



Department
for Business
Innovation & Skills

REGIONAL GROWTH FUND

Due Diligence Guidance

FEBRUARY 2015

WITHDRAWN

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WITHDRAWN

RGF due diligence

RGF bids are selected by Ministers on the basis of their application form. Each bidder must then obtain the services of a due diligence provider to prepare a due diligence report. This is required to confirm: the factual accuracy of the application; that the project or programme represents value for money; and that it can deliver the benefits set out in their application. It must also confirm: the reasons why the Applicant needs public support in order to proceed (and why it could not proceed in the absence of public support); the compatibility of support for the project or programme with State Aid regulations; and the financial standing of the Applicant. The scope of the due diligence report must be agreed by the Department for Business, Innovation and Skills (BIS) and the Applicant, and BIS must approve an Applicant's choice of due diligence provider.

The RGF Due Diligence guide which you can download, explains who is eligible to carry out this work, how you can be engaged as an approved organisation and outlines the scope of the due diligence required.

If you have any queries once you have reviewed the guidance, please contact Rob Don (Tel 020 7215 5269 e-mail: robert.don@bis.gsi.gov.uk).

What is RGF due diligence?

RGF due diligence reports are the means by which Government can ensure that RGF bidders, who have been selected by Ministers for support are genuinely able to deliver the job and investment outputs reflected in their application, before they enter into a contract with Government.

Who can perform due diligence for the RGF?

RGF due diligence can be performed by firms with relevant Mergers & Acquisitions transaction service expertise as well as those entitled to perform audits under the CA 2006. This recognises that audit expertise is not essential to performing due diligence work for the RGF. By extending the range of firms that qualify to do this work, we hope to increase choice and competition, so keeping costs down for Applicants. Due diligence helps BIS understand the predictability of the Project and ability of the Applicant to deliver contracted outputs. Firms undertaking due diligence work must meet the following criteria to be acceptable by the Secretary of State:

- a. The firm must have a minimum of 3 key officers with relevant expertise including State Aid knowledge to ensure work can be directed by a competent substitute when necessary;

- b. The senior responsible officer (partner/director) must have a relevant track record over a minimum of 8-10 years to provide the depth of experience and skill we require to perform this due diligence work;
- c. The firm must be able to provide an objective and independent standpoint. Most notably this means they must not have assisted the Applicant with their RGF Application either directly or in an advisory capacity. In addition, the firm may not be the auditor of the Applicant unless they can demonstrate to our satisfaction that effective 'Chinese walls' are in place. When a firm has assisted an Applicant with their RGF application, we will not accept 'Chinese walls' operated within firms as a justification for being allowed to perform due diligence under any circumstances;
- d. The firm must provide a list of the individuals appointed to perform a specific RGF due diligence exercise. The named individual(s) shall be present during site visits and preparation of the due diligence report, as well as being available for follow up discussions with either the Applicant or BIS officials. Substitution will not be permitted unless agreed in advance by both the Applicant and BIS;
- e. The firm must have Professional Indemnity Insurance cover directly to BIS with a minimum base of at least £2 million for any one claim. This is not to be confused to a joint indemnity exposure with the RGF Applicant;
- f. The firm must be able to provide BIS with a minimum Liability Cap for damages whether in contract, tort (including negligence) or otherwise of at least £1m. This is not to be confused with a joint liability exposure with the RGF Applicant. The liability cap should remain in place for the duration of the Monitoring Period (defined in Para 2 of Schedule 3 of the Conditional Grant Offer Letter and the subsequent Final Grant Offer Letter issued to the RGF Applicant);
- g. The firm must visit the Applicant's related site during execution of the due diligence exercise.
- h. The firm must be able to contract under the jurisdiction of English law.
- i. To help demonstrate that the firm is capable of performing this type of work, membership of a recognised professional body (such as ICAEW, CISI, BBA/Chartered Bankers Institute) is preferred.

Firms who have not previously provided RGF due diligence must submit a team CV confirming that the individual(s) appointed to perform the due diligence work possess the necessary competence. This shall include:

- i. Knowledge of investment appraisal techniques;
- ii. Research techniques & investigative skills to substantiate the claims made by Applicants;
- iii. Knowledge of commercial/financial/execution/technical risks and methods that may be used to mitigate them;
- iv. Access to information on competitors, skill shortages, economic outlook, local developments, etc; and
- v. State Aid knowledge or access to others with this expertise (to cover key aspects of Additionality, incentive effect, eligible spend defined under GBER, intensity thresholds, Assisted Areas, etc.).

The individual(s) should be present during site visits and the preparation of the report, as well as being available for follow up discussions with the RGF Applicant and/ or BIS officials.

The Applicant must seek BIS agreement to the appointment of their preferred due diligence service provider. Provided the proposed firm satisfies the above criteria this will normally be agreed by return. However, where a new service provider is proposed we may require direct contact with the firm in order to determine their acceptability.

Engagement terms

Due diligence providers must enter into a tripartite arrangement with both the Applicant and Secretary of State for BIS. Important aspects of the agreement include:

- a. the due diligence work must be performed within agreed timescales consistent with the timetable contained in the Conditional Grant Offer Letter issued by BIS to the Applicant - failure by the Applicant and/or the due diligence service provider to meet our agreed timetable will mean that the Applicant forfeits the offer of RGF assistance;
- b. the Applicant pays the due diligence service provider directly for the work done and report prepared – this includes all travel and other disbursements including costs of obtaining specialist advice from 3rd parties – any fees are the sole responsibility of the Applicant and BIS will not under any circumstances be held responsible for the fees;
- c. the due diligence report will need to be available for use by and disclosed to different Government departments – primarily BIS and the European Commission if required and in cases where BIS has a legal duty to do so. For the avoidance of doubt, the provision of your report to any organisation external to BIS can be made on a hold harmless basis (save where dictated by law); but BIS will have no requirement to notify you or seek clearance from

you each time BIS provides a copy of your report to the aforementioned organisations;

d. the agreement must reflect the agreed timetable for performance of the due diligence work and submission of the final report.

e. the agreement must reflect the scope of the due diligence work as set out in the Conditional Grant Offer Letter issued to the RGF Applicant as the minimum required scope.

What is the scope of due diligence for the RGF?

The standard scope for a project due diligence is shown below (for programmes a different scope applies which is based on the counterparty and nature of the programme). Every project is different so this standard scope will be tailored, either by removing elements that are not applicable or by enhancing elements where this is justified. For Round 6 a small number of refinements have been made to the standard scope to take account of lessons learned from earlier rounds and the new General Block Exemption Regulation of 01 July 2014. The due diligence report must be agreed by BIS so it is essential that the due diligence service provider is willing and able to provide detailed answers in accordance with the agreed scope. The standard scope gives a good indication of what this will involve.

Form of Due Diligence Report:

Introduction

[Name of Firm] has examined the Regional Growth Fund application (the “RGF Application”) form from [name of company] (the “Company”) dated in accordance with the terms and conditions of the engagement letter dated [date] and the Grant Offer Letter dated [date BIS to insert].

Except as set out below, our report is prepared solely for the confidential use of the Company and the Secretary of State for Business, Innovation and Skills (“BIS”) and solely for the purpose of submission to BIS in connection with the RGF application. It may not be relied upon by the Company or BIS for any other purpose whatsoever. Neither the Company nor BIS may rely on any oral or draft reports [name of firm] provides. The report will be released to the Company and BIS on the basis that it shall not be made available, copied, recited or referred to in whole or in part in any other published document or to any other party without our written permission except where disclosure is to any other UK Central Government Department or where disclosure is required as a result of law or regulation, including an obligation arising out of

European Community law or as a result of a decision by the European Commission. To the fullest extent permitted by law, except for the Company and BIS, the [name of firm], its partners and staff neither owe nor accept any duty to any other person (including, without limitation, any person who may use or refer to any of BIS' publications) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

Executive summary

The executive summary will summarise the key findings:

- Sources and uses of funding;
- State aid ;
- Additionality;
- Minimum amount of aid needed
- Management, financial reporting and internal controls;
- Financial performance and position;
- Review of credibility of financial projections and timescales, including the supporting evidence;
- Review of employment impacts;
- Other grant assistance and grant offer letters still current and/or subject to continuing conditions;
- Parent financial performance and position;
- Management representations; and
- Any other points of relevance and interest that are identified in the work.

Sources and uses of funding

Obtain a breakdown of and enquire into and comment on the level and nature of supporting third party evidence on the following:

1. The total funding requirement for the Project;
2. The sources of funding for the Project including terms; and
3. The uses of funding for the Project.

State aid

Support will only be given to projects that comply with State aid rules on support to undertakings. Due Diligence on the State aid implications of the proposed RGF support is required in the following areas:

Common provisions <this section may be deleted where application is for Regional Investment Aid as the requirements are covered in the Regional Investment Aid section>

1. Confirm that the Project will take place in a sector compatible with Article 1 of the General Block Exemption Regulation: (http://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv:OJ.L_.2014.187.01.0001.01.ENG);
2. Confirm that the aid will not be granted to a firm in difficulties within the meaning set out in the Community Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (C(2014) 4606/2, section 2.2) (point 20);
3. Confirm that work on the Project did not begin before the date on which the Company was informed that the aid would be given (Article 6 of the General Block Exemption Regulation), including setting out the evidence reviewed as part of this work;

Incentive Effect <This section is only applicable where the applicant is a large company>

Confirm that the Applicant has analysed in an internal document the viability of the aided project or activity with aid and without aid, confirm that this document contains a credible analysis and demonstration of the “incentive effect” of the aid as defined in Article 6 of the General Block Exemption Regulation 2014-20 and append a copy of such internal document to the Due Diligence Report that has been or is being submitted to BIS by the Applicant in accordance with paragraph 2(b) of this Grant Offer Letter. Specifically, confirm that that documentation prepared by the applicant establishes that the aid will result in one or more of the following:

(a) in the case of regional investment aid: that a project is carried out, which would not have been carried out in the area concerned or would not have been sufficiently profitable for the beneficiary in the area concerned in the absence of the aid.

(b) in all other cases, that there is:

1. a material increase in the scope of the project/activity due to the aid, or
2. a material increase in the total amount spent by the beneficiary on the project/activity due to the aid, or
3. a material increase in the speed of completion of the project/activity concerned;

and confirm on which of the above grounds the incentive effect is established.

SME Investment aid

1. Confirm status of the applicant as an SME as defined in Annex I of the General Block Exemption Regulation 2014-20);
2. Confirm that the costs set out in Table [A2] of Schedule 2 of this Conditional Grant Offer Letter are eligible costs as defined in Article 17 – of the General Block Exemption Regulation 2014-20 and provide summaries of the categories of eligible expenditure; and
3. Confirm that the Applicant's calculation of the Gross Grant Equivalent and Aid Intensity of the aid is consistent with the provisions of Article 7 and Article 17 of the General Block Exemption Regulation 2014-20 and the Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C 14/02). Annex a copy of the Gross Grant Equivalent calculation to the Due Diligence Report in a format that will allow Us to validate the calculation used.

Regional Investment aid

The State Aid rules governing Regional Investment aid are contained in the General Block Exemption Regulation 2014; and in the Guidelines on regional State aid for 2014-2020 (2013/C 209/01) (the Regional Aid Guidelines) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:209:0001:0045:EN:PDF>.

1. Confirm that the Premises at which the Project is to be undertaken are located in an Assisted Area as defined in the Assisted Areas Order 2014 (SI 2014/1508):
<http://www.legislation.gov.uk/uksi/2014/1508/contents/made>
2. [Confirm the status of the Company as an SME as defined in Annex I of the General Block Exemption Regulation 2014-20];
3. Confirm that the costs set out in Table [A2] of Schedule 2 of this Conditional Grant Offer Letter are eligible costs as defined in Article 14 of the General Block Exemption Regulation 2014-20 and at paragraphs 20(e), (h) and (z) of the Regional Aid Guidelines (and provide summaries of the categories of eligible expenditure;

4. [Confirm that aid calculated on the basis of the expected wage costs arising from job creation as a result of an investment project complies with the provisions in paragraphs 37 and 103 of the Regional Aid Guidelines;]
 - a. Confirm that the Applicant's calculation of the Gross Grant Equivalent and Aid Intensity of the RGF support is consistent with the provisions of Article 7 and Article 14 of the General Block Exemption Regulation 2014-20, paragraph 20 and Section 5.4 of the Regional Aid Guidelines, and the Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C 14/02). This calculation should take into account any other aid for the project, whether it comes from local, regional, national or European Community sources, as set out in paragraph 92 of the Regional Aid Guidelines. Confirm that the Gross Grant Equivalent and Aid Intensity so calculated are within the relevant aid ceiling as set out in Article 4 and Article 14 of the General Block Exemption Regulation 2014-20 and Section 5.4 of the Regional Aid Guidelines. Annex a copy of the Gross Grant Equivalent calculation to the Due Diligence Report in a format that will allow Us to review the calculation used;
5. Confirm that the Project as proposed will comply with the provisions of the Regional Aid Guidelines as follows:
 - a. that the Project will take place in a sector to which the Regional Aid Guidelines apply (paragraphs 9-19);
 - b. that the aid will not be granted to a firm in difficulties within the meaning set out in the Community Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (C/2014) 4606/2, section 2.2) (paragraph 20);
 - c. that work on the Project did not begin before the date on which the Company applied for aid (paragraphs 64-65);
 - d. that the aid beneficiary is providing a financial contribution of at least 25% of the eligible costs (paragraph 38);
 - e. with reference to management representations, that the Project does not form part of a larger project that could be regarded as a single investment project as defined in paragraph 20 of the Regional

Aid Guidelines and Article 14(13) of the General Block Exemption Regulation 2014-20

- f. that the amount of aid is no more than the minimum required to induce additional investment or activity in the area concerned; and
- g. that the aid being granted does not constitute operating aid (working capital funding) (paragraph 16).

Research and Development and Innovation

The State aid rules governing support for Research and Development and Innovation are contained in the General Block Exemption Regulation 2014-20 and in The Framework for State Aid for Research and Development and Innovation C(2014)3282

http://ec.europa.eu/competition/state_aid/modernisation/rdi_framework_en.pdf

1. Confirm that the costs set out in Tables [B2] and [C2] of Schedule 2 of this Grant Offer Letter are eligible costs as defined in Article 25, Paragraph 3 of the General Block Exemption Regulation 2014-20;
2. Provide summaries of the categories of eligible expenditure and confirm the allocation of eligible costs to the categories of research (Fundamental Research, Industrial Research, Experimental Development and Feasibility Studies) defined in Article 2 (83-98) of the General Block Exemption Regulation 2014-20 and provide a summary explanation of why the aid is be considered to be compatible with the relevant category of research defined in Article 2 of the General Block Exemption Regulation 2014-20. For the avoidance of doubt, a reasoned argument will be required as to why each of the costs have been classified to each area. Where the allocation of costs / intervention rates differ to those proposed by the Applicant in the application form, please explain and quantify the impact on the amount of Grant requested;
3. Provide a summary explanation of how and to what extent the activity to be supported fits the definition of the specified category of research as defined in Article 2 of the General Block Exemption Regulation 2014-20; and
4. Examine and confirm the Applicant's calculation of the Gross Grant Equivalent and Aid Intensity of the RGF support is consistent with the provisions of Article 7 and Article 25 of the General Block Exemption

Regulation 2014-20 and the [Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C 14/02).] Annex a copy of the Gross Grant Equivalent calculation to the Due Diligence Report in a format that will allow Us to review the calculation used.

Training Aid

The State aid rules governing Training Aid are contained in the General Block Exemption Regulation 2014-20

1. Confirm that the costs set out in Table [D2] of Schedule 2 of this Conditional Grant Offer Letter are eligible costs as defined in Article 31 Paragraph 3 of the General Block Exemption Regulation 2014-20 and provide summaries of the categories of eligible expenditure;
2. Confirm that the supported activity is not training to ensure that companies comply with national mandatory standards on training; and
3. Examine and confirm the Applicant's calculation of the Gross Grant Equivalent and Aid Intensity of the Regional Growth Fund support is consistent with the provisions of Article 7 and Article 31 of the General Block Exemption Regulation 2014-20 and the Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C 14/02). Annex a copy of the Gross Grant Equivalent calculation to the Due Diligence Report in a format that will allow Us to review the calculation used.

Notifiable aid

1. Determine whether the aid is notifiable under the terms of Article 4 of the General Block Exemption Regulation 2014-20, based on information provided by management. Where the aid is notifiable, review, comment on and include as part of the report the information provided by the beneficiary, including that relating to third parties, in full and final form, to allow BIS to proceed with the notification process in the manner determined by the European Commission.
2. Determine whether the Project is a large investment project as set out in Article 2 paragraph 52 of the General Block Exemption Regulation 2014-20 and paragraph 20 of the Regional Aid Guidelines, based on information provided by management. Where the Project is a large

investment project, determine the adjusted aid amount, in accordance with Article 2, point 20 of the General Block Exemption Regulation 2014-20, to determine whether the aid is notifiable under Article 4 of that Regulation.

Information for publication

Collect and present validated information covering the following, which is required for publication under Article 9 of the General Block Exemption Regulation 2014-20 to inform notification of awards to the Commission. Specifically:

- a. Name of the beneficiary
- b. Beneficiary's identifier (i.e. company reference number, charity reference number or equivalent)
- c. Classification of enterprise size (SME/large) at the time of granting with reference to Annex I of the General Block Exemption Regulation 2014-20, taking into account all partner and linked enterprises as defined in paragraphs 2 and 3 of Article 3 of Annex I.
- d. Region in which the beneficiary is located, at NUTS level II ¹
- e. Sector of activity at NACE group level²
- f. Aid element, expressed as full amount in national currency³
- g. Aid instrument⁴ (Grant/Interest rate subsidy, Loan/Repayable advances/Reimbursable grant, Guarantee, Tax advantage or tax exemption, Risk finance, Other (please specify))
- h. Date of granting
- i. Objective of the aid
- j. Granting authority

¹ NUTS — Nomenclature of Territorial Units for Statistics. Typically, the region is specified at level 2.

² Council Regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community ([OJ L 293, 24.10.1990, p. 1](#)), as amended by Commission Regulation (EEC) No 761/93 of 24 March 1993 ([OJ L 83, 3.4.1993, p. 1](#), and corrigendum, [OJ L 159, 11.7.1995, p. 31](#)).

³ Gross grant equivalent, or for risk finance schemes, the amount of the investment. For operating aid, the annual amount of aid per beneficiary can be provided. For fiscal schemes and for schemes under Articles 16 (Regional urban development aid) and 21 (Risk finance aid), this amount can be provided by the ranges set out in Article 9(2) of this Regulation.

⁴ If the aid is granted through multiple aid instruments, the aid amount shall be provided by instrument.

- k. For schemes under Articles 16 (Regional Urban Development Aid) and 21 (Risk Finance Aid), name of the entrusted entity, and the names of the selected financial intermediaries
- l. Reference of the aid measure⁵.

Additionality

Support will only be given for Projects, Packages and Programmes that will not be pursued in the absence of RGF support — i.e. RGF must lead to additional economic activity.

Assess the Applicant's additionality argument, described on part 1 of the RGF application form, including:

1. Whether the Project would proceed without RGF funding;
2. Any alternative ways the applicant may have to take the Project forward in the absence of RGF support; and
3. The minimum amount of funding required to allow the Project to proceed.

And comment thereon by performing one or more of the following:

1. Obtain information from the Applicant about the investment appraisal criteria used by the Applicant and/or its Group and its use in this case. Comment on such information including by reference to evidence provided by the Applicant and/or its Group to demonstrate that the appraisal criteria used for this evaluation are consistent with those used by the Applicant and/or its Group to evaluate projects more generally;
2. Set out details of the precise location and strengths of the alternative option(s) for the Project. Comment on the level of the Applicant's knowledge that exists around the alternative scenario(s) as included within the application and evidence that the Project team has considered the alternatives. Obtain a comparison of the full discounted returns (NPV) to be earned by the Project taking into account all relevant factors for the preferred location with the alternative Project options and compare key differences with relevant historical trading data or other evidence.
3. Review the Applicant's sensitivity analysis for selected key differences for each of the scenarios.

⁵ As provided by the Commission under the electronic procedure referred to in Article 11 of this Regulation.

4. [Additional tests to be tailored for cases that use a different additionality case, e.g. aid speeds project up, expands its scope or scale or reduces risks.]

Minimum amount of aid needed

All RGF Applicants have declared that the amount they have bid for represents the minimum sum necessary to execute their project, package or programme.

Review the Applicant's calculation for the amount of support needed.

Comment on the analysis available to support their claim that this is the minimum amount needed to allow the Project, Package or Programme to proceed. Conclude whether the evidence provided by the Applicant supports this claim.

Assessing the Applicant's method and information used to determine the amount of support needed, may include:

1. examining any investment appraisal analysis undertaken (for example examine the hurdle rate(s) used, IRR rates on approved historic projects and their pay-backs);
2. the cash flow or profit projections used to compare this Project, Package or Programme against alternative options, including the 'do nothing' option where applicable;
3. the evidence underpinning the calculation of a funding gap for the Project, Package or Programme by the Applicant and whether this supports the amount and form of aid applied for (this may include non financial considerations used to justify the level of funding as well as financial constraints imposed by external parties such as banking covenants, which may be taken at a higher level than Project, Package or Programme, such as division or entity where this is appropriate); and
4. sensitivity analysis using historic performance to determine the potential impact this may have on the Applicant's calculation of the amount of support needed (including sensitivity to foreign exchange rates, free cash flow conversion rates, profitability, etc.).

[Alternative tests to be tailored for cases that use a different justification for the amount of aid applied for.]

Management, financial reporting and internal controls

Undertake a high level review and comment on:

1. the Applicant's corporate governance arrangements, project governance and anti-corruption policies, based primarily on discussions with, and evidence provided by, the Applicant;
2. Issues of key person dependence, gaps in management, succession plans, financial management and governance;
3. Remuneration policy and procedures, including dividends; and
4. Overview of financial, management and internal financial reporting procedures, including key accounting policies, compliance with UK GAAP and issues arising from the Board summary report of the auditors

Financial Performance and Position

Undertake a high level analysis and comment on the financial performance and balance sheet position of the UK entity business and/or UK group (as appropriate) with reference to:

1. The last three years audited financial statements;
2. Last full year unaudited management accounts, where audited accounts for that year are not available;
3. Latest management accounts with comparison to budget.

This analysis will include the tests set out in Annex 1 of this letter.

Review of financial projections and timescales, including the supporting evidence

Based on information provided by the Applicant, undertake an analysis and comment on the viability of the Project and in particular:

1. Whether the information within the Project's present business plan is consistent with the Project detailed in the original RGF Application, highlighting any material differences (material being defined as a variation of +/- 5% to the business plan presented by the Applicant to Us);

2. Review the Project and business plan to identify the key elements in order to assess the extent of evidence supporting the Project objectives and the forecast assumptions with reference to other appropriate evidence e.g, historical experience, financial buffers, contingency planning and material risks to the overall delivery of the Project and draw our attention to any areas of weakness that are identified during the review;
3. Understand and comment on the process of setting budgets / project planning and historical forecasting accuracy. Comment on the processes and the internal and external teams that have been assembled to manage the Project and draw our attention to any areas of weakness that are identified during the review ;
4. Whether the Company and/or Group has experience of similar projects and whether these were successfully executed or were there delays or difficulties in execution, project failures, or budget overspends. Comment on the processes and controls the Company has in place to mitigate such risks and draw our attention to any areas of weakness that are identified during the review;
5. Current project status;
6. Comment on the status and level of commitment of the finance arrangements for the Project including as appropriate contributions from the UK company, parent, third party equity, bank finance etc., identifying the current status, key risks and the contingency planning in this regard; and
7. Comment on the ability of material cost overruns to be funded by the Company and/or its parent to ensure the Project is completed and on the apparent limit to such funding relative to the proposed Project.

Review of Employment Impacts

Undertake a high level analysis, and comment on:

1. By reference to HR/Payroll information, confirm the baseline employment at the Premises on the date of the application (XX MONTH YEAR) and at the start of the Project;
2. Confirm that the anticipated Site Total employment at the end of the Project at the Premises is consistent with the financial projections and is based upon reasonable assumptions;

3. Confirm that the anticipated Site Total employment at the end of the Project at the Premises is consistent with the original RGF application, stating any reasons for a divergence;
4. The credibility of the safeguarding argument presented by management – comment and provide an opinion on the jobs deemed to be safeguarded are at imminent risk of being lost if the Project does not proceed; and
5. By reference to management representations, confirm the number of jobs still in conditions under previous grant assistance contracts.

Other grant assistance and grant offer letters still current and/or subject to continuing conditions

By reference to management representations and any other available sources (including relevant grant assistance contracts provided to You by the Company), comment on whether the Project description and forecast deliverables, capital expenditure and jobs to be created and/or safeguarded appear to be separate and distinct from any other grant assistance and grant offer letters identified as still current and/or subject to conditions.

Parent financial performance and position

Review and comment on the following in respect of [name, company registration and registered address of parent]:

1. Its ability to meet its contractual commitments under the RGF grant application, as applicable, and its capability to meet any cost overruns to support the Company in general and specifically to complete the Project, using as appropriate public information and Applicant information as well as discussions with [name of parent] (to include their level of commitment to the Project); and
2. Financial position, key ratios and management's going concern consideration using as appropriate available public information, results, presentations, management information, brokers reports, share price trends and market capitalisation. Comments to include:
 - a. Summary of the parent's balance sheet as the last audited year end including principal categories of assets and liabilities, contingent or

unrecorded liabilities (if identified), the net borrowing position and gearing;

- b. Profitability including EBITDA;
- c. Cashflow generation;
- d. Level of available liquidity, maturity profile of debt;
- e. Key current credit rating agency ratings for the group (including changes in trends in rating over the last 24 months); and
- f. Litigation (if identified).

Management representations

The factual sections of the final report are to be shown to the management of the Applicant to confirm that, to the best of their knowledge, the facts, as stated, are accurate in all material respects, any opinions attributable to them are fairly stated and reasonably held, they have made available all significant information relevant to the final report of which they have knowledge and they are not aware of any material matters relevant to our terms of reference which have been excluded. The final report will comment on the absence of, or limitations to, such management representations

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Annex 1: Due Diligence Requirements on Historical Financial Information

Historical Trading Results

1. Summary of the profit and loss accounts per statutory accounts for the last 3 years plus current year to date trading (management accounts). Explanation of basis of preparation, including:
 - a. Brief outline of key accounting policies;
 - b. impact of any significant changes in the last 3 years;
 - c. impact of any restatements for consistency.
2. Analysis of sales development as appropriate, e.g. by product (price and volume), activity, geography, mix changes, seasonal patterns and trends (if material). Brief overview of customer base; highlighting any concentration issues.
3. Margin trends by product or other relevant sub-category.
4. Comment on significant fluctuations in overheads. Provide analysis of fixed versus variable cost base and comment on evidence of historical ability to manage such cost base during market downturn or period of growth.
5. Analysis of profit margins and EBITDA and reasons for significant fluctuations over time
6. Comment on the quality of earnings
7. Analysis of and commentary on items below EBITDA:
 - a. “extraordinary” items
 - b. interest
 - c. details of any prior period adjustments.
8. Brief details of any material long term and/or onerous contracts.
9. Year to date trading per latest management accounts, compare to budget and previous year to date and identify and quantify key trends in results.

Historical Cash Flows

10. Headline overview of operating and net cash flows for the last 2 years and latest period available and brief comment on historical cash conversion record. How much cash and cash equivalents does the business currently hold?
11. Analysis of working capital profile by key component, comment on intra-month working capital requirement and current basis of funding working capital requirement.

Historical Net Assets

12. Overview of net assets at each year end for the last three financial years and at latest available date with an explanation of significant trends.
13. Overview of intangible fixed assets.
14. If significant stock levels held, analysis of inventories, including basis of accounting, existence, ageing and basis of provisioning.
15. Trends in current and quick ratio. Issues with bad debts (current and historical). Assessment of the Applicant's provisions on the Balance Sheet.
16. Analysis of the net interest bearing debt by component and maturity (including cash and equivalent, bank overdrafts, loans, intra group financing, finance leases, other interest bearing liabilities).
17. Any terms of borrowings significantly different from market conditions; any exposure to specific financing instruments; contingent liabilities and capital commitments as disclosed by directors.
18. Summary and implication of any off balance sheet financing arrangements.
19. A summary of any current, pending or threatened litigation by or against the Applicant Company, as disclosed by the Directors and their quantification of any potential liabilities or contingencies associated therewith.

[<For awards containing Research and Development and Innovation Aid
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Annex 2: Research and Development and Innovation Eligible Cost Guidance Table

This table explains the coverage and limits of eligible spend within the Research and Development and Innovation Aid section (Section 4, Article 25) of the General Block Exemption Regulation 2014-20 (Regulation active from 1st July 2014).

Figure 1.

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
Payroll costs (researchers, technicians and supporting staff).	Section 4, Article 25, Point 3 (a)	To the extent and for the period that they are proportionally working on the R&D project.	n/a
Instruments and equipment (lifespan of which do not exceed the end of the project)	Section 4, Article 25, Point 3 (b)	To the extent and for the period that they are proportionally used on the R&D project.	n/a
Instruments and equipment (lifespan of which goes beyond the end of the project)	Section 4, Article 25, Point 3 (b)	Depreciation costs corresponding to the lifespan of the project, to the extent they are used for the R&D project.	Depreciation must be calculated on the basis of generally accepted good accountin

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
			g principles.
Land	Section 4, Article 25, Point 3 (c)	The extent and for the period they are proportionally working on the R&D project.	n/a
Buildings	Section 4, Article 25, Point 3 (c)	Depreciation costs corresponding to the lifespan of the project, to the extent they are used for the R&D project.	Depreciation must be calculated on the basis of generally accepted good accounting principles.
Contractual research	Section 4, Article 25, Point 3 (d)	Cost (bought or licenced) sourced externally, directly related to the R&D project.	Transaction must be carried out at arm's length, at market rates and with no element of collusion.
Technical knowledge	Section 4, Article 25, Point 3 (d)	Cost (bought or licenced) sourced externally, directly related to the R&D project.	Transaction must be carried out at arm's length, at

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
			market rates and with no element of collusion.
Patents	Section 4, Article 25, Point 3 (d)	Cost (bought or licenced) sourced externally, directly related to the R&D project.	Transaction must be carried out at arm's length, at market rates and with no element of collusion.
Consultancy (or equivalent services) used exclusively for research activity)	Section 4, Article 25, Point 3 (d)	Cost (bought or licenced) sourced externally, directly related to the R&D project	Transaction must be carried out at arm's length, at market rates and with no element of collusion.
Overheads	Section 4, Article 25, Point 3 (e)	Only additional overheads incurred directly as the result of the R&D project.	n/a
Materials, supplies or	Section 4, Article 25, Point 3	Only additional overheads incurred	n/a

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
similar products	(e)	directly as the result of the R&D project.	

Aid Intensity Reckoner (Research and Development and Innovation Aid)

The aid intensity for your project should not exceed that specified in Row F for the type of aid contained in the triggers of your offer letter. This should also be at or below the overall cap stated in Row G below:

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Figure 2.

		Fundamental	Industrial	Experimental	Feasibility
A	Basic	100%	50%	25%	50%
B	Small SME	n/a	+20%	+20%	+20%
C	Medium SME	n/a	+10%	+10%	+10%
D	Collaborative Categories (as specified in Article 25, Point 6(b))	n/a	+15%	+15%	n/a
E	Appraisal or Cap Adjustment (case specific)	-/+ % or n/a	-/+ % or n/a	-/+ % or n/a	-/+ % or n/a
F	Aid Intensity for this activity in your project	0%	0%	0%	0%
G	Aid should not exceed cap of:	100%	80%	60%	70%

[<For awards containing Training Aid >]

Annex 3: Training Eligible Cost Guidance Table

This table explains the coverage and limits of eligible spend within the Training Aid section (Section 5, Article 31) of the General Block Exemption Regulation 2014-20 (Regulation active from 1st July 2014).

Figure 1.

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
Personnel Costs (trainers)	Section 5, Article 31, Point 3 (a)	For the hours during which they participate in the training activity.	n/a
Personnel Costs (trainees)	Section 5, Article 31, Point 3 (d)	For the hours during which they participate in the training activity.	n/a
Travel Expenses (trainers and trainees)	Section 5, Article 31, Point 3 (b)	Costs incurred in direct relation to the training activity.	n/a
Materials and Supplies	Section 5, Article 31, Point 3 (b)	Costs incurred in direct relation to the training activity.	n/a
Tools and Equipment	Section 5, Article 31, Point 3 (b)	Depreciation costs to the extent they are exclusively used for the training activity	Depreciation must be calculated on the basis of generally accepted good

A. Nature of the expenditure:	B. Section of the General Block Exemption Regulation this comes under:	C. Expenditure is eligible to the following extent, with reference to Column D, where appropriate)	D. Additional guidance on this (where appropriate):
			accounting principles.
Accommodation for (trainees/workers) with Disabilities	Section 5, Article 31, Point 3 (b)	Minimum necessary to enable participation in the training activity.	n/a
Advisory Services	Section 5, Article 31, Point 3 (c)	Costs incurred in direct relation to the training activity.	n/a
Rent, Overheads and Administration Costs	Section 5, Article 31, Point 3 (d)	For the hours the actual training activity takes place (excludes planning).	n/a

Aid Intensity Reckoner (Training Aid)

The aid intensity for your project should not exceed that specified in Row F which should also be below the overall cap stated in Row G below:

Figure 2.

A	Standard	50%
B	Small SME	+20%
C	Medium SME	+10%
D	Disabilities/disadvantaged Workers	+10%
E	Appraisal or Cap Adjustment (case specific)	-/+%
F	Aid Intensity for your project	0%
G	Aid should not exceed cap of:	70%

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