

## **Subject: GBER State Aid Scheme - The Yorkshire Content Fund**

### **1. Member State**

United Kingdom

### **2. Region**

Yorkshire and the Humber

### **3. Title of aid Scheme**

The Yorkshire Content Fund

### **4. Administering Body**

Screen Yorkshire Limited, a company registered in England and Wales as number 04490352.

### **5. Government body that has provided funding for the Scheme**

The funding body is the Department of Communities and Local Government which has a range of statutory functions including providing economic support through funds that make risk capital investments in business.

### **6. Basis of Scheme**

The Yorkshire Content Fund will involve some investments made on a no aid basis (through the Market Economy Investor Principle) and some investments made in accordance with Article 21 of the Commission Regulation (EU) No 651/2014 of 17 June 2014 ("GBER"). The no aid elements of the fund are not included within the notification requirements under this scheme.

The investments which constitute aid shall be compliant where provided in accordance with the terms and conditions of Article 21 of GBER including, but not limited to:

- The risk capital measure shall take the form of participation into a profit driven private equity investment fund, managed on a commercial basis.
- Investments will not exceed EUR15 million per undertaking;
- Over 70% of the fund shall be invested in equity or quasi-equity investments for SMEs;
- At least 50% of the funding will be provided by private investors; and
- The investment fund is managed on a commercial basis.

### **7. Aid Intensity**

The Yorkshire Content Fund allows Screen Yorkshire to award aid up to the maximum aid intensity allowable under Article 21 of GBER, subject to satisfying all the relevant provisions of GBER and the applicable terms of the scheme.

The maximum investment intensities are set out in the table below.

Commission Recommendation C20031422/361/EC (Official Journal L124, 20.5.2003) provides guidance on identifying the appropriate size of enterprise.

| Aid Measure  | Maximum % aid intensity levels for: |   |                   | Notification thresholds (€)                       |
|--|-------------------------------------|---|-------------------|---|
|  | Large Enterprises                   | Medium Enterprises  | Small Enterprises |   |
| <b>REGIONAL AID: GBER SECTION 1</b>                          |                                     |   |                   |   |
| <b>Article 21:</b><br><b>Aid in the form of risk capital</b> | N/A                                 | Not less than 50% of the total investment must come from private sector sources (reducing to 30% if the fund targets SMEs located exclusively in Regional Aid Assisted Areas)<br>+20% |                   | Fund may not invest more than €15m per target SME |

Where the total funding from all public sources will exceed the above thresholds, no aid may be granted or otherwise committed until approval has been obtained from the European Commission.

## 8. Scheme Objectives

The object of Yorkshire Content Fund is to address a gap in the market place by providing targeted co-investment finance into companies based in Yorkshire and the Humber producing creative content projects, and to develop innovative approaches to further investment in the digital and new media sector. Information on the Yorkshire Content Fund can be accessed at:

<http://www.screenyorkshire.co.uk/funding>

## 9. Forms of aid

Aid under this scheme may take the form of the following aid instruments:

| INVESTMENT TYPE   | DEFINITION  |
|-------------------|---|
| equity            | Ownership interest in an undertaking, represented by the shares issued to investors.  |
| quasi-equity      | Financial instruments whose return for the holder is predominantly based on the profits or losses of the underlying target undertaking and which are unsecured in the event of default.       |
| seed capital      | Financing provided to study, assess and develop an initial concept, preceding the start-up phase.   |
| expansion capital | Financing provided for the growth and expansion of an undertaking, which may or may not break even or trade profitably, for the purposes of increasing production capacity, market or product |

## 10. Granting Aid under the Yorkshire Content Fund

The Yorkshire Content Fund shall use the measures provided in Article 21 of GBER, to provide at its discretion, risk capital to SMEs up to a maximum ceiling of €15m per target undertaking. The amount of aid provided will be the minimum level of aid necessary to address the market failure.

To comply with the measure defined above, the public funds applied under this scheme shall take the form of participation into a profit driven private equity investment fund, managed on a commercial basis.

To ensure the scheme is profit driven, the following conditions shall be fulfilled:

- a) a viable business plan shall exist for each investment, containing details of product, sales and profitability development and establishing the ex-ante viability of the project; and
- b) a clear and realistic exit strategy shall exist for each investment.

To ensure that the investment fund is managed on a commercial basis, the following conditions shall be fulfilled:

- a) there shall be an agreement between a professional fund manager and participants in the fund, providing that the manager's remuneration is linked to commercial performance and setting out the investment strategy, criteria and proposed timing of investments; and
- b) private investors shall be allowed to be represented in the governance bodies of the fund, such as through the supervisory board or advisory committee; and
- c) relevant best practice and regulatory supervision shall apply to the management of funds.

Screen Yorkshire will take appropriate steps to ensure the incentive effect can be demonstrated.

## **11. Excluded aid**

The Yorkshire Content Fund shall only award aid to SMEs based within Yorkshire and the Humber. Target SMEs will be in the Creative & Digital Industries sectors including but not limited to film, television, games, mobile and web-based applications interactive entertainment and other forms of entertainment content and applications that are yet to be devised.

Screen Yorkshire shall ensure that no Investments may be applied directly or indirectly:

- which constitutes export aid or favours domestic over imported products;
- To a business or company which is not a Qualifying Enterprise
- To a business or company which is where Screen Yorkshire has reasonable grounds to believe the recipient of funds will be within the definition of undertaking in difficulty (as set out in 2.1 of the Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C244/02);<sup>1</sup>;
- To any business or company which operates outside the target sector defined as SME's in the Creative and Digital Industries
- To any business or company which does not have its principal place of business or a material part of its operations, people or trading in Yorkshire unless as a condition of the Investment that business or company is required to re-locate its business or its trading activities to within Yorkshire, or otherwise fails to comply with the Eligibility Guidance;
- In a manner which is not consistent with the National Eligibility Rules;
- To any business or company which cannot demonstrate, to Screen Yorkshires' reasonable satisfaction, that they are unable to obtain the requested finance through mainstream/commercial investors/lenders in Yorkshire;
- Where the Relevant Investment, in the form of an Equity Investment, is outside of the scope of Article 21 of GBER;
- To any Qualifying Enterprise which has, within a period of up to 7 years prior to a proposed Equity Investment from the YCF in that Qualifying Enterprise, been the recipient of an Equity Investment exempted under the terms of Article 21 of the GBER

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<sup>1</sup> other than SMEs that have been incorporated for less than 3 years unless they are insolvent under UK legislation

unless the business plan for the initial Equity investment specifically provided for a follow-on investment..

- To a business that that has the objective of the establishing and /or financing of distribution networks in other countries;
- To any business which is the subject of an outstanding recovery order relating to a previous European Commission decision in which aid has been declared illegal and / or incompatible with the Common Market.

## **12. Cumulation**

The aid exempted in this Scheme may be cumulated with any other aid under GBER as long as those aid measures are for different identifiable, eligible costs.

However aid under The Yorkshire Content Fund may not be cumulated with any other aid exemption (for example another measure under GBER or the De Minimis Regulations 1998/2006) where the funding covers the same eligible costs and the effect is to exceed the applicable maximum aid intensity or aid amount applicable.

## **13. Administration**

The European Commission requires information on the use of all GBER schemes.

However, it is anticipated that most investments made by the Yorkshire Content Fund will meet the requirements of the Market Economy Investor Principle, and therefore there will not be a requirement to declare any investments made under this scheme as they will not be considered to be aid within the meaning of Article 107(1) of the TFEU.

The notice of the details of the scheme shall be published on the Screen Yorkshire website: <http://www.screenyorkshire.co.uk>

## **14. Budget**

The maximum sum allowable in each calendar year under The Yorkshire Content Fund will be £10m. This sum is provided for State Aid purposes only and does not reflect a committed government budget.

## **15. Sources of Funding**

The awards of aid provided under this scheme may come from the European Regional Development Fund.

## **16. Contact Details**

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