

CAPITAL GRANT SCHEME (£50K+)

FULL APPLICATION FORM

Before completing your application you should read the Capital Grant Scheme (£50K+) program guidelines which have been sent to you together with this application form.

By submitting this application form you are declaring that you have read and understood the scope and requirements of this Scheme as detailed in these guidelines.

Please note that grant applications are assessed on a competitive basis. It is therefore in your interests to answer all of the questions as fully as you can, as well as submitting all the additional documents required (as listed in section 2.13 below). Incomplete, missing, inaccurate and/or contradictory information may significantly weaken your application.

Please type your answers (handwritten forms cannot be accepted).

Please email your application form and additional documents to

TVBSS@weareumi.co.uk

Details of Applicant	
Reference Number (for office use only)	TVB - 640X
2.1	<div>Business Name</div> <div>Cupral Group Limited</div> <div>If you are using an external advisor to assist with your application, please provide their details below so that we may contact them if we require more information</div> <div> <div>Contact Name</div> <div> <div>Telephone</div> <div>Mobile</div> <div>E-mail</div> </div> </div>

Previous Public Funding								
2.2	Please list below any public sector support (e.g. grants from One North East or local authorities) which you have received in the last five years							
	Name of funding provider	Date of Offer	Amount offered (£)	Amount received (£)	Date of last payment	Job Target	No of jobs achieved	Capital spend at last claim (£)
	None.							

Market Information

2.3 Main Competitors (these should relate to the project activities)

Name	Location
MTB	France
AURUBIS	Germany

2.4 Explain what effect the project is likely to have on employment levels of both the UK competitors listed above and other companies across the UK that operate in your sector(s).

The project involves the processing of scrap copper cable granules. Historically the vast majority of scrap copper generated in the EU and the UK was shipped to China for processing (65% of global processing undertaken in China). However, new environmental quality regulations have been introduced in China which restrict the volume of copper cable that can be imported. As a result, there is surplus scrap copper in the UK and Europe.

The scrap comes in two forms, high quality #1 granules known as Clove and lower quality #2 granules known as Cobra. The vast majority of the copper waste is the lower quality Cobra granules. As a result, this market is over supplied and prices are falling. In contrast, there is significant demand for higher grade Clove granules and pricing is strong.

Cupral Group have identified that in some overseas markets optical sorting technology from the recycling and food processing sectors has been deployed to effectively filter the #2 granules to remove impurities. This processing results in such a significant improvement in the quality of the remaining copper that it meets the specification of #1 Clove granules. The technology is supplied by optical sorting market leader TOMRA and has been proven in the competitors named above. To date there is no other UK company undertaking any form of copper granule upgrading process.

Given the fact that the project will be a first to the UK and that there is significant excess supply on the #2 granules and demand for #1 granules, the project will not impact on the existing UK employment levels.

Why is Grant Support Required (e.g. risk mitigation/need to meet financial returns/lever funds from other external funders/prevent the project from going overseas)

2.5	<p>Explain why grant support is required to enable the project to proceed (200 words max)</p> <p>Whilst the project is expected to generate strong profits once established and operational, there is a challenge in securing the full level of funding needed to start production in the first place. On top of the [REDACTED] of capex, there are further working capital and pre-operational spending requirements of [REDACTED]. The new equipment and anticipated debtor book will provide security to unlock lending of [REDACTED]. The shareholders themselves will commit [REDACTED] and will also defer remuneration for six months whilst the business is established, an effective commitment of a further [REDACTED]. Initial cash flow forecasts suggest that a grant of [REDACTED] is needed to complete the funding package, whilst maintaining sufficient cash headroom to provide protection should any risks that lead to operational issues materialise.</p>
2.6	<p>What will happen if the application for grant is not successful? (200 words max)</p> <p>The project finance package is dependent on the grant award being secured. There is no potential for scaling down the investment needed to set up the proposed processing facility. Other potential lending options have been exhausted – the lack of further security means that only unsecured lending is an option and there is little appetite for such lending from commercial lenders in the current business environment, particularly to a start-up. Further, the Northern Powerhouse Investment Funds are not appropriate as the business is pre-start. Therefore, should the grant application not be successful the project will not proceed as there would be insufficient funding to deliver it. As a result, none of the 40 high quality jobs planned to be delivered by Cupral Group in the Tees Valley would materialise.</p>
2.7	<p>What are the main technical and financial risks if the project goes ahead?</p> <p><u>Technical – delay in commencement of operations</u></p> <p>The project involves the establishment from scratch of an industrial scale copper processing facility. As with any project of this nature there is potential for delay. However, management have assurance from equipment supplier TOMRA that the lead time from order to commissioning will be a maximum of 5 months. The ancillary site work and ERP system development can both be comfortably concluded in this timescale. The risk of any significant delay is therefore considered low.</p> <p><u>Technical – operational issues in early phase of project</u></p> <p>Again, this is directly associated with the fact that this will be a new facility. However, management have mitigated this by partnering with the world's largest optical sorting equipment supplier TOMRA. The only other existing copper optical sorting projects have been delivered by TOMRA at the locations identified in the competitor section above. Whilst the utilisation of the sorting equipment to sort copper granules is novel to the UK, the actual processing itself is straight forward, it does not utilise heat or any form of chemical reaction and is relatively low on energy usage. With TOMRA also guaranteeing operational performance in terms of downtime limits and quality of output, this risk is considered to be low.</p>

<p><u>Financial – agreement with key customer cannot be reached</u></p> <p>One of the factors that management believe has restricted potential entrants to the copper granule upgrading market is the fact that the customer base for #1 granules is geographically diverse. In order to address this, management have identified the opportunity to partner with Mitsubishi's European metal trading operation. This means that rather than having to source, negotiate with and deliver to customers across Europe, all sales will be made to Mitsubishi. It will then be Mitsubishi's responsibility to source and supply end customers, which they can do via their global metals trading network. Discussions with Mitsubishi have been ongoing for many months and agreements have been reached on all key matters, therefore management consider the risk of failure to reach an agreement to be low.</p> <p><u>Financial – funding package cannot be secured</u></p> <p>The project requires substantial funding to get to the operational phase. The funding package is detailed below in 2.9. Whilst there is significant interest from lenders, nothing can be formally agreed until management confirm the full funding package, which also includes the grant request. The directors are already committing significant personal funds to the project and should the grant application fail then the funding package will not be deliverable. However, discussion with potential lenders have been promising to date, with an offer having been made by Barclays and indicative terms having been provided by TOMRA. Management are therefore confident that the private sector funding needed to deliver the project can be secured.</p>		
2.8 Your grant request		
2.8.1	Please confirm the amount of grant you are applying for.	£500,000
2.8.2	<p>Why do you need this amount and why is it the minimum necessary for the project to proceed. YOU MUST SHOW HOW THE AMOUNT REQUESTED HAS BEEN CALCULATED. IT IS NOT SUFFICIENT TO CALCULATE THE AMOUNT BASED ON THE MAXIMUM GRANT THAT CAN BE APPLIED FOR OR THE NUMBER OF JOBS YOU INTEND TO CREATE.</p> <p>The amount requested has been arrived at based on detailed cash flow projections which consider both the pre-start set up costs and the early months of trading operations. These forecasts have identified an overall funding requirement, after allowing for reasonable headroom, of [REDACTED]. [REDACTED] of this funding can be secured from external sources and director loans, supplemented by the deferral of [REDACTED] of directors' remuneration. This leaves a balance of £500k to be raised via grant funding. The minimum cash headroom in this scenario is [REDACTED], with average headroom over the key three month period from start of operations in March 2021 to 31 May 2021 of [REDACTED]. This is lower than management would like, however, having been advised that the likely maximum level achievable for the 40 proposed job outputs is £500k, management are willing to proceed with funding of this level.</p>	
2.8.3	<p>What financial evidence/forecasts you have prepared to substantiate the amount of grant you are requesting. You must submit such evidence/forecasts with your application.</p> <p>Detailed financial projections from pre-start in October 2020 through to full trading to the end of December 2023 are attached to the application. These forecasts demonstrate the cash headroom detailed above, as well as the remainder of the funding package and include the proposed grant award of £500k.</p>	

	2.8.4 Grants can only be paid out after project costs have been incurred and paid for. As such, if your grant request is based on covering a funding gap/cash shortfall you must provide details of how this gap/shortfall will be bridged in the short term until such time that the grant could be paid out.
	<p>The cash flow forecasts which form part of the detailed financial projections demonstrate that the project can be delivered in the presence of grant support. The phasing of the grant payments have been set to ensure that cash flow remains positive throughout the delivery period. Note that the proposed grant payment phasing includes some monthly claims to support cash flow.</p>
2.9	a) Who do you currently bank with?
	<p>No incumbent bank – not yet trading</p> <p>b) Please give details of any financial institutions you have approached for support towards the project and advise what stage the application has reached including the amounts under consideration (e.g. Facility Letter or Letter of Intent held etc)</p> <p>The project finance package will consist of:</p> <ol style="list-style-type: none"> 1. Asset finance of [REDACTED], representing 90% loan to value on the proposed [REDACTED] equipment cost. The equipment supplier, TOMRA, have agreed to provide this funding over a five year term. 2. Invoice finance facility of up to [REDACTED] at 80% of gross debtors. A quotation has been received from Barclays in respect of this facility and is attached to the application pack. 3. Directors loans of [REDACTED] 4. Grant of £0.5m

Financial results and forecasts (based on the information you have provided in appendices 2 & 3 of the financial appendices spreadsheet)	
2.10	<p>Provide a commentary on historic trading results, mentioning factors affecting sales performance, variations in gross margin, overheads, finance costs and net profit.</p> <p>The company is pre-trading. The last statutory accounts to February 2019 were dormant accounts and contained just £1 of share capital (note change of name since accounts were filed – former name Tees Aluminium Limited). Similar accounts will be filed for the year to February 2020. The directors are not currently incurring costs in the limited company and therefore no management accounts are being prepared. As a result, the management accounts balance sheet section of appendix 4 is blank.</p>
2.11	<p>What are the main assumptions behind your forecasts (both with and without the project)?</p> <p><u>Without project forecasts</u></p> <p>As outlined above, the project encompasses the whole of the company and will not proceed without grant support, therefore the 'without project' forecasts at appendix 3 are nil.</p>

	<p><u>With project forecasts</u></p> <p>The 'with project' forecasts set out in appendix 2 have been presented in two parts:</p> <ol style="list-style-type: none"> 1. A pre-start period of five months which covers the establishment of the production facility; and 2. A trading period covering the 34 months from commencement of production in March 2021 through to the end of December 2023. <p><u>Pre-start assumptions</u></p> <ul style="list-style-type: none"> • Order for TOMRA optical sorting equipment to be placed in October 2020 - £240k deposit payable on order, with 90% balance to be funded via TOMRA asset finance over five years. Repayments to commence in March 2021 when machinery in-situ and operational. • Site works to be completed in November and December 2020 • ERP system development to take place between November 2020 and February 2021 to be in place for commencement of operations • Key employees to be on-boarded in January 2021, with plant operatives and yard operators to be brought in in February 2021 for training ahead of commencement of production in March • Other pre-start costs include legal and professional fees, insurances, premises costs and market data costs <p><u>Trading assumptions</u></p> <ul style="list-style-type: none"> • Trading commencement in March 2021 with initial 35% capacity, ramping up to 90% capacity by July 2021. Assumption is 90% capacity is standard monthly operating level. • Plant capacity of 100 tonnes per day • 330 days production on 24/7 basis with allowance for downtime for maintenance • Sales pegged to London Metal Exchange ("LME") prices – output sold at 94% of prevailing LME price. Current LME price is c\$6,500 per tonne. Note that whilst the turnover numbers shown in the financial appendices appear very large for a start-up operation, this is driven by the fact that the raw material that is being processed and sold on is a very high value commodity and as such both sales and purchases are very large numbers compared to actual tonnages processed. • Invoice finance facility in place from commencement of trade in March at 80% of gross debtor book • Purchases also pegged to LME – materials costs at 87% of LME price • Stock is low relative to purchases at [REDACTED]. This is based on an agreement with Mitsubishi. Effectively, Mitsubishi will purchase #2 granules then place in a segregated area on the Cupral site. Cupral will then pay to purchase stock from the store, process it and return it to an adjacent store in #1 form, at which point a sale to Mitsubishi will be triggered. With an estimated turnaround time of only 5 hours the actual levels of stock held by Cupral at any one point in time will be very low.
<p>2.12</p>	<p>Financial Management. Please provide brief details of the financial reporting systems and controls which are in place within the business, including procedures for setting budgets (where applicable), level of review of monthly management accounts, regularity of management and board meetings and KPIs used in the business etc.</p> <p>The Company will appoint Stephen Padgett as Finance Director should the project proceed. Stephen has over 20 years' experience in accounting and corporate finance and has been a CEO, COO and FD of publicly listed businesses in the UK. He has completed over [REDACTED] of project financing activity, [REDACTED] of public and private</p>

<p>equity transactions, and a number of business financial restructuring transactions. At Supporta plc, he led the growth of the business from █████ turnover to █████ in two years and from a loss making position to a 10% profit margin operation with almost 3,000 staff across the UK.</p> <p>The recruitment plan also includes the appointment of an accountant and sales/purchase ledger clerk. These individuals will be responsible for day to day transaction processing, management accounts preparation, payroll processing and KPI reporting. They will also administer the invoice finance facility and will be primary contacts for grant claims and monitoring information. Key KPIs will include average selling price, average purchase price, purity of output, processing rates, downtime and staff turnover.</p> <p>Initially board meetings will be held weekly to ensure project delivery is achieved and that the commencement of operations is delivered to plan. This will then move to a monthly meeting to consider operational, strategic, financial (including review of previous month's management accounts), HR and health and safety matters. All four directors will be based at the plant and will be actively involved in the running of the business.</p>
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Check list of additional documents to be submitted with your application

2.13	Please mark the right hand column with an "X" to confirm which documents you have submitted with your application. Except those marked "if applicable" all other documents listed below <u>must</u> be provided.	
	Financial appendices	X
	Business plan (if applicable - only required for grant requests over £500,000)	N/A
	Group Accounts (if applicable)	N/A
	Cash flow forecasts for at least 2 years (Split monthly)	X
	CVs of directors and project management team	X
	Confirmation of funding for the project (if applicable)	X
	Copy of offer letter for any public sector support in the previous 5 years (if applicable)	N/A
	Last year's audited financial statement (or year end accounts if you are not required to submit audited accounts)	X
	Latest management accounts	N/A
	Evidence/forecasts as per section 2.8.3 above (cash flow forecasts)	X

Declaration

24.	Please mark each of the declarations below with a "X" in the right hand column to confirm that you have read, understood and agree to them.	
	I understand that if I give information that is incorrect or incomplete, grant may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete.	X
	I declare that I have read and understood the scope and requirements of the Large Grant Scheme as detailed in the scheme guidelines.	X

	I declare that, except as otherwise stated on this form, I have not started the project which forms the basis of this application and no expenditure has been committed or defrayed on it.	X
	I understand that any offer may be publicised by means of a press release giving brief details of the project, the grant amount and the jobs relating to it.	X
	I give my consent for any information supplied to be stored electronically and shared in confidence with UNW LLP, Tees Valley Combined Authority and other public sector bodies, who may be involved in considering the application.	X
	I am aware that decisions to award or not to award grants to eligible projects are at the absolute discretion of UMi Commercial Ltd, in consultation with UNW LLP, Tees Valley Combined Authority and other public sector bodies.	X
	I declare that no director/partner has ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or has ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts.	X
	I declare that no director/partner has ever been bankrupt or subject to an arrangement with creditors or has ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors.	X
	I declare that no director/partner has ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme.	X
	I declare that no director/partner has, within the last 5 years in the UK or elsewhere, been the subject of any civil or criminal action which has resulted in a finding against them by a court, or a settlement being agreed, in respect of any matter relating to their professional or business activities	X

Please email your completed form to: - TVBSS@weareumi.co.uk

If you require further information regarding this form please contact our helpline on [REDACTED]