

HIGHLANDS & ISLANDS ENTERPRISE**MINUTE OF THE MEETING OF THE MANAGEMENT GROUP HELD ON MONDAY, 23 JANUARY 2006**

PRESENT: Sandy Cumming (Chief Executive)
 Sandy Brady (Director – Strategy)
 Forbes Duthie (Director – Corporate Services)
 Susan Myles (Director – Human Resources)
 Alex Paterson (Director – Developing Skills)
 Bill Sylvester (Director – Partnership Projects)
 John Watt (Director - Strengthening Communities)
 Jackie Wright (Director - Growing Businesses)
 Douglas Yule (Director – Area Operations)
 Archie McCreevy (Global Connections Group)
 Charlotte Wright (Lochaber Enterprise) (Items 3(1) and 3(3) only)
 Jacqueline McDonell (Lochaber Enterprise) (Items 3(1) and 3(3) only)
 David Oxley (Lochaber Enterprise) (Items 3(1) and 3(3) only)
 Ken Abernethy (Argyll & the Islands Enterprise) (Item 3(2) only)
 Angela Vernel (Argyll & the Islands Enterprise) (Item 3(2) only)
 Andrew Ross (Secretary)
 Alison MacNeill (Executive Office)

1 MINUTES OF THE MEETING HELD ON MONDAY, 16 JANUARY 2006 (MG 01/06) (HIE 2004/0228)

These Minutes were approved.

2 MATTERS ARISING

Application Homologated

GLP R01389	<u>Wester Ross Fisheries Ltd</u>	
411/R/R01062/01	<u>Ardmair, Ullapool</u>	
FTE Created: 0	<u>Assistance Approved</u>	
Retained: 50.00	General Purpose Loan	£200,000
Avg Wage per FTE: £15,600	Building Grant	£135,000
	Development Grant	£65,000
	For management buy-out of business assets	

Conditions

- (i) Special conditions as in Para 11 of paper
- (ii) Others as normally imposed

This case had been presented to the Management Group on 16 January, at which time a decision had been deferred to allow further discussion with the applicant on a range of issues including the composition of the financial package and the link between the existing management team and the proposed management buy-out team. Ross and Cromarty Enterprise had undertaken further investigation and had presented their findings to the HIE Chief Executive and to the Director of Growing Businesses who were satisfied that the issues raised had been fully covered. Accordingly, the HIE Chief Executive had approved the case on 19 January 2005 under his delegated authority to allow the legal processes regarding the management buy-out to proceed. The decision of the Chief Executive was homologated by the Management Group.

3 NETWORK ASSISTANCE

Applications Approved

- (1) GLP L01206 Marine Harvest (Scotland)Ltd
411/L/P01423/15 Ratho Park, 88 Glasgow Road, New Bridge.
FTE Created: 0 Assistance Approved
Retained: 70.00 Development Grant £448,000
Avge Wage per FTE: £15,376 For new grading line and upgraded gutting lines

Conditions

- (i) Special conditions as in Para 11 of paper
(ii) Others as normally imposed

In discussing this case, particular attention was paid to the highly competitive global market conditions which continued to prevail in the farmed salmon sector. The proposed project would enhance the efficiency of the operation and would allow the Lochaber facility to compete more favourably with production costs in Norway and Chile by upgrading existing gutting lines and introducing a new grading line. It was noted that the economic impact assessment had confirmed that the proposed investment would safeguard 70 jobs in Lochaber. It was also noted that an application for FIG European funding had been made which, if successful, would reduce the HIE Network contribution to the project accordingly.

Taking all of these issues into account, it was agreed to approve a contribution of up to £448,000 towards the costs of this development, but at reduced levels dependent on the result of the FIG funding application. Jackie Wright undertook to inform the Scottish Executive of HIE's decision on this case and Forbes Duthie agreed to discuss further with the Chief Executive of Lochaber Enterprise the impact of this approval on the LEC's cash allocation for 2006/07. It was noted that Steve Bracken, one of the Directors of Lochaber Enterprise, was a senior manager with Marine Harvest.

- (2) GLP A02295 Gigha Halibut Ltd, c/o Otter Ferry Seafish Ltd,
411/A/A01651/01 Tighnabruaich
FTE Created: 4.00 Assistance Approved
Avge Wage per FTE: £17,500 CRP Shares £150,000
Ordinary Shares £ 90,800
For establishment of business to on-grow halibut

Conditions

- (i) Special conditions as in Para 11 of paper
(ii) Others as normally imposed

This paper had originally been presented to the Management Group on 21 December 2005, at which time a decision had been deferred to allow staff at AIE to investigate and comment on a number of issues raised by the Management Group. These issues had now been addressed and were summarised in an additional paper. Agreeing that the issues raised had now been covered comprehensively, the application to diversify this business was approved as set out in the paper.

The need for close after-care by staff at AIE was highlighted, given the high-risk nature of the fish farming sector and the technical issues around the on-growing of juvenile halibut. The need for the wider HIE Network to assist this company and others to develop the halibut market was also underlined. It was noted that Alastair Barge, the principal of Otter Ferry Seafish Ltd, was also a Director of AIE.

At this point, Jackie Wright declared an interest and left the room.

(3) GLP L01208	<u>SF2047 Ltd</u>
411/L/L00782/01	<u>Nevisprint, Unit 3 Fort William</u>
FTE Created: 0	<u>Assistance Approved</u>
Retained: 95.00	GIA & HIE Productivity Grant £394,500
Avg Wage per FTE: £25,610	Preferred Ordinary Shares £ 75,000
	Preference £ 75,000
	For management buy-out and expansion
	<u>Conditions</u>
	(i) Special conditions as in Para 11 of paper
	(ii) Others as normally imposed

The Group welcomed this proposal which represented a management buy-out of Nevisprint Limited, based in Fort William, and Highland Printers Limited, based in Inverness. While there would be a loss of jobs at the Inverness facility and a reduction in the number of jobs overall, it was recognised that printing was a highly competitive sector in which businesses needed to constantly upgrade their operations to survive in a global market. This proposal to increase productivity and enhance efficiency would retain a high-quality printing company within the Highlands & Islands and would position Nevisprint to compete with existing printers in the central belt.

In approving the package of assistance set out in the paper, it was agreed that Lochaber Enterprise would be required to provide a high level of after-care to the new company. Forbes Duthie agreed to discuss further with the Chief Executive of Lochaber Enterprise the impact of this approval on the LEC's cash allocation for 2006/07.

At this point Jackie Wright returned to the room.

4 FINANCIAL STATEMENT – 9 MONTHS TO 31ST DECEMBER 2005 (HIE 2004/02409)

This paper was noted. The overall improvements in the levels of actual spend and commitment were welcomed. The impact of new Resource Accounting and Budgeting (RAB) procedures introduced by the Scottish Executive on Network budgets was also noted.

5 OTHER BUSINESS

(1) ADVICE SUPPLY PARTNERS (HIE 2003/00235)

Noting the contents of a Project Amendment Approval paper, it was agreed to approve an additional sum of £242,000 towards the costs of funding Advice Supply Partners across the HIE Network area until 31 March 2006.

A Ross
25 January 2006
HIE 2004/02228