

# SMART: SCOTLAND programme

Guidance Notes

## note

The guidance in this publication applies only to the SMART: SCOTLAND Scheme. Applicants in other parts of the UK should contact the Government Department or Regional Development Agency which sponsors the equivalent programme in their area for details which apply to them.

SMART: SCOTLAND grant funding constitutes a notified State Aid\*. Therefore, none of the spending on a SMART Feasibility Study or Research and Development project qualifies for SME R&D tax credit. However, if you are a registered company, you may still be able to benefit from a 125% tax deduction under the large company R&D tax credit scheme.

More information about the R&D tax credit can be found on the HM Revenue and Customs website at:

[www.hmrc.gov.uk/randd](http://www.hmrc.gov.uk/randd)

SMART: SCOTLAND is part-financed by the European Regional Development Fund.

\* The market research and business review element of the SMART: SCOTLAND scheme – which does not constitute R&D support - is not classified as State aid. The legal basis for this funding is the EU *De Minimis* Regulation.

**We have an ongoing commitment to encouraging a diversity of applicants for SMART: SCOTLAND. All applications are welcome and will be treated equitably regardless of race, gender, disability, sexual orientation, age, status, religion or belief.**

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## introduction

SMART: SCOTLAND aims to:

- assist small and medium-sized enterprises (SMEs) to research, develop and exploit new, technically innovative, products with good commercial potential.
- stimulate technical innovation and encourage best practice throughout business.
- strengthen the scientific and technological bases of industry.
- improve the future competitiveness of the Scottish economy by supporting technically innovative SMEs, recognising that these are a dynamic source of new wealth creation, employment and export sales.
- help contribute towards a climate which encourages investment in innovative technology by individuals, companies and financial institutions and which stimulates a market in technological advancement.

It seeks to achieve these objectives by providing grants on a **discretionary basis** for:

- technical and commercial feasibility studies and
- research and development projects

Both feasibility studies and research and development projects must involve a significant technological advance for the UK industry or sector at which the product or process is targeted.

In addition, grant recipients will be given the opportunity to receive a Market Research and Business Review Report to help them to maximise the full market potential of their project.

In line with our aims, we actively encourage entries from companies established by universities or non-profit research centres.

All businesses that receive SMART grants will also be considered for a SMART Award.

**These notes are intended to provide guidance on completing a SMART: SCOTLAND application. Before completing an application, we suggest that you contact us so that we can discuss your proposal. An early stage discussion should generally lead to a quicker turnaround.**

## main elements of the scheme

### **Feasibility Studies**

Support for Technical and Commercial Feasibility Studies is available on a discretionary basis at 75% of the eligible project costs. Projects must last between 6 and 18 months and the maximum grant is £70,000. Recognising that SMEs often find it difficult to fund work of this nature, one-third of the grant is paid upfront when the project starts. The remainder of the grant is normally paid quarterly in arrears against claims submitted.

If you successfully complete the Feasibility Study you may then apply for a Research and Development Grant to enable you to develop a pre-production prototype.

### **Research and Development Projects**

A SMART Research and Development Grant of 35% of the eligible project costs, up to a maximum grant of £600,000, is available to SMEs on a discretionary basis to enable them to develop a pre-production prototype of a new product or process. Grant is normally paid quarterly in arrears against claims submitted. Projects must last between 6 and 36 months, and have minimum eligible costs of £75,000.

The development of commercially usable prototypes and pilot projects can also be assisted where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In such cases, any revenue generated from the prototype or pilot would require to be repaid on a pro-rata basis.

Any SME that meets the SMART: SCOTLAND eligibility criteria may apply for a SMART R&D grant, irrespective of whether or not they receive support under SMART for a Feasibility Study.

### **SMART Awards**

All Feasibility Studies and Research and Development projects that receive SMART grants will be considered for a SMART Award. These Awards will be made in recognition of projects that demonstrate exceptional technical merit and commercial potential. Winning firms will be presented with their Awards at an annual awards ceremony designed to showcase them to the business and financial investment communities.



### Exploitation Assistance

To help SMART grant recipients fully realise the commercial potential of their intended product or process, businesses that receive a SMART grant will be offered a Market Research and Business Review Report delivered by specialist contractors appointed by the Scottish Executive. Each of the contractors has a proven track record and experience of working with early-stage technology businesses with growth potential and/or an expert knowledge of the market at which the product or process is targeted. Details of the contractors may be found on our website at [www.scotland.gov.uk/innovationgrants](http://www.scotland.gov.uk/innovationgrants)

## eligibility and selection criteria

### Who is eligible?

Individuals planning to set up a business and SMEs are eligible provided they are based in Scotland or planning to set up in Scotland. SMEs must meet the European Community definition<sup>1</sup> of a 'small and medium-sized enterprise'. In essence, this requires you to:

- have less than 250 employees (full-time equivalent world-wide, including partners and executive directors) **and**

### have either

- an annual turnover not exceeding EUR 50 million<sup>2</sup>

### and/or

- an annual balance sheet total not exceeding EUR 43 million.

The definition of an SME can be complex. More information on the definition is set out in the annex to these notes.

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<sup>1</sup> More information on the SME definition is set out in the Annex to these notes.

<sup>2</sup> The exchange rate for 2007 is 1 EURO = £0.67350. We can advise on rates that apply at other times.

We actively encourage entries from companies established by universities or non-profit research centres in which the institution retains a shareholding. Such companies are eligible to apply for a SMART grant as long as:

- one of the purposes of the company is the development of products or processes for commercial exploitation and the company does not merely act as a clearing house for R&D contracts for the university or research centre; and
- the company meets the other qualifying criteria for SMART: SCOTLAND.

The university or research centre should normally have a shareholding of 33% or less. If more than one university or research centre has a shareholding in the company, their combined shareholdings should normally not exceed 33% of the company's share capital.

Charities, companies limited by guarantee awarded charitable status for tax purposes, trade/business associations and Research and Technology Organisations are not eligible. SMART is a single-company support scheme: joint venture or collaborative projects cannot be supported.

#### **What costs are eligible?**

All costs properly incurred and defrayed on the project including labour, overheads, materials, consultancy fees, sub-contract charges, fees for trials and testing, preparing draft operating, service and maintenance manuals, intellectual property costs, market assessment, training, the net cost of capital equipment, and some accountancy, travel and subsistence fees.

More detailed information on the costs which are allowable (and those which are ineligible) is contained later in these Guidance Notes.

#### **Which technologies are eligible?**

Most technologies are eligible and applications from traditional industries and hi-tech businesses are equally welcome, however, we do not support defence projects.





### **State Aid restrictions**

Certain industry sectors have restrictions on state aid for R&D under the provisions of the Treaty of Rome (Articles 92 and 93). The industries currently affected include shipbuilding and transport. Contact us if you are uncertain whether these restrictions could affect your project.

### **What are the selection criteria?**

Grants will be made at the discretion of the Scottish Executive.

The selection process will take account of a number of factors. To obtain a grant applicants must demonstrate that:

- the proposed project will represent a significant technological advance for the UK industry or sector concerned;
- significant technical risks are associated with the technology challenge;
- they own, or have the rights to exploit, the intellectual property needed to undertake the project. All intellectual property arising from projects supported under SMART: SCOTLAND must be owned by the business receiving the grant;
- the commercial prospects for the end product or process are good;
- realistic and effective routes have been identified for realising the commercial potential for the product or process;
- the necessary management and technical expertise and resources to ensure that the project is brought to a successful conclusion are either available "in-house" or will be brought-in;
- financial assistance under SMART is essential; and
- both the project and the business are financially viable.

Account will also be taken of the wider impact or implications of projects to society including factors such as environmental impact, sustainability and health and safety. We will not support projects which will have an adverse effect on the environment and/or society.

## confidentiality

Your application may be referred to other Government Departments and agencies and to non-Government bodies with sources of technical expertise for help in appraisal, but confidentiality will be maintained. You can find a list of external advisors on our website at: [www.scotland.gov.uk/innovationgrants](http://www.scotland.gov.uk/innovationgrants) Should you have any concerns over referral to any particular individual or organisation, please indicate this in your project proposal.

The Patent Office has confirmed that SMART does **not** constitute public disclosure for patenting purposes, as the information which is provided in confidence is not in the public domain.

## how to apply

You can apply at any time, however, before filling in an application form, we suggest that you contact us so that we can discuss your proposal. An early stage discussion should generally lead to a quicker turnaround. Contact details are at the back of these notes.

Your application will need to include the following elements:

- a completed **application form** which we can use as a quick check on eligibility and the suitability of your project;
- a separate **project proposal** which we use as the main focus for assessment of the technical and commercial objectives;
- a **business plan** which we use to assess where the project fits in to the business strategy; and
- recent **accounts** which we use to assess the strength of the business, the viability of the project and the need for grant.



## appraisal process

We encourage you to contact us at an early stage as an initial discussion of the project may save time or unnecessary work. At this early stage, we can talk you through the whole process from application to approval.

Each application is subjected to a detailed appraisal by officials from the Scottish Executive as soon as it is received. Provided that applications meet basic eligibility criteria, we will commission intensive due diligence from expert technical, commercial and financial assessors. A worldwide patent search will also be commissioned from the Patent Office to assess the level of innovation in your project and to ensure that it does not infringe anyone else's intellectual property. We will contact you about any issues arising from these diligence checks and we may also contact you to seek further information on any points in your application.

Once the information is complete, it is collated and considered before a decision is made. During this process, we will keep you up to date with progress on your application.

### **When will the outcome of your application be known?**

The result of your application will be notified to you as soon as a decision has been taken. This may be up to 8 weeks after receipt of a fully completed application. However, it can be longer, depending on the amount of due diligence which needs to be undertaken during the appraisal process and the time taken by you in responding to any queries which may be raised.

### **What if your application is successful?**

If your application is successful, we will send you a formal offer of grant specifying the technical programme of work, the amount of support and other general conditions, including our access to information about the project. You will be asked to accept these conditions and it is most important that you read the offer letter carefully, understand it, and comply with it. The grant offer letter will include details of the Market Research and Business Review Report (see separate section on exploitation assistance).

If you accept an offer of grant for a Feasibility Study, you will receive an advance payment of one-third of the grant offered. Thereafter, you should normally claim for payment quarterly in arrears, and keep us informed of progress with the project at the same time.

There is no up-front payment for Research and Development Projects. Claims for payment should be submitted quarterly in arrears, together with a progress report on the project.

A Monitoring Officer will be appointed and will make occasional visits to oversee progress on the project and to ensure compliance with the conditions attached to the offer of grant. Arrangements for monitoring progress will be set out in the offer letter.

#### **Exploitation assistance**

To help fully realise the commercial potential of SMART projects, we offer SMART grant recipients a Market Research and Business Review report. This tailored and specialist report offers project specific advice on marketing and product launch. The report may take up to 15 days to complete and must be carried out within a suitable timeframe to be agreed with the contractor. Grant recipients must be prepared to cooperate with the contractor in the delivery of the service.

The value of the *de minimis* aid you will receive under this service is unlikely to exceed £7,500 although this will vary between projects. The exact figure will be set out in the grant offer letter. This service is provided free of charge to those businesses which will not breach the €200,000 (approximately £134,700) rolling 3 year *de minimis* aid limit by accepting the offer. (If you have previously received *de minimis* aid from the Scottish Executive, Scottish Enterprise, Highlands and Islands Enterprise or any other public body you will have been advised of this by the public body that offered the funding to you). If you are required to pay part of the cost of this service because the *de minimis* aid limit would be breached, we will still offer you this service, but you can decline if you wish to do so.

The Scottish Executive has signed Confidentiality Agreements with all the contractors. To protect your interests you are advised to do the same. Upon request, the Scottish Executive will provide you with a Confidentiality Agreement which may be suitable for this purpose.



If you are applying for a SMART grant for a Research and Development project which follows-on from a SMART Feasibility Study and you have already received a Market Research and Business Review Report from a contractor appointed by the Scottish Executive at the feasibility stage of the project, you are not eligible to receive this type of support again at the development stage.

#### **Project start date**

You can start work on the date specified in the formal grant offer letter. **Work carried out in advance of that date will not be eligible for support under SMART.**

#### **What happens if your circumstances change?**

If any details of your application change after you submit your proposal, you must inform us immediately in writing.

We reserve the right to rescind the decision to offer a grant or reclaim the grant if any information you provide turns out to be materially untrue, if you do not inform us promptly of material changes in your plans, or if you fail to comply with the terms and conditions of the grant offer.

#### **What if your application is unsuccessful?**

We will give you full and clear reasons for our decision in writing.

Those applications that do not meet the basic eligibility criteria, and those which cannot be assessed because a significant amount of information is missing, will be rejected at an early stage and we will write to you explaining the reasons for the decision.

The network of Local Enterprise Companies provides a range of services to small and medium-sized businesses and may be able to suggest a suitable alternative to SMART support. We may, therefore, pass your name and address to your Local Enterprise Company, unless you indicate that you do not wish us to do so. Information about your project will not be passed on.

#### **Decision reviews**

If you believe the Department's decision is unsound because we failed to take proper account of the information you provided, or if you can supply more information or an explanation to help us look at the project again, you can write to us at the address given at the back of these notes to request a review. As part of the request, you must clearly set out why you believe the decision is unsound.

We will reconsider the case in the light of the extra information.

## Complaints

We are committed to improving our standard of service, so if things go wrong, we need to know.

If you have a complaint about the standard of service we have given you, please contact the Head of the Innovation Grants Unit at the address given at the back of these notes. If you want to see our complaints procedure, we will send you a copy.

## the application form

All the sections of the application form must be completed and the form signed and dated by an authorised signatory.

## what should the project proposal include?

The proposal should be consistent with the requirements of these Guidance Notes and be in the region of 10 pages long. It should distinguish clearly between information and figures relating to the SMART project and the rest of the business. Details of the rest of the business should be incorporated in the Business Plan.

The proposal should be written in clear terms so that the officer responsible for appraising it, who may not be fully familiar with the technology and will need to refer to other sources of expert advice, can understand it. However, you must also provide sufficient technical details to enable an expert to carry out an assessment of the project. Where material such as drawings, flow diagrams, etc. would improve clarity they should be used. These and other supplementary information should be included as annexes.

The proposal should be produced on single-sided A4 paper, with individual sheets numbered. Please do not bind it in any way as we may need to copy parts of it.



Follow the format and headings below:

**(1) Overview**

Give an overall view of the project, why it is desirable and what you hope to achieve.

**(2) Objectives**

You should state:

- what measurable technical objectives you expect to meet by the end of the project
- what measurable commercial objectives you expect to meet after the project is completed.

Objectives should contain realistic targets and an indication of when they are expected to be achieved ("milestones").

**(3) Technical description**

You will have considered the technical uncertainties or problems associated with the Feasibility Study or creation of a pre-production prototype and established the R&D work to solve these technical problems. This proposed technical project methodology must be described in a clear, logical manner and in full detail. It is critical in our understanding and assessment of the R&D work to be done.

To enable the extent and nature of the technical risk to be assessed, ensure that you give a detailed description of:

- the technical approaches to be adopted
- the major problems to be solved
- the technology to be used in solving them and
- the chances of the project being successful technically.

**(4) Project timetable**

You must include a bar (or Gantt) chart to show the planned progress and expected spend on the various activities in the project.

**(5) Level of technological innovation**

Explain how the project will result in technological innovation and why this is a significant technological step forward for your target industry or sector. We

recognise that the level of innovation will differ from industry to industry but, to help us assess this, please state whether the results of your project will produce something which is new in international terms, or in UK terms, or for your own sector.

#### **(6) Rights to intellectual property**

You must provide evidence that you are entitled to use the intellectual property involved in your project (for example, a copy of a patent in your name, a licensing agreement or details of your own patent search). Alternatively, you must disclose sufficient technical details for the Patent Office to undertake a search for prior art.

**If you have applied for a patent, please enclose a copy of the application.** Full confidentiality will be maintained and this does NOT constitute public disclosure.

You should state how you intend to protect any intellectual property that is generated as a result of the project. **You should note that any intellectual property (e.g. patent, copyright) generated must be owned by the business that receives the SMART grant.**

#### **(7) Marketing and commercial exploitation**

Describe your plan for commercial exploitation of your product or process once the project has been completed. You should provide details of the following:

- the likely demand and market size for the product or process to be developed
- how you expect to enter the market
- a description of the world wide competition and an assessment of the strengths and weaknesses of their products and/or processes when compared to the expected end results of your projects
- a description of any future events which could affect the competitiveness of your proposal
- the extent to which the completed project will displace existing UK and overseas technologies
- a description of how you assessed likely demand, market size and competition, along with any supporting evidence if available.

**In addition to the above, evidence of interest from potential customers would strengthen your application.**

If you intend to license the product or process to others, give details. You should note that one of the conditions of a SMART grant is that you may not manufacture or permit the manufacture of articles which use the results of work done with the





aid of the grant outside the European Economic Area. This condition runs for a period beginning on the start date of the project and ending five years after the final grant payment is made. Changes to this grant condition may be made at the discretion of the Scottish Ministers. You should bear this in mind if you consider entering into any licensing agreement.

**(8) Wider impact**

Describe the wider impact, if any, that your project might have on the environment and society in fields such as health and safety, detection and prevention of crime, "public good", "quality of life" and sustainability.

**(9) Business background and project management**

Give an outline description of your own and your business's background and experience. State when the business was formed and describe any relationships which your business, or any partners or directors in your business, has with parent or other enterprises.

In particular, describe:

- your or your business' experience in the areas related to the proposed project
- the relevant qualifications and experience of the principals and senior staff engaged on the project. (Include CVs as annexes.)
- how the project is to be managed. (Include details of who will manage the project and describe the roles of employees and any consultants or sub-contractors who will be engaged on the project.)

As small and medium-sized businesses are not usually in a position to undertake more than one significant R&D project at the same time, if you are currently undertaking another project you must mention this and demonstrate that you have sufficient resources (human and financial) to run two projects simultaneously.

For projects involving personnel who are simultaneously employed by the applicant business and another business or organisation, such as an educational institution, it is necessary to demonstrate that staff will be available for the required commitment.

#### (IO) Need for SMART support

You must demonstrate that a SMART grant is essential for you to proceed with the project. Explain why you are seeking financial assistance and how it would affect the project. For example, you might otherwise not carry out the project at all, or you might have to do it on a much smaller scale (you should say how much smaller), or over a longer period (say how much longer). This should demonstrate what SMART support would enable to happen that would not have happened otherwise.

If you are an individual, state how much money you can raise yourself and describe your own financial constraints at the time of applying for a SMART grant. Please provide evidence to support these assertions.

If you are a business, explain your business criteria for deciding how to use existing internal funds, indicating competing claims on your resources from other projects. If appropriate, give details of your business's spending on R&D over the past two years. State whether the project has been approved by the company board, and the degree of priority attached to the project.

Show how you will fund the project. List those private or public sources of financial assistance you have approached in connection with the project e.g. development agencies, banks, venture capital companies and corporate venturers, and describe what happened. **Statements of financial support for the SMART project must be backed by written evidence (e.g. a copy of a loan agreement or a bank overdraft facility).**

Predictions of support (including any support predicted in the cashflow projections) must be substantiated before a grant can be offered.

If your application is successful and you are receiving funds from any other public sector source for the same project, or any of the costs associated with the project, the amount of SMART grant offered will be reduced on a pound-for-pound basis unless the public sector support is being provided on a commercial basis.

#### (II) Project costs

Include a description of what is included under each heading in your estimates of the project costs. All costs should be exclusive of VAT unless your business is not registered for VAT. The following list is a guide to which costs are eligible, but list any others which you feel should be considered and provide a detailed



breakdown of all the project costs to show expenditure on a quarterly basis. Notional costs, and contributions in kind, are not eligible for SMART funding; all costs included in the estimate must actually be incurred and paid for (defrayed) by the applicant.

### **Pay of personnel**

State your staff cost rates and estimate the pay of personnel working on the project (wages, salaries or drawings) and the amount of time each person is likely to spend engaged on project activities. Include the names of individuals when these are known. Salary costs must be reasonable in relation to the expertise required. Your estimate should indicate the actual salaries each person will be paid, but please note that the eligible staff costs on which grant will be paid are limited to no more than an annual full-time equivalent salary of £40,000 per person. Salary costs should not include any posts that have been created, and are currently being part-funded, with support from the Regional Selective Assistance (RSA) job creation scheme, or from other publically funded incentives, nor relate to staff that are based outwith the EU Member States.

### **Overheads**

Reasonable overheads are allowable, but unusually high costs will need justification. Include employer's National Insurance and pension costs. Provide a breakdown of the overhead figure to show how it is made up.

### **Materials**

Materials consumed are those purchased from third parties. If waste or scrap material has a significant residual or resale value then your estimate of costs should reflect this. Software purchased specifically for the project should be treated as "Materials Consumed" rather than as "Capital Equipment and Tooling".

### **Consultancy and sub-contract**

Where a proportion of the project costs is allocated for consultancy and sub-contract charges, or fees for trials and testing, you should explain why the work cannot be carried out more effectively and cheaply in-house and identify who will be carrying out the work. If any work is to be undertaken outwith the European Member States, justification must be provided as to why this work cannot be undertaken within the European Member States. Moreover, no more than 20% of the total eligible project costs can be attributed to consultancy and

sub-contract work undertaken outwith the EU Member States. Confidentiality agreements should be in place with all third parties undertaking work on the project. Any intellectual property resulting from such work must be owned by your business. Directors' time claimed on a consultancy or sub-contract basis must not include any profit element and the eligible costs on which grant will be paid are limited to no more than an annual full-time equivalent fee of £40,000.

### **Fees for trials and testing**

Fees for trials and testing (e.g. EMC testing) are eligible, but certification fees (e.g. EMC certification) are not.

### **Preparing technical manuals**

The cost of preparing technical manuals is eligible for support if they are necessary for the project. The cost of printing "user manuals" is not eligible.

### **Intellectual property**

Intellectual property costs may include both the costs associated with buying-in or licensing the rights to use the intellectual property of others (provided the others involved are not associated with your business) as well as the costs of protecting intellectual property arising from the project.

### **Market assessment**

No more than 15% of a grant may be used on the costs of limited market assessment (but not market research or survey costs) to ensure that your project will continue to satisfy the identified market need.

### **Training**

Training costs specific to the project are eligible. Such training may include training to enable staff to undertake specific tasks on the project or training to familiarise staff with technology that has been licensed-in specifically for the project.

### **Travel and subsistence**

Travel and subsistence costs directly related to the project are allowable, e.g. travel to monitor trials or for market assessment visits.

### **Accountancy fees**

Where an Independent Accountant's Report is required to support claims on the project, costs for this are eligible. Independent certification is required for the final claim of a feasibility study as well as for the first and final claims of a research and development project.



### **Capital equipment**

Capital equipment and tooling costs are allowable only to the extent they are needed for the project. List each item of capital equipment and tooling included in your project costs and indicate the cost as well as whether the equipment is being purchased or leased or acquired on hire purchase.

#### **Outright purchase:**

If the equipment is purchased outright, then the eligible cost is the depreciation which occurs on the equipment over the project's lifetime. This is calculated as the amount defrayed during the project less the estimated value of the equipment and tooling at the end of the project. IT equipment should normally be depreciated over 36 months and all other equipment over 48 months on a straight-line basis.

For example, if a computer purchased for £1,500 forms part of the eligible costs of a project lasting 12 months, the net eligible cost would be £500 i.e.  $\text{£1,500} - \text{£1,000} (\text{£1,500} \div 36 \times 12)$  i.e. purchase price minus residual capital equipment value at the end of the project. Both the gross and the residual values should be shown in the table of costs (in section 26 of the application form).

#### **Leased:**

If the equipment is to be leased, then the eligible costs are the leasing costs that will be incurred and defrayed during the project period, exclusive of any interest or service charges.

#### **Hire Purchase:**

If capital equipment is to be bought by hire purchase, then eligible costs are calculated by depreciating the hire purchase payments to be incurred and defrayed during the project period, exclusive of any interest or service charges. IT equipment should normally be depreciated over 36 months and for all other equipment over 48 months on a straight line basis.

For example, if a computer is to be bought for £1,500 (net of interest or service charges) via hire purchase over 24 monthly instalments and your SMART project lasts 12 months, then the total hire purchase costs incurred and defrayed during the project period are £750. The net eligible cost of the capital equipment would be  $\text{£750} \div 36 \times 12 = \text{£250}$ .

The following are **excluded** from eligible costs:

- VAT (unless your business is not registered for VAT)
- contributions in-kind
- inflation and contingency allowances expressed as an arbitrary overall addition to project costs
- the cost of preparing a SMART application
- work undertaken before the start of the project and after the end of the project
- posts funded by RSA or expenditure included in other publicly-funded projects
- salary costs above an annual full-time equivalent of £40,000 per person
- directors' fees charged as consultants or sub-contractors to their own business above an annual full-time equivalent fee of £40,000 per person
- salary and other related costs for staff that are based outwith the EU Member States
- interest charges
- bad debts
- the purchase of land and buildings
- profit earned by a subsidiary or related enterprise or person(s) in providing materials, sub-contracting, consultancy or trials/testing
- consultancy and sub-contract work undertaken outwith the EU Member States comprising more than 20% of the eligible project costs
- the cost of printing operating, service and maintenance manuals
- the cost of licensing in background intellectual property when the intellectual property is being licensed from a subsidiary or related enterprise or person(s)
- marketing and sales costs
- market research and market survey costs
- training costs related to sales or distribution of the developed product/ process
- accountancy costs that are not specific to the project
- capital equipment and tooling for manufacturing production
- interest and service charges arising from hire purchase, leasing or credit arrangements
- dividends
- advertising and entertaining
- certification fees.



## your business plan

### Your business plan should include:

- a brief description of your business and the roles of key staff:
  - Describe the products you make or distribute, or the services you provide.
  - Attach a catalogue or brochure if available.
  - Give details of the names, roles, qualifications and experience of key personnel engaged in the business and the project for which grant is sought.
  
- a description of how you see your business developing over the next few years:
  - What market do you serve or are you aiming to serve?
  - Who will be your major customers and where are they located?
  - What competition for your innovation do you have or expect and how have you determined this?
  - What benefits does your innovation have over the competition?
  - How do you expect your products and market to change?
  - What are the main risks to your business (for example Marketing, Finance, Technical)?
  
- an explanation of how the project fits in with your plans and how you expect the project to affect your current sales, profit and employment levels:
  - How do you expect the project to affect your current sales, profit and employment levels?
  - When do you expect to see the benefits from the project, in terms of sales and profits?
  
- details of how your business will be financed.

If you do not have an existing business plan which covers all of this, we have a pro forma business plan which you can either download from our web-site or which we can send you.

If you need advice on how to produce a business plan, contact your nearest Local Enterprise Company, Business Gateway, bank or accountant. There may be a charge for help in preparing a business plan.

## your accounts

As part of your application, we will need your last 2 years' audited accounts (or annual or endorsed accounts) and group accounts if your company is part of a group. If these are more than 3 months old at the date of applying, you must also supply your unaudited or management accounts for the 3-month period prior to the application date. You must also supply unaudited or management accounts for the 3 months up to the application date if your business was recently set up and no audited, annual or endorsed accounts have been produced.

## where to go for further information

Every effort has been made to ensure these notes are accurate, however, it is impossible to cover all circumstances. Further detail on the SMART: SCOTLAND programme can be obtained by contacting us at the address shown.

Contact us if you have any general questions about SMART or specific questions about your application. If you wish, you may also register your interest in attending one of the events which we regularly hold at various locations in Scotland to let businesses know about SMART and other support schemes.

## other forms of support

If your business does not meet the SMART eligibility criteria, or if your Feasibility Study or Research and Development Project is commercially and financially viable but unlikely to meet the innovation criterion for SMART, or if your project involves collaboration with other partners (in the UK or in the EU), or you are seeking investment funding, you may wish to explore alternative forms of support. Your local Business Gateway will be able to advise and signpost you to the full range of assistance that may be available to your business.

The Business Gateways are serviced by a national telephone number on **0845 609 6611**. (Calls are charged at local rates.) You can access their website on [www.bgateway.com](http://www.bgateway.com)





## where to send your application

Send your completed application form and the other supporting information detailed in these Notes to:

**SMART: SCOTLAND**  
**The Scottish Executive**  
**Enterprise, Transport and Lifelong Learning Department**  
**Meridian Court**  
**5 Cadogan Street**  
**Glasgow G2 6AT**

For general queries and to seek further information then

- **Look on our web-site [www.scotland.gov.uk/innovationgrants](http://www.scotland.gov.uk/innovationgrants)**
- **Speak with us on 0141 242 5575**
- **E-mail us at [smart@scotland.gsi.gov.uk](mailto:smart@scotland.gsi.gov.uk)**

## annex - SME definition

The definition of an SME can be complex. This is especially true if your business is part of a larger group or if it works closely with other businesses. The basic criteria relate to staff numbers, turnover and balance sheet totals although other criteria may also have an impact. In particular, the most recent EC guidance introduces three different categories of enterprise:

- In general, most SMEs are **autonomous** since they are either completely independent or have one or more minority partnerships (each less than 25% shareholding) with other enterprises.
- If the shareholding rises to no more than 50%, the relationship is deemed to be between **partner** enterprises.
- If the shareholding is over 50%, the enterprises are **linked**.

Depending on the category in which your enterprise fits, you may have to include data from one or more other enterprises when calculating your own data. The result of the calculation will allow you to check whether you comply with the staff headcount and financial thresholds.

The outline above presents a simplified picture and the definition allows exemptions for certain types of investors.

Detailed guidance on calculating your data is contained in the European Commission's user guide: "The new SME definition: User guide and model declaration" which can be accessed on the internet at <http://europa.eu>

Alternatively, if you are uncertain about your status as an SME, then contact us and we will be happy to help.