

Instructions for Completing the Application Calculator

This budget calculator has been provided to assist you in calculating eligible expenditure for a New Air Combat Capability - Industry Support Program (NACC-ISP) grant.

The calculator forms part of the NACC-ISP Application Form. The application and the related instructions should be read before completing this form. To assist, links have been provided to the eligible expenditure guidelines.

Macros must be enabled in order to use the budget calculator. The security level for macros should be set at medium or lower for the budget calculator to work. For Excel 2003 users of the budget calculator, the security macro level can be modified via Tools; Options; Security; Macro Security. For Excel 2007 users, the security level can be modified via Windows Office Button; Excel Options; Trust Centre; Trust Centre Settings; Macro Settings. Also for Excel 2007 users, please remember to save it as an 'xlsm' (Macro Enabled) instead of an 'xlsx' (Macro Disabled) file. If you do save the calculator as an 'xlsx' file, the macros are deleted and the budget calculator will no longer operate correctly. To fix this requires a new version of the budget calculator and re-entry of the data.

WARNING: Please do not change the tab description of any worksheet. Any changes may cause loss of entered data.
ALL FIGURES IN THE CALCULATOR SHOULD BE GST EXCLUSIVE
THERE MAY BE THE REQUIREMENT TO VALIDATE ANY, OR ALL, OF THE INFORMATION IN THE CALCULATOR

STEPS TO COMPLETE THE CALCULATOR

1. Please select within the "Summary" tab, Stream A, B or C element under which you are applying for NACC-ISP funding. This step needs to be completed first as it determines the level of eligible funding under the chosen Stream.
2. Please enter the project start and end date on the "Summary" tab. This will automatically populate the column headings throughout the workbook. Any subsequent changes to these dates may effect the period in which the costs have been recognised. To assist you, any dates previously entered that fall outside the new project period will appear **RED**.
3. Once step 1 and 2 are complete the remaining tabs can be completed in any order. Please be aware that only fields shaded in **GREEN** can have data entered into them. Please ensure you enter the six monthly breakup of the financial figures into the green cells to the right of the annual summary columns. It is not necessary to input data in all **GREEN** fields. If you require additional **GREEN** lines a button to the left of each table allows extra lines to be inserted. You can edit data previously entered in the green fields by pressing the F2 key. Below is a brief description of how to complete the worksheets for each head of expenditure.

Summary - The summary sheet provides totals for all other worksheets within the calculator. Buttons on this sheet also allow you to navigate around the calculator.

Warnings - The warning sheet displays any eligible expenditure rules that have been exceeded in your budget. Please check the warnings page regularly whilst completing the spreadsheet and ensure any warnings that appear in **RED** have been cleared before submitting. Additional warnings are available after project commencement to assist you in identifying differences with agreed costs when entering actual expenditure.

Labour Expenditure - In section A and B, please complete fields shaded in **GREEN** including apportioning the costs across the relevant periods. Additionally, any salary on-costs and overhead costs allowed by the Eligible Expenditure Guidelines will be automatically calculated for you in Table B of the Worksheet.

Contract Expenditure - Please input the information relevant to contractors that work at least 35hrs per week on the applicant's premises in Table A, including fields to the right of the sheet to reflect the period in which the expenditure is expected to be incurred. Table B will automatically calculate on-costs for the > 35 hrs per week contractors. If you will be using any contractor that typically works less than 35 hrs per week, please input their information in Table C. Table C also requires that fields to the right of the sheet be completed.

Plant Expenditure - Tables A and B require you to enter the six monthly expenses for each item of new, pre-existing, hired/leased and constructed plant. Information relating to running costs as well as percentage of time plant will be utilised on the project will also need to be entered.

Prototype Expenditure - Table A requires you to enter the six monthly expenses for each item individually including the number of prototypes to be produced and the total costs of materials consumed when testing the prototype.

IP Expenditure - This worksheet requires you to enter the six monthly expenses for each item individually.

Collaborative Expenditure - This worksheet requires you to enter the six monthly expenses for each item individually.

Other Expenditure - This worksheet requires you to enter six monthly expenses for each item individually.

Guidelines - The Eligible Expenditure guidelines have also been included in the calculator. Each of the worksheets have buttons through to relevant parts of the guidelines.

4. Once Steps 1 - 3 are complete, please review the "Warnings" and "Summary" tabs. If you are applying for a grant rate/amount different to that generated on the "Summary" tab, please enter the alternate grant amount being requested in the **GREEN** field next to the heading "Actual Requested Grant". Note that justification of an alternate grant amount is required in the application form.

STEPS TO ENTER ACTUAL EXPENDITURE DURING CONDUCT OF PROJECT

5. The budget calculator allows you to monitor your actual expenditure throughout the life of the project and adjust expenditure in future periods as necessary. After entering into an agreement your Customer Service Manager (CSM) will provide you with a copy of the project budget calculator containing agreed project expenditure for use during progress reporting. At this point the calculator will include an additional worksheet with a summary of your agreed expenditure and with "Actuals" buttons enabled. As you progress the project, entering actual expenditure and adjusting future periods as appropriate, any variations from your agreed budget will be highlighted. The additional warning at the bottom of the Warnings worksheet will identify if these differences exceed eligible expenditure guidelines, resulting in the need to either adjust expenditure or discuss the possibility of a project variation with your CSM.

6. To enter actual expenditure for any quarter that has been completed, press the "Input Actuals" button on the Warnings sheet. Editable fields will be set to yellow and all figures in the yellow cells are then able to be adjusted as necessary. All **GREEN** colour fields remain editable as explained above. Please note that actual expenditure may only be entered for quarters that have passed.

**New Air Combat Capability - Industry Support Program (NACC-ISP)
Budget Calculator - Frequently Asked Questions**

Do macros have to be enabled in order to use the budget calculator?

Yes. Macros must be enabled in order to use the budget calculator. The security level for macros should be set at medium or lower for the budget calculator to work. For Excel 2003 users of the budget calculator, the security macro level can be modified via Tools; Options; Security; Macro Security. For Excel 2007 users, the security macro level can be modified via Windows Office Button; Excel Options; Trust Centre; Trust Centre Settings; Macro Settings. Also for Excel 2007 users, please remember to save it as an 'xlsm' (Macro Enabled) instead of an 'xlsx' (Macro Disabled) file. If you do save the calculator as an xlsx, the macros are deleted and the budget calculator will no longer operate correctly. To fix this requires a new version of the budget calculator and re-entry of the data.

Can I unprotect the spreadsheet?

No - The protection is important to ensure the integrity of the calculations and compliance with the eligible expenditure guidelines. If the spreadsheet has been unprotected then it will not be accepted by AusIndustry as it may have been corrupted.

Is it OK to enter formulas in the green cells?

Yes, but the formula must produce a whole number in order to be accepted by the calculator. Decimal places are not used to avoid rounding problems. Customers should use Excel's "ROUNDDOWN" function around the proposed formula to ensure the result will be a whole number. For example, while =125/2 will return 62.5, =ROUNDDOWN(125/2,0) will return 62.

Is it OK to assemble calculations in a different spreadsheet and copy the results into the Calculator?

Yes, but ensure that "Paste Special" as "Values" is used (available under the "Edit" menu), and that the numbers to be copied are whole numbers only. "Paste Special" - "Values" ensures the Budget calculator formatting and data validation is retained and that the Budget Calculator continues to operate correctly.

Can I copy and paste information within the calculator?

Yes - but you can only use "Paste Special" - "Values" as mentioned in the previous answer.

Can I "share" the workbook for use by more than one person at a time?

No - "sharing" does not work with protected worksheets in Microsoft Excel.

Can I place a border on a cell?

No - changing any formatting in the budget calculator including the colour data entry cells, may affect the macros it contains. This will impact on the effectiveness of the budget calculator for the user.

How do I reflect Pay Increases on the Salary Expenditure Tab

This can be effected in one of two ways:

1. Insert a new line for each employee on each salary increment. Enter the start and end date for the salary in the Period Start and Period End cells.
- OR**
2. The annual salary is used as a guide to ensure that the six monthly figures do not exceed the annual amount. Consequently, when entering the annual salary, you can input the maximum salary you expect the person to earn over the term of the project. For the year (s) prior to the employee reaching this maximum salary, the total of the six monthly amounts will be less than the annual salary, which is accepted by the data validation tests.

Do I need to explain the calculations for effective life of Plant and Equipment and Acquisition and Adaption of New Technology within the budget calculator?

No - however it is advisable that you maintain these records as your Customer Service Manager may request information on how the effective life of the asset has been derived.

New Air Combat Capability - Industry Support Program (NACC-ISP)

Warnings where expenditure appears outside guidelines

| | |
|--|--|
| Project period must be between 07/05/11 and 30/6/2014 | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Stream A project period must not be longer than 3 years without prior approval from the Delegate | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Stream B project period must not be longer than 18 months without prior approval from the Delegate | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Stream C project period must not be longer than 3 years | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Total overseas expenditure is limited to 25% of total expenditure eligible | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Total Plant and Equipment expenditure is limited to 50% of total eligible expenditure | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Total IP expenditure is limited to 10% of total eligible expenditure | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |
| Total Technology acquisition expenditure is limited to 10% of total eligible expenditure | OK - CURRENT INFORMATION IS WITHIN ELIGIBLE EXPENDITURE GUIDELINES |

| | | | | |
|---|------|--|---------------------------------|-------|
| | | Current Stream A End Date | Stream A End Date | |
| | | Current Stream B End Date | Stream B End Date | |
| | | Current Stream C End Date | | |
| - | 0.0% | Total overseas expenditure | Overseas Expenditure Rate - % | 25.0% |
| - | 0.0% | Total Plant and Equipment Expenditure | Plant and Equipment Rate - % | 50.0% |
| - | 0.0% | Current IP Expenditure % | IP Expenditure Rate - % | 10.0% |
| - | 0.0% | Total technology acquisition expenditure | Technology Acquisition Rate - % | 10.0% |

1. Labour Expenditure

A. Salary (only employees directly working on project)

| Employee Name | Employee Title | Full time annual salary | Period to be employed on project Start | Period to be employed on project End | % of time on project* | Expenditure Type |
|-----------------------------------|----------------|-------------------------|--|--------------------------------------|-----------------------|------------------|
| Insert Employee Name | | | | | | |
| Insert Employee Name | | | | | | |
| Insert Employee Name | | | | | | |
| Total A: R& D Salaries | | | | | | |

| Expenditure by financial year | | | | | |
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B. On costs and overheads **

| | % of R&D Salaries |
|---|-------------------|
| Salary On Costs (set at a rate of 30%) | 30% |
| Employee Administrative Overhead (set at a rate of 30%) | 30% |
| Total C: On costs and overheads | |

| Expenditure by financial year | | | | | |
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C. Total Salary Related expenses

| Total A+B |
|-----------|
| |

| Expenditure by financial year | | | | | |
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* Eligible salary costs = Incurred salary in period x Actual time spent on agreed project in period. (See section 2.1.1.2 of the expenditure guide).

** To calculate both salary on costs and administrative overhead a set rate of 30% can be applied to total remuneration (See section 2.1.1.3 & 2.1.1.4 of the expenditure guide).

2. Contract Expenditure

A. Contract expenditure (contractors working more than 35hrs/week or more on premises)

| Contractor Name | Purpose | Planned annual payments | Period to be employed on project Start | Period to be employed on project End | % of time on project | Expenditure Type | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | | | | |
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| Total A: R & D Salaries | | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |

B. On costs and overheads **

| | % of R & D Salaries | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | |
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| Total B: Contractor Overheads >35hrs per week (set at 20%) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

C. Contract expenditure (contractors not working 35hrs/week or more on premises)

| Contractor Name | Description of work to be contracted out | Total Costs | Expenditure Type | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 |
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| Total C: Total Contract expenditure less than 35 hours per week | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |

D. Total Salary Related expenses

| Total A+B+C | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 |
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* Eligible fees in period = $\frac{\text{Incurred fees in period} \times \text{Actual time spent on agreed project in period}}{\text{Actual time contracted by grantee in period}}$ (See section 2.1.2.2. of the expenditure guide).

** To calculate both salary on costs and administrative overhead a set rate of 20% can be applied to total remuneration (See section 2.1.2.3 of the expenditure guide).

3. Plant Expenditure

A. Purchased, pre-existing, hired or leased plant

| Description of plant being used, purchased, hired or leased | Purchased, hired, leased or existing? | Date acquired | Purchase Cost | Taxation rate of depreciation or monthly hire/lease charge | Running Costs | % of use on project | Expenditure Type |
|---|---------------------------------------|---------------|---------------|--|---------------|---------------------|------------------|
| Insert Description | | | | | | | |
| Insert Description | | | | | | | |
| Insert Description | | | | | | | |
| Total A: Pre-existing or purchased plant | | | | | | | |

| Expenditure by financial year | | | | | |
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| - | - | - | - | - | - | - | - | - | - |

B. Constructed plant

| Description of plant constructed | Date Deployed on Project | Capitalised Cost of Constructed Plant | Residual value (at project end date)* | Total Depreciation | Total Running Costs | % of use on project | Expenditure Type |
|-----------------------------------|--------------------------|---------------------------------------|---------------------------------------|--------------------|---------------------|---------------------|------------------|
| Insert Description | | | | | | | |
| Insert Description | | | | | | | |
| Insert Description | | | | | | | |
| Total B: Constructed plant | | | | | | | |

| Expenditure by financial year | | | | | |
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C. Total plant related expenses

| Total A+B | | | | | | | |
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| Expenditure by financial year | | | | | |
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| P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 |
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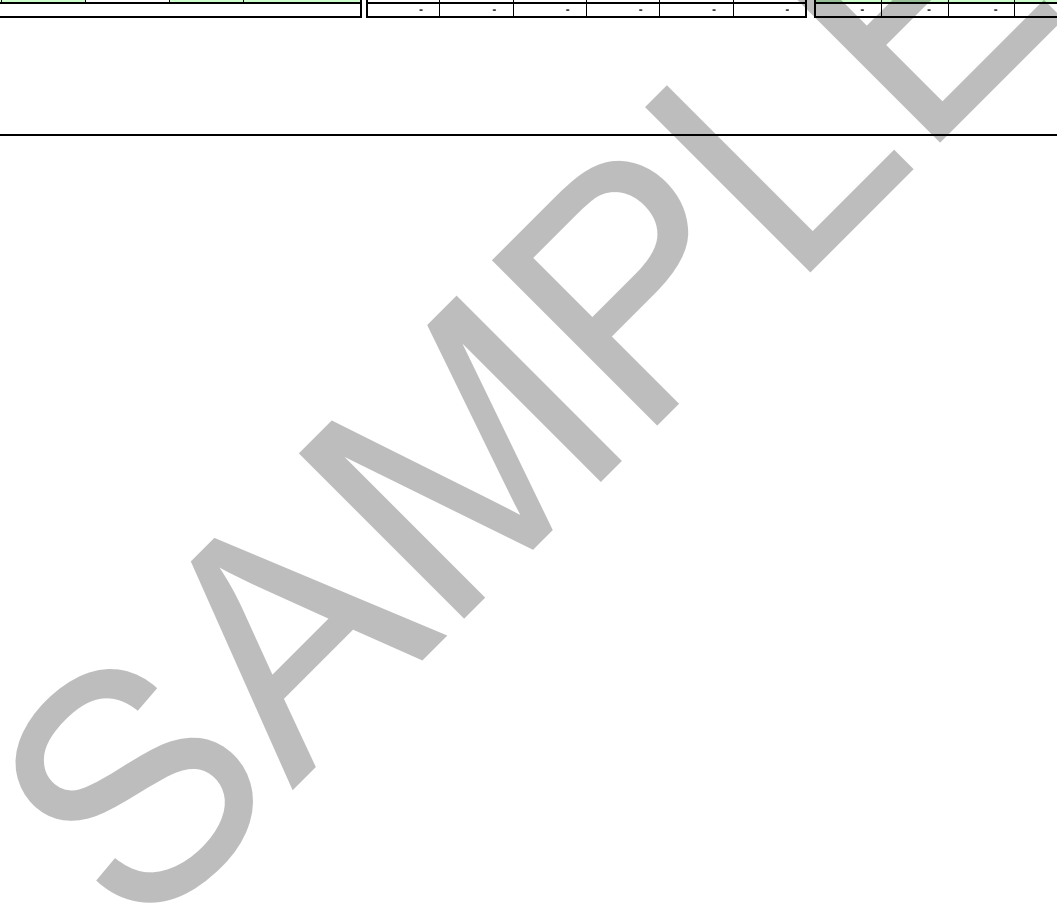
* Please state basis for calculation of residual value:

** Proportion of plant and equipment expenditure will be accepted up to the lesser of 50% of eligible project expenditure, except where prior Program Delegate Approval has been obtained

4. Prototype Expenditure

A. Direct prototype expenditure

| Description of Prototype | No. of prototypes | Materials Cost | Labour | Other Construction Costs | Total Construction costs | Total Materials consumed during testing | Expenditure Type | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | | | | | | |
|--------------------------------|-------------------|----------------|--------|--------------------------|--------------------------|---|------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
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| Total A: Prototype expenditure | | | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | | | | |



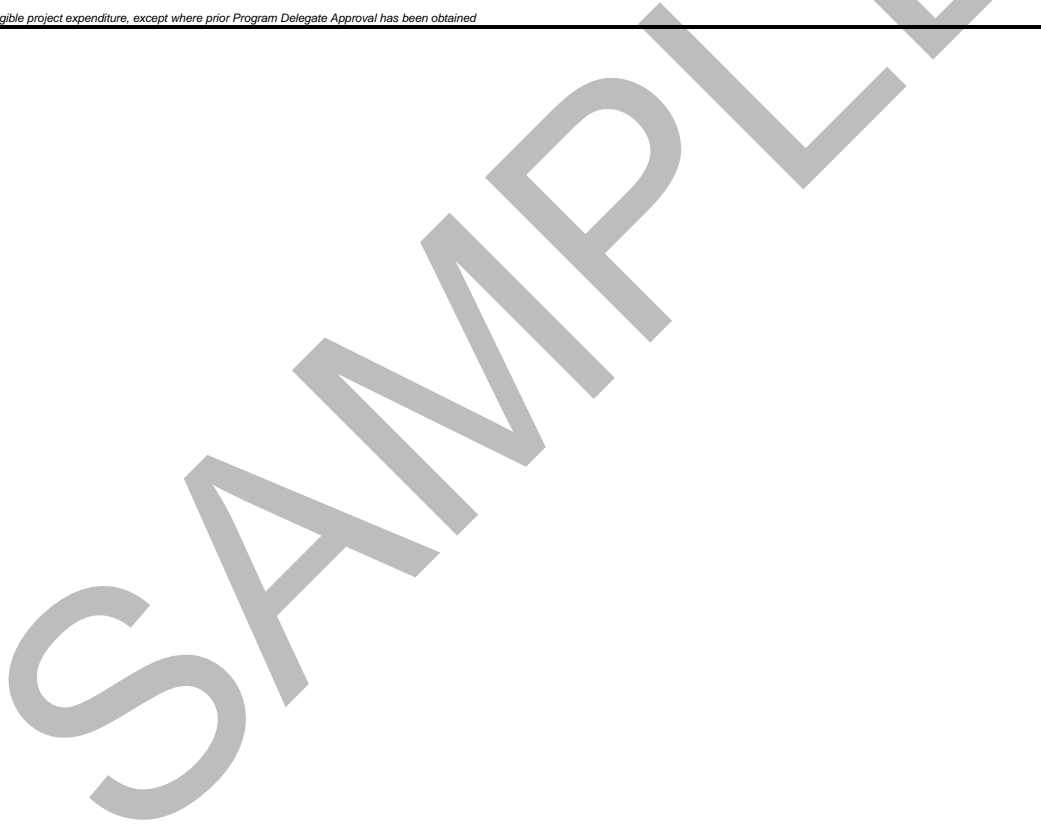
5. Intellectual Property Protection Expenditure

| Description of Intellectual Property Protection Expenditure | Total Costs | Expenditure Type |
|---|-------------|------------------|
| Insert Description | | |
| Insert Description | | |
| Insert Description | | |
| Total IP protection expenditure * | | |

| Expenditure by financial year | | | | | |
|--|--|--|--|--|--|
| Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date |
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| P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 |
|--|--|--|--|--|--|--|--|--|--|
| Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date | Enter Project Start Date to Enter Project End Date |
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| - | - | - | - | - | - | - | - | - | - |

* Reasonable costs to protect IP will be accepted up to the lesser of 10% of eligible project expenditure, except where prior Program Delegate Approval has been obtained



6. Collaboration Expenditure

| Description of collaboration expenditure | Total Costs | Name of entity collaboration expenditure is incurred with | Expenditure Type | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | | |
|--|-------------|---|------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
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| Insert Description | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Total collaboration expenditure | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |

SAMPLE

7. Acquisition and Adaptation of New Technology

| Description of Acquisition and Adaptation of New Technology | Date Acquired | Purchase Cost | Total Depreciation | Effective Life (Years) | Expenditure Type | Expenditure by financial year | | | | | | P1 Enter Project Start Date to Enter Project Start Date | P2 Enter Project Start Date to Enter Project End Date | P3 Enter Project Start Date to Enter Project End Date | P4 Enter Project Start Date to Enter Project End Date | P5 Enter Project Start Date to Enter Project End Date | P6 Enter Project Start Date to Enter Project End Date | P7 Enter Project Start Date to Enter Project End Date | P8 Enter Project Start Date to Enter Project End Date | P9 Enter Project Start Date to Enter Project End Date | P10 Enter Project Start Date to Enter Project End Date |
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| Insert Description | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Insert Description | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total collaboration expenditure | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |

* Proportion of acquisition and adaption of new technology expenditure will be accepted up to the lesser of 10% of eligible project expenditure, except where prior Program Delegate Approval has been obtained



8. Other Expenditure

| Description of other expenditure | Total Costs | Expenditure Type | Expenditure by financial year | | | | | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | | |
|----------------------------------|-------------|------------------|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date | Enter Project Start Date |
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| Audit Reports | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
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| Insert Description | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total other expenditure | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |

SAMPLE

New Air Combat Capability Industry Support Program (NACC-ISP) Eligible Expenditure Guidelines

Introduction

These guidelines set out the principles governing what is *Eligible Expenditure*.

Applicants to the *Program* should use these guidelines when preparing their application. *Customers* must use these guidelines when conducting their project and completing project progress reports. The *Program Delegate* (and his or her authorised officers) will use these guidelines to determine eligibility of budgeted project costs and the Project funding amount to be approved, and to determine a Customer's entitlement to Program funding payments during the period of a Funding Agreement.

A *Project* may include ineligible expenditures but the *Customer* will be required to fund the full costs of ineligible expenditure activities.

The *Program Delegate* has the final decision in determining *Eligible Expenditure* and may issue additional guidance on *Eligible Expenditure* on a case-by-case basis as required.

1. Eligible Expenditure governing principles

The objectives of the *Program* convey in a broad sense, the spirit and intention behind the *Eligible Expenditure* guidelines. They should not be solely relied on to determine *Eligible Expenditure*, but referred to so as to provide direction and support on decisions regarding the eligibility of expenditure detailed in the guidelines.

1.1 Eligible Expenditure is restricted to expenditure incurred directly on the Project

- Only expenditure incurred on *Eligible Activities* within the agreed *Project* duration (as highlighted in the *Funding Agreement*) is *Eligible Expenditure*, unless otherwise noted in the *Eligible Expenditure* guidelines.
- *Eligible Expenditure* must be incurred from the 'Project Start Date' up until the project end date, with the exception of final audit costs which can be incurred within three months of the 'Project End Date'. Both the Project Start Date and Project End Date will be specified in the *Funding Agreement*, though the Project Start Date cannot be before the *Acceptance Date*.
- The *Customer* must pay expenditure within the earlier of three months after the financial year in which it is incurred or within three months after the *Project* completion date (including final audit costs), for the expenditure to be deemed eligible.
- *Eligible Expenditure* can include costs, direct or otherwise, of obtaining assets for their use on *Project* activities but will exclude any opportunity costs from using assets on the agreed *Project* instead of use for other purposes.
- All members of a consortium who incur costs on *Eligible Activities* within the agreed *Project* duration may invoice the *Customer* for these costs. On paying these invoices, the *Customer* may claim these expenses against the grant.

1.2 Program funding is provided strictly to support the Project and its core activities; it is not provided for the benefit or profit of related bodies corporate of the Customer

- Related body corporate has the same meaning as in section 50 of the *Corporations Act 2001* (Cth).
- Where *Project* activities are conducted through contracting related bodies corporate of the *Customer*, these costs (known as 'intra-group payments') may qualify as *Eligible Expenditure* only if a reliable, measurable cost is incurred by the related body, and a verifiable process is used to transfer that cost to the *Customer* with no profit margin attached, 'at cost'.
- The *Customer* should only claim that proportion of costs which directly relates to activities performed on the funded *Project*. Where there is a mutual benefit arising from *Project* activities, either to another company or for another project, the *Customer* should reasonably apportion such costs so as to claim only for those activities which directly apply to the *Project*.

1.3 The customer must retain sufficient documentation to support all expenditure claims made on the Project

- Failure to retain sufficient documentation to support all expenditure claims made on the *Project* may result in a claim being disallowed, or in certain circumstances, the repayment of *Program funding* resulting from a shortfall in *Project* expenditure.
- The *Customer* must maintain an adequate audit trail that clearly demonstrates to the satisfaction of the *Program Delegate*, how claims were determined including a reconciliation of expenditure claims to underlying documentation.
- Claims for salary, contract and asset depreciation must be verified by *Project* timesheets, job cards or activity diaries that record actual use of those employees, contractors and assets against specific *Project* milestones as the activities take place.
- While such records do not need to be submitted with regular progress reports, the *Program* may require such records to verify any or all *Eligible Expenditure* claims. Failure to provide such records when required may see the *Program Delegate* disallow the expenditure claims.
- Consortium members who invoice the *Customer* for *Project* costs are also required to retain sufficient documentation to substantiate the work performed.
- A *Customer's* *Project* budget calculator should detail *Project* costs incurred through consortium members. It is the responsibility of the *Customer* to keep the *Project* budget calculator up to date and to fulfil all other reporting requirements, including supplying supporting documentation for claims if required.

1.4 'In-kind' contributions/ Non-cash considerations are not Eligible Expenditure

For *Program* purposes, 'in-kind' contributions are not *Eligible Expenditure*. 'In-kind' contributions, or non-cash considerations, are contributions to a project that have the following common characteristics:

- no impact on entity cash flow, and
- no record in the entity's statement of financial performance.

Examples include, but are not limited to:

- the use of resources—whether internally or externally sourced—for no cost to the *Project*, and
- issuing shares in payment for services rendered.

2. Heads of Expenditure – Eligible Expenditure types

These guidelines set out in detail the specific *Eligible Expenditure* types (section 2.1) and the *Eligible Expenditure* treatment of certain activities in agreed *Projects* (section 2.2).

For expenditure to be eligible it must be:

- directly related to an *eligible activity* undertaken in the period from the 'Project Start Date' to the project end date.; and
- incurred and paid for by the *applicant*.

2.1 Eligible Expenditure types

This section sets out the *Heads of Expenditure* under which *Applicants* and *Customers* must record *Project Eligible Expenditure* in applications and *Project* reports.

The *Heads of Expenditure* are:

- Labour expenditure
- Contract expenditure
- Plant expenditure
- Prototype expenditure
- *IP* protection expenditure

- Collaborative Project Expenditure
- Acquisition and adaptation of new technology
- Other expenditure

These *heads of expenditure* are explained in more detail below.

2.1.1 Labour expenditure

Eligible labour expenditure covers the cost to the *Customer* of its employees directly employed on the core elements of the *Project*. An employee is a person who is paid a regular salary or wage out of which regular tax instalment deductions are made.

Labour expenditure for leadership or administrative staff (such as CEOs, CFOs, accountants and lawyers) is not *Eligible Expenditure* unless the *Customer* substantiates to the *Program Delegate*'s satisfaction that these costs directly relate to performance of

Please note that labour costs should be included in the appropriate category of expenditure when determining total *Eligible Expenditure*. For example:

- the costs to the *Customer* of its employees performing an administrative function are included in the employee administrative overhead (see section 2.1.1.4).
- the costs to the *Customer* of its factory employees working solely on the installation or construction of plant or prototypes are included in the plant expenditure category (see section 2.1.3) or prototype expenditure category (see section 2.1.4).

2.1.1.1 Eligible salary expenditure

Eligible salary expenditure includes any components of an employee's total remuneration package that are itemised on their Pay As You Go (PAYG) Annual Payment Summary submitted to the Australian Taxation Office (ATO). Salary-sacrificed superannuation contributions are considered part of an employee's salary package where this amount exceeds that required by the *Superannuation Guarantee*. Employer contributions under the *Superannuation Guarantee* are included in the labour on-costs allowance (see section 2.1.1.3).

For *Program funding* claim purposes, the maximum salary for an employee, including packaged components, is \$150,000 in each full financial year (July-June) of the *Project* period. The maximum salary claim for an employee in a less-than-complete financial year that is part of the *Project* period is reduced proportionately from the \$150,000 maximum.

Any salary claim above these caps will not qualify as *Eligible Expenditure*, except where the *Customer* obtains the *Program Delegate*'s prior approval. The *Program Delegate* will assess all such requests on a case-by-case basis, and may take into account whether the additional salary is warranted to attract an employee to the *Project*, and whether the additional salary expenditure is likely to aid the *Project* in meeting the *Program*'s policy objective.

2.1.1.2 Calculation of eligible salary expenditure

Eligible salary costs are incurred only when an employee works directly on the agreed project. Salary costs must be apportioned using the formula below:

$$\text{Eligible salary in period} = \text{incurred salary in period} \times \frac{\text{actual time spent on project in period}}{\text{actual time employed by participant in period}}$$

'*Incurred salary in period*' is limited to no more than the equivalent of \$150,000 per financial year, as set out in section 2.1.1.1.

'*Actual time employed by customer in period*' includes:

- periods of leave such as annual and sick leave, and public holidays;
- overtime; and
- time spent on non-project activities.

2.1.1.3 Labour on-costs

The on-costs associated with employees engaged on the *Project* are recognised as eligible labour expenditure. Labour on-costs include but are not limited to workers compensation insurance (for example, WorkCover), employer contributions to superannuation under the Superannuation Guarantee, annual leave accrual, long service leave accrual, payroll tax, and so on. Eligible labour on-costs are a set rate of 30 per cent of an employee's eligible salary costs, as calculated using the formula in section 2.1.1.2.

2.1.1.4 Employee administrative overhead

The cost of administrative overheads for those employees engaged on the *Project* is eligible labour expenditure. Eligible employee administrative overhead expenses include incidental travel, a proportion of communications, accommodation, computing facilities, recruitment, printing and stationery, postage, office salaries, legal, accounting and auditing fees, and bank charges. Eligible employee administrative overheads are a set rate of 30 per cent of an employee's eligible salary costs, as calculated using the formula in section 2.1.1.2.

2.1.1.5 Ineligible salary expenditure

(A) **Non-cash salary**

Labour costs based on an estimation of the employee's worth to the *Customer* where no cash changes hands and no amount is credited to a loan account or current account in the *Customer's* accounts are not eligible labour expenditure.

(B) **Related parties**

Amounts credited by journal entry to the loan accounts or current accounts of principals and/or their relatives are not eligible labour expenditure until the individual income tax returns have been sighted by *Program* officers and the tax payable on the salary has been assessed by the ATO, or similar satisfactory evidence has been provided that income tax has been paid.

2.1.2 **Contract expenditure**

Eligible contract expenditure is the cost of any agreed *Project* activities performed for the *Customer* by:

- another organisation, or
- an individual engaged under separate contract.

Note: The cost of employees of consortium members directly working on the core elements of the *Project* (i.e. Labour expenditure) should be claimed by the customer as contract expenditure. This expenditure will only be deemed eligible if the expenditure is transferred to and paid for by the *Customer*. Employees of the *Customer* who are working directly on the *Project* should still be claimed under Labour expenditure 2.1.1.

To be eligible, all contractor *Project* work must be the subject of a prior written contract—for example, a formal agreement, letter or purchase order—which specifies the nature of the work to be performed for the *Customer* and the applicable fees, charges and other costs payable.

Invoices from contractors must provide a detailed description of the nature of the work, the hours and hourly rates involved, and any specific plant or prototype expenses incurred. Invoices must enable the *Program Delegate* to determine whether the proposed expenditure directly relates to the *Project*, would qualify as Eligible Expenditure if it was claimed directly by the *Customer* and is reasonable and commensurate for the activities performed.

Where a contractor is engaged in building plant or prototypes, the contractor's costs should be apportioned between:

- design costs, claimed as contract expenditure, and
- building costs, claimed as either plant expenditure (see section 2.1.3) or prototype expenditure (see section 2.1.4).

Contract costs for leadership and administrative contractors (such as contracted CEOs, CFOs, accountants and lawyers) are not *Eligible Expenditure* unless the *Customer* substantiates to the *Program's* satisfaction that these costs relate to performance of core elements of the *Project*.

2.1.2.1 Contractors that are a related body corporate of the Customer

Where the contractor is a related body corporate of the *Customer*, eligible contract expenditure is limited to the measurable direct cost to the contractor of performing the contracted *Project* work transferred to the *Customer* with no profit margin attached, 'at cost'.

In accordance with the general conditions of the *Funding Agreement*, the *Customer* is required to ensure all *Project* contractors keep a record of the costs of their work on the *Project*. For purposes of verifying that contract expenses are purely 'at cost' (refer governing principles) and contain no element of profit the Program may require the *Customer* to obtain and provide a contractor's records of its costs of doing *Project* work. If such records are not provided the Program may deem the relevant contract expense not to be Eligible Expenditure.

2.1.2.2 Calculation of eligible fees

Fees must be apportioned by using the following formula:

$$\text{Eligible salary in period} = \text{Incurred salary in period} \times \frac{\text{Actual time spent on project in period}}{\text{Actual time contracted by participant in period}}$$

2.1.2.3 Contractor administrative overhead

The cost of administrative overheads for certain contractors engaged on the *Project* is recognised as a component of eligible contract expenditure. Administrative overhead may be claimed for each contractor who regularly works a minimum of 35 hours per week at the *Customer's* premises, but not necessarily on *Project* activities. The contractor administrative overhead rate is a set rate of 20 per cent of the contractor's fee for work performed on project *Eligible Activity*, as calculated using the formula in section 2.1.2.2.

2.1.3 Plant expenditure

A plant is usually an input to the *Project* or the tools or infrastructure used to pursue the *Project*. A plant is likely to have a value or use outside of the *Project* and can be constructed or otherwise obtained with minimal technical risk or new learning.

2.1.3.1 Newly purchased plant and pre-existing purchased plant

Eligible Expenditure on newly purchased and pre-existing purchased plant is the depreciation—that is, decline in asset value—of an item of plant allowed through the Commissioner of Taxation's effective life schedules, according to the proportion of time for which it is used on the *Project*. In extraordinary situations, for instance where the plant is subject to heavy usage, and where this is in accordance with Commissioner of Taxation's rules, a higher rate of depreciation may be applied than is otherwise provided for by the effective life schedules.

Total depreciation charges for each particular item of purchased plant, for the proportion and length of time it is used on the *Project*, can be claimed in full at the time of its deployment.

In exceptional circumstances, approval may be obtained from the *Program Delegate* for an *Applicant* to claim up to 50 per cent of total *Eligible Expenditure* on the *Program* project as *Eligible Expenditure* on newly purchased plant. The *Applicant* can only apply for the *Program Delegate's* approval at the time of application. If approval is given, the normal depreciation rules in this section (2.1.3.1) will not apply to the eligible plant expenditure. If approval is not given, the normal depreciation rules will apply.

Running costs for purchased or pre-existing plant are *Eligible Expenditure* but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

2.1.3.2 Hired/leased plant

Eligible Expenditure for hired, rented, or leased plant is the number of payment periods dedicated to the *Project* use multiplied by the period hiring fee. Where a plant is purchased under a hire purchase agreement, or a lease is used to finance the purchase of the plant, the cost of plant, excluding interest, is capitalised, and then depreciated in the manner set out in section 2.1.3.1.

Running costs for hired or leased plants are *Eligible Expenditure* but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

2.1.3.3 Constructed plant

Eligible Expenditure on a constructed plant is the depreciation—that is, decline in asset value—of the constructed plant allowed through the Commissioner of Taxation’s effective life schedules, according to the proportion of time for which it is used on the *Project*. In extraordinary situations, for instance where the plant is subject to heavy usage, and where this is in accordance with Commissioner of Taxation’s rules, a higher rate of depreciation may be applied than is otherwise provided for by the effective life schedules.

Leasehold improvements to a leased *Project* facility may be claimed as constructed plant *Eligible Expenditure* if the improvement cost is capitalised in the *Customer’s* financial statements (balance sheet) and depreciated in the manner highlighted above.

The starting value for constructed plant depreciation calculations is the capitalised construction cost or capitalised leasehold improvement cost for the plant item in accordance with Australian Taxation Office requirements. Total depreciation charges for each particular item of constructed plant, for the proportion and length of time it is used on the *Project*, can be claimed in full at the time of its deployment.

Once fully completed, running costs for constructed plant are *Eligible Expenditure* but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

2.1.4 Prototype expenditure

Prototype expenditure is *Eligible Expenditure* only where the construction and use of the prototype in the *Project* contributes directly to proving the commercial viability of a new product, process or service. The *Program Delegate* may refuse to accept a prototype *Eligible Expenditure* claim where the number of prototypes and the scale of prototypes exceed the level needed to prove the concept(s) underpinning the *Project* and/or establish its commercial viability.

The total costs of constructing prototypes are included under this category, with the exceptions that:

- equipment or tools used in the construction of the prototype should be claimed as plant expenditure—see section 2.1.3
- the *Program Delegate* may determine that part or all of the prototype should be claimed as plant expenditure, consistent with the following approach:
 - * If the prototype includes significant items of machinery, equipment or tools and these items have a value beyond the project period, then these items should be claimed as depreciable plant items under the plant expenditure category—see section 2.1.3. Such items will normally be stand-alone modules that are acquired off the shelf or are constructed with a low level of technical risk.

Costs incurred in the construction of a number of identical prototypes are *Eligible Expenditure* only where a strong reason for multiples exist, such as to enable testing under varied operating conditions. Prototype expenditure includes the cost of materials used in testing a process or prototype.

The cost of prototypes constructed by the participant will be assessed on the same basis as set out in plant expenditure in section 2.1.3.3. Once fully completed, running costs for prototypes are *Eligible Expenditure* but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

2.1.5 Intellectual property protection expenditure

The eligibility criteria for the *Program* requires that the *Applicant* ensures they have access to and sufficient rights in any *IP* necessary to carry out the *Project* including any *IP* developed as part of the *Project*. Reasonable costs that protect *IP* that is related to the *Project* and that the *Customer* does or will directly own are *Eligible Expenditure* where that expenditure was incurred on or after the ‘Project Start Date’ specified in the Funding Agreement. These costs can include fees to a patent office for the cost of filing a patent application, patent search and examination fees, and annual patent maintenance fees. Costs charged by the Australian Government are not *Eligible Expenditure*.

Where *IP* resulting from the *Project* will be owned by an entity other than the *Applicant*, for example a parent company or other related entity, the costs of *IP* protection will not be *Eligible Expenditure* under the *Program*. However, in this case the costs associated with ensuring sufficient rights and access to the *IP* to ensure commercialisation, and the flow of project benefits to Australia, will be eligible, for example licensing fees.

Registering a trademark or a design is not *Eligible Expenditure*, unless otherwise agreed to by the *Program Delegate*. The cost of defending *IP* rights is not *Eligible Expenditure*, with the exception of legal expenses insurance as it relates to *IP*.

IP protection expenditure that can be claimed as *Eligible Expenditure* under the *Program* is generally limited to 10 per cent of total *Eligible Expenditure*. All IP protection expenditure above this cap will not qualify as *Eligible Expenditure*, except where the Customer obtains the Program Delegate's prior approval. The Program Delegate will assess all such requests on a case-by-case basis, taking into account how the additional IP protection expenditure is likely to aid the project in meeting the Program's policy objectives. A request for additional IP protection expenditure made after the expenditure has already been incurred will not be considered.

2.1.6 Collaborative project expenditure

2.1.6.1 Reimbursement of Eligible Expenditure in the case of Collaborative project expenditure

Costs associated with initiating and maintaining a collaborative partnership may be claimed as *Eligible Expenditure* where the collaboration is likely to contribute to the successful completion of the *Project* and where the initiating costs are occurred on or after the 'Project Start Date' specified in the *Funding Agreement*.

Eligible collaboration expenditure may include:

- partnering/negotiation costs—such as brokering licensing or distribution agreements and establishment of consortia arrangements
- expert advice fees—such as for alliance formation
- travel costs—limited to accommodation and transport for purposes of collaboration and includes accommodation and transport for chain partners where identified
- whole-of-chain quality management audits.

Eligible collaboration expenditure does not include costs of managing relationships with contractors doing work on the *Project*. These expenses are captured by the contractor administrative overhead (see section 2.1.2.3).

If an *Applicant* does not identify any collaboration costs at the time of application, this head of expenditure is not available subsequently during the *Project* period unless the *Program Delegate* approves a request from the *Customer* to make it available. The Program Delegate will assess all such requests on a case by case basis taking into account how collaborative expenditure is likely to aid the project in meeting the Program's policy objectives.

2.1.6.2 Eligible Expenditure incurred by consortium members is not automatically Collaborative project expenditure

Project work performed or purchases made by consortium members are not to be claimed under the 'Collaborative project expenditure' head of expenditure, unless they are costs associated with maintaining a collaborative partnership.

Where there is 'Collaborative project expenditure' incurred in respect to a consortium which has formed for the sake of the *Project*, these costs are costs associated with maintaining a collaborative partnership. (However, since *Eligible Expenditure* can only be incurred from the 'Project Start Date', the costs of establishing such a consortium may usually be incurred too early to be claimed as *Eligible Expenditure*.)

In order for consortium members to be reimbursed for other *Eligible Expenditure* incurred on a *Program* project, consortium members must invoice the *Customer* for the amount incurred, and upon payment of the invoice the funding recipient may then claim the *Eligible Expenditure* under the appropriate head of expenditure. This *Eligible Expenditure* claim must not include any element of intra-group profit or mark-up. Reimbursement is not automatic and the Australian Government reserves the right to review the costs and claims. Refer to the *Eligible Expenditure* governing principles for more information.

2.1.7 Acquisition and adaptation of new technology

Acquisition of new technology, which is defined as technology new to the applicant, is *Eligible Expenditure* where subsequent adaptation of that technology will contribute directly to completion of the agreed *Project*.

Eligible new technology acquisition expenditure is limited to 10 per cent of total *Eligible Expenditure*. All new technology acquisition expenditure above this cap will not qualify as *Eligible Expenditure*, except where the *Customer* has obtained the *Program Delegate's* prior approval. The *Program Delegate* will assess all such requests on a case-by-case basis, taking into account how the additional technology acquisition expenditure is likely to aid the *Project* in meeting the *Program's* policy objectives.

Eligible Expenditure on this activity includes, but is not limited to:

- technology audit fees
- network membership fees
- expert advice fees
- process or systems changes to take into account the new technology
- information dissemination relating to technology acquisition that is part of the project.

Where access to technology or *IP* is essential for the conduct of the *Project*, licence fees or purchase costs to access such technology or *IP* may qualify as *Eligible Expenditure*. *Applicants* should raise such costs when discussing their budget calculator with the *DIIC* prior to submitting an application.

Independent valuations of purchased technology, including *IP*, are needed to substantiate the cost of any expenditure claimed. Where the *Customer* licences technology or *IP* from a related body corporate, expenditure must be calculated 'at cost' (refer governing principles).

If acquired technology has a value or usage outside the agreed *Project* then acquisition costs must be apportioned on the basis of agreed *Project* -related usage of the purchased technology.

In the event that the acquired technology is in the form of plant expenditure or purchased capital goods, this item of *Eligible Expenditure* will be subject to the same depreciation treatment as set out in section 2.1.3.1.

2.1.8 Other expenditure

This *Eligible Expenditure* category captures most miscellaneous costs not covered by any of the above categories. These may constitute *Eligible Expenditure* to the extent that they are a direct cost to the agreed *Project*, and may include:

- substantial travel on the agreed *Project*—limited to the reasonable cost of accommodation and transportation required to conduct *Project* activities in Australia and overseas
 - o if specific travel costs are not identified in the *Application*, this 'other expenditure' is not eligible during the *Project* period unless the *Program Delegate* approves a request from the *Customer* prior to the expenses being incurred
 - o 'reasonable cost of transportation' for air transportation is an economy class fare for each sector travelled; where non-economy class air transport is used only the equivalent of an economy fare for that sector is *Eligible Expenditure*. Where non-economy class air transport is used, the *Customer* will need to retain evidence showing what an economy air fare cost at the time of the travel.
- transportation costs of plant and equipment or new technology acquired for the *Project* where those costs are not included in the purchase cost
- training costs—where the skills acquired are specific to the requirements of an *Project*, approved in the *Funding Agreement*, and are not covered under other *Heads of Expenditure*
- product liability insurance in relation to a *Project* —where this insurance is a normal and essential cost of undertaking the *Project*. If the product liability insurance has a value or usage outside the *Project* the cost of the insurance must be apportioned on the basis of the proportion of the insurance directed to covering the *Project*.

2.2 Treatment of certain activities

This section sets out the *Eligible Expenditure* treatment of certain *Project* activities. *Applicants* and *Customers* must record eligible costs of these *Project* activities in applications and *Project* reports under the relevant *Head(s) of Expenditure*.

2.2.1 Overseas activities

Eligible overseas activities expenditure is *Eligible Expenditure* on *Project* activities that are not undertaken in Australia by a *Customer's* staff, contractors or subcontractors. This includes all types of expenditure directly related to such activities, including on-costs of plant.

Plant and other goods that are purchased overseas are not necessarily treated as overseas expenditure. Where plant is used, not where it is purchased, is the basis of treating plant expenditure as either overseas or domestic expenditure.

Eligible overseas activities expenditure generally is limited to 25 per cent of total *Eligible Expenditure*. All overseas activities expenditure above this cap will not qualify as *Eligible Expenditure*, except where the *Customer* obtains the *Program Delegate's* prior approval. The *Program Delegate* will assess all such requests on a case-by-case basis, taking into account factors such as:

- the availability of domestic resources and facilities
- the appropriateness of carrying out activities overseas rather than within Australia
- cost implications
- how the additional overseas activities expenditure is likely to aid the *Project* in meeting the Program's policy objective.

The *Program Delegate* may seek advice from the *Review Panel* when making a decision on whether to allow a claim for more than 25 per cent of an agreed *project's Eligible Expenditure* on overseas activities.

2.2.2 Product/process design activities

The costs of product/process design activities are eligible where they relate to turning the prototype of a working product or process into a commercially viable design. This includes using engineering expertise to determine prototype structure, function and materials. These costs may include, for example, development of new or improved:

- measurement and control systems
- operational approaches—for example, through process optimisation or increased prototype functionality
- materials handling techniques

The design costs of routine or periodic alterations to existing products, production lines, manufacturing processes, services, and other on-going operations are *Eligible Expenditure* only if they relate directly to the *Project*.

2.2.3 Trial production runs

The cost of a number of trial production runs sufficient to demonstrate commercial viability is *Eligible Expenditure*. The total costs of the trial production runs are *Eligible Expenditure*. However, the cost of equipment or tools used in the construction of the run is to be claimed under plant expenditure (section 2.1.3).

Eligible Expenditure under this category includes costs incurred in validation, establishing efficacy, demonstration of capability, scale-up, and development of evidence of the stability or reproducibility of processes.

2.2.4 Demonstration activities

The cost of activities to demonstrate the technical capabilities of the product, process or service that is the outcome of the agreed *Project* may be *Eligible Expenditure*. *Eligible activities* include demonstration of working prototypes to determine if they require further development.

Demonstration for the sole purposes of marketing, such as at trade shows, is only eligible if the demonstration is for prospective buyers within the *JSF* supply chain.

2.2.5 Market analysis and research activities

The costs of market analysis and research activities that directly relate to the achievement of the *Project* outcome are *Eligible Expenditure*. Such activities must aim to contribute to the development of a product, process or service.

Where conducted by contractors, these costs should be claimed under contract expenditure. Where undertaken by *Project* personnel, they should be claimed under labour expenditure.

2.2.6 Audit certificate

The preparation of an audit certificate is *Eligible Expenditure*. It is restricted to a maximum of one per cent of total *Eligible Expenditure* on agreed *Project* costs for all audit certificates, unless otherwise agreed to by the *Program Delegate*.

3. Activities not funded under the Program

The cost of some activities conducted as part of an agreed *Project* may not be *Eligible Expenditure*. A *Customer* must ensure it has adequate funds to meet the cost of any such ineligible expenditure associated with its project.

Ineligible activities include but are not limited to:

- preparing the *Program funding* application, any *Funding Agreement* variation requests and any *Project* reports (except costs of Audit Certificates as set out in section 2.2.6)
- obtaining regulations and standards compliance—such as certification and accreditation fees, and other direct payments to regulators, certification or accreditation bodies
- however, costs of designing and testing a product, process or service to ensure that it is able to comply with relevant regulations and standards are *Eligible Expenditure*
- prospecting, exploring or drilling for minerals, petroleum or natural gas for the purpose of discovering deposits, determining more precisely the location of deposits or determining the size or quality of deposits
- quality control activities and achieving quality control accreditation
- making donations
- opportunity costs relating to forgone production and production downtime arising from the allocation of resources to the *Project*
- obtaining resources used on the *Project* —such as interest on loans, job advertising and recruiting, and transporting goods to be used on the *Project*
- any activity related to the reproduction of a commercial product or process by a physical examination of an existing system or from plans, blueprints, detailed specifications or publicly available information
- activities that an *Applicant* has already carried out under another government Program in the two years prior to applying for the *Program*.

This list is not exhaustive. Other specific expenditure may be ineligible because the *Program Delegate* decides it does not directly support the achievement of the planned outcomes of the *Project* or to be contrary to the spirit and intention of the *Program*