



DIGITAL MEDIA
ISLE OF MAN



Enterprise Development Scheme 2018

Digital Creation Isle of Man Guidelines

ISSUED BY THE DEPARTMENT FOR ENTERPRISE

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Department for Enterprise
Digital Creation Isle of Man Guidelines

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Disclaimer

The information contained in this document is intended to be general in scope and should not be relied upon as advice.

Provision of financial assistance is discretionary and the decision to provide assistance in any particular case will be based on the merits of the case.

The Department may amend these Guidelines from time to time. While every effort has been made to ensure that the content is correct and up-to-date at the time of publication, the Department does not accept any responsibility, legal or otherwise, resulting from any errors or omissions and shall not be liable for any losses or damage that anyone may suffer as a result of relying on the information contained herein.

Prospective applicants may wish to take professional advice before making an application and should seek advice in relation to any documents they are asked to sign whereby they offer security for any financial assistance offered to them.

Any offer of financial assistance is also subject to availability of Department funds.

1. Background

The purpose of the Enterprise Development Scheme 2018¹ (the Scheme) is to develop the Manx economy and encourage job creation in the Isle of Man through the provision of financial support to eligible businesses.

The Scheme is made under the Financial Provisions and Currency Act 2011² and gives the Department the statutory authority to invest in businesses. Under these guidelines, this is by way of loan support.

The Scheme is effective for the period from 18th January 2019 to 31st December 2024 and is managed within the Department, with external support procured as required.

These guidelines set out how assistance for media production and related enterprises can be accessed under the Enterprise Development Scheme.

2. Overview

Digital Creation Isle of Man (DC IOM) provides recoupable financial assistance to approved content production and related enterprises in media such as TV & Film, Animation, Games & Video, Technology Innovation and Content Distribution. Provision of the assistance aims to:

- Attract inward investment to the Isle of Man which will provide economic benefits (revenues, jobs, profits, expenditure in the local economy) and associated fiscal benefits (direct and indirect taxes);
- Assist Manx start-ups and existing businesses to grow and to consider the Isle of Man as the location of choice for future projects. This growth is expected, on most occasions, to include an increase in the number of employees.

It is intended that provision of the assistance will encourage job creation, exchequer benefit, build and maintain the media sector on the island, and its overall contribution to the economy. DC IOM encourages existing businesses to grow their activity, and new businesses to develop on the Island. The opportunity exists not only to encourage new projects, but also to develop projects in conjunction with private sector partnerships and contacts. It is very different to past film financing which supported one-off projects; this assistance focuses on sustainability.

Support by way of loans equating to 40% of the total project budget to eligible businesses that meet the criteria set out in these Guidelines is available. The Department will not consider support which would lead to it being the major investor or shareholder in the project.

Between £100,000 to £1m per project is available. The support is typically available for a period of up to 5 years.

The financial assistance subject to this initiative is made available on a purely discretionary basis. The level of support offered is determined by the exchequer benefit created by the project. This is measured via the direct tax costs associated with any proposed additional employment to be created (applied on a pro-rata basis over a 5-year period) and any other exchequer benefit created.

¹ <http://www.tynwald.org.im/links/tls/SD/2018/2018-SD-0292.pdf>

² https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPLE/2011/2011-0021/FinancialProvisionsandCurrencyAct2011_2.pdf

Funding obtained / to be obtained from the Department or any other Government Department in the 12-month period before or after application in relation to the project will be taken into account in determining the total support available.

Support applies to both existing and new ventures and eligible businesses may submit repeat applications. Businesses who have received funding under the Scheme will not be eligible to receive further funding in the 12-month period immediately following the receipt of that funding.

The consideration of loan support is dependent on receipt of a full business plan and the evaluation by the Department or its advisers confirming the viability and sustainability of the project and its compliance with the eligibility criteria of the Scheme.

The purpose of loans under the Scheme is to support start-ups or business growth, job creation and new exchequer benefit. Loans may also be used towards the creation of an asset.

The application for a loan must include a narrative which demonstrates how the loan will facilitate that purpose. Loans will not be awarded to businesses in difficulty or experiencing short-term cash flow issues etc.

The type of loan offered is dependent on the individual circumstances as follows:

Secured loans - Provided adequate security can be provided by a debenture on the assets of the Company or personal guarantees or a combination of both, the Department can provide a simple loan at a competitive interest rate (a minimum of 5%). Because administration is straightforward, there are no administration or facility fees or other costs applied, but the applicant company would be responsible for its own legal and other costs.

Unsecured loans - If the Company cannot offer any suitable security and/or cannot demonstrate a track record or positive cash flow loan support may still be available if the business has confirmed orders and is about to expand rapidly and can meet future interest payments. The interest rate applied will typically be higher than the secured loan option and the Department may apply a premium such as a royalty or commission on sales. Interest repayments may be deferred to assist cash flow in the early stages.

The business must be able to demonstrate that it can afford to make the schedule of repayments.

The applicant must have in place relevant business experience and a management team that possesses the relevant skills, experience and/or qualifications to carry out the proposed business activities.

Other terms and conditions may be applied depending on the individual circumstances.

The Department will monitor the progress of the business and the repayment of the loan with the flexibility to revisit the repayment schedule if necessary.

An ongoing management fee will be levied by the Department if the Department feels that it is appropriate to appoint an external manager to manage the loan.

For unsecured loans an administration charge of up to 5% of the assistance provided will be taken at source. The Department may vary this amount and will reduce it in respect of larger applications in order to cover its underlying administrative costs.

3. Eligibility

The business must comply with the Enterprise Development Scheme 2018³.

Businesses must in the first instance comply with the eligibility criteria set out in the scheme as follows:

- That some or all of the persons employed by the business are or will be Isle of Man staff;
- At least 20% of the activities in respect of which financial assistance is sought will take place in the Isle of Man;
- It can be conducted lawfully in the Isle of Man;
- Is not or would not be detrimental to the physical environment of the Isle of Man;
- Would not bring or would be likely to bring the Isle of Man or the Government into disrepute;
- No person involved in controlling the business and no relevant shareholder is disqualified from holding an appointment as a director or a company secretary anywhere in the world at the time of application;
- No person involved in controlling the business is the subject of an outstanding execution anywhere in the world at the time of application;
- No person involved in controlling the business is insolvent at the time of application.

The Scheme states that a declaration must be submitted by the applicant to the Department, which confirms:

- (a) the disclosable beneficial owners of the business at the time of application to the Department;
- (b) whether or not, at the time of application, the business is in compliance with the law in the Isle of Man (or, where the business is not based in the Isle of Man at the time, the laws of the jurisdiction in which the business is based) in relation to -
 - income tax;
 - national insurance;
 - value added tax;
 - any other taxes or duties payable;
 - health and safety;
 - planning;
 - employment; and
 - immigration and work permits;
- (c) any instances of non-compliance with the law in any of those respects occurring in the period of one year ending with the time of application;
- (d) any debts owed by a person involved in controlling the business, a relevant shareholder or any business with which those persons are associated which are overdue by more than 6 months at the time of application; and

³ <http://www.tynwald.org.im/links/tls/SD/2018/2018-SD-0292.pdf>

(e) any criminal convictions of a person involved in controlling the business or a relevant shareholder at the time of application. It is immaterial where the offence was committed or where the conviction was imposed. The following offences are to be disregarded:

- offences which are spent for the purposes of the Rehabilitation of Offenders Act 2001 (or would be had the convictions occurred in the Isle of Man); and
- offences which are not punishable with custody or would not be so punishable if committed in the Isle of Man.

Further eligibility requirements are that the business must:

- Be seeking to create or expand an Isle of Man presence;
- Fully co-operate in the evaluation and future marketing of the Scheme; and
- Sign an agreement to abide by all the terms and conditions.

For the avoidance of doubt, financial assistance may be provided to an off-Island business in respect of a business established or to be established in the Isle of Man.

Specific to these guidelines, the production or related service must:

- Have a portion of existing funds in place, the source of which must be made known and which have been vetted and verified; and
- Target off-Island markets so have export/international potential.

4. Application Process

It is expected that the Department will evaluate the majority of loans internally and will prepare reports for consideration and a decision by the Enterprise Development Scheme Committee (the Committee).

For complex loans, the Department will progress the application and evaluation as far as possible and then engage an external suitably qualified and licensed Investment Adviser to undertake the evaluation and prepare reports for consideration and decision by the Committee.

The outline application process is as follows:

4.1 Initial Enquiry

All applicants are required to submit an initial online enquiry form to the Department.

The online enquiry form can be found at <https://www.gov.im/categories/business-and-industries/business-support-and-assistance/enquiry/>.

The initial enquiry form must contain the following written details:

- Contact name, company name and full contact details
- Value of loan required
- Total value of other funding raised and details of funding request refusals
- Number of jobs and salary details created by the investment

The Department receives the initial enquiry and acknowledges receipt.

4.2 Application, Review and Evaluation

The Department will examine the enquiry and seek further information as appropriate including a full detailed business plan if not already received.

If the Department determines that the applicant appears to be eligible and that the proposed project for which support is sought is potentially suitable, an application form will be issued.

Applicants must declare details of any other applications for financial assistance or grants submitted by the applicant in respect of the same business or any similar business within the previous 5 years to the Department, any other Department or Statutory Board of the Isle of Man Government or a Government or public authority in a jurisdiction other than the Isle of Man.

It must contain details of the amount and type of assistance required summarised as follows:

- The type of loan
- The amount
- The repayment period

The Scheme Manager will assess the following factors relevant to the award of financial assistance:

- Eligibility
- Viability of the business
- Wages and Salaries
- Job Creation
- Location of Beneficial Owners
- Local spend and secondary exchequer benefits including benefit from construction work
- Dividend Policy

Applications may be declined at this point if it does not comply with the Scheme or any guidance provided. The Applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.

Where the application presents no particular difficulties, the Scheme Manager will prepare a report with a recommendation and pass the application to the Enterprise Development Scheme Committee (the Committee).

A business plan or executive summary will be required by the Department, if not initially received. The requirements of the business plan are summarised as follows: -

- An overview of the project;

- expenditure in respect of which financial assistance is sought;
- background and current or proposed location of the business;
- CVs and relevant experience of the management team;
- details of the business: (date of registration, shareholders (to include percentages of shares owned), directors, beneficial owners etc. and links to other businesses, if any);
- budget forecasts with assumptions through to completion of the production or first 3-year service operation including details of local spend expected;
- employment structure including numbers of employees, types of jobs, wage rates etc.;
- method of revenue distribution envisaged with supporting documentation;
- full details of the rights attached to the investors' funds;
- a copy of the cash flow forecasts for the entire production or operation;
- a completion bond or similar insurance documentation for safe guarding the delivery of the product; and
- Financial information including copies of audited accounts for the previous 3 years (if applicable).

The Department checks the eligibility against the Scheme's eligibility criteria, undertakes basic due diligence checks, assesses suitability for other DfE schemes support and ensures that the business isn't likely to present any reputational problems etc.

The Department will at its discretion conduct checks on the background of the directors and major shareholders of the business to assess their suitability for investment.

The enquiry can be rejected at this stage if it does not comply with the Scheme or any guidance provided, fails to meet the eligibility criteria or the applicant fails to supply all required information.

The Applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.

4.2 Assessment Criteria

An application will be measured against the following set of parameters:

The first 6 criteria concern benefits to the Isle of Man:

1. The number of jobs created
2. The duration of employment on the Island for those involved
3. The on-Island spend relative to the financial assistance
4. The extent of the media infrastructure creation
5. The utilisation of the Island's existing infrastructure

6. The promotion of the Island in terms of business, lifestyle and tourism

The remaining 7 points are around risk mitigation and profitability:

7. The absolute risk i.e. size of the required financial assistance
8. The deal structure
9. The track record of the key people involved
10. Whether the applying business has pre-sales commitments in place like for instance a production pre-sold to a broadcaster
11. Whether distribution of the production has been agreed, or a sales network partner is in place
12. Its brand power
13. Whether the production services company has endorsements from respected sources

The list of criteria is based on a points system and applicants will be scored according to the framework that is shown in the Appendix.

4.3 Consideration by the Enterprise Development Scheme Committee

The Committee is established and appointed by the Department and comprises:

- a chairperson who has relevant commercial experience and is appropriately qualified,
- an officer from the Department,
- an officer of the Treasury (or an officer delegated by the Treasury to undertake this function), and

The Committee requires a unanimous vote on all investment decisions.

The Committee considers the report prepared by the Scheme Manager.

The Scheme Manager presents to the Committee and answers any questions.

The Committee decides whether to support the application and the type and extent of support to be provided.

4.4 Offer letter and deal completion

The Department:

- completes checks for any income tax, national insurance or VAT arrears etc.;
- prepares and issues an offer letter / contract between the Department and the applicant in conjunction with Attorney General's Chambers as necessary;
- arranges transfer of funds from Treasury in conjunction with the Director of Finance

- in a case where an expert has prepared the report specialist, input may be required from that person as regards the agreement between the Department and the applicant.

Applicants are informed in writing of the Department's decision.

5. Review of Decision

An applicant who submits an application for financial assistance which is decided by the Committee may request the Department to review the decision.

A request for a review must:

- be made in writing
- be received within one month of the decision
- specify the ground for the review which must be that the Committee –
 - erred in law;
 - based its decision on any incorrect material fact; or
 - exercised discretion in an unreasonable manner.

The Department may appoint an officer of the Department (other than a person previously involved in the process) to undertake the review and report to the Department on the matter.

If the Department concludes that the grounds for appeal are valid, the Department will remit the decision to the Committee for reconsideration, together with its reasons for doing so.

Important Note - Appeals cannot be made against the value or percentage of support offered or the terms and conditions applied for such support.

Where the applicant provides new information regarding the application, a new application form and updated accompanying information must be submitted.

Written review requests should be either emailed to enterprisesupport@gov.im or sent to:

The Enterprise Development Scheme Manager,
 Department for Enterprise,
 St Georges Court,
 Upper Church Street,
 Douglas,
 Isle of Man
 IM1 1EX

6. Investment Monitoring

In respect of loan arrangements, the Department:

- manages the relationship with the recipient
- manages loan repayments
- monitors the performance of the businesses

- ensures the recipient complies with the terms and conditions relating both to the Scheme and the particular agreement he or she has entered into with the Department.

The Committee has overall responsibility for monitoring the investments portfolio.

7. Public Disclosure

It is a statutory requirement that the following details of financial assistance provided under the Scheme are published by the Department:

- a list of the businesses which received support during the previous financial year;
- information concerning the economic benefits to the Island of support provided and the total amount of financial assistance in the previous financial year.

Applicants should also be aware that both parliamentary and freedom of information questions may be asked about particular applications or applicants.

8. Application Form

Applicants should read the above terms and conditions before submitting an application to the Department.

Completed application forms and supporting documentation should be either emailed to enterprisesupport@gov.im or sent to:

The Enterprise Development Scheme,
Department for Enterprise,
St Georges Court,
Upper Church Street,
Douglas,
Isle of Man
IM1 1EX

Appendix - Assessment Matrix

Benefits to the Isle of Man (maximum 3 points per criteria; minimum threshold 7)

1. Job Creation
 - 3 points awarded for 10+ jobs created
 - 2 points awarded for 3-9 jobs created
 - 1 point awarded for 1-2 jobs created
 - 0 points awarded for 0 jobs
2. Duration of Employment
 - 3 points awarded for 3 years or more
 - 2 points awarded for 2-3 years
 - 1 point awarded for 1-2 years
 - 0 points awarded for under 1 year
3. Amount of Island Spend
 - 3 points awarded for 75%+
 - 2 points awarded for 50-75%
 - 1 point awarded for 20-50%
 - 0 points awarded for under 20%
4. Infrastructure Creation
 - Up to 3 points awarded depending what infrastructure will be built (facilities, studio etc.)
5. Infrastructure Usage
 - Up to 3 points awarded depending what existing infrastructure will be used (data centres, studios, teleport, etc.)
6. Isle of Man Marketing
 - Up to 3 points awarded depending on the strength of positive promotion for the Island.

Risk Mitigation (maximum 3 point per criteria; minimum threshold 10)

7. Absolute Risk
 - 3 points awarded for under £100k
 - 2 points awarded for £100-250k
 - 1 point awarded for £250-500k
 - 0 points awarded for over £500k
8. Deal Structure
 - Up to 3 points awarded for strength and speed of recoupment e.g. Isle of Man in first position.
9. Track Record
 - Up to 3 points awarded for successful track record of the parties involved.
10. Percentage Pre Sold
 - 3 points awarded for over 50% presales
 - 2 points awarded for 10-50% presales
 - 1 point awarded for 10% presales
 - 0 points awarded for no presales

11. Distribution

Up to 3 points awarded for a distributor / sales organisation in place.

12. Brand Power

Up to 3 points awarded for a well-known / respected company or collaborator

13. Endorsements

Up to 3 points awarded for strong endorsements from credible sources



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