

Project Implementation and Reporting Young Innovative Companies (NIY)

Instructions, to use for example in kick-off meetings

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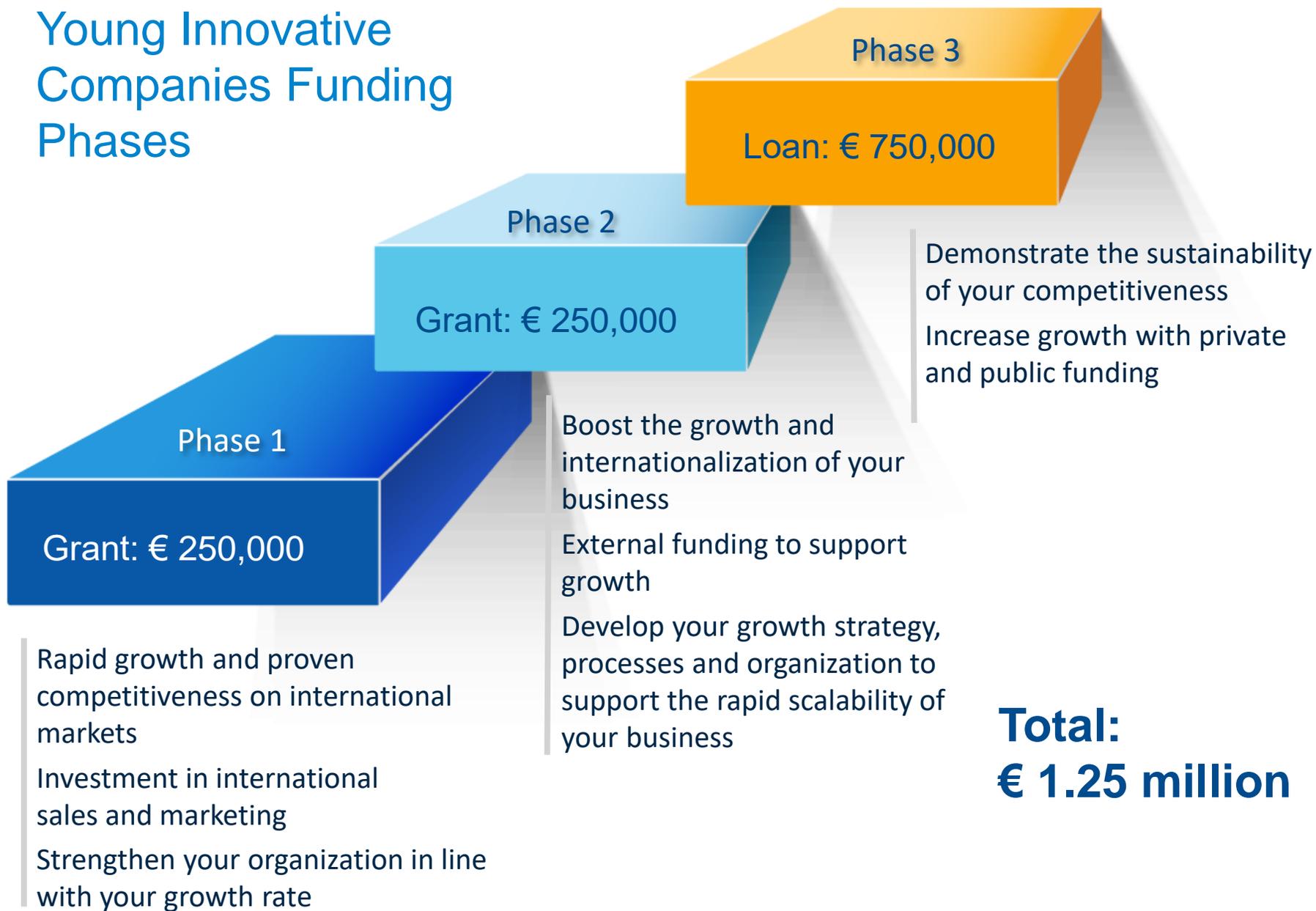
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Amount of Funding



Young Innovative Companies Funding Phases



Amount of Funding

The Grant Phases

- The first two NIY funding phases consist of grants of € 250,000 each (75% of the costs)
 - The Funding Agency pays the grant on the basis of approved cost statements
 - 10% of the grant is paid at the end of each phase and following the Final Report

The Loan Phase

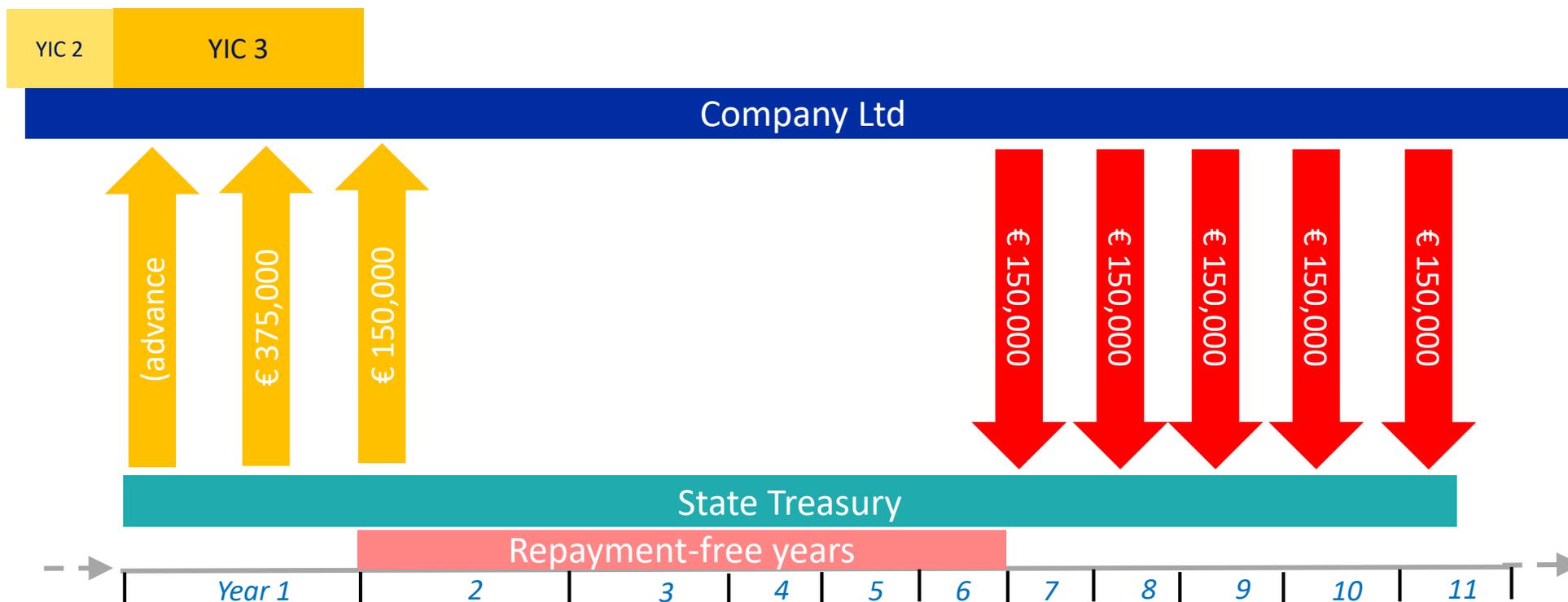
- The third NIY funding phase consists of a loan of up to € 750,000 (75% of the costs)
 - The loan can be divided into two parts
 - Loan funding from the Funding Agency includes interest subsidies. The current interest rate is 1%
 - No security is required for the loan
 - If necessary, a 30% advance on the loan may be paid at the beginning of the loan phase
 - This only applies to the first instalment of the loan
 - The Funding Agency will pay at least 20% of the loan only at the end of the phase
 - The loan term is 10 years, with a maximum of five repayment-free years
 - This maximum is a legal requirement and non-negotiable
 - The loan term is always calculated from the point at which the first instalment of the loan is taken out (see following pages)
 - Repayment of the loan cannot typically* be waived

* Please see [funding terms and conditions](#)



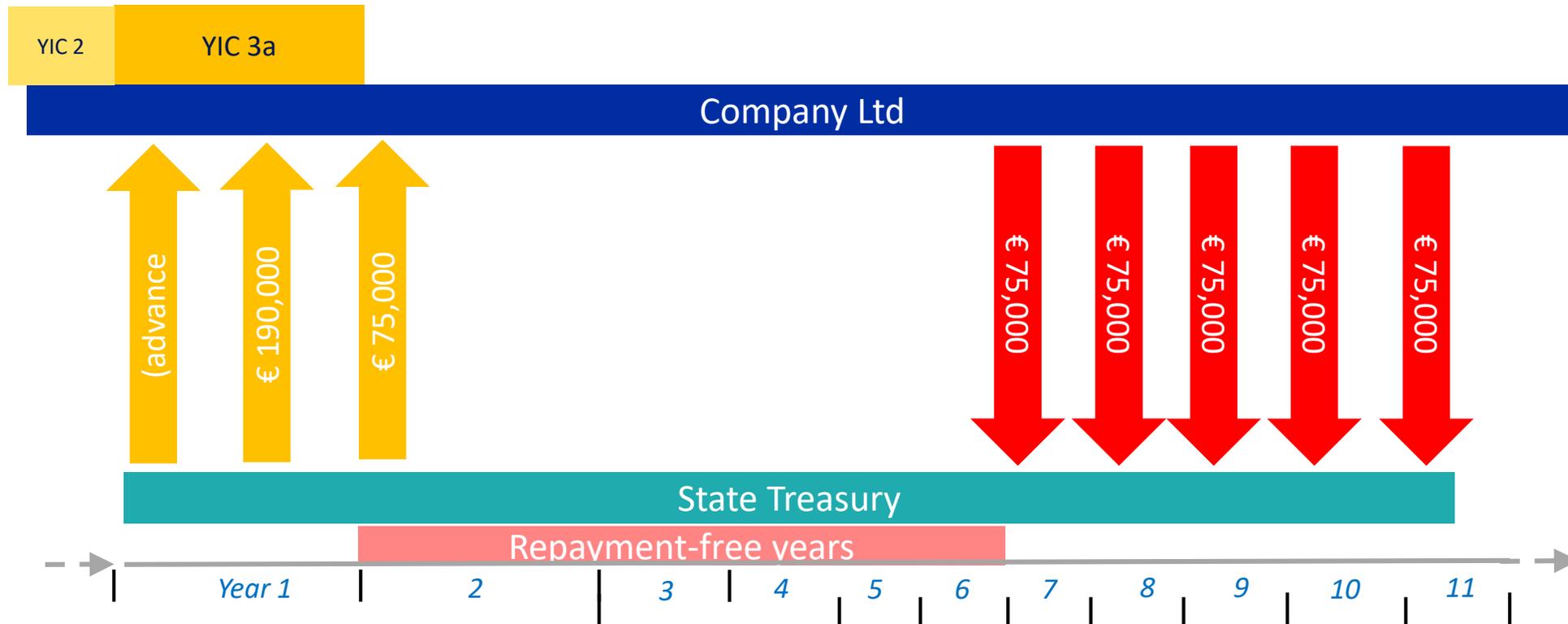
Taking Out and Paying Back Loans (Example 1)

- The loan is granted in full at a time: NIY 3: € 750,000, 12 months
 - The loan term is 10 years, of which five are repayment-free, starting from the taking out of the first instalment
 - Repayments are once a year
 - Please note that interest payments have not been taken into account in the diagram



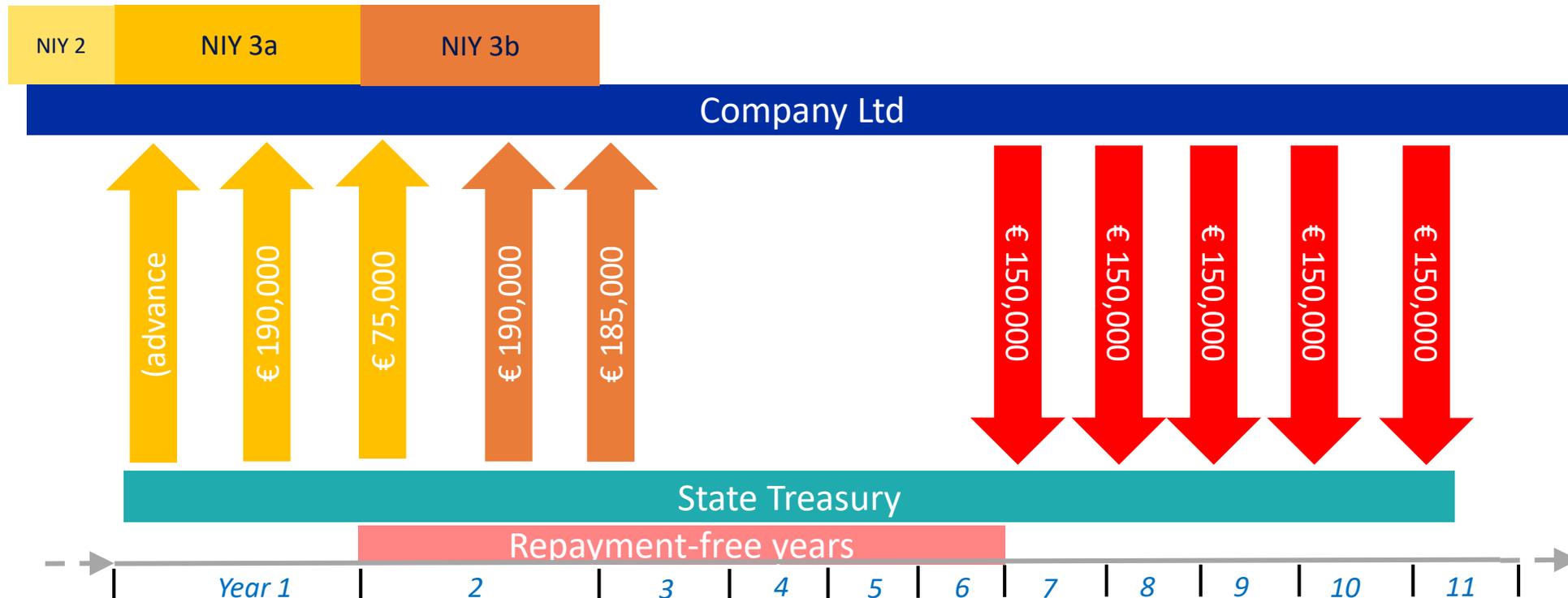
Taking Out and Paying Back Loans (Example 2)

- The loan is divided into part, but the second part is not granted:
 - NIY 3a: € 375,000, 12 months (+ NIY 3b: € 0)
 - The loan term is 10 years, of which five are repayment-free, starting from the taking out of the first instalment
 - Repayments are once a year
 - Please note that interest payments have not been taken into account in the diagram



Taking Out and Paying Back Loans (Example 3)

- The loan is granted in parts: NIY 3a: € 375,000, 12 months + NIY 3b: € 375,000, 12 months
 - The loan term is 10 years, of which five are repayment-free
 - The loan term is calculated from the taking out of the first instalment
 - Repayments are once a year
 - Please note that interest payments have not been taken into account in the diagram



Simultaneous NIY and R&D Funding

- The Funding Agency can grant R&D funding to a company receiving NIY funding, if the R&D funding supports the attainment of the goals of the NIY project
 - Any potential R&D funding needs should be discussed before the application is submitted
 - 50% of the R&D funding is granted as a loan
- Other than R&D funding (e.g. de-minimis funding) cannot be granted during the NIY project.



Eligible Costs



Monitoring of Costs

Project Accounts

- Project costs must be entered into the company's accounts accompanied by a cost center or project number, for example
- Project documents and other materials necessary for auditing must be kept for at least 10 years from the payment of the last instalment of the funding

Working Time Monitoring

- In NIY projects, hourly working time records are only required if the company is simultaneously running another project funded by the Funding Agency



Eligible Costs of NIY Projects

- Project costs are based on the plan presented to the Funding Agency
- NIY funding can be used extensively in the development of the company's international business operations, including sales and marketing
- Funding can only be granted to operations carried out within the first eight years of the company's being in the Trade Register



Ineligible Costs

- Purchases from associated companies (except where special conditions apply to group or other companies)
- Voluntary insurance policies, financing costs, donations and awards
- Contributions to projects implemented by research organizations
- Hire purchase or leasing costs, funding, management, insurance, repair and other similar expenses
- Costs that do not comply with the project plan or that are otherwise unnecessary and unreasonable
- Export-related activities (see next page)



Export-Related Activities

- Running costs related directly to export volumes, the setting up and operation of a distribution network or any other export activities

WHAT IS NOT PERMITTED

- Direct support towards export volumes
- Support towards warehousing, logistics facilities and distribution hubs
- Support for other distribution-related direct investments and operations funding

WHAT IS PERMITTED

- The establishment of a subsidiary, hiring sales personnel
- Conducting contract negotiations related to distribution and the selection of distribution partners



The Act on Public Contracts and Competitive Tendering

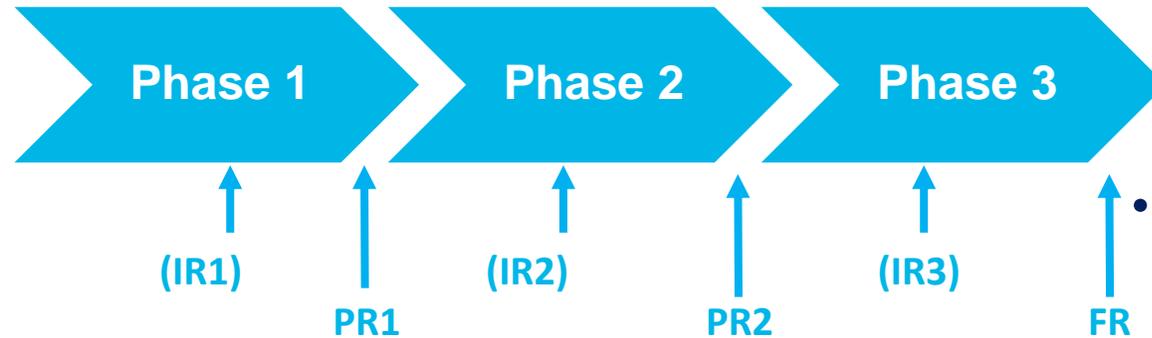
- If the total value of a contract amounts to € 60,000 or more excluding VAT, it must be put out to tender pursuant to the Act on Public Contracts
 - Otherwise, 50% of the contract in question is paid as a grant
 - The competitive tendering threshold for contracts closed before 1 January 2017 is € 30,000
- Responsibility for competitive tendering lies with the beneficiary
- A copy of the HILMA notice must be appended to the cost statement
- Single contracts cannot be split between several suppliers or a chain of suppliers
- Entering a new NIY phase does not cut off the monitoring of a contract
- Instructions on purchases relating to projects funded by the Funding Agency are available on Business Finland's website
- Advice on public tendering: hankinnat@kuntaliitto.fi



Reporting and Cost Statements



Reports and Reporting Schedule



- Reporting approximately every six months
 - Interim Reports (IR) – if necessary
 - Phase Reports (PR) – at the end of each phase
 - Final Report (FR) – at the end of the project

- Reports consist of two parts:
 1. Content report describing the progress of the project
 2. Statement of costs allocated to the project
- Content reports and cost statements are created via the Online Service
- They are always processed simultaneously



Content Reports

- Content reports are submitted via the Online Service by answering the questions in the reporting section
- Particular attention should be paid to the following:
 - The situation report and future plans on a general level
 - The attainment of the goals set for the phase
 - Any changes needed with regard to the:
 - project content
 - budget
 - schedule (deadlines can be extended by up to four months)



Cost Statements

- Costs are declared via the Online Service
- Cost statements should be accompanied by the following:
 - The general ledger, itemized declaration of expenses
 - clear narratives, the supplier and order content
 - alternatively or as a supplement, the [Itemized Statement N6](#) form (in Finnish)
 - [Salary specification Y4](#)
 - [An auditor's report](#) in connection with every end-of-phase cost statement (Phase Reports and Final Report)



Costs Declared for Projects

1. Salary costs

- The share of salary costs allocated to the project is calculated; all monetary salaries subject to withholding tax can be included
- Performance and other bonuses, etc. may be included under performance-based salaries

2. Indirect personnel costs

- 30% of social security expenses are approved as a deferred percentage for those falling within the scope of the Finnish social security system

All other costs arising from the project are declared as purchases:

3. Purchases from the European Single Market OR

4. Other purchases (from outside the European Single Market)

- Subcontracting
- Travel expenses (in accordance with the guidelines issued by the Finnish Tax Administration)
- Equipment acquisitions and depreciation, the polluter pays principle
- Materials and supplies
- Obligatory overheads
- Purchases from group companies only if mentioned in the funding decision
 - PLEASE NOTE: group companies must invoice the company and provide their own separate statements



Differences in Cost Statements between NIY and R&D Projects

Funding for Young Innovative Companies

- Hourly working time monitoring only if another project funded by the Funding Agency is running simultaneously
- The total salary from which the share allocated to the project is calculated = all monetary salaries subject to tax
- No overhead percentage, can be declared as direct expenses
- Itemized statements
- Competitive tendering, where applicable
- A wider range of costs accepted than in R&D projects

R&D Funding

- Hourly working time monitoring
- The total salary from which the share allocated to the project is calculated = monetary salaries subject to tax, excluding holiday bonuses
- Overhead costs are based on a percentage
- No itemized statements
- No competitive tendering (if the grant covers less than 50%)
- Eligible costs are based on cost estimates



Changes to Projects: Reassignment, IPR, Business Restructuring

- A funding decision cannot be transferred to a third party
- The company must inform the Funding Agency in advance of any changes, including the following:
 - Mergers, acquisitions and divestitures
 - The sale of IPR created during the project
 - Other significant changes in business operations or restructuring
 - Any loans granted by the Funding Agency are usually paid back in connection with mergers, acquisitions or divestitures
- Changes must be reported
 - during the project
 - for a period of five years from the payment of the last instalment of the funding
 - before the loan is repaid in full
- The Funding Agency's consent must be sought for measures that
 - are taken outside the European Single Market
 - compromise the desired impacts of the project
 - impede the paying back of the loan

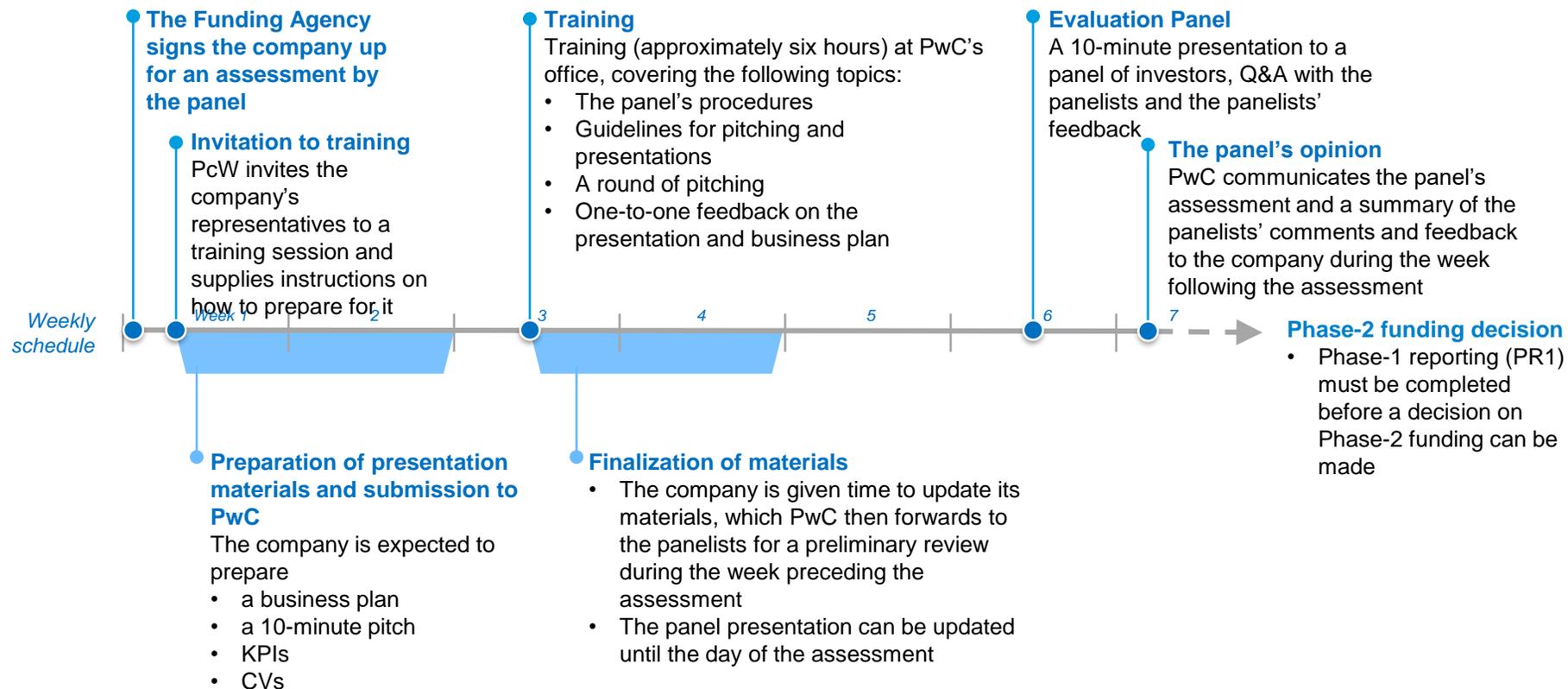


Evaluation Panel and Moving on to a New Funding Phase



Evaluation Panel

- Companies undergo an assessment by a panel of investors during the first phase of YIC funding
- The coordinator of the panel (PwC) arranges a training day for the company's representatives before the assessment
- The role of the panel is advisory. The Funding Agency takes the investors' assessment into consideration when deciding on the next phase



Moving to the Next Funding Phase

Applying for the next phase in connection with the submission of Phase Reports

- No new application is required, but the following documents must be submitted with the Phase Report (within one month of the submission of the report):
 - Plan for the next phase
 - A recent accounts ledger (income statement and balance sheet)
 - A cash flow forecast for at least the next 12 months; a template is available on [Business Finland's website](#)
 - A list of shareholders (if changes have taken place during the previous phase)
 - Any other additional information
- Funding for the next phase can be granted if
 - the goals for the previous phase have been achieved for the most part
 - the company still has a credible plan for rapid growth
 - the company's financial standing allows for the implementation of the growth plan



Websites

Funding for Young Innovative Companies

www.businessfinland.fi/en/niy

Online Service

<https://www.businessfinland.fi/en/for-finnish-customers/online-services/>

Reporting Guidelines

<https://www.businessfinland.fi/en/for-finnish-customers/services/funding/guidelines-terms-and-forms/reporting/>

