

**South East England Development Agency – General Block Exemption Scheme
2010-2013 [Insert Commission Aid Reference Number]**

1. Member State

United Kingdom

2. Region

South East England

3. Statutory Body Authorised to Implement the Scheme

South East England Development Agency (SEEDA) of Cross Lanes, Guildford, GU1 1YA, England, United Kingdom (www.seeda.co.uk)

SEEDA may provide the funding alone or may co-fund with the European Community or with one or more other UK public authorities, provided the funding from each other UK public authority complies with all the relevant conditions of Commission Regulation (EC) No 800/2008.

4. Title of the Aid Scheme

South East England Development Agency General Block Exemption Scheme 2009-2013

5. EC Legal Basis of the Scheme

Commission Regulation No 800/2008 of 6 August 2008 (OJ L 214, 9.8.2008, p. 3–47) declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (**the GBER**)

State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013 This is compatible with the EC Treaty as it fulfills the conditions stipulated in the Guidelines on national regional aid for 2007-2013. This map is valid from 1 January 2007 until 31 December 2013.

Commission Recommendation C20031422/361/EC on the new definition for small and medium-sized enterprises, (OJ L124, 20.5.2003)

6. UK Legal Basis of the Scheme

Regional Development Agencies Act 1998
http://www.opsi.gov.uk/acts/acts1998/ukpga_19980045_en_1.htm

European Communities Act 1972
http://www.uk-legislation.hmso.gov.uk/acts/acts1972/ukpga_19720068_en_1

European Communities (Finance) Act 2008
http://www.opsi.gov.uk/acts/acts2008/ukpga_20080001_en_1

7. The Objectives of the Scheme

The objectives of the Scheme are to allow SEEDA to fulfill its statutory purposes by providing a wide range of support to undertakings in South East England.

SEEDA is the Regional Development Agency for South East England. Its statutory purposes are to:

- a) further the economic development and the regeneration of South East England;
- b) to promote business efficiency, investment and competitiveness in South East England;
- c) to promote employment in South East England;
- d) enhance the development and application of skills relevant to employment in South East England; and
- e) to contribute to the achievement of sustainable development in the United Kingdom where it is relevant to South East England to do so.

Different categories of aid have the more specific purposes set out in the Appendix to the Scheme.

8. Duration

Aid may be granted until 31 December 2013 under the Scheme.

9. Scope

The following categories of aid may be granted under the Scheme:

- (a) regional aid:
 - regional investment and employment aid; and
 - aid for newly created small enterprisesin accordance with articles 13 and 14 respectively of the GBER;
- (b) SME investment and employment aid in accordance with article 15 of the GBER;
- (c) aid for small enterprises newly created by female entrepreneurs in accordance with article 16 of the GBER;
- (d) aid for environmental protection
 - investment aid enabling undertakings to go beyond, Community standards for environmental protection or increase the level of environmental protection in the absence of Community standards;
 - aid for the acquisition of transport vehicles which go beyond Community standards or which increase the level of environmental protection in the absence of standards;
 - aid for early adaptation to future Community standards for SMEs;
 - environmental aid for investment in energy saving measures;
 - environmental investment for high-efficiency cogeneration;

- environmental investment aid for the promotion of energy from renewable energy sources; and aid for environmental studies

in accordance with articles 17-24 respectively of the GBER;

- (e) aid for consultancy in favour of SMEs and SME participation in fairs in accordance with articles 26 and 27 respectively of the GBER;
- (f) aid in the form of risk capital in accordance with articles 28 and 29 of the GBER;
- (g) aid for research, development and innovation:
 - aid for research and development projects;
 - aid for technical feasibility studies;
 - aid for industrial property rights costs for SMEs;
 - aid for research and development in the agricultural and fisheries sectors;
 - aid to young innovative enterprises;
 - aid for innovation advisory services and for innovation support services; and
 - aid for the loan of highly qualified personnel

in accordance with articles 30-37 respectively of the GBER;

- (h) training aid in accordance with articles 38 and 39 respectively of the GBER; and
- (i) aid for disadvantaged and disabled workers in accordance with articles 40-42 respectively of the GBER.

The purposes of each of the above categories, and the conditions applicable to each category, appear in the Appendix to the Scheme.

10. Economic Sectors

The Scheme is open to all economic sectors in South East England except the following:

- (a) fishery and aquaculture, as covered by Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products, except for training aid, aid in the form of risk capital, aid for research and development and innovation and aid for disadvantaged and disabled workers;
- (b) the primary production of agricultural products, except for training aid, aid in the form of risk capital, aid for research and development, environmental aid, and aid for disadvantaged and disabled workers to the extent that these categories of aid are not covered by Commission Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001;
- (c) the processing and marketing of agricultural products:

- (i) when the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned; or
- (ii) when the aid is conditional on being partly or entirely passed on to primary producers;
- (d) coal, with the exception of training aid, research and development and innovation aid and environmental aid;
- (e) steel;
- (f) shipbuilding;
- (g) synthetic fibres; and
- (h) in the case of regional aid, specific sectors within manufacturing or services, except the tourism sector.

11. Excluded Activities and Undertakings

Aid may not be provided under the Scheme for any of the following activities:

- (a) export-related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity; or
- (b) aid contingent upon the use of domestic over imported goods.

Aid may not be awarded under the Scheme if the proposed recipient is:

- (a) subject to an outstanding recovery following a previous Commission decision declaring an aid illegal and incompatible with the common market; or
- (b) an undertaking in difficulty.

12. Type of Beneficiary

Aid under the Scheme may be granted to SMEs and, where the conditions of the GBER permit, to large enterprises.

Some categories of aid are restricted to SMEs as set out in the Appendix to the Scheme.

No distinction will be made between public and private entities where they are engaged in economic activities.

13. Budget

The maximum budget for aid granted under the scheme shall be £600m to 31 December 2013.

14. Aid Instruments

SEEDA may use any of the aid instruments mentioned in the GBER (except fiscal measures) within the maximum aid intensities and the thresholds set by the GBER.

Aid granted under the Scheme may take any of the following forms:

- (a) grant;
- (b) interest rate subsidy;
- (c) loan (where the gross grant equivalent has been calculated on the basis of the reference rate prevailing at the time of the grant); and
- (d) the provision of risk capital which fulfils the conditions of Article 29 of the GBER, and repayable advances provided the conditions of Article 5(3) of the GBER are fulfilled.

All aid awarded under the Scheme will fulfill the relevant criteria set out in Articles 12-42 of the GBER.

15. Categories of Aid

The categories of aid which SEEDA may provide under the Scheme are set out in the Appendix to the Scheme and correspond to those in Chapter II of the GBER.

16. Conditions for Exemption

The Scheme fulfils all the conditions of Chapter I of the GBER and the relevant provisions of Chapter II of the GBER. Therefore it is compatible with the common market within the meaning of Article 87(3) of the European Treaty and exempt from the notification requirement of Article 88 (3) of the Treaty, provided that any individual aid awarded under the Scheme fulfils all the relevant conditions of the GBER.

Individual aid granted under the Scheme will be compatible with the common market within the meaning of Article 87(3) of the European Treaty and exempt from the notification requirement of Article 88(3) of the Treaty provided that the aid fulfils all the conditions of Chapter I of the GBER and the relevant provisions of Chapter II of the GBER and the individual aid measure contains an express reference to the relevant provisions of the GBER, by citing the relevant provisions, the title of the GBER and its publication reference in the Official Journal of the European Union.

Only award aid which fulfils all the relevant conditions of the GBER will be awarded under the Scheme.

17. Aid Intensity and Eligible Costs

For the purposes of calculating aid intensity, all figures will be taken before any deduction of tax or other charge.

Where aid is awarded in a form other than a grant, the amount of the aid will be the grant equivalent of the aid.

Aid payable in several installments will be discounted to its value at the time of grant.

The interest rate to be used for discounting purposes will be the reference rate applicable at the time of grant.

The eligible costs must be supported by documentary evidence which is clear and itemised.

18. Transparency of Aid

No aid will be provided under this Scheme unless it is transparent aid.

The following categories of aid are considered to be transparent:

- (a) aid comprised in grants and interest rate subsidies;
- (b) aid comprised in loans, where the gross grant equivalent has been calculated on the basis of the reference rate prevailing at the time of the grant;
- (c) aid comprised in fiscal measures, where the measure provides for a cap ensuring that the applicable threshold is not exceeded.

The following categories of aid are not considered to be transparent:

- (a) aid comprised in capital injections, without prejudice to the specific provisions concerning risk capital;
- (b) aid comprised in risk capital measures, with the exception of aid fulfilling the conditions of Article 29 of the GBER.

Aid in the form of repayable advances will be considered to be transparent aid only if the total amount of the repayable advance does not exceed the applicable thresholds under the GBER.

If the threshold is expressed in terms of aid intensity, the total amount of the repayable advance, expressed as a percentage of the eligible costs, must not exceed the applicable aid intensity.

19. Individual Notification Thresholds

No individual aid may be provided under this Scheme if the grant equivalent of that aid exceeds the following thresholds:

- (a) SME investment and employment aid: €7.5 million per undertaking per investment project;
- (b) investment aid for environmental protection: €7.5 million per undertaking per investment project;
- (c) aid for consultancy in favour of SMEs: €2 million per undertaking per project;
- (d) aid for SME participation in fairs: €2 million per undertaking per project;
- (e) research and development project aid and feasibility studies:

- (i) if the project is predominantly fundamental research, €20 million per undertaking, per project/feasibility study;
 - (ii) if the project is predominantly industrial research, €10 million per undertaking, per project/feasibility study;
 - (iii) for all other projects, €7.5 million per undertaking, per project/feasibility study;
 - (iv) if the project is a EUREKA project, twice the amounts laid down in points (i), (ii) and (iii) respectively.
- (f) aid for industrial property rights costs for SMEs: €5 million per undertaking per project;
- (g) training aid: €2 million per training project;
- (h) aid for the recruitment of disadvantaged workers: €5 million per undertaking per year;
- (i) aid for the employment of disabled workers in the form of wage costs: €10 million per undertaking per year;
- (j) aid compensating for additional expenses of employing disabled workers: €10 million per undertaking per year.

For the purposes of determining the appropriate threshold applicable to research and development project aid and feasibility studies pursuant to item (e) above, a project is considered to consist 'predominantly' of fundamental research or 'predominantly' of industrial research, if more than 50% of the eligible project costs are incurred through activities which fall within the category of fundamental research or industrial research respectively.

In cases where the predominant character of the project cannot be established, the lower threshold will apply.

Regional investment aid awarded in favour of large investment projects will be notified to the Commission if the total amount of aid from all sources exceeds 75% of the maximum amount of aid which an investment with eligible costs of €100 million could receive, applying the standard aid threshold in force for large enterprises in State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013 map on the date on which the aid is to be granted.

20. Cumulation

In determining whether the individual notification thresholds laid down in Article 6 of the GBER and the maximum aid intensities laid down in Chapter II of the GBER are respected, the total amount of public support measures for the aided activity or project will be taken into account, regardless of whether that support is financed from local, regional, national or Community sources.

Aid granted under the Scheme may be cumulated with any other aid exempted under the GBER as long as those aid measures concern different identifiable eligible costs.

Aid granted under the Scheme may not be cumulated with any other aid exempted under the GBER or with *de minimis* aid fulfilling the conditions laid down in Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Article 87 and 88 of the Treaty to the *minimis aid*, or with other Community funding in relation to the same - partly or fully overlapping - eligible costs, if that cumulation would result in exceeding the highest aid intensity or aid amount applicable to that aid under the GBER, provided that aid in favour of disabled workers, as set out in Articles 41 and 42 of the GBER, may be cumulated with aid exempted under the GBER in relation to the same eligible costs above the highest applicable threshold under the GBER, if that cumulation does not result in an aid intensity exceeding 100% of the relevant costs over any period for which the workers concerned are employed.

As regards the cumulation of aid measures exempted under the GBER with identifiable eligible costs and aid measures exempted under the GBER without identifiable eligible costs, the following conditions apply:

- (a) where a target undertaking has received capital under a risk capital measure within the scope of Article 29 of the GBER and subsequently applies, during the first three years after the first risk capital investment, for aid within the scope of the GBER, the relevant aid thresholds or maximum eligible amounts under the GBER will be reduced by 50% in general, and by 20% for target undertakings located in assisted areas. The reduction may not exceed the total amount of risk capital received. This reduction does not apply to aid for research, development and innovation exempted under Articles 31 to 37 of the GBER; and
- (b) aid for young innovative enterprises may, during the first 3 years after being granted, not be cumulated with other aid exempted under the GBER, with the only exception of aid exempted under Articles 31 to 37 and with aid exempted under Article 29 of the GBER.

21. Incentive Effect

Aid will not be granted under the Scheme unless it has an incentive effect.

Aid granted to SMEs under the Scheme will be considered to have an incentive effect if, before the work on the project or activity has started, the beneficiary has submitted an application for the aid.

Aid granted to large enterprises under the Scheme will be considered to have an incentive effect if, in addition to fulfilling to above condition, it has been verified, before the individual aid is granted, that documentation prepared by the beneficiary establishes one of more of the following criteria:

- (a) a material increase in the size of the project/activity due to the aid;
- (b) a material increase in the scope of project/activity due to the aid;
- (c) a material increase in the total amount spent by the beneficiary on the project/activity due to the aid;
- (d) a material increase in the speed of completion of the project/activity concerned; or

- (e) as regards regional investment aid as laid down in Article 13 of the GBER, that the project would not have been carried out as such in the assisted region concerned in the absence of the aid.

As regards aid for compensating the additional costs of employing disabled workers, as laid down in Article 42 of the GBER, the above conditions will be considered to be met if the conditions laid down in Article 42 (3) of the GBER are fulfilled.

As regards aid for the recruitment of disadvantaged workers in the form of wage subsidies and aid for the employment of disabled workers in the form of wage subsidies, as laid down in Articles 40 and 41 of the GBER, the above conditions will be considered to be met if the aid leads to a net increase in the number of disadvantaged/disabled workers employed.

Aid will not be granted under the Scheme unless the above conditions are fulfilled.

22. Transparency

SEEDA has forwarded a summary of the Scheme to the Commission in accordance with Article 9 of the GBER.

On the Scheme coming into force SEEDA published the full text of the Scheme on the internet at http://www.seeda.co.uk/documentbank/SEEDA_GEBRScheme_2010.pdf .

SEEDA will ensure that the full text of the Scheme is accessible on the internet as long as the Scheme is in force.

When granting individual aid under the Scheme SEEDA will make explicit reference to the specific provisions of Chapter II of the GBER relating to that aid, to UK law which ensures respect of the relevant provisions of the GBER and to the internet address at which the full text of the Scheme may be found.

Without prejudice to the above, whenever individual aid is granted under the Scheme for research and development projects covered by Article 31 of the GBER and the individual aid exceeds €3 million and whenever individual regional investment aid is granted under the Scheme, SEEDA will, within 20 working days after the day on which the aid is granted, provide the Commission with the information requested in the standard form laid down in Annex II of the GBER, via the established IT application.

23. Monitoring

SEEDA will maintain detailed records regarding the Scheme and the aid granted under it. Those records will contain all information necessary to establish that the conditions laid down in the GBER have been met, including information on the status of any undertaking whose entitlement to aid or a bonus depends on its status as an SME, information on the incentive effect of the aid and information making it possible to establish the precise amount of eligible costs for the purpose of applying the GBER.

Records regarding individual aid will be maintained for 10 years from the date on which the aid was granted.

Records regarding the Scheme will be maintained for 10 years from the date on which the last aid was granted under the Scheme.

Within 20 working days after request or such longer period as may be fixed in the request, SEEDA will provide the Commission with all the information which the Commission considers necessary to monitor the application of the GBER.

24. Annual Reporting

Through the UK Government, SEEDA will provide the Commission with an annual report on the Scheme, including the internet address giving details of the aid granted under the Scheme.

25. Specific Conditions Applicable to Investment Aid

In order to be considered an eligible cost for the purposes of the Scheme, investments must consist of the following:

- (a) an investment in tangible and/or intangible assets relating to the setting-up of a new establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or a fundamental change in the overall production process of an existing establishment; or
- (b) the acquisition of the capital assets directly linked to an establishment, where the establishment has closed or would have closed had it not been purchased, and the assets are bought by an independent investor. In the case of business succession of a small enterprise in favour of family of the original owner(s) or in favour of former employees, the condition that the assets must be bought by an independent investor will be waived.

The sole acquisition of the shares of an undertaking does not constitute investment.

In order to be considered eligible costs for the purposes of the Scheme, intangible assets must fulfill the following conditions:

- (a) they must be used exclusively in the undertaking receiving the aid. As regards regional investment aid, they must be used exclusively in the establishment receiving the aid;
- (b) they must be regarded as amortizable assets;
- (c) they must be purchased from third parties under market conditions, without the acquirer being in a position to exercise control, within the meaning of Article 3 of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation), on the seller, or vice versa;
- (d) in the case of SME investment aid, they must be included in the assets of the undertaking for at least three years. In the case of regional investment aid, they must be included in the assets of the undertaking and remain in the establishment receiving the aid for at least five years, or three years in the case of SMEs.

In order to be considered an eligible cost for the purposes of the Scheme, employment directly created by an investment project must fulfill the following conditions:

- (a) employment must be created within three years after completion of the investment; and
- (b) the investment project must lead to a net increase in the number of employees in the establishment concerned, compared with the average over the previous twelve months; and
- (c) the employment created must be maintained during a minimum period of five years (in case of large enterprises) and a minimum period of three years (in case of SMEs).

26. Claw-back

Beneficiaries of any aid granted under the Scheme will undertake to repay the aid, and may have to pay interest, if they breach any of the conditions of the award or if any condition of the GBER is not met.

27. Availability of Aid under the Scheme

Aid will be awarded entirely at SEEDA's discretion or that of its managing agents.

Aid will be awarded in accordance with SEEDA's project appraisal and decision making process, and will depend, amongst other things, on the availability of funds.

The existence and the publication of the Scheme is not a representation that any aid is or will be made available.

SEEDA is under no obligation to grant any aid under the Scheme.

28. Definitions

Words and expressions used in the Scheme are defined in Articles 2, 17, 28, 30 and 38 and Annex I of the GBER.

THE APPENDIX

Section 1A - Regional investment and employment aid (article 13 of the GBER)

1. Purposes

- 1.1 To improve the productivity and profitability of undertakings in assisted areas in South East England;
- 1.2 To improve the general skills level in assisted areas of South East England; and
- 1.3 To develop the SME base of assisted areas in South East England.

2. Eligibility

- 2.1 Aid may only be granted in assisted areas in South East England as defined in State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013.
- 2.2 Subject to the general exceptions in the GBER, all enterprises based in assisted area in South East England are eligible.
- 2.3 Because of budgetary constraints and the test for an incentive affect for large enterprises, it is anticipated that few large enterprises will benefit.

3. Eligible Costs

- 3.1 Investment aid must meet the conditions set out in paragraph 25 of the Scheme.
- 3.2 The investment must be maintained in the assisted area for at least five years, or for three years in the case of SMEs, after the whole investment has been completed. This does not prevent the replacement of plant or equipment which has become out-dated due to rapid technological change, provided that the economic activity is retained in the assisted area concerned for the minimum period.
- 3.3 In the case of acquisition of an establishment, only the costs of buying assets from third parties may be taken into consideration, provided that the transaction has taken place under market conditions. Where the acquisition is accompanied by other investment, the costs relating to the latter must be added to the cost of the purchase.
- 3.4 Costs related to the acquisition of assets under lease, other than land and buildings, may only be taken into consideration if the lease takes the form of financial leasing and contains an obligation to purchase the asset at the expiry of the term of the lease. For the lease of land and buildings, the lease must continue for at least five years after the anticipated date of the completion of the investment project or three years in the case of SMEs.
- 3.5 Except in the case of SMEs and takeovers, the assets acquired must be new. In the case of takeovers, assets for the acquisition of which aid has already been granted prior to the purchase must be deducted. For SMEs, the full costs of investments in

intangible assets may also be taken into consideration. For large enterprises, those costs are eligible only up to a limit of 50% of the total eligible investment costs for the project.

- 3.6 Where the aid is calculated on the basis of wage costs, the employment must be directly created by the investment project.

4. Thresholds and Aid Intensity

- 4.1 The aid intensity in present gross grant equivalent must not exceed the regional aid threshold which is in force in the assisted area at the time the aid is granted.

- 4.2 With the exception of aid granted in favour of large investment projects and regional aid for the transport sector, the above thresholds may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.

- 4.3 By way of derogation from paragraphs 4.1 and 4.2, the maximum aid intensities for investments in the processing and marketing of agricultural products may be set at:

(a) 50% of eligible investments in regions eligible under Article 87(3)(a) of the Treaty and 40% of eligible investments in other regions eligible for regional aid, as determined in State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013, if the beneficiary is a small or medium-sized enterprise; or

(b) 25% of eligible investments in regions eligible under Article 87(3) (a) of the Treaty and 20% of eligible investments in other regions eligible for regional aid, as determined in State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013, if the beneficiary has less than 750 employees and/or less than €200 million turnover, calculated in accordance with Annex I of the GBER.

- 4.4 The thresholds fixed in paragraph 4.1 apply to the intensity of the aid calculated either as a percentage of the investment's eligible tangible and intangible costs or as a percentage of the estimated wage costs of the person hired, calculated over a period of two years, for employment directly created by the investment project or a combination thereof, provided that the aid does not exceed the most favourable amount resulting from the application of either calculation.

- 4.5 Where the aid is calculated on the basis of tangible or intangible investment costs, or of acquisition costs in case of takeovers, the beneficiary must provide a financial contribution of a least 25% of the eligible costs, either through its own resources or by external financing, in a form which is free of any public support.

- 4.6 However, where the maximum aid intensity approved under State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013, increased in accordance with paragraph 4.2 exceeds 75%, the financial contribution of the beneficiary is reduced accordingly. If the aid is calculated on the basis of tangible or intangible investment costs, the conditions set out in paragraph 3.3 will also apply.

- 4.7 In order to prevent a large investment being artificially divided into sub-projects, a large investment project is considered to be a single investment project when investments are undertaken during a period of three years by the same undertaking

and consists of fixed assets combined in an economically indivisible way.

Section 1B – Regional aid for newly created small enterprises (article 14 of the GBER)

1. Purposes

- 1.1 To promote entrepreneurship in South East England by supporting newly created SMEs;
- 1.2 To improve the sustainability of SME start ups in assisted areas in South East England; and
- 1.3 To develop and the SME base of assisted areas in South East England.

2. Eligibility

- 2.1 Aid may only be granted in assisted areas in South East England as defined in State aid N 673/2006 – United Kingdom – Regional aid map 2007-2013.
- 2.2 Only small enterprises based in assisted area in South East England are eligible.
- 2.3 Small enterprises controlled by shareholders of enterprises which have closed down in the previous 12 months cannot benefit from aid under this provision if the enterprises concerned are active in the same relevant market or adjacent markets.
- 2.4 The general exceptions and exclusions in article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The aid must not exceed:
 - (a) €2 million for small enterprises with their economic activity in regions eligible for the derogation provided for in Article 87(3) (a) of the Treaty; and
 - (b) €1 million for small enterprises with their economic activity in regions eligible for the derogation provided for in Article 87(3) (c) of the Treaty.
- 3.2 Annual amounts of aid per undertaking must not exceed 33% of the amounts of aid laid down in points (a) and (b) of paragraph 3.1.
- 3.3 The aid intensity must not exceed:
 - (a) in regions covered by Article 87(3)(a) of the Treaty, 35% of eligible expenses incurred in the first three years after the creation of the undertaking, and 25 % in the two years thereafter;
 - (b) in regions covered by Article 87(3)(c) of the Treaty, 25% of eligible expenses incurred in the first three years after the creation of the undertaking, and 15 % in the two years thereafter.
- 3.4 These intensities may be increased by 5% in regions covered by Article 87(3) (a) of the Treaty with a GDP per capita of less than 60% of the EU-25 average, in regions with a population density of less than 12.5 inhabitants/km² and in small islands with

a population of less than 5000 inhabitants, and other communities of the same size suffering from similar isolation.

4. Eligible Costs

4.1 Eligible costs are legal, advisory, consultancy and administrative costs directly related to the creation of the small enterprise, as well as the following costs, insofar as they are actually incurred within the first five years of the creation of the undertaking:

- (a) interests on external finance and a dividend on own capital employed not exceeding the reference rate;
- (b) fees for renting production facilities/equipment;
- (c) energy, water, heating, taxes (other than VAT and corporation taxes on business income) and administrative charges; and
- (d) depreciation, fees for leasing production facilities/equipment as well as wage costs, provided that the underlying investments or job creation and recruitment measures have not benefited from other aid.

Section 2 - SME investment and employment aid (Article 15 of the GBER)

1. Purposes

- 1.1 To improve the productivity and profitability of SMEs in South East England;
- 1.2 To improve the general skills level of SMEs in South East England; and
- 1.3 To develop the SME base in South East England.

2. Eligibility

- 2.1 Beneficiaries must be SMEs in South East England.
- 2.2 The general exceptions in article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed:
 - (a) 20% in the case of small enterprises;
 - (b) 10% in the case of medium-sized enterprises.
- 3.2 Where the investment concerns the processing and marketing of agricultural products, the aid intensity must not exceed:
 - (a) 50% of eligible investments in area eligible under Article 87(3) (a) of the Treaty; or
 - (b) 40% of eligible investments in all other areas of South East England.
- 3.3 No individual aid may be provided under the Scheme if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

4. Eligible Costs

- 4.1 The following are eligible costs:
 - (a) the investment's eligible tangible and intangible costs; or
 - (b) the estimated wage costs of employment directly created by the investment project, calculated over a period of two years.
- 4.2 Investment aid must meet the conditions set out in paragraph 25 of the Scheme.

Section 3 – Aid for small enterprises newly created by female entrepreneurs (Article 16 of the GBER)

1. Purposes

- 1.1 To address the imbalance of female entrepreneurs in the economy of South East England;
- 1.2 To promote the entrepreneurship in South East England by supporting newly created SMEs;
- 1.3 To improve the sustainability of SME start ups in South East England; and
- 1.4 To develop and the SME base of South East England.

2. Eligibility

- 2.1 The beneficiary must be a small enterprise in South East England, newly created by female entrepreneurs.
- 2.2 To be considered an enterprise newly created by female entrepreneurs the small enterprise must meet one of the following conditions:
 - (a) one or more women must own at least 51% of the capital of the small enterprise concerned or be the registered owners of the small enterprise concerned; and
 - (b) a woman must be in charge of the management of the small enterprise.
- 2.3 Small enterprises controlled by shareholders of enterprises which have closed down in the previous 12 months cannot benefit from aid under this provision if the enterprises concerned are active in the same relevant market or adjacent markets.
- 2.4 The general exceptions in article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The aid may not exceed €1 million per undertaking.
- 3.2 Annual amounts of aid per undertaking must not exceed 33% of the amounts of aid laid down in paragraph 3.1.
- 4.3 The aid intensity may not exceed 15% of eligible expenses incurred in the first five years after the creation of the undertaking.

4. Eligible Costs

- 4.1 Eligible costs are legal, advisory, consultancy and administrative costs directly related to the creation of the small enterprise, as well as the following costs, insofar as they are actually incurred within the first five years of the creation of the undertaking:

- (a) interest on external finance and a dividend on own capital employed not exceeding the reference rate;
- (b) fees for renting production facilities/equipment;
- (c) energy, water, heating, taxes (other than VAT and corporate taxes on business income) and administrative charges;
- (d) depreciation, fees for leasing production facilities/equipment as well as wage costs, provided that the underlying investments or job creation and recruitment measures have not benefited from other aid; and
- (e) child care and parent care costs including, where applicable, costs relating to parental leave.

Section 4A - Investment aid enabling enterprises to go beyond Community standards for environmental protection or increase the level of environmental protection in the absence of Community standards (Article 18 of the GBER)

1. Purposes

- 1.1 To promote high levels of environmental standards by encouraging early adoption of Community Standards in South East England;
- 1.2 To contribute to the achievement of the EU and UK targets for the reduction of CO₂ emissions; and
- 1.3 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, any enterprise of any size in South East England is eligible.
- 2.2 The aided investment must enable the beneficiary to increase the level of environmental protection resulting from its activities:
 - (a) by going beyond the applicable EC standards, irrespective of the presence of mandatory national standards that are more stringent than the Community Standard; or
 - (b) in the absence of Community standards.
- 2.3 Aid may not be granted where improvements bring companies into line with Community standards already adopted and not yet in force.
- 2.4 Aid for investments relating to the management of waste of other undertakings may not be provided under this provision.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed 35%.
- 3.2 The aid intensity may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.
- 4.3 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

4. Eligible costs

- 4.1 Eligible costs are the extra investment costs necessary to achieve a level of environmental protection higher than the level required by the Community standards, without taking account of operating benefits and operating costs.
- 4.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
- (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.
- 4.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.
- 4.4 In the case of investments aiming at obtaining a level of environmental protection higher than Community standards, the counterfactual must be selected as follows:
- (a) where the undertaking is adapting to national standards adopted in the absence of Community standards, the eligible costs consist of the additional investment costs necessary to achieve the level of environmental protection required by the national standards;
 - (b) where the undertaking is adapting to or goes beyond national standards which are more stringent than the Community standards or goes beyond Community standards, the eligible costs consist of the additional investment costs necessary to achieve a level of environmental protection higher than the level required by the Community standards. The cost of investments needed to reach the level of protection required by the Community standards are not be eligible;
 - (c) where no standards exist, the eligible costs consist of the investment costs necessary to achieve a higher level of environmental protection than that which the undertaking or undertakings in question would achieve in the absence of any environmental aid.
- 4.5 Investment aid must meet the conditions set out in paragraph 25 of the Scheme.

Section 4B - Aid for the acquisition of transport vehicles which go beyond Community standards or which increase the level of environmental protection in the absence of Community standards (Article 19 of the GBER)

1. Purposes

- 1.1 To promote high levels of environmental standards by encouraging early adoption of Community Standards in South East England;
- 1.2 To contribute to the achievement of the EU and UK targets for the reduction of CO₂ emissions; and
- 1.3 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, any enterprise of any size in South East England is eligible.
- 2.2 The aided investment must enable the beneficiary to increase the level of environmental protection resulting from its activities:
 - (a) by going beyond the applicable EC standards, irrespective of the presence of mandatory national standards that are more stringent than the Community Standard; or
 - (b) in the absence of Community standards.
- 2.2 Aid for the acquisition of new transport vehicles for road, railway, inland waterway and maritime transport complying with adopted Community standards may be granted when such acquisition occurs before those Community standards enter into force and where, once mandatory, they do not apply retroactively to already purchased vehicles.
- 2.3 Aid for retrofitting operations of existing transport vehicles with an environmental protection objective may be granted if the existing means of transport are upgraded to environmental standards that were not yet in force at the date of entry into operation of those means of transport, or if the means of transport are not subject to any environmental standards.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed 35%.
- 3.2 The aid intensity may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

4. Eligible Costs

- 4.1 Eligible costs are the extra investment costs in acquiring transport vehicles necessary to achieve a level of environmental protection higher than the level required by the Community standards or, in the absence of Community standards, to increase the level of environmental protection.
- 4.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
 - (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.
- 4.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.
- 4.4 Operating benefits and operating costs are not to be taken into account.

Section 4C – Aid for early adaptation to future Community standards for SMEs (Article 20 of the GBER)

1. Purposes

- 1.1 To promote high levels of environmental standards by encouraging early adoption of Community Standards in South East England;
- 1.2 To contribute to the achievement of the EU and UK targets for reduction of CO₂ emissions; and
- 1.3 To reduce contributions to climate change.

2. Eligibility

- 2.1 Only SMEs in South East England are eligible.
- 2.2 The Community standards must already have been adopted.
- 2.3 The investment must be implemented and finalised at least one year before the mandatory date of transposition.
- 2.4 The general exceptions in article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed:
 - (a) 15% for small enterprises and 10% for medium-sized enterprises if the implementation and finalisation take place more than three years before the mandatory date of transposition or date of entry into force; and
 - (b) 10% for small enterprises if the implementation and finalisation take place between one and three years before the mandatory date of transposition or date of the entry into force.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

4. Eligible Costs

- 4.1 Eligible costs are the extra investment costs necessary to achieve the level of environmental protection required by the Community standard compared to the existing level of environmental protection required prior to the entry into force of that standard.
- 4.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:

- (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.
- 4.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.
- 4.4 Operating benefits and operating costs are not to be taken into account.

Section 4D - Environmental aid for investment aid for energy saving measures (Article 21 of the GBER)

1. Purposes

- 1.1 To enable enterprises to reduce their use of energy;
- 1.2 To contribute to the achievement of:
 - the EC Directive: Energy end-use efficiency and energy services (Directive 2006/32/EC) target of 9% saving by 2015;
 - the EU Energy Efficiency Action Plan target of saving 20% of EU primary energy consumption by 2020;
 - the UK Energy Efficiency Action Plan target of 9% saving by 2015; and
 - the EU 20% and UK 80% targets for reduction of CO₂ emissions from the level of 1990 by 2020; and
- 1.3 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exceptions in Article 1 of the GBER, enterprises of any size in South East England are eligible.

3. Eligible Costs

- 3.1 Eligible costs are the extra investment costs necessary to achieve energy savings beyond the level required by the Community standards calculated in accordance with paragraphs 3.2-3.5 or paragraphs 3.6–3.8.
- 3.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
 - (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.

- 3.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.
- 3.4 The eligible costs must be calculated net of any operating benefits and costs related to the extra investment for energy saving and arising during the first three years of the life of this investment in the case of SMEs, the first four years in the case of large undertakings that are not part of the EU CO² Emission Trading System and the first five years in the case of large undertakings that are part of the EU CO² Emission Trading System. For large undertakings this period can be reduced to the first three years of the life of this investment where the depreciation time of this investment can be demonstrated not to exceed three years.
- 3.5 The eligible cost calculations must be certified by an external auditor.
- 3.6 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
- (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.
- 3.7 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.
- 3.8 Operating benefits and operating costs are not to be taken into account.

4. Thresholds and Aid Intensity

- 4.1 In the case of eligible costs calculated in accordance with paragraphs 3.2-3.5, the aid intensity may not exceed 60%. This may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.
- 4.2 In the case of eligible costs calculated in accordance with paragraphs 3.6-3.8, the aid intensity may not exceed 20%. This may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.
- 4.3 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

Section 4E – Environmental investment aid for high-efficiency cogeneration (Article 22 of the GBER)

1. Purposes

- 1.1 To promote more environmentally protective and efficient forms of energy generation;
- 1.2 To contribute to the achievement of:
 - the EC Directive: Energy end-use efficiency and energy services (Directive 2006/32/EC) target of 9% saving by 2015;
 - the EU Energy Efficiency Action Plan target of saving 20% of EU primary energy consumption by 2020;
 - the UK Energy Efficiency Action Plan target of 9% saving by 2015; and
 - the EU 20% and UK 80% targets for reduction of CO₂CO₂ emissions from the level of 1990 by 2020; and
- 1.3 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.
- 2.2 A new cogeneration unit must overall make primary energy savings compared to separate production as defined by Directive 2004/8/EC and Decision 2007/74/EC. The improvement of an existing cogeneration unit or conversion of an existing power generation unit into a cogeneration unit must result in primary energy savings compared to the original situation.

3. Eligible Costs

- 3.1 Eligible costs are the extra investment costs necessary to realise a high efficiency cogeneration plant as compared to the reference investment.
- 3.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
 - (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection (corresponding to the mandatory Community standards, if they exist) and

that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.

3.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.

4.4 Operating benefits and operating costs are not to be taken into account.

4. Thresholds and Aid Intensity

4.1 The aid intensity must not exceed 45%. The aid intensity may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.

4.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

Section 4F – Environmental investment aid for the promotion of energy from renewable energy sources (Article 23 of the GBER)

1. Purposes

- 1.1 To promote renewable and sustainable forms of energy;
- 1.2 To reduce environmental pollution throughout the EU community;
- 1.3 To contribute to the achievement of:
 - the EU target of 20% of energy consumption to be from renewable sources by 2020;
 - the draft UK Renewable Energy Strategy target of 15% of consumption to be provided from renewable sources by 2020 due to be published in Spring 2009; and
 - the EU 20% and UK 80% targets for reduction of CO₂CO₂ emissions from the level of 1990 by 2020; and
- 1.4 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.
- 2.2 Environmental investment aid for the production of biofuels may be granted only to the extent the aided investments are used exclusively for the production of sustainable biofuels.

3. Eligible Costs

- 3.1 Eligible costs are the extra costs borne by the beneficiary compared with a conventional power plant or with a conventional heating system with the same capacity in terms of the effective production of energy.
- 3.2 The costs of the investment directly related to environmental protection are to be established by reference to the counterfactual situation:
 - (a) where the cost of investing in environmental protection can be easily identified in the total investment cost, this precise environmental protection-related cost constitutes the eligible costs; and
 - (b) in all other cases, the extra investment costs are to be established by comparing the investment with the counterfactual situation in the absence of State Aid. The correct counterfactual is the cost of a technically comparable investment that provides a lower degree of environmental protection

(corresponding to the mandatory Community standards, if they exist) and that would credibly be realised without aid ('reference investment'). Technically comparable investment means an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for environmental protection). In addition, such a reference investment must, from a business point of view, be a credible alternative to the investment under assessment.

3.3 The eligible investment may take the form of investment in tangible assets and/or in intangible assets.

4.4 Operating benefits and operating costs are not to be taken into account.

4. Thresholds and Aid Intensity

4.1 The aid intensity must not exceed 45%. The aid intensity may be increased by 20 percentage points for aid awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.

4.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €7.5 million per undertaking per investment project.

Section 4G – Aid for environmental studies (Article 24 of the GBER)

1. Purposes

- 1.1 To promote renewable and sustainable forms of energy;
- 1.2 To reduce environmental pollution throughout the EU community;
- 1.3 To contribute to the achievement of:
 - the EC Directive: Energy end-use efficiency and energy services (Directive 2006/32/EC) target of 9% saving by 2015;
 - the EU Energy Efficiency Action Plan target of saving 20% of EU primary energy consumption by 2020;
 - the UK Energy Efficiency Action Plan target of 9% saving by 2015;
 - **the EU 20% and UK 80% targets for reduction of CO₂CO₂** emissions from the level of 1990 by 2020;
 - the EU target of 20% of energy consumption to be from renewable sources by 2020; and
 - the draft UK Renewable Energy Strategy target of 15% of consumption to be provided from renewable sources by 2020 due to be published in Spring 2009; and
- 1.4 To reduce contributions to climate change.

2. Eligibility

- 2.1 Subject to the general exception in the GBER, enterprises of any size in South East England are eligible.
- 2.2 Studies must be directly linked to investments for the purposes of achieving standards under the conditions set out in Article 18 of the GBER (Investment aid enabling enterprises to go beyond Community standards for environmental protection or increase the level of environmental protection in the absence of Community standards), of achieving energy saving under the conditions set out in Article 21 of the GBER (Environmental aid for investment in energy saving measures) and of producing renewable energy under the conditions set out in Article 23 of the GBER (Environmental investment aid for the promotion of energy from renewable energy sources).

3. Eligible Costs

- 3.1 Eligible costs are the costs of studies directly linked to investments for the purposes of achieving standards under the conditions set out in Article 18 of the GBER, of achieving energy saving under the conditions set out in Article 21 of the GBER and of producing renewable energy under the conditions of Article 23 of the GBER.

4. Thresholds and Aid Intensity

- | 4.1 The aid intensity must not exceed 50%.
- 4.2 The aid intensity may be increased by 20 percentage points for studies undertaken on behalf of small enterprises and by 10 percentage points for studies undertaken on behalf of medium-sized enterprises.

Section 5A - Aid for consultancy in favour of SMEs (Article 26 of the GBER)

1. Purposes

- 1.1 To promote the efficiency and competitiveness of SMEs within the EU, in particular:
- to support SMEs in South East England to maintain and/or enhance their business competitiveness by accessing outside consultancy advice and services;
 - to build confidence in SMEs in South East England to encourage them to access outside consultancy support in the future;
 - to promote the role of SMEs in the economy of South East England.

2. Eligibility

- 2.1 Only SMEs in South East England are eligible.
- 2.2 The general exceptions in article 1 of the GBER apply.

3. Eligible costs

- 3.1 Eligible costs are the consultancy costs of services provided by outside consultants.
- 3.2 The services concerned must not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal services or advertising.

4. Thresholds and Aid Intensity

- 4.1 The aid intensity must not exceed 50%.
- 4.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €2 million per undertaking per investment project.

Section 5B - Aid for SME participation in fairs (Article 27 of the GBER)

1. Purposes

1.1 To promote the efficiency and competitiveness of SMEs within the EU, in particular:

- to support SMEs in South East England to maintain and/or enhance their business competitiveness by support to attend and exhibit at trade fairs;
- to promote the role of SMEs in the economy of South East England.

2. Eligibility

2.1 Only SMEs in South East England are eligible.

2.2 The general exceptions in article 1 of the GBER apply.

3. Eligible Costs

3.1 Eligible costs are the costs incurred for renting, setting up and running the stand for the first participation of an undertaking in a particular fair or exhibition.

4. Thresholds and Aid Intensity

4.1 The aid intensity must not exceed 50%.

4.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €2 million per undertaking.

Section 6 – Aid in the form of risk capital (Article 29 of the GBER)

1. Purposes

- 1.1 To promote the efficiency and competitiveness of SMEs within the EU, in particular:
- to allow viable SMEs in South East England to have access to equity capital support which they would not otherwise have due to the transaction costs involved in comparatively small investments in SMEs; and
 - to promote the role of SMEs in the economy of South East England.

2. Eligibility

- 2.1 Only SMEs in South East England are eligible.
- 2.2 The aid must take the form of participation into a profit driven private equity investment fund, managed on a commercial basis.
- 2.3 For SMEs located in assisted areas, and for small enterprises located in non-assisted areas, the risk capital measure must be restricted to providing seed capital, start-up capital and/or expansion capital.
- 2.4 For medium-sized enterprises in non-assisted areas, the risk capital measure must be restricted to providing seed capital and/or start-up capital, to the exclusion of expansion capital.
- 2.5 To ensure that the risk capital measure is profit-driven: there must be:
- (a) a business plan for each investment, containing details of product, sales and profitability development and establishing the *ex ante* viability of the project; and
 - (b) a clear and realistic exit strategy for each investment.
- 2.6 To ensure that the management of the investment fund is effected on a commercial basis:
- (a) there must be an agreement between a professional fund manager and participants in the fund, providing that the manager's remuneration is linked to performance and setting out the objectives of the fund and proposed timing of investments;
 - (b) private investors must be represented in decision-making, such as through an investors' or advisory committee; and
 - (c) best practices and regulatory supervision must apply to the management of funds.
- 2.7 The general exceptions and exclusions in article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The tranches of investment to be made by the investment fund must not exceed €1.5 million per target undertaking over any period of twelve months.
- 3.2 The investment fund must provide at least 70% of its total budget invested into target SMEs in the form of equity or quasi-equity.
- 3.3 At least 50% of the funding of the investment funds must be provided by private investors, or at least 30% in the case of investment funds targeting exclusively SMEs located in assisted areas.
- 3.4 Where a target undertaking has received capital under a risk capital measure within the scope of Article 29 of the GBER and subsequently applies, during the first three years after the first risk capital investment, for aid within the scope of the GBER, the relevant aid thresholds or maximum eligible amounts under the GBER must be reduced by 50% in general and by 20% for target undertakings located in assisted areas. The reduction must not exceed the total amount of risk capital received. This reduction does not apply to aid for research, development and innovation exempted under Articles 31-37 of the GBER.

Section 7A – Aid for research and development projects (Article 31 of the GBER)

1. Purposes

- 1.1 To promote the efficiency and competitiveness of the EU, in particular:
- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
 - to encourage SMEs in South East England to innovate;
 - to promote the skills of the population in South East England.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.
- 2.2 The aided part of the research project must completely fall within one or more of the following research categories:
- (a) fundamental research;
 - (b) industrial research; and
 - (c) experimental development.
- 2.3 When a project encompasses different tasks, each task must be qualified as falling under one of the categories listed above or as not falling under any of the categories.

3. Thresholds and Aid Intensity

- 3.1 The basic aid intensity may not exceed:
- (a) 100% for fundamental research;
 - (b) 50% for industrial research; and
 - (c) 25% for experimental development.
- 3.2 The aid intensity must be established for each beneficiary of aid, including in a collaboration project as provided in paragraph 3.4(b) (i).
- 3.2 In the case of State aid for a research and development project being carried out in collaboration between research organisations and undertakings, the combined aid deriving from direct government support for a specific research project and, where they constitute aid, contributions from research organisations to that project may not exceed the applicable aid intensities for each benefiting undertaking.
- 3.4 The basic aid intensities set out for industrial research and experimental development in paragraph 3.1 may be increased as follows:

- (a) where the aid is given to SMEs, the aid intensity may be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises; and
- (b) a bonus of 15 percentage points may be added, to a maximum aid intensity of 80%, if:
 - (i) the project involves effective collaboration between at least two undertakings which are independent of each other and the following conditions are fulfilled:
 - no single undertaking bears more than 70% of the eligible costs of the collaboration project;
 - the project involves collaboration with at least one SME or is carried out in at least two different Member States; or
 - (ii) the project involves effective collaboration between an undertaking and a research organisation and the following conditions are fulfilled:
 - the research organisation bears at least 10% of the eligible project costs; and
 - the research organisation has the right to publish the results of the research projects insofar as they stem from research implemented by that organisation; or
 - (iii) in the case of industrial research, the results of the project are widely disseminated through technical and scientific conferences or through publication in scientific or technical journals or in open access repositories or through free or open source software.

3.5 For the purposes of paragraphs 3.4 (b) (i) and (ii), sub-contracting is not considered to be effective collaboration.

3.6 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds:

- (a) if the project is predominantly fundamental research, €20 million per undertaking, per project;
- (b) if the project is predominantly industrial research, €10 million per undertaking, per project;
- (c) for all other projects, €7.5 million per undertaking, per project;
- (d) if the project is a EUREKA project, twice the amounts laid down in points (a), (b) and (c) respectively.

4. Eligible Costs

4.1 Eligible costs are:

- (a) personnel costs (researchers, technicians and other supporting staff to the extent employed on the research project);
- (b) costs of the instruments and equipment to the extent and for the period used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, are eligible;
- (c) costs for buildings and land, to the extent and for the duration used for the research project. With regard to buildings, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice are eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible;
- (d) cost of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity;
- (e) additional overheads incurred directly as a result of the research project; and
- (f) other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the research activity.

4.2 All eligible costs must be allocated to a specific category of research and development.

Section 7B – Aid for technical feasibility studies (Article 32 of the GBER)

1. Purposes

1.1 To promote the efficiency and competitiveness of the EU, in particular:

- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
- to encourage SMEs in South East England to innovate;
- to promote the skills of the population in South East England.

2. Eligibility

2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible

3. Thresholds and Aid Intensity

3.1 The aid intensity may not exceed:

- (a) for SMEs, 75% for studies preparatory to industrial research activities and 50% for studies preparatory to experimental development activities;
- (b) for large enterprises, 65% for studies preparatory to industrial research activities and 40% for studies preparatory to experimental development activities.

3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds:

- (a) if the project is predominantly fundamental research, €20 million per undertaking, per feasibility study;
- (b) if the project is predominantly industrial research, €10 million per undertaking, per feasibility study;
- (c) for all other projects, €7.5 million per undertaking, per feasibility study;
- (d) if the project is a EUREKA project, twice the amounts laid down in points (a), (b) and (c) respectively.

4. Eligible Costs

4.1 Eligible costs are the costs of the study.

Section 7C – Aid for industrial property rights costs for SMEs (Article 33 of the GBER)

1. Purposes

1.1 To promote the efficiency and competitiveness of the EU, in particular:

- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
- to encourage SMEs to innovate;
- to promote the skills of the population of South East England; and
- to enable SMEs to protect and exploit industrial property rights arising from their own and collaborative research.

2. Eligibility

2.1 Only SMEs in South East England are eligible.

2.2 The general exceptions in Article 1 of the GBER apply.

3. Thresholds and Aid intensity

3.1 Where fundamental research first lead to the intellectual property rights, the basic aid intensity must not exceed 100%.

3.2 Where industrial research first led to the intellectual property rights, the basic aid intensity must not exceed 50%.

3.3 Where experimental development first led to the intellectual property rights, the basic aid intensity must not exceed 25%.

3.4 Where industrial research and experimental development respectively first led to the intellectual property, the basic aid intensities set out in paragraphs 3.2 and 3.3 may be increased as follows:

(a) where the aid is given to SMEs, the aid intensity may be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises; and

(b) a bonus of 15 percentage points may be added, to a maximum aid intensity of 80%, if:

(i) the project involved effective collaboration between at least two undertakings which are independent of each other and the following conditions are fulfilled:

- no single undertaking bears more than 70% of the eligible costs of the collaboration project;

- the project involves collaboration with at least one SME or is carried out in at least two different Member States; or
- (ii) the project involves effective collaboration between an undertaking and a research organisation and the following conditions are fulfilled:
 - the research organisation bears at least 10% of the eligible project costs; and
 - the research organisation has the right to publish the results of the research projects insofar as they stem from research implemented by that organisation; or
- (iii) in the case of industrial research, the results of the project are widely disseminated through technical and scientific conferences or through publication in scientific or technical journals or in open access repositories or through free or open source software.

4.5 For the purposes of paragraphs 3.4 (b) (i) and (ii), sub-contracting is not considered to be effective collaboration.

4.6 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €5m per enterprise per project.

4. Eligible Costs

4.1 Eligible costs are:

- (a) all costs preceding the grant of the right in the first jurisdiction, including costs relating to the preparation, filing and prosecution of the application as well as costs incurred in renewing the application before the right has been granted;
- (b) translation and other costs incurred in order to obtain the granting or validation of the right in other legal jurisdictions; and
- (c) costs incurred in defending the validity of the right during the official prosecution of the application and possible opposition proceedings, even if such costs occur after the right is granted.

Section 7D - Aid for research and development in the agricultural and fisheries sectors (Article 34 of the GBER)

1. Purposes

- 1.1 To promote the efficiency and competitiveness of the EU, in particular:
- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy; and
 - to promote the skills of the population in South East England.

2. Eligibility

- 2.1 The aid must be for research and development concerning products listed in Annex I to the EC Treaty (Annex I products).
- 2.2 The aid must be of interest to all operators in the particular sector or sub-sector concerned.
- 2.3 Information that research will be carried out and with which goal, must be published on the internet, prior to the commencement of the research. An approximate date of expected results and their place of publication on the internet, as well as a mention that the result will be available at no cost, must be included.
- 2.4 The results of the research must be made available on the internet for a period of at least 5 years. This information on the internet must be published no later than any information which may be given to members of any particular organisation.
- 2.5 Aid must be granted directly to the researching institution or body and must not involve the direct granting of non-research related aid to a company producing, processing or marketing agricultural products, nor provide price support to producers of such products.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed 100%.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds:
- (a) if the project is predominantly fundamental research, €20 million per undertaking, per project;
 - (b) if the project is predominantly industrial research, €10 million per undertaking, per project;
 - (c) for all other projects, €7.5 million per undertaking, per project;
 - (d) if the project is a EUREKA project, twice the amounts laid down in paragraphs (a), (b) and (c) respectively.

4. Eligible Costs

4.1 Eligible costs are:

- (a) personnel costs (researchers, technicians and other supporting staff to the extent employed on the research project);
- (b) costs of the instruments and equipment to the extent and for the period used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, are eligible;
- (c) costs for buildings and land, to the extent and for the duration used for the research project. With regard to buildings, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice areas eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible;
- (d) cost of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity;
- (e) additional overheads incurred directly as a result of the research project; and
- (f) other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the research activity.

4.2 All eligible costs must be allocated to a specific category of research and development.

5. Other aid for research and development in the agricultural and fisheries sectors

5.1 Aid for research and development concerning (Annex I products which does not meet the conditions in paragraphs 2 - 4 above may be granted provided the conditions laid down in Articles 30-32 are fulfilled.

Section 7E - Aid to young innovative enterprises (Article 35 of the GBER)

1. Purposes

1.1 To promote the efficiency and competitiveness of the EU, in particular:

- To encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
- To encourage SMEs in the South East engaged in innovative activities;
- To promote the skills of the population in South East England; and
- To support high growth early stage companies in South East England.

2. Eligibility

2.1 Beneficiaries must be small enterprises in South East England which have been in existence for less than 6 years at the time when the aid is granted.

2.2 The research and development costs of the beneficiary must represent a least 15% of its total operating costs in at least one of the three years preceding the granting of the aid or, in the case of start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

2.3 The beneficiary may receive aid only once during the period in which it qualifies as a young innovative enterprise.

2.4 The general exceptions in Article 1 of the GBER apply.

3. Thresholds and Aid Intensity

3.1 The aid must not exceed €1 million.

3.2 The aid may be increased to a maximum award of €1.5 million in areas eligible for the derogation provided for in Article 87(3) (a) of the Treaty, and €1.25 million in areas eligible for the derogation provided for in Article 87(3) (c) of the Treaty.

3.3 During the first 3 years after being granted, aid for young innovative enterprises may not be cumulated with other aid exempted under the GBER, except aid exempted under Articles 31-37 of the GBER and aid exempted under Article 29 of the GBER.

4. Eligible costs

4.1 There is no restriction to certain eligible costs.

Section 7F – Aid for innovation advisory services and for innovation support services (Article 36 of the GBER)

1. Purposes

1.1 To promote the efficiency and competitiveness of the EU, in particular:

- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
- to encourage SMEs in South East England involved in innovative activities; and
- to promote the skills of the population in South East England.

2. Eligibility

2.1 Only SMEs in South East England are eligible.

2.2 The service provider must benefit from a national or European certification. If the service provider does not benefit from a national or European certification, paragraph 3.2 applies.

2.3 The beneficiary must use the State aid to buy the services at market price, or if the service provider is a non-for-profit entity, at a price which reflects its full costs plus a reasonable margin.

2.4 The general exceptions in Article 1 of the GBER apply.

3. Thresholds and Aid intensity

3.1 The aid must not exceed €200,000 per beneficiary within any three year period.

3.2 If the service provider does not benefit from a national or European certification the aid may not cover more than 75% of the eligible costs.

4. Eligible costs

4.1 The following costs are eligible:

- (a) as regards innovation advisory services the following costs: management consulting; technology assistance; technology transfer services; training; consultancy for acquisition, protection and trade in Intellectual Property Rights and for licensing agreements; consultancy on the use of standards; and
- (b) as regards innovation support services the following costs: office space; data banks; technical libraries; market research; use of laboratory; quality labeling, testing and certification.

Section 7G – Aid for the loan of highly qualified personnel (Article 37 of the GBER)

1. Purposes

- 1.1 To promote the efficiency and competitiveness of the EU, in particular:
- to encourage innovation and research within the UK and the EU, in line with the Lisbon Strategy;
 - to encourage SMEs in South East England engaged in innovative activities; and
 - to promote the skills of the population in South East England.

2. Eligibility

- 2.1 Only SMEs in South East England are eligible.
- 2.2 Highly qualified personnel must be seconded from either a research organisation or a large enterprise to the SME beneficiary.
- 2.3 The seconded person must not be replacing other personnel, but must be employed in a newly created function within the beneficiary undertaking and must have been employed for at least two years in the research organisation or the large enterprise, which is sending the personnel on secondment.
- 2.4 The seconded personnel must work on R&D&I activities within the SME receiving the aid.
- 2.5 The general exceptions in Article 1 of the GBER apply.

3. Thresholds and Aid Intensity

- 3.1 The maximum aid intensity shall be 50%, to a maximum of €1m, of the eligible costs, for a maximum of 3 years per undertaking and per person borrowed.

4. Eligible Costs

- 4.1 Eligible costs are all personnel costs for borrowing and employing highly qualified personnel, including the costs of using a recruitment agency, as well as a mobility allowance for the seconded personnel.
- 4.2 Aid must not be provided under this provision for consultancy costs covered by Article 26 of the GBER.

Section 8 – Training aid (Article 39 of the GBER)

1. Purpose

- 1.1 To increase the skills level of workers in the UK and the EU, in particular:
- to increase the general level of skills in the economy of South East England;
 - to encourage enterprises in South East England to invest in training;
 - to address the additional challenges faced by SMEs in South East England when investing in training.

2. Eligibility

- 2.1 Subject to the general exception in the GBER, enterprises of any size in the South East England are eligible.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed:
- (a) 25% for specific training; and
 - (b) 60% for general training.
- 3.2 The aid intensity may be increased, up to a maximum aid intensity of 80%, as follows:
- (a) by 10 percentage points if the training is given to disabled or disadvantaged workers; and
 - (b) by 10 percentage points if the aid is awarded to medium-sized enterprises and by 20 percentage points if the aid is awarded to small enterprises.
- 3.3 Where the aid is granted in the maritime transport sector, it may reach an intensity of 100% whether the training project concerns specific or general training, provided that the following conditions are met:
- (a) the trainee must not be an active member of the crew but must be supernumerary on board, and
 - (b) the training must be carried out on board ships entered on Community registers.
- 3.4 In cases where the aid project involves both specific and general training components which cannot be separated for the calculation of the aid intensity, and in the cases where the specific or general character of the training aid project cannot be established, the intensities applicable to specific training apply.

3.5 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €2million per training project.

4. Eligible Costs

4.1 Eligible costs of a training aid project are:

- (a) trainers' personnel costs;
- (b) trainers' and trainees' travel expenses, including accommodation;
- (c) other current expenses such as materials and supplies directly related to the project;
- (d) depreciation of tools and equipment, to the extent that they are used exclusively for the training project;
- (e) cost of guidance and counseling services with regard to the training project;
- (f) trainees' personnel costs and general indirect costs (administrative costs, rent, overheads) up to the amount of the total other eligible costs referred to in points (a) to (e). As regards the former type of costs, only the hours during which the trainees actually participate in the training, after deduction of any productive hours, may be taken into account.

Section 9A - Aid for the recruitment of disadvantaged workers in the form of wage subsidies (Article 40 of the GBER)

1. Purposes

- 1.1 To increase the levels of employment of disadvantaged workers in the UK and EU and in particular in South East England.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.
- 2.2 Where the recruitment does not represent a net increase, compared with the average over the previous twelve months, in the number of employees in the undertaking concerned, the post or posts must have fallen vacant following voluntary departure, disability, retirement on grounds of age, voluntary reduction of working time or lawful dismissal for misconduct and not as a result of redundancy.
- 2.3 Except in the case of lawful dismissal for misconduct, the disadvantaged worker must be entitled to continuous employment for a minimum period consistent with UK national legislation or collective agreements governing employment contracts. In case the period of employment is shorter than 12 months, the aid must be reduced on a pro rata basis accordingly.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity must not exceed 50% of the eligible costs.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €5million per undertaking per year.

4. Eligible Costs

- 4.1 Eligible costs are the wage costs over a maximum period of 12 months following recruitment. Eligible costs are the wage costs over a maximum period of 24 months following recruitment if the worker concerned is a severely disadvantaged worker.

Section 9B - Aid for the recruitment of disabled workers in the form of wage subsidies (Article 41 of the GBER)

1. Purpose

- 1.1 To increase the levels of employment of disabled workers in the UK and EU, in particular in South East England.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.
- 2.2 Where the recruitment does not represent a net increase, compared with the average over the previous 12 months, in the number of employees in the undertaking concerned, the post or posts must have fallen vacant after voluntary departure, disability, retirement on grounds of age, voluntary reduction of working time, or lawful dismissal for misconduct and not as a result of redundancy.
- 2.3 Except in the case of lawful dismissal for misconduct the workers must be entitled to continuous employment for a minimum period consistent with UK legislation concerned or any collective agreements governing employment contracts. If the period of employment is shorter than 12 months, the aid must be reduced on a pro rata basis accordingly.

3. Thresholds and Aid Intensity

- 3.1 The aid intensity shall not exceed 75% of the eligible costs.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €10million per undertaking per year.

4. Eligible Costs

- 4.1 Eligible costs are the wage costs over any given duration during which the disabled worker is being employed.

Section 9C - Aid for compensating the additional costs of employing disabled workers (Article 42 of the GBER)

1. Purpose

- 1.1 To increase the levels of employment of disabled workers in the UK and EU, in particular in South East England.

2. Eligibility

- 2.1 Subject to the general exceptions in the GBER, enterprises of any size in South East England are eligible.

3. Thresholds and Aid intensity

- 3.1 The aid intensity must not exceed 100% of the eligible costs.
- 3.2 No individual aid may be provided under this provision if the grant equivalent of that aid exceeds €10million per undertaking per year.

4. Eligible Costs

- 4.1 Eligible costs are the costs except the wage costs covered by Article 39 (Training Aid), which the employer has to bear and which are additional to those which the undertaking would have incurred if employing workers who are not disabled, over the duration during which the worker concerned is being employed.
- 4.2 The following costs are eligible:
- (a) costs of adapting premises;
 - (b) costs of employing staff for time spent solely on the assistance of the disabled workers;
 - (c) costs of adapting or acquiring equipment, or acquiring and validating software for their use by disabled workers, including adapted or assistive technology facilities, which are additional to those which the beneficiary would have incurred if employing workers who are not disabled; and
 - (d) where the beneficiary undertaking provides sheltered employment, the costs of constructing, installing or expanding the establishment concerned and any costs of administration and transport which result directly from the employment of disabled workers.