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

Annual Report and Accounts to 31 March 2021

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 John O'Groats.

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 lifeline services and connections they provide for some of our country's more remote communities.

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Cover image of Islay Airport © David Savile

HIAL Board Meeting

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.

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

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

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

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

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

Introduction from the Chair

My introduction to HIAL's Report and Accounts for 2020/21 starts on a more positive note than my welcome last year. As I write, having just been through an extensive lockdown period since 26 December 2020, the widespread vaccination programme continues apace, and we are at last beginning to see signs of the Covid virus receding. That has allowed the tough, but necessary, restrictions we have all endured to be eased, giving us the ability to travel more freely.

Notably, the pandemic has affected the aviation industry across the country and has significantly impacted upon every aspect of HIAL's operations. We are on the road to recovery but that will take time. That said, the process of recovery also presents us with an opportunity to reset our services, to recognise the needs of airlines and passengers post-coronavirus and to rethink and rebuild our services and operations to accommodate these needs.

We were about to publish our five-year Strategic Plan just as the Covid-19 pandemic struck. However, the Board and Senior Management Team took the opportunity to review our strategic priorities through the coronavirus prism to ensure they met the needs of our communities as well as assist with the recovery of the aviation industry.

As a result, our Strategic Plan became our Strategy and Covid-19 Recovery Plan for 2021 – 2026 and was published on 1 February 2021. While this strategic plan sets out how we aim to respond and recover in the coming years, the overall strategic priority remains the decarbonisation of our operations and our long-term vision to become a net-zero carbon regional airport group.

We will continue with our aim for all 11 of our airports to be carbon neutral as we strive to deliver an environmentally sustainable future for aviation services in the Highlands and Islands.

Working in partnership is key to our vision and to help meet the Scottish Government's target to create the world's first net-zero aviation region. We have some exciting environmental initiatives underway, including the Sustainable Aviation Test Environment (SATE) project which will deliver the UK's first low carbon, operationally based aviation test centre at Kirkwall Airport.

The Board set the strategic objectives within HIAL's Corporate Operating Plan for 2021-2022. This operating plan shows the actions we will take to achieve the priorities in our Strategy and Covid-19 Recovery Plan. Quarterly performance reports will allow the Board to closely scrutinise progress of the actions within the annual plan. A report on progress against the Corporate Operating Plan will form part of our Annual Report and Accounts in future.

Our four new non-Executive Board members have now been with us for a full year and have embraced new technology with all our meetings being held virtually since March 2020. Reflecting on the year, this is one of the positives I will take from the pandemic – the increased interaction through digital meetings. This allowed me and our Managing Director, Inglis Lyon, the opportunity to meet on a more frequent basis with our colleagues, our stakeholders, local authority partners and our airlines.

During the year our Finance Director Gillian Bruton left us to join AGS Airports. I would like to take this opportunity to pay tribute to her as an Executive Director on the HIAL Board and for everything she did for the HIAL group over the seven years that she was with us. Her departure opened the door to the arrival of Johanna Wallace, our still relatively new Finance and Commercial Director, and I am delighted that she has brought a wealth of experience and skills to our Board.

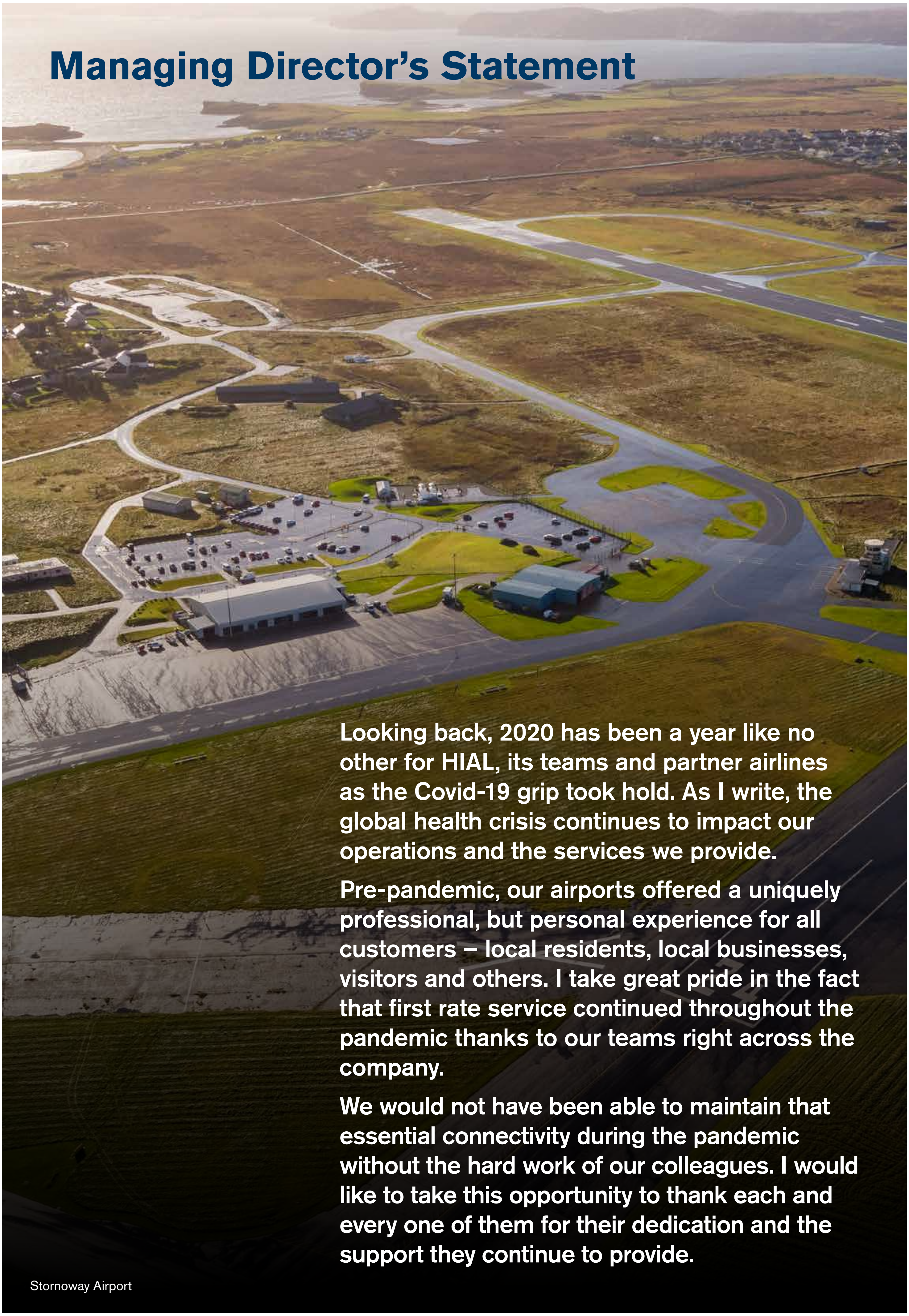
I would like to finish my introduction by formally recording my thanks to the HIAL Board who have worked effectively together whilst remote, to steer the organisation through these challenging times. I also thank the Senior Management Team and every one of our colleagues across the company. Since early March 2020 when the pandemic hit, our priority was to protect colleagues and passengers while continuing to maintain critical lifeline and essential services for our remote communities. Our colleagues did exactly that from the start of the pandemic and continue to do so.

As we see a return towards some semblance of business as usual, challenges will remain – not just for HIAL, but for the aviation industry in general, as we work together to build back confidence in air travel.

During the last year we have built on the strong relationships we have with our partners, and we will continue to do so in our joint aim to support recovery and create social benefit and economic prosperity for the communities we serve.

Lorna Jack
Chair, HIAL Board

Managing Director’s Statement



Looking back, 2020 has been a year like no other for HIAL, its teams and partner airlines as the Covid-19 grip took hold. As I write, the global health crisis continues to impact our operations and the services we provide.

Pre-pandemic, our airports offered a uniquely professional, but personal experience for all customers – local residents, local businesses, visitors and others. I take great pride in the fact that first rate service continued throughout the pandemic thanks to our teams right across the company.

We would not have been able to maintain that essential connectivity during the pandemic without the hard work of our colleagues. I would like to take this opportunity to thank each and every one of them for their dedication and the support they continue to provide.

Stornoway Airport

Managing Director's Statement

The pandemic has underlined the critical role that HIAL's airports, and the teams that operate and support them, continue to play in maintaining connectivity for our communities.

As we continue to see relaxation of restrictions across the country our focus remains on recovery and rebuilding sustainable air links. We are beginning to see confidence in air travel returning with the reintroduction of scheduled services and passenger numbers increasing across all our airports.

However, if the pandemic has taught us anything it is that the road to recovery will not be straightforward and will only be achieved by continued partnership working across the industry.

Our priority remains the health and wellbeing of our colleagues, passengers and customers. We continue to liaise closely with Transport Scotland and our airline partners, and the measures we introduced so quickly at the start of the pandemic will continue to protect everyone at our airports as we work within evolving guidance and regulations and rebuild air connectivity.

Restrictions on travel and a number of local and national lockdowns contributed to an overall reduction of almost 77 per cent passenger flow across all of our airports for 2020/21. Our final figures for 2020/21 report just under 393,000 passengers compared to 1.68 million during 2019/20.

The reduction in passenger numbers was keenly felt at every one of our 11 airports. Sumburgh Airport in Shetland, which serves the oil and gas sector, was least affected but still saw a 47 per cent reduction in passengers. Numbers at Sumburgh were down year-on-year from almost 308,000 to just under 163,000. Inverness Airport, the largest in the group, saw passenger numbers fall 88 per cent from almost 917,000 in 2019/20 to just under 110,000 in 2020/21.

Over the year, HIAL received a public subsidy of £56,846,000 including revenue funding of £36,600,000, and capital funding of £20,246,000 which was supplemented by £3,555,000 of loan funding for our commercial activities.

Over the last year, the Covid mitigation measures introduced across our airports and office buildings took priority, nonetheless we continued to invest in the infrastructure across the company delivering £23.8 million in capital projects.

The £2.6 million invested in the drainage works project at Inverness Airport will ensure surface water run-off is to enhanced environmental standards. When combined with the more environmentally friendly de-icer we introduced, we have made, and will continue to make, significant investments in raising our environmental credentials.

We have made progress in our commitment to help make the Highlands and Islands a net-zero aviation region as well as our programme to decarbonise our airport operations and infrastructure. HIAL is leading a £3.7 million project that will develop a sustainable aviation programme that could transform short flight travel between remote communities.

This groundbreaking programme will utilise Kirkwall Airport as a Sustainable Aviation Test Environment (SATE) where a host of exciting aviation technologies will be trialled including low-carbon aircraft that utilise electric, hydrogen or synthetic fuel to replace conventional fossil fuels. It will also trial unmanned aerial vehicles (UAVs) – more commonly referred to as drones – and demonstrate how they can be used to meet real-life needs such as delivering on-demand medical supplies directly to hospitals and health centres. We saw a milestone with the first test flights of a hybrid electric aircraft in August this year.

We also kicked off our project to decarbonise heat and power at Kirkwall Airport. Funded by the Scottish Government and working in partnership with EMEC this new system, installed during 2021, will be trialled to support the airport's heat and power requirements using locally produced green hydrogen.

I thanked colleagues at the start of my statement, and I cannot emphasise enough the role that every member of the company has played to keep the operation running during an extremely difficult year. HIAL's initial and ongoing response is down to sound strategic planning and the exceptional flexibility of everyone at HIAL right across-the-board. This planning and commitment not only ensured that we were prepared for the restart of a more business as normal as restrictions were eased, it also provides a foundation for our future success.

There is no doubt that there are challenging times ahead. The future and long-term sustainability of aviation connectivity for the Highlands and Islands remains our priority. By protecting air access to communities, we will continue to play our part in ensuring that these often more remote communities remain sustainable.

We will continue to work with the Scottish Government, partner agencies and our airline partners to retain key routes and to bring in new services where we can.

Inglis Lyon
Managing Director, HIAL

Strategic Report

The directors submit their Strategic Report and the Group financial statements for the year ended 31 March 2021.

Principal activity

The Group's principal activity during the year continued to be the provision and operation of safe, secure and efficient airports which support the communities we serve. This included the introduction of Covid-19 mitigation measures and procedures to ensure the safety and wellbeing of staff, customers and passengers, as well as limit the spread of the virus.

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 loss after taxation from continuing operations amounted to £2,589,000 (2020: loss £2,716,000). The directors recommend that no dividend be paid.

Review of the business

Public subsidies received for the year ended 31 March 2021 totalled £56,846,000 (2020: £37,445,000) made up of revenue of £36,600,000 (2020: £24,545,000) and capital of £20,246,000 (2020: £11,549,000). There was capital loan funding of £3,555,000 (2020: £1,185,000).

We also received £1,200,000 under the Coronavirus Job Retention Scheme.

Passenger numbers across the Group decreased by 76.7% and aircraft movements decreased by 49.6%. Excluding Dundee Airport these variances have decreased by 76.7% and a decrease of 42.3% respectively.

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. Significant changes in the present nature of the business are not expected in the near future.

Principal risks and uncertainties

The Group has an established Risk Oversight Group which is accountable to the HIAL Board through the Audit Committee. The managing director, senior managers and appropriate line managers are responsible for the effective management of risk within the group and ensure that appropriate procedures, resources and skills are introduced and maintained to achieve this. The principal risks and uncertainties facing the Group are broadly grouped as business, legislative and operational.

- **Business risks**
  The income for the Group is 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 Group income and costs. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring forecasted and actual cash flows.
- **Legislative risks**
  Airport operations across the Group are regulated by the Health and Safety Executive, UK Civil Aviation Authority (CAA), Scottish Environmental Protection Agency and 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. Overall Group strategy and direction is determined by the board of directors and informed by Scottish Government policy. In January 2021, air traffic control colleagues commenced a period of industrial action. This action remains ongoing and has impacted some of our flight schedules and customer experience. Talks are underway with the trade union to find a mutually agreeable solution to resolve the industrial action.
- **Covid risks**
  The Group faces the challenge of balancing the recovery post-Covid with ongoing environmental commitments. The impacts of Covid-19 continue to be risk assessed and monitored by Directors as explained in the Governance Statement on page 26.

Passengers walking into Inverness Airport.

Strategic Report

Annual traffic statistics

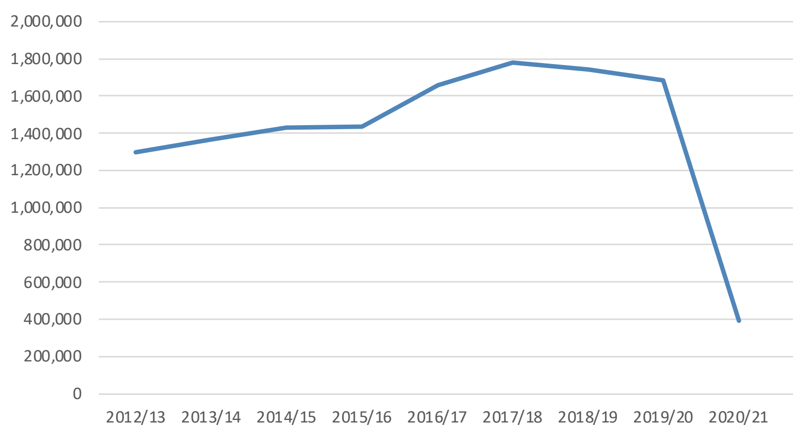
For the year ended 31 March 2021

	Passengers			Movements		
	2020/21	2019/20	Variance	2020/21	2019/20	Variance
	No.	No.	%	No.	No.	%
Barra	4,471	13,920	(67.9%)	816	1,364	(40.2%)
Benbecula	15,155	35,161	(56.9%)	2,312	3,310	(30.2%)
Campbeltown	2,232	7,873	(71.6%)	916	1,940	(52.8%)
Dundee	4,751	21,424	(77.8%)	14,067	40,938	(65.6%)
Inverness	110,406	916,669	(88.0%)	15,740	31,870	(50.6%)
Islay	5,239	34,685	(84.9%)	1,586	3,177	(50.1%)
Kirkwall	53,526	184,011	(70.9%)	8,736	14,212	(38.5%)
Stornoway	26,181	132,156	(80.2%)	4,877	9,274	(47.4%)
Sumburgh	162,553	307,906	(47.2%)	12,755	18,580	(31.4%)
Tiree	4,333	12,217	(64.5%)	1,074	1,730	(37.9%)
Wick John O'Groats	3,835	16,223	(76.4%)	2,806	3,993	(29.7%)
Total	**392,682**	**1,682,245**	**(76.7%)**	**65,685**	**130,388**	**(49.6%)**

10 year statistics

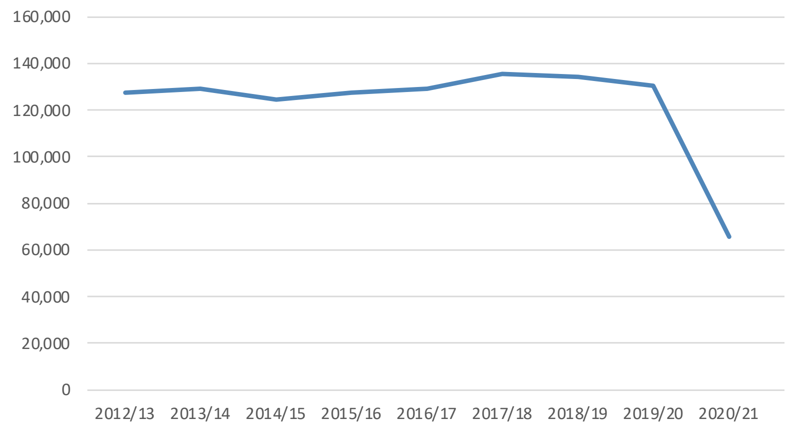
Total Passengers

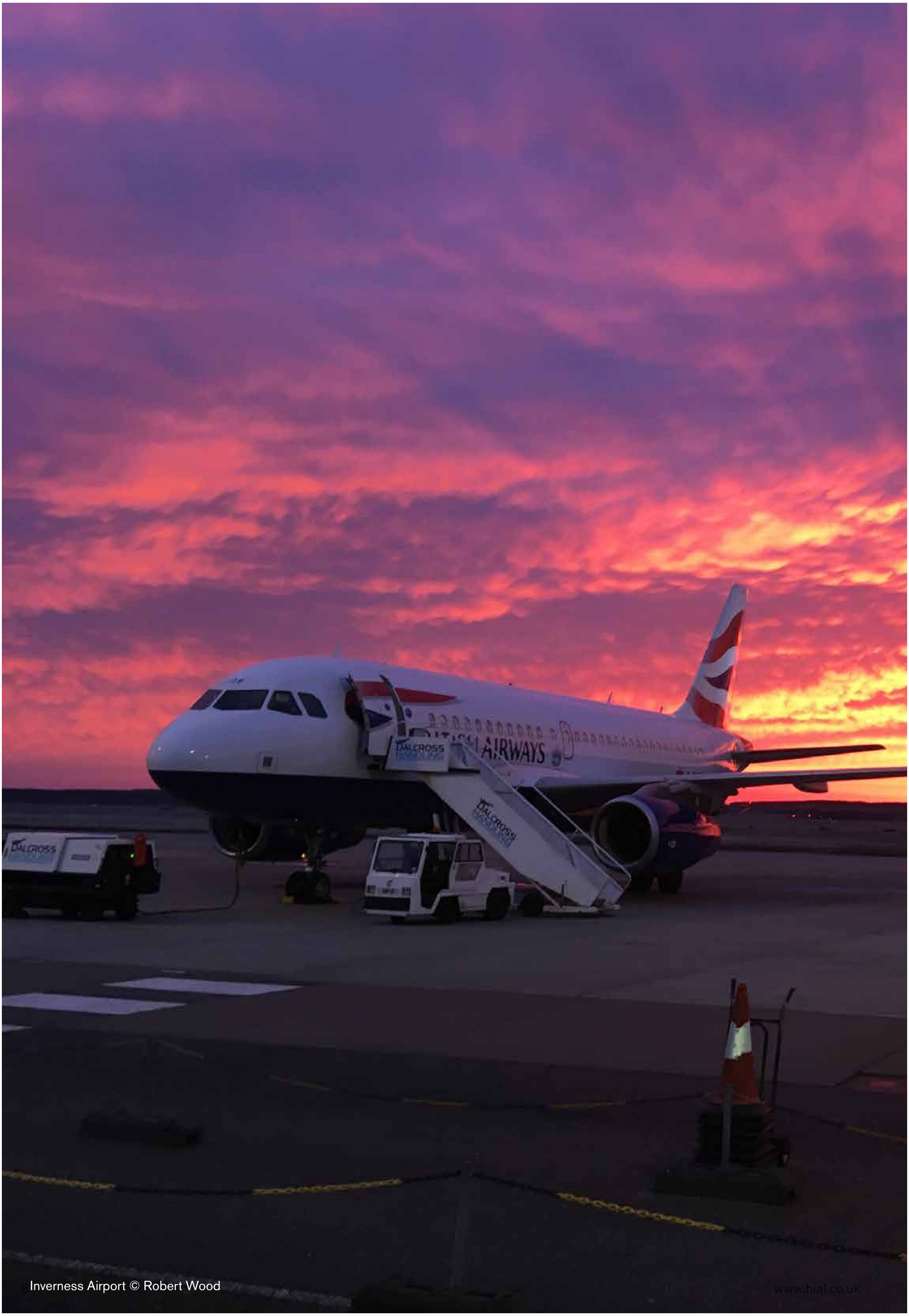
2020/21	392,682
2019/20	1,682,245
2018/19	1,742,366
2017/18	1,780,521
2016/17	1,658,423
2015/16	1,437,625
2014/15	1,431,452
2013/14	1,367,342
2012/13	1,297,676



Aircraft Movements

2020/21	65,685
2019/20	130,388
2018/19	134,094
2017/18	135,620
2016/17	129,110
2015/16	127,359
2014/15	124,738
2013/14	129,106
2012/13	127,645





Inverness Airport © Robert Wood

Strategic Report

Key priority areas and indicators

HIAL's Strategy and Covid-19 Recovery Plan for 2021 to 2026 was published on 1 February 2021. This sets the company's goals and strategic priorities identified to help develop a carbon-neutral regional airport network, while at the same time continuing to support economic prosperity and deliver social benefit for communities throughout the Highlands and Islands.

A Corporate Operating plan details the actions the company will take to achieve the seven priorities detailed in the Strategy and Covid-19 Recovery Plan. The Corporate Operating plan for April 2021 to March 2022 was agreed with the Board and will form the key priority areas for 2021/22.

The Senior Leadership Team and Board will monitor the effectiveness of the Plan to ensure that it remains relevant and on target to deliver against the strategic priorities.

During 2020/21 the Board consider the following to be key priority areas and indicators:

Safety and security

The Group is committed to operating safe and secure airports, whilst effectively managing associated risks in accordance with the HIAL Safety Management System.

During the year, HIAL's priority was to ensure its airports and buildings remained Covid secure while continuing to maintain the lifeline and essential air services that are critical for our remote communities. Early in 2020, HIAL reviewed the infectious disease plans in place at all airports and employed a rapid extension of Covid-19 mitigations. This involved full engagement with the Scottish and UK Governments, NHS and emergency service partners, industry groups and the CAA to coordinate our early response.

From the outset, HIAL adopted European Aviation Safety Agency (EASA) guidance and enacted a range of comprehensive measures to support the business including effective passenger management, enhanced cleaning programmes, the implementation of government guidelines and the introduction of a broad range of PPE.

During periods of lockdown restrictions, HIAL worked closely with Transport Scotland and Loganair to introduce a skeleton schedule for lifeline services to the islands. The schedule and mitigation measures in place ensured HIAL's airports remained open and continued to provide essential services to remote island communities, including emergency NHS passenger transfer, Royal Mail services as well as supporting the crucial offshore energy industry, right through the pandemic.

Campbeltown Airport runway

Strategic Report

Air Navigation Service Provider (ANSP)

HIAL is certificated and designated as an ANSP by the UK Civil Aviation Authority (CAA) – the Regulator. The following information for the year 2020/21 is provided in accordance with the reporting requirements set out in Retained EU Legislation 32017R0373 – Air Traffic Management/Air Navigation Regulation (Ref CAP2026A00).

At corporate level, HIAL is a key contributor and participant in a number of significant initiatives in respect of developing air navigation services including the CAA's Low Density Low Complexity Airspace (LDLCA) study into future proofing navigation aids for airspace users. HIAL, with funding from the Future Airspace Strategy (FAS), is undertaking a research and development project at Dundee using emerging technology as an achievable and cost-effective way of enhancing safety in non-surveillance airspace through improved controller situational awareness. HIAL is also working closely with the CAA, the UK military and National Air Traffic Services (NATS) to develop opportunities in delivering Approach Radar Services (APS) using co-operative surveillance technologies.

Air Traffic Management

HIAL continues to provide an Air Traffic Service (ATS) to meet the level and complexity of air traffic and customer requirements. This includes the provision of an 'on-call' response for lifeline services including air ambulance and search and rescue.

The modernisation of our Air Traffic Control (ATC) provision continues through the Air Traffic Management Strategy (ATMS). This will see Dundee, Kirkwall, Sumburgh, Inverness and Stornoway transition to a new combined surveillance centre using new surveillance tools and remote tower technologies in line with the published programme. The invitation to tender for the remote tower solution is complete with solution supplier negotiations well underway and due for completion later in 2021.

NATS currently provide the radar approach service to Sumburgh Airport. However, the plan to transition the services at Sumburgh in-house is progressing well with the intention to go live in December 2021.

Navigational aids (NAVAID) are essential for aircraft to be able to navigate and carry out instrument approaches to HIAL Airports. An Instrument Landing System (ILS) is a precision approach NAVAID which provides 3D course and glidepath guidance to pilots. An upgrade of the ILS commenced at Inverness late in 2020 with upgrades at Kirkwall, Stornoway and Dundee to follow.

A Non-Directional Beacon (NDB), a NAVAID that provides course guidance only, is an asset at airports where ILS is not installed, or where an NDB is used as a contingency NAVAID. A replacement NDB programme was completed at Kirkwall during 2020. The replacement programme for Barra, Dundee and Islay is underway.

The surveillance (radar) system at Inverness is programmed to be upgraded to ensure continued operational life. A contract was awarded in 2020 to upgrade the radar model at Inverness to a next generation model. The upgrade installation will be phased over the next two years.

A key requirement of the ATMS programme is to ensure that HIAL continues to provide a safe, efficient, regulatory compliant and proportionate level of ATS at all of its airports.

A comprehensive review and evaluation of the level of ATS provision at both Benbecula and Wick John O'Groats airports was undertaken in late 2019. Due to the low number of aircraft movements, low complexity of the airspace environment and the nature of the operation at Benbecula and Wick John O'Groats airports, HIAL is pursuing a change to the level of ATS provision from an ATC service to an Aerodrome Flight Information Service (AFIS) at both airports.

The project to deliver this change in the level of ATS provision will be implemented in two phases – Phase 1 which focuses on the Benbecula ATS Transition Project commenced in August 2020 and is scheduled for completion in 2022. The initial Safety Assurance Plan and the Statement of Needs for the Airspace Change Proposal (ACP) have already been submitted to the CAA on the basis that the full Safety Case and ACP will be submitted by the end of August 2021. Phase 2 of the project will focus on the Wick John O'Groats ATS Transition Project and is expected to run from January 2022 to 2024.

Strategic Report

Route retention and development

Following the first Covid-19 lockdown in 2020, all our scheduled airline services ceased apart from the skeleton service operated by Loganair on island routes, and the public service obligation (PSO) services at Barra, Campbeltown and Tiree. This schedule ensured our airports could continue to provide lifeline and essential services for our remote communities, including emergency NHS passenger transfer, Royal Mail services and support for the offshore energy industry. There was a slight restart of some flights at the end of the summer and over the Christmas period but overall, the schedule has been vastly reduced this year due to the pandemic.

Throughout the year, we supported our existing airlines to prepare to return to our airports once restrictions were eased and the demand for more frequent services from the travelling public increased.

Confidence in air travel is returning and all our incumbent airlines have returned in 2021 with some additional routes being operated over the summer period. We continue to work with our airline partners to assist route recovery and to explore new route development and market opportunities for the region.

Barra Airport

Strategic Report

Trade Union Act 2016:

Facility Time Reporting from 1 April 2020 to 31 March 2021

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.

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 2020/21

Prospect	26
PCS	1
Unite	6

HIAL has no full-time trade union officials. Each of the 33 representatives will spend less than 10% of their working time on trade union duties.

Throughout the pandemic regular meetings have taken place with the trade unions. A specific agreement was reached between HIAL and Prospect, PCS and Unite on the health and safety of staff and service users, designed to oversee furlough arrangements and a return to the workplace. These meetings took place using Microsoft Teams.

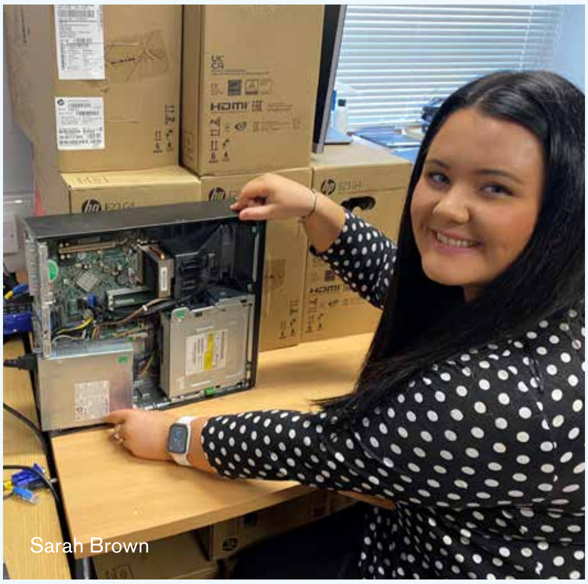
HIAL'S FIRST MODERN APPRENTICE

Sarah Brown became HIAL's first Modern Apprentice when she graduated in March 2021.

Sarah's new qualification has allowed her to transform her career and become an integral part of HIAL's Information Communication and Technology (ICT) Team based in Inverness.

"I'm extremely proud of this achievement and am very grateful to HIAL for this opportunity and their continued support."

Sarah Brown, ICT Systems Technician



Sarah Brown

Strategic Report

Team HIAL

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

During 2020/21 the pandemic created a considerable volume of work across all departments in HIAL, from our frontline teams at the airports to our support teams working from home.

Everyone at HIAL stepped up to the mark, including our security teams, motor transport colleagues, airport fire service teams, airport management, air traffic, customer service and support teams, as well as our head office support colleagues and managers. Everyone had a role to play in introducing the additional measures to keep everyone safe and ensure that lifeline and essential services continued throughout the year.

Effective communication underpinned our work to support our colleagues throughout the year, and a specific Covid communication programme was initiated from 17 March.

We undertook a Covid communication survey across the company during June. The feedback helped tailor communications to meet staff needs, particularly on the level, volume and frequency of information.

Supporting our colleagues through these unprecedented times to remain safe and healthy was, and continues to be, a priority. Throughout the year we ensured everyone had the necessary personal protective equipment (PPE) and associated training to use it effectively.

COVID COMMUNICATION SURVEY

A snapshot of some of the results:

- 96% felt the Covid updates provided company information needed
- 93% felt the Covid intranet area provided the national and company information needed
- 84% found the team drop-in sessions with the Managing Director and the Senior Management Team helpful
- 73% had downloaded the HIAL Covid app, and 73% of those felt the app provided the information needed
- 91% said their local team briefing sessions provided the local and corporate information they needed
- 93% said their local team sessions provided an opportunity to raise issues and get answers to specific questions

“The communication throughout the pandemic has been first class.”

“Everyone is made to feel valued.”

HIAL Staff

Strategic Report

Team HIAL (continued)

We provided a range of on-line tools to support psychological health and wellbeing. The Learning and Development team created a package of on-line modules designed to support managers and staff through the pandemic covering health and wellbeing through to managing staff remotely.

Given the significant drop in air travel the company was able to take advantage of the Coronavirus Job Retention Scheme (furlough scheme) at some of our airports and worked closely with the trade unions to put in place an agreement to support furlough and the subsequent return of furloughed staff to the workplace.

Our support teams were provided with ICT equipment to enable them to undertake their role from home. The introduction of a digital platform allowed on-line meetings to take place internally and with key partners and stakeholders. This way of working has proved effective and has been embraced by our colleagues and will form a key channel for keeping in touch moving forward.

Our goal is to create a positive working environment focused on the wellbeing of our people and effective work-life balance. Work is ongoing to explore the learning from new models of working that were introduced during the pandemic such as remote and hybrid working that may have longer term benefits for both our colleagues and the company.

Early in 2021 the company completed an external Investors in People (IIP) Assessment and was awarded the IIP Developed status. This assessment recognised the significant work undertaken over the last two years to enhance our people management policies and processes and learning and development activities.

Over the last two years HIAL has been recognised externally as:

- 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

During 20/21 we launched our Wellbeing Champions scheme and trained a number of staff from across the company to be Wellbeing Champions.

INVERNESS AIRPORT RECOGNISED FOR CUSTOMER SERVICE

The level of passenger satisfaction at Inverness Airport is regularly measured against a global benchmarking programme delivered by Airports Council International (ACI) World, which involves surveying passengers as they pass through the airport.

However, ACI World has recently introduced the 'Voice of the Customer' initiative to recognise airports that continued to prioritise their customers and ensure their voice was heard during the Covid-19 pandemic.

1ST

The team at Inverness has been recognised for their ongoing commitment to high levels of customer service at the airport during the pandemic.

"We listened to feedback and I'm very proud of my team for being able to adapt so well to the needs of our customers during such a difficult time."

Graeme Bell, Inverness Airport General Manager

Strategic Report

HIAL in the community

HIAL's airports are very much community airports, and our aim is to utilise our assets, including buildings and land, to the benefit of our local communities.

Throughout 2020/21 local clubs and organisations benefited from the donation of surplus water rescue crafts.

Orkney Sailing Club benefited from the donation of a jet-ski and trailer. The sailing club is a recognised Royal Yachting Association Training Facility and the addition of the jet-ski to their fleet will allow them to explore the possibility of expanding the training available to the local community.

The Dundee Sea & Royal Marine Cadets were the beneficiaries of the RIB from Dundee Airport. The re-opening of the cadet unit was in doubt before the donation as their old RIB was not working. The RIB donated by HIAL will ensure the cadets are on the river for many years to come.

The RIB at Islay has been donated to Islay Community Council who will take delivery of it shortly. The team at Islay had some surplus gym equipment and wanted to ensure the community could make use of it. The Physiotherapy Department at Islay Hospital were grateful for the donation of a treadmill which will be very useful in rehabilitation treatment for those visiting the department.

Kirkwall Airport donating Jet Ski to Orkney Sailing Club

Strategic Report

HIAL in the community (continued)

A rigid inflatable boat (RIB) and trailer were donated to Benbecula Community Council who subsequently passed the boat on to Lochboisdale Harbour. The harbour authority made a sizeable donation to the Community Council in return for the RIB, which will serve locally as a safety vessel. The funds generated from the boat will benefit the community in other ways.

A further RIB with trailer was donated to Stornoway Sailing Club to be utilised as a safety boat. The club provides opportunities for local people to try their hand at sailing and the RIB will help to offer an expanded programme. It will also provide more effective safety cover to the bigger and faster dinghies and will enable the more experienced club sailors to safely venture further afield.

In November 2020, HIAL released land that formed part of the estate of Stornoway Airport to a local developer to build high-quality sustainable housing for the local community. HIAL's goal was to develop this land to create affordable and quality homes that would benefit local people.

A 5.55-hectare area was released to Lewis-based housing developer Calmax Construction, which has had a planning application for 34 houses approved by Comhairle nan Eilean Siar (Western Isles Council). Calmax Construction are planning to start work on these new houses in the next 12 months.

It is hoped the new housing will not only bring growth to the area but will also help many local islanders onto the property ladder and create a vibrant, sustainable community.

RIB being delivered to Stornoway Sailing Club

Strategic Report

Investing in our airports

Despite the challenges of coronavirus and our need to adapt our operations, we have continued to maintain and invest in our airports so that we are prepared and ready to return to normal service when restrictions allow.

During 2020/21 we invested over £23 million in our airports in key projects, including:

- **Dundee Airport** – completion of a project to resurface the western airport apron
- **Inverness Airport** – new check-in desks, updated x-ray machine and a new luggage conveyor belt. Further major improvements to the surface water drainage system and a car parking development programme, adjacent to the new hotel
- **Sumburgh Airport** – improving the customer experience in Security by enlarging the search area and updating the x-ray machines. Recladding works completed for three hangars
- **Stornoway Airport** – completion of recladding of a main hangar and carpark resurfacing.
- **Tiree Airport** – improvements to the terminal and fire station completed and a number of vehicles have been replaced
- **Wick John O'Groats Airport** – replacement of some security x-ray machines, new vehicles delivered and additional improvements to the fire station, including new bay door
- **Barra Airport** – ongoing design work for a new terminal building and vehicle store redevelopment
- **Campbeltown Airport** – detailed design works completed in 2020, ready to start work on a project to resurface the runway later in 2021.

In 2020, we invested in unmanned aerial system (UAS) technology – more commonly referred to as drones – adding them to our equipment armoury. A team of UAS operators, made up of colleagues from across the company, was formed to operate this state-of-the-art technology.

This technology will be used to undertake our inspection and monitoring requirements, providing a more environmentally friendly and cost-effective way to carry out such tasks. There is minimal impact on airport operations and the works can be undertaken very quickly.

Our UAS inspection programme is up and running and we are exploring the wider use of drones, for example for daily inspections when the airports are closed to detect damage or the presence of foreign objects or wildlife on or near runways, which can be dangerous for aircraft.

The environment was uppermost when considering our requirement for de-icing products at our airports. HIAL has used a glycol-based runway de-icing fluid for its winter operations for some years, which had proven to be very effective. However, glycol-based products can have a harsh impact on the environment as it has a high Biological Oxygen Demand (BOD).

Therefore, after several trials to find a more environmentally friendly solution, HIAL introduced a potassium formate fluid and solid granule de-icing solution across all its airports during 2020/21.

The potassium formate-based liquid runway de-icer was used because it has an extremely low environmental impact, high performance and corrosive limiting properties. Currently, potassium formate based products offer the lowest Chemical Oxygen Demand (COD) and BOD values of any Aerospace Material Specification (AMS) approved de-icer. Therefore, this is the ideal product for our winter operational requirements and airport run-off water responsibilities, which are strictly controlled by the Scottish Environment Protection Agency (SEPA). The use of these de-icing products will not only provide an effective winter operational solution, it will also take HIAL beyond environmental compliance with SEPA.

Dundee Airport snow plough

Strategic Report

Streamlined Energy and Carbon Reporting (SECR)

SECR reporting requirements

The Streamlined Energy and Carbon Reporting (SECR) regulation is a mandatory reporting framework that replaced the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The regulation came into force on the 1 April 2019 and covers financial reporting years starting on or after this date. For Highlands and Islands Airports Limited (HIAL) this is 1 April 2020 to 31 March 2021.

The regulation applies to large companies that meet the following requirements:

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

Companies in scope of the legislation will need to include their energy and carbon information in their Directors' Report as part of their annual filing obligations.

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

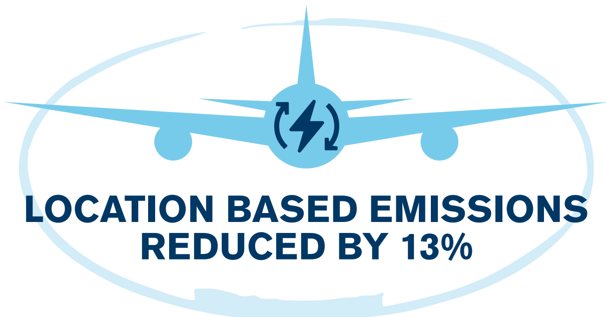
- UK energy use (as a minimum gas, purchased electricity, and transport fuel)
- Associated greenhouse gas (GHG) emissions
- Previous year's figures for energy use and GHG emissions (except in the first year)
- At least one intensity ratio (e.g. emission per FTE staff numbers or turnover)
- Information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

There is potential this could be expanded in future to include water use and waste reporting.

At HIAL, we have been publicly reporting our emissions in line with UK mandatory GHG reporting regulations since 2018/19. Following the introduction of the SECR requirements we will continue to publish our energy consumption and associated carbon emissions in our annual report accordingly.

The emissions reported include emissions from all of our owned and operated airports and offices. 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.

The finances for these airports are consolidated at the group level, and therefore we have consolidated our emissions in the same manner. The table on the next page outlines our emissions profile for 2020/21 financial year (April-March), where in the location-based approach our emissions have reduced by 13% and in the market-based approach, emissions have reduced by 14%.



		Location Based		Market Based	
	Unit	2020/21 UK and Offshore	2019/20 UK and Offshore	2020/21 UK and Offshore	2019/20 UK and Offshore
Energy consumption used to calculate emissions	**kWh**	16,892,795	18,627,913	16,892,795	18,627,913
Emissions from combustion of natural gas (Scope 1)	**tCO2e**	32	22	32	22
Emissions from combustion of other heating fuels (Scope 1)	**tCO2e**	1,394	1,922	1,394	1,922
Emissions from combustion of fuel for transport purposes (Scope 1)	**tCO2e**	685	473	685	473
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	**tCO2e**	10	58	10	58
Emissions from purchased electricity (Scope 2)	**tCO2e**	1,990	2,270	0	0
Total gross CO2e based on above	**tCO2e**	**4,110**	**4,744**	**2,120**	**2,474**
Intensity ratio: kgCO2e / total passenger numbers	**kgCO2e/PAX**	10.47	2.82	5.40	1.47

In order to facilitate year-on-year comparison of emissions that take into account fluctuations in activity level, HIAL has calculated the intensity ratio of emissions per total passenger numbers for the reporting year. This is based on 1,682,245 passengers for 2019/20 and 392,682 passengers for 2020/21. These significantly reduced passenger numbers have led to the intensity ratios rising in 2020/21.

Strategic Report

Energy efficiency actions

HIAL has continued to undertake actions to improve the energy efficiency of our sites and reduce our carbon emissions. This includes the following activities and projects:

- Signed up to the Airport Carbon Accreditation (ACA) scheme, achieving Level 1 “Mapping” in 2020 for Inverness Airport. By progressing through the six levels of the ACA scheme, we will demonstrate our commitment to reducing our emissions across-the-board, including challenging Scope 3 emissions from aviation
- Developing a routemap to net-zero emissions, covering all Scope 1 and 2 emissions reported under SECR as well as significant Scope 3 emissions from aviation and passenger travel. This routemap will provide a guide on how we can reduce our emissions and meet our 2040 net-zero target
- Continued roll-out of LED lighting replacements, both internal and external, with sensor controls where appropriate
- Procurement of electric vehicles to replace diesel-powered vehicles operating airside.
- Reduced emissions from fire training at our airports by investing in alternate methods of training, including virtual sessions
- Improving heat system efficiency in multiple airports through equipment upgrades and replacements
- Installed hydrogen powered combined heat and power unit at Kirkwall Airport, reducing the current heating oil consumption
- Installing a heat pump system at Wick John O’Groats Airport to replace the old fuel boilers, fully decarbonising the heating system.

airport
carbon
accredited
MAPPING

Methodology used for carbon footprint calculation

Our carbon footprint has been calculated by Ricardo Energy and Environment who have used a methodology aligned with the principles of the GHG Protocol Standard for Corporate Accounting and Reporting. This globally recognised standard is produced by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). The GHG Protocol Standard is 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 and gas oil.

The data captured within this year’s carbon footprint calculation has predominantly been derived from invoices from energy suppliers, though data on electricity was captured through metered data. Carbon emissions emitted from vehicles owned by HIAL have been calculated based on the litres of fuel consumed per vehicle due to mileage not being available as a conversion metric.

Some assumptions were made in order to complete this reporting exercise in the most transparent way possible. In calculating natural gas, the meter readings did not start and end within the reporting period; a more accurate level of consumption was created by finding the average daily consumption and scaling this up to meet the correct number of days within the reporting period.

HIAL also has 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 recharged to the tenant.

Methodology used for carbon footprint calculation (continued)

Similarly, heating and transport fuels have been recharged to tenants across some airports and the same methodology was used to reduce the emissions attributed to HIAL in these cases. In collecting recharge data for Stornoway Airport in the form of invoices, the invoice for August 2020 was found to have neither the litres of fuel purchased or the cost per litre, only the total cost invoiced. Therefore, to calculate the litres of consumption to enable the calculation of kgCO2e, an average of all other months within the reporting year's scope was taken for the cost per litre, and the invoice cost was then divided against this to estimate the litres of fuel consumed (447 L).

Whilst efforts to remove third party energy consumption (recharge) from HIAL's GHG emission profile for 2020/21 were made, some third party vehicle fuel consumption for Inverness and Islay airports remains within the dataset for SECR reporting. This is because there was insufficient information on third party fuel recharge at both airports and the information was not available to include in the annual report. Therefore, Scope 1 transport fuel also includes fuel used by some third party operators. The 2019/20 emissions/consumption data has had the correct amount of recharge removed from Scope 1 of the dataset.

To give some context, in 2019/20 Inverness Airport recharged 51% of diesel, 84% of gas oil, and 3% of petrol to third party operators while Islay Airport recharged 38% of its gas oil consumption.

Analysis of financial data for business travel fuels has taken account of any overlap between HIAL accounts to avoid double counting. When calculating emissions from transport fuels, where only the spend on fuel was given (hire car fuel and personal mileage), an assumption was made that 50% of spend is petrol and 50% is diesel. Finally, where appropriate, either average fuel price from invoices or from the Sustainable Scotland Network's Carbon Footprint and Project Register (CFPR) tool were used to convert spend on fuel to volume.

HIAL has also made the decision to voluntarily report the market-based emissions alongside the mandatory location-based emissions methodology, as this will consider HIAL's purchase of 100% Renewable Energy Guarantees of Origin (REGO) backed electricity. With evidence to support this, all electricity supplied to HIAL through EDF has had its emissions multiplied by a factor of zero.


Inverness Airport © Sandy Matheson

Compliance Statement

Ricardo Energy and Environment has been working with HIAL to calculate HIAL's 2020/21 greenhouse gas and environmental data for Streamlined Energy and Carbon Reporting. This statement summarises the outcome of the process.

Assurance period

The period for which emissions are reported is 1 April 2020 to 31 March 2021.

Level and scope of assurance

Ricardo Energy and Environment has carried out a limited level assurance review of HIAL's 2020/21 GHG and environmental data with the purpose of enabling HIAL to be compliant with SECR. The data provided covered mandatory and optional reporting data. This assurance covers the emissions profile outlined above in Section 2 SECR materia l for the Highlands and Islands Airports Limited annual report.

Assurance methodology

The assurance of HIAL's 2020/21 GHG and environmental data by Ricardo Energy and Environment has been conducted in line with ISO 14064-3: 2019: Specification with guidance for the validation and verification of GHG assertions as well as the ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information criteria.

Ricardo Energy and Environment's opinion

Based on Ricardo Energy and Environment's review:

1. HIAL is well prepared for complying with the SECR legislation and the requirements of the scheme in 2020/21
2. The data that will be used to create the SECR annual report submission is comprehensive, well-structured and to a high degree of accuracy
3. There is scope for the data management processes to be improved for future reporting periods to enable swifter SECR compliance calculations. HIAL is already working towards this end by exploring the use of RIO's SECR compliance software and refining their own data management tools
4. The review of data found no material errors and no omissions that could not be accounted for within the required data.

Conclusion

Based on the audit of the processes and procedures conducted, and except for the case of some third party transport and heating fuels outlined in the Methodology section, there is no evidence that the 2020/21 GHG data is not materially correct and is not a fair representation of HIAL's data and information.

Ricardo Energy and Environment recommends that HIAL undertakes a similar GHG assurance in 12 months' time and routinely checks its environmental data.

Independence and competence

Ricardo Energy and Environment is one of the world's leading energy and climate change consultancies, with over 1,000 internationally respected experts specialising in offering independent advice and auditing services in the fields of energy, air quality, resource efficiency, transport, sustainability and economics. Its experts have been involved in ground-breaking technical and policy development across the environmental spectrum for the last 40 years, and they continue to play a lead role as advisors to governments, policy makers and major corporations.

Validity of statement

This statement is valid for the GHG and environmental data assurance review, for the period from 1 April 2020 to 31 March 2021.

Ricardo Energy and Environment accepts no liability whatsoever to any third party for any loss or damage arising from any interpretation or reliance upon this assessment.

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Sustainable Aviation Test Environment

This innovative project will create the UK's first operationally based, low-carbon aviation test centre at Kirkwall Airport in the Orkney Islands.

The project will trial a host of exciting aviation technologies including low-carbon aircraft utilising electric, hydrogen or synthetic fuel to replace conventional fossil fuels.

Unmanned aerial vehicles (UAVs), for example drones, will be tested and trialled to demonstrate how they can be used to meet the needs of real-life cases such as delivering on-demand medical supplies directly to hospitals and health centres.

SATE will also explore how zero-carbon airport infrastructure using green energy sources can be implemented.

Furthermore, the socio-economic impact of new technologies and services in the region – and the skills and training needed to support them – will be assessed.

SATE will provide an opportunity to demonstrate net-zero regional aviation, placing the Highlands and Islands and the UK at the forefront of the transition to low-carbon aviation.

The project is an important step towards our ambition to decarbonise our airport operations by 2040.

Kirkwall Airport, Orkney

Funded by: INDUSTRIAL STRATEGY | UK Research and Innovation

SATE brings together a consortium of 13 international partners

hia Highlands and Islands Airports Limited | EMEC | HIE Highlands and Islands Enterprise | AMPAIRE | FLAREBRIGHT | ZEROAVIA | CloudNet www.cloudnet.scot | Loganair Scotland's Airline | Orkney Islands Council | Windracers | HITRANS | DenchiGroup | University of the Highlands and Islands

Directors' Report

The directors submit their report and the group financial statements for the year ended 31 March 2021.

Directors

The directors who served during the year to 31 March 2021 and subsequently are:

Lorna Jack, MA, CA	Chair	
Inglis Lyon, BSc (Hons) LLB	Managing Director	
Johanna Wallace, BSc (Hons) CA	Finance and Commercial Director	(Appointed 30 November 2020)
Gillian Bruton, BAcc, CA	Finance Director	(Resigned 31 October 2020)
James McLaughlan, Chartered MCIPD, MBA	Director	
Eric Hollanders	Director	
Wilhelmina Strachan CA (SA)	Director	
Christopher Holliday	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 is currently in force. The parent company also purchased and maintained throughout the financial year 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.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the Board at the time of approving the Directors' Report are listed above. Having made enquiries of fellow directors and of the Group's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

Inglis Lyon
Company Secretary
6 October 2021

Governance Statement

Introduction

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of HIAL's objectives whilst safeguarding the public funds and assets for which I am responsible. The Memorandum to Accountable Officers of other Public Bodies sets out these responsibilities.

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 2020/21 and reports my assessment of the effectiveness of these arrangements.

Governance framework

HIAL's governance framework is based on the legislation and good corporate governance that applies to a government owned company. This includes adherence to the Scottish Public Finance Manual (SPFM).

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 is designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of probity and secure effective accountability and good systems of internal control. As the group is a body sponsored by the Scottish Government, guidance contained in the SPFM is applicable.

The following diagram outlines the current governance structure.

Governance Statement

The Board

The Board determines the business strategy 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 set out in the Framework Document between the Scottish Government and HIAL. The HIAL Board is responsible for providing leadership, direction, support and guidance, and in ensuring that HIAL delivers its functions effectively and efficiently 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.

The Board is currently composed of eight members. The eight members are the non-executive Chair, the executive Managing Director, the executive Finance and Commercial Director and five non-executive directors. The Board has a clear schedule of matters reserved to it and a clear scheme of delegation to the Managing Director, Finance and Commercial Director and other members of the executive team. 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 six-weekly cycle, with periodic additional telephone meetings as business dictates. Attendance by members of the Board for the financial year ended 31 March 2021 is shown in the table below. Board members declare their interests annually and records are kept.

Covid-19

From March 2021, following a review of the contingency plans in place, additional Covid mitigation measures were implemented across all HIAL's 11 airports. The priority was, and remains, the protection of our passengers and colleagues, reducing the spread of the virus and maintaining the essential and lifeline air services for our communities.

Throughout the year we monitored the range of measures in place to ensure they were adapted to meet the different Government rules, restrictions and requirements and this remains ongoing.

The governance structure to ensure effective management of our Covid response remains in place as of 31 March 2021.

The HIAL Board and Transport Scotland continue to receive regular updates on Covid strategy and planning.

HIAL BOARD ACHIEVES 50% GENDER SPLIT

At the end of 2020/21, HIAL published its first Board representation report which reveals the progress the organisation has made in addressing the under-representation of women in public bodies. HIAL's Board is now made up of an equal number of men and women.

"Having 50 per cent of the HIAL Board made up of women is a significant step in our journey to achieving a diverse Board membership, and we welcome applications from individuals of all gender identifications and from under-represented backgrounds for any future vacancies on our Board."

Lorna Jack, HIAL Chair

Governance Statement

The assessor

An assessor appointed by the Scottish Ministers is entitled to attend but not vote at any meeting of the company or its directors.

Audit Committee

The Board has established an Audit Committee with agreed terms of reference to advise it on the adequacy of risk management arrangements, internal control and governance matters, including compliance with the SPFM. The committee receives regular reports from internal and external auditors and oversees the corporate risk register brought to it by the executive team. It oversees compliance with legislation and regulation. The committee reports to the Board following each meeting, on risk and compliance matters. Attendance by members of the Audit Committee for the financial year ended 31 March 2021 is shown in the table below. During the year the Audit Committee was composed of three non-executive directors and was chaired by one of their number. The Managing Director and the Finance and Commercial Director are invited to attend meetings.

Name	Audit Committee			HIAL Board			DAL Board		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Lorna Jack	N/A	N/A	N/A	Chair	11	11	Chair	6	6
Jim McLaughlin	NXD Member	5	5	NXD Member	11	11	NXD Member	6	6
Inglis Lyon	In Attendance	5	5	Member MD	11	11	Member MD	6	6
Gillian Bruton	In Attendance	3	3	Member FD	8	8	Member FD	4	4
Johanna Wallace	In Attendance	2	2	Member FD	3	3	Member FD	2	2
Eric Hollanders	N/A	N/A	N/A	NXD Member	11	11	NXD Member	6	6
Wilhelmina Strachan	Chair	5	5	NXD Member	11	11	NXD Member	6	6
Isabel Todenhofer	N/A	N/A	N/A	NXD Member	11	11	NXD Member	6	6
Chris Holliday	NXD Member	5	5	NXD Member	11	11	NXD Member	6	6
David Martin	N/A	N/A	N/A	N/A	N/A	N/A	NXD Member	4	4
Greg Colgan	N/A	N/A	N/A	N/A	N/A	N/A	NXD Member	2	2

Internal audit

The internal audit function concentrates on areas determined by analysis of the degree of risk and in accordance with the internal audit plan considered and approved by the Audit Committee. The Audit Committee enhances the independence and value of internal audit and provides a forum for senior management to discuss internal control including issues raised by internal audit. The internal audit function is externally commissioned which provides further independent assurance of the controls.

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 process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2021 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 Boards of HIAL, DAL and AMSL (the Group).

The Group Board, through the Managing Director, is responsible for the overall risk management of the business; however, responsibility for specific risk management areas has 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
- Undertake specific activities as directed by the Group Boards.

Safety management systems

The 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.

Control environment

Capable, competent personnel are viewed as an essential part of the control environment. High standards of behaviour are supported by rigorous recruitment standards and ongoing staff training and development.

Inglis Lyon
Managing Director
6 October 2021

Statement of Directors' Responsibilities

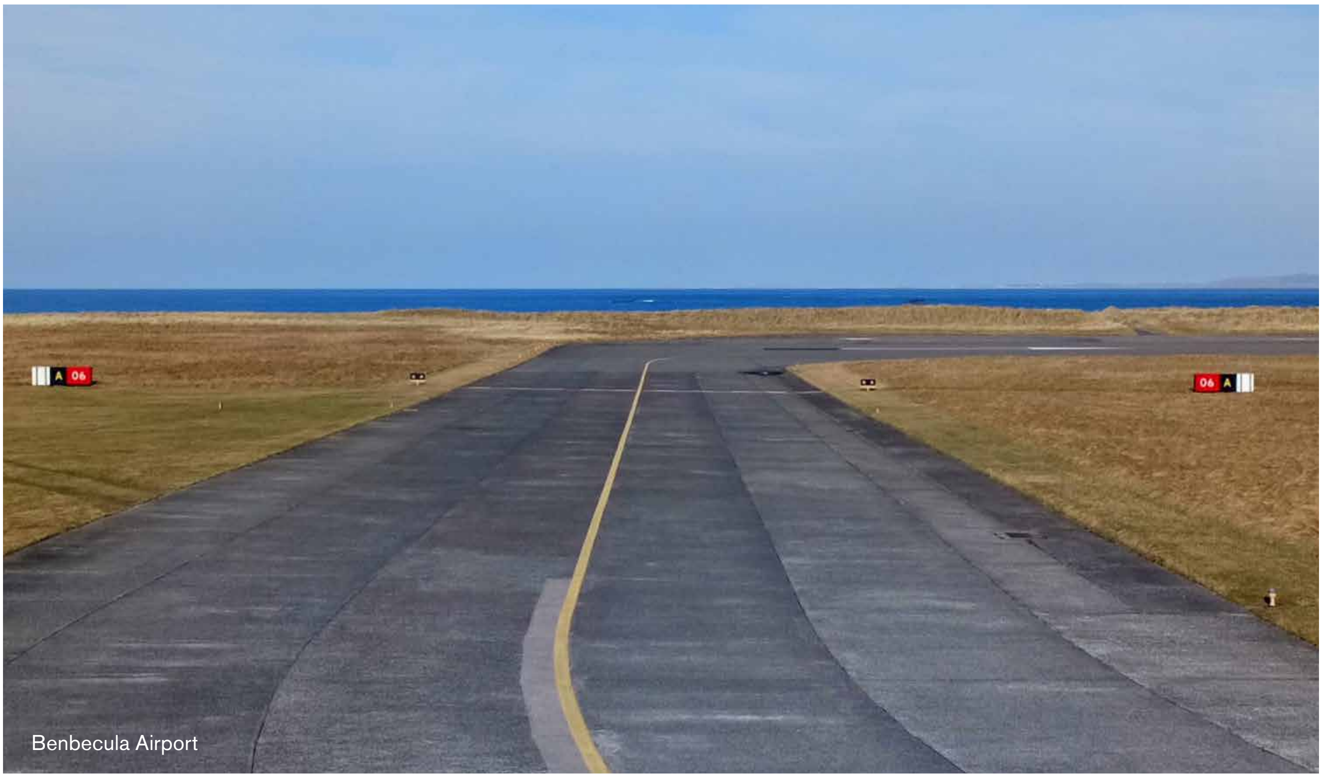
The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.



Benbecula 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 2021 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 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 accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 at 31 March 2021, and of the group's loss 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 accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; 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 during 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 during 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 during 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 30, 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.

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 based on these consolidated financial statements.

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. The extent to which our procedures can detect irregularities, including fraud is detailed on the page overleaf.

Sumburgh Airport © Brian Gray

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

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

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
- 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
- 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
- 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
- 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.

A further description of our responsibilities is available on the Financial Reporting Council's website This description forms part of our auditor's report.

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.

Nick Bennett (Senior statutory auditor)
Azets Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

6 October 2021

Group Income Statement

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Revenue	3	**8,999**	24,892
Cost of sales		**(41,665)**	(45,676)
Gross loss		**(32,666)**	(20,784)
Administrative expenses		**(6,633)**	(5,828)
Other income	4	**37,929**	24,545
Other gains/(losses)	6	**(127)**	273
Operating loss	5	**(1,498)**	(1,794)
Share of operating loss in joint venture	12	**62**	(63)
Finance (costs)/revenue	8	**(7)**	(57)
Other finance cost – pensions	21	**(1,146)**	(821)
Loss from continuing operations before tax		**(2,589)**	(2,735)
Tax charge	9	**-**	19
Loss from continuing operations		**(2,589)**	(2,716)

All activities relate to continuing operations.

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Loss for the year		**(2,589)**	(2,716)
Other comprehensive income:			
Actuarial gains/(losses)	21	**(31,635)**	4,538
Tax on items relating to components of other comprehensive income		**-**	-
Other comprehensive (expense)/income for the year, net of tax		**(31,635)**	4,538
Total comprehensive (expense)/income for the year		**(34,224)**	1,822

Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Profit/(Loss) for the year		**124**	(3,404)
Other comprehensive income:			
Actuarial (losses)/gain	21	**(30,865)**	3,872
Tax on items relating to components of other comprehensive income		**-**	-
Other comprehensive (expense)/income for the year, net of tax		**(30,865)**	3,872
Total comprehensive (expense)/income for the year		**(30,741)**	468

Group Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2021

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2019	50	(30,787)	(30,737)
(Loss) in year attributable to equity holders	-	(2,716)	(2,716)
Other comprehensive income	-	4,538	4,538
At 31 March 2020	50	(28,965)	(28,915)

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 20120	50	(28,965)	(28,915)
(Loss) in year attributable to equity holders	-	(2,589)	(2,589)
Other comprehensive expense	-	(31,635)	(31,635)
At 31 March 2021	**50**	**(63,189)**	**(63,139)**

Company Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2021

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2019	50	(26,381)	(26,331)
(Loss) in year attributable to equity holders	-	(3,404)	(3,404)
Other comprehensive income	-	3,872	3,872
At 31 March 2020	50	(25,913)	(25,863)

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2020	50	(25,913)	(25,863)
Gain in year attributable to equity holders	-	124	124
Other comprehensive expense	-	(30,865)	(30,865)
At 31 March 2021	**50**	**(56,655)**	**(56,605)**

Group Balance Sheet

AS AT 31 MARCH 2021	Notes	2021	Restated 2020
ASSETS		£000	£000
Non-current assets			
Property, plant and equipment	10	**135,864**	120,925
Investment properties	11	**727**	854
Investments accounted for using the equity method	12	**(22)**	(84)
Intangible assets	13	**55**	55
		136,624	121,750
Current assets			
Trade and other receivables	14	**8,322**	7,087
Inventories	15	**175**	46
Cash and cash equivalents	16	**3,589**	3,320
		12,086	10,453
Total assets		**148,710**	132,203
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(15,743)**	(11,211)
		(15,743)	(11,211)
Non-current liabilities			
Loan	18	**(4,127)**	(3,468)
Defined benefit pension scheme deficit	21	**(62,048)**	(28,145)
Deferred subsidies	19	**(129,932)**	(118,294)
		(196,106)	(149,907)
Total liabilities		**(211,849)**	(161,118)
NET LIABILITIES		**(63,139)**	(28,915)
EQUITY			
Ordinary shares	22	**50**	50
Retained earnings		**(63,189)**	(28,965)
		(63,139)	(28,915)

The financial statements were authorised for issue by the Board of Directors on 7th October 2021 and signed on its behalf by:

Lorna Jack, MA CA
Chair

Inglis Lyon, BSc (Hons) LLB
Managing Director

Company Balance Sheet

AS AT 31 MARCH 2021

	Notes	2021	2020
ASSETS		**£000**	£000
Non-current assets			
Property, plant and equipment	10	**126,255**	112,029
Investment properties	11	**727**	854
Investments	12	**1,998**	1,998
		128,979	114,881
Current assets			
Trade and other receivables	14	**9,888**	6,801
Inventories	15	**161**	-
Cash and cash equivalents	16	**3,162**	3,186
		13,211	9,987
Total assets		**142,190**	124,868
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(14,939)**	(11,434)
		(14,939)	(11,434)
Non-current liabilities			
Loan	18	**(4,127)**	(3,412)
Defined benefit pension scheme deficit	21	**(59,459)**	(26,557)
Deferred subsidies	19	**(120,271)**	(109,328)
		(183,857)	(139,297)
Total liabilities		**(198,796)**	(150,731)
NET LIABILITIES		**(56,606)**	(25,863)
EQUITY			
Ordinary shares	22	**50**	50
Retained earnings		**(56,655)**	(25,913)
		(56,605)	(25,863)

The financial statements were authorised for issue by the Board of Directors on 7th October 2021 and signed on its behalf by:

Lorna Jack, MA, CA
Chair

Inglis Lyon, BSc (Hons) LLB
Managing Director

Group Cash flow

AS AT 31 MARCH 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated by operations	23	**3,107**	684
Purchase of property, plant and equipment		**(23,797)**	(14,087)
Proceeds from sale of property, plant and equipment		**127**	59
Receipt of capital subsidy		**20,246**	12,900
Tax paid		**-**	4
Net cash flow from operating activities		**(317)**	(440)
Cash flows from investing activities			
Increase in loan to joint venture		**(26)**	(52)
Net cash flow from investing activities		**(26)**	(52)
Cash flows from financing activities			
Loan received		**715**	1,572
Loan repaid		**-**	(748)
Finance lease repaid		**(96)**	(60)
Interest (paid)/received		**(7)**	(57)
Net cash flow from financing activities		**612**	707
Increase in cash and cash equivalents		**269**	**215**
Cash and cash equivalents at the beginning of the year		**3,320**	3,105
Cash and cash equivalents at the end of the year		**3,589**	3,320

Notes to the Financial Statements

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Highlands and Islands Airports Limited and its subsidiaries (the Group) for the year ended 31 March 2021 were authorised for issue by the board of directors on 7 October 2021 and the Balance Sheet was signed on the Board's behalf by Lorna Jack and Inglis Lyon.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2021.

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

The Group has adequate financial resources and continues to receive operating subsidies from Scottish Government for the continuation of operations at its 11 airports. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Group receives subsidies from Scottish Government on an annual basis. The annual financial statements are prepared on the assumption that the Group will continue to receive such subsidies for the foreseeable future.

As a result of the IAS 19 pension deficit the Group has net liabilities of £63.139m and the Company has net liabilities of £56.605m at 31 March 2021. 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.

The company has received a written assurance from Scottish Government that it will be provided with additional grant funding to enable it to continue to operate the 11 airports following the loss of revenue it has experienced in the period since 1st April 2021 as a result of the COVID pandemic.

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 2021.

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 related service is provided. In addition, rental income is earned through leasing buildings and 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.

(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 operates the Highlands and Islands Airports Pension Scheme, a defined benefit scheme. Employees of Dundee Airport are members of the Tayside Superannuation Fund, another defined benefit scheme, which is operated by Dundee City Council. Tayside Superannuation Fund is a multi-employer pension scheme. Auto enrollment employees join the People's Pension, which is a defined contribution scheme.

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 defined benefit obligation) and is based on actuarial advice.

The 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 and expense 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.

Notes to the Financial Statements

(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 incurred.

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:

Freehold buildings	over 6 years to 60 years
Leasehold land and buildings	over the remaining life of the lease to a max of 50 years
Car parks	over 10 years to 45 years
Navigation aids	over 5 years to 20 years
Runways, aprons and 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 & 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) Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement assessing whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The classification of leases as finance or operating leases requires the Group to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards or ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised on the balance sheet.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the Income Statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the term.

Operating lease payments are recognised as an expense in the Income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Notes to the Financial Statements

(g) 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.

(h) Goodwill

Goodwill is initially measured at cost, being the excess of the cost of a business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the portion of the cash generating unit retained.

(i) Investments in joint ventures

Entities in which the Group holds an interest on a long term basis 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.

(j) 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.

(k) 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.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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.

Notes to the Financial Statements

(l) 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 asset's 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.

(m) Cash and short term deposits

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

(n) 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.

(o) 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.

(p) 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.

(q) 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.

Notes to the Financial Statements

(q) Financial assets (continued)

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.

(r) 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 2021. 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.

Notes to the Financial Statements

2.4. Judgements and key sources of estimation uncertainty (continued)

Revaluation of Investment Property

The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value.

Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

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 2021 but are either not applicable or have no material impact on the Group's financial statements;

IFRS 3	Business Combinations
IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies

The following standards, amendments and interpretations became effective during the year and have been adopted in these financial statements.

IFRS 3	Business Combinations
IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies
IFRS 16	Covid-19 Related Rent Concessions

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.

IAS 8	Accounting Policies

Notes to the Financial Statements

3.	Revenue	2021 £000	2020 £000
	Revenue recognised in the Income Statement is analysed as follows:		
	Revenue from airport charges	**6,920**	18,909
	Concession revenues	**317**	3,264
	Rental income	**1,762**	2,719
	Total revenue	**8,999**	24,892

4.	Other income	2021 £000	2020 £000
	Government grants, other grants & services rendered	**37,929**	24,545
		37,929	24,545

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 2021 and 2020 was as follows:

Revenue		2021 £000	2020 £000
Scottish Government	Operating subsidy	**36,600**	24,355
Scottish Government	Air Discount Scheme	**125**	186
Miscellaneous	Miscellaneous	**1,204**	4
		37,929	24,545
Capital			
Scottish Government and other bodies	Operating subsidy and grants	**20,246**	11,549
		58,175	36,094

Notes to the Financial Statements

5. Group operating loss

This is stated after charging/(crediting):	2021 £000	2020 £000
Increase/decrease in fair value of investment properties	(4)	(221)
Depreciation of property, plant and equipment	8,816	8,080
Deferred subsidies release	(8,567)	(8,202)
Operating lease payments	-	-
Auditor's remuneration – audit services	39	37

6. Other gains & (losses)

	2021 £000	2020 £000
Gain on disposals of property, plant and equipment	-	52
Increase/(decrease) in fair value of investment properties	(127)	221
	(127)	273

7. Employee benefit expense

	2021 £000	2020 £000
Wages and salaries	23,553	23,863
Social security costs	2,486	2,585
Pension costs	5,908	6,470
Other staff costs	721	1,063
	32,668	33,981

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:

	2021 No.	2020 No.
Administration	63	64
Air traffic services	110	106
Airport fire service	188	188
Apron operations	1	1
Engineering	21	21
Management	50	50
Security	227	228
	660	658

Directors' remuneration	2021 £000	2020 £000
Emoluments	249	225
Pension contributions	30	29

7. Employee benefit expense (continued)

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

	2021 No.	2020 No.
£0 to £5,000	-	4
£5,001 to £10,000	5	3
£10,001 to £20,000	-	-
£20,001 to £60,000	3	2
£140,001 to £145,000	-	-
£145,001 to £155,000	1	1

The emoluments of the highest paid director were £122,640 (2020: £120,404) excluding pension contributions of £30,330 (2020: £29,782).

Caledonian Maritime Assets Ltd charged the group £32,686 (2020: £52,650) for the services of a Director (note 25).

The Law Society of Scotland charged the group £23,184 (2019: £23,184) for the services of the chair.

There are 2 directors for whom the Group made contributions during the year as members of the Highlands and Islands Airports Pension Scheme.

8. Finance (costs)/revenue

	2021 £000	2020 £000
Bank interest receivable/(payable)	4	9
Other finance (loss)/income	-	(54)
Interest Right Of Use Asset	(11)	(13)
	(7)	(57)

Notes to the Financial Statements

9. Taxation

(a) Tax charged in the Income Statement

	2021 £000	2020 £000
Current income tax:		
Current income tax	-	-
Amounts overprovided in previous years	-	(19)
Total current income tax	-	(4)
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	-	(19)
The tax expense in the Income Statement is disclosed as follows:	-	(19)

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

	2021 £000	2020 £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 higher than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are reconciled below:

	2021 £000	2020 £000
Accounting (loss) before income tax	**(2,589)**	(2,735)
Accounting (loss) multiplied by the UK standard rate of tax of 19% (2019: 19%)	**(491)**	(519)
Expenses not deductible for tax purposes	**38**	44
Tax losses carried forward	**487**	136
Tax losses utilised	**(481)**	(111)
Government grants exempt from tax	**(1,576)**	(1,665)
Pension provisions not tax deductible	**(98)**	646
Adjustment in respect of prior periods	**-**	(19)
Adjustment in respect of IFRS	**527**	(143)
Interest on redeemable shares	**-**	-
Adjustment relating to sale of assets	**24**	(52)
Adjustment relating to tax on UK GAAP	**-**	-
Net depreciation in excess of capital allowances	**1,555**	**1,652**
Chargeable gains	**27**	-
Share of JV not tax deductible	**(12)**	12
Deferred tax movement per note 9 (d)	**-**	-
Total tax charge reported in the Income Statement	**-**	(19)

(d) Deferred tax

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

	Balance Sheet		Income Statement	
	2021 £000	2020 £000	2021 £000	2020 £000
Deferred tax liability				
Accelerated capital allowances	**4,870**	4,924	**54**	(4,924)
Revaluations of investment properties	**151**	175	**24**	(52)
	5,021	5,099	**78**	(4,976)
Deferred tax asset				
Accelerated capital allowances	**-**	-	**-**	(4,736)
Pensions	**11,789**	5,348	**6,441**	272
Tax losses carried forward	**2,108**	2,141	**(33)**	197
Deferred revenue	**4,566**	4,622	**(56)**	9,741
Deferred tax not recognised	**(13,442)**	(7,012)	**(6,430)**	(498)
	5,021	5,099	**(78)**	(4,976)
Disclosed on the Group and Company Balance Sheet and Income Statement				
Deferred tax (liability)	**-**	-	**-**	-

Notes to the Financial Statements

9 (d) Deferred tax (continued)

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.

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 2019	57,313	170,517	5,775	233,605
Additions	61	211	13,815	14,087
Additions – right of use asset	491	171	-	662
Disposals	(80)	(1,552)	-	(1,632)
Transfers	3,936	4,749	(8,685)	-
At 31 March 2020 (restated)	61,721	174,096	10,905	246,722
Depreciation and impairment:				
At 1 April 2019	(34,585)	(82,445)	-	(117,030)
Provided during the year	(1,522)	(6,491)	-	(8,013)
Prior Year adjustment to depreciation	(2,208)	-	-	(2,208)
Provided during the year on right of use asset	(43)	(24)		(67)
Disposals	14	1,507	-	1,521
At 31 March 2020 (restated)	(38,344)	(87,453)	-	(125,797)
Net book value:				
At 31 March 2020 (restated)	23,377	86,643	10,905	120,925
At 31 March 2019	22,728	88,072	5,775	116,575

Notes to the Financial Statements

10. Property, plant and equipment (continued)

Group

	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2020 (restated)	61,721	174,096	10,905	246,722
Additions	809	2,869	20,119	23,797
Additions – right of use asset	-	-	-	-
Disposals	-	(634)	-	(634)
Transfers	2,053	4,090	(6,143)	-
At 31 March 2021	**64,583**	**180,421**	**24,881**	269,885
Depreciation and impairment:				
At 1 April 2020 (restated)	(38,344)	(87,453)	-	(125,797)
Provided during the year	(2,537)	(6,179)	-	(8,716)
Provided during the year on right of use asset	(43)	(57)	-	(100)
Disposals	-	592	-	592
At 31 March 2021	**(40,924)**	**(93,097)**	**-**	(134,021)
Net book value:				
At 31 March 2021	**23,659**	**87,324**	**24,881**	**135,864**
At 31 March 2020 (restated)	23,377	86,643	10,905	120,925

Company

	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2019	53,457	150,048	5,541	209,046
Additions	61	205	13,637	13,903
Additions – right of use asset	491	171	-	662
Disposals	(80)	(1,353)	-	(1,433)
Transfers	3,936	4,372	(8,308)	-
At 31 March 2020	57,865	153,443	10,870	222,178
Depreciation and impairment:				
At 1 April 2019	(31,685)	(71,401)	-	(103,086)
Provided during the year	(1,595)	(6,724)	-	(8,319)
Provided during the year on right of use asset	(43)	(24)	-	(67)
Disposals	14	1,309	-	1,323
At 31 March 2020	(33,309)	(76,840)	-	(110,149)
Net book value:				
At 31 March 2020	24,556	76,603	10,870	112,029
At 31 March 2019	21,772	78,647	5,541	105,960

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 2020	57,865	153,443	10,870	222,178
Additions	774	2,785	18,846	22,405
Additions – Right of use asset	-	-	-	-
Disposals	-	(602)	-	(602)
Transfers	2,029	3,381	(5,410)	-
At 31 March 2021	**60,668**	**159,007**	**24,306**	**243,981**
Depreciation and impairment:				
At 1 April 2020	(33,309)	(76,840)	-	(110,149)
Provided during the year	(1,688)	(6,351)	-	(8,039)
Provided during the year – right of use asset	(43)	(57)	-	(100)
Disposals	-	562	-	562
At 31 March 2021	**(35,040)**	**(82,686)**	**-**	**(117,726)**
Net book value:				
At 31 March 2021	**25,628**	**76,321**	**24,306**	**126,255**
At 31 March 2020	24,556	76,603	10,870	112,029

11. Investment property

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

	Group 2021 £000	**Company 2021 £000**	Group 2020 £000	Company 2020 £000
Valuation at 1 April	**854**	**854**	633	633
Additions	**-**	**-**	-	-
Disposals	**(131)**	**(131)**	-	-
Fair value adjustment	**4**	**4**	221	221
Valuation as at 31 March	**727**	**727**	854	854

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 not only relied on historical transactional comparables.

The valuations were performed by Gerald Eve as at 31 March 2021, an accredited independent consultant with a recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The critical assumptions made relating to valuations are set out below:

	2021	2020
Yields (%)	**6.36% – 24.56%**	6.5% – 24.56%

Notes to the Financial Statements

12. Investments

Group

(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:

	2021	2020
	£000	£000
Share of the joint venture's balance sheet:		
Non-current assets	**(22)**	(84)
Current assets	**-**	-
Current liabilities	**-**	-
Non-current liabilities	**-**	-
Share of other reserves	**-**	-
Share of net (liabilities)/assets	**(22)**	(84)

	2021	2020
	£000	£000
Share of the joint venture's results:		
Revenue	**154**	105
Net operating expenses	**(78)**	(177)
Loss before taxation	**76**	(72)
Tax expense	**(13)**	9
Loss after taxation	**62**	(63)

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

(b) Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital at 31 March 2021 and 2020 are as follows:

Name of company	**Holding**	**Proportion of voting**	**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. Investments (continued)

Company

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost:			
At 1 April 2019	10	1,988	1,998
Acquisitions	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 March 2020	10	1,988	1,998
Amortisation and impairment:			
At 1 April 2019	-	-	-
Amortisation during the year	-	-	-
Impairment charges	-	-	-
Disposals	-	-	-
At 31 March 2020	-	-	-
Net book value:			
At 31 March 2020	10	1,988	1,998
At 31 March 2019	10	1,988	1,998

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost:			
At 1 April 2020	10	1,988	1,998
Acquisitions	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 March 2021	**10**	**1,988**	1,998
Amortisation and impairment:			
At 1 April 2020	-	-	-
Amortisation during the year	-	-	-
Impairment charges	-	-	-
Disposals	-	-	-
At 31 March 2021	-	-	-
Net book value:			
At 31 March 2021	**10**	**1,988**	1,998
At 31 March 2020	10	1,988	1,998

Notes to the Financial Statements

13. Intangible fixed assets

Group

	Total £000
Cost:	
At 1 April 2019	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2020	540
Amortisation and impairment:	
At 1 April 2019	(485)
Amortisation during the year	-
Disposals	-
At 31 March 2020	(485)
Net book value:	
At 31 March 2020	55
At 31 March 2019	55
Cost:	
At 1 April 2020	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2021	**540**
Amortisation and impairment:	
At 1 April 2020	(485)
Amortisation during the year	-
Impairment charges	-
At 31 March 2021	**(485)**
Net book value:	
At 31 March 2021	**55**
At 31 March 2020	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 it's 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 50 years at 31 March 2021.

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

Intangibles – 7 to 60 years in relation to the lease contracts

Notes to the Financial Statements

14. Trade and other receivables

Group

	2021	2020
	£000	£000
Trade receivables	2,123	3,663
Less: provision for impairment of receivables	(352)	(765)
Trade receivables net of impairment	1,771	2,898
Receivables from joint ventures	2,336	2,310
Prepayments and other accrued income	786	625
Other receivables	3,429	1,254
	8,322	7,087

Out of the carrying amount of trade receivables of £2,123,000, £1,815,492 relates to 4 major customers.

Company

	2021	2020
	£000	£000
Trade receivables	2,096	3,520
Less: provision for impairment of receivables	(351)	(765)
Trade receivables net of impairment	1,745	2,755
Receivables from joint ventures	2,336	2,311
Prepayments and other accrued income	584	490
Other receivables	5,223	1,245
	9,888	6,801

Out of the carrying amount of trade receivables of £2,096,000, £1,803,703 relates to 4 major customers.

15. Inventories

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Aviation fuel	14	-	46	-
Spares	161	161	-	-
	175	161	46	-

Notes to the Financial Statements

16 . Cash and cash equivalents

For the purposes of the Group statement of cash flows, cash and cash equivalents comprises the following:

Group	2021 £000	2020 £000
Cash at bank	**3,589**	3,320
Short term deposits	**-**	-
	3,589	3,320

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

Company	2021 £000	2020 £000
Cash at bank	**3,162**	3,186
Short term deposits	**-**	-
	3,162	3,186

17. Trade and other payables

Group	2021 £000	2020 £000
Loans (note 18)	**1,721**	-
Trade payables	**3,601**	1,861
IFRS lease creditor	**506**	602
Other creditors and accruals	**9,915**	8,748
	15,743	11,211

Company	2021 £000	220 £000
Loans (note 18)	**1,646**	-
Trade payables	**3,508**	1,848
Amounts owed to other Group companies	**95**	900
IFRS lease creditor	**506**	602
Other creditors and accruals	**9,184**	8,084
	14,939	11,434

Notes to the Financial Statements

18. Loans

Group	2021 £000	2020 £000
Unsecured loans wholly repayable within five years,		
repayable in half-yearly instalments	**5,847**	3,468
Less repayable within twelve months (note 17)	**(1,721)**	-
	4,127	3,468

Instalments on the loans included above are repayable as follows:		
between one and two years	**1,659**	1,136
between two and five years	**2,467**	1,928
after five years	**-**	404
	4,127	3,468

Company	2021 £000	2020 £000
Unsecured loans wholly repayable within five years,		
repayable in half-yearly instalments	**5,773**	3,412
Less repayable within twelve months (note 17)	**(1,646)**	-
	4,127	3,412

Instalments on the loans included above are repayable as follows:		
between one and two years	**1,646**	1,121
between two and five years	**1,659**	1,887
after five years	**-**	404
	3,305	3,412

At 31 March 2021 the group and company had 7 loans outstanding (2020: 6). The loans are repayable to the Scottish Ministers at an interest rate between 1.11% and 2.00%. The loans are repayable over 4 and 5 years, by half yearly installments. There was a payment holiday in 2020/21 due to COVID-19 assistance.

19. Deferred subsidies

Group	2021 £000	2020 £000
Balance at 1 April	**118,294**	115,804
Subsidies receivable	**20,246**	12,900
Prior year correction to release to Income Statement	**-**	(2,208)
Release to Income Statement	**(8,567)**	(8,202)
Release against asset disposals	**(42)**	-
Balance at 31 March	**129,932**	118,294

19. Deferred subsidies (continued)

Company

	2021 £000	2020 £000
Balance at 1 April	**109,328**	105,068
Subsidies receivable	**18,870**	12,713
Release to Income Statement	**(7,888)**	(8,453)
Release against asset disposals	**(39)**	-
Balance at 31 March	**120,271**	109,328

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 2021 and 31 March 2020 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 2021	**-**	**14,022**	**-**	**-**	**-**	**14,022**
At 31 March 2020	-	11,211	-	-	-	11,211
Borrowings						
At 31 March 2021	**-**	**-**	**1,721**	**4,127**	**-**	**5,847**
At 31 March 2020	-	-	-	3,468	-	3,468

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	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Financial assets				
Loans and receivables	**-**	-	**-**	-
Trade and other receivables	**5,987**	4,776	**5,987**	4,776
Loans receivable	**2,336**	2,310	**2,336**	2,310
Financial liabilities				
Trade and other payables	**14,022**	11,211	**14,022**	11,211
Borrowings	**5,847**	3,468	**5,847**	3,468

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.

21. Pensions

The Group operates for its employees two final salary defined benefit pension schemes – the Highlands and Islands Airports Pension Scheme (HPS) and the Tayside Superannuation Fund (TSF) and one defined contribution scheme. Group member numbers of each fund at 31 March 2021 were 587 (2020: 571) and 75 (2020: 68). Both schemes are operated and located in the United Kingdom and require contributions to be made to separately administered funds.

The People's Pension members at 31 March 2021 for the Group were 266 (2020: 252) and for the Company were 49 (2020: 35). This scheme is monitored by HIAL management through the actuaries.

The values of the scheme obligations have been determined by a qualified actuary based on the actuarial valuation as at 31 December 2019 for the HPS and the valuation as at 31 March 2020 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.

Notes to the Financial Statements

21. Pensions (continued)

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

At 31 March 2020	**HPS**	**TSF**	Total
	£000	**£000**	£000
Scheme assets at fair value			
Equities	33,389	5,812	39,201
Gilts	-	122	122
Other bonds	39,308	1,555	40,863
Property	11,581	1,111	12,692
Diversified growth	26,482	-	26,482
Other	11,648	(44)	11,604
Cash	2,513	269	2,782
Fair value of scheme assets	124,921	8,825	133,746
Present value of scheme liabilities	(151,478)	(10,413)	(161,891)
Defined benefit pension scheme deficit	**(26,557)**	(1,588)	(28,145)

At 31 March 2021	**HPS**	**TSF**	Total
	£000	**£000**	£000
Scheme assets at fair value			
Equities	45,844	8,520	54,364
Gilts	-	407	407
Other bonds	25,159	1,506	26,665
Property	11,798	1,118	12,916
Diversified growth	34,660	-	34,660
Other	26,950	33	26,983
Cash	2,029	242	2,271
Fair value of scheme assets	146,440	11,826	158,266
Present value of scheme liabilities	(205,899)	(14,415)	(220,314)
Defined benefit pension scheme deficit	**(59,459)**	**(2,589)**	(62,048)

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 2020	**HPS**	**TSF**	Total
	£000	**£000**	£000
Recognised in Income Statement			
Current service cost	5,383	478	5,861
Past service cost	-	-	-
Recognised in arriving at operating loss	5,383	478	5,861
Administration cost	104	3	107
Interest cost on scheme assets	(3,345)	(229)	(3,574)
Interest cost on obligations	4,014	274	4,288
Other finance cost	773	48	821

Notes to the Financial Statements

21. Pensions (continued)

	HPS £000	TSF £000	Total £000
Taken to the Statement of Comprehensive Income			
Return on plan assets in excess of interest	(8,817)	(734)	(9,551)
Experience losses on liabilities	(3,670)	-	(3,670)
Change in demographic assumptions	(841)	-	(841)
Change in financial assumptions	17,200	1,400	18,600
Actuarial gains recognised in the Statement of Comprehensive Income	3,872	666	4,538

Year ended 31 March 2021	HPS £000	TSF £000	Total £000
Recognised in Income Statement			
Current service cost	4,856	459	5,315
Past service cost	5	-	5
Recognised in arriving at operating loss	4,861	459	5,320
Administration cost	525	2	527
Interest cost on scheme assets	(2,924)	(211)	(3,135)
Interest cost on obligations	3,509	245	3,754
Other finance cost	1,110	36	1,146

	HPS £000	TSF £000	Total £000
Taken to the Statement of Comprehensive Income			
Return on plan assets in excess of interest	18,936	2,790	21,726
Experience losses on liabilities	-	363	363
Change in demographic assumptions	-	404	404
Change in financial assumptions	(49,801)	(4,012)	(53,813)
Other actuarial gain/(loss)	-	(315)	(315)
Actuarial losses recognised in the Statement of Comprehensive Income	**(30,865)**	**(770)**	(31,635)

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 2019	158,056	11,314	169,370
Current service cost	5,383	478	5,861
Past service cost	-	-	-
Interest cost	4,014	274	4,288
Benefits paid	(4,205)	(349)	(4,554)
Contributions by scheme participants	919	96	1,015
Change in demographic assumptions	841	-	841
Experience loss on liabilities	3,670	-	3,670
Change in financial assumptions	(17,200)	(1,400)	(18,600)
Defined benefit obligation at 31 March 2020	151,478	10,413	161,891

Notes to the Financial Statements

21. Pensions (continued)

	HPS £000	TSF £000	Total £000
Defined benefit obligation at 1 April 2020	151,478	10,413	161,891
Current service cost	4,856	459	5,315
Past service cost	5	-	-
Interest cost	3,509	245	3,754
Benefits paid	(4,702)	(57)	(4,759)
Contributions by scheme participants	952	110	1,062
Change in demographic assumptions	-	(404)	(404)
Experience loss on liabilities	-	(363)	(363)
Change in financial assumptions	49,801	4,012	53,813
Defined benefit obligation at 31 March 2021	**205,899**	**14,415**	**220,309**

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 2019	129,966	9,347	139,313
Interest on scheme assets	3,345	229	3,574
Contributions by employer	3,817	239	4,056
Contributions by scheme participants	919	96	1,015
Benefits paid	(4,205)	(349)	(4,554)
Administration costs	(104)	(3)	(107)
Other actuarial gains	-	-	-
Return on plan assets less interest	(8,817)	(734)	(9,551)
Fair value of scheme assets at 31 March 2020	124,921	8,825	133,746

	HPS £000	TSF £000	Total £000
Fair value of scheme assets at 1 April 2020	124,921	8,825	133,746
Interest on scheme assets	2,924	211	3,135
Contributions by employer	3,929	264	4,193
Contributions by scheme participants	952	110	1,062
Benefits paid	(4,702)	(57)	(4,759)
Administration costs	(520)	(2)	(522)
Other actuarial gains	-	(315)	-
Return on plan assets less interest	18,936	2,790	21,726
Fair value of scheme assets at 31 March 2021	**146,440**	**11,826**	158,581

Notes to the Financial Statements

21. Pensions (continued)

The Group expects to contribute £4,567,000 to its defined benefit pension plans in 2020/21

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 2021 (%)	2020 (%)	TSF 2021 (%)	2020 (%)
Main assumptions:				
Rate of salary increases	**2.95**	1.75	**3.85**	2.80
Rate of increase in pensions in payment*	**3.25**	2.55	**2.85**	1.80
Discount rate	**2.00**	2.35	**2.05**	2.35
RPI Inflation	**3.25**	2.55	**3.85**	2.80

*HPS only – The assumed rate of increase is 3.25% for RPI and 2.95% 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 S2PA table has been used making allowance for future improvements to be in line with the 2018 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 S2PA table has been adjusted by 130% (to reflect the particular characteristics of the scheme) making allowance for future improvements to be in line with the 2018 CMI projection model with a long term improvement rate of 1.5% p.a. with a smoothing parameter of 7.0 and the projection is made based on the individual year of birth of each member.

Sensitivities

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):

Notes to the Financial Statements

21. Pensions (continued)

Change in assumption

	Salary increased by 0.50% £000	Reduce discount rate by 0.50% £000	Increase inflation by 0.50% £000
Fair value of scheme assets	146,440	146,440	146,440
Present value of defined benefit obligation	(212,274)	(233,554)	(231,960)
Defined benefit pension scheme deficit	(65,834)	(87,114)	(85,520)

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:

Change in assumption

	+0.1% £000	-0.1% £000	+1 year £000	-1 year £000
Projected service cost	735	785	796	725
Present value of defined benefit obligation	10,134	10,700	10,767	10,071

The projected pension expense for the year ending 31 March 2021 is as follows:

	HPS £000	TSF £000	Total £000
Current service cost	7,696	760	**8,456**
Net interest in defined benefit liability	1,150	50	**1,200**
Administration expenses	324	3	**327**
Total	9,170	813	**9,983**

Notes to the Financial Statements

21. Pensions (continued)

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

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
HPS					
Fair value of scheme assets	**146,440**	124,921	129,996	123,590	118,857
Present value of defined benefit obligation	**(205,899)**	(151,478)	(158,056)	(146,606)	(143,132)
(Deficit)	**(59,459)**	(26,557)	(28,060)	(23,016)	(24,275)
Experience adjustment on plan liabilities	**-**	-	-	(639)	-
Experience adjustments on plan assets	**18,936**	(8,817)	1,797	924	11,991

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
TSF					
Fair value of scheme assets	**11,826**	8,825	10,015	8,679	6,613
Present value of defined benefit obligation	**(14,415)**	(10,413)	(12,433)	(10,195)	(10,101)
(Deficit)	**(2,589)**	(1,588)	(2,418)	(1,516)	(3,488)
Experience adjustment on plan liabilities	**-**	-	-	(325)	-
Experience adjustments on plan assets	**2,790**	(734)	184	405	1,001

22. Share capital

	Group and Company	
	2021	2020
	£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

	2021 £000	2020 £000
Operating loss	**(1,498)**	(1,794)
Amortisation and impairment of intangibles	**-**	-
Depreciation of property, plant and equipment	**8,816**	8,080
Decrease/(increase) in inventories	**(129)**	11
(Increase)/Decrease in trade and other receivables	**(1,210)**	(1,055)
Decrease in trade and other payables	**4,483**	2,008
Deferred subsidies released	**(8,609)**	(8,202)
Fair value movement on investment properties	**127**	(221)
Difference between pension contributions and charges	**1,127**	1,805
Gain on disposal of property, plant and equipment	**-**	52
Cash (used in)/generated by operations	**3,107**	684

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 drink 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. Further information regarding right-of-use assets can be found in note 10.

ii. Lease liabilities

Lease liabilities included in the statement of financial position at 31 March 2021 are analysed as follows:

	2021 £000	2020 £000
Current	**96**	96
Non-current	**410**	506
	506	602

The lease liability is secured on the related underlying assets. The undiscounted maturity analysis of the lease liability as at 31 March 2021 is as follows:

	2021	2020
	£000	£000
Less than one year	**107**	108
One to five years	**229**	287
More than five years	**216**	264
Total undiscounted liabilities at 31 March 2021	**2,128**	659

For interest expense in relation to leasing liabilities, refer to finance costs (note 8).

Total cash outflows in respect of leasing liabilities in the year to 31 March 2021 is £107,670 and 31 March 2020 £73,337.

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.

Notes to the Financial Statements

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	**2021**	**-**	**30**	**2,336**	**-**
	2020	2	19	2,311	**3**
In relation to key management personnel:					
Caledonian Maritime Assets Ltd	**2021**	**-**	**32**	**-**	**-**
	2020	-	30	-	26
The Law Society of Scotland	**2021**	**-**	**21**	**-**	**-**
	2020	-	27	-	-
Energy Aviation Services Ltd	**2021**	**-**	**17**	**-**	**9**
	2020	-	16	-	-
Intercompany Balances					
Dundee Airport Limited	**2021**	**646**	**-**	**2,526**	**-**
	2020	498	-	498	390
Airport Management Services Limited	**2021**	**235**	**6,452**	**-**	**95**
	2020	251	7,382	-	318

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 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.

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 2021, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £10,739,000 for the Group (2020: £2,701,000) and £10,739,000 for the Company (2020: £2,605,000).

Contingent liabilities

The Company has guaranteed the bank overdraft of a joint venture to the extent of £100,000. This has not been utilised at 31 March 2021. The risk of default by this joint venture is considered low, and as such the initial fair value of this guarantee has been assessed as £nil.

Following discussions about the latest actuarial valuation of the HIA Pension Scheme, the Company has granted a security over the terminal building at Inverness Airport to the Scheme's Trustee's in relation to the Company's obligation to the Scheme.

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.

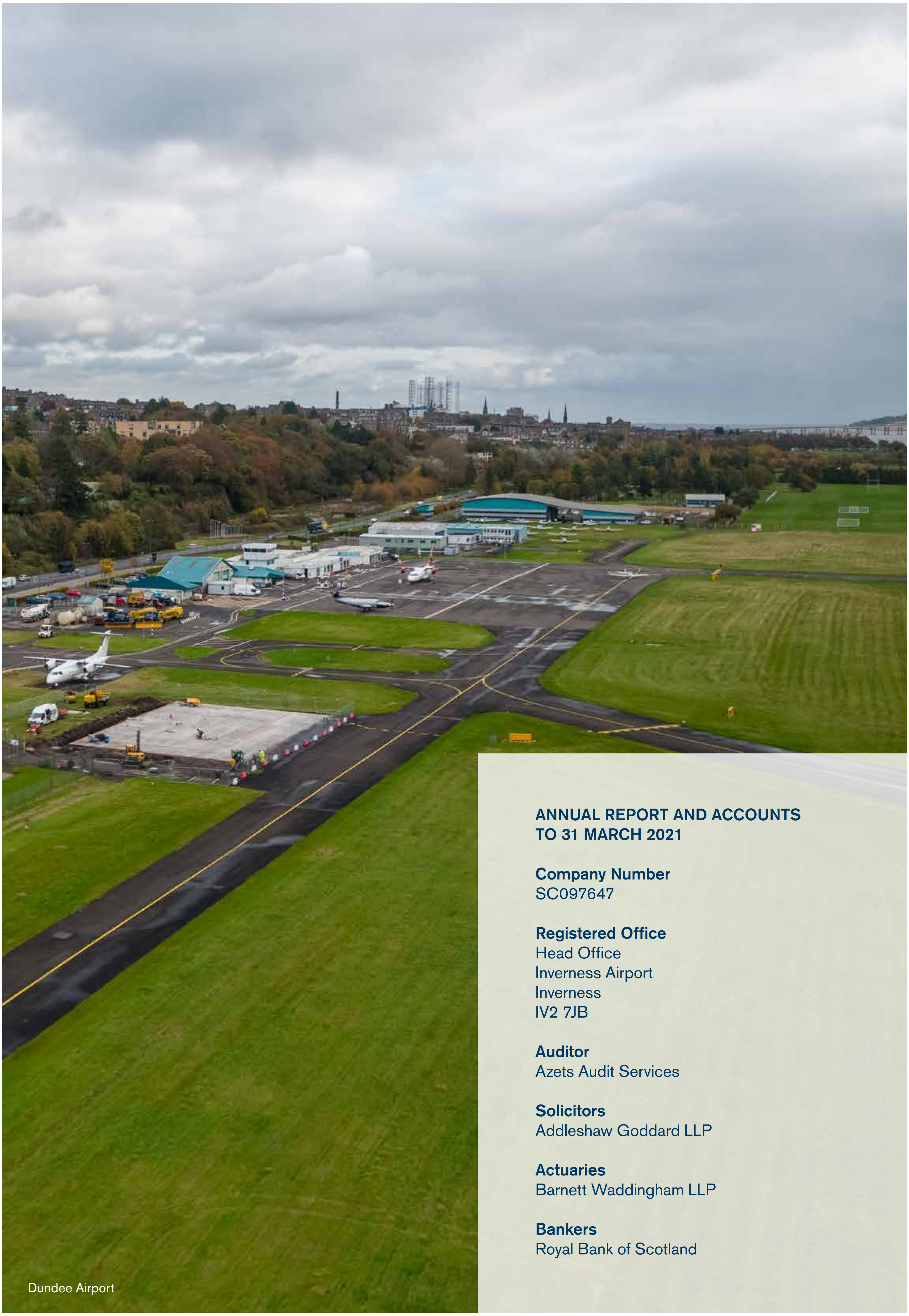
The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2020 and 31 March 2021.

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

28. Prior Year Adjustment

There has been a prior year adjustment made to the year-ended 31 March 2020 financial statements. During the process of componentising the FRS 102 1A Dundee Airport Limited fixed assets in order to be consistent with the IFRS Group approach it was noted that there was an adjustment required to correct depreciation of these fixed assets and the release to the deferred subsidies to reflect the IFRS net book value of those assets. Below shows the impact of this adjustment.

	2020 Balance before restatement £000	Adjustment £000	Restated 2020 Balance £000
Fixed Assets – NBV	123,133	(2,208)	120,925
Deferred Subsidies	(120,502)	2,208	(118,294)


Dundee Airport

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Company Number
SC097647

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Auditor
Azets Audit Services

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Actuaries
Barnett Waddingham LLP

Bankers
Royal Bank of Scotland

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

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