

## Guideline for Detailed budget and financial forecast

### I. Detailed Activity Based Budget

#### General comments:

1. The historical data will be filled in for the last 4 years (if available)
2. The forecast will be made for the project implementation period and several full operational years according to the type of project proposed;
3. Depending on the proposed project, the forecast will be made for:
  - 5 years in case of ICT and R&D projects (1-year implementation and maximum 5 years operation);
  - 10 years in case of investment projects (1-year implementation and 10 years operation)
4. For the implementation period, in order to make the calculation easier the whole value of the investment will be considered in 1 year.
5. The values are going to be filled in only into the grey cells, the other cells are automatically calculated using formulas.

#### ***How to fill the worksheets in accordance with the Detailed Activity Based Budget excel file?***

#### **1. Detailed Budget worksheet**

Please fill the planned project expenses in accordance with the respective State Aid categories and check whether the overall grant rate and the grant amount for the project are in accordance with the respective maximum thresholds for the respective call.

In case of Partnership project, please indicate which expenses will be made for the involvement of the Partner and whether the Partner will cover its co-financing, by selecting PP for Project Promoter/Applicant or P1/P2/P3 for the respective Partner.

#### **2. Balance\_sheet\_Historical data worksheet**

The worksheet will contain historical financial information for the last 4 years (where available). Please make sure that the information that you include in the excel file corresponds to your annual financial figures – it should be in EUR and not in thousands EUR.

a) *Correspondence with the Standard Balance sheet Form in Greece legislation:*

Excel file	Standard Balance sheet Form
<b>ASSETS</b>	
Tangible assets	Property, Mechanical equipment, Other equipment, Investment Property, Biological assets, Other tangible assets
Intangible assets	Development expenses, Goodwill, Other intangible Assets
Financial assets	Loans and receivables, Debt instruments, Participation in subsidiaries, associates and joint ventures, Other participation titles, Other)

Deferred taxes	Deferred taxes
Inventories	Finished and partly finished goods, Merchandise, Raw materials and other materials, Biological financial assets, Prepayments for inventory, Other inventory
Financial assets and Prepayments	Trade receivables, Accrued income for period, Other receivables, Other financial assets, Prepaid expenses, Cash and Cash equivalents

<b>EQUITY</b>	
Paid Capital	Capital, Premium, Owners' deposits, own stock
Fair value differences	Value differences of property, plant and equipment / of available for sale / of cash flow hedging instruments
Reserves and balance carried forward	Legal or statutory reserves, Non-taxable reserves, Net result carried forward
Foreign currency differences	Foreign currency differences
<b>PROVISIONS</b>	
Provisions	Provisions for employees' benefits, Other provisions
<b>LIABILITIES</b>	
Long terms liabilities	Long terms liabilities, Loans, Other long terms liabilities, Government Grants, Deferred Taxes
Short terms liabilities	Bank loans, Short term part of long-term loans, Trade Payables, Income tax, Other taxes & duties, Social Insurance Organizations, Other liabilities, Accrued expenses for the period, Deferred income

b) *Correspondence with the Standard Balance sheet Form in Croatia legislation:*

Excel file	Standard Balance sheet Form
<b>TOTAL ASSETS</b>	
<b>Unpaid subscribed capital receivables</b>	Unpaid subscribed capital receivables
<b>Total non-current assets</b>	
Intangible fixed assets	Non-current Assets
Tangible fixed assets	Non-current Assets
Financial Assets	Non-current Assets
Receivables	Non-current Assets
Deferred tax assets	Deferred tax assets
<b>Total current assets</b>	
Inventories	Current Assets
Receivables	Current Assets
Financial assets	Current Assets
Cash in bank and petty cash	Current Assets
<b>Prepaid expenses and accrued revenue</b>	Prepaid expenses and accrued revenue
<b>Off-balance sheet items</b>	Off-balance sheet items
<b>TOTAL EQUITY AND LIABILITIES</b>	
<b>Equity and reserves</b>	
Issued (Paid in) capital	Equity and reserves

Capital reserves	Equity and reserves
Reserves from profit	Equity and reserves
Revaluation reserves	Equity and reserves
Fair value reserves	Equity and reserves
Retained earnings or loss carried forward	Equity and reserves
Profit or loss for the year	Equity and reserves
Minority (non-controlling) interest	Equity and reserves
<b>Provisions</b>	Total provisions
Non-current liabilities	Non-current liabilities
Current liabilities	Current liabilities
Accrued expenses and deferred revenue	Accrued expenses and deferred revenue
<b>Off-balance sheet items</b>	Off-balance sheet items

### 3. P&L\_historic + forecast worksheet

The worksheet will contain historical financial information for the last 4 years (where available). Please make sure that the information that you include in the excel file corresponds to your annual financial figures – it should be in EUR and not in thousands EUR.

a) *Correspondence with the Standard Profit and Loss Form in Greece legislation:*

Excel file	Standard Profit and Loss Form
<b>Turnover (Net)</b>	<b>Net turnover</b>
Cost of Sales	Cost of sales includes consumption costs and part of salary expenses, expenses from third parties, other expenses, depreciations etc. considered as such
<b>Gross Margin</b>	<b>Gross Results</b>
Other revenues	Other operating revenues
Administrative Expenses	Part of salary expenses, expenses from third parties, other expenses, depreciations etc. considered as such
Distribution Expenses	Part of salary expenses, expenses from third parties, other expenses, depreciations etc considered as such
Other expenses and damages	Unusual and non (extra) ordinary expenses
Impairment of assets (net amount)	If the case
Profit and loss from the distribution of non current assets	If the case
Profit and loss from fair value measurement	If the case
Income from interests and investments	If the case
Profit from the acquisition of an entity or part of it at discount	If the case
Other incomes and revenues	Unusual and non (extra) ordinary revenues
<b>Result before interest and taxes</b>	<b>Other operating revenues minus all above expenses</b>

Credit interest and similar income	Total income from credit interests and similar revenue accounts
Debit interest and similar expenses	Total expenses from debit interests and similar costs accounts
<b>Result before taxes</b>	<b>Net Result before taxes</b>
Profit Tax	Annual Corporate Tax
<b>Result period after taxes</b>	<b>Net Result (after deduction of corporate tax)</b>

b) *Correspondence with the Standard Profit and Loss Form in Croatia legislation:*

Excel file	Standard Profit and Loss Form
<b>OPERATIONAL REVENUES</b>	
Operating revenue	Sales revenue from companies within the corporate group
	Sales revenue (outside of corporate group)
	Sales revenue from use of own products, goods and services
	Other operating revenue from companies within the corporate group
<b>OPERATIONAL COSTS</b>	
Changes in the value of inventory of unfinished and finished products	If the case
Material expenses	Costs of raw materials and materials, costs of goods sold, other external expenses
Personnel expenses	Net wages and salaries, taxes and contributions out of salary, contributions on salary
Depreciation	Depreciation
Other expenses	Other expenses
Value adjustments	Of non-current and current assets except of financial assets
Provisions	Provisions for pensions, severance payments and similar liabilities, Provisions for tax liabilities, Provisions for initiated litigations, Provisions for expenses of renewing natural resources, Provisions for expenses within warranty periods, Other provisions
Other operating expenses	Other operating expenses
<b>FINANCIAL ACTIVITY</b>	
Financial revenue	Financial revenue
Financial expenses	Financial expenses
<b>TAXES</b>	
Income tax	Income tax

***N.B.!*** *In field corporate tax please fill the tax rate that is the most relevant to the operations of your company. The tax rate has indicative purposes for the excel template. In case it could vary for your company, please describe in the Business Plan and it would be considered during the evaluation.*

#### 4. Project costs and revenues worksheet

The values will consider **ONLY** the project revenues and costs and **NOT** the whole company.

The forecast will consider project implementation period: if the project will not generate incomes and/or costs during the project implementation period, no values will be filled in for the corresponding years. Please do include also the costs of the project in the Implementation period as project expenses.

***N.B.! Please note that for investment project will be expected to provide forecasts for the project revenues and costs for 10 years after the completion of the project while for the R&D and ICT project that period is 5 years. In case you are implementing ICT/R&D project please leave the columns for the operational years 6-10 empty.***

##### A) REVENUES

a) **Project operational Revenues:** It will be forecasted the number of units planned to be sold and the unitary price. It will be filled in only for the number of products commercialized within the project. The supplementary lines will be hide.

b) **Other revenues (please detail):** It will be forecasted the corresponding amounts for other type of revenues generated by the project, with short information about those revenues

##### B) OPERATING COSTS

a) **Personnel costs** – number of new employees and the average gross unitary salary for the operation of the investment (only related with the project)

b) **Material costs** – based on the number of new products which are going to be produced and sold, the Promoter will fill in the unitary cost for each type of product. It will be filled in only for the number of products commercialized within the project. The supplementary lines will be hide.

c) **Annual utilities and administrative expenses** – It will be forecasted the monthly values for water, energy, rent, consumables and other expenses (short details about the other expenses)

d) **Other costs: services produced by third parties, environmental protection costs, etc.:** It will be forecasted the annual values of other specific operational costs necessary for the project operation

e) **Depreciation and amortization**

***N.B.! Please do not include any dept repayments and interest rates expenses in the costs included in this worksheet.***

Based on the initial value of each asset and specific annual depreciation percentage, it will be calculated the value of amortization for the whole period of analysis. The values will be filled in for the assets proposed to be purchased within the project, the rest of the lines will be hide. The value of the assets will be sum up on different categories. One category represents the assets for which the same annual depreciation percentage will be applied.

**a) For the applicants from Greece, there will be used the following percentages:**

**According to applicable tax legislation in force (L.4172/2013) – Tax depreciation/amortization:**

Acquisition or construction cost, including the cost of improvement, renewal and environmental rehabilitation reconstruction is depreciated according to the following table:

Category of Assets	Tax Rate (%per tax year)
Buildings and instalments	4
Land used for mining and quarries	5
Aircrafts, railway trains, ships and vessels	5
Machinery not including software and hardware	10
Means of transport of persons	16
Means of transport of merchandise	12
Intangible assets and royalties and multiannual depreciation expenses	10
Computer equipment main and peripheral and software	20
Other fixed assets	10
Equipment and instruments used to carry out scientific and technological research. Equipment and instruments used for the purpose of carrying out scientific and technological research are those described in the relevant Article of the Joint Ministerial Decision of Article 22A	40

The calculation of tax depreciation is mandatory and is performed annually and depreciated amounts transfer between financial years is not allowed.

The tax depreciation of a fixed asset begins from next month in which it is used or put into service by the taxpayer.

The amount of tax depreciation may not exceed the cost of acquisition or construction, including cost of improvement, renewal and reconstruction and rehabilitation of the environment. If the amortized cost of an asset of the company is below fifteen hundred (1,500) euros, this item can be depreciated entirely within the fiscal year when acquired.

New businesses can postpone the tax depreciation of their fixed assets during the first three (3) fiscal years.

The tax amortization rate of the above table for intangible assets and allowances is applicable, unless it is contractually derived from the original agreement other than ten (10) years of economic life, whereby the rate is formed as the quotient of "1 divided by years of intangible asset's life".

**According to Greek Accounting Standards (L.4308/2014) – Accounting depreciation/amortization:**

The value of fixed assets with limited useful life are subject to depreciation. Depreciation commences when the asset is ready for use as intended and calculated based on its estimated useful economic life.

Similarly, amortization applies on intangible assets based on the expected useful life of the asset in question.

**b) For the applicants from Croatia, there will be used the following percentages:**

- buildings and boats over 1,000 gross register tons (GRT) – 5%
- personal cars – 20 %
- intangible assets, equipment, vehicles and plant – 25 %
- information technology (IT) equipment and mobile phones – 50 %
- other long-term assets – 10 %

The taxpayer may decide to double these depreciation rates, in which case, the depreciation period will be halved.

## 5. Budget and Project Cash flow

***N.B.! Please fill this excel worksheet only in case you are applying in the current call for a grant amount higher than EUR 700 000 and/or in case with your current application the total accumulated grant amount from EEA&Norway Grants for the last five years (counted from the date of the last payment) will be above EUR 700 000. Otherwise, please leave the worksheet empty.***

In Table 1 the Applicant is requested to provide a breakdown of the total revenues and expenses of the company based on whether they are accumulated because of the implementation of the project or a result of the other activities of the company not related to the implementation of the project. Additionally, the general expenses of the company are expected to be decomposed to Variable costs (related to the materials needed for the production activities or costs of new production equipment) and Operating Expenses (OPEX) associated with the normal business operations including rent, inventory costs, marketing, payroll, insurance, funds allocated for R&D activities, electricity, audit, office equipment, travel costs, etc.

In Table 2 the Applicant is expected to enrich the breakdown on its forecasted Cash flow including information on any additional revenues, expected to happen in near future and not related with the operational activities – Row: Revenue from investment (for example incomes from renting parts of its premises, sales of old equipment or land, dividends, etc.). This information could be essential when evaluating the financial stability of the company in future periods in case in the current period are experienced difficulties. In case it is not relevant information for your company the row could be left empty.

In row Project financing should be included the full amount of the Total eligible expenses of the project. In case the project is envisaged to proceed for more than one year you may consider to split the amount in two or three years, with reference to the Project Implementation Plan.

In row Interest rate costs should be included information on the expected future payments of Interest rates both associated with the project and not associated with the project.

In row Dept repayment should be included information on the expected future Dept repayments to financial institutions both associated with the project and not associated with the project.

In the row Incoming balance cash could be inserted the amount of the Retained earnings from previous years or/and Deposits and Cash Equivalents.

## 6. Undertaking in difficulty

You can check the status of your company on whether it is undertaking in difficulty. Please be aware that the check included in the current file is applicable only for SMEs and not relevant for large enterprises, public enterprises and NGOs.



## II. Additional Information for Applicants on Financial Forecasts

The following section will provide further explanation about the information required for the financial statement, which may help ensure that the applicant provides the relevant information.

### II.1 Additional information about the Financial statement section

The evolution of the company should detail the following aspects:

- Profitability (the evolution of all the revenues and costs of the company, gross profit, profit rate, detailed explanation about significant fluctuations, certain dependences of the overall developments in the respective sector and national economy could be considered)
- Liquidity (mainly the working capital – positive/negative; evolution of current assets and current liabilities, detailed explanations for bad indicators and assessment on future evolution)
- Financial structure (the financial structure of the Profit and loss and of balance sheet) and
- Solidity (assessment of the equity indicators and future evolution in case is needed)

In the analysis it should be considered the certified account for a full year, not for mid years. If possible, it should be considered the last four financial years.

The analysis should include information about:

#### Income statements

In the income statement, income and expense items, ratios and development trends are reviewed and commented on. It is important to identify changes that are due to purely accounting matters (change in valuation principles, classification, etc.), as well as any grants and subsidies that are recognized under other items than extraordinary income.

In the process of identifying and analyzing the content of the income statement, the following aspects should be considered:

- What does the operating income consist of? Income from other activities than the primary business operations (eg rental income etc.)?
- What is due to any change in gross profit?
  - \* Changed product mix?
  - \* Changed market mix?
  - \* Changed product / commodity prices?
  - \* Changed technology?
  - \* Increased competition
  - \* General market evolution/sector evolution
- How large proportion of ordinary depreciation refers to intangible assets? Are intangible assets activated? What real value do these have?
- Have adequate provisions been made for losses on receivables in accordance with good accounting practice?
- Has the proportion of operational costs changed? What is the structure of the operational costs? Significant changes have appeared in that structure? Why?

- The company is a listed undertaking with significant financial activity? What has been the evolution of the share price in the last 4 years? Have the company registered financial profit/losses? What is the influence of the financial activity in the overall profit?

Also, in case of the companies with less than 4 operational years since establishment, it is important to assess the future evolution of the company turnover and profit (at least for the following year).

### **Balance sheet items**

In assessing the balance, the focus should be on changes in relative sizes between the years. The presentation of the balance sheet aims, among other things, to reveal any effects (positive or negative corrections) on the company's equity and previous years' results. Does the company have the financial resources to carry out the new project?

In the process of identifying and analyzing balance sheet items, the following aspects may be helpful:

**Assets** that should be considered in particular: Buildings (including those under construction), land plots (Location / value assessments, any restrictions), recently purchased equipment in its amortization period, Intangible assets (if the case)

### **Accounts receivable etc.**

- Accounts receivable, average number of days outstanding debtors.
- Any claims within the group / group.
- In what way is the accounts receivable composed: Many small / few big ones? Good / Bad? Age distribution?
- How large are loans to stakeholders and employees?
- What does "other receivables" consist of?
- Have any of the accounts receivables the risk to not being paid?

### **Inventories**

- Composition of inventories. Average storage time. Terms of delivery, order reserves

### **Shareholdings**

- Do shares in other companies (especially subsidiaries) have the listed value?

### **Liquidity**

- Does the company have deposits, receivables, cash (in addition to the tax deduction account) with restrictions on or otherwise are tied up?

### **Equity and liabilities items to be consider:**

- In what way is the creditor mass composed? Many small / few big ones? Age distribution? Risk of credit tightening?
- How much the reserves of the company represents from the total equity amount?
- Has the company paid dividends in the last years? What will be the policy regarding the dividends during the project implementation period?
- What is the limit on the overdraft facility and how much is unused?

- Particularly important is the item trade creditors. This item should separately be commented on regarding composition, development, credit time etc.
- What does public debt consist of?
- Does the item include unpaid installments?
- How big is next year's repayment on mortgage debt?

#### **Unrecognized debt obligations**

- Does the company have lease obligations? Maturity?
- Has the company provided guarantees or other collateral?
- Does the company have intercompany loans? What are the loans conditions? Reimbursement? How are those loans registered in the accounting system (loan term/short term)?

## **II.2 Project profitability**

All business projects should be financially profitable. Considering a discount rate of 4% as proposed by Innovation Norway, the following indicators will be analyzed:

Without the grant:

- NPV (the value should be positive)
- IRR (the value should be higher than discount rate)

With the grant:

- NPV (the value should be positive)
- IRR (the value should be higher than discount rate)

**No loan installments (both interest rates and principal amounts) should be included in the expected expenditures in the forecasted period after the completion of the project. Eventual savings from the installation of new and more energy efficient production solutions should be calculated in the reduced operating costs.**

Additional information how the indicators are calculated could be found in ***this document in the above dedicated sections and Q&A document which will be regularly updated while the call is opened.***

## **II.3 Project risks**

The profitability requirement for IN-funded projects can be illustrated with indicative levels for type of risk. Also, **the project IRR** (after grant) will be compared with Specific Risk premium which is calculated as: Risk Free Rate + Base - market Risk Premium + Country Risk Premium + Specific Risk Premium (reflects the individual projects' risk)

The risk-free rate is 4,5%, the base market risk premium of 4,5 %, the country risk premium depends for each country and the specific risk premium is estimated as follows:

- Low risk            0-4 %
- Moderate risk    5-10 %

- High risk 11-20 %
- Extra high risk above 21%

Possible sources for the country risk premium:

[http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html)

<https://data.worldbank.org/indicator>

Regarding the risk, the projects are classified as follows:

<b>RISK</b>	<b>Low risk</b>	<b>Moderate risk</b>	<b>High risk</b>	<b>Extra high risk</b>
<b>Type of investment</b>	Minor capacity building	Capacity building	New products/services in new markets	Research and development