

GD 2018/0064



The Enterprise Act 2008
Annual Report for 2017/2018
Department for Enterprise
October 2018

Section	Contents	Page
1.	Introduction	3
2.	Background to the Financial Assistance Scheme	4
3.	Financial Assistance Scheme statistics for year ended 31 March 2018	6
4.	Businesses that received payments	9
5.	Businesses that ceased trading during the year	9
6.	Exemptions in the national interest from the requirement for Work permits under section 7(5) of the Control of Employment Act	10
7.	Loans and investments via the Enterprise Development Scheme (EDS)	10

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1. Introduction

To: The Hon S C Rodan 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 for Enterprise (DfE) 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 the 31st March. This is consistent with Government's intent to act transparently by providing information as to the use of the public funds for Tynwald scrutiny where possible.

The annual report includes details of grants offered and payments made under the Financial Assistance Scheme (FAS) as well as details of loans and investments made to businesses under the Enterprise Development Scheme. The report does not include details of payments through other Department support schemes of more minor nature, including the Micro Business Grant Scheme and the Small Business Start-up Scheme, the Business Support Scheme, Vocational Training Financial Support Scheme, and the Green Business Loans. Typically the amounts paid under these schemes are much smaller and are in many cases paid to individuals.

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

The Financial Assistance Scheme remains an important driver for inward investment and the expansion of local businesses with an export focus. Placing an emphasis on job creation, this provides the Department with a return on the grant paid, via Income Tax and National Insurance contributions.

Our policy level of business risk will lead on occasion to financial assistance 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 with any risk based reward model, not all business which receive assistance will develop as forecast in the original plan.

Minister for Enterprise

2. Background to the Financial Assistance Scheme

The principal purpose of providing assistance is to encourage existing business to grow and become more efficient and attract inward investment to the Isle of Man. 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 to both existing and new Isle of Man registered businesses. The focus of the support is on those sectors and businesses which can provide evidence of the likely attainment of the benefits sought.

Under the Enterprise Act 2008, DfE 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 regards to all the circumstances.

"Eligible business" is defined in regulations made under the Act which 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 DfE. 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 available on the Isle of Man.

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

Support is offered to businesses which generate economic benefit for the Island, the main considerations as to whether support should be offered being:

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

There are a number of other factors that DfE 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);
- sector diversification (new sectors which help to reduce overall economic risk to the economy as a whole may attract more support);

- diversification of 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 the 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 likelihood of the project's success. For example, a business seeking £1m grant for a project which will generate only 1 job locally will not receive the full 40%. This is reflected in the wording of the guidelines; "The level of financial assistance offered is proportionate to the economic and fiscal benefits forecast, the number and value of jobs being created and perceived likelihood of success. Also, where projects are judged to be high risk, stage payment of grants may be conditional upon achieving specified levels of turnover, profit, salaries, local spend or employment numbers based on the applicant's business plan. Furthermore, security may be required in order to mitigate the risk of failure in order to enable the Department to recover any grants paid. Security may take the form of fixed charges upon land, buildings and machinery and/or floating charge".
- *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 DfE in the event of a business failing by enabling the Department to recover any grants paid or portion of grants paid. Security may take the form of fixed charges upon land and buildings, floating charges or Directors Guarantees.
- *Sector* – support is primarily directed at export-earning sectors as these are key to the growth of the economy. While secondary, domestically focussed 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 DfE'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 year ended 31st March 2018

Grants offers

During the year ended 31st March 2018 the Department made 47 grant offers to 46 companies, compared to the previous year when 40 offers were made to 38 companies. Comparable figures for previous five years ending 31st March have been included in the below tables.

	2013/2014		2014/2015		2015/16		2016/17		2017/18	
	No. of Offers	Amount of Offers £								
Offers to New Company's	22	2,502,566	9	758,082	11	317,289	12	450,248	12	447,975
Offers to Existing Company's	34	5,041,069	27	4,689,788	23	5,452,716	28	2,010,167	35	7,204,701
Totals	56	7,543,635	36	5,447,870	34	5,770,005	40	2,460,415	47	7,652,676

The number of offers made during the year total 104 across the grant categories. This figure is marginally down on the previous year of 105.

Number of Application Across Grant Categories										
Type of Grant	2013/2014		2014/2015		2015/16		2016/17		2017/18	
	New	Existing	New	Existing	New	Existing	New	Existing	New	Existing
Building	8	6	1	13	6	13	4	7	4	7
Plant & Machinery	16	23	9	20	11	22	11	16	9	15
Marketing	16	13	6	15	8	16	11	14	8	10
Rent	14	4	3	5	8	3	7	4	6	2
First Year Expenses	16	12	7	3	4	8	5	8	6	7
Training	4	4	5	3	2	5	4	4	2	5
Relocation Incentive	0	0	0	0	0	0	2	8	3	18
Efficiency Measures	0	2	0	2	0	0	0	0	0	0
Loan	1	3	1	1	0	0	0	0	0	0
Repayable Grant	0	0	0	0	0	0	0	0	0	0
Guarantee	0	0	0	0	0	0	0	0	0	2
Totals	75	67	32	62	39	67	44	61	38	66

The offers totalled £7.65 million (when rounded) and the average percentage of support offered was 29%, this being 5% lower than the previous years' level of 34%. Please note, that the previous years' report detailed an incorrect percentage of 39%.

This equates to a proposed investment from the private sector of £22.44 million (when rounded) by local businesses compared to £6.29 million (when rounded) in the previous year. The number of offers made was 1 more than in the previous year.

Amount of Grants offered to New & Existing										
Type of Grant	2013/2014		2014/2015		2015/16		2016/17		2017/18	
	New £'000	Existing £'000								
Building	172	439	13	742	16	382	53	405	14	3,498
Plant & Machinery	1,332	2,397	351	3,514	114	4,287	137	864	147	1,658
Marketing	373	199	121	196	114	200	138	104	134	127
Rent	206	51	12	31	58	45	40	46	44	22
First Year Expenses	346	385	100	38	10	525	26	81	32	252
Training	23	45	11	17	5	13	8	22	4	213
Relocation Incentive	0	0	0	0	0	0	48	486	73	971
Efficiency Measures	0	9	0	7	0	0	0	0	0	0
Loan	50	1,516	150	145	0	0	0	0	0	0
Repayable Grant	0	0	0	0	0	0	0	0	0	0
Guarantee	0	0	0	0	0	0	0	0	0	1
Totals	2,502	5,041	758	4,690	317	5,452	450	2,010	448	7,260

Potential Company Spend by New and Existing businesses linked to the Grant offers above										
Type of Grant	2013/2014		2014/2015		2015/16		2016/17		2017/18	
	New £'000	Existing £'000								
Building	396	698	112	1,294	37	613	97	1,462	39	10,598
Plant & Machinery	2,052	6,142	935	5,694	227	6,033	285	1,474	430	3,170
Marketing	1,038	610	755	516	237	334	249	215	320	372
Rent	275	112	41	52	80	68	75	62	85	38
First Year Expenses	717	845	300	57	33	883	51	133	82	571
Training	36	68	23	25	7	19	14	35	10	636
Relocation Incentive	0	0	0	0	0	0	192	1,946	370	5,714
Efficiency Measures	0	22	0	48	0	0	0	0	0	0
Loan	0	0	0	0	0	0	0	0	0	0
Repayable Grant	0	0	0	0	0	0	0	0	0	0
Totals	4,514	8,497	2,166	7,686	621	7,950	963	5,327	1,336	21,099

Loan offers

On occasion the Department offers alternate types of assistance to businesses, the most common being working capital loans. However, no loan offers were made in the period covered by this report and no loans were offered in the previous year.

Government Guarantees

The Department may be called upon from time to time to offer guarantees to assist businesses. In the year ended 31st March 2018 the Department provided a 12 month guarantee to Cayman National Bank and Trust Company (Isle of Man) Ltd to enable the bank to release pre-agreed borrowing to a Financial Assistance Scheme applicant on a temporary basis.

New business offers

In the year ended 31st March 2018, 12 of the 47 offers were made to new companies, this being the same level as the previous year. At the same time the number of applicants under the Department's Micro Business Grant Scheme and Small Business Start-up Scheme remains high as this is often a more suitable Scheme for new businesses of a smaller size.

The sector breakdown of offers made to new businesses is as follows:

	2013/14	2014/15	2015/16	2016/17	2017/18
Engineering	3	1	0	0	0
General Manufacturing (incl. Food & Drink)	1	4	4	4	3
Financial Services	3	2	1	1	2
ICT (incl. E-Gaming & E-Business)	3	1	2	4	4
Other	12	1	4	3	3
Total	22	9	11	12	12

Total amount of financial assistance offered

The total amount of financial assistance offered this year amounted to £7,652,676 compared to £2,460,415 in the previous year.

Total amount of assistance paid

The total amount of assistance paid out in the year ending 31st March 2018 amounted to £2,351,243 compared to £3,189,270 in the previous year. The value of payments made varies from year to year 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 to an average 76% 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 may be extended. As at 31st March 2018, the value of offers amounted to £12.75 million. Based on the historical claim percentage this represents an accrual value of £9.69 million this being an increase in the value of the accrual (the 16/17 accrual figure was £7.04 million).

The Department made offers to businesses from a wide range of sectors. The size of the 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 period 1 April 2017 to 31 March 2018

78 Holdings Ltd	Manx Engineers Ltd
Adoptit Publishing Ltd	Manx FX Ltd
Apple Orphanage Ltd	Mr B R Horne t/a Manx Sea Life Safaris
Assystem (IOM) Ltd	Mr N. Taverner t/a Ballawyllin Farmhouse
Berries Ltd	Myzone Ltd
David Couch & Lisa Potts t/a David Couch Consulting	Nasaleze Ltd
David Roberts Joinery Ltd	Nimbus Medical Holdings Ltd
DLP Ltd	Pacific Fund Systems Europe Ltd
E- Sign Ltd	PDMS Ltd
EIP Ltd	Plan Communications Ltd
Foraging Vintners Ltd	Progress Shaving Brush (Vulfix) Ltd
Greenlight Ltd	Prometic Bioseparations Ltd
Hubpeople Ltd	Quad Bike Mania Ltd
Ingenuity Gaming Software Ltd	Quirk, Ben t/a Manx Cider Company
IOM Creamery Ltd	Raybon Putters Ltd
IOM Fatstock Marketing Association Ltd	Ronaldsway Aircraft Co. Ltd
IOM Seafood Products Ltd	SES Satellite Leasing Ltd
Island Optics Ltd	Seven Kingdom Ltd
Island Seafare Ltd	SLS Optics Ltd
Island Shellfish Ltd	Strix Ltd
Island Shellfish Processing Ltd	Swagelok Ltd
J5 International Ltd	TrackShack Ltd
Kiartys Engineering (Ramsey) Ltd	Triumph Actuation Systems Ltd
Kiartys Engineering (South) Ltd	Virtual Systems Ltd
Kiartys Engineering Ltd	Xela Holdings Ltd
M&K Poultry Ltd	Zoe Calder t/a Loaghtan & Gansey
Macro Metal Services Ltd	Zonelock Games Ltd
Mann-Link Travel Ltd	

The total of the assistance paid to the above businesses through the Financial Assistance Scheme in the period 1st April 2017 to 31st March 2018 amounted to £2,351,243.

5. Businesses that ceased trading during the year

During the year ended 31st March 2018, the following businesses which previously received assistance and the assistance remained under terms and conditions, had ceased to trade.

The Department's terms and conditions give the period under which assistance is repayable to the Department. The Department policy calculates any repayable amount on a reducing balance basis i.e. the amount repayable on a business ceasing to trade reduces over the time linked to 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. After investigating the recovery of the amounts and based on advice to the Department by the Attorney General's Chambers, the Department has written down the outstanding debts.

Business	Amount Due Under T&C's
Doghouse Brewery	£12,209
Linso Europe Limited	£60,580

The assistance paid to Doghouse Brewery was made in July 2012 and payments made to Linso Europe Limited were made in April 2014 and October 2014; the amounts were the sums outstanding under the terms and conditions, not the amount actually paid to the business.

6. Authorisations of employment in the national interest

Under section 7(5)(a) of the Control of Employment Act 2014 the Department may exempt a person from the requirement for a work permit if the Department is satisfied that the employment is necessary in the national interest. That Act requires that the Department includes in this report a statement specifying the number of such authorisations in the year, and the reasons for them.

Between 1st April 2017 and 31st March 2018 the Department approved no requests for National Interest exemptions from the requirements of Work Permits.

7. Loans and investments via the Enterprise Development Scheme (EDS)

The Enterprise Development Scheme 2015 requires that the Department includes in this report information in respect of payments made to businesses under the Scheme.

Cortech Healthcare Limited	Investment
E-sign Limited	Investment
Lawbit Limited	Investment
Nimbus Medical Holdings Limited	Investment
Scout 4 Limited	Investment
Carrera Digital Limited	Loan
Roots Beverage Company Limited	Loan
WESPA Limited	Loan

In total the above businesses obtained £1.64 million of assistance through the EDS during the financial year ending 31st March 2018.



Isle of Man
Government

Reiltys Ellan Vannin

