



**Isle of Man
Government**

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The Enterprise Act 2008
Annual Report for 2014/2015
Department of Economic Development
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1. Introduction

To: The Hon C Christian MLC, President of Tynwald, and the Honourable Council and Keys in Tynwald assembled;

Under section 6 of the Enterprise Act 2008 ("the Act") the Department of Economic Development (DED) is required to lay an annual report before Tynwald as to the provision of assistance under the Act including a list of the names of those businesses which have received financial assistance from the Department during the previous financial year ended on 31st March. This is consistent with Government's intent to act transparently by providing information as to the use of public funds for Tynwald scrutiny where possible. Legal advice has previously been taken as to the extent of information that can be disclosed and the contents of the report have been based on such advice.

This is the sixth annual report to Tynwald concerning the operation of the Act and covers the year to 31 March 2015. The information contained relates to payments made under the Financial Assistance Scheme in relation to applications submitted after 1st May 2009; it does not include any payments made under the former Industry Board Act 1981 where the information is confidential. The report would also include payments made under the former Economic Development Fund in the year to 31 March 2015; however no such payments have been made during the year.

The Department's Financial Assistance Scheme currently has an annual budget of £3,500,000.

The annual report does not include details of payments through other Department support schemes of a more minor nature, including the Small Business Start-up Scheme, the Business Support Scheme and the Vocational Training Financial Support Scheme. Typically the amounts paid under these schemes are much smaller and are in many cases paid to individuals.

With the announcement of the Enterprise Development Scheme at Tynwald in July 2015 we have committed further to partnership with businesses to grow our economy through a long-term strategic vision. This involves the creation of new support schemes which in the future will also form part of the annual report to Tynwald. At this stage however, these schemes are outside the scope of this report.

The Financial Assistance Scheme remains an important driver for inward investment and the expansion of local businesses with an export focus. Our policy level of business risk will lead on occasion to financial assistance being given to businesses which do not progress beyond the start-up phase. Other jurisdictions also accept that there will be a level of loss if new sectors are to become a major part of their economies. If we wish to develop the areas of the economy which exploit newer technologies then there has to be an acceptance that not all businesses which receive assistance will develop as forecast in the original plan.

Minister for Economic Development

2. Background to the Financial Assistance Scheme

The principal purpose of providing financial assistance is to attract both inward investment to the Isle of Man and to encourage existing businesses to grow and become more efficient. This in turn provides economic benefits (for example, revenue, jobs, profits, expenditure in the local economy) and associated fiscal benefits (direct and indirect taxes) which exceed the cost of the support provided. The Department's Financial Assistance Scheme is a discretionary support scheme which offers grants and other forms of assistance incentives to both new and existing Isle of Man businesses. Support is directed to those sectors and businesses which can provide evidence of the likely attainment of the benefits sought.

Under the Enterprise Act 2008, DED may provide assistance to an eligible business where, in its opinion:

- the eligible business undertakes or will undertake economic activity in the Island;
- the assistance is likely to encourage sustainable economic growth in the Island; and
- the form and amount of the assistance is reasonable having regard to all the circumstances.

"Eligible business" is defined in Regulations made under the Act and these set out the standard requirements all businesses must meet.

In addition to meeting the environmental and commercial criteria imposed by the Regulations, a business must fall within the current policy of DED. In this regard, support may be considered in respect of businesses that meet the following definition:

"Any business providing products and / or services for export in sectors where support is not available through other Departments."

This includes partial export where the percentage of grant support offered would be linked to the export benefits and import substitution where the products or services are not currently readily available on the Isle of Man.

Business where there is a significant element of import substitution and the service is not available from another local business may also be considered for support.

Support is offered to businesses which generate economic benefit for the Island and the main considerations are:

- Job growth/creation
- Salary levels
- Spend in the local economy
- Range of jobs

There are a number of other factors that DED applies when considering an application for financial assistance in order to meet other economic, social and wider Government objectives. These include:

- geographical diversification (jobs created outside Douglas and the rest of the Eastern sector may attract more support);
- sectoral diversification (new sectors which help to reduce overall economic risk to the economy as a whole may attract more support);
- diversification of the employment base (help to provide a range of jobs to aid full employment may attract more support); and
- protection of historic businesses/sectors (where a particular business is considered to have made an important, long standing contribution to the Isle of Man).

The discretionary nature of the Scheme, which is intended to provide the Department with a high degree of flexibility, has already been mentioned. In terms of the likely rates of support available the following factors are also taken into consideration:

- *Additionality* – projects which grow the business and the economy are supported. In general, the owners of a business are expected to replace redundant equipment at their own expense, whereas a grant application for new equipment which will expand the product range, generate new revenue and thus increase jobs and taxes would be considered more likely to receive support.
- *Proportionality* – the level of support in relation to the economic and fiscal benefits forecast and the likelihood of the project's success. For example, a business seeking a £1m grant for a project which will generate only 1 job locally will not receive the full 40%.
- *Risk*- the likelihood of the project's success. Where a project is perceived to be high risk, grant support may be conditional upon the business achieving specified levels of growth based on the applicant's business plan. Furthermore, security may be required in order to mitigate the risk of losses to DED in the eventuality of a business failure by enabling the Department to recover any grants paid. Security may take the form of both fixed charges upon land and buildings and floating charges.
- *Sector* - Support is primarily directed to primary, export-earning sectors as these are key to the growth of the economy. While secondary, domestically focused sectors (such as construction, retail and miscellaneous services such as hairdressing and cleaning) also play an important role in ensuring the Isle of Man is an attractive place to work and live, aiding such sectors is less likely to increase economic growth and may also create competition issues in that assisting one local business may be at the expense of another. Consequently, it is DED's policy that secondary sectors are not usually eligible for support under the Scheme with the exception of certain circumstances in relation to leisure type activities.

3. Financial Assistance Scheme statistics for the year ended 31 March 2015.

During the year ended 31st March 2015 the Department offered 35 companies support (y.e. 31st March 2014 – 52 companies) totalling £5.4 million and the average percentage support offered was 32.5% (y.e. 31st March 2014 – 36.5%). This equates to a proposed investment from the private sector of £14.6 million by local businesses compared to £15.3 million in the previous year. The number of offers made was less than in the previous year, and so the decrease in the total amount of grant assistance offered in the year ended 31st March 2015 reflects this. This is not unusual in relation to existing businesses, as the majority go through an investment cycle and we would not expect to see the same level of investment being made year upon year.

On occasion the Department offers alternate types of assistance to businesses, the most common of which being working capital loans. During the year two companies received loan offers amounting to £294,750. This figure is included in the £5.4 million figure in the above paragraph.

In the year ended 31st March 2015, 9 of the 35 offers were made to new companies, compared to 22 in the previous year. At the same time the number of applicants under the Department's Small Business Start-up Scheme remains high and this is often a more suitable Scheme for new businesses.

The sectorial breakdown of the offers made to new businesses is:

- one engineering
- five general manufacturing (inc food and drink, and also media)
- two financial services
- one ICT (including e gaming)

The total amount of financial assistance offered in the year ending 31st March 2015 amounted to £5,447,870 compared to £5,978,635 offered in the previous year. The total amount of assistance paid out in the year ending 31st March 2015 amounted to £3,512,228 compared to £2,345,710 in the previous year. This reflects the particularly high number of offers made in the year ending 31st March 2014. The value of payments made year to year varies because grant payments, excluding loans, are paid retrospectively and projects can take a significant time to complete.

Offers normally remain open for two years and, based on historical information, businesses take up on average 80% of the value of the amount offered. If the Department receives a written request from a business, the period in which the assistance can be claimed will be extended. As at 31st March 2015, the value of offers outstanding amounted to over £8.6 million. Based on the historical claim percentage this represents an accrual value of £6.9 million. This is a decrease of £0.5 million in the value of the accrual (the 13/14 accrual figure was £7.4 million).

The Department made offers to businesses from a wide range of sectors. The size of businesses was also diverse and ranged from companies employing over one hundred people to single person operations.

4. Businesses that received payments Under the Financial Assistance Scheme

For the twelve months 1 April 2014 to 31 March 2015

Ape Mann Adventure Park Ltd
Ardan International Ltd
Assystem (IOM) Ltd
Berries Ltd
Bodystat Ltd
Capcall (IOM) Ltd
Coldean Aviation Ltd
Corlett Bolton Administration Services Ltd
DLP Ltd
Duncan Lawrie (IOM) Ltd
Glen Wyllin Trout Farm Ltd
Glenlough Campsite Ltd
Greenlight Ltd
Henson Ceramics Ltd
Highland Scientific Ltd
IOM Creamery Ltd
IQE Ltd
Island Optics Ltd
Island Seafare Ltd
Island Shellfish Processing Ltd
JB Precision Systems (IOM) Ltd
Knockaloe Beg Farm Ltd
Laxey Glen Mills Ltd
Linso Europe Ltd
Lloyds TSB Offshore Ltd
Mann Link Travel Ltd
Mannin Media Ltd
Manx Educational Foundation
Manx Engineers Ltd
Manx Precision Optics Ltd
Manx Rare Breeds Ltd
Manx Telecom Ltd
Nasaleze International Ltd
Pettit Mr M. t/a Noa Bakehouse
Plan Communications Ltd
Prometic Biosciences Ltd
Riva Financial Services Ltd
Ronaldsway Aircraft Co. Ltd
Senate (IOM) Ltd
SEQ Ltd
SLS Optics Ltd
Strix Ltd
Sub Aquatic Technical Systems Ltd

Swagelok Ltd
Tailorbet Ltd
Taverner Mr N. t/a Ballawyllin Farm Cottage
Tekmos Communications Ltd
Trackshack Ltd
Triumph Actuation Systems - IOM Ltd
W.H. Ireland (IOM) Ltd

The total of the payments made to the above businesses under applications submitted under the financial assistance scheme in the period 1st May 2009 to 31st March 2015 amounted to £3,512,228.

5. Businesses that ceased trading during the year

During the year ended 31st March 2014, the Department is aware that the following businesses which previously received assistance, and the assistance remains under terms and conditions, have ceased to trade. The Department's terms and conditions give the period under which assistance is repayable to the Department. The Department as policy calculates the repayable amount on a reducing balance basis i.e. the amount repayable on a business ceasing to trade reduces over the time of the terms and conditions.

Any amount shown below relates to the amounts repayable to the Department under the terms and conditions, not the amount paid out to the business by the Department.

Business	Amount due to be repaid to the Department, under T&Cs
Serenity Limited	£23,275

The assistance paid to Serenity Limited was paid in January 2014; the amount above is the amount remaining under the terms and conditions when calculated on a reducing balance basis.



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