operations and activities across each year.

Market Based

A market-based methodology reflects emissions from electricity that companies have purchased. HIAL has chosen to purchase electricity from 100% renewable sources.

Scope 1

Direct emissions under HIAL's control coming from fuels burnt on site

such as heating buildings and running vehicles

BASELINE 2018/2019	2022/2023	2023/2024
2,735 tCO_2e	↓1,992* tCO_2e	↑2,184 tCO_2e

Scope 2

Indirect emissions from the generation of purchased electricity

BASELINE 2018/2019	2022/2023	2023/2024
0 tCO_2e	0 tCO_2e	0 tCO_2e

Location Based

A location-based methodology reflects the average emissions of energy consumption from the national grid.

Scope 1

Direct emissions under HIAL's control coming from fuels burnt on site

such as heating buildings and running vehicles

BASELINE 2018/2019	2022/2023	2023/2024
2,735 tCO_2e	↓1,992* tCO_2e	↑2,184 tCO_2e

Scope 2

Indirect emissions from the generation of purchased electricity

BASELINE 2018/2019	2022/2023	2023/2024
2,339 tCO_2e	↓1,670 tCO_2e	↑1,805 tCO_2e

All figures are based on tCO_2e (tonnes (t) of carbon dioxide (CO_2) equivalent (e))

*The published figures for Scope 1 emissions for 2022/23 have been updated to correct a data error and reflect scope adjustments.

Directors' Report

The directors submit their report and the group financial statements for the year ended 31 March 2024.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Lorna Jack	Chair	
Stewart Adams	Interim Chief Executive Officer	(Appointed 14 June 2023, resigned 28 March 2024)
Paul Kelsall	Chief Executive Officer	(Appointed 20 May 2024)
Inglis Lyon	Managing Director	(Resigned 14 June 2023)
Jamie Manson FCPFA	Chief Financial Officer	
Lynne Clow	Director	
Christopher Holliday	Director	
Wilhelmina Strachan	Director	
Isabel Todenhoefer	Director	

Directors' qualifying third party indemnity provisions

The directors have the benefit of the indemnity provisions contained in the company's Articles of Association. This provision, which is a qualifying third-party indemnity provision as defined by the Companies Act 2006, was in force throughout the financial year and remains in force. The parent company also obtained directors and officers liability insurance for its directors.

Auditor

The appointed auditor, Azets Audit Services have expressed their willingness to continue in office as auditor and will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to the auditor

Each director in office at the date of approval of this annual report has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board

J. Manson

Jamie Manson
Company Secretary
21 October 2024

Governance Statement

Introduction

The purpose of the Governance Statement is to explain the composition and organisation of HIAL's governance structures and how they support the achievement of HIAL's objectives. It sets out the governance structures, risk management and internal control processes that have been operating in HIAL during financial year 2023/24 and reports my assessment of the effectiveness of these arrangements.

Governance framework

HIAL is a non-departmental public body, sponsored by Transport Scotland. The broad framework in which we operate is set out in the Framework Document, which defines key roles and responsibilities that underpin the relationship between HIAL and Transport Scotland. This document forms a key part of our accountability and governance framework.

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 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.

As a non-departmental public body, HIAL is required to comply with the requirements of the SPFM. In addition, HIAL is expected to follow the guidance and best practices laid out in the Scottish Government's Audit and Assurance Committee Handbook.

The following diagram outlines the Group's governance structure in place during the year until the date of signature of the annual report and accounts.

The Board

The Board determines the overall strategic direction of the Group, taking into account the Scottish Ministers' expressed policy to encourage economic and social development in the areas served by HIAL. The Board has collective responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Highlands and Islands Airports Ltd.'s policies, aims and objectives whilst safeguarding public funds and assets. The role of the Board is defined in the Framework Document between the Scottish Government and HIAL. The HIAL Board is responsible for providing leadership, direction, support and guidance to the Company, whilst ensuring that HIAL delivers its functions efficiently and effectively and in accordance with the aims, policies and priorities of the Scottish Ministers.

Members of the HIAL Board are appointed by Scottish Ministers and have a collective responsibility for the proper conduct of HIAL's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively.

At the start of the year, the Board was composed of seven members:

- a non-executive chair,
- an executive managing director,
- an executive finance director, and,
- four non-executive directors

During the year, the executive Managing Director resigned from the Board as of 14 June 2023. An interim Chief Executive Officer was appointed to the Board on 14 June 2023, who executed the duties of the executive managing director on a temporary basis until 28 March 2024. The job titles of the executive directors were revised during the year, with the Managing Director becoming the Chief Executive Officer and the Finance Director becoming the Chief Financial Officer.

A permanent Chief Executive Officer was appointed to the Board on 20 May 2024.

Membership of the board otherwise remains in line with the Framework Document.

The Board has a clear schedule of matters reserved to it, which is reviewed and updated annually, and a clear scheme of delegation to the executive directors and other members of the executive team, which is reviewed and updated regularly.

All matters of significance including those reserved to the Board are brought for discussion and approval to the Board at its meetings. The Board meets on an approximately eight-weekly cycle, with periodic additional meetings as business dictates. A register of interests is maintained for all Board Members throughout the year.

The Assessor

The Scottish Ministers are entitled to appoint an Assessor to the Board, who may attend Board meetings but are not entitled to vote at any Board meeting or act in any capacity as a company director. During the year, a representative from Transport Scotland attended all Board meetings during the year.

Governance Statement

Board Committees

To assist the Board in discharging its duties and functions efficiently and effectively, three Board Committees have been established. These committees report and make recommendations to the Board, which allows for more focus and attention to be spent on specific matters. The Board Committees are summarised below:

Audit Committee

This committee oversees and provides advice on all finance, audit, risk, and governance matters, including the financial reporting and audit process, the system of internal controls, risk management, risk appetite and risk strategy, compliance with statutory laws, and whistleblowing and fraud. The Audit Committee receives regular reports from the senior management team, and internal and external auditors and reports audit, risk and compliance matters to the Board following each committee meeting. The Audit Committee adheres to the guidance and best practices outlined in the Scottish Government's Audit and Assurance Committee Handbook, including regular review of the Audit Committee's Terms of Reference and self-assessment of its performance.

During the year, the Audit Committee was composed of three non-executive directors, including the chair. Both executive directors (the Managing Director/Chief Executive Officer and Finance Director/Chief Financial Officer) are invited to attend Audit Committee meetings.

People Committee

This committee oversees and provides advice on all people-related matters, including the preparation, development, and implementation of HIAL's people strategy, oversight of HIAL's people policies and pension schemes, development of the annual pay remit and oversight of HIAL's succession and development plans. The People Committee provides an update on people matters to the Board following each committee meeting.

During the year, the People Committee was composed of three non-executive directors, including the Committee chair, and the Chief Executive Officer. The Chief Financial Officer and Chief People Officer are invited to attend People Committee meetings.

Safety, Security & Enviroment Committee

This committee oversees and provides advice on all operational safety, security, and environmental compliance matters. This committee fulfils the functions of a Safety Review Board as required by Civil Aviation Publication 795, Chapter 3 Safety Policy, and Objectives, and has a specific remit to monitor and report upon the following:

- safety performance against the organisation's safety policy and objectives;
- the effectiveness of the Safety Management System (SMS);
- the effectiveness of the safety oversight of sub-contracted organisations;
- the implementation of any corrective and/or mitigating actions in a timely manner; and
- the effectiveness of the organisation's safety management processes.

This Committee was formally established in April 2024 and provides an update to the Board following each committee meeting. The Safety, Security & Environment Committee comprises two non-executive directors, one of which acts as chair, the Chief Executive Officer and the Director of Safety and Compliance in their role as Accountable Manager.

Governance Statement

Board and Committee Attendance

Board Member attendance at Board and Committee meetings during the period 1 April 2023 to 31 March 2024 is shown below, for both the Highlands and Islands Airports Ltd (HIAL) Board and the Dundee Airport Limited (DAL) Board. The figures in brackets indicate the number of meetings that Board Members were eligible to attend. Additional meetings of the Board and the Audit Committee were held to facilitate the consideration and approval of the 2022/23 annual report and accounts and certain time-critical investment decisions.

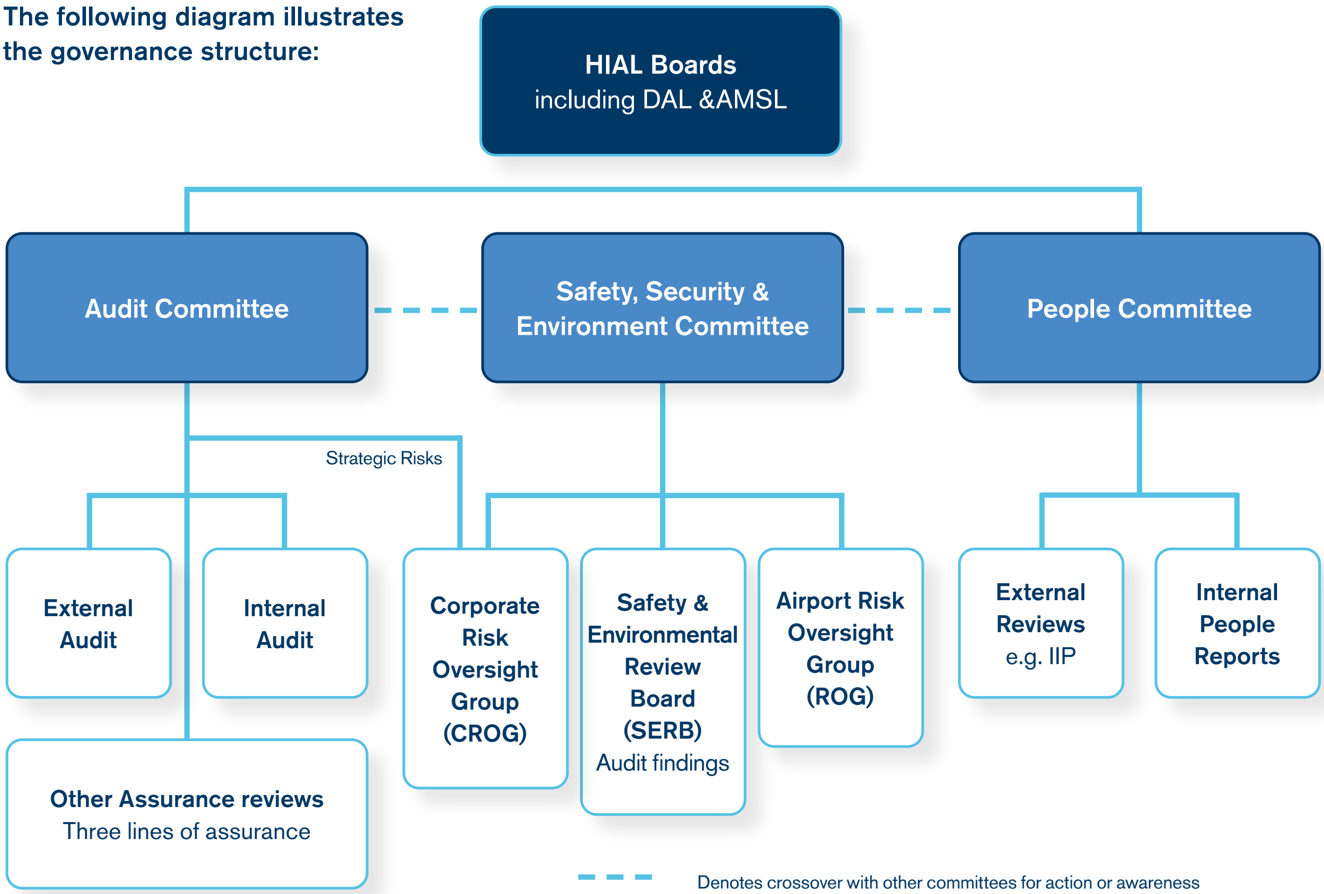
Name	HIAL Board			DAL Board		
	Position	Held	Attended	Position	Held	Attended
Lorna Jack	Chair	10	10 (10)	Chair	7	6 (7)
Stewart Adams (from 14/6/23)	Member CEO	10	8 (9)	Member CEO	7	6 (6)
Inglis Lyon (to 14/6/23)	Member MD	10	1 (1)	Member MD	7	1 (1)
Jamie Manson	Member CFO	10	10 (10)	Member CFO	7	7 (7)
Lynne Clow	NXD Member	10	10 (10)	NXD Member	7	6 (7)
Chris Holliday	NXD Member	10	10 (10)	NXD Member	7	7 (7)
Wilhelmina Strachan	NXD Member	10	8 (10)	NXD Member	7	7 (7)
Isabel Todenhoefer	NXD Member	10	9 (10)	NXD Member	7	6 (7)
Greg Colgan	N/A	N/A	N/A	NXD Member	7	7 (7)

Name	Audit Committee			People Committee		
	Position	Held	Attended	Position	Held	Attended
Lorna Jack	N/A	N/A	N/A	NXD Member	3	3 (3)
Stewart Adams (from 14/6/23)	In attendance	6	5 (5)	Member CEO	3	2 (3)
Inglis Lyon (to 14/6/23)	In attendance	6	1 (1)	Member MD	3	0 (0)
Jamie Manson	In attendance	6	6 (6)	N/A	N/A	N/A
Lynne Clow	N/A	N/A	N/A	Chair	3	3 (3)
Chris Holliday	NXD Member	6	6 (6)	N/A	N/A	N/A
Wilhelmina Strachan	Chair	6	6 (6)	N/A	N/A	N/A
Isabel Todenhoefer	NXD Member	6	6 (6)	NXD Member	3	3 (3)
Greg Colgan	N/A	N/A	N/A	N/A	N/A	N/A

NB: Board Member attendance at the Safety, Security and Environment Committee is not reported as no formal meetings took place during the period 1 April 2023 to 31 March 2024. The Committee's first formal meeting took place on 8 April 2024.

Governance Statement

The following diagram illustrates the governance structure:



Denotes crossover with other committees for action or awareness e.g. Audit Committee could refer HSE findings to the Safety, Security Environment Committee. Safety Committee could highlight a specific HSE incident to the Audit and/or People Committee which may have wider organisational implications.

Internal audit

A programme of internal audit was approved by the Audit Committee and undertaken by the appointed internal auditors, Wylie Bisset LLP. The contract term came to an end on 30 September 2023 and HIAL is currently tendering for a new supplier of internal audit services. No internal audit reviews have taken place since 1 October 2023.

During the year, the Audit Committee requested an internal review of the governance arrangements in place to manage HIAL's involvement in the Sustainable Aviation Test Environment (SATE) Programme. The review concluded that the governance arrangements in place to manage this programme were weak and made 15 recommendations in respect of improvements to address weaknesses identified during the review. By 31 March 2024, the Audit Committee considered 9 of the 15 recommendations had been addressed and 6 remained in progress. The Audit Committee continues to monitor progress of the implementation of outstanding recommendations.

Purpose of the system of internal control

The system of internal control is designed to mitigate rather than eliminate the risk of failure to achieve the group's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is an active process designed to identify the principal risks to the achievement of the group's aims, objectives, and policies, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically.

The Group's systems and processes are consistent with the SPFM and have been in place for the year ended 31 March 2024 and up to the date of approval of the annual report and accounts.

Governance Statement

Risk and control framework

All bodies subject to the requirements of the SPFM 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. All areas of group risk are managed through the Risk Oversight Group and the senior management team who report through the Audit Committee, to the Board, of both the HIAL Group and DAL. The Board, through the Chief Executive Officer, is responsible for the overall risk management of the business however responsibility for specific risk management areas have been delegated to individual directors and managers.

The terms of reference for the Risk Oversight Group are as follows:

- Identify new and emerging risks (including opportunities) facing the Group and its operations;
- Ensure significant risks are being effectively managed across the business by reviewing the Group risk register and updating as necessary, considering the Group's risk exposure;
- Escalate risks to the HIAL Board and the Scottish Government Sponsor Unit as appropriate;
- Coordinate cross functional activities to ensure effective, efficient controls are developed and maintained;
- Review the operation of internal controls within the Group and identify any gaps;
- Review the operation of risk and safety management activities within the Group and identify any gaps;
- Recommend improvements to procedures and processes to reflect best business practice and the needs of the business;
- Support and review continuity and recovery plans ensuring the business remains resilient against all eventualities i.e., business continuity plans, pandemic plans etc;
- Identify common trends arising from internal/external audits, incident investigations, lessons learnt etc. and drive forward recommendations for suitable actions;
- Promote and encourage ownership of corporate responsibility regarding risk management;
- Drive forward new risk management initiatives within the business;
- Communicate risk and share good practice;
- Review and monitor risk management training; and
- Undertake specific activities as directed by the Group boards.

Safety Management System

The Safety Management System provides a robust framework for the management of safety within the business. Each member of staff is encouraged to work within the framework and to work with the various management teams in improving the framework where it is necessary. We all have a responsibility for working in a safe manner. The application of effective aviation safety management systems is integral to all our aviation activities with the objective of achieving the highest levels of safety standards and performance. We ensure currency through regular training using internal and external providers.

Review of Effectiveness

As Chief Executive Officer, I have overall responsibility for maintaining sound systems of internal control, which support the achievement of the Group's policies, aims and objectives set by the Scottish Ministers, while safeguarding public funds and assets. As a non-departmental public body, the HIAL Group operates in an open and accountable manner, providing high quality public services. We are committed to accessibility, openness and accountability and aim for the highest standards in corporate governance. Notwithstanding issues caused by the lack of internal audit services during the year (and the assurances that such a function provides to the senior management team, Audit Committee and the Board), I am satisfied that the governance arrangements, systems and processes in place across the HIAL Group have offered effective control and have facilitated the achievement of the Group's objectives and accountabilities of Highlands and Islands Airports Limited during 2023/24.

Paul Kelsall
Chief Executive Officer
21 October 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with UK adopted international accounting standards (UK adopted IAS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Kirkwall Airport

Independent Auditor's report to the members of Highlands and Islands Airports Limited

Opinion

We have audited the financial statements of Highlands and Islands Airports Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Group Income Statement, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company Balance Sheet, the Group and company Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the UK.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as of 31 March 2024, and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- The parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor’s report to the members of Highlands and Islands Airports Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the members of Highlands and Islands Airports Limited

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx**. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities including fraud

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

We obtain and update our understanding of the group and the company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the group and the company is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the group and the company that were contrary to applicable laws and regulations, including fraud.


Wick John O'Groats Airport

Independent Auditor's report to the members of Highlands and Islands Airports Limited

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and the parent company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the parent company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group and the parent company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the group and parent company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Allison Gibson (Senior statutory auditor)
Azets Audit Services, Statutory Auditor
Titanium 1
King's Inch Place
Renfrew
Glasgow
PA4 8WF
13 November 2024

Group Income Statement

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £000	2023 £000
Revenue	3	**29,232**	26,971
Cost of sales		**(55,907)**	(54,126)
Gross loss		**(26,675)**	(27,155)
Administrative expenses		**(10,670)**	(9,790)
Other income	4	**38,940**	38,005
Other gains/(losses)	6	**218**	578
Operating profit	5	**1,813**	1,638
Share of operating loss in joint venture	12	**150**	(30)
Finance (costs)	8	**(79)**	(113)
Other finance cost – pensions	21	**(525)**	(1,296)
Profit from continuing operations before tax		**1,359**	199
Tax charge	9	**-**	-
Profit from continuing operations		**1,359**	199

All activities relate to continuing operations.

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024	2023
		£000	£000
Profit for the year		**1,359**	199
Other comprehensive income:			
Actuarial gains	21	**616**	30,470
Tax on items relating to components of other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**616**	30,470
Total comprehensive income for the year		**1,975**	30,669

Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024	2023
		£000	£000
Profit/(Loss) for the year		**2,212**	(663)
Other comprehensive income:			
Actuarial gains/(losses)	21	**3,955**	25,066
Tax on items relating to components of other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**3,955**	25,066
Total comprehensive income for the year		**6,167**	24,403

Group Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2024

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2022	50	(35,897)	(35,847)
(Loss) in year attributable to equity holders	-	199	199
Other comprehensive income	-	30,470	30,470
At 31 March 2023	50	(5,228)	(5,178)

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2023	50	(5,228)	(5,178)
Profit in year attributable to equity holders	-	1,359	1,359
Other comprehensive income	-	616	616
At 31 March 2024	**50**	**(3,253)**	**(3,203)**

Company Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2024

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2022	50	(28,430)	(28,380)
(Loss) in year attributable to equity holders	-	(663)	(663)
Other comprehensive income	-	25,066	25,066
At 31 March 2023	50	(4,027)	(3,977)

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2023	50	(4,027)	(3,977)
Profit in year attributable to equity holders	-	2,212	2,212
Other comprehensive income	-	3,955	3,955
At 31 March 2024	**50**	**2,140**	**2,190**

Group Statement of Financial Position

AS AT 31 MARCH 2024

	Notes	2024	2023
ASSETS		**£000**	£000
Non-current assets			
Property, plant and equipment	10	**161,692**	163,370
Investment properties	11	**3,686**	3,399
Investments accounted for using the equity method	12	**80**	(62)
Intangible assets	13	**55**	55
		165,513	166,762
Current assets			
Trade and other receivables	14	**6,975**	8,864
Inventories	15	**81**	104
Cash and cash equivalents	16	**429**	3,730
		7,485	12,698
Total assets		**172,998**	179,460
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(12,488)**	(16,114)
		(12,488)	(16,114)
Non-current liabilities			
Loan	18	**(2,307)**	(3,539)
Defined benefit pension scheme deficit	21	**(3,867)**	(5,796)
Deferred subsidies	19	**(157,539)**	(159,189)
		(163,713)	(168,524)
Total liabilities		**(176,201)**	(184,638)
NET LIABILITIES		**(3,203)**	(5,178)
EQUITY			
Ordinary shares	22	**50**	50
Retained earnings		**(3,253)**	(5,228)
		(3,203)	(5,178)

These financial statements were authorised by for issue by the Board of Directors on 21 October 2024 and signed on its behalf by:

Lorna Jack
Chair

Paul Kelsall
Chief Executive Officer

Company Statement of Financial Position

AS AT 31 MARCH 2024

ASSETS	Notes	2024 £000	2023 £000
Non-current assets			
Property, plant and equipment	10	**153,116**	153,756
Investment properties	11	**3,686**	3,399
Investments	12	**1,998**	1,998
		158,800	159,153
Current assets			
Trade and other receivables	14	**10,081**	11,217
Inventories	15	**17**	65
Cash and cash equivalents	16	**223**	3,304
		10,321	14,586
Total assets		**169,121**	173,739

LIABILITIES	Notes	2024 £000	2023 £000
Current liabilities			
Trade and other payables	17	**(11,875)**	(15,637)
		(11,875)	(15,637)
Non-current liabilities			
Loan	18	**(2,307)**	(3,539)
Defined benefit pension scheme deficit	21	**(3,867)**	(9,009)
Deferred subsidies	19	**(148,882)**	(149,531)
		(155,056)	(162,079)
Total liabilities		**(166,931)**	(177,716)
NET ASSETS/(LIABILITIES)		**2,190**	(3,977)

EQUITY	Notes	2024 £000	2023 £000
Ordinary shares	22	**50**	50
Retained earnings		**2,140**	(4,027)
		2,190	(3,977)

These financial statements were authorised by for issue by the Board of Directors on 21 October 2024 and signed on its behalf by:

Lorna Jack
Chair

Paul Kelsall
Chief Executive Officer

Group Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £000	2023 £000
Cash flows from operating activities			
Cash used in operations	23	**(1,131)**	(5,594)
Purchase of property, plant and equipment		**(12,302)**	(22,789)
Purchase of investment property		**(275)**	-
Proceeds from sale of property, plant and equipment		**211**	8,567
Receipt of capital subsidy		**11,812**	17,376
Tax paid		**-**	-
Net cash flow from operating activities		**(1,685)**	(2,440)
Cash flows from investing activities			
Increase in loan to joint venture		**(26)**	(25)
Net cash flow from investing activities		**(26)**	(25)
Cash flows from financing activities			
Loan received		**656**	1,630
Loan repaid		**(2,167)**	(1,983)
Interest received/(paid)		**(79)**	(113)
Net cash flow from financing activities		**(1,590)**	(466)
Decrease in cash and cash equivalents		**(3,301)**	(2,931)
Cash and cash equivalents at the beginning of the year		**3,730**	6,661
Cash and cash equivalents at the end of the year		**429**	3,730

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £000	2023 £000
Cash flows from operating activities			
Cash used in operations	23	**(973)**	(6,003)
Purchase of property, plant and equipment		**(11,924)**	(21,978)
Purchase of investment property		**(275)**	-
Proceeds from sale of property, plant and equipment		**210**	8,578
Receipt of capital subsidy		**11,434**	16,839
Tax paid		**-**	-
Net cash flow from operating activities		**(1,528)**	(2,564)

Cash flows from investing activities		
Increase in loan to joint venture	**(26)**	(25)
Net cash flow from investing activities	**(26)**	(25)

Cash flows from financing activities		
Loan received	**656**	1,629
Loan repaid	**(2,099)**	(1,983)
Interest (paid)	**(84)**	(113)
Net cash flow from financing activities	**(1,527)**	(467)

Decrease in cash and cash equivalents	**(3,081)**	**(3,056)**
Cash and cash equivalents at the beginning of the year	**3,304**	**6,360**
Cash and cash equivalents at the end of the year	**223**	**3,304**

Notes to the Financial Statements

1. Authorisation of financial statements and Statement of Compliance

The financial statements of Highlands and Islands Airports Limited and its subsidiaries (the Group) for the year ended 31 March 2024 were authorised for issue by the Board of Directors on 21 October 2024 and the Balance Sheet was signed on the Board's behalf by Lorna Jack and Paul Kelsall.

The Group's financial statements have been prepared in accordance with UK-adopted International Accounting Standards (UK-adopted IAS).

The principal accounting policies adopted by the Group are set out in note 2.

2.1 Accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention modified to account for investment property and the defined benefit pension scheme at fair value. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated. The Company is exempt from the requirement to file an individual profit and loss account under section 408 of the Companies Act 2006.

(b) Going concern

On the basis of the information available to them, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

As a result of the IAS 19 pension deficit, the Group has net liabilities of £3.203m and the Company has net assets of £2.190m at 31 March 2024. This net liability position results from bringing a long-term pension liability onto the balance sheet and does not reflect the Group or Company's ability to continue as a going concern or to meet its liabilities as they fall due. Accordingly, the Group and the Company continue to adopt the going concern basis in preparing their annual financial statements.

2.2 Basis of consolidation

The consolidated Financial Statements comprise the financial statements of Highlands and Islands Airports Limited and its subsidiaries as at 31 March 2024.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

All intra-group balances, income, expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Significant accounting policies

(a) Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue From Contracts with Customers and comprises amounts received and receivable in respect of airport services provided in the UK. Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The principal revenue stream is airport charges which are recognised as the associated service is provided. In addition, rental income is earned through the leasing of buildings and/or parts of buildings to various tenants and is recognised on a straight-line basis over the rental period. Revenue, exclusive of value added tax, derived from aircraft leases is recognised on a straight-line basis over the period of the lease.

(b) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

Government subsidies are received from Scottish Government in accordance with Section 34 of the Civil Aviation Act 1982 along with other revenue and capital grants. Government grants in respect of capital expenditure are credited to a deferred income account and are released to the Income Statement by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to other income so as to match them with the expenditure to which they relate. All deferred subsidies are within non-current liabilities.

(c) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and;
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the Income Statement.

(d) Pensions

The Group participates in two defined benefit schemes and one defined contribution scheme. The Company operates the Highlands and Islands Airports Pension Scheme, a defined benefit scheme. Employees of Dundee Airport participate in the Tayside Superannuation Fund, operated by Dundee City Council. The Group also participates in the People's Pension Scheme, which is a defined contribution scheme which Group employees join through auto-enrolment.

The cost of providing the benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to a pension plan, past service costs are recognised immediately.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The interest on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the interest on plan assets and the interest cost on obligations is recognised in the Income statement as other finance revenue or cost.

The Group has applied the option in IAS 19 Employee benefits to recognise actuarial gains and losses in full in the Statement of Comprehensive Income in the period in which they occur.

The defined benefit surplus or deficit comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled.

The group also participates in a defined contribution scheme. The cost of these schemes are written off to the Income Statement on an accruals basis.

(e) Property, plant, and equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the Income Statement as an expense when incurred.

(e) Property, plant, and equipment (continued)

Depreciation is provided on the cost less residual value of all property, plant, and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Land and Buildings Freehold

Land	not depreciated
Freehold buildings	over 6 years to 60 years
Leasehold land and buildings	over life of the lease to a max of 50 years
Car parks	over 10 years to 45 years
Assets under construction	Not depreciated until the asset is brought into operational use

Plant and Equipment

Navigation aids	over 5 years to 20 years
Runways, aprons & main services	over 3 years to 50 years
Aircraft & Aircraft Spares	over 25 years
Vehicles	over 5 years to 10 years
Specialist airport vehicles	over 10 years to 20 years
Plant and IT equipment	over 3 years to 10 years
Furniture and fittings	over 3 years to 5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

Aircraft are stated at cost less accumulated depreciation. Costs include directly attributable expenses associated with bringing the aircraft into a condition to be available for use.

(f) Business combinations

The acquisition of subsidiaries is accounted for under IFRS 3 Business Combinations using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition irrespective of the extent of any minority interest.

(g) Investments in joint ventures

Entities in which the Group holds a long-term interest and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. The Group recognises its interest in joint ventures using the equity method. The Group presents its aggregate share of the profit or loss of joint ventures on the face of the Income Statement and the investments are presented as non-current assets on the face of the Balance Sheet.

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the Income Statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For transfers from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of the change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

(i) Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets acquired in a business combination are initially measured at cost being their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their finite useful economic life.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income statement in the expense category consistent with the function of the intangible asset.

The following useful lives are used in the calculation of amortisation:

Intangible assets – 7-60 years in relation to lease contracts.

(j) Impairment of non-financial assets

Many of the Group's non-financial assets, including goodwill, have been 100% funded by grants. In accordance with IAS 36 Impairment of assets, a grant recognised as deferred income that relates to a non-financial asset is deducted from the carrying amount of the asset for purposes of an impairment test for that asset. Therefore, no impairment testing of non-financial assets is required, where those assets have been funded by grants.

For those assets which have not been fully grant funded the Group assesses whether there are any indicators of impairment at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An asset or cash generating unit's recoverable amount is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash generating unit's recoverable amount. A previous impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

(k) Cash and short-term deposits

Cash and short-term deposits consist of cash at bank and cash in hand.

(l) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

Net realisable value is based on an estimated selling price less any further costs expected to be incurred to completion and disposal.

(n) Trade and other receivables

Trade receivables, which generally have 30-day credit terms, are recognised, and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the Financial Statements

(o) Financial assets

Financial assets, within the scope of IAS 39 Financial Instruments: Recognition and Measurement, are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, evaluates this designation at each financial year-end.

When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, being the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification. The Group have no financial assets at fair value through profit or loss, nor any held-to-maturity investments. The Group have trade receivables and the Group has made a long-term loan to Inverness Airport Business Park Limited (IABP), the entity over which it has joint control. This constitutes a financial asset and is classified under Loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest rate (EIR) method if the time value of money is significant. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(p) Financial liabilities

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less, or as non-current liabilities if payment is due in more than one year.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost.

(q) Financial asset impairment review

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. The Group has trade receivables and short-term loan receivables. The assets are reviewed for impairment as follows:

Assets carried at amortised cost

In relation to trade receivables and short-term loan receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

2.4 Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements, estimates and assumptions have had the most significant effect on amounts recognised in the consolidated financial statements:

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the Income Statement. The Group engaged independent valuation specialists to determine the fair value as at 31 March 2024. For the investment properties, the valuer used a valuation technique based on an adapted discounted cash flow model as there is a lack of comparable market data because of the nature of the properties.

The determined fair value of the investment properties is most sensitive to the estimated yield. The key assumptions used to determine the fair value of the investment properties are further explained in note 11.

Defined benefit pension schemes

The cost of the defined benefit pension schemes is determined using actuarial valuations. The actuarial valuations involved making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 21.

2.5 Changes in accounting policy and disclosures - new and amended standards and interpretations

The following standards and interpretations are mandatory for the first time for the year ended 31 March 2024 but are either not applicable or have no material impact on the Group's financial statements.

Title	Implementation	Effect on Group
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	The amendments are effective immediately upon issuance	No material impact on the Financial Statements is expected
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	Annual periods beginning on or after 1 January 2024	No material impact on the Financial Statements is expected
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	Annual periods beginning on or after 1 January 2024	No material impact on the Financial Statements is expected
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	Annual periods beginning on or after 1 January 2024	No material impact on the Financial Statements is expected
Lack of exchangeability – Amendments to IAS 21	Annual periods beginning on or after 1 January 2025	No material impact on the Financial Statements is expected
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Pending	No material impact on the Financial Statements is expected

Notes to the Financial Statements

2.6 Changes in accounting policy and disclosures - standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Title	Implementation	Effect on Group
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later.	No material impact on the Financial Statements is expected
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	Annual periods beginning on or after 1 January 2024*	No material impact on the Financial Statements is expected
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	Annual periods beginning on or after 1 January 2024*	No material impact on the Financial Statements is expected
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	Annual periods beginning on or after 1 January 2024*	No material impact on the Financial Statements is expected
Lack of exchangeability – Amendments to IAS 21	Annual periods beginning on or after 1 January 2025*	A full impact assessment will be undertaken in due course
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Pending	No material impact on the Financial Statements is expected

Management currently foresees no material impact by the adoptions on the financial statements of the Group in the period of initial application. However, this will be assessed further upon implementation.

* At the time of publication, none of these standards have been endorsed for use in the UK and will not be adopted until such time as endorsement has been confirmed.

3. Revenue

Revenue recognised in the Income Statement is analysed as follows:

	2024	2023
	£000	£000
Revenue from airport charges	**22,333**	21,605
Concession revenues	**3,724**	3,178
Rental income	**3,175**	2,188
Total revenue	**29,232**	26,971

4. Other income

	2024	2023
	£000	£000
Government grants, other grants & services rendered	**38,940**	38,005
	38,940	38,005

The Group receives an operating subsidy, which is receivable from Scottish Government, for the continuation of operations at its 11 airports. Dundee airport is operated through a subsidiary. In addition, the Air Discount Scheme receives a payment for services rendered. The amount received in 2024 and 2023 was as follows:

		2024	2023
Revenue		**£000**	£000
Scottish Government	Operating subsidy	**38,221**	37,882
Scottish Government	Air Discount Scheme	**184**	123
Miscellaneous	Miscellaneous	**535**	-
		38,940	38,005
Capital			
Scottish Government and other bodies	Operating subsidy and grants	**11,812**	17,987
		50,752	55,992

Notes to the Financial Statements

5. Group operating profit

This is stated after charging/(crediting):	2024 £000	2023 £000
Increase/(decrease) in fair value of investment properties	**12**	(279)
Depreciation of property, plant and equipment	**13,418**	11,864
Deferred subsidies release	**(12,905)**	(14,946)
Operating lease payments	**-**	-
Auditor's remuneration – audit services	**61**	65

6. Other gains & (losses)

	2024 £000	2023 £000
Gain on disposals of property, plant and equipment	**206**	578
Increase in fair value of investment properties	**12**	-
	218	578

7. Employee benefit expense

	2024 £000	2023 £000
Wages and salaries	**30,834**	28,955
Social security costs	**3,616**	3,284
Pension costs	**6,638**	6,757
Other staff costs	**1,407**	1,263
	42,495	40,259

The pension costs are in respect of defined benefit schemes and the defined contribution scheme.

The average monthly number of employees, including casuals, during the year was made up as follows:

	2024 No.	2023 No.
Administration	**25**	27
Air Discount Support (ADS)	**4**	3
Airport Fire Service	**190**	190
Apron Operations	**-**	1
Air Traffic Services	**116**	118
Air Traffic Management Services (ATMS)	**-**	3
Engineering	**20**	21
Head Office	**77**	77
Management	**26**	25
Security	**242**	236
	700	701

7. Employee benefit expense (continued)

Directors' remuneration	**2024 £000**	2023 £000
Emoluments	**324**	244
Pension contributions	**43**	42

Directors' emoluments, including pension contributions, fell within the following ranges:

	2024 No.	2023 No.
£0 to £5,000	**-**	-
£5,001 to £10,000	**4**	4
£10,001 to £20,000	**-**	-
£20,001 to £60,000	**2**	3
£60,001 to £145,000	**2**	-
£145,001 to £155,000	**-**	-
£155,001 to £165,000	**-**	1

The emoluments of the highest paid director were £133,627 (2023: £124,412) excluding pension contributions of £5,919 (2023: £37,580).

The emoluments of the Chair were £24,756 (2023: £23,760).

The Group made pension contributions for three directors during the year.

8. Finance (costs)/revenue

	2024 £000	2023 £000
Bank interest receivable/(payable)	**79**	23
Other finance (loss)/income	**(151)**	(126)
Interest Right of Use Asset	**(7)**	(10)
	(79)	(113)

Notes to the Financial Statements

9. Taxation

(a) Tax charged in the Income Statement

	2024 £000	2023 £000
Current income tax:		
Current income tax	-	-
Amounts overprovided in previous years	-	-
Total current income tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Effect of decreased tax rate on closing liability	-	-
Total deferred tax	-	-
Tax expense in the Income Statement		
Income tax on continuing operations	-	-
The tax expense in the Income Statement is disclosed as follows:	-	-

(b) Tax relating to items charged or credited to other comprehensive income

	2024 £000	2023 £000
Tax on defined benefit pension scheme	-	-
Total current income tax	-	-
Deferred tax:		
Deferred tax on defined benefit pension scheme	-	-
Total deferred tax	-	-
Tax expense in Statement of Other Comprehensive Income	-	-

Notes to the Financial Statements

9. Taxation (continued)

(c) Reconciliation of the total tax charge

The tax charge in the Income Statement for the year is lower than the standard rate of corporation tax in the United Kingdom of 25% (2023: 19%). The differences are reconciled below:

	2024	2023
	£000	£000
Accounting profit before income tax	**1,359**	199
Accounting profit multiplied by the UK standard rate of tax of 25% (2023: 19%)	**340**	38
Expenses not deductible for tax purposes	**29**	32
Tax losses carried forward	**26**	87
Tax losses utilised	**(346)**	(238)
Government grants exempt from tax	**(3,061)**	(1,919)
Pension provisions not tax deductible	**(325)**	(37)
Adjustment in respect of IFRS	**251**	(168)
Adjustment relating to sale of assets	**1**	50
Net depreciation in excess of capital allowances	**2,143**	2,143
Chargeable gains	**-**	10
Share of JV not tax deductible	**(38)**	2
Deferred tax movement per note 9 (d)	**-**	-
Total tax charge reported in the Income Statement	**-**	-

(d) Deferred tax

The deferred tax included in the Group and Company Balance Sheet and Income Statement is as follows:

	Balance Sheet		**Income Statement**	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Deferred tax liability				
Accelerated capital allowances	**12,414**	12,866	**(452)**	4,815
Revaluations of investment properties	**135**	135	**-**	(68)
	12,549	13,001	**(452)**	4,747
Deferred tax asset				
Accelerated capital allowances	**-**	-	**-**	-
Pensions	**967**	1,449	**(482)**	(7,889)
Tax losses carried forward	**1,656**	2,183	**(527)**	20
Deferred revenue	**12,105**	12,497	**(392)**	4,875
Deferred tax not recognised	**(2,179)**	(3,128)	**949**	7,741
	12,549	13,001	**(452)**	4,747
Disclosed on the Group and Company Balance Sheet and Income Statement				
Deferred tax (liability)	**-**	-	**-**	-

A deferred tax asset has not been recognised in respect of temporary differences related to historical trading losses incurred by the Group, which will be recovered only if the Group begins to make significant taxable profit. There is insufficient evidence that this asset will be recovered to allow its recognition in the financial statements.

Notes to the Financial Statements

10. Property, plant and equipment

Group

	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2022	72,526	207,467	25,377	305,370
Additions	55	756	19,554	20,365
Disposals	(3,181)	(4,929)	-	(8,110)
Impairment	-	-	(4,652)	(4,652)
Transfer	3,701	17,159	(20,860)	-
At 31 March 2023	73,101	220,453	19,419	312,973
Depreciation and impairment:				
At 1 April 2022	(43,663)	(98,799)	-	(142,462)
Provided during the year	(2,468)	(9,396)	-	(11,864)
Disposals	497	4,226	-	4,723
At 31 March 2023	(45,634)	(103,969)	-	(149,603)
Net book value:				
At 31 March 2023	27,467	116,484	19,419	163,370
At 31 March 2022	28,863	108,668	25,377	162,908

Group

	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2023	73,101	220,453	19,419	312,973
Additions	-	-	12,302	12,302
Disposals	(242)	(786)	(521)	(1,549)
Transfers	3,387	20,875	(24,262)	-
At 31 March 2024	**76,246**	**240,542**	**6,938**	**323,726**
Depreciation and impairment:				
At 1 April 2023	(45,634)	(103,969)	-	(149,603)
Provided during the year	1,244	(14,662)	-	(13,418)
Disposals	242	745	-	987
At 31 March 2024	**(44,148)**	**(117,886)**	**-**	**(162,034)**
Net book value:				
At 31 March 2024	**32,098**	**122,656**	**6,938**	**161,692**
At 31 March 2023	27,467	116,484	19,419	163,370

10. Property, plant and equipment (continued)

Company	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2022	68,585	185,140	24,795	278,520
Additions	55	-	19,499	19,554
Disposals	(3,181)	(4,841)	-	(8,022)
Impairment	-	-	(4,652)	(4,652)
Transfers	3,701	16,680	(20,381)	-
At 31 March 2023	69,160	196,979	19,261	285,400
Depreciation and impairment:				
At 1 April 2022	(36,934)	(88,512)	-	(125,446)
Provided during the year	(2,388)	(8,442)	-	(10,830)
Disposals	497	4,135	-	4,632
At 31 March 2023	(38,825)	(92,819)	-	(131,644)
Net book value:				
At 31 March 2023	30,335	104,160	19,261	153,756
At 31 March 2022	31,651	96,628	24,795	153,074

Company	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2023	69,160	196,979	19,261	285,400
Additions	-	-	11,924	11,924
Disposals	(242)	(673)	(521)	(1,436)
Transfers	3,387	20,652	(24,039)	-
At 31 March 2024	**72,305**	**216,958**	**6,625**	**295,888**
Depreciation and impairment:				
At 1 April 2023	(38,825)	(92,819)	-	(131,644)
Provided during the year	(2,339)	(9,663)	-	(12,002)
Disposals	242	632	-	874
At 31 March 2024	**(40,922)**	**(101,850)**	**-**	**(142,772)**
Net book value:				
At 31 March 2024	**31,383**	**115,108**	**6,625**	**153,116**
At 31 March 2023	30,335	104,160	19,261	153,756

Notes to the Financial Statements

11. Investment property

Investment properties are stated in the balance sheet at fair value as shown below:

	Group 2024 £000	Company 2024 £000	Group 2023 £000	Company 2023 £000
Valuation at 1 April	**3,399**	**3,399**	718	718
Additions	**275**	**275**	2,960	2,960
Disposals	**-**	**-**	-	-
Fair value adjustment	**12**	**12**	(279)	(279)
Valuation as at 31 March	**3,686**	**3,686**	3,399	3,399

Fair value has been determined based on market valuations, in accordance with valuation standards published by the Royal Institution of Chartered Surveyors. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and relied on historical transactional comparables.

The selected heritable properties forming part of Highlands and Islands Airports Limited landside assets were valued as at 31 March 2024 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the RICS Valuation – Global Standards 2022 of the Royal Institution of Chartered Surveyors (RICS). The valuations of these assets were on the basis of Fair Value, represented by market value.

The critical assumptions made relating to valuations are set out below:

	2024	2023
Yields (%)	**5.0% - 24.6%**	8.5% - 22.0%

12. Investments

(a) Investment in joint ventures

Highlands and Islands Airports Limited owns 34% of the ordinary share capital and 87% of the redeemable shares in Inverness Airport Business Park Limited (IABP), a jointly controlled entity which is a property investment company. The Group accounts for its interest in IABP using the equity method.

The share of assets, liabilities, income and expenses of the jointly controlled entity at 31 March and for the years then ended are as follows:

	2024	2023
	£000	£000
Share of the joint venture's balance sheet:		
Non-current assets	**80**	(62)
Current assets	**-**	-
Current liabilities	**-**	-
Non-current liabilities	**-**	-
Share of other reserves	**-**	-
Share of net assets/(liabilities)	**80**	(62)

	2024	2023
	£000	£000
Share of the joint venture's results:		
Revenue	**181**	22
Net operating expenses	**(31)**	(34)
Loss before taxation	**150**	(12)
Tax expense	**-**	(18)
Profit/(Loss) after taxation	**150**	(30)

The financial statements of IABP are prepared for the same reporting period as the Group financial statements.

(b) Details of Group undertakings

Name of company	**Holding**	**Proportion of voting rights and shares held**	**Nature of business**
Subsidiary undertakings:			
Airport Management Services Limited	Ordinary shares	100%	Airport services
Dundee Airport Limited	Ordinary shares	100%	Airport operations
Highland Airways Limited	Ordinary shares	100%	Dormant
Joint ventures:			
Inverness Airport Business Park Limited	Ordinary shares	34%	Property investment
Inverness Airport Business Park Limited	Redeemable shares	87%	Property investment

Notes to the Financial Statements

12. (b) Details of Group undertakings (continued)

Company

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost:			
At 1 April 2022	10	1,988	1,998
Acquisitions	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 March 2023	10	1,988	1,998
At 1 April 2022	-	-	-
Amortisation during the year	-	-	-
Impairment charges	-	-	-
Disposals	-	-	-
At 31 March 2023	-	-	-
Net book value:			
At 31 March 2023	10	1,988	1,998
At 31 March 2022	10	1,988	1,998

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost:			
At 1 April 2023	10	1,988	1,998
Acquisitions	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 March 2024	**10**	**1,988**	**1,998**
Amortisation and impairment:			
At 1 April 2023	-	-	-
Amortisation during the year	-	-	-
Impairment charges	-	-	-
Disposals	-	-	-
At 31 March 2024	**-**	**-**	**-**
Net book value:			
At 31 March 2024	**10**	**1,988**	**1,998**
At 31 March 2023	10	1,988	1,998

13. Intangible fixed assets

Group

	Total £000
Cost:	
At 1 April 2022	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2023	540
Amortisation and impairment:	
At 1 April 2022	(485)
Amortisation during the year	-
Impairment charges	-
Disposals	-
At 31 March 2023	(485)
Net book value:	
At 31 March 2023	55
At 31 March 2022	55
Cost:	
At 1 April 2023	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2024	**540**
Amortisation and impairment:	
At 1 April 2023	(485)
Amortisation during the year	-
Impairment charges	-
Disposals	-
At 31 March 2024	**(485)**
Net book value:	
At 31 March 2024	**55**
At 31 March 2023	55

Intangibles relate to leasing contracts acquired as part of the acquisition of Dundee Airport Limited. This intangible asset was grant funded. The asset was initially recorded at its fair value of £170,500 and subsequently measured under the cost model. The assets are being amortised over the periods over which the contractual cash flows are expected to arise. Amortisation is included within administrative expenses. The intangible assets have a useful life of 47 years at 31 March 2024.

The following useful lives were used in the calculation of amortisation:

Intangible Assets – 7-60 years in relation to the lease contracts

Notes to the Financial Statements

14. Trade and other receivables

Group

	2024 £000	2023 £000
Trade receivables	**2,615**	3,761
Less: provision for impairment of receivables	**(136)**	(36)
Trade receivables net of impairment	**2,479**	3,725
Receivables from joint ventures	**1,887**	1,861
Prepayments and other accrued income	**1,316**	1,352
Other receivables	**1,293**	1,926
	6,975	8,864

Company

	2024 £000	2023 £000
Trade receivables	**2,416**	3,279
Less: provision for impairment of receivables	**(121)**	(21)
Trade receivables net of impairment	**2,295**	3,258
Receivables from joint ventures	**1,887**	1,861
Prepayments and other accrued income	**1,195**	1,268
Other receivables	**4,704**	4,830
	10,081	11,217

15. Inventories

	Group 2024 £000	Company 2024 £000	Group 2023 £000	Company 2023 £000
Aviation fuel	**64**	**-**	39	-
Spares	**17**	**17**	65	65
	81	**17**	104	65

Notes to the Financial Statements

16. Cash and cash equivalents

For the purposes of the Group Statement of Cash Flows, cash and cash equivalents comprise the following:

Group	2024 £000	2023 £000
Cash at bank	**429**	3,730
Short term deposits	**-**	-
	429	3,730

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Company	2024 £000	2023 £000
Cash at bank	**223**	3,304
Short term deposits	**-**	-
	223	3,304

17. Trade and other payables

Group	2024 £000	2023 £000
Loans (note 18)	**1,885**	2,165
Trade payables	**2,955**	1,019
IFRS lease creditor	**328**	375
Other creditors and accruals	**7,320**	12,555
	12,488	16,114

Company	2024 £000	2023 £000
Loans (note 18)	**1,872**	2,083
Trade payables	**2,876**	1,007
Amounts owed to other Group companies	**473**	1,229
IFRS lease creditor	**328**	375
Other creditors and accruals	**6,326**	10,945
	11,875	15,637

18. Loans

Group

	2024 £000	2023 £000
Unsecured loans wholly repayable within five years, repayable in half-yearly instalments	**4,192**	5,704
Less repayable within twelve months (note 17)	**(1,885)**	(2,165)
	2,307	3,539

Instalments on the loans included above are repayable as follows:		
between one and two years	**1,523**	1,739
between two and five years	**784**	1,800
after five years	**-**	-
	2,307	3,539

Company

	2024 £000	2023 £000
Unsecured loans wholly repayable within five years, repayable in half-yearly instalments	**4,179**	5,622
Less repayable within twelve months (note 17)	**(1,872)**	(2,083)
	2,307	3,539

Instalments on the loans included above are repayable as follows:		
between one and two years	**1,523**	1,739
between two and five years	**784**	1,800
after five years	**-**	-
	2,307	3,539

At 31 March 2024 the Group and company had 7 loans outstanding (2023: 6). The loans are repayable to the Scottish Ministers at an interest rate between 1.9% and 6.65%. The loans are repayable over 4 and 5 years from initial drawdown, by half yearly instalments.

Notes to the Financial Statements

19. Deferred subsidies

Group	2024 £000	2023 £000
Balance at 1 April	**159,189**	156,480
Subsidies receivable	**11,812**	17,987
Release to Income Statement	**(12,905)**	(14,946)
Release against asset disposals	**(557)**	(332)
Balance at 31 March	**157,539**	159,189

Company	2024 £000	2023 £000
Balance at 1 April	**149,531**	146,602
Subsidies receivable	**11,434**	17,931
Release to Income Statement	**(11,526)**	(14,189)
Release against asset disposals	**(557)**	(813)
Balance at 31 March	**148,882**	149,531

20. Financial instruments

Credit risk

Credit risk is the risk of loss resulting from customer default arising on all credit exposures. The Group has established procedures to minimise the risk of default by its trade receivables including an established credit control function within the finance department.

There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure related to financial assets is represented by the carrying value at the balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due owing to insufficient financial resources. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring forecast and actual cash flows.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2024 and 31 March 2023 based on contractual undiscounted payments:

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Trade and other payables						
At 31 March 2024	**-**	**10,603**	**-**	**-**	**-**	**10,603**
At 31 March 2023	-	13,949	-	-	-	13,949
Borrowings						
At 31 March 2024	**-**	**-**	**1,885**	**2,307**	**-**	**4,192**
At 31 March 2023	-	-	2,165	3,539	-	5,705

Notes to the Financial Statements

20. Financial instruments (continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Financial assets				
Loans and receivables	**-**	-	**-**	-
Trade and other receivables	**5,088**	6,478	**5,088**	6,592
Loans receivable	**1,887**	2,386	**1,887**	2,386
Financial liabilities				
Trade and other payables	**10,603**	13,949	**10,603**	13,949
Borrowings	**4,192**	5,704	**4,192**	5,704

The fair values of Loans and receivables and Loans receivable have been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

The carrying value of short-term receivables and payables are assumed to approximate their fair value where the effects of discounting are not material.

Notes to the Financial Statements

21. Pensions

The Group operates for its employees two defined benefit pension schemes – the Highlands and Islands Airports Pension Scheme (HPS) and the Tayside Superannuation Fund (TSF) – and one defined contribution scheme, the People's Pension Scheme (PPS).

As at 31 March 2024, there were 667 (2023: 639) Group members participating in the HPS and 84 (2023: 68) participating in the TSF. Both schemes are operated and located in the United Kingdom and require contributions to be made to separately administered funds.

As at 31 March 2024, there were 288 (2023: 277) Group members participating in the PPS. There were 64 (2023: 47) Company members participating in the PPS. This scheme is monitored by HIAL management through its actuaries.

The values of the scheme obligations have been determined by a qualified actuary based on the actuarial valuation as at 31 December 2021 for the HPS and the valuation as at 31 March 2023 for the TSF, both updated to the balance sheet date. The TSF is disclosed in the accounts of the subsidiary, Dundee Airport Limited (DAL). The HPS is disclosed in the accounts of the Company, with both schemes being disclosed in the Group accounts.

The assets and liabilities of the schemes at 31 March are:

At 31 March 2023	**HPS**	**TSF**	**Total**
	£000	**£000**	**£000**
Scheme assets at fair value			
Equities	31,932	8,834	**40,766**
LDI	29,740	-	**29,740**
Gilts	-	246	**246**
Other bonds	-	1,713	**1,713**
Property	-	1,220	**1,220**
Diversified growth	23,883	-	**23,883**
Other	25,766	9	**25,775**
Cash	11,415	329	**11,744**
Fair value of scheme assets	122,736	12,351	**135,087**
Present value of scheme liabilities	(131,745)	(9,138)	**(140,883)**
Defined benefit pension scheme (deficit)/asset	**(9,009)**	**3,213**	**(5,796)**

At 31 March 2024	**HPS**	**TSF**	**Total**
	£000	**£000**	**£000**
Scheme assets at fair value			
Equities	39,212	10,120	**49,332**
LDI	29,775	-	**29,775**
Gilts	-	885	**885**
Other bonds	-	922	**922**
Property	-	1,244	**1,244**
Diversified growth	24,632	-	**24,632**
Multi Asset Credit	28,934	-	**28,934**
Other	-	3	**3**
Cash	7,647	859	**8,506**
Fair value of scheme assets	130,200	14,033	**144,233**
Present value of scheme liabilities	(134,067)	(9,993)	**(144,060)**
Impact of asset ceiling	-	(4,040)	**(4,040)**
Defined benefit pension scheme deficit	**(3,867)**	**-**	**(3,867)**

Notes to the Financial Statements

21. Pensions (continued)

The amounts recognised in the Group Income Statement and in the Group Statement of Comprehensive Income for the year are analysed as follows:

Year ended 31 March 2023	HPS £000	TSF £000	Total £000
Recognised in Income Statement			
Current service cost	7,092	590	7,682
Past service cost	-	-	-
Recognised in arriving at operating profit	7,092	590	7,682
Administration cost	382	3	385
Interest cost on scheme assets	(4,040)	(332)	(4,372)
Interest cost on obligations	4,907	376	5,283
Other finance cost	1,249	47	1,296
Taken to the Statement of Comprehensive Income			
Return on plan assets in excess of interest	(42,291)	(868)	(43,159)
Experience (loss)/gain on liabilities	(17,142)	(664)	(17,806)
Change in demographic assumptions	-	-	-
Change in financial assumptions	84,499	6,936	91,435
Other actuarial gain/(loss)	-	-	-
Actuarial gains recognised in the Statement of Comprehensive Income	**25,066**	**5,404**	**30,470**

Year ended 31 March 2024	HPS £000	TSF £000	Total £000
Recognised in Income Statement			
Current service cost	3,723	329	4,052
Past service cost	-	-	-
Recognised in arriving at operating profit	3,723	329	4,052
Administration cost	377	-	377
Interest cost on scheme assets	(5,956)	(600)	(6,556)
Interest cost on obligations	6,265	439	6,704
Other finance cost	686	(161)	525
Taken to the Statement of Comprehensive Income			
Return on plan assets in excess of interest	(1,222)	981	(241)
Experience (loss)/gain on liabilities	(169)	(396)	(565)
Change in demographic assumptions	139	114	253
Change in financial assumptions	5,207	209	5,416
Other actuarial (loss)/gain	-	(207)	(207)
Change in asset ceiling	-	(4,040)	(4,040)
Actuarial gains/(losses) recognised in the Statement of Comprehensive Income	**3,955**	**(3,339)**	**616**

Notes to the Financial Statements

21. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	HPS £000	TSF £000	Total £000
Defined benefit obligation at 1 April 2022	**190,351**	**14,447**	**204,798**
Current service cost	7,092	590	7,682
Past service cost	-	-	-
Interest cost	4,907	376	5,283
Benefits paid	(4,356)	(110)	(4,466)
Contributions by scheme participants	1,108	107	1,215
Change in demographic assumptions	-	-	-
Experience (gain)/loss on liabilities	17,142	664	17,806
Change in financial assumptions	(84,499)	(6,936)	(91,435)
Defined benefit obligation at 31 March 2023	**131,745**	**9,138**	**140,883**

	HPS £000	TSF £000	Total £000
Defined benefit obligation at 1 April 2023	**131,745**	**9,138**	**140,883**
Current service cost	3,723	329	4,052
Past service cost	-	-	-
Interest cost	6,265	439	6,704
Benefits paid	(3,781)	(108)	(3,889)
Contributions by scheme participants	1,292	122	1,414
Change in demographic assumptions	(139)	(114)	(253)
Experience (gain)/loss on liabilities	169	396	565
Change in financial assumptions	(5,207)	(209)	(5,416)
Defined benefit obligation at 31 March 2024	**134,067**	**9,993**	**144,060**

Changes in the fair value of scheme assets are analysed as follows:

	HPS £000	TSF £000	Total £000
Fair value of scheme assets at 1 April 2022	**154,810**	**12,637**	**167,447**
Interest on scheme assets	4,040	332	4,372
Contributions by employer	9,807	256	10,063
Contributions by scheme participants	1,108	107	1,215
Benefits paid	(4,356)	(110)	(4,466)
Administration costs	(382)	(3)	(385)
Other actuarial gains	-	-	-
Return on plan assets less interest	(42,291)	(868)	(43,159)
Fair value of scheme assets at 31 March 2023	**122,736**	**12,351**	**135,087**

21. Pensions (continued)

	HPS £000	TSF £000	Total £000
Fair value of scheme assets at 1 April 2023	**122,736**	**12,351**	**135,087**
Interest on scheme assets	5,956	600	6,556
Contributions by employer	5,596	298	5,894
Contributions by scheme participants	1,292	122	1,414
Benefits paid	(3,781)	(108)	(3,889)
Administration costs	(377)	(4)	(381)
Other actuarial (losses)	-	(207)	(207)
Return on plan assets less interest	(1,222)	981	(241)
Fair value of scheme assets at 31 March 2024	**130,200**	**14,033**	**144,233**

The Group expects to contribute £4,271,000 to its defined benefit pension plans in 2024/25.

Pension contributions are determined with the advice of independent qualified actuaries, Barnett Waddingham, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

	HPS 2024 (%)	2023 (%)	TSF 2024 (%)	2023 (%)
Main assumptions:				
Rate of salary increases	**2.85**	3.05	**3.90**	3.90
Rate of increase in pensions in payment*	**3.25**	3.35	**2.90**	2.90
Discount rate	**4.90**	4.80	**4.90**	4.80
RPI Inflation	**3.25**	3.35	**3.20**	3.30

*HPS only - The assumed rate of increase is 3.25% for RPI and 2.85% for CPI.

Discount rate

The discount rate on the HPS and the TSF scheme is the yield on the Merrill Lynch AA Corporate Bond index at a term of at least 25 years.

Mortality

For both schemes, the mortality rates have been updated to be based on the most recent results of the actuarial valuations.

For the HPS, the S3PA table has been used making allowance for future improvements to be in line with the 2021 CMI projection model with a long-term improvement rate of 1.25% per annum and the projection is made based on the individual year of birth of each member.

For the TSF, the S3PA table has been adjusted by 110% (to reflect the particular characteristics of the scheme) making allowance for future improvements to be in line with the 2020 CMI projection model with a long term improvement rate of 1.25% p.a. with a smoothing parameter of 7.5 and the projection is made based on the individual year of birth of each member.

21. Pensions (continued)

Sensitivities - HPS

The results stated in the tables above are sensitive to the assumptions used. Changing the assumptions will have the following approximate effect on the HPS scheme liabilities (and hence the deficit at the end of the year assuming all else is equal):

	Salary increased by 0.50%	Reduce discount rate by 0.50%	Increase inflation by 0.50%
	£000	£000	£000
Fair value of scheme assets	130,200	130,200	130,200
Present value of defined benefit obligation	(133,190)	(142,849)	(142,447)
Defined benefit pension scheme deficit	(2,990)	(12,649)	(12,247)

Sensitivities - TSF

In respect of the TSF scheme, the following table sets out the impact of a change in the discount rate on the defined benefit obligation and projected service cost, along with a +/- 1 year age rating adjustment to the mortality assumption:

	+0.1%	-0.1%	+1 year	-1 year
	£000	£000	£000	£000
Projected service cost	301	324	325	301
Present value of defined benefit obligation	9,790	10,202	10,290	9,704

The projected pension expense for the year ending 31 March 2025 is as follows:

	HPS	TSF	Total
	£000	£000	£000
Current service cost	3,503	312	**3,815**
Net interest on defined benefit liability	116	(7)	**109**
Administration expenses	377	4	**381**
Total	3,996	309	**4,305**

Amounts for the current and previous four periods are as follows:

	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
HPS					
Fair value of scheme assets	**130,200**	122,736	154,810	146,440	124,921
Present value of defined benefit obligation	**(134,067)**	(131,745)	(190,351)	(205,899)	(151,478)
(Deficit)	**(3,867)**	(9,009)	(35,541)	(59,459)	(22,557)
Experience adjustment on plan liabilities	**-**	-	-	-	-
Experience adjustments on plan assets	**(1,222)**	(42,291)	2,911	18,936	(8,817)

Notes to the Financial Statements

21. Pensions (continued)

	2024	2023	2022	2021	2020
	£000	£000	£000	£000	£000
TSF					
Fair value of scheme assets	**14,033**	12,351	12,637	11,826	8,825
Present value of defined benefit obligation	**(9,993)**	(9,138)	(14,447)	(14,415)	(10,413)
Impact of asset ceiling	**(4,040)**	-	-	-	-
(Deficit)	**-**	3,213	(1,180)	(2,589)	(1,588)
Experience adjustment on plan liabilities	**-**	-	-	-	-
Experience adjustments on plan assets	**981**	(868)	385	2,790	(734)

22. Share capital

	Group and Company	
	2024	2023
	£000	£000
Authorised shares	**50**	50
Allotted, called up and fully paid ordinary shares of £1 each	**50**	50

Fully paid ordinary shares, which have a par value of £1, carry one vote per share and carry a right to dividends.

23. Cash generated by/(used in) operations

Group	**2024**	2023
	£000	£000
Operating profit	**1,813**	1,638
Depreciation of property, plant and equipment	**13,418**	11,864
Decrease/(increase) in inventories	**23**	45
Decrease/(increase) in trade and other receivables	**1,920**	(577)
Decrease in trade and other payables	**(3,344)**	(724)
Deferred subsidies released	**(12,905)**	(14,667)
Fair value movement on investment properties	**(12)**	(257)
Difference between pension contributions and charges	**(1,838)**	(2,381)
Gain on disposal of property, plant and equipment	**(206)**	(535)
Cash (used in) operations	**(1,131)**	(5,594)

23. Cash generated by/(used in) operations (continued)

Company	2024 £000	2023 £000
Operating profit	**2,983**	699
Depreciation of property, plant and equipment	**12,002**	10,830
Decrease/(increase) in inventories	**48**	51
Decrease/(increase) in trade and other receivables	**1,163**	376
Decrease in trade and other payables	**(3,552)**	(542)
Deferred subsidies released	**(11,526)**	(13,910)
Fair value movement on investment properties	**(12)**	(257)
Difference between pension contributions and charges	**(1,873)**	(2,715)
Gain on disposal of property, plant and equipment	**(206)**	(535)
Cash (used in) operations	**(973)**	(6,003)

24. Lease Liabilities

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.94%.

As a Lessee

The company leases Campbeltown Airport as well as small equipment such as vending machines and photocopiers. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The main features of the leases are summarised below:

Campbeltown Airport is rented for a period of 15 years. The lease includes an option to break the lease after 10 years, by giving no less than 12 months' notice. The lease payments are fixed, with a rent review every five years allowing for an increase in rent payments in line with RPI.

Information about leases for which the company is a lessee is presented below.

i. Right-of-use assets

The company classifies its right-of-use assets in a consistent manner to property, plant and equipment.

ii. Lease liabilities

Lease liabilities included in the Statement of Financial Position at 31 March 2024 are analysed as follows:

	2024 £000	2023 £000
Current	**328**	375
Non-current	**-**	-
	328	375

24. Lease Liabilities

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

	2024 £000	2023 £000
Less than one year	**328**	375
One to five years	**-**	-
More than five years	**-**	-
Total undiscounted liabilities at 31 March 2024	**328**	375

For interest expense in relation to leasing liabilities, refer to Note 8 Finance costs.

Total cash outflows in respect of leasing liabilities in the year to 31 March 2024 is £54,538 (2023: £56,120).

The company has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

25. Related party disclosure

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are as follows:

		Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Related party					
Joint ventures:					
Inverness Airport Business Park Ltd	**2024**	**-**	**26**	**2,412**	**-**
	2023	-	26	2,386	-
In relation to key management personnel:					
Energy Aviation Services Ltd	**2024**	**-**	**19**	**-**	**-**
	2023	-	19	-	7
Intercompany Balances					
Dundee Airport Limited	**2024**	**919**	**-**	**3,429**	**-**
	2023	867	-	2,905	-
Airport Management					
Services Limited	**2024**	**384**	**9,282**	**-**	**473**
	2023	307	8,775	-	1,229

During the period £68,795 was repaid of a loan balance to Scottish Ministers of which is allocated to Dundee Airport Limited. The loan balance with Dundee Airport Limited is £13,409.

The amounts outstanding are unsecured for cash settlement in accordance with usual terms.

The Group has taken advantage of the exemption available in IAS 24 Related party disclosures, paragraph 25 for government-related entities in relation to related party transactions and outstanding balances, including commitments with the Scottish Ministers (the ultimate controlling party of the Group). The significant transactions between the Group and Scottish Ministers are the subsidies, disclosed in Note 4 Other Income.

Controlling party

The Company's ultimate controlling party is the Scottish Ministers who own the entire share capital.

Notes to the Financial Statements

26. Commitments and contingencies

Capital Commitments

At 31 March 2024, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £8,929,000 for the Group (2023: £6,835,000) and £8,676,000 for the Company (2023: £6,835,000).

Contingent liabilities

The Company granted a security over the terminal building at Inverness Airport and the New Century House building to the Highlands and Islands Airports Pension Scheme's Trustee's, since 2019 and 2021 respectively, in relation to the Company's obligations to the Scheme. The security over the New Century House building was satisfied on 12 September 2023.

27. Capital management

The primary objective of the Group's capital management is to ensure that it supports the operation of the business and maximises shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2023 and 31 March 2024.

The Group's capital structure consists of equity attributable to the equity holders of the parent, comprising share capital and retained earnings.

28. Events after the reporting period

Events after the reporting period represent those events which occur between the end of the reporting period (i.e., 31 March 2024) and the date when the Annual Report and Accounts are authorised for issue. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, and require the financial statements to be adjusted, whereas non-adjusting events are indicative of conditions that arise after the reporting period. Events which occur after the date of authorisation for issue are not reflected in these accounts.

Barra Airport

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2024

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SC097647

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Azets Audit Services

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Actuaries
Barnett Waddingham LLP

Bankers
Royal Bank of Scotland