



S4C DIGITAL MEDIA LIMITED
DIGITAL FUND: INVESTMENT GUIDELINES

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1. Introduction

S4C Digital Media Limited ("SDML"), a subsidiary of S4C, has decided to set up a digital fund (the "Fund") from its commercial funds. This document contains further details of the Fund and the investment guidelines which will apply to it. The Fund aims to support new creative products and services that can be exploited across digital platforms, devices and channels and commercially with the goal of broadening and deepening S4C's offer to its audiences.

2. What is the size of the Fund?

The initial size of the Fund is £1m. A further £1m will be available in each Of 2013, 2014 and 2015.

3. What are the objectives of the Fund?

The Fund has a number of objectives:

- (i) To expand S4C's appeal and engagement with audiences, and to attract new audiences by offering new digital content, products and services and interacting with audiences in new ways.
- (ii) To generate a commercial return on investments for SDML, either for reinvestment in the Fund or to enable a dividend to be paid to S4C's public service fund.
- (iii) To create content which contributes to S4C's digital strategy and extends S4C's public broadcasting service.
- (iv) To expand S4C's audience particularly among under represented groups, for example, learners, older children, young adults, second language Welsh speakers and those who are not confident in their spoken or written Welsh, and to enhance their use of the Welsh language through digital media.
- (v) To develop a digital skills base in the creative industries in Wales and promote the competitiveness and sustainability of S4C's suppliers of digital content and products.
- (vi) To help attract additional finance in digital content or services from other sources. By acting in partnership with other funders, it is envisaged that successful applicants could participate in joint projects and ventures which deliver greater value than if a project were fully funded by the Fund.

4. What can the Fund invest in?

The Fund may invest in the creation or development of digital content, products and/or services primarily in the Welsh language, which have the potential to generate a commercial return on investment and/or contribute to the delivery of S4C's new media strategy. Under S4C's current remit, these must be incidental or conducive to the provision of the S4C television service.

Increasingly, S4C's public side will commission digital and interactive elements as part of its mainstream activity of commissioning television and related content. The Fund will invest in projects which extend the range of digital activities which S4C currently engages in and/or invest on a commercial basis in digital projects.



The Fund may, for example, invest in:

- (i) The development of digital content and products which currently are not regularly commissioned by S4C's public side, such as games, apps, e-books and new ways of sourcing information and entertainment.
- (ii) The development of brands and content designed to be enjoyed mainly online, especially content aimed at non-traditional audiences and in genres where S4C is under-represented.
- (iii) Projects which encourage the development of new talent and/or the contribution of user generated content.
- (iv) Projects which encourage greater use of the Welsh language through digital media and the creation of more Welsh language content for digital platforms.
- (v) Projects promoting education which derive from S4C's main service or which utilise S4C's archive and contribute to Wales' digital educational resource.
- (vi) Projects which offer the prospect of a commercial return on the investment made.

Projects that are scaleable, sustainable and/or portable into other languages or applications will be encouraged.

S4C is particularly keen to see proposals for projects which partner with other organisations, public or private, to ensure the maximum benefit of each party's investment and/or content.

5. How will the Fund decide whether to invest?

Provided the investment is of a type which the Fund can make (see 4 above), the Fund will take into account the following criteria when deciding whether to invest:

- (i) The extent to which the project will contribute to the delivery of the Fund's strategic and public objectives as set out in 3 above.
- (ii) The level of commercial return expected to be generated on the investment, the period over which the return is expected and the degree of risk involved. SDML will assess the appeal of the project and the potential for exploitation of the intellectual property created. It is anticipated that at least 50% of the sums invested in any one year should be able to generate a commercial return e.g. by creating a platform on which advertising revenue can be generated, creating IP rights which can be sold/licensed, or generating income from micro-payments or subscriptions.
- (iii) How much funding from other sources the applicant is able to leverage. Before proceeding, SDML will need evidence of any other elements of the funding package which are available from reliable sources.
- (iv) Such other factors as SDML may consider relevant or reasonable within the context of the objectives listed in 3 above. SDML's due diligence will include, for example, the track record of the project team, its ability to deliver and a review of the project budget.
- (v) As the Fund aims to increase the amount of digital content and products available in the Welsh language and to develop the digital skills base in Wales, applications from businesses based in Wales will be particularly welcome.

6. How much will the Fund invest?

As a general guideline, individual investments will be in the range of £1,000 - £150,000. The executive directors of SDML (acting by a majority) may approve individual investments up to £150,000. The Fund may make investments above this amount if warranted in particular circumstances, subject to SDML Board approval.

7. On what terms will the Fund invest?

It is recognised that the terms will vary in each case according to the nature of the project and the requirements of the other parties. To the extent that the Fund is paying more than a fair commercial price for the content, product or service received, the Fund would expect to recoup its investment. The Fund will also require a share in profits from the product invested in. The actual financial terms and details of any security arrangements will be negotiated on a case by case basis.

8. What is the process for seeking an investment from the Fund?

Applicants are requested to complete the application form which can be found via the following link:

[Digital Fund Application Form](#)

and to send the application form and any further information via e-mail to the following address: digital.fund@s4c.cymru.

Applicants are asked to submit their applications before the work for which funding is sought commences.

Once an application has been made, SDML will discuss the idea with S4C's Commissioning team and assess the application. SDML will contact the applicant to assess the proposal in more detail. If SDML does not wish to proceed, applicants will be advised of this immediately. SDML reserves the right not to give reasons for a refusal, but would normally advise applicants why their application is being rejected. SDML will not enter into discussions about the eligibility or suitability of proposals – as a commercial entity, SDML will make investment decisions according to its own interests and its own discretion.

If SDML wishes to proceed, an offer will be made to the applicant, subject to contract and any other conditions. If the offer is accepted, there will follow a period of drafting funding documents and further due diligence.

9. General

These guidelines may be reviewed from time to time by the SDML Board.