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

Annual Report and Accounts to 31 March 2025

About us

Highlands and Islands Airports Limited (HIAL) is a private limited company wholly owned by the Scottish Ministers and responsible for the management and operation of eleven regional airports located at: Barra, Benbecula, Campbeltown, Dundee, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick.

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

Safety underpins every aspect of our operations, providing a safe environment for colleagues and customers alike. We have a robust safety and security programme that achieves regulatory compliance throughout our organisation. We continuously review our systems and procedures to ensure that our organisation and every one of our airports has the very highest standard of safety performance and resilience.

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Cover image – Submission for World Photography Day featuring Barra from Suzanne Forman

Our Mission, Ambition and Values

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

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

Our Values

Our values underpin everything we do and how we do it. They define who we are; our expectations of each other and ourselves; 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.

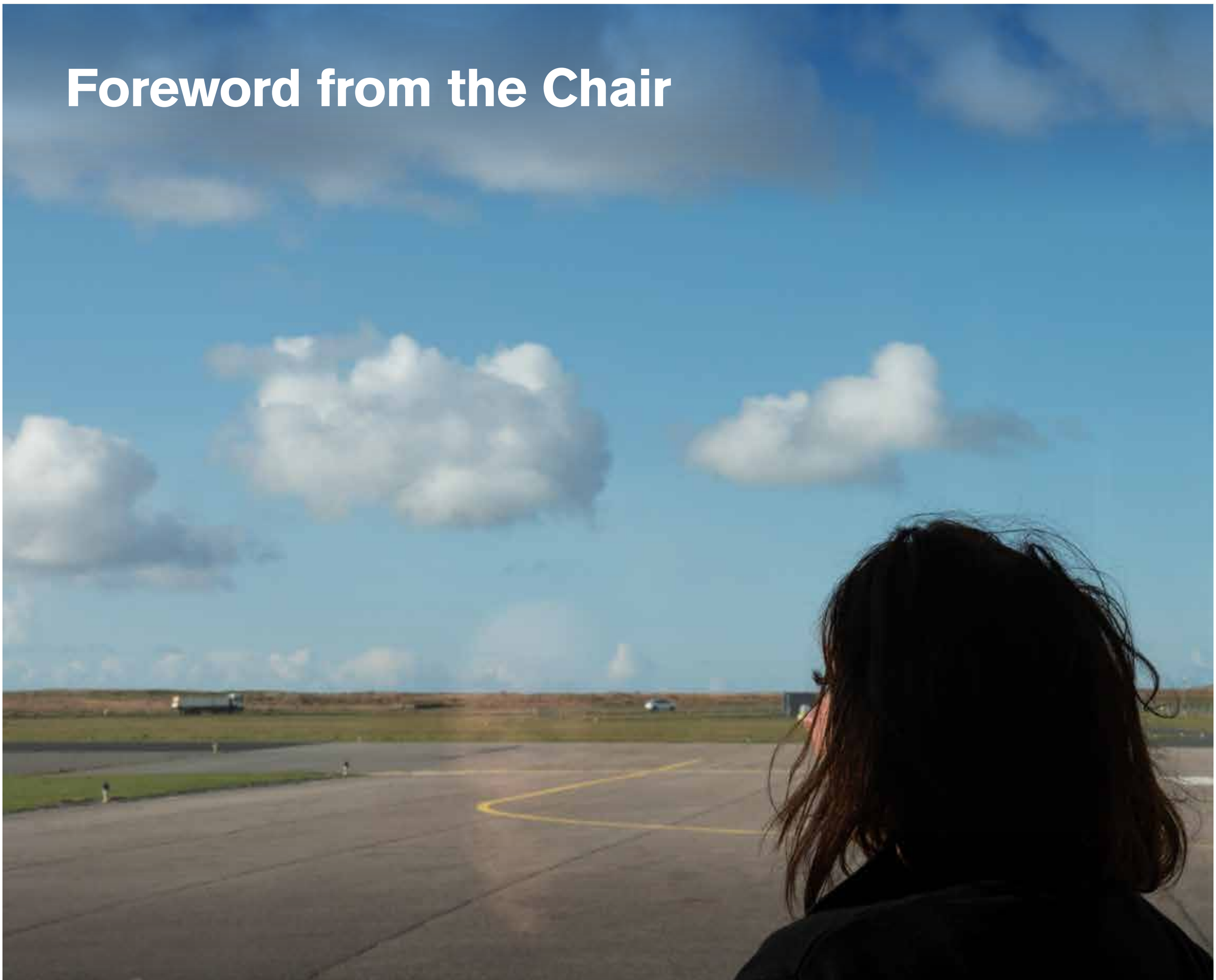
We care about our people, our communities, our passengers, and our partners. Safety is at the core of everything we do to ensure the security and wellbeing of ourselves and others.

We foster a culture that is inclusive and where people are appreciated. We respect the individual differences of those we work alongside, our customers and our communities. We act with integrity and thought for others.

We value contributions from our people and our partners. We work together to achieve our goals and deliver our services to the highest standards.

We take pride in what we do and always look for opportunities to improve and be open to new ideas. We continually explore new ways of working that will deliver efficient operations and reduce our impact on the environment.

Foreword from the Chair



This will be my last annual report as I stand down as HIAL's Chair in January 2026. I have served on the HIAL Board for over 11 years, joining initially as a non-executive director then becoming Interim Chair in 2017 before being appointed as Chair in February 2019.

It has been my privilege to have served the communities of the Highlands & Islands in this way. In that time, I have witnessed the professionalisation and modernisation of the business, with levels of engagement, openness and transparency that have been held up as an example of best practice by stakeholders.

That level of engagement and transparency was evident when we developed our Strategic Plan for 2023-2028 following input from our local and national stakeholders and partner organisations, and importantly from our colleagues. The programme to consult with our people, partners and stakeholders resulted in a remarkable level of engagement, constructive input with suggestions that helped form our strategic goals and how we could deliver them.

A constant throughout my tenure is the continued dedication of colleagues across all 11 airports and head office and the friendly yet professional customer service they provide. I've heard of so many instances where colleagues have gone above and beyond to service our local communities.

I take great pride in the fact that high level of service continued right through the Covid-19 pandemic and the critical role our airports played when most of the aviation industry shut down. Routine flights stopped from 29 March 2020, but HIAL worked closely with Transport Scotland and Loganair to agree and deliver a skeleton schedule of lifeline services to the islands.

Passenger at Islay Airport

Foreword from the Chair

HIAL's airports remained operational throughout the pandemic to ensure the skeleton schedule could continue to support lifeline and essential services for our remote communities, including emergency NHS passenger transfer, Royal Mail services and support for the offshore energy industry.

The pandemic underlined the critical role that HIAL's airports play in maintaining connectivity for our communities. Our focus on strategic planning ensured we got back to business-as-usual very quickly post-pandemic. That level of forward planning allowed us to rebuild our operations resulting in just under 1.5 million passengers, 88% of pre-pandemic passenger levels, by 31 March 2024. This level has been maintained at just under 1.5 million by 31 March 2025.

Post pandemic, against a backdrop of an ever changing and unpredictable world and considerable economic and financial pressures, the Board's strategic direction was to scrutinise business and operating costs, reviewing our operating model and processes to ensure they are as efficient and effective as possible and to focus on both increasing our commercial revenue and developing new revenue streams.

Colleagues embraced the challenge and played a major role in helping drive efficiencies and identify cost reductions. This allowed us to realise savings and return a material proportion of the grant subsidy offered by Transport Scotland for the last three financial years, playing our part in easing the burden on the public purse.

We have partnered with key airlines over the years including British Airways, Eastern Airways, easyJet, KLM and Loganair. Over the 11 years I have witnessed improved connectivity for the people of the Highlands and Islands as we secured critical routes to international hubs providing onward travel to the rest of the world, including London Gatwick, London Heathrow and Schiphol Amsterdam. The Dundee to London route also provided the people of the Shetland and Orkney Islands a more direct through route to access the UK's capital and to worldwide destinations for business and leisure.

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

The financial pressures that I mentioned, and which led us to recalibrate our goals and reappraise our strategic priorities, will be with us for some time to come; and it was through that lens that the HIAL Board and Strategic Leadership Team undertook our annual review of our Strategic Plan.

Following input from senior managers across the Company, all agreed that our goals and priorities remain relevant, perhaps even more so given the public sector financial challenges will not go away any time soon.

With senior managers across the organisation, we also took time to reflect on the significant progress in delivering our strategic objectives in the first year of the Plan. We updated our **Strategic Plan for 2023-2028** and included a new section detailing what we have achieved, and updated some of the focus areas under each of our strategic priorities to reflect our progress.

Working in partnership and strong engagement has been an important factor in the success of HIAL. Throughout the year, the Board continued to meet with local colleagues and stakeholders across our different airport sites, and the monthly engagement sessions with local authority leaders and officials continue to be an important two-way communication channel for myself and Paul Kelsall our Chief Executive Officer.

I would like to pay tribute and express my deep thanks to my Board colleagues and members of the Strategic Leadership Team, both past and present, for their service and dedication over the years. Their guidance and support has been invaluable to me in my role as Chair and their deep and varied experience critical to everything HIAL has achieved over this period.

Finally, I would like to thank colleagues right across the organisation, from our front-line teams at our airports to the support and head office teams, for their commitment and passion in the service they deliver. We would be unable to support essential air connectivity for our communities without them.

HIAL's airports are an essential element of Scotland's transport network, and while there will be challenging times ahead, I have no doubt that my successor will meet those challenges with the same quality and high-level support from Board members and colleagues throughout the Company.

Lorna Jack
Chair


Dundee Airport

Statement from the CEO

As I reflect on my first full year as CEO at HIAL I am proud of what we have achieved as a team.

Against a challenging financial backdrop everyone at HIAL has played their part in ensuring we continue to provide our services in the usual welcoming and professional way. That level of service has been acknowledged by our customers when I have talked with passengers whilst travelling through our terminals; and I have enjoyed reading the numerous compliments received from customers using our airports.

Over the year, we saw a slight increase of just over 3,000 passengers (0.2%) compared to the financial year of 2023/24. Passenger numbers were just under 1.5 million across all eleven of our airports at the end of March 2025.

As the Chair highlighted in her foreword, our ongoing commitment to generating commercial income, rigorously managing our business and operational costs, and driving operational efficiency has led to substantial financial savings. This approach has enabled public funding to be reallocated to other areas by the Scottish Government.

I would like at this point to acknowledge my colleagues right across HIAL and express my gratitude for their hard work, resilience, and commitment to help us deliver on our strategic priorities which helped us deliver these savings.

Over the year we delivered an extensive capital programme with over £13 million invested to maintain, modernise and improve airport infrastructure. This capital investment was spread across all airports and HIAL head office with a focus on maintaining safe and regulatory compliant operations. Activity ranged from runway works at Islay and Kirkwall to replacement of security infrastructure and equipment at Dundee, Inverness, Islay, and Stornoway. Examples of some of the capital projects undertaken are included later in this report.

We continue our drive to decarbonise our airport operations, and I am pleased to note that our carbon footprint, both market and location based, continues to reduce.

My first year at HIAL focused on our people, with a busy travel programme that allowed me to visit every one of our eleven airports to meet the local teams and support teams at head office within my first three months.

That focus continued and I led a review of our organisation's Values with colleagues who helped shape the core values that we, as Team HIAL, will live by in our daily working lives.

Colleagues felt that our existing values of Respect and Excellence should remain; however, they felt strongly that safety underpinned everything we do at HIAL and should be our number one value.

A key theme was that working as part of a team was important, and in January 2025 we launched our new values – Safety, Respect, Teamwork and Excellence.

Our colleagues updated the descriptions for each Value to help bring them to life and reflect what matters to us and how we conduct ourselves as Team HIAL.

Over the year, I have been humbled by the dedication of our teams and their amazing community spirit. I have seen examples of the commitment by colleagues to keep our service going and ensure our passengers receive the best possible service during severe weather events and schedule disruption. Our teams regularly go 'above and beyond' to help our customers. We have had colleagues go out of their way to help passengers find somewhere to stay and ensure they were transported to their accommodation to avoid an overnight in the terminal. In those instances where there was no other option than to spend the night in a terminal building, our colleagues did all they could to ensure passengers were as warm and comfortable as possible.

Looking forward we will continue our focus on working as efficiently as possible, explore new ways of working and different operating models. We will deliver a programme of revised operating models across our airports and head office to ensure optimal efficiency whilst maintaining focus on passenger experience. Our aim is to provide the best possible operational setup for our airports to strive forwards and help us prepare for future challenges such as variations in passenger traffic, leveraging new technology and meeting regulatory changes.

As Team HIAL we will continue to focus on doing more with what we have, realising efficiencies and saving money without impacting safety or value to our customers.

I would like to finish by thanking the HIAL and DAL Board, my colleagues right across the Group and key stakeholders from partner organisations for their warm welcome and support over the past year.

My first year at HIAL has been a truly enjoyable experience and I look forward to working with colleagues, and our stakeholders, as we continue to deliver on our strategic goals. I've no doubt that by working in partnership we will address any challenge we may face and continue to support the essential air connectivity for the communities we serve.

Paul Kelsall
Chief Executive Officer

Strategic Report

The directors submit their Strategic Report and the Group financial statements for the year ended 31 March 2025.

Principal activity

The Group's principal activity remains the safe operation and management of eleven regional airports across Scotland, and ensuring operations remain compliant with relevant regulations.
The Group generates commercial revenue from the levying of airport charges, and through other non-aeronautical revenue streams, which partially offset the Group's operating costs.

Results and dividends

As a publicly funded company, HIAL is acutely a ware 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 £1,530,000 (2024: profit after taxation of £2,212,000). The directors recommend that no dividend be paid.

Review of the business

Public subsidies received for the year ended 31 March 2025 totalled £47,977,000 (2024: £50,689,000) comprising of £34,873,000 in revenue subsidy (2024: £38,221,000) and £12,717,000 in capital subsidy (2024: £11,812,000). The Scottish Government provided capital loan funding of £387,000 (2024: £656,000). Transport Scotland also paid HIAL £173,000 for services rendered with regard to the Airport Discount Scheme during the year (2024: £184,000).

Capital expenditure during the year amounted to £13,106,000 funded by the capital subsidy and loan funding noted above.

Passenger numbers across the Group increased by 0.2% year-on-year, although still approximately 12% lower than in 2019/20 Aircraft movements reduced by 4.8% year-on-year, reflecting changes to the type of aircraft that operate across the HIAL network and also some reductions in the frequency of scheduled air services.

Future developments

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


Kirkwall Motor Transport

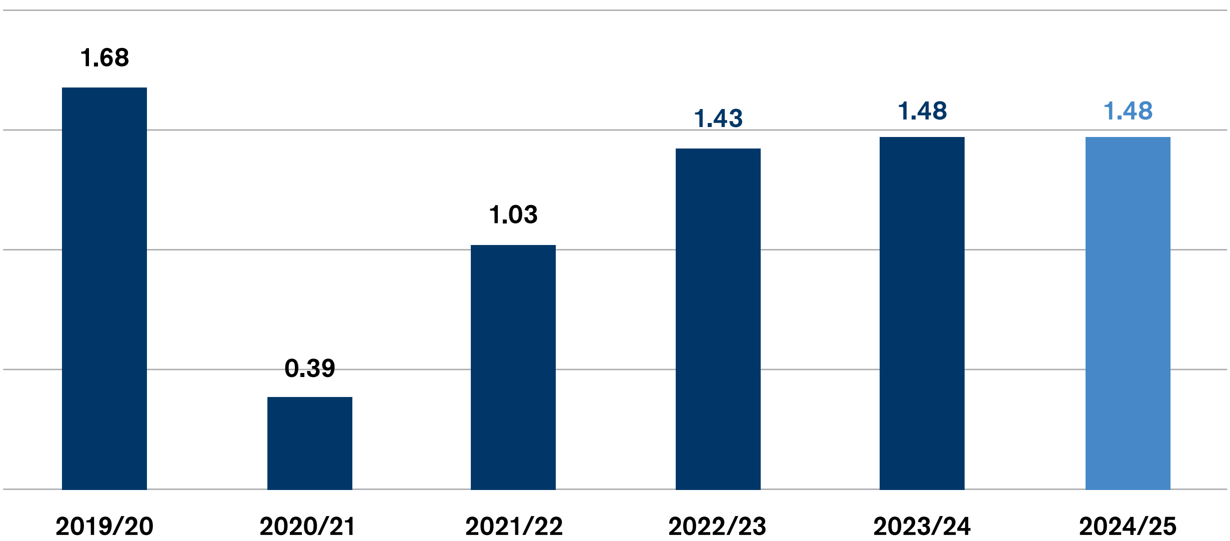
Strategic Report

Annual traffic statistics

For the year ended 31 March 2025

	Passengers			Movements		
	2024/25 No.	2023/24 No.	Variance %	2024/25 No.	2023/24 No.	Variance %
Barra	11,296	12,536	(10%)	1,264	1,270	0%
Benbecula	26,069	29,884	(13%)	2,608	2,498	4%
Campbeltown	7,308	7,734	(6%)	1,352	1,464	(8%)
Dundee	31,556	34,010	(7%)	5,329	6,551	(19%)
Inverness	805,946	792,150	2%	22,575	25,897	(13%)
Islay	31,392	29,919	5%	2,244	2,449	(8%)
Kirkwall	137,744	134,250	3%	11,738	11,819	(1%)
Stornoway	100,591	105,007	(4%)	7,926	7,668	3%
Sumburgh	308,320	307,664	0%	18,373	18,811	(2%)
Tiree	9,957	12,169	(18%)	1,688	1,668	1%
Wick John O'Groats	8,546	11,224	(24%)	2,806	3,177	(12%)
Total	**1,478,725**	**1,476,547**	**0%**	**77,903**	**83,272**	**(6%)**

Total Passenger Movements (millions of passengers)



Strategic Report

Principal Risks and Uncertainties

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

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

Stornoway Airport Fire Service

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

Strategic Report

HIAL's Strategic Objectives

Transport Scotland published its Aviation Statement and Key Priorities in July 2024. The Aviation Statement sets out the Scottish Government's vision for aviation and the specific actions to achieve the outcomes on improving connectivity and achieving decarbonisation.

It was clear that the financial pressures that led us to recalibrate our goals and reappraise our strategic priorities will be with us for some time to come. With that in mind, and to ensure our strategic goals align with the Scottish Government's Aviation Statement and Programme for Government, the HIAL Board and Strategic Leadership Team (SLT) undertook a review of HIAL's Strategic Plan in November 2024.

Following that review, it was agreed that our goals and priorities remained relevant and will help us navigate through the financial challenges we will continue to face. However, as our challenges have moved away from the immediate aftermath of Covid-19, we took the opportunity to update the narrative.

Our **Strategic Plan for 2023-2028** was updated in December 2024 published in March 2025.

Our **Corporate Operating plan** set the key priority areas for 1 April 2024 to 31 March 2025 to meet our strategic priorities:

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

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

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

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

At the end of the reporting period, three of the 15 objectives were completed, with four objectives that span into 2025/26 remaining on target. The SLT reviewed the factors that delayed progress on the eight remaining objectives and the work underway to complete them. The progress to deliver these objectives will be reported in the quarterly updates for the SLT and Board during 2025/26 until complete.

Note: We have provided updates on progress during 2025/26 where relevant.

Strategic Report

What we have achieved

Key:

☑ Objective completed ☑ Objective on target ☑ Objective partly completed

Deliver a safe and sustainable airport operating model to meet the needs of our customers, communities and colleagues

We have:

- ☑ Undertaken work with local teams to design roster manuals and templates for standard rosters across all operational disciplines. We presented an outline on potential operating models to the HIAL Board and discussed the development of operating models with senior managers across the company at Strategic Planning days in February 2025.

  We will continue work to deliver this objective during 2025/26.

- ☑ Continued our focus on reducing our operating costs, generating revenue and maximising business efficiency to ensure our strategic priorities are delivered within our funding allocation.

- ☑ Established a Safety, Security & Environment Committee which is a sub-committee of the HIAL Board. A full committee programme is in place reporting to the full HIAL and Dundee Airport Limited (DAL) Boards.

  Key performance indicators, which have been reviewed by an external consultant, have been introduced and will be reported to each Safety, Security & Environment Committee moving forward.

- ☑ Undertaken a review on the structure of our Air Traffic Service, which included air traffic control (ATC), aerodrome flight information service (AFIS) and air traffic service engineering.

  We are in the final stages of rescoping some roles and will submit all regulatory documentation to the CAA for approval.

Realign our infrastructure investment to deliver a safe and sustainable operating model within available resource

We have:

- Published a property management tender in March 2025 with the aim of awarding a contract and implementing property management services during Quarter 3 of 2025/26.

  Prepared facilities management tender documentation in advance of publication during Quarter 3 of 2025/26.

  Work continues to finalise the tender documentation for airside civil engineering.

- Undertaken an asset review and introduced a new Asset Management Database. The new database is in place and good progress has been made to ensure all documents are in the correct location and are up to date.

  The next step will be to connect the Asset Management Database with the electronic property defect logging system.

- Defined a suite of key infrastructure performance indicators which are ready for inclusion in the Asset Management Database.

  We will continue to progress this object and align these from the electronic property defect logging system and the Asset Management Database.

Increase our commercial revenue and develop new revenue streams

We have:

- Introduced revised fees and charges which became effective on 1 April 2025 and are published on airport websites.

  The ongoing work to identify revenue opportunities continues as a business-as-usual activity.

- Developed a draft strategic plan for Dundee Airport in conjunction with Dundee City Council.

  We will present the strategic plan for approval by the DAL Board in 2025/26.

- Agreed Heads of Terms with a developer for PV projects at Inverness, Wick and Dundee airports.

  Discussions remain ongoing on terms of supply with two aviation fuel suppliers, which will include the potential supply of SAF to further HIA airports.

  We will continue to progress these projects during 2025/26.

Reduce our environmental impact

We have:

- Created a roadmap to reduce energy consumption and transition to more sustainable energy sources. Phase 1 of the implementation plan will focus on energy efficiency with metering for car hire concessions now operational. Meters on fuel tanks and oil tanks have been installed at Inverness

  We are exploring workstreams from third parties, such as airlines and ground handling agents who may wish to electrify their fleet.

  The focus on energy efficiency will continue and is included as objective 4.1 in the **Corporate Operating Plan for 2025/26.**

Develop our workforce to deliver a flexible modern business model

We have:

- Presented a business case for a pay and grading model for submission to the Scottish Government and consideration by their Remuneration Group.

  The proposal was not presented to the Remuneration Group before 31 March 2025; therefore it was behind target.

  Note: The Remuneration Group considered HIAL's proposal in June 2025 and subsequently gave their approval to proceed.

- Progressed work on the introduction of new rosters which was aligned to defining a target staffing operating model for each operational function and designing and developing a 35-hour working week roster.

  The trade unions requested a pause in the project to implement a 35-hour working week. However, after productive meetings with the unions, work continues to introduce revised rosters and the implementation of a 35-hour working week.

Work in partnership for a sustainable future

We have:

- Introduced Community Engagement and Airport forums for Campbeltown, Dundee, Islay and Tiree, which have been tailored to meet the needs of the airport, airport partners and concessionaires, and the local community.

  A revised Terms of Reference has been prepared for Sumburgh Airport. This will be agreed by the Community Engagement and Airport forum at the end of November 2025.

  The Community Engagement forums programme for these airports will now become business as usual.

- Introduced a programme of passenger surveys across all of our airports.

  The survey results will be used to help inform operational and commercial decision making.

  The first survey took place during April 2025 for all eleven airports and included questions to provide data required by our Commercial and Environmental functions.

  The survey programme will now become business as usual.

Strategic Report

Investing in our airports

During the year, we continued to maintain and invest in our airports and invested over £13m in our airports and head office in key capital projects. Examples of some of the works progressed or completed are included below:

- **Barra Airport** – control tower roofing, baggage handling equipment and building insulation works.
- **Benbecula Airport** – coastal erosion protection works, additional car parking area, upgrades to CCTV system and portable diesel dispensing tanks.
- **Campbeltown Airport** – diesel fuel storage tanks and portable dispensing tanks and replacement door and glazing in the terminal building.
- **Dundee Airport** – preparatory work for hold baggage x-ray equipment replacement, car parking system upgrade and works to improve ventilation of critical communications, navigation and surveillance equipment.
- **Inverness Airport** – replacement of rotunda door in the terminal building, installation of energy efficient LED aerodrome ground lighting, upgrades to security equipment, environmental drainage and car parking barrier upgrades.
- **Islay Airport** – works to Runway 13/31 and 08/26, upgrades to security equipment, installation of air conditioning in the departure lounge and replacement of an airfield security gate.
- **Kirkwall Airport** – Repairs and strengthening works to Runway 09/27, installation of energy efficient LED aerodrome ground lighting, car parking payment equipment, diesel fuel storage tanks and portable dispensing tanks.
- **Stornoway Airport** – Security gate replacement, replacement vehicle ramp, portable diesel dispending tanks, upgrades to aerodrome ground lighting with energy-efficient LED components and vehicle replacement.
- **Sumburgh Airport** – Installation of secure perimeter fencing, upgrades to security equipment, quiet area in departure lounge and upgrades to CCTV system.
- **Tiree Airport** – Installation of lighting for public pathways and car park, refurbishment of accessible toilet facilities, creation of a quiet space within terminal building and, improvements to the access to the fire training ground.
- **Wick John O'Groats Airport** – vehicle replacement, improvements to heating system in terminal and operations buildings, and portable diesel dispensing tanks.
- **Head Office** – Replacement of ICT equipment, switches and core network components across the HIAL Group.

Aerodrome Ground Lighting works at Inverness and Kirkwall Airports

Strategic Report

Team HIAL

Our airports are renowned for the professional and friendly service we provide; this is due to our people who provide a warm welcome whilst maintaining the highest professional standards.

A key people focus over the last year was a review of our Company Values which was based on the input and views from our colleagues. It was important that we sought views at an individual and team level. This process was invaluable in helping us identify which values were important to us all and how the values were described more clearly to people, both our colleagues and those we deal with outside of our organisation.

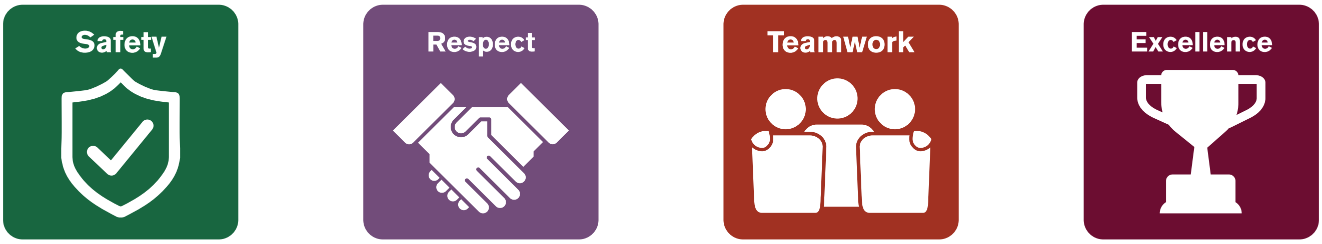
It was clear that our existing values of Respect and Openness remained important to our people, with colleagues consistently highlighting that the best thing about working for HIAL is the people they work with.

Our colleagues felt that safety was at the core of everything we do, and the pride in providing the highest level of service to our customers came out strongly.

Therefore, following the feedback from our teams right across the organisation, the SLT and the Board, as well colleagues on the Investors in People Working Group, the following values were identified as most important to us all.

HIAL continues to be:

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



Sumburgh Airport

Strategic Report

HIAL in the community

Community engagement is a key part of day-to-day life for our airport teams with many colleagues taking part in open days, careers days, local events and supporting fundraising activities.

Helping to build careers for children

Highlighting career opportunities at HIAL to the local community helps to show the range of job opportunities within the different areas of the organisation.

Members of the Campbeltown airport team attended the Careers Fayre at the local Grammar School in June. Colleagues from our Motor Transport Department and Airport Fire Service spent the day talking to pupils from S1 to S6 about the work they do, and how their careers have developed. Airport Manager, Lorna Bell, also joined them and feedback from the children was that they really enjoyed looking at the Fire Service equipment on display and discussing career aspirations.

Thirteen students from Wick High School spent a morning at Wick John O'Groats airport in June and enjoyed a tour of the different operations. This visit for S4-6 pupils was organised in partnership with the school and the local Developing the Young Workforce team with more visits taking place with other local schools and colleges throughout the year.

The team at Islay Airport hosted two school visits in May as part of Airports UK Health & Safety Week.

Islay school visit

Two Firefighters took a fire appliance to Bowmore Nursery School to teach the children basic fire safety and to explore the fire fighting gear – the favourite part for the children being the chance to blast the fire hose. Later that same week, 30 S1 students from the local secondary school had a tour of the airport and met the teams from the Motor Transport, Fire Service, Security and Air Traffic Services. The team provided an insight into airport operations along with safety, emergency first aid and fire safety with plenty of fun on the way.

Campbeltown careers event


Training exercise at Campbeltown Airport

Training for Emergencies

Our airport teams hold regular training exercises with other agencies including Police Scotland, the Scottish Fire & Rescue Service, HM Coastguard, NHS Scotland and local authorities. These events are a key part of our airport emergency planning process. They help to build relationships with colleagues from the emergency services and our airline partners and put training into practice for potential incidents in the future.

At one such exercise in May at Campbeltown, Airport Manager Lorna Bell described it as "an opportunity to train together and learn from each other, enabling us to speak the same language and boosting those vital working relationships".

RUN THE RUNWAY

Run the Runway events are a popular way for airport colleagues to volunteer their time to support fundraising for charity, raising thousands of pounds to help their local communities.

In May 2024, the Dundee airport team hosted their annual Run the Runway, providing support to the organisers and participants during the nighttime event. With costumes ranging from clowns to roller dancers, the event was colourful and helped to raise over £12,000 for Maggie's Dundee who support people with cancer and their families.

The airport team at Sumburgh also supported a Run the Runway event in October 2024, this time in memory of their colleague Iain Goodlad who was a member of the Airport Fire Service. Over 200 people took part in the event which raised over £13,500 for the Shetland charity Mind Your Head.

Islay Airport held its second Run the Runway event in August and the sun shone as over 100 participants walked, jogged and ran the route. The team welcomed members of the community during the day with tea and cake, and gave out mementos of the day to the children who attended. Over £1700 was raised for the Scotland's Charity Air Ambulance.

Strategic Report

Fundraising events

The festive season is a busy time for airport teams, but they still find time to spread some cheer and support charities. On Christmas Jumper Day in December at Inverness Airport, colleagues donned their most colourful and creative sweaters to raise money for Save the Children.

Dundee airport became the largest single drop off point in the area for children's toys for the annual Mission Christmas Cash for Kids appeal. The event is organised annually by Firefighter Lyall Stephen and helps provide gifts for disadvantaged children in the local area.

At Stornoway, passengers enjoyed festive music as part of fundraising for local charity, the Western Isles Cancer Care Initiative, bringing smiles to their faces as they travelled through the airport.

In December, the Finance team once again rolled up their sleeves to sort and pack boxes of Christmas gifts to be sent off to Moldova in Eastern Europe.

Over £700 was raised by a coffee morning and raffle in September at Sumburgh airport, organised by Air Traffic Control Assistants, Keeley Thorne and Niamh Batty. A range of tasty cakes, savouries including the popular Empire Biscuits and pizza slices were produced by the team who are keen bakers, to collect money for Macmillan Cancer Support.

Mission Christmas, Dundee Airport


Christmas Jumper Day, Inverness Airport


Macmillan coffee morning, Sumburgh Airport

Celebrating Aviation Heroes

Our airports support a number of events to mark anniversaries and celebrations of key figures in aviation history. In June 2024, Kirkwall and Inverness airports helped to pay tribute to Captain Ernest Edmund E Fresson OBE, whose pioneering efforts helped establish air services across the Highlands and Islands. To celebrate the 90th anniversary of the UK's first internal Air Mail service, airport teams in collaboration with The Fresson Trust, facilitated a re-enactment of the route flown in 1934. This event not only honoured Captain Fresson's legacy but also aligned with the Trust's mission to promote aviation in the region, both by preserving its rich history and by supporting young people from the Highlands and Islands who aspire to careers in aviation. Airport staff welcomed the opportunity to engage with the flight crew and learn more about the work of The Fresson Trust.

The team at Stornoway helped to facilitate a visit from the RAF Red Arrows in August, as they travelled to Canada to mark 60 years of the flying displays for which they are famous. Twelve jets landed at the airport, to the delight of the local community who took advantage of the photo opportunities before they headed off to Nova Scotia.

Teams at Inverness, Kirkwall, Sumburgh, and Wick John O'Groats airports proudly supported a five-day memorial mission in September to commemorate the 80th anniversary of the Victoria Cross awards to Scottish pilot Flt Lt John Cruickshank and Canadian pilot Flt Lt David Hornell. The flight in a 1944 Catalina aircraft honoured the legacy of both men by tracing a route over former RAF Coastal Command stations at Wick, Invergordon, Alness, Inverness, and Oban. A poignant moment of the journey included a flypast over the Aberdeen home of Cruickshank, who sadly passed away in August 2025 at the age of 105.

Fresson Anniversary flight

Tribute flight commemorating WWII Heroes at Sumburgh Airport

RAF Red Arrows at Stornoway Airport

Strategic Report

Launch of the Caithness at War Trail

Lord Thurso, Lord-Lieutenant of Caithness at the launch event

Gary Johnstone (wearing kilt) with Fire Service colleagues in Argentina

Community Events

In June 2024, colleagues at Wick John O'Groats airport welcomed dignitaries, community groups and local residents to mark the launch of a new Caithness at War Trail and reveal new information boards, which were part of 46 installations around the neighbouring area.

Visitors enjoyed the opportunity to view the boards along with refreshments in the terminal building with colleagues on hand to help celebrate the rich heritage of the airfield throughout WWII.

It's not just locally that colleagues get the chance to support communities. HIAL's Deputy Chief Fire Officer, Gary Johnstone volunteered to provide training to over 75 firefighters in Argentina in May 2024.

This was organised by the International Fire & Rescue Association (IFRA) which supports emergency services across the world affected by war, civil unrest or where they cannot afford to provide an adequate service. Gary utilised his volunteering days as part of HIAL's Volunteering Policy to take part in the training using equipment and appliances donated by HIAL. This vital work helps to improve the emergency service available in the country in a very practical way.

Trade Union Act 2016: Facility Time Reporting

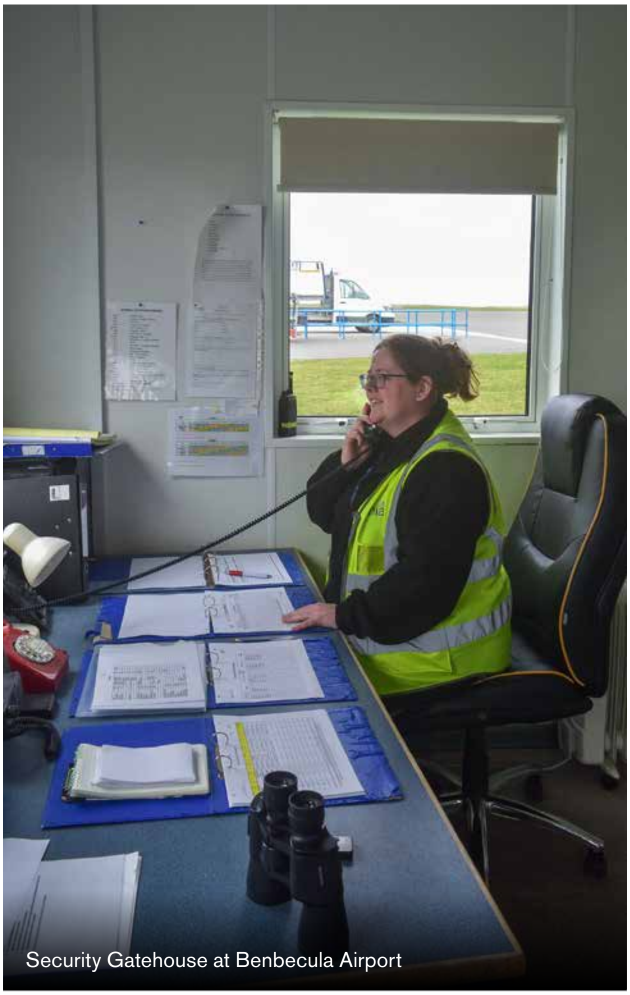
Facility Time Reporting from 1 April 2024 to 31 March 2025

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.



Security Gatehouse at Benbecula Airport

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

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

Trade Union Representatives 2024/25

Prospect	15
PCS	1
Unite	8

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

The majority of the time used on trade union business is associated with attendance at meetings and representing individual members at formal meetings with managers.

Over the last year there has been significant consultation with regards to the rostering and 35- hour week project and constructive engagement with all three HIAL recognised trade unions. We continue to have open and positive dialogue with our full-time TU Negotiation Officers.

Engagement continues with officials through our JNCC as well as our Policy Steering Group which provides more time to discuss the development of HIAL people policies and the continued trade union participation in HIAL projects, for example any restructuring or pay and grading. Participation will be encouraged and welcomed from all three of the recognised trade unions over the coming year.

Streamlined Energy and Carbon Reporting (SECR)

Reporting requirements

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force on 1 April 2019 and implemented the Streamlined Energy and Carbon Reporting (SECR) framework. The regulations cover financial reporting years starting on or after this date. Companies in scope need to include energy and greenhouse gas information in their Directors' Report as part of their annual filing obligations.

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

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

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

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

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

Mandatory disclosures

Table 1 outlines the emissions profile for the 2024/25 financial year under two approaches – location-based emissions and market-based emissions.

Location-based emissions reflect the average emissions intensity of grids on which energy consumption occurs. Market-based emissions reflect emissions from electricity that HIAL has chosen to purchase for environmental reasons. For the 2024/25 financial year, all electricity was purchased under a zero emissions contract that is fully backed by Renewable Energy Guarantees of Origin (REGO) certificates. Therefore, market-based electricity emissions are reported as zero emissions.

Streamlined Energy and Carbon Reporting (SECR)

Table 1 HIAL Emissions Profile

Mandatory emissions reporting for the 2024/25 financial year (plus 2023/24 comparison year)

		Location Based		Market Based	
Activity	**Unit**	**23/24**	**24/25**	**23/24**	**24/25**
Energy consumption used to calculate emissions: kWh	kWh	17,977,312	17,604,714	17,977,312	17,604,714
Emissions from combustion of heating fuels and transport fuels (Scope 1)	tCO2e	2,184	2,101	2,184	2,101
Emissions from purchased electricity (Scope 2)	tCO2e	1,805	1,555	-	-
Emissions from business travel in rental cars or employee-owned vehicles (mileage claims) where company is responsible for purchasing the fuel (Scope 3)	tCO2e	1	12	1	12
Total like-for-like CO2e based on above	**tCO2e**	**3,990**	**3,668**	**2,185**	**2,113**
Like-for-like Intensity ratio: kgCO2e/total passenger numbers	**kgCO2e/PAX**	**2.70**	**2.48**	**1.48**	**1.43**

For 2024/25, mandatory reported emissions have decreased by approximately 8% (location-based). This is predominantly attributable to a reduction in fuel used for airport operations and fire training, and a reduction in the emissions intensity of grid electricity. HIAL's emissions intensity has also decreased by approximately 8% (location-based). Passenger numbers are largely unchanged to the previous year (increased by 0.1%). Aircraft movements across HIAL's eleven airports have decreased by 6% overall, reflecting the introduction of larger aircraft at some airports and a reduction in Royal Mail flights.

Table 1 notes:

1. Location-based emissions for electricity use local grid emission factor.
2. Market-based emissions for electricity are reported as zero emissions to reflect 100% REGO-backed purchases for 2024/25 (refer methodology section for further explanation).
3. Emissions for both 'Location Based' and 'Market Based' include UK and Offshore activities.
4. Like-for-like intensity ratio is calculated based on emissions per total passenger numbers for the reporting year. Passenger numbers were 1,476,547 passengers for 2023/24 and 1,478,725 passengers for 2024/25.
5. Some emissions totals for 2023/24 have been changed since publication of the previous SECR report due to data errors and scope adjustments. The correct 2023/24 values for the comparison year are reported in Table 1 where available.
6. Business travel emissions in 2023/24 are likely to be underreported due to a change in financial system during the reporting period which may have led to gaps in expenses data.

Streamlined Energy and Carbon Reporting (SECR)

Optional disclosures

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

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

Table 2 HIAL Profile

HIAL Emissions Profile – Optional Scope 3 emissions reporting for the 2024/25 financial year (plus 2023/24 comparison year)

		Location Based		Market Based	
Activity	**Unit**	**23/24**	**24/25**	**23/24**	**24/25**
Emissions from combustion of heating and transport fuels (Scope 3 WTT)	tCO2e	498	382	498	382
Emissions from business travel via use of public transport (Scope 3)	tCO2e	286	218	286	218
Emissions from purchased electricity (Scope 3 T&D, WTT (Gen), WTT (T&D))	tCO2e	633	601	633	601
Total Scope 3 CO2e emissions	**tCO2e**	**1,417**	**1,201**	**1,417**	**1,201**
Total Gross CO2e emissions (including the like-for-like CO2e per Table 1)	**tCO2e**	**5,407**	**4,869**	**3,602**	**3,314**

For 2024/25, voluntary reported Scope 3 emissions have decreased by approximately 15%. This is largely attributable to a reduction in upstream and downstream emissions from fuel usage, consistent with the reduction in these activities reported in Table 1.

Streamlined Energy and Carbon Reporting (SECR)

Energy efficiency actions

Emissions from energy use have decreased overall in 2024/25. HIAL has continued to progress projects and activities to improve the energy efficiency of airport and Head Office sites and reduce carbon emissions during the 2024/25 financial year. This includes:

- Completed projects to replace Airfield Ground Lighting at Kirkwall, Inverness and Stornoway, moving to more efficient lighting systems.
- Near-completion of rollout of electric and hybrid vehicles. Installed three fully electric Ground Power Units (GPUs) and two fully electric bag trucks at Dundee and Wick. Trialled electric lawn mower at Dundee.
- Maintained Airport Carbon Accreditation (ACA) certification at Level 1 for Inverness. Accreditation aspirations for future years are currently under review by HIAL.
- Continued reduction in fire training energy use, including reducing frequency of training from quarterly to yearly, reducing testing of equipment from monthly to quarterly, reducing the number of firegrounds from ten to five and introducing digital fire simulation for training purposes.
- Ongoing energy efficiency communications and campaigns to encourage behaviour change, including educating staff on winter heating efficiency and raising awareness of Scottish Climate Week and Earth Overshoot Day.

Other ongoing and planned future projects include:

- Completing installation of automatic door close sensors on appliance bay doors at Tiree Airport by September 2025, to prevent heat loss.
- Replacing Airfield Ground Lighting at Dundee, moving to a more efficient lighting system.
- Moving towards electric bag trucks at all HIAL Airports and trialling 3 electric vans at Sumburgh airport with a view to rolling out fully.
- Continued rollout of electric and hybrid vehicles, including bird operations vehicles at Sumburgh and Campbelltown, snow equipment and 6x6 trucks.
- Reducing fuel emissions from operational vehicles and equipment, including switching from Red Diesel to HVO in operational vehicles at Inverness, installation of an HVO tank at Dundee and switching from Kerosine to LPG or HVO under the Fireground Futures project (subject to tests for CO_2 impact).
- Installing electricity metering at all areas of each airport to accurately gauge HIAL electricity usage and third-party tenant usage.
- Reviewing feasibility of light motion sensors in Head Office with the view to rolling out at all eleven airports.

airport carbon accredited
MAPPING

Streamlined Energy and Carbon Reporting (SECR)

Methodology

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

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

For electricity, HIAL have reported the market-based emissions alongside the mandatory location-based emissions methodology, as this reflects HIAL's purchase of 100% REGO backed electricity during the 2024/25 financial year. All electricity supplied to HIAL by EDF Energy has been reported as zero emissions (consumption multiplied by an emission factor of zero). REGO certificates were not available from EDF at the time of reporting, however EDF provided written confirmation of 100% REGO-backed electricity supply during the reporting period.

Emissions from business travel activities were calculated based on business expenses data. When calculating emissions from fuel purchases, where the fuel type was not known, an assumption was made that 50% of spend is petrol and 50% is diesel. As only aggregated data on rail and ferry expenses was available, HIAL have determined a split of two-thirds rail and one-third ferry.

The Sustainable Scotland Network Carbon Footprint and Project Register (CFPR) tool was used to determine costs per unit of distance travelled for the five categories of public transport (air, ferry, rail, bus and taxi). Therefore, total emissions for business travel are indicative only but demonstrate HIAL's ongoing commitment to report Scope 3 business travel emissions.

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

Inverness Airport Security

Compliance Statement

Waterman has supported HIAL to calculate HIAL's 2024/25 greenhouse gas (GHG) and environmental data for SECR reporting. This statement summarises the outcome of the process.

Assurance period

The period for which emissions are reported is 1 April 2024 to 31 March 2025.

Level and scope of assurance

Waterman has carried out a limited level assurance review of HIAL's 2024/25 environmental data, to enable HIAL to comply with the SECR requirements and guidance. The data provided covered mandatory and some voluntary reporting data. This assurance covers the emissions profile outlined above in Tables 1 and 2 for Highlands and Islands Airports Limited annual report.

Waterman's opinion

Based on Waterman's review:

1. HIAL is well prepared for complying with the SECR legislation and the requirements of the scheme in 2024/25.
2. The data that will be used to create the SECR annual report submission is comprehensive, with generally suitable data management practices in place.
3. Opportunities remain for further improvements in data management processes, including:
   - More frequent collection of SECR data throughout the reporting period.
   - Documenting the process for SECR data collection to streamline this process in future years.
   - Updating business expenses procedures so that more accurate data is available for calculating business travel emissions. For example, mandating entry of 'from' and 'to' locations and fuel types (where relevant) for transport-related expense claims.
   - Capturing the end use for all Scope 1 fuel used at the airports so that emissions from combustion of heating and transport fuels can be reported separately.
4. The review of data found no material errors and no material omissions in the 2024/25 data. Data queries were promptly rectified during the review process. As the SECR reporting is prepared before the full carbon footprint reports for the individual airports, some subsequent adjustments to the 2023/24 SECR data were required.

Conclusion

Based on the review of the processes and procedures conducted, there is no evidence that the 2024/25 GHG data is materially misrepresented. Therefore, it is a fair representation of HIAL's data and information. Waterman recommends that HIAL undertakes a similar review process in 12 months' time and routinely checks its greenhouse gas data.

Independence and competence

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

Validity of statement

This statement is valid for the greenhouse gas and environmental data assurance review, for the period from 1st April 2024 to 31st March 2025. Waterman accepts no liability whatsoever to any third party for any loss or damage arising from any interpretation or reliance upon this assessment.

Cara Labuschagne, Associate Director

For and on behalf of
Waterman Infrastructure & Environment Ltd

Carbon Footprint

Our carbon footprint is a calculation of the greenhouse gas emissions caused as a result of all HIAL's operations and activities. The information displays the carbon footprint for the current reporting year, the previous year, and our baseline year of 2018/19.

Market Based

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

Scope	BASELINE 2018/2019	2023/2024	2024/2025
Scope 1 Direct emissions under HIAL's control coming from fuels burnt on site such as heating buildings and running vehicles	2,735 tCO_2e	↓2,184 tCO_2e	↓2,101 tCO_2e
Scope 2 Indirect emissions from the generation of purchased electricity	0 tCO_2e	0 tCO_2e	0 tCO_2e

Location Based

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

Scope	BASELINE 2018/2019	2023/2024	2024/2025
Scope 1 Direct emissions under HIAL's control coming from fuels burnt on site such as heating buildings and running vehicles	2,735 tCO_2e	↓2,184 tCO_2e	↓2,101 tCO_2e
Scope 2 Indirect emissions from the generation of purchased electricity	2,339 tCO_2e	↓1,805 tCO_2e	↓1,555 tCO_2e

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

Directors' Report

The directors submit their report and the group financial statements for the year ended 31 March 2025.

Directors

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

Lorna Jack	Chair
Paul Kelsall	Chief Executive Officer (appointed 20 May 2024)
Jamie Manson FCPFA	Chief Financial Officer
Lynne Clow	Director
Christopher Holliday	Director
Wilhelmina Strachan	Director
Isabel Todenhoefer	Director

Directors' qualifying third-party indemnity provisions

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

Auditor

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

Disclosure of information to the auditor

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

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

On behalf of the Board

J. Manson

Jamie Manson
Company Secretary
19 November 2025

Governance Statement

Introduction

The purpose of the Governance Statement is to explain the composition and organisation of HIAL's governance structures and how they support the achievement of HIAL's objectives. It sets out the governance structures, risk management and internal control processes that have been operating in HIAL during financial year 2024/25 and reports my assessment of the effectiveness of these arrangements.

Governance framework

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

The *Scottish Public Finance Manual* (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. As a non-departmental public body, HIAL is required to comply with the requirements of the SPFM. In addition, HIAL is expected to follow the guidance and best practices laid out in the Scottish Government's *Audit and Assurance Committee Handbook*.

The Board

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

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

During the year, the Board was composed of seven members:

- a non-executive chair,
- an executive Chief Executive Officer,
- an executive Chief Financial Officer, and,
- four non-executive directors

Paul Kelsall was appointed as Chief Executive Officer on 20 May 2024. Membership of the board remains consistent with the requirements of the Framework Document.

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

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

The Assessor

The Scottish Ministers are entitled to appoint an Assessor to the Board, who may attend Board meetings but are not entitled to vote at any Board meeting or act in any capacity as a company director. During the year, an Assessor attended all Board meetings of Highlands and Islands Airports Limited and Dundee Airport Limited.

Governance Statement

Board Committees

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

Audit Committee

This committee oversees and provides advice on all finance, audit, risk management and governance matters, including the financial reporting and audit process, the system of internal controls, risk management, risk appetite and risk strategy, compliance with statutory laws, and whistleblowing and fraud.

The Audit Committee receives regular reports from the senior leadership team, and internal and external auditors. The Audit Committee adheres to the guidance and best practices outlined in the Scottish Government's Audit and Assurance Committee Handbook, including regular review of the Audit Committee's Terms of Reference and self-assessment of its performance.

The Audit Committee provides an update on audit, risk and compliance matters to the Board following each committee meeting.

During the year, the Audit Committee was composed of three non-executive directors, and was chaired by Wilhelmina Strachan. Both executive directors (Chief Executive Officer and Chief Financial Officer) are invited to attend Committee meetings.

People Committee

This committee oversees and provides advice on all people-related matters, including the preparation, development, and implementation of HIAL's people strategy, oversight of HIAL's people policies and pension schemes, development of the annual pay remit and oversight of HIAL's succession and development plans.

The People Committee provides an update on people matters to the Board following each committee meeting.

During the year, the People Committee was composed of three non-executive directors plus the Chief Executive Officer, and was chaired by Lynne Clow. The Chief Financial Officer and Chief People Officer are invited to attend People Committee meetings.

Safety, Security & Enviroment Committee

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

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

This Committee provides an update on safety, security and environmental matters to the Board following each committee meeting.

During the year, the Committee was composed of two non-executive directors, plus the Chief Executive Officer and the Accountable Manager. The Committee was chaired by Chris Holliday. The Chief Financial Officer is invited to attend Safety, Security and Environment Committee meetings.

Governance Statement

Board and Committee Attendance

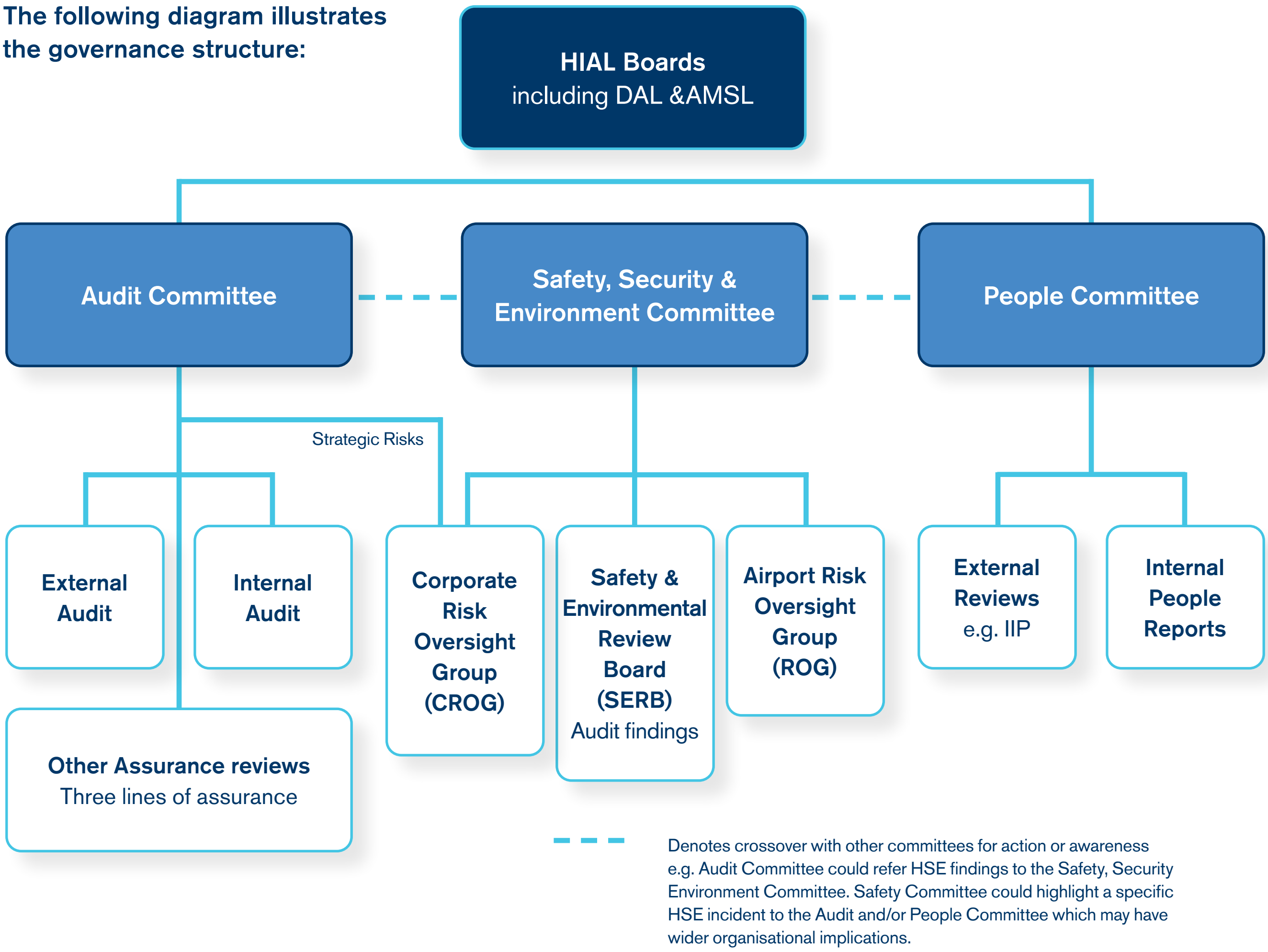
Board Member attendance at Board and Committee meetings during the period 1 April 2024 to 31 March 2025 is shown below, for both the Highlands and Islands Airports Ltd (HIAL) Board and the Dundee Airport Limited (DAL) Board. The figures in brackets indicate the number of meetings that Board Members were available to attend. Additional meetings of the Board and the Audit Committee were held to facilitate the consideration and approval of the 2023/24 annual report and accounts and certain time-critical investment decisions.

Board Meetings	HIAL Board			DAL Board		
Name	**Role**	**Held**	**Attended**	**Role**	**Held**	**Attended**
Lorna Jack	Non-Executive Chair	8	8 (8)	Non-Executive Chair	6	5 (6)
Paul Kelsall (from 20/5/24)	Executive Member	8	6 (7)	Executive Member	6	5 (5)
Lynne Clow	Non-Executive Member	8	8 (8)	Non-Executive Member	6	5 (6)
Greg Colgan				Non-Executive Member	6	5 (6)
Chris Holliday	Non-Executive Member	8	8 (8)	Non-Executive Member	6	6 (6)
Jamie Manson	Executive Member	8	8 (8)	Executive Member	6	6 (6)
Wilhelmina Strachan	Non-Executive Member	8	8 (8)	Non-Executive Member	6	5 (6)
Isabel Todenhoefer	Non-Executive Member	8	7 (8)	Non-Executive Member	6	6 (6)

Commitee Meetings	Audit		People		Safety, Security & Environment	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Lorna Jack			7	7 (7)		
Paul Kelsall (from 20/5/24)	6	4 (4)	7	5 (5)	6	5 (5)
Lynne Clow			7	7 (7)	6	6 (6)
Greg Colgan						
Chris Holliday	6	6 (6)			6	6 (6)
Jamie Manson	6	5 (5)	7	7 (7)	6	4 (6)
Wilhelmina Strachan	6	6 (6)				
Isabel Todenhoefer	6	6 (6)	7	7 (7)		

Governance Statement

The following diagram illustrates the governance structure:



Internal audit

A new internal auditor was appointed as of 1 April 2025, following delays in the procurement of a new internal audit function. The previous contract term for internal audit services came to an end on 30 September 2023. No internal audit reviews took place during the financial year. The Audit Committee approved a new internal audit plan on 24 July 2025, which has an early focus to validate progress made in clearing prior audit recommendations.

Purpose of the system of internal control

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

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

The Group's systems and processes are consistent with the SPFM and have been in place for the year ended 31 March 2025 and up to the date of approval of the annual report and accounts.

Governance Statement

Risk and control framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. All areas of group risk are managed through the Risk Oversight Group and the senior management team who report through the Audit Committee, to the Board, of both the HIAL Group and DAL.

The Board, through the Chief Executive Officer, is responsible for the overall risk management of the business however responsibility for specific risk management areas have been delegated to individual directors and managers.

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

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

Safety Management System

The Safety Management System provides a robust framework for the management of safety within the business. Each member of staff is encouraged to work within the framework and to work with the various management teams in improving the framework where it is necessary.

We all have a responsibility for working in a safe manner. The application of effective aviation safety management systems is integral to all our aviation activities with the objective of achieving the highest levels of safety standards and performance. We ensure staff maintain up-to-date knowledge through regular training provided by both internal and external sources.

Review of Effectiveness

As Chief Executive Officer, I have overall responsibility for maintaining sound systems of internal control, which support the achievement of the Group's policies, aims and objectives set by the Scottish Ministers, while safeguarding public funds and assets. As a non-departmental public body, the HIAL Group operates in an open and accountable manner, providing high quality public services. We are committed to accessibility, openness and accountability and aim for the highest standards in corporate governance.

Notwithstanding the lack of internal audit services during the year (and the assurances that such a function provides to the senior leadership team, Audit Committee and the Board), I am satisfied that the governance arrangements, systems and processes in place across the HIAL Group have offered effective control and have facilitated the achievement of the Group's objectives and accountabilities of Highlands and Islands Airports Limited during 2024/25.

Paul Kelsall
Chief Executive Officer
19 November 2025

Statement of Directors' Responsibilities

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

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

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

In preparing these financial statements the directors are required to:

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


Barra Airport Terminal Building

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 2025 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 Statement of Financial Position, the Group and Company Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the UK.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company’s affairs as of 31 March 2025, and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Tiree Airport

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

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

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

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

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

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

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

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

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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

Azets Audit Services

Allison Gibson (Senior Statutory Auditor)
Azets Audit Services, Statutory Auditor
Chartered Accountants
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
17 December 2025

Group Income Statement

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £000	2024 £000
Revenue	3	**31,475**	29,232
Cost of sales		**(57,329)**	(55,907)
Gross loss		**(25,854)**	(26,675)
Administrative expenses		**(10,286)**	(10,670)
Other income	4	**35,047**	38,940
Other gains	6	**83**	218
Operating (loss)/profit	5	**(1,010)**	1,813
Share of operating profit in joint venture	12	**14**	150
Finance (costs)	8	**(23)**	(79)
Other finance cost – pensions	21	**(465)**	(525)
(Loss)/Profit from continuing operations before tax		**(1,484)**	1,359
Tax charge	9	**-**	-
(Loss)/Profit from continuing operations		**(1,484)**	1,359

All activities relate to continuing operations.

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £000	2024 £000
(Loss)/Profit for the year		**(1,484)**	1,359
Other comprehensive income:			
Actuarial gains	21	**4,549**	616
Tax on items relating to components of other comprehensive income		**-**	**-**
Other comprehensive income for the year, net of tax		**4549**	616
Total comprehensive income for the year		**3,065**	1,975

Company Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £000	2024 £000
(Loss)/Profit for the year		**(1,530)**	2,212
Other comprehensive income:			
Actuarial gains	21	**4,513**	3,955
Tax on items relating to components of other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**4,513**	3,955
Total comprehensive income for the year		**2,983**	6,167

Group Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2025

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

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2024	50	(3,253)	(3,203)
(Loss) in year attributable to equity holders	-	(1,484)	(1,484)
Other comprehensive income	-	4,549	4,549
At 31 March 2025	**50**	**(188)**	**(138)**

Company Statement of changes in Equity

FOR THE YEAR ENDED 31 MARCH 2025

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

	Equity share capital £000	Retained earnings £000	Total equity £000
At 1 April 2024	50	2,140	2,190
(Loss) in year attributable to equity holders	-	(1,530)	(1,530)
Other comprehensive income	-	4,513	4,513
At 31 March 2025	**50**	**5,123**	**5,173**

Group Statement of Financial Position

AS AT 31 MARCH 2025

	Notes	2025 £000	2024 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**160,651**	161,692
Investment properties	11	**3,434**	3,686
Investments accounted for using the equity method	12	**94**	80
Intangible assets	13	**55**	55
		164,234	165,513
Current assets			
Trade and other receivables	14	**6,654**	6,975
Inventories	15	**39**	81
Cash and cash equivalents	16	**685**	429
		7,378	7,485
Total assets		**171,612**	172,998
LIABILITIES			
Current liabilities			
Trade and other payables	117	**(13,937)**	(12,488)
		(13,937)	(12,488)
Non-current liabilities			
Loan	18	**(1,084)**	(2,307)
Defined benefit pension scheme deficit	21	**-**	(3,867)
Deferred subsidies	19	**(156,729)**	(157,539)
		(157,813)	(163,713)
Total liabilities		**(171,750)**	(176,201)
NET LIABILITIES		**(138)**	(3,203)
EQUITY			
Ordinary shares	22	**50**	50
Retained earnings		**(188)**	(3,253)
		(138)	(3,203)

These financial statements were authorised by for issue by the Board of Directors on 19 November 2025 and signed on its behalf by:

Lorna Jack
Chair

Paul Kelsall
Chief Executive Officer

Company Statement of Financial Position

AS AT 31 MARCH 2025

	Notes	2025 £000	2024 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**152,391**	153,116
Investment properties	11	**3,434**	3,686
Investments	12	**1,998**	1,998
		157,823	158,800
Current assets			
Trade and other receivables	14	**9,972**	10,081
Inventories	15	**-**	17
Cash and cash equivalents	16	**554**	223
		10,526	10,321
Total assets		**168,349**	169,121
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(13,573)**	(11,875)
		(13,573)	(11,875)
Non-current liabilities			
Loan	18	**(1,084)**	(2,307)
Defined benefit pension scheme deficit	21	-	(3,867)
Deferred subsidies	19	**(148,519)**	(148,882)
		(149,603)	(155,056)
Total liabilities		**(163,176)**	(166,931)
NET ASSETS/(LIABILITIES)		**5,173**	(2,190)
EQUITY			
Ordinary shares	22	**50**	50
Retained earnings		**5,123**	2,140
		5,173	2,190

These financial statements were authorised by for issue by the Board of Directors on 19 November 2025 and signed on its behalf by:

Lorna Jack
Chair

Paul Kelsall
Chief Executive Officer

Group Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £000	2024 £000
Cash flows from operating activities			
Cash generated from/(used in) operations	23	**1,524**	(1,131)
Purchase of property, plant and equipment		**(13,106)**	(12,302)
Purchase of investment property		**-**	(275)
Proceeds from sale of property, plant and equipment		**126**	211
Receipt of capital subsidy		**12,283**	11,812
Tax paid		**-**	-
Net cash flow from operating activities		**827**	(1,685)
Cash flows from investing activities			
Increase in loan to joint venture		**-**	(26)
Net cash flow from investing activities		**-**	(26)
Cash flows from financing activities			
Loan received		**387**	656
Loan repaid		**(935)**	(2,167)
Interest (paid)		**(23)**	(79)
Net cash flow from financing activities		**(571)**	(1,590)
Increase/(decrease) in cash and cash equivalents		**256**	(3,301)
Cash and cash equivalents at the beginning of the year		**429**	3,730
Cash and cash equivalents at the end of the year		**685**	429

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £000	2024 £000
Cash flows from operating activities			
Cash generated from / (used in) operations	23	**1,570**	(973)
Purchase of property, plant and equipment		**(12,628)**	(11,924)
Purchase of investment property		**-**	(275)
Proceeds from sale of property, plant and equipment		**104**	210
Receipt of capital subsidy		**11,882**	11,434
Tax paid		**-**	-
Net cash flow from operating activities		**928**	(1,528)
Cash flows from investing activities			
Increase in loan to joint venture		**-**	(26)
Net cash flow from investing activities		**-**	(26)
Cash flows from financing activities			
Loan received		**387**	656
Loan repaid		**(935)**	(2,099)
Interest paid		**(49)**	(84)
Net cash flow from financing activities		**(597)**	(1,527)
Increase/(decrease) in cash and cash equivalents		**331**	(3,081)
Cash and cash equivalents at the beginning of the year		**223**	3,304
Cash and cash equivalents at the end of the year		**554**	223

Notes to the Financial Statements

1. Authorisation of financial statements and Statement of Compliance

The financial statements of Highlands and Islands Airports Limited and its subsidiaries (the Group) for the year ended 31 March 2025 were authorised for issue by the Board of Directors on 19 November 2025 and the Balance Sheet was signed on the Board's behalf by Lorna Jack and Paul Kelsall.

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

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

2. Accounting policies

2.1 Basis of preparation

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

(b) Going concern

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

The Group has net liabilities of £0.138m and the Company has net assets of £5.173m at 31 March 2025. Accordingly, the Group and the Company continue to adopt the going concern basis in preparing their annual financial statements.

2.2 Basis of consolidation

The consolidated Financial Statements comprise the financial statements of Highlands and Islands Airports Limited and its subsidiaries as at 31 March 2025.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

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

2.3 Significant accounting policies

(a) Revenue recognition

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

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

(b) Government grants

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

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

(c) Income taxes

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

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

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

(d) Pensions

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

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

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

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

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

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

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

(e) Property, plant, and equipment

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

Notes to the Financial Statements

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

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

Land and Buildings Freehold

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

Plant and Equipment

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

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

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

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

(f) Business combinations

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

(g) Investments in joint ventures

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

(h) Investment properties

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

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

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

Notes to the Financial Statements

(i) Intangible assets

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

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

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

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

(j) Impairment of non-financial assets

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

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

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

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

(k) Cash and short-term deposits

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

(l) Provisions

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

(m) Inventories

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

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

(n) Trade and other receivables

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

Notes to the Financial Statements

(o) Financial assets

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

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

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

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

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

Loans and receivables

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

(p) Financial liabilities

Trade payables

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

Borrowings

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

(q) Financial asset impairment review

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

Assets carried at amortised cost

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

Notes to the Financial Statements

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 2025. 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.

The following standards and interpretations are mandatory for the first time for the year ended 31 March 2025 but are either not applicable or have no material impact on the Group's financial statements.

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

Title	Implementation	Effect on Group
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1	Annual periods beginning on or after 1 January 2024	There is no material impact on the financial statements.
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	Annual periods beginning on or after 1 January 2024	There is no material impact on the financial statements.
Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	Annual periods beginning on or after 1 January 2024	There is no material impact on the financial statements.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Indefinitely pending	There is no material impact on the financial statements.

Notes to the Financial Statements

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

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

Title	Implementation	Effect on Group
Lack of exchangeability – Amendments to IAS 21	Annual periods beginning on or after 1 January 2025	The Board does not anticipate any impact on the financial statements.
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	Annual periods beginning on or after 1 January 2026	A full impact assessment will be undertaken in due course.
Annual Improvements to IFRS Accounting Standards	Annual periods beginning on or after 1 January 2026	A full impact assessment will be undertaken in due course.
Contracts Referencing Nature dependent Electricity (previously Power Purchase Agreements) (Amendments to IFRS 9 and IFRS 7)	Annual periods beginning on or after 1 January 2026	The Board does not anticipate any impact on the financial statements.
IFRS 18 Presentation and Disclosure in Financial Statements	Annual periods beginning on or after 1 January 2027*	A full impact assessment will be undertaken in due course.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Annual periods beginning on or after 1 January 2027*	A full impact assessment will be undertaken in due course.

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

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

Notes to the Financial Statements

3. Revenue

Revenue recognised in the Income Statement is analysed as follows:

	2025 £000	2024 £000
Revenue from airport charges	**24,390**	22,333
Concession revenues	**4,181**	3,724
Rental income	**2,904**	3,175
Total revenue	**31,475**	29,232

4. Other income

	2025 £000	2024 £000
Government grants, other grants & services rendered	**35,047**	38,940
	35,047	38,940

The Group receives an operating subsidy, from the Scottish Government, for the continuation of operations at its eleven airports Dundee airport is operated through a subsidiary. In addition, HIAL is reimbursed for the costs of administering the Air Discount Scheme on behalf of the Scottish Government. The amount received in 2025 and 2024 was as follows:

		2025 £000	2024 £000
Revenue			
Scottish Government	Operating subsidy	**34,873**	38,221
Scottish Government	Air Discount Scheme	**173**	184
Miscellaneous	Miscellaneous	**1**	535
		35,047	38,940
Capital			
Scottish Government and other bodies	Operating subsidy and grants	**12,283**	11,812
		47,330	50,752

Notes to the Financial Statements

5. Group operating (loss)/profit

This is stated after charging/(crediting):

	2025 £000	2024 £000
(Decrease)/Increase in fair value of investment properties	**(252)**	12
Depreciation of property, plant and equipment	**(13,590)**	13,418
Deferred subsidies release	**(12,697)**	(12,905)
Operating lease payments	**-**	-
Auditor's remuneration – audit services	**64**	61

6. Other gains & (losses)

	2025 £000	2024 £000
(Loss)/Gain on disposals of property, plant and equipment	**(35)**	206
Increase in other gains	**370**	-
Increase/(decrease) in fair value of investment properties	**(252)**	12
	83	218

7. Employee benefit expense

	2025 £000	2024 £000
Wages and salaries	**31,816**	30,834
Social security costs	**3,607**	3,616
Pension costs	**4,828**	6,638
Other staff costs	**1,290**	1,407
	41,541	42,495

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

The average monthly number of employees, including temporary and relief workers,during the year was made up as follows:

	2025 No.	2024 No.
Administration	**25**	25
Air Discount Support (ADS)	**4**	4
Airport Fire Service	**194**	190
Air Traffic Services	**112**	116
Engineering	**20**	20
Head Office	**80**	77
Management	**27**	26
Security	**243**	242
	705	700

Notes to the Financial Statements

7. Employee benefit expense (continued)

Directors' remuneration	**2025**	2024
	£000	£000
Emoluments	**288**	324
Pension contributions	**34**	43

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

	2025	2024
	No.	No.
£0 to £5,000	**-**	-
£5,001 to £10,000	**4**	4
£10,001 to £20,000	**-**	-
£20,001 to £60,000	**1**	2
£60,001 to £145,000	**2**	2

The emoluments of the highest paid director were £125,511 (2024: £133,627) excluding pension contributions of £17,096 (2024: £5,919).

The emoluments of the Chair were £24,402 (2024: £24,756).

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

8. Finance (costs)/revenue

	2025	2024
	£000	£000
Bank interest receivable/(payable)	**55**	79
Other finance (loss)/income	**(72)**	(151)
Interest Right of Use Asset	**(6)**	(7)
	(23)	(79)

Notes to the Financial Statements

9. Taxation

(a) Tax charged in the Income Statement

	2025	2024
	£000	£000
Current income tax:		
Current income tax	**-**	-
Amounts overprovided in previous years	**-**	-
Total current income tax	**-**	-
Deferred tax:		
Origination and reversal of temporary differences	**-**	-
Effect of decreased tax rate on closing liability	**-**	-
Total deferred tax	**-**	-
Tax expense in the Income Statement		
Income tax on continuing operations	**-**	-
The tax expense in the Income Statement is disclosed as follows:	**-**	-

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

	2025	2024
	£000	£000
Tax on defined benefit pension scheme	**-**	-
Total current income tax	**-**	-
Deferred tax:		
Deferred tax on defined benefit pension scheme	**-**	-
Total deferred tax	**-**	-
Tax expense in Statement of Other Comprehensive Income	**-**	-

Notes to the Financial Statements

9. Taxation (continued)

(c) Reconciliation of the total tax charge

The tax charge in the Income Statement for the year is lower than the standard rate of corporation tax in the United Kingdom of 25% (2024: 25%). The differences are reconciled below:

	2025 **£000**	2024 £000
Accounting (loss)/profit before income tax	**(1,484)**	1,359
Accounting (loss)/profit multiplied by the UK standard rate of tax of 25% (2024: 25%)	**(371)**	340
Expenses not deductible for tax purposes	**2**	21
Tax losses carried forward	**18**	26
Tax losses utilised	**-**	(346)
Government grants exempt from tax	**(3,123)**	(3,061)
Pension provisions not tax deductible	**173**	(325)
Adjustment in respect of IFRS	**(1)**	251
Adjustment relating to sale of assets	**(21)**	1
Net depreciation in excess of capital allowances	**3,312**	2123
Chargeable gains	**15**	-
Share of JV not tax deductible	**(4)**	(38)
Deferred tax movement per note 9 (d)	**-**	-
Total tax charge reported in the Income Statement	**-**	-

(d) Deferred tax

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

	Balance Sheet		**Income Statement**	
	2025 **£000**	2024 £000	**2025** **£000**	2024 £000
Deferred tax liability				
Accelerated capital allowances	**9,747**	13,080	**(3,333)**	214
Revaluations of investment properties	**782**	135	**647**	-
	10,529	13,215	**(2,686)**	214
Deferred tax asset				
Accelerated capital allowances	**-**	-	**-**	-
Pensions	**(916)**	967	**(1,883)**	(482)
Tax losses carried forward	**1,656**	1,656	**-**	(527)
Deferred revenue	**9,425**	12,770	**(3,345)**	273
Deferred tax not recognised	**364**	(2,178)	**2,542**	950
	10,529	13,215	**(2,686)**	214
Disclosed on the Group and Company Balance Sheet and Income Statement				
Deferred tax (liability)	**-**	-	**-**	-

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

Notes to the Financial Statements

10. Property, plant and equipment

Group

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

Group

	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2024	76,246	240,542	6,938	323,726
Additions	-	25	13,081	13,106
Disposals	(1,430)	(8,730)	-	(10,160)
Transfers	359	14,141	(14,500)	-
At 31 March 2025	**75,175**	**245,978**	**5,519**	**326,672**
Depreciation and impairment:				
At 1 April 2024	(44,148)	(117,886)	-	(162,034)
Provided during the year	(2,325)	(11,265)	-	(13,590)
Disposals	1,148	8,455	-	9,603
At 31 March 2025	**(45,325)**	**(120,696)**	**-**	**(166,021)**
Net book value:				
At 31 March 2025	**29,850**	**125,282**	**5,519**	**160,651**
At 31 March 2024	32,098	122,656	6,938	161,692

Notes to the Financial Statements

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

Company	Land and buildings freehold £000	Plant and equipment £000	Construction in progress £000	Total £000
Cost:				
At 1 April 2024	73,305	216,958	6,625	295,888
Additions	-	26	12,602	12,628
Disposals	(1,430)	(8,173)	-	(9,603)
Transfers	358	13,447	(13,805)	-
At 31 March 2025	**71,233**	**222,258**	**5,422**	**298,913**
Depreciation and impairment:				
At 1 April 2024	(40,922)	(101,850)	-	(142,772)
Provided during the year	(2,284)	(10,525)	-	(12,809)
Disposals	1,148	7,911	-	9,059
At 31 March 2025	**(42,058)**	**(104,464)**	**-**	**(146,522)**
Net book value:				
At 31 March 2025	**29,175**	**117,794**	**5,422**	**152,391**
At 31 March 2024	31,383	115,108	6,625	153,116

Notes to the Financial Statements

11. Investment property

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

	Group 2025 £000	Company 2025 £000	Group 2024 £000	Company 2024 £000
Valuation at 1 April	**3,686**	**3,686**	3,399	3,399
Additions	**-**	**-**	275	275
Fair value adjustment	**(252)**	**(252)**	12	12
Valuation as at 31 March	**3,434**	**3,434**	3,686	3,686

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

The selected heritable properties forming part of Highlands and Islands Airports Limited landside assets were valued as at 31 March 2025 by an external valuer, Newmark Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuations were prepared in accordance with the RICS Valuation – Global Standards 2025 of the Royal Institution of Chartered Surveyors (RICS). The valuations of these assets were on the basis of Fair Value, represented by market value.

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

	2025	2024
Yields (%)	**5.0% - 24.6%**	5.0% - 24.6%

Notes to the Financial Statements

12. Investments

(a) Investment in joint ventures

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

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

	2025	2024
	£000	£000
Share of the joint venture's balance sheet:		
Non-current assets	**94**	80
Current assets	**-**	-
Current liabilities	**-**	-
Non-current liabilities	**-**	-
Share of other reserves	**-**	-
Share of net assets/(liabilities)	**94**	80

	2025	2024
	£000	£000
Share of the joint venture's results:		
Revenue	**46**	181
Net operating expenses	**(32)**	(31)
Loss before taxation	**14**	150
Tax expense	**-**	-
Profit/(Loss) after taxation	**14**	150

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

(b) Details of Group undertakings

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

Notes to the Financial Statements

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

Company

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

	Subsidiary undertakings £000	Joint ventures £000	Total £000
Cost:			
At 1 April 2024	10	1,988	1,998
Acquisitions	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 March 2025	**10**	**1,988**	**1,998**
Amortisation and impairment:			
At 1 April 2024	-	-	-
Amortisation during the year	-	-	-
Impairment charges	-	-	-
Disposals	-	-	-
At 31 March 2025	**-**	**-**	**-**
Net book value:			
At 31 March 2025	**10**	**1,988**	**1,998**
At 31 March 2024	10	1,988	1,998

Notes to the Financial Statements

13. Intangible fixed assets

Group

	Total £000
Cost:	
At 1 April 2023	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2024	540
Amortisation and impairment:	
At 1 April 2023	(485)
Amortisation during the year	-
Impairment charges	-
Disposals	-
At 31 March 2024	(485)
Net book value:	
At 31 March 2024	55
At 31 March 2023	55
Cost:	
At 1 April 2024	540
Acquisitions	-
Additions	-
Disposals	-
At 31 March 2025	**540**
Amortisation and impairment:	
At 1 April 2024	(485)
Amortisation during the year	-
Impairment charges	-
Disposals	-
At 31 March 2025	**(485)**
Net book value:	
At 31 March 2025	**55**
At 31 March 2024	55

Intangibles relate to leasing contracts acquired as part of the acquisition of Dundee Airport Limited. This intangible asset was grant funded. The asset was initially recorded at its fair value of £170,500 and subsequently measured under the cost model. The assets are being amortised over the periods over which the contractual cash flows are expected to arise. Amortisation is included within administrative expenses. The intangible assets have a useful life of 47 years at 31 March 2025.

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

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

Notes to the Financial Statements

14. Trade and other receivables

Group

	2025 £000	2024 £000
Trade receivables	**2,644**	2,615
Less: provision for impairment of receivables	**(160)**	(136)
Trade receivables net of impairment	**2,484**	2,479
Receivables from joint ventures	**1,887**	1,887
Prepayments and other accrued income	**1,501**	1,316
Other receivables	**782**	1,293
	6,654	6,975

Company

	2025 £000	2024 £000
Trade receivables	**2,511**	2,416
Less: provision for impairment of receivables	**(158)**	(121)
Trade receivables net of impairment	**2,353**	2,295
Receivables from joint ventures	**1,887**	1,887
Prepayments and other accrued income	**1,383**	1,195
Other receivables	**4,349**	4,704
	9,972	10,081

15. Inventories

	Group 2025 £000	**Company 2025 £000**	Group 2024 £000	Company 2024 £000
Aviation fuel	**39**	**-**	64	-
Spares	**-**	**-**	17	17
	39	**-**	81	17

Notes to the Financial Statements

16. Cash and cash equivalents

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

Group	2025 £000	2024 £000
Cash at bank	**685**	429
Short term deposits	**-**	-
	685	429

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

Company	2025 £000	2024 £000
Cash at bank	**554**	223
Short term deposits	**-**	-
	554	223

17. Trade and other payables

Group	2025 £000	2024 £000
Loans (note 18)	**2,558**	1,885
Trade payables	**2,707**	2,955
IFRS lease creditor	**305**	328
Other creditors and accruals	**8,367**	7,320
	13,937	12,488

Company	2025 £000	2024 £000
Loans (note 18)	**2,547**	1,872
Trade payables	**2,640**	2,876
Amounts owed to other Group companies	**727**	473
IFRS lease creditor	**305**	328
Other creditors and accruals	**7,354**	6,326
	13,573	11,875

Notes to the Financial Statements

18. Loans

Group

	2025	2024
	£000	£000
Unsecured loans wholly repayable within five years, repayable in half-yearly instalments	**3,642**	4,192
Less repayable within twelve months (note 17)	**(2,558)**	(1,885)
	1,084	2,307

Instalments on the loans included above are repayable as follows:		
between one and two years	**698**	1,523
between two and five years	**386**	784
after five years	**-**	-
	1,084	2,307

Company

	2025	2024
	£000	£000
Unsecured loans wholly repayable within five years, repayable in half-yearly instalments	**3,631**	4,179
Less repayable within twelve months (note 17)	**(2,547)**	(1,872)
	1,084	2,307

Instalments on the loans included above are repayable as follows:		
between one and two years	**698**	1,523
between two and five years	**386**	784
after five years	**-**	-
	1,084	2,307

At 31 March 2025 the Group and company had 8 loans outstanding (2024: 7). The loans are repayable to the Scottish Ministers at an interest rate between 1.9% and 6.65%. The loans are repayable over 4 and 5 years from initial drawdown, by half yearly instalments.

Notes to the Financial Statements

19. Deferred subsidies

Group	2025 £000	2024 £000
Balance at 1 April	**157,539**	159,189
Subsidies receivable	**12,717**	11,812
Release against FV movement in investments	**(434)**	-
Release to Income Statement	**(12,697)**	(12,905)
Release against asset disposals	**(396)**	(557)
Balance at 31 March	**156,729**	157,539

Company	2025 £000	2024 £000
Balance at 1 April	**148,882**	149,531
Subsidies receivable	**12,316**	11,434
Release against FV movement in investments	**(434)**	-
Release to Income Statement	**(11,849)**	(11,526)
Release against asset disposals	**(396)**	(557)
Balance at 31 March	**148,519**	148,882

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 2025 and 31 March 2024 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 2025	**-**	**11,379**	**-**	**-**	**-**	**11,379**
At 31 March 2024	-	10,603	-	-	-	10,603
Borrowings						
At 31 March 2025	**-**	**-**	**2,558**	**1,084**	**-**	**3,642**
At 31 March 2024	-	-	1,885	2,307	-	4,192

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	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Financial assets				
Trade and other receivables	**6,654**	6,975	**6,654**	6,975
Financial liabilities				
Trade and other payables	**11,379**	10,603	**11,379**	10,603
Borrowings	**3,642**	4,192	**3,642**	4,192

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

Notes to the Financial Statements

21. Pensions

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

As at 31 March 2025, there were 695 (2024: 667) Group members participating in the HPS and 89 (2024: 84) participating in the TSF. Both schemes are operated and located in the United Kingdom and require contributions to be made to separately administered funds.

As at 31 March 2025, there were 287 (2024: 288) Group members participating in the PPS. There were 56 (2024: 64) Company members participating in the PPS. This scheme is monitored by HIAL management through its actuaries.

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

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

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

At 31 March 2025	**HPS**	**TSF**	**Total**
	£000	**£000**	**£000**
Scheme assets at fair value			
Equities	41,713	9,820	**51,533**
LDI	38,103	-	**38,103**
Gilts	-	943	**943**
Other bonds	-	974	**974**
Property	-	2,244	**2,244**
Diversified growth	6,834	-	**6,834**
Multi Asset Credit	31,283	-	**31,283**
Other	-	4	**4**
Cash	5,756	802	**6,558**
Fair value of scheme assets	123,689	14,787	**138,476**
Present value of scheme liabilities	(120,027)	(8,722)	**(128,749)**
Impact of asset ceiling	(3,662)	(6,065)	**(9,727)**
Defined benefit pension scheme deficit	**-**	**-**	**-**

21. Pensions (continued)

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

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

Year ended 31 March 2025	**HPS**	**TSF**	**Total**
	£000	**£000**	**£000**
Recognised in Income Statement			
Current service cost	3,409	325	3,734
Past service cost	-	-	-
Recognised in arriving at operating loss	3,409	325	3,734
Administration cost	352	4	356
Interest cost on scheme assets	(6,376)	(501)	(6,877)
Interest cost on obligations	6,496	490	6,986
Other finance cost	472	(7)	465
Taken to the Statement of Comprehensive Income			
Return on plan assets in excess of interest	(12,734)	(37)	(12,771)
Experience gain/(loss) on liabilities	34	19	53
Change in demographic assumptions	142	24	166
Change in financial assumptions	20,733	2,055	22,788
Other actuarial (loss)/gain	-	-	-
Change in asset ceiling	(3,662)	(2,025)	(5,687)
Actuarial gains/(losses) recognised in the Statement of Comprehensive Income	**4,513**	**36**	**4,549**

Notes to the Financial Statements

21. Pensions (continued)

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

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

	HPS £000	TSF £000	Total £000
Defined benefit obligation at 1 April 2024	**134,067**	**9,993**	**144,060**
Current service cost	3,409	325	3,734
Past service cost	-	-	-
Interest cost	6,496	490	6,986
Benefits paid	(4,321)	(115)	(4,436)
Contributions by scheme participants	1,285	127	1,412
Change in demographic assumptions	(142)	(24)	(166)
Experience (gain)/loss on liabilities	(34)	(19)	(53)
Change in financial assumptions	(20,733)	(2,055)	(22,788)
Defined benefit obligation at 31 March 2025	**120,027**	**8,722**	**128,749**

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

21. Pensions (continued)

	HPS £000	TSF £000	Total £000
Fair value of scheme assets at 1 April 2024	**130,200**	**14,033**	**144,233**
Interest on scheme assets	6,376	695	7,071
Contributions by employer	3,235	286	3,521
Contributions by scheme participants	1,285	127	1,412
Benefits paid	(4,321)	(115)	(4,436)
Administration costs	(352)	(4)	(356)
Other actuarial (losses)	-	-	-
Return on plan assets less interest	(12,734)	(235)	(12,969)
Fair value of scheme assets at 31 March 2025	**123,689**	**14,787**	**138,476**

The Group expects to contribute £2,935,000 to its defined benefit pension plans in 2025/26.

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 2025 (%)	2024 (%)	TSF 2025 (%)	2024 (%)
Main assumptions:				
Rate of salary increases	**2.90**	2.85	**3.85**	3.90
Rate of increase in pensions in payment*	**3.30**	3.25	**2.85**	2.90
Discount rate	**5.85**	4.90	**5.90**	4.90
RPI Inflation	**3.25**	3.25	**3.10**	3.20

*HPS only - The assumed rate of increase is 3.25% for RPI and 2.90% for CPI.

Discount rate

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

Mortality

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

For the HPS, the S3PA table has been used making allowance for future improvements to be in line with the 2022 CMI projection model with a long-term improvement rate of 1.25% per annum and the projection is made based on the individual year of birth of each member.

For the TSF, the S3PA table has been adjusted by 110% (to reflect the particular characteristics of the scheme) making allowance for future improvements to be in line with the 2023 CMI projection model with a long term improvement rate of 1.25% p.a. with a smoothing parameter of 7 and the projection is made based on the individual year of birth of each member.

Notes to the Financial Statements

21. Pensions (continued)

Sensitivities – HPS

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

	Salary increased by 0.50% £000	Reduce discount rate by 0.50% £000	Increase inflation by 0.50% £000
Fair value of scheme assets	123,689	123,689	123,689
Present value of defined benefit obligation	(126,202)	(134,080)	(134,057)
Defined benefit pension scheme deficit	(2,513)	(10,391)	(10,368)

Sensitivities – TSF

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

	+0.1% £000	-0.1% £000	+1 year £000	-1 year £000
Projected service cost	212	229	230	211
Present value of defined benefit obligation	8,559	8,890	8,994	8,459

The projected pension expense for the year ending 31 March 2026 is as follows:

	HPS £000	TSF £000	Total £000
Current service cost	2,573	220	**2,793**
Net interest on defined benefit liability	(62)	(8)	**(70)**
Administration expenses	352	4	**356**
Total	2,863	216	**3,079**

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

	2025 £000	2024 £000	2023 £000	2022 £000	2021 £000
HPS					
Fair value of scheme assets	**123,689**	130,200	122,736	154,810	146,440
Present value of defined benefit obligation	**(120,027)**	(134,067)	(131,745)	(190,351)	(205,899)
Impact of asset ceiling	**(3,662)**	-	-	-	-
(Deficit)	**-**	(3,867)	(9,009)	(35,541)	(59,459)
Experience adjustment on plan liabilities	**-**	-	-	-	-
Experience adjustments on plan assets	**(12,734)**	(1,222)	(42,291)	2,911	(18,936)

Notes to the Financial Statements

21. Pensions (continued)

	2025 £000	2024 £000	2023 £000	2022 £000	2021 £000
TSF					
Fair value of scheme assets	**14,787**	14,033	12,351	12,637	11,826
Present value of defined benefit obligation	**(8,524)**	(9,993)	(9,138)	(14,447)	(14,415)
Impact of asset ceiling	**(6,065)**	(4,040)	-	-	-
Surplus/(deficit)	**198**	-	(3,213)	(1,810)	(2,589)
Experience adjustment on plan liabilities	**-**	-	-	-	-
Experience adjustments on plan assets	**(235)**	981	(868)	385	2,790

22. Share capital

	Group and Company	
	2025 £000	2024 £000
Authorised shares	**50**	50
Allotted, called up and fully paid ordinary shares of £1 each	**50**	50

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

23. Cash generated by/(used in) operations

Group	**2025 £000**	2024 £000
Operating profit/(loss)	**(1,010)**	1,813
Depreciation of property, plant and equipment	**13,590**	13,418
Decrease/(increase) in inventories	**42**	23
Decrease/(increase) in trade and other receivables	**321**	1,920
Decrease in trade and other payables	**776**	(3,344)
Deferred subsidies released	**(12,697)**	(12,905)
Fair value movement on investment properties	**252**	(12)
Difference between pension contributions and charges	**215**	(1,838)
Gain/(loss) on disposal of property, plant and equipment	**35**	(206)
Cash (used in) operations	**1,524**	(1,131)

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

Company	2025 £000	2024 £000
Operating (loss)/profit	**(1,481)**	2,983
Depreciation of property, plant and equipment	**12,809**	12,002
Decrease/(increase) in inventories	**17**	48
Decrease/(increase) in trade and other receivables	**109**	1,163
(Increase)/decrease in trade and other payables	**1,023**	(3,552)
Deferred subsidies released	**(11,849)**	(11,526)
Fair value movement on investment properties	**252**	(12)
Difference between pension contributions and charges	**646**	(1,873)
(Loss)/gain on disposal of property, plant and equipment	**44**	(206)
Cash generated from/(used in) operations	**1,570**	(973)

24. Lease Liabilities

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.35%.

As a Lessee

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

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

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

i. Right-of-use assets

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

ii. Lease liabilities

Lease liabilities included in the Statement of Financial Position at 31 March 2025 are analysed as follows:

	2025 £000	2024 £000
Current	**305**	328
Non-current	**-**	-
	305	328

Notes to the Financial Statements

24. Lease Liabilities (continued)

The lease liability is secured on the related underlying assets. The undiscounted maturity analysis of the lease liability as at 31 March 2025 is as follows:

	2025 £000	2024 £000
Less than one year	**305**	328
One to five years	**-**	-
More than five years	**-**	-
Total undiscounted liabilities at 31 March 2025	**305**	328

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

Total cash outflows in respect of leasing liabilities in the year to 31 March 2025 is £54,478 (2024: £54,538).

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

25. Related party disclosure

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

		Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Related party					
Joint ventures:					
Inverness Airport Business Park Ltd	**2025**	**-**	**-**	**2,412**	**-**
	2024	-	26	2,412	-
In relation to key management personnel:					
Energy Aviation Services Ltd	**2025**	**-**	**20**	**-**	**-**
	2024	-	19	-	-
Intercompany Balances					
Dundee Airport Limited	**2025**	**918**	**-**	**3,571**	**-**
	2024	919	-	3,429	-
Airport Management Services Limited	**2025**	**441**	**9,954**	**-**	**727**
	2024	384	9,282	-	473

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

Controlling party

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

Notes to the Financial Statements

26. Commitments and contingencies

Capital Commitments

At 31 March 2025, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £1,795,000 for the Group (2024: £8,929,000) and £1,736,000 for the Company (2024: £8,676,000).

Contingent liabilities

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

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 2024 and 31 March 2025.

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

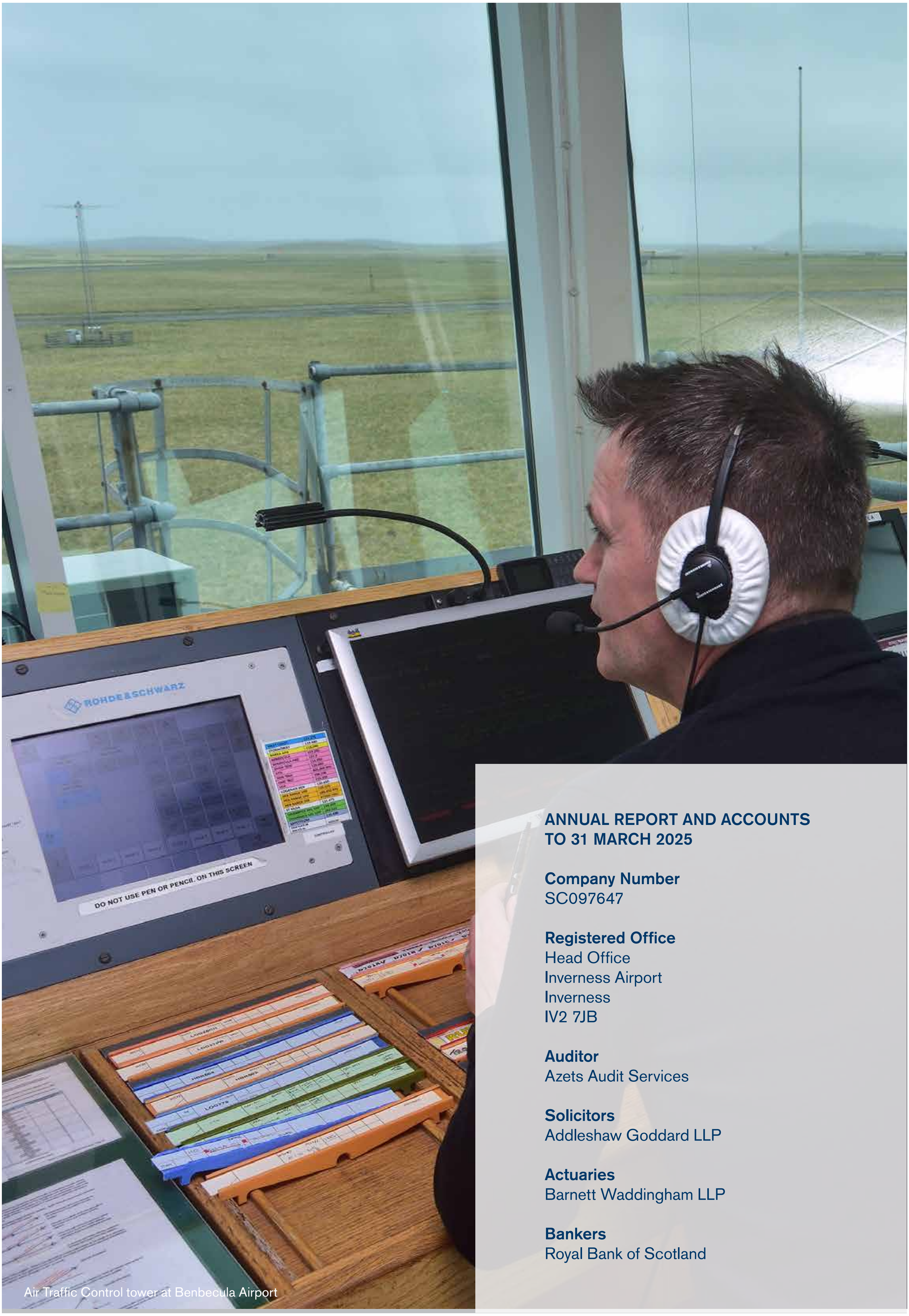
28. Events after the reporting period

Events after the reporting period represent those events which occur between the end of the reporting period (i.e. 31 March 2025) and the date when the Annual Report and Accounts are authorised for issue. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, and require the financial statements to be adjusted. Non-adjusting events are indicative of conditions that arose after the reporting period and do not require the financial statements to be adjusted, but may require disclosure if material. Events which occur after the date the Annual Report and Accounts are authorised for issue are not reflected in these accounts.

There are two events after the reporting period which require disclosure:

- In May 2025, the HIAL Board agreed to the sale of an investment property that had been marketed for sale. On 19 September 2025, HIAL completed the sale of the investment property for £1,800,000. The sale is expected to result in a gain on disposal of £50,000 which will be recognised in the next reporting period.
- In June 2025, the HIAL Board agreed to the sale of an area of land at Tiree Airport. In August 2025, the Board agreed to the sale of an additional area of land to the same buyer. This transaction remains ongoing at the time of issue. The financial impact of the sale will be recognised in the next reporting period.

Both of these events are considered to be non-adjusting events. As a result, no adjustments have been made to the financial statements.



Air Traffic Control tower at Benbecula Airport

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2025

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SC097647

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Inverness
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Highlands and Islands
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Puirt-adhair na Gàidhealtachd
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