

GENERAL TERMS AND CONDITIONS FOR COMPANIES' DE MINIMIS FUNDING**Table of Contents**

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1 Scope of application and publicity of funding decision

These terms and conditions shall apply to companies' de minimis aid and de minimis funding in the preliminary phase of Young Innovative Companies (hereinafter funding) granted by Tekes under the Act on Discretionary Government Transfers (688/2001), the Government Decree on Research, Development and Innovation Funding (298/2008) and Commission Regulation EC/1998/2006 on the application of Articles 87 and 88 of the Treaty Establishing the European Community to de minimis aid. These terms and conditions have been issued under Section 11, Paragraph 4 of the Act on Discretionary Government Transfers.

With regard to funding, public information shall be the name of the recipient and the amount of funding granted and remitted.

2 Monitoring of project costs

The recipient shall arrange project accounting in a manner that makes it possible to itemise the costs that have arisen from the project and verify their connection to accounting and the cost statement template. Hourly monitoring of working time used in the project shall be arranged in accordance with section 3.2.

3 Eligible costs

3.1 Principles

Eligible costs shall be expenditure arising during the project duration, which is included in the recipient's accounting records, based on net cost and not liable for value-added tax. Costs shall be deemed as VAT-eligible in the event that the recipient is not subject to VAT or the costs arise through VAT-exempt activities and where any VAT is paid by the recipient.

The cost item specific amounts in the cost estimate appended to the funding decision determine the maximum amount of individual eligible cost items. The maximum amount may only be exceeded subject to a separate decision by Tekes. Tekes shall have the right not to accept costs presented in a statement if their relevance to the project is not clearly substantiated or they are too large in view of the project results.

Expenditure allocated to the project relating to an order placed before commencement of the project phase is eligible only when the order can be cancelled if the project does not begin.

All expenditure shall be paid prior to being declared to Tekes. Costs shall be based on the corresponding expenditure payment records. However, this does not apply to calculatory costs allocated to the project. Upon request, the recipient shall provide the information required for monitoring costs, such as copies of receipts, an invoice itemisation and the principles for selecting purchased services.

Tekes may at its discretion accept certain cost statement items according to an accounting practice that is based on unit costs calculated using the recipient's own expenditure records. The use of such a method shall be agreed on a project-specific basis.

When necessary, Tekes or a party authorised by Tekes shall be entitled to audit the reliability of the accounting system or Tekes can require a statement of accounting system reliability from the recipient's authorised external auditor (APA, CA, CPFA).

If the funding received by the company from Tekes and other public funding totals more than half of the eligible project costs, the company shall comply with the Act on Public Procurement (348/2007). Funding for purchases that do not comply with the Act on Public Procurement may not exceed 50%.

3.2 Wages and salaries

a) Working time monitoring and verification

The recipient may only declare the proportion of a person's wage or salary corresponding to the effective working time allocated to the project. The salaries declared shall be based on hourly monitoring of working time performed for the project. The hours worked for the project shall be recorded at least once a week and systematically verified at least once a month unless an alternative monitoring arrangement has been approved by Tekes. A breakdown of the employee's total working hours shall be presented upon request.

The material associated with working time monitoring, hourly monitoring reports and verified monthly summaries shall be kept for a period of five (5) years after completion of the project.

b) Project wages and salaries

Salaries which are subject to withholding tax and paid for effective working hours (maximum of 11 months/year/person) of persons who have contributed to the project shall be deemed eligible costs (Wage / salary specification template Y4).

Wages and salaries stated to Tekes may not significantly differ from the levels paid to employees for equivalent work carried out prior to commencement of the project. The salaries shall also be equivalent in value to those paid for other equivalent work carried out for the recipient during the project period. Tekes may approve higher salaries arising to the recipient where a higher salary is paid to employees seconded abroad for the purpose of the project or if a higher level of remuneration is required in order to hire a new member of the staff for the purpose of the project.

The recipient shall notify Tekes if performance-related and/or other exceptional salary components are included in the salaries stated to Tekes.

If the remuneration paid is classified as income from independent services and not as a wage or salary, it must be stated under the Purchased services from SMEs cost item.

Managerial and administrative personnel salaries are classified as overheads. Such salaries may exceptionally be admitted as direct costs if the work carried out is directly related to the project. A breakdown of managerial and administrative personnel's total working hours shall also be provided upon request.

3.3 Indirect personnel costs

Indirect personnel costs are defined as indirect salary costs (including holiday pay, sick pay, holiday bonus), social security payments and other employment costs (such as workplace training, fringe benefits, work and protective clothing). A percentage of actually paid, project-approved salaries based on effective working hours set out in the cost estimate can be accepted as eligible indirect personnel costs. However, Tekes shall be entitled to verify all indirect personnel costs and pay funding on the basis of actual indirect personnel costs when these remain under the level approved in the cost estimate. Indirect personnel costs shall be calculated using the indirect personnel cost template available on the Tekes website.

3.4 Overheads

Costs eligible as overheads shall be 20% of the wages and salaries and indirect personnel costs. Costs of overhead type shall not be eligible under other cost categories.

Overheads shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

3.5 Travel expenses

Travel expenses included in the project plan are eligible in accordance with the valid Decision of the National Board of Taxes on the compensation of tax-exempt allowances for travel expenses and the instructions of the National Board of Taxes on the compensation for travel expenses.

3.6 Material and supplies costs

Material and supplies costs based on procurement from an external supplier shall be eligible as invoiced and as set out in the project plan. The company's internal material and supplies costs shall be eligible at cost price

Material and supply costs shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

3.7 Machinery and equipment costs

Where the technical or financial use life of machinery and equipment and computer programs and other licences mainly pertaining to the project is less than three (3) years, the project-related part of the purchase price may be accepted as machinery and equipment costs. Other acquisitions may be accepted as depreciations.

Fixed assets acquired through a part payment agreement concluded in accordance with the Hire Purchase Act or equivalent arrangement may be eligible when the value of instalments paid is equivalent to the Tekes funding share of the fixed asset. In such instances the fixed asset shall be in the possession of the recipient.

Machinery and equipment costs shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

3.8 Machinery and equipment depreciation/rental costs

Depreciations of machinery shall be eligible when they are based on planned depreciations in the bookkeeping, provided that no national or European Union subsidies have been received for purchasing the relevant assets.

Depreciation and rental costs of machinery and equipment shall be eligible in so far as they are used for the purposes of the project.

The costs of rental equivalent to the cost of fixed assets that have arisen during the duration of the project shall be eligible up to the value of equivalent purchase costs. Other rental costs, such as administration, financing, insurance, repair and other equivalent costs, shall not be eligible. If the above costs cannot be itemised, a maximum of 50% of the total rental cost to the project over the entire rental period shall be eligible as project costs.

The terms and conditions concerning equipment depreciation and rental costs shall also apply to R&D facilities costs, where acquisition of these is essential to the project.

Machinery and equipment depreciation/rental costs shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

3.9 Purchased services

Services purchased externally shall be eligible as invoiced and as set out in the project plan.

Project-related auditing, information acquisition, patent application, licence acquisition and training costs can be included under purchased services. Large companies shall not be entitled to claim patent-related costs. A large company is defined as a company that remain outside the scope of the definition of an SME contained in European Commission recommendation 2003/361/EC.

Purchased services shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

Services purchased from SMEs

For these purposes, a small and medium-sized enterprise (SME) is defined as a Finnish company with less than 250 employees.

Services purchased from public research organisations

For these purposes, a research organisation is defined as a Finnish university, university of applied sciences or public research institute.

Purchases from other companies in the same group and associated companies

General principles

An associated company is a company that is not part of the group. However, at least 20% of its entire share capital or comparable equity is directly or indirectly owned or controlled by the funding recipient or some other association exists between the recipient and the company. Tekes may at its discretion deem that there is no association regardless of the above conditions being met.

Purchases from group and associated companies shall be eligible without profit. Eligible costs include the costs to the seller resulting from production of the service and paid by the recipient in accordance with these general terms and conditions. However, a fixed rate based on the seller's staff numbers shall be used to calculate the overhead cost rate. The fixed rates are specified on the Tekes website.

The recipient shall ensure that the seller arranges project accounting and working time monitoring and uses the cost statement template to declare its costs in a manner that complies with the provision laid out in these terms and conditions. The seller's cost statement shall include a declaration from the Accountable Project Leader signed by an authorised signatory. The recipient's final report shall include an auditing statement regarding the seller's costs drawn up by an authorised auditor (APA, CA, CPFA).

Purchases from foreign companies in the same group, foreign associated companies and costs arising in an overseas office

Tekes may also accept as project costs purchases from foreign companies in the same group and foreign associated companies and costs to the recipient arising in an overseas office. This shall be specified in the special terms and conditions to the funding decision. Eligible costs shall only include direct project costs, with the exception of indirect personnel costs. Exchange rates on the date of payment shall be applied to invoices submitted in a foreign currency.

A statement of project costs from a local authorised external auditor appointed by the foreign company shall be provided in conjunction with the final statement. The cost statement and the auditor's statement shall, where required, be written in the Finnish or Swedish language or a Finnish or Swedish translation provided.

Purchases from companies in the same group and associated companies shall not be eligible as project costs in preliminary phase de minimis funding for Young Innovative Companies.

3.10 Ineligible costs

Ineligible costs are, for example,

- a) entertainment expenses, donations, stipends or grants;
- b) costs related to production, advertising, marketing or sales, such as travel, brochures, advertising expenses, exhibitions or trademarks;
- c) financing costs;
- d) the recipient's funding share for a project implemented in a research organisation funded by Tekes;
- e) costs that include other public funding;
- f) costs (administration, financing, insurance, repair or equivalent) related to machinery and equipment rental that have arisen during the duration of the project to the extent that they exceed the equivalent purchase price;
- g) costs not included in the project plan.

4 Other public funding to the project

The recipient shall in the cost statement declare any other source of public funding to the project, including funding from the government, municipality or other public organisation or foundation. Funding from the European Union shall also be reported.

The total funding intensity received by the project from Tekes and other public funding may not exceed the maximum amount of public funding permitted for the project. If necessary, Tekes shall reduce its own contribution to ensure that the maximum amount is not exceeded.

5 Project reporting to Tekes

Payment of the funding is subject to the provision of project reporting by the deadline set out in the schedule in the funding decision.

The recipient shall provide Tekes with a report signed by the Accountable Project Leader confirming project progress and the costs allocated to the project via the Internet or using templates available on the Tekes website (Reporting template Y2 and Cost statement template Y3, Wage /salary specification template Y4, Accountable Project Leader declaration Y5, Receipt-specific itemisation N6).

The cost statement shall indicate the costs for the current accounting period and the cumulative costs from the beginning of the project itemised by cost categories. Actual costs are reported at full value. Costs that receive preliminary acceptance on the basis of the interim report shall be processed again in conjunction with final reporting and accounting. No additional costs are to be presented following approval of the final statement.

The recipient shall submit the annual accounts and auditing statement to the National Board of Patents and Registration in Finland as required by law.

6 Auditor's report

An auditing report from an authorised external auditor (APA, CA, CPFA) covering the entire duration of the project shall be submitted in conjunction with final reporting using the template provided by Tekes. The report template is available on the Tekes website.

The audit is to focus on, in particular, the project accounting and the implementation and reliability of working time monitoring procedures as well as audit trail continuity.

Tekes shall be entitled to deliver the auditing statement to other authorities for the purposes of supervising funding.

7 Payment of funding

Payments shall be made in accordance with progress made in the project on the basis of acceptable reports and costs statements. Tekes shall deposit the funding into the bank account indicated by the recipient. This notification shall be signed by an authorised signatory for the organisation.

The sum paid shall be a percentage of the eligible costs for the accounting period in accordance with the funding decision.

At least 10% of the funding granted shall be paid after acceptance of the final report subject to the condition that the project has accumulated a sufficient amount of eligible costs.

The final funding instalment shall be applied from Tekes in conjunction with final reporting and accounting. Funding applied for after this shall not be paid.

8 Reporting after completion of the project

Tekes will evaluate the impact of the projects even after their completion. When requested within five (5) years of completion of the project, the recipient shall provide data concerning how all plans and forecasts presented during processing of the application and project implementation have been realised as well as a report on development of the business that was the objective of the project. Tekes shall also be entitled to audit the recipient's annual accounts and auditing statements that are stored with the National Board of Patents and Registration in Finland for a period of five (5) years following completion of the project, and to commission an analysis of the recipient's annual accounts from another public funding agency.

9 Changes to project implementation

In the event that the project deviates from the plan, the recipient shall apply to Tekes in advance for permission to:

- change the project plan;
- change cost categories;
- change the schedule; additional time shall be requested before the end of the reporting period;
- change a report deadline;
- appoint a new Accountable Project Leader or
- change bank details.

Tekes shall be immediately informed of any other changes in personnel resources or other significant changes that are essential to project implementation.

Changes shall be initiated in writing by sending a change request by e-mail to kirjaamo@tekes.fi or by regular mail to Tekes, Kirjaamo, P.O. Box 69, 00101 Helsinki.

10 Project transfer, sale of business, results transfer and corporate reorganisation

If the recipient wants to transfer the funding decision to a third party while the project is in progress, written consent from Tekes is required. Prior to the transfer, the original recipient shall report and declare its share of the project.

The recipient shall inform Tekes in advance in the event that, during the project or within five (5) years of payment of the final funding instalment, it

1. sells, gives as security or otherwise assigns business or any part thereof generated in the project;
2. sells, gives as security or otherwise assigns intellectual property rights or other rights generated in the project;
3. moves its business activities abroad, or
4. undertakes other significant business changes or reorganisation activities (including merger, division, significant changes in ownership, and significant personnel cutbacks that are directed at functions funded by Tekes).

The above arrangements require advance consent from Tekes if the arrangement is implemented outside the European Common Market area or if the arrangement may undermine realisation of the desired project impacts.

If licensing of access rights has been a significant part of the business activity as originally sought, in the project, consent from Tekes as set out above is not required.

11 Monitoring by the authorities

The recipient shall provide Tekes with correct and sufficient information for the purpose of overseeing that the terms and conditions of the funding decision are observed and the project implemented in accordance with the funding decision

Tekes, the European Commission and the European Court of Auditors shall be entitled to audit the finances and activities of a recipient as required by the payment of funding and supervision of its use.

Tekes may grant another authority or an authorised external auditor (APA, CA, CPFA) the authority to carry out the audits referred to in the paragraph above. Outside experts may assist in audits at Tekes' request.

The right to audit shall remain in force for five years from the completion of the project. All project documentation and other material subject to supervision and audit shall be stored for the same minimum period. The recipient shall make available to the auditor, free of charge, any such information and assistance needed for the purposes of the audit.

The auditor shall be entitled to seize the material subject to audit if auditing so requires. A record shall be made of the seizure of material during an audit. The record shall state the purpose of seizing the material and indicate what has been seized. Seized material shall be returned without delay when no longer needed for the audit.

The auditor shall be entitled to have access, to the extent warranted by the audit, to the business, storage and other such premises used in the practice of a profession or in business and other areas in the possession or use of the recipient, which may have a bearing on the granting of the funding or supervision of its use. Audits may not be carried out in premises covered by domestic peace.

12 Discontinuation, termination and claw-back of payment

Tekes shall be entitled to interrupt payment and issue a decision to discontinue payment of funding and claw back funding already paid in whole or in part under Sections 4 and 5 of the Act on Discretionary Government Transfers if the recipient has neglected to comply with the decision and its terms and conditions or the related legislation.

13 Misuses

If, in connection with the project, there is reason to suspect that the recipient or a person acting on its behalf has committed a criminal offence under the Penal Code (19.12.1889), with Tekes as the injured party, Tekes shall take action on the matter.

14 Order of application

In the event of a conflict between the funding decision and its appendices, the following order of application shall be applied:

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| 1) The funding decision and any special terms and conditions thereof | 4) The project plan |
| 2) These general terms and conditions | 5) The funding application and its appendices |
| 3) The cost estimate | 6) Any other documents relevant to the funding decision. |

DISCLAIMER

This English translation of these general terms and conditions is provided for guidance only. Tekes shall not guarantee the accuracy of the translated text. For interpretation purposes the Finnish-language version shall apply.

APPENDICES

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| Appendix Y1 Acceptance notification template | Appendix Y4 Wage / salary specification |
| Appendix Y2 Company funding reporting template | Appendix Y5 Accountable Project Leader declaration |
| Appendix Y3 Company funding cost statement template | Appendix N6 Receipt-specific itemisation |