**Guideline for Detailed budget and financial forecast**

1. **Detailed Budget –** Detailed information about this worksheet can be found in the Excel and also in the Call text.
2. **Financial Historical data and Forecast**
3. **Additional information for the Applicants**

**General:**

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 projects (1-year implementation and maximum 4 years operation);
* 6 years in case of investment projects (1-year implementation and 5 years operation)
1. For the investment projects it will be also included in the last operational year the residual value for the purchased equipment.
2. For the implementation period, in order to make the calculation easier the whole value of the investment will be considered in 1 year.
3. The values are going to be filled in only into the grey cells, the other cells are automatically calculated using formulas.

***Balance\_sheet\_Historical data***

The worksheet will contain historical financial information for the last 4 years (where available)

1. *Correspondence with the Standard Balance sheet Form in Romanian legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Balance sheet Form** |
| **TOTAL ASSETS** |
| Intangible fixed assets | Total Intangible fixed assets  |
| Tangible fixed assets | Total Tangible fixed assets  |
| Financial fixed assets | Financial fixed assets  |
| Inventories | Inventories + Advanced Expenses (amounts taken over a period of less than one year)  |
| Trade receivable | Total Trade receivable  |
| Short term investments | Total Short-term investments  |
| Bank deposits | Total Bank deposits  |
| \*Advanced Expenses (amounts taken over a period of more than one year) will be filled in on the corresponding asset (fixed assets or current assets) |
| **TOTAL EQUITY AND LIABILITIES** |
| Paid in capital | Paid capital + Capital bonuses + Revaluation reserves + Reserves  |
| Retained earnings | Retained earnings (previous year) + Net earnings from current year  |
| Minority stake |  |
| Provisions  | Total provisions  |
| Other long-term liabilities | Debts - the amounts to be paid over a period of more than 1 year + Advanced payments: amounts taken over a period of more than one year  |
| Debt to financial institutions | Amounts owed to credit institutions  |
| Trade creditors | Advanced payments for orders + Commercial debts: suppliers + Payable trade effects  |
| Tax and public duties | Other debts including fiscal and social security debts  |
| Other short-term debts | Advanced payments: amounts taken over a period of less than one year + *Other short-term debts not included into the above categories*  |

1. *Correspondence with the Standard Balance sheet Form in Bulgarian legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Balance sheet Form** |
| **TOTAL ASSETS** |
| Intangible fixed assets | Non-current Assets, Group I – code: 02100 |
| Tangible fixed assets | Non-current Assets, Group II – code: 02200 |
| Financial fixed assets | Non-current Assets, Group III – code: 02300 + code: 02400 |
| Inventories | Current Assets, Group I - code: 03100 |
| Trade receivable | Current Assets, Group II - code: 03200 |
| Short term investments | Current Assets, Group III - 03300 |
| Bank deposits | Current Assets, Group IV - 03400 |
| \*Advanced Expenses (amounts taken over a period of more than one year) will be filled in on the corresponding asset (fixed assets or current assets) |
| **TOTAL EQUITY AND LIABILITIES** |
| Paid in capital | Liabilities, Group I – 05100, Group II – 05200, Group III – 05300, Group IV – 05400 |
| Retained earnings | Liabilities, Group V – 05500; Group VI – 05600 |
| Minority stake |  |
| Provisions  | Liabilities, 06000 |
| Other long-term liabilities | Liabilities, 07002, 08000 |
| Debt to financial institutions | Liabilities, 07201 |
| Trade creditors | Liabilities, 07301, 07401 |
| Tax and public duties | Liabilities, 07821, 07831 |
| Other short-term debts | Liabilities, 07101, 07111, 07501, 07601, 07701, 07811 |

1. *Correspondence with the Standard Balance sheet Form in Greece legislation: -* **it will be updated**
2. *Correspondence with the Standard Balance sheet Form in Croatia legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Balance sheet Form** |
| **TOTAL ASSETS** |
| **Unpaid subscribed capital receivables** | Unpaid subscribed capital receivables |
| **Total non-current assets** |  |
| 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 |
| **Total current asssets** |  |
| Inventories | Current Assets |
| Receivables | Current Assets |
| Financial assets | Current Assets |
| Cash in bank and petty cash | Current Assets |
| **Prepaid expenses and accrued revenue** | Prepaid expenses and accrued revenue |
| **Off-balance sheet items** | Off-balance sheet items |
|  |  |
| **TOTAL EQUITY AND LIABILITIES** |
| **Equity and reserves** |  |
| 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 |
| **Provisions**  | Total provisions  |
| Non-current liabilities | Non-current liabilities |
| Current liabilities | Current liabilities |
| Accrued expenses and deferred revenue | Accrued expenses and deferred revenue |
| **Off-balance sheet items** | Off-balance sheet items |

***P&L\_historic + forecast***

The worksheet will contain historical financial information for the last 4 years (where available)

1. *Correspondence with the Standard Profit and Loss Form in Romanian legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Profit and Loss Form** |
| **OPERATIONAL REVENUES** |
| Revenue | Net turnover  |
| Other operating revenue | The sum of all other operating revenues  |
| **OPERATIONAL COSTS** |
| Change in inventories | If the case |
| Cost of sold goods | Expenditure on raw materials and consumables + Other expenses on materials + Other external expenditures + Expenditures on goods – Commercial discounts received  |
| Payroll expenses | Total staff expenses  |
| Depreciation and amortization | Value adjustments regarding the assets  |
| Other operating expenses  | Other operating expenses  |
| **FINANCIAL ACTIVITY** |
| Financial incomes | Total financial income  |
| Financial expenses, out of which: | Total financial expenses  |
| *Interest expenses* | *Total interest expenses* |
| **OTHER ACTIVITIES\*** |
| Other incomes | Total other incomes  |
| Other expenses | Total other costs |
| **TAXES** |
| Profit taxes | Profit tax |
| Other taxes | Other taxes not included in the above category |

\*In case of NGOs

The forecast will be made for 5 or 6 years and will consider the situation of the company after the project implementation without the non-reimbursable financial support.

1. *Correspondence with the Standard Profit and Loss Form in Bulgarian legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Profit and Loss Form** |
| **OPERATIONAL REVENUES** |
| Revenue | Revenues, 15100 |
| Other operating revenue | Revenues, 15200, 15300, 15400 |
| **OPERATIONAL COSTS** |
| Change in inventories | Expenditures, 10100 |
| Cost of sold goods | Expenditures, 10200) |
| Payroll expenses | Total staff expenses BG (Expenditures, 10300 |
| Depreciation and amortization | Expenditures, 10400 |
| Other operating expenses  | Expenditures, 10500 |
| **FINANCIAL ACTIVITY** |
| Financial incomes | Revenues, 16000 |
| Financial expenses, out of which: | Expenditure, 11000 |
| *Interest expenses* | *Total interest expenses* |
| **OTHER ACTIVITIES\*** |
| Other incomes | Total other incomes  |
| Other expenses | Total other costs |
| **TAXES** |
| Profit taxes | Group III, 14200 |
| Other taxes | Group IV, 14300 |

\*In case of NGOs

The forecast will be made for 5 or 6 years and will consider the situation of the company after the project implementation without the non-reimbursable financial support.

1. *Correspondence with the Standard Profit and Loss Form in Greece legislation:* ***- it will be updated***
2. *Correspondence with the Standard Profit and Loss Form in Croatia legislation:*

|  |  |
| --- | --- |
| **Excel file** | **Standard Profit and Loss Form** |
| **OPERATIONAL REVENUES** |
| 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 |
| **OPERATIONAL COSTS** |
| 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 |
| **FINANCIAL ACTIVITY** |
| Financial revenue | Financial revenue |
| Financial expenses | Financial expenses |
| **TAXES** |
| Income tax | Income tax |

***Cash\_Flow***

The worksheet will show the cash flow of the project with no reimbursable support (not considering the EEA/Norway grant). The cash flow will consider as financing:

* A bank loan for the whole value of investment with corresponding financing expenses (interest and principal), if the co-financing of the project in case the project is awarder with a grant will be covered using a bank loan.
* Shareholder’s own equity for the whole value of investment if the co-financing of the project in case the project is awarder with a grant will be covered using shareholder’s equity;
* A combination between the two of them (if the co-financing of the project in case the project is awarder with a grant will be covered using a combination between bank loan and shareholder’s equity)

The values should include VAT. The cash flow will be prepared for the next period (1-year project implementation + 5 operational years in case of investment projects or 1-year project implementation and a maximum of 4 operational years in case of ICT projects

***Project costs and revenues***

**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.

1. **REVENUES**
2. **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.
3. **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

**II. OPERATING COSTS**

1. **Personnel costs –** number of new employees and the average gross unitary salary for the operation of the investment
2. **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.
3. **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)
4. **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

**III. Depreciation and amortization**

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.

1. For the Romanian applicants, the annual depreciation percentage will be calculated as 1/estimated lifetime of the asset (number of years). The estimated lifetime of the assets will consider the “*Catalog regarding the classification and normal operating times of the fixed assets*”
2. For the Bulgarian applicants, there will be used the following percentages:
* Buildings, communication networks, electricity networks, investment properties - 4%;
* Production equipment, machines - 30%;
* transport vehicle, incl. for internal use into the production premises and air-plane runways (excluding cars) - 10%;
* computers and related equipment, software, mobile phones, etc. - 50%;
* light vehicles (cars) - 25%;
* tax non-current tangible and non-tangible assets which have maximum period of usage - 100/ number of years for the usage but not more than 33 - 1/3;
* Others - 15%.
1. 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.

1. 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.

**IV. Changes in working capital**

It will be forecasted the evolution of:

* Inventories
* Trade receivables
* Current liabilities

The forecast will consider only the project impact over these Balance sheet elements.

**III. Additional information for the Applicants**

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.

**III.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:

1. **Income statement**

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)?

**III.2 Project profitability**

All business projects should be financially profitable. Considering a discount rate of 6% 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.***

**III.3Project 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>

https://data.worldbank.org/indicator

Regarding the risk, the projects are classified as follows:

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