Innovate UK

Innovation loans

Innovation Loans Future Economy Round 19 Applicant Briefing Webinar

14th January 2025

GROWTH FINANCE AWARDS | 2019

WINNER INNOVATIVE PRODUCT OF THE YEAR

- The briefing will be recorded and available to refer to through the IFS date page
- Recordings of this webinar, a webinar on project application advice and a webinar focused on completing the business and financial submission, together with further resources, are available on the Innovate UK KTN website: https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/
- PDFs of the presentation will also be available on request
- For more information on the competition process, please go to: Competition briefing: applicant information - YouTube

Welcome and Introductions

Jemima Jones – Investment Specialist

Hemaxi Bhatt – Credit Specialist

James Rayner – Competition Manager

UKRI Innovate UK

Innovate UK

- We are the UK’s innovation agency
- We support business-led innovation in all sectors, technologies and UK regions
- A key delivery body of the Government’s Innovation Strategy

Our Mission

To help UK businesses grow through the development and commercialisation of new products, processes, and services, supported by an outstanding innovation ecosystem that is agile, inclusive, and easy to navigate.

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Agenda: Innovation Loans applicant briefing

- What are innovation loans?
- How do we decide who to lend to?
- Our credit evaluation process and approach
- Q&A (1)
- How to complete your application
  - IFS account set up
  - Business and financial information
  - Business financial spreadsheet
  - Project Proposal and Project Costs
- Eligibility considerations
- Additional Support
- Q&A (2)

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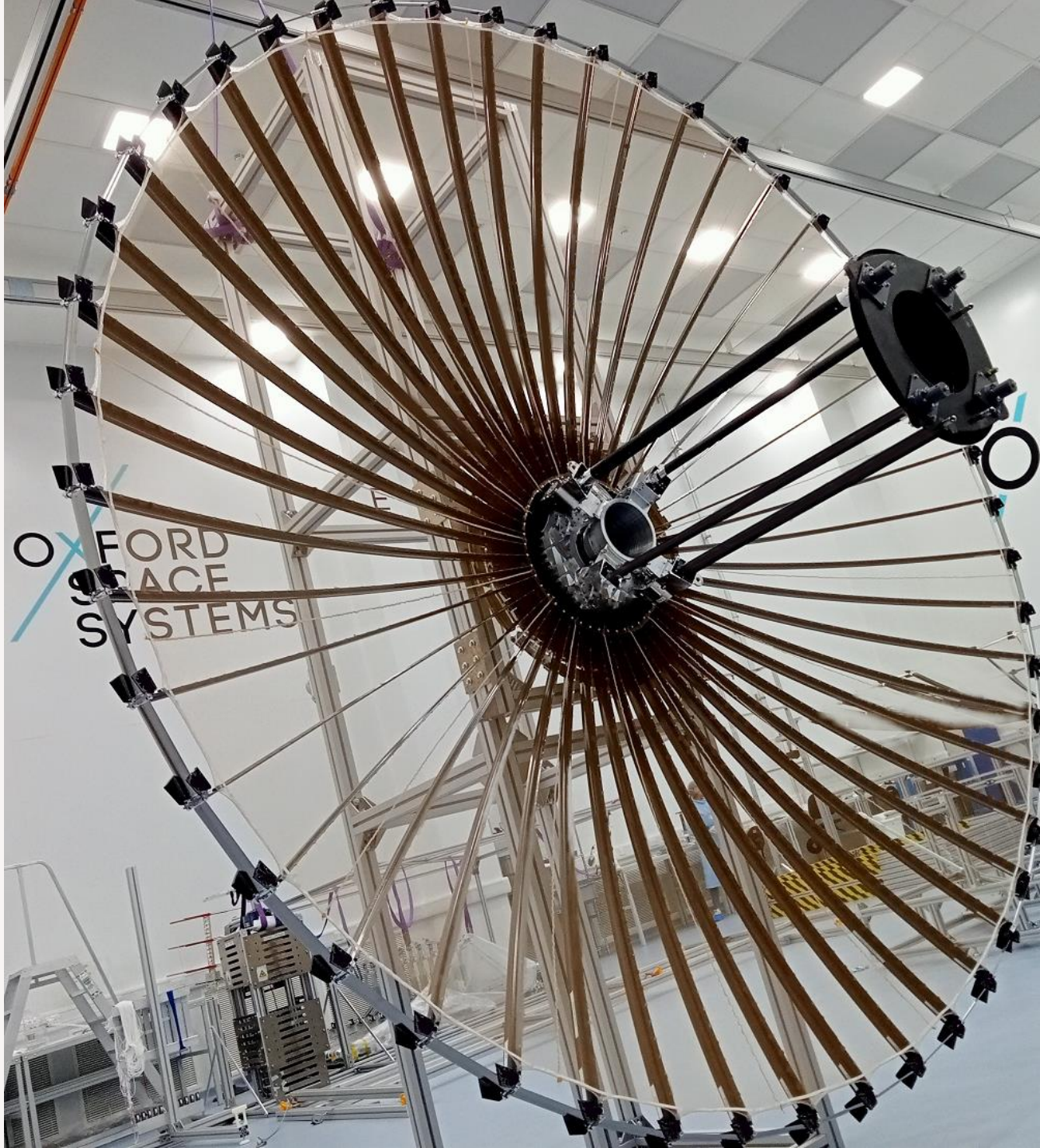

Key dates for Round 19

Timeline	Dates
Competition Open	**9 January 2025**
Applicant Briefing Webinar	14 January 2025
Good Application Guide Workshop (Answering the Assessors Prayer)	Please view a recording at https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/ Or read the Guide at Good Application Guide - Innovate UK Business Connect (ktn-uk.org)
How to Complete the Financial Submission Workshop	Please view a recording at https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/
Financial Submission 'Deep Dive' Workshops – Register to attend one workshop	Workshop 1: 20 January 2025 11.00-12.30 Workshop 2: 28 January 2025 14.00-15.30 Workshop 3: 5 February 2025 10.00-11.30
Submission Deadline	**5 March 2025 (11am)**
Initial notification to applicants	21 April 2025
Decision Notification following full Credit Analysis	1 June 2025
Expected project start	1 July 2025

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What are Innovation Loans?

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Innovation Loans

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Helping businesses to access funding at all stages of innovation

- Late stage R&D
- Clear route to commercial success
- Innovative and growth orientated
- ‘Scaling’ rather than ‘starting’
- Credit Constrained
- £150m programme over 3 years

Single SME Applicants

Loan size £100k to £2m

7.4%

Below-market Interest rate

Partial deferral during project period

7 Years

Flexible & Patient

Up to 7 years Availability, Extension and Repayment

Up to 100% of Eligible Project Costs

Security

- Debenture
- No personal guarantees

Covenants

- Liquidity ratio of 1.1X throughout loan
- Debt Service Coverage Ratio of 1.2X throughout repayment period

Innovation Loan Structure

Availability Period

R&D Activity

Quarterly loan drawdowns in advance

Interest payable quarterly in arrears on amount borrowed

3.7% payable and 3.7% deferred to repayment period

Project monitoring by Monitoring Service Provider and Portfolio Team

Up to 3 years

Extension Period

Commercialisation Activity

No further drawdowns permitted

Ends on earlier of agreed date or first commercial sale from results of project

Interest payable quarterly in arrears on amount borrowed

3.7% payable and 3.7% deferred to repayment period

Project monitoring by Monitoring Service Provider and Portfolio Team

Up to 2 years

Repayment Period

Repayment of Capital and Interest

No further drawdowns permitted

Repayment of principal and deferred interest

Interest payable at 7.4%

Quarterly level payments

Monitoring by Portfolio Team

Up to 5 years

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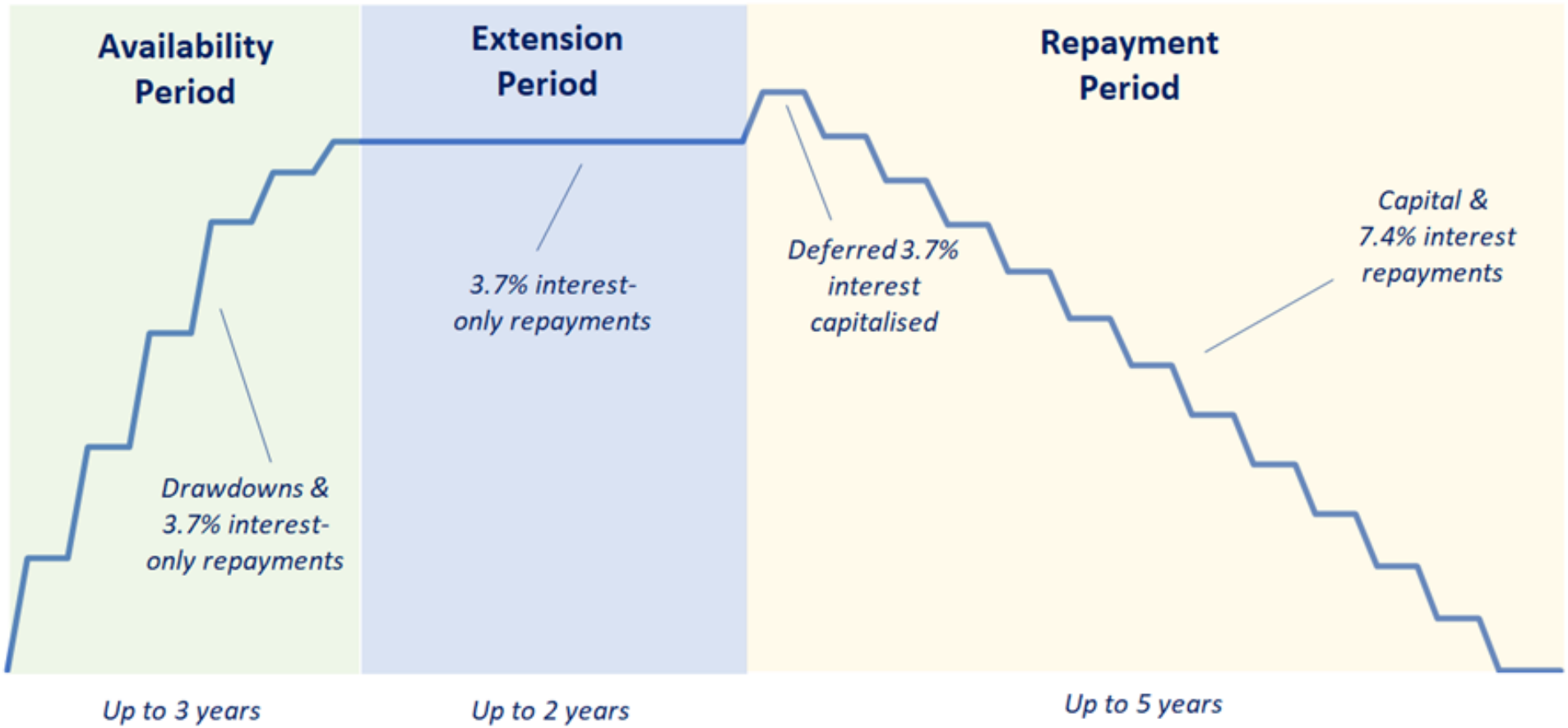
Maximum overall loan term of 7 years

Innovation Loan Structure Example (max 7-year term)



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Future Economy

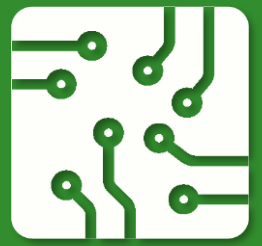
- What the UK and global economy will look like in future decades
- Driven by a desire to improve the quality of life for all, protect the environment and Earth's resources
- Described in the Innovate UK Plan for Action https://www.ukri.org/about-us/innovate-uk/our-plan-for-action/

Net Zero

Innovations in
- energy
- impact of industrial processes & use of materials
- agriculture & food and other sources of emissions
- capital intensity

Health & Wellbeing

Innovations in
- wellbeing
- tackling ill-health
- diet & food

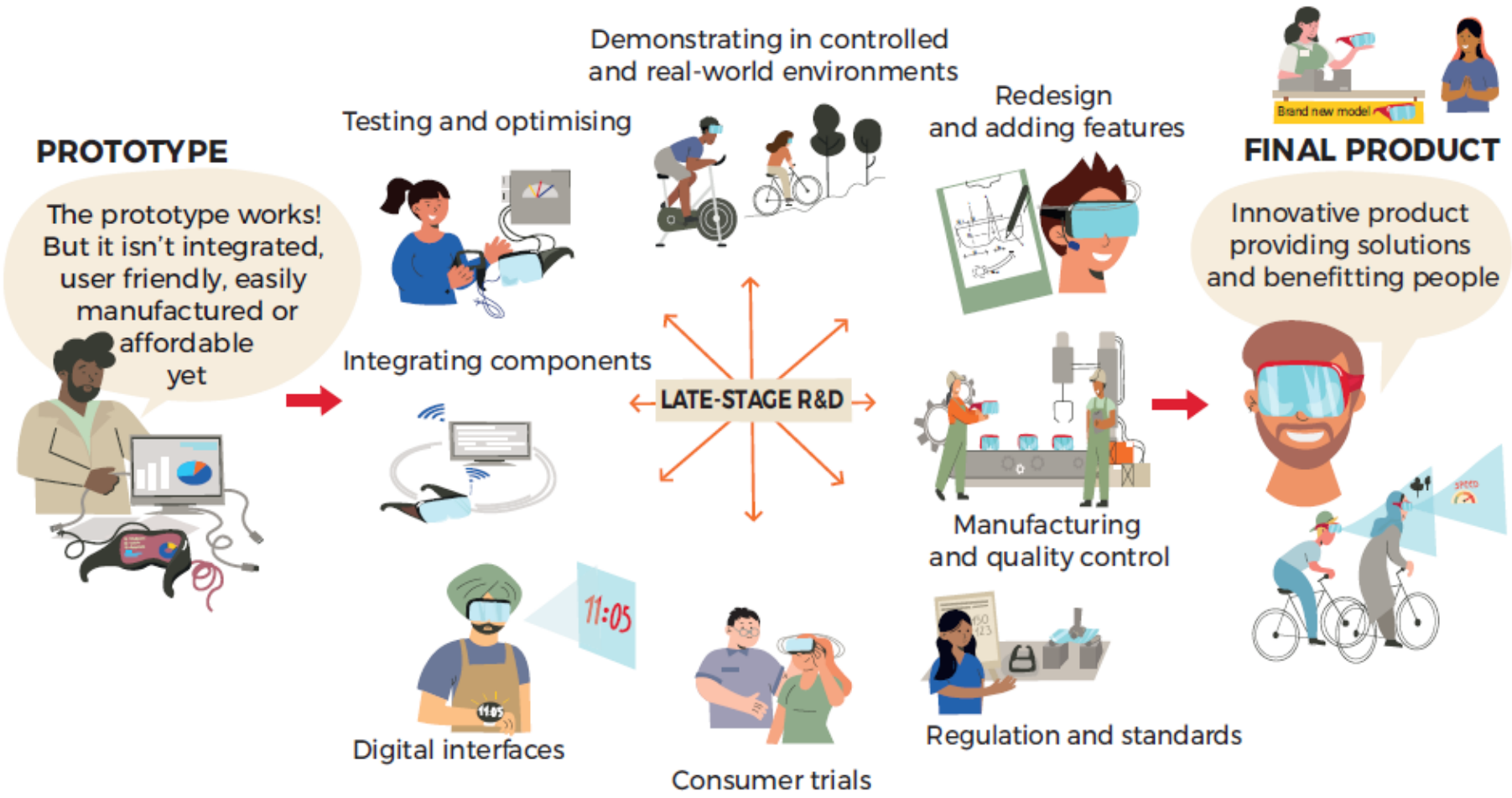


Technology Families

- advanced materials & manufacturing
- AI, digital & advanced computing
- bioinformatics & genomics
- engineering biology
- electronics, photonics & quantum
- energy & environmental technologies
- robotics & smart machines

Next Generation Digital Technologies

Late-stage R&D: from prototype to commercialisation



From "Late stage R&D: business perspectives" April 2021
National Engineering Policy Centre, led by the Royal Academy of Engineering
https://www.raeng.org.uk/publications/other/late-stage-r-and-d-business-perspectives

Innovation Loans: Security, Covenants and Monitoring

- Security – Debenture
  - Senior subordinated debt/priority
  - No personal guarantees

- Liquidity Ratio of 1.1x throughout the loan
  - Current assets exceed current liabilities by 10%
- Debt Service Coverage Ratio of 1.2x throughout the repayment period
  - Cash EBITDA exceeds interest and debt repayments on all debt by 20%
- Project monitoring
- Quarterly management accounts
- Annual accounts (within 6 months of year end)

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- Summary heads of terms in competition Terms & Conditions

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Innovation Loans Portfolio Overview

287	loans
266	companies
£250m	committed
£204m	drawn

11 in Execution

43 in Extension

46 in Availability

153 in Repayment & **34** Exits

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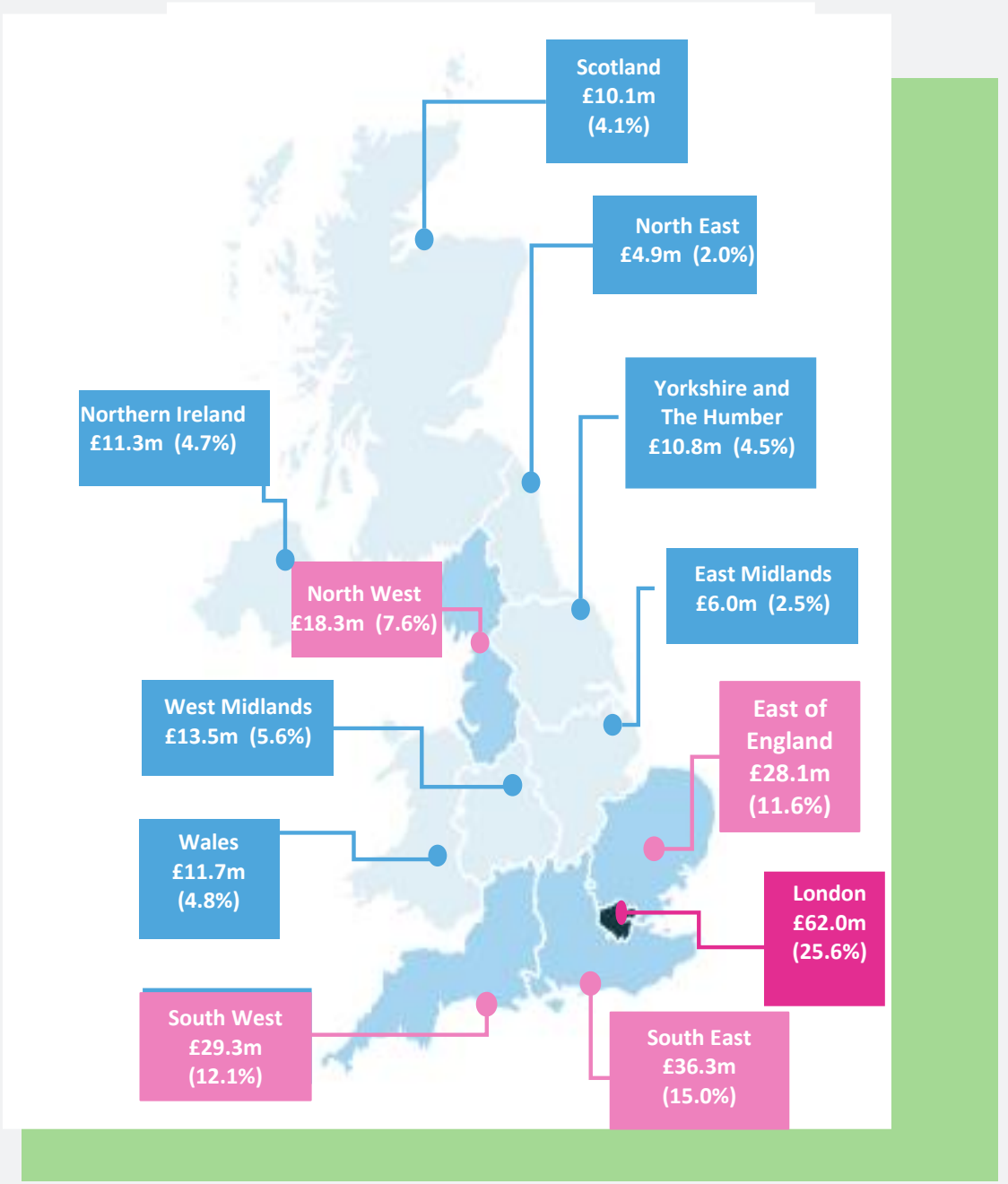
Innovation loans

Regional Portfolio Commitments



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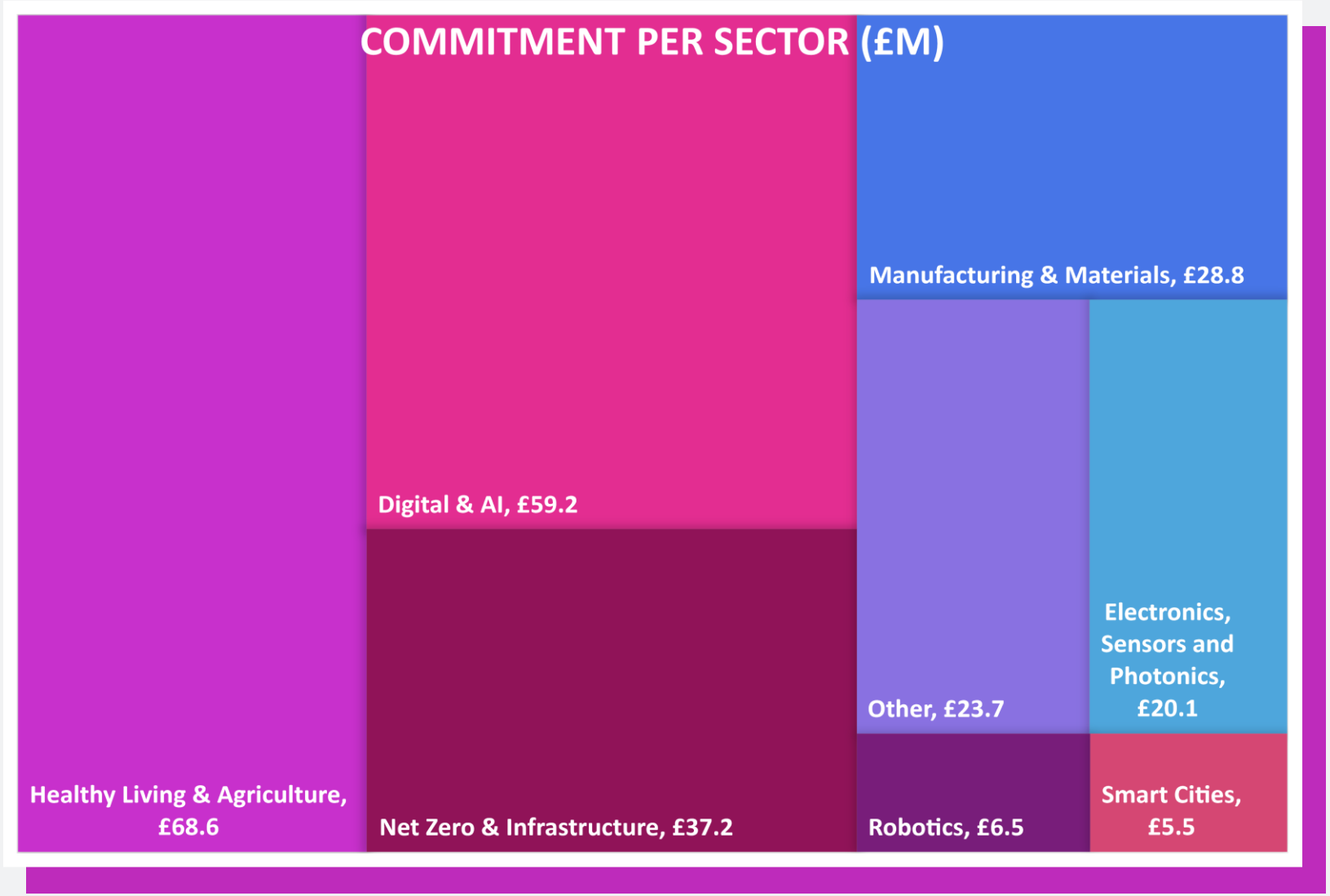
Sector Portfolio Commitments



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How do we decide who to lend to?

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What are we looking for?

Read Scott's blog!
https://www.ukri.org/blog/innovation-loans-ceos-convene-for-portfolio-event/

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We are looking for businesses who can demonstrate that their innovation activities have the best potential for future growth

Your application will be evaluated on:

- the quality of your project
- our judgement on the suitability of your business to receive a loan

We look for applications that show:

- an appropriate and evidenced borrowing proposal from a suitable business
- a high quality later-stage R&D project
- a clear route to commercial success
- a strong management team
- why you need additional public funding in order to be able to carry out your project
- why you are unable to fund the project from your own resources or other forms of private-sector funding

How are successful applicants selected?

Project proposal

- Assessors will score each question in your project proposal.
- After the assessor process, Innovate UK will independently moderate assessor scores. Any outliers in scores may be removed and your total score will be updated.

Initial credit evaluation

- Our Credit team will carry out an initial evaluation of your suitability to take on a loan

Progress Panel

- Your innovation score together with the credit evaluation will be used in deciding the next steps.
- You will receive email notification that your application is progressing to detailed credit evaluation or to inform you that your application has been unsuccessful on this occasion.

Detailed credit evaluation and final decision

- Our Credit team will carry out a detailed credit evaluation and will contact you for further information
- You may need to present to the Credit Committee
- A final lending decision will be made by our Credit Committee, which may include conditions

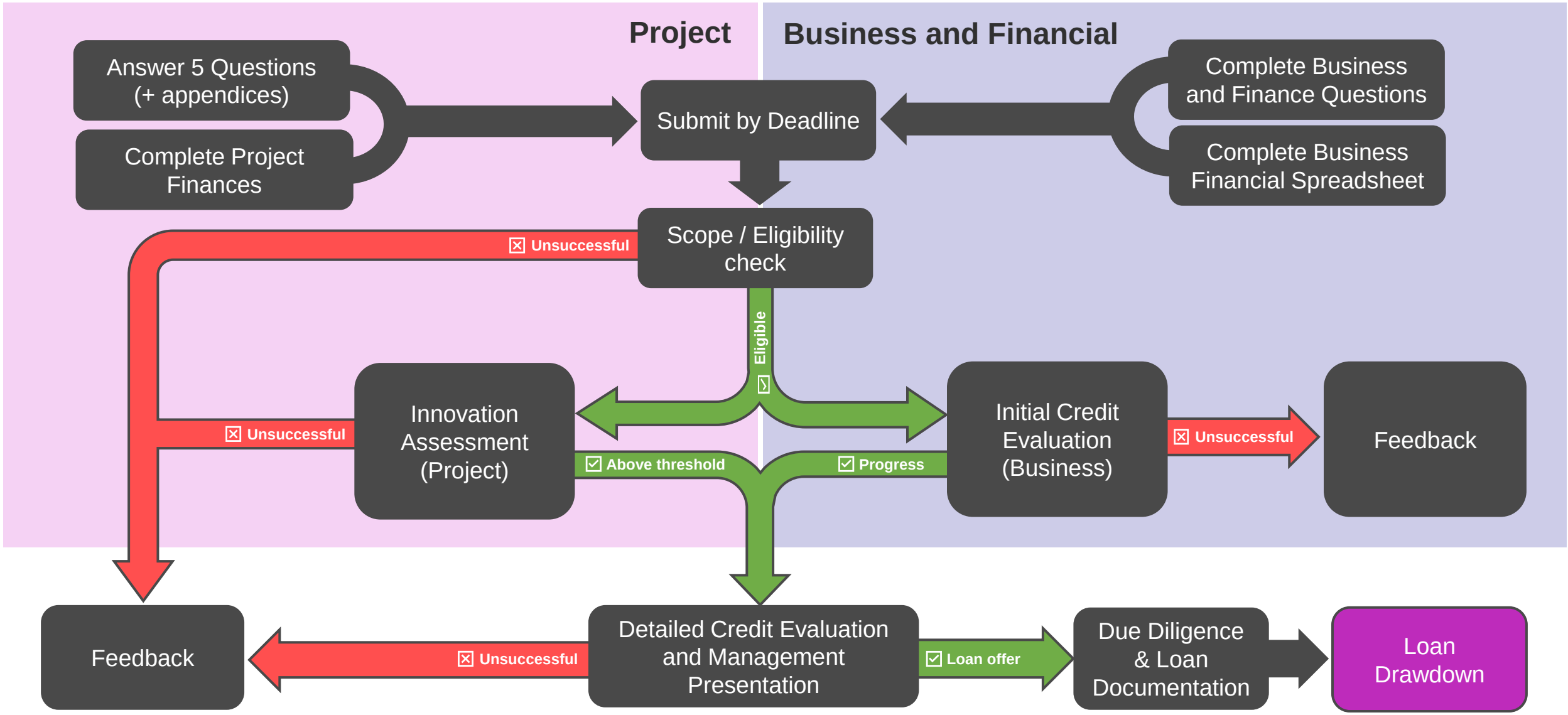
Whether successful or unsuccessful in receiving loan funding, you will receive feedback on your application.

Feedback from assessors will be through IFS

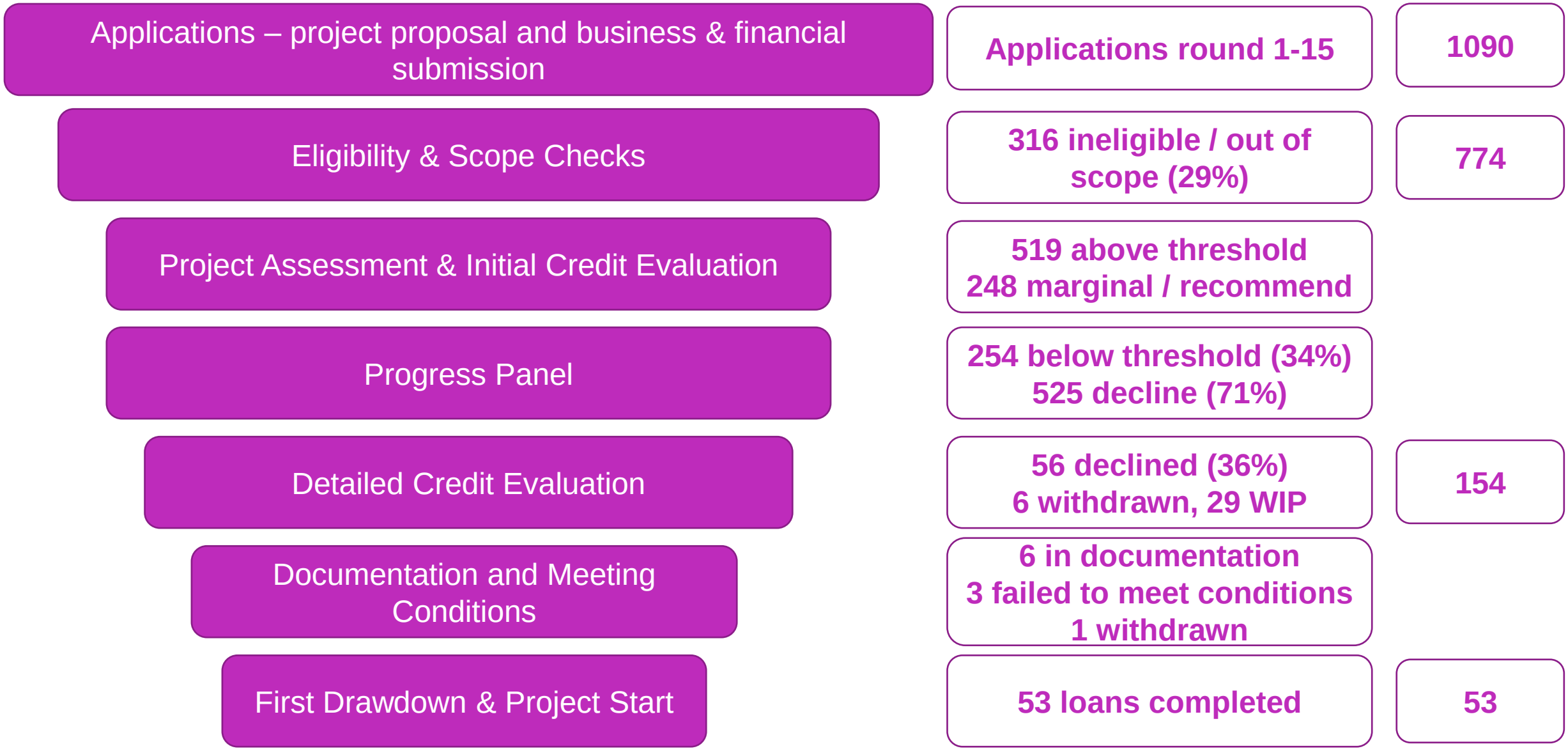
Feedback from Credit will be sent by email

It is intended to be constructive in nature and to highlight both the strong as well as the weak areas of your application.

Application Process

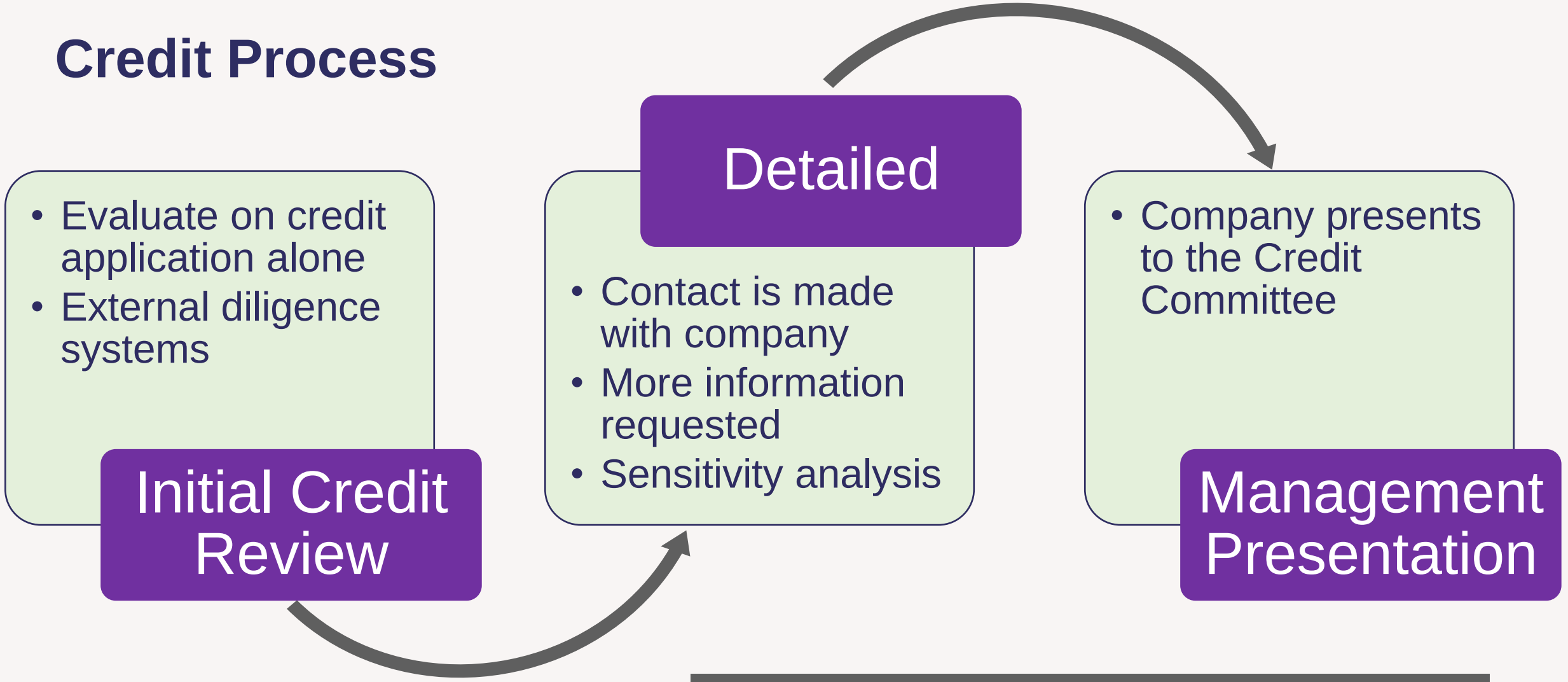


Innovation loans approval “funnel”



Credit Evaluation – our process and approach

Credit Process



At each stage Credit Committee will provide the final decisions whether to progress or to decline.

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“Suitability” versus “Additionality”

Key questions to consider:
- Is there sufficient equity capitalisation to support the overall business?
- Is the funding strategy adequate?
- When does the business generate revenues and/or breakeven?
- Does the business maintain sufficient liquidity (cash)?

Credit Specialists are looking for you to show that you:
- ✓ will be able to pay interest each quarter
- ✓ will be able to repay the loan on time
- ✓ need public funding

Key questions to consider:
- Can the project be funded at this time from private market sources?
- Would the same level of R&D happen without the Innovation Loan?

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Initial Credit Evaluation

- All applications are reviewed by our Credit Team
- An initial credit evaluation is undertaken, focusing on the **business** and **financial submission**
- The **Early Metrics High Growth Startup Index** informs our review
- **External credit models** are utilised based on the application responses
- Diligence systems are used for company and director checks

From the initial analysis, the Credit Committee will decide on the following **four outcomes**:

Recommend	Credit concerns appear manageable from initial analysis
Marginal Recommend	Credit concerns exist, but more positive factors than negative
Marginal Decline	Credit concerns exist, but more negative factors than positive
Decline	Credit concerns are not likely be overcome

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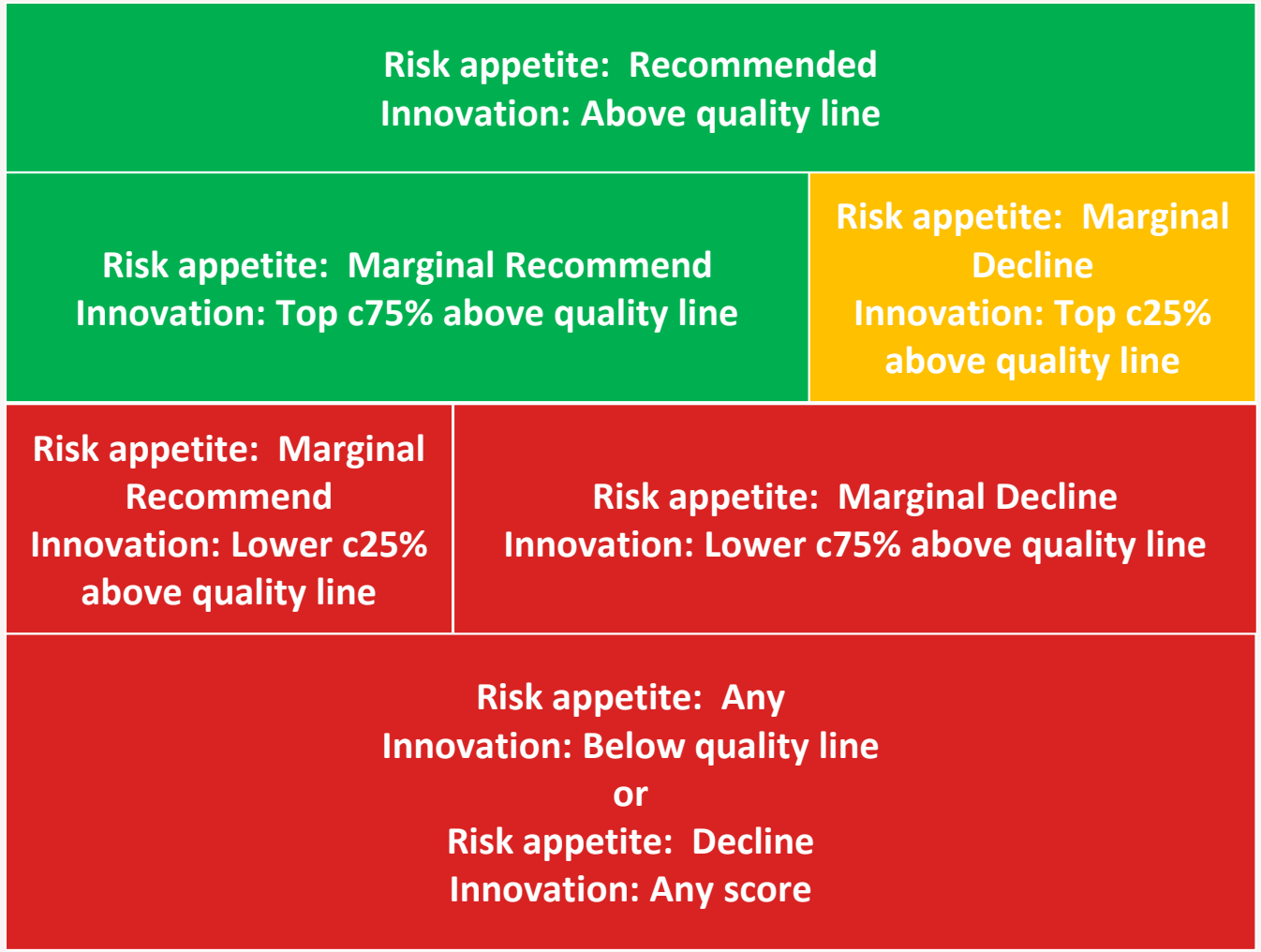
Progression to detailed credit evaluation

Both:

- Innovation quality and
- Credit suitability required

Bias towards innovation



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Our approach to Detailed Credit Analysis

The 5 Cs of Credit

1. Character (credit history)
2. Capacity to repay (the financial standing of the business)
3. Capital (the equity in the business)
4. Conditions (terms of the transaction)
5. Collateral (your security)

- Character:
  - Likely commitment of the business to repay
- Management team / people:
  - Capability / capacity of the business as a whole
  - Corporate governance
- Liquidity / affordability: suitability of business for proposed loan
  - Cashflow
  - Interest and debt service coverage
  - Leverage
  - Sources of additional capital
  - Balance sheet
- Market:
  - Route to market
  - Resilience
  - Competitor / market analysis
  - Innovation risk
  - Political / regulatory risk
- Control culture:
  - Awareness and management of risks
  - Project spend control environment

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Management Presentation

If successful through both initial and detailed credit evaluation stages, then you may be asked to present your case to the Credit Committee directly

What are they for?

- Final chance to pitch the business to Credit Committee
- May lead to a loan being offered
- Used where the Credit Committee feel more information is required before making a decision
- Can be based on an underlying recommend/decline decision from the Detailed stage

How do they work?

- Management will present for 30 minutes with additional time for Q&A and a tour of facilities (if held physically)
- Credit Specialists provide feedback from the Detailed stage to concentrate the presentation on key areas
- Credit Specialists will also offer to review the management presentation content ahead of time and provide feedback

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Read Nigel's blog !
https://www.ukri.org/blog/innovation-loans-what-makes-a-great-management-presentation/

Lending Decisions and Documentation

- Final decision rests with the Credit Committee, following the detailed credit analysis
- We will use our standard loan agreement and security documentation
- Execution is by electronic signature, using DocuSign
- Conditions:
  - Know Your Customer / Anti Money Laundering / Politically Exposed Persons
  - Specific conditions may be required – before and after drawdown
- Corporate authorisations will be required to evidence that the loan agreement has been entered into with appropriate approval

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Credit Specialist Observations

To ensure that your application has the greatest chance of success, please:

1. Evidence an adequate funding strategy
2. Consider liquidity throughout the forecast
3. Provide justifiable forecasts with well-considered assumptions
4. Consider downside risks and impact on financials
5. Explain the value proposition and quantify where possible
6. Ensure financial template is correct and complete

Read Pam's blog!
https://www.ukri.org/blog/innovation-loans-insider-tips-from-a-credit-specialist/

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Q&A

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How to complete your Application using the Innovation Funding Service (IFS)

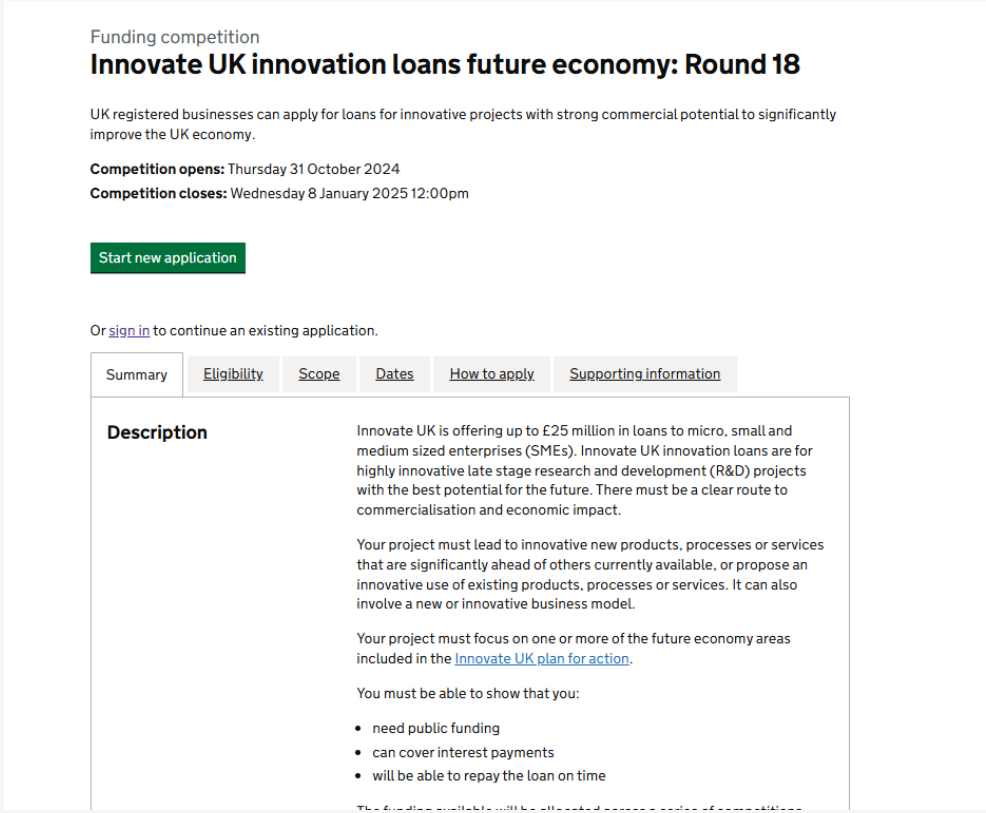
Search for a funding competition and review criteria –

Innovate UK innovation loans future economy: round 19

Innovate UK innovation loans future economy: round 19

UK registered businesses can apply for loans for innovative projects with strong commercial potential to significantly improve the UK economy.

- **Competition opens:** Thursday 9th January 2025
- **Competition closes:** Wednesday 5th March 2025 at 11am



Funding competition

Innovate UK innovation loans future economy: Round 18

UK registered businesses can apply for loans for innovative projects with strong commercial potential to significantly improve the UK economy.

Competition opens: Thursday 31 October 2024
Competition closes: Wednesday 8 January 2025 12:00pm

Start new application

Or sign in to continue an existing application.

Summary | Eligibility | Scope | Dates | How to apply | Supporting information

Description

Innovate UK is offering up to £25 million in loans to micro, small and medium sized enterprises (SMEs). Innovate UK innovation loans are for highly innovative late stage research and development (R&D) projects with the best potential for the future. There must be a clear route to commercialisation and economic impact.

Your project must lead to innovative new products, processes or services that are significantly ahead of others currently available, or propose an innovative use of existing products, processes or services. It can also involve a new or innovative business model.

Your project must focus on one or more of the future economy areas included in the Innovate UK plan for action.

You must be able to show that you:

- need public funding
- can cover interest payments
- will be able to repay the loan on time

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Create an account

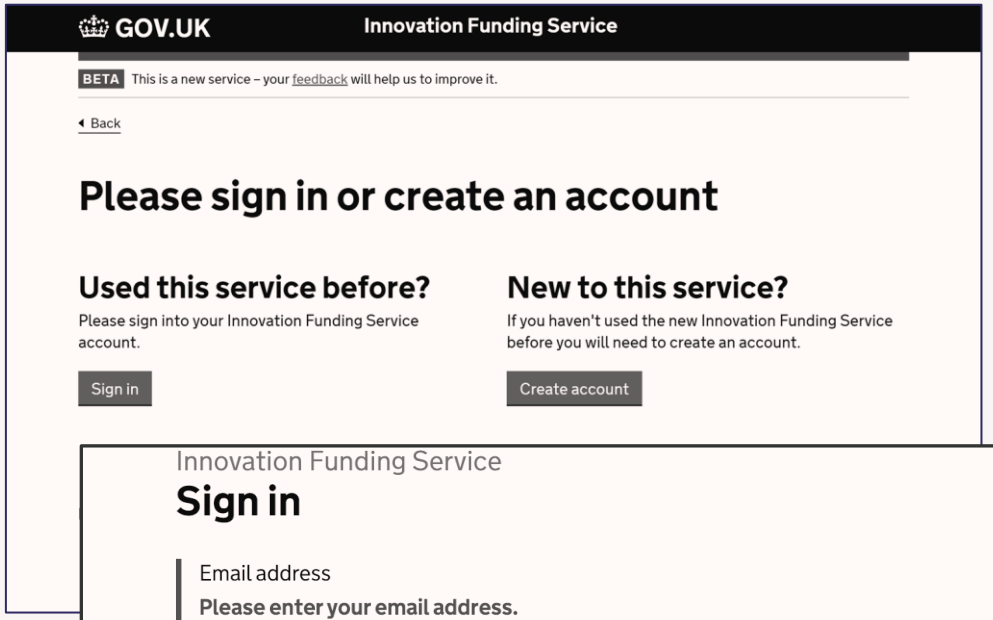
You must create an account:

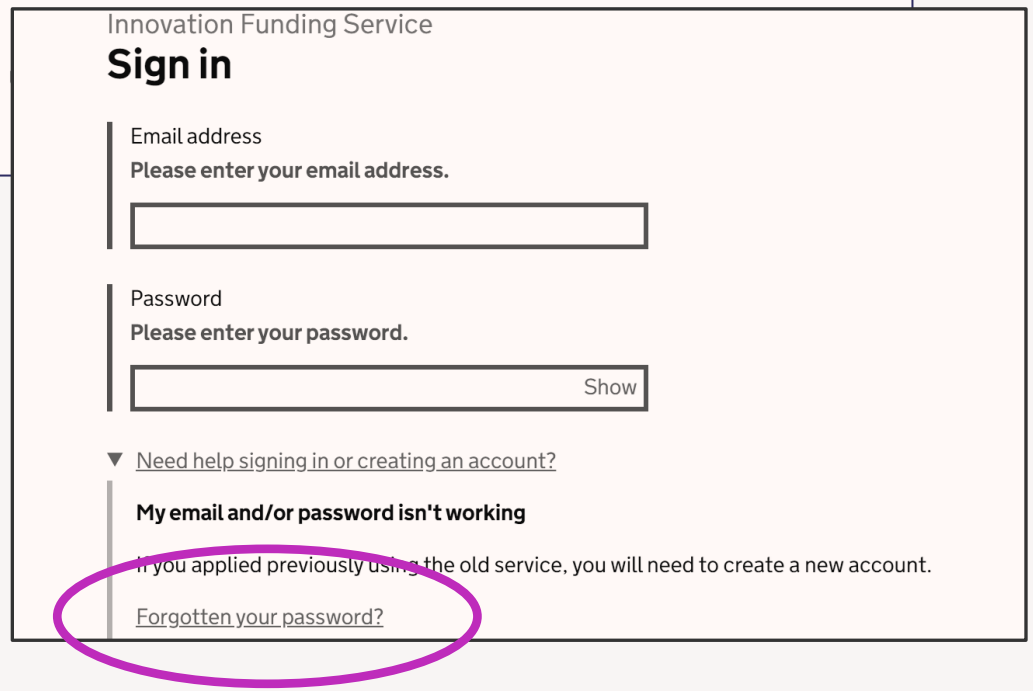
UK registered businesses

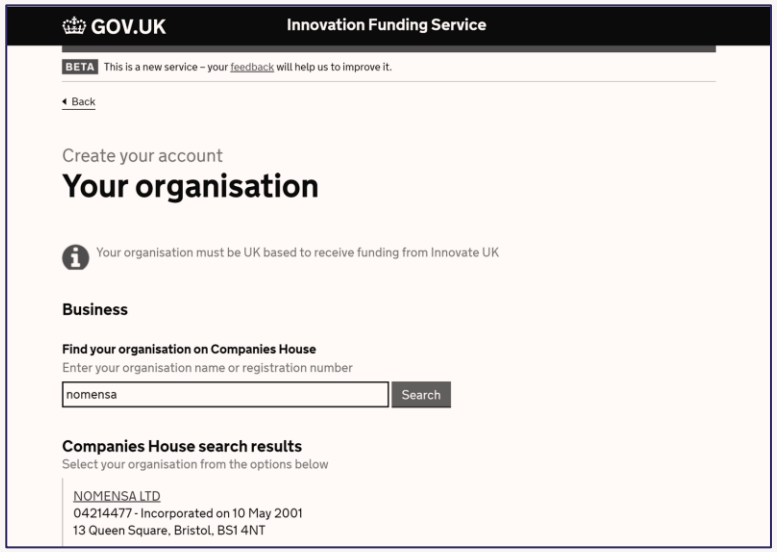
Use Companies House lookup as it speeds up our checks by providing your company number. You are unable to enter this at a later date.

Research organisations, academics and universities

Enter your information manually so you are not listed as a business on IFS and ensure you receive the correct funding.







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Pros & Cons of using AI to support you

With the advances in AI technology it is only natural to use technology to support you in applying to our competitions. Whilst we don't recommend or advise against it we would like to make you aware of the following which could potentially impact your application.

Pros

- Removes barriers for people with disabilities and non-English speakers
- Allows you to rephrase your content to meet the word count in a question
- Ensures all aspects of a question are answered
- Can aid a better understanding of:
  - intended/wider market
  - best practice in project management
  - complementary technologies and advances in the industry
  - expected project impacts

Cons

- It is not always correct in its assumptions and can get things wrong
- AI learns from the information you give it as well as what it has already learnt
- May provide a generic response meaning your application could use similar phrasing to others
- AI can be detected as non-human as it lacks expression and insight because it relies on logic to summarise information based on the question asked

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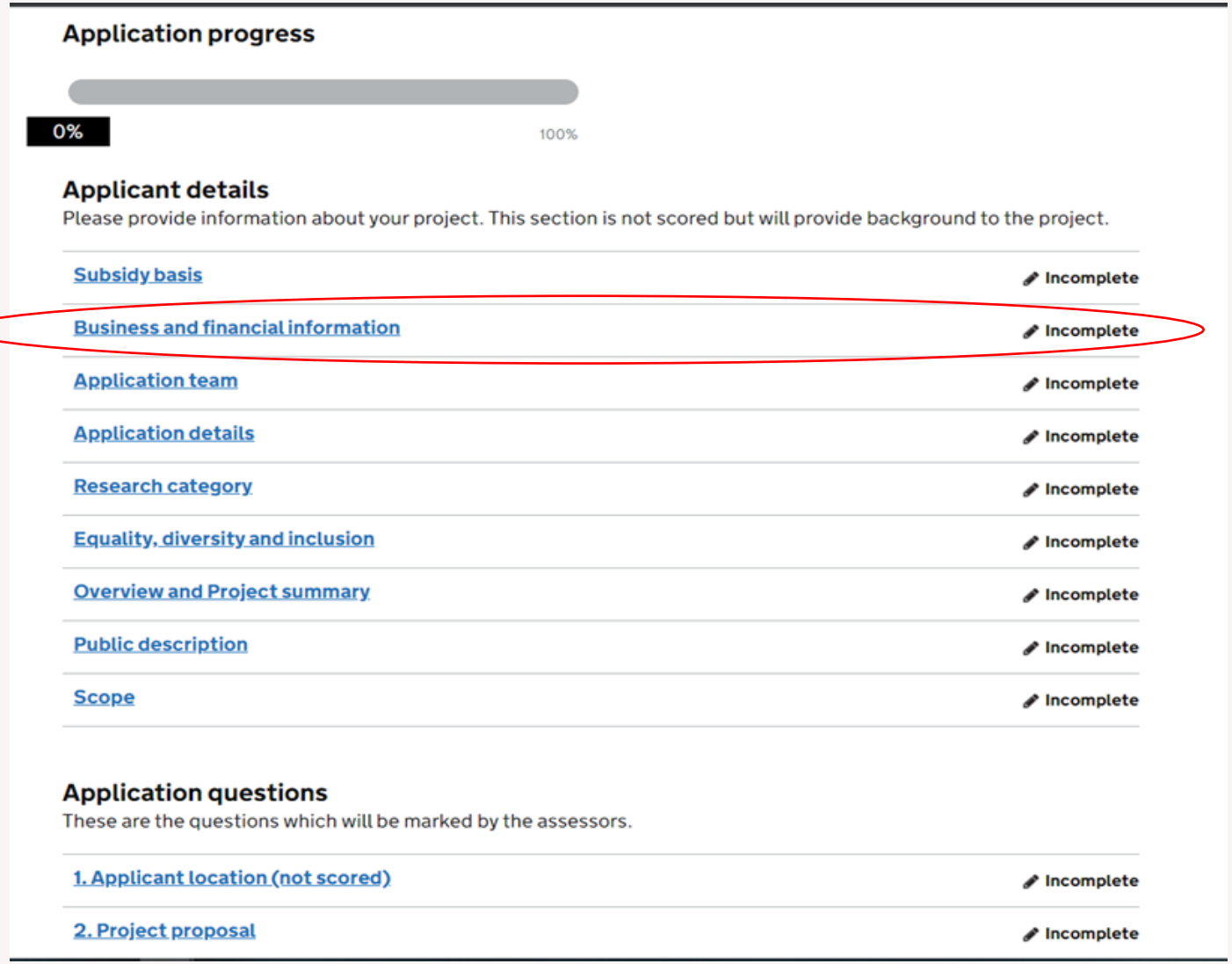
Whilst AI offers many benefits, it is important you are aware that **you are potentially sharing your idea with the world,** so be careful what you share as you have no control over how it is shared on once you do.

Business and Financial Information:

Is your business suitable to take on a significant long term loan commitment?

Business and financial information



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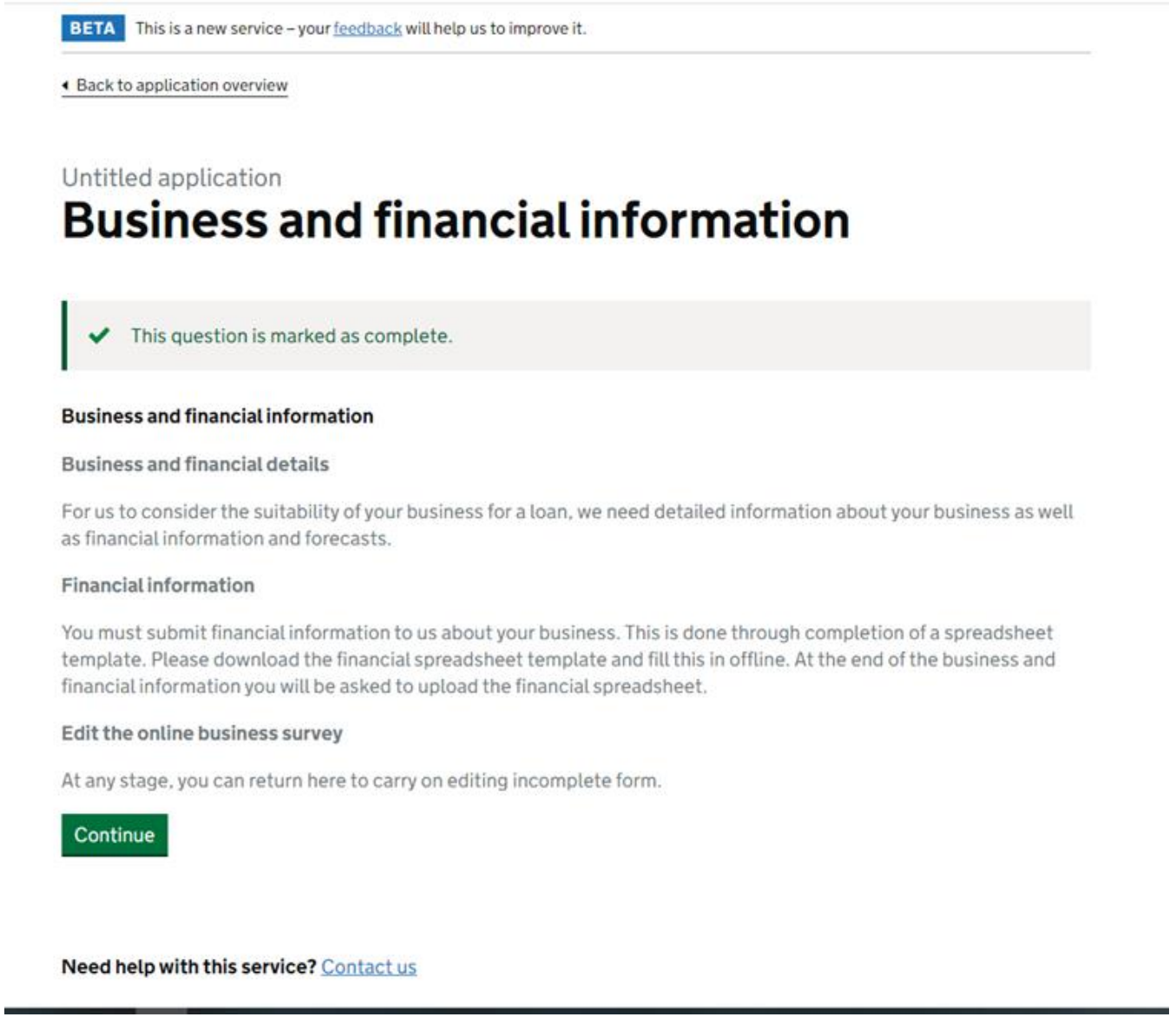
Business and financial information



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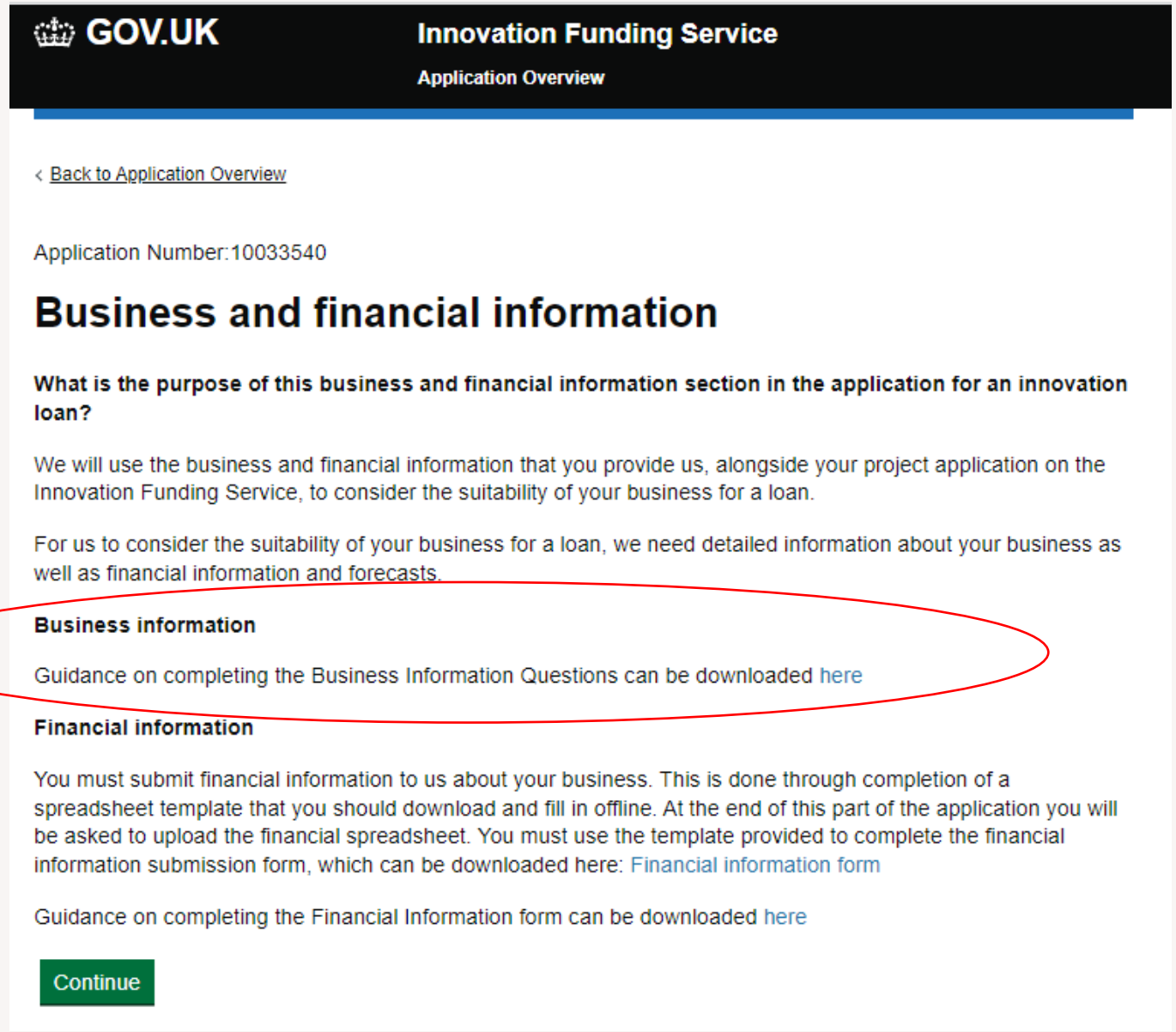
Business information



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Business Information: questions about your overall business

Business Overview

- What is your business, core product offering / value proposition? How will it be impacted by this project?

Loan request

- What loan amount and period do you require?

Human resources / company structure

- Who are the founders / management team, what experience do they have and what is the management structure?

Commercial activity

- What is the past, current and forecast commercial activity / customer base / sales channels / domestic and international?

Product development

- What is the past, current and forecast stage of development of your technology and plans for future developments?

Finance and fundraising

- What is the financial situation for your business and why do you need public funding?

Growth challenges

- What are the main challenges and risks to your business growth?

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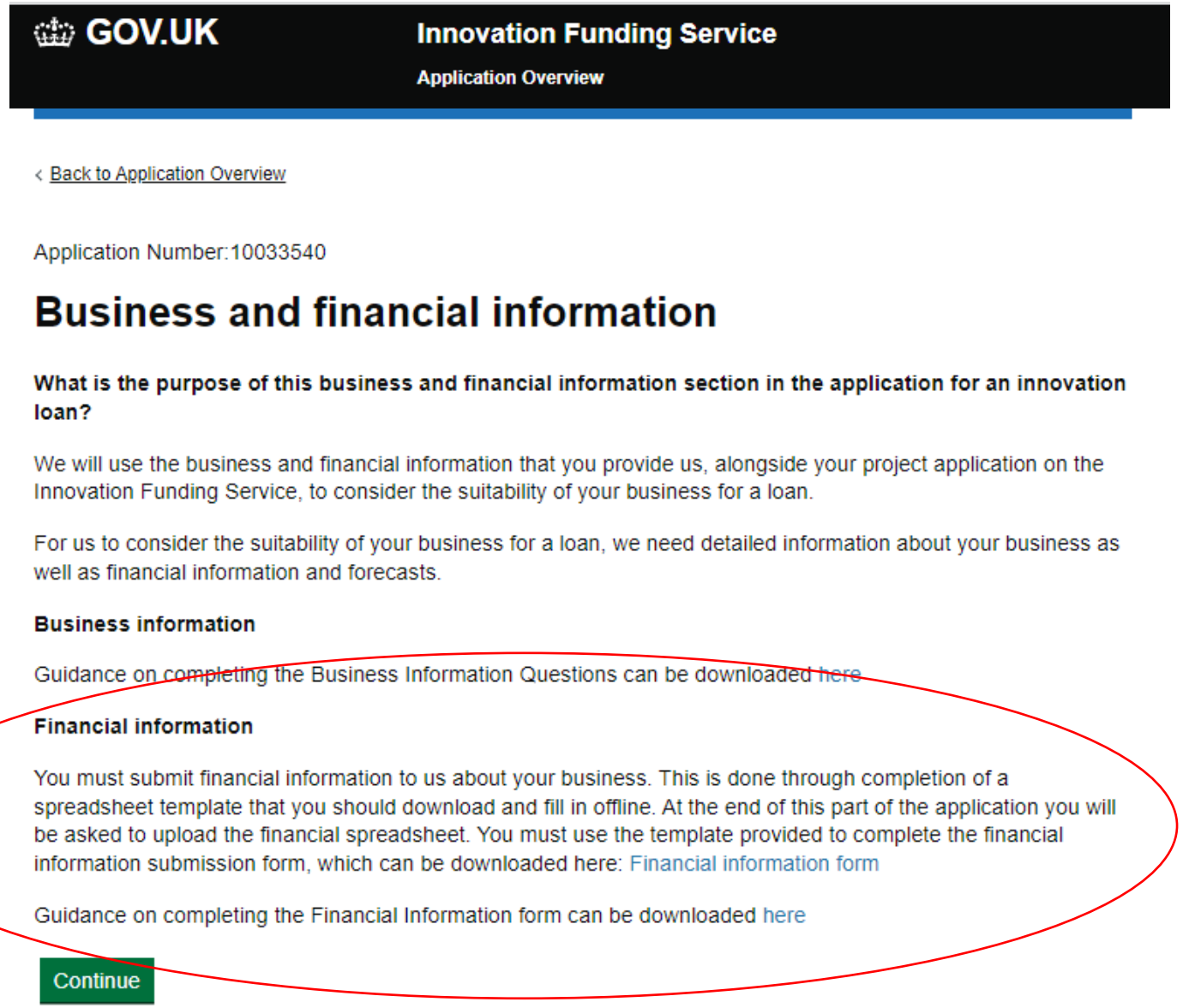
There are 78 important questions to answer about your business and a detailed spreadsheet – don't leave this until the last minute!

Business Financials Spreadsheet:

Do your historic and forecast financial statements provide evidence to support your suitability to borrow?

Financial information



GOV.UK

Innovation Funding Service

Application Overview

< Back to Application Overview

Application Number:10033540

Business and financial information

What is the purpose of this business and financial information section in the application for an innovation loan?

We will use the business and financial information that you provide us, alongside your project application on the Innovation Funding Service, to consider the suitability of your business for a loan.

For us to consider the suitability of your business for a loan, we need detailed information about your business as well as financial information and forecasts.

Business information

Guidance on completing the Business Information Questions can be downloaded here

Financial information

You must submit financial information to us about your business. This is done through completion of a spreadsheet template that you should download and fill in offline. At the end of this part of the application you will be asked to upload the financial spreadsheet. You must use the template provided to complete the financial information submission form, which can be downloaded here: Financial information form

Guidance on completing the Financial Information form can be downloaded here

Continue

Follow the detailed guidance

Watch the recorded webinar on completion of the financial submission:

https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/

Business Financials

Required:

- **Profit & Loss Account**
- Balance sheet
- Cashflow Forecast

- Historic (3 years if available) and
- Forecast (**must cover full loan term**)

P&L / Balance Sheet Summary (annual)

	Actual			Forecast							
Financial year	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**
Turnover				250,000	1,125,000	1,750,000	2,375,000	3,375,000	4,375,000	6,000,000	8,250,000
Other income / grants											
Total income	-	-	-	250,000	1,125,000	1,750,000	2,375,000	3,375,000	4,375,000	6,000,000	8,250,000
Cost of Sales				150,000	650,000	1,000,000	1,350,000	1,900,000	2,450,000	3,350,000	4,600,000
Gross Profit	-	-	-	100,000	475,000	750,000	1,025,000	1,475,000	1,925,000	2,650,000	3,650,000
Administrative and other costs			50,000	200,000	250,000	350,000	400,000	450,000	500,000	550,000	600000
EBITDA	-	-	- 50,000	- 100,000	225,000	400,000	625,000	1,025,000	1,425,000	2,100,000	3,050,000
Innovation Loan Interest	-	-	-	9,250	64,750	92,500	92,115	64,645	31,220	2,289	-
Other Interest											
Depreciation / amortisation											
Tax											
Net profit	-	-	- 50,000	- 109,250	160,250	307,500	532,885	960,355	1,393,780	2,097,711	3,050,000

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Business Financials

Required:

- Profit & Loss Account
- **Balance sheet**
- Cashflow Forecast

- Historic (3 years if available) and
- Forecast (**must cover full loan term**)
- Working capital **must** be detailed – cash, debtors, creditors

Fixed assets (tangible & intangible)			75,000	425,000	750,000	1,000,000	1,250,000	1,500,000	1,750,000	2,000,000	2,250,000	
Cash			25,000	376,625	2,188,000	2,329,250	5,202,198	5,291,963	5,781,727	7,211,981	9,605,731	
Debtors				62,500	281,250	437,500	593,750	843,750	1,093,750	1,500,000	2,062,500	
Inventories				18,750	81,250	125,000	168,750	237,500	306,250	418,750	575,000	
Other current assets												
Total current assets	-	-	25,000	457,875	2,550,500	2,891,750	5,964,698	6,373,213	7,181,727	9,130,731	12,243,231	
Total assets	-	-	100,000	882,875	3,300,500	3,891,750	7,214,698	7,873,213	8,931,727	11,130,731	14,493,231	
Trade Creditors				37,500	162,500	250,000	337,500	475,000	612,500	837,500	1,150,000	
Bank loans / overdrafts repayable <1 year												
Other current liabilities												
Total current liabilities	-	-	-	37,500	162,500	250,000	337,500	475,000	612,500	837,500	1,150,000	
Bank loans repayable >1 year												
Directors loans												
Innovation Loan				504,625	1,137,000	1,333,250	1,035,814	596,473	123,708	0	0	
Other long term liabilities												
Total liabilities	-	-	-	542,125	1,299,500	1,583,250	1,373,314	1,071,473	736,208	837,500	1,150,000	
Total Net Assets	**-**	**-**	**100,000**	**340,750**	**2,001,000**	**2,308,500**	**5,841,385**	**6,801,740**	**8,195,520**	**10,293,231**	**13,343,231**	**-**
Subscribed share capital (share capital + share premium)			150,000	500,000	2,000,000	2,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	
Accumulated Profit and Loss			- 50,000	- 159,250	1,000	308,500	841,385	1,801,740	3,195,520	5,293,231	8,343,231	
Other Reserves												
Total Equity	**-**	**-**	**100,000**	**340,750**	**2,001,000**	**2,308,500**	**5,841,385**	**6,801,740**	**8,195,520**	**10,293,231**	**13,343,231**	

UKRI Innovate UK

Business Financials

Required:

- Profit & Loss Account
- Balance sheet
- **Cashflow Forecast**

- Historic (3 years if available) and
- Forecast (**must cover full loan term**)

Cashflow Forecast (annual)

	Actual			Forecast							
Financial year	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**
Cash from debtors				187,500	906,250	1,593,750	2,218,750	3,125,000	4,125,000	5,593,750	7,687,500
Other income / grants											
Other Loans/Equity introduced			150,000	350,000	1,500,000		3,000,000				
Innovation Loan drawdowns	-	-	-	500,000	600,000	150,000	-	-	-	-	-
Total cash inflows	**-**	**-**	**150,000**	**1,037,500**	**3,006,250**	**1,743,750**	**5,218,750**	**3,125,000**	**4,125,000**	**5,593,750**	**7,687,500**
Cost of sales				131,250	587,500	956,250	1,306,250	1,831,250	2,381,250	3,237,500	4,443,750
Administrative and other costs			50,000	200,000	250,000	350,000	400,000	450,000	500,000	550,000	600,000
Other interest payments											
Innovation Loan interest payments	-	-	-	4,625	32,375	46,250	80,553	64,645	31,220	2,289	-
Other loan repayments											
Innovation Loan repayments	-	-	-	-	-	-	308,999	439,341	472,765	123,708	-
Assets purchased			75,000	350,000	325,000	250,000	250,000	250,000	250,000	250,000	250,000
Dividends											
Tax payments											
Total cash outflows	**-**	**-**	**125,000**	**685,875**	**1,194,875**	**1,602,500**	**2,345,802**	**3,035,235**	**3,635,235**	**4,163,496**	**5,293,750**
Opening balance		**-**	**-**	**25,000**	**376,625**	**2,188,000**	**2,329,250**	**5,202,198**	**5,291,963**	**5,781,727**	**7,211,981**
Net cash movement	**-**	**-**	**25,000**	**351,625**	**1,811,375**	**141,250**	**2,872,948**	**89,765**	**489,765**	**1,430,254**	**2,393,750**
Closing balance	**-**	**-**	**25,000**	**376,625**	**2,188,000**	**2,329,250**	**5,202,198**	**5,291,963**	**5,781,727**	**7,211,981**	**9,605,731**

UKRI Innovate UK

Business Financials

Repayment Calculator Template will show quarterly payments

Innovation Loan Request

Eligible Project Costs	£ 1,250,000
Loan Amount	£ 1,250,000

	Quarters	Years
Availability Period	6	18 Months
Extension Period	4	1 Year
Repayment Period	12	3 Years

Anticipated Drawdowns	
Quarter 1	£ 500,000
Quarter 2	£ 150,000
Quarter 3	£ 150,000
Quarter 4	£ 150,000
Quarter 5	£ 150,000
Quarter 6	£ 150,000
Quarter 7	
Quarter 8	

Anticipated Principal Outstandin	
Quarter 1	£ 500,000
Quarter 2	£ 650,000
Quarter 3	£ 800,000
Quarter 4	£ 950,000
Quarter 5	£ 1,100,000
Quarter 6	£ 1,250,000
Quarter 7	£ 1,250,000
Quarter 8	£ 1,250,000

Fees	
Arrangement	0%
Monitoring	0.00%
Interest	
Reference	10.75%
Actual	**7.40%**
Current	3.70%
Deferred	3.70%

Interest rate	Qtly cash%	Qtly deferred %
Availabilty Period	0.93%	0.93%
Extension Period	0.93%	0.93%
Repayment Period	1.85%	0.00%

Total Interest (A & E & R period	£ 356,769
Interest paid (A & E periods)	£ 94,813
Deferred interest (A & E periods	£ 94,813
Interest paid (R period)	£ 167,144
Fees paid	£ -
Total Principal	£ 1,250,000
Total amount borrowed	£ 1,344,813
Total payments (principal/intere	£ 1,606,769
Quarterly Payment (excl fees)	**£ 125,996**

Availability, Extension and Repayment Profiles

Availability Period

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8
Interest paid (A period)	£ 4,625	£ 6,013	£ 7,400	£ 8,788	£ 10,175	£ 11,563	£ -	£ -
Deferred interest	£ 4,625	£ 6,013	£ 7,400	£ 8,788	£ 10,175	£ 11,563	£ -	£ -
Fees	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Total	**£ 9,250**	**£ 12,025**	**£ 14,800**	**£ 17,575**	**£ 20,350**	**£ 23,125**	£ -	£ -

Extension Period

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8
Interest paid (E period)	£ 11,563	£ 11,563	£ 11,563	£ 11,563	£ -	£ -	£ -	£ -
Deferred interest	£ 11,563	£ 11,563	£ 11,563	£ 11,563	£ -	£ -	£ -	£ -
Fees	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Total	**£ 23,125**	**£ 23,125**	**£ 23,125**	**£ 23,125**	£ -	£ -	£ -	£ -

Repayment Period

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Quarter 11	Quarter 12	Qua
Capital	£ 101,117	£ 102,988	£ 104,893	£ 106,834	£ 108,810	£ 110,823	£ 112,873	£ 114,962	£ 117,088	£ 119,255	£ 121,461	£ 123,708	£
Interest	£ 24,879	£ 23,008	£ 21,103	£ 19,163	£ 17,186	£ 15,173	£ 13,123	£ 11,035	£ 8,908	£ 6,742	£ 4,536	£ 2,289	£
Fees	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£
Total	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	**£ 125,996**	£

Suitability for an innovation loan

You are applying for a Loan

For our Credit Team, the Business and Financial questions and financial spreadsheet are even more important than the Project Application.

Make sure you allocate sufficient time to complete the business questions fully

Allocate even more time to complete the financial spreadsheet in full – and get expert support

Failure to do this, will result in your application not being successful

Of 1090 applications received in rounds 1 to 15, 353 (32%) were ineligible – primarily due to inadequate financial information.

78% of eligible applications did not progress beyond the innovation assessment and initial credit evaluation

50% of eligible applications above the quality threshold were not considered suitable and did not progress to detailed credit evaluation

Make sure that a loan is right for your business!

UKRI Innovate UK

HOW TO IMPROVE YOUR CHANCES OF SUCCESS

View the recorded webinar for the financial submission and consider attending a financial submission 'Deep Dive' Workshop

Financial submission “Deep Dive” workshops

Areas of the financial submission where applicants struggle to evidence their suitability:

- Presenting credible forecasts for future revenues and costs
- Demonstrating effective management of liquidity and working capital
- Evidencing adequate capitalisation

Online 90 minute workshop, with a maximum of 30 participants, to cover:

- The three core ‘problem areas’, with anonymised examples
- Engaging discussions, led by a member of the innovation loans team, to enable participants to take a ‘deep dive’ into each of the core areas
- Reflections on the ‘deep dive’ discussions as a group

Prior registration is mandatory for these workshops
One participant per applicant at one workshop
We recommend that this should be the Chief Financial Officer or another member of the Board or Senior Leadership team with responsibility for developing the funding strategy of the business.

3 opportunities to join:
Workshop 1: 20 January 2025 11.00-12.30
Workshop 2: 28 January 2025 14.00-15.30
Workshop 3: 5 February 2025 10.00-11.30

UKRI Innovate UK

Innovate UK

Project Proposal:

Are you proposing a high quality, late stage R&D project that will deliver commercial growth through innovation?

Innovate UK

Project Proposal Questions and Costs

Applicant Location

- Name of your organisation and full registered address

Animal Testing

- Will your project involve any trials with animals or animal testing?

Project Proposal

- What is the business need, technological challenge or market opportunity behind your innovation? What approach will you take and where will the focus of the innovation be?

Market Opportunity

- What does the market you are targeting look like and how are you going to grow your business as a result of the project?

Project Delivery

- Who is in the project team, what are their roles and how will you manage the project effectively?

Project Risks

- What are the main risks for this project?

Project Costs and Value for Money

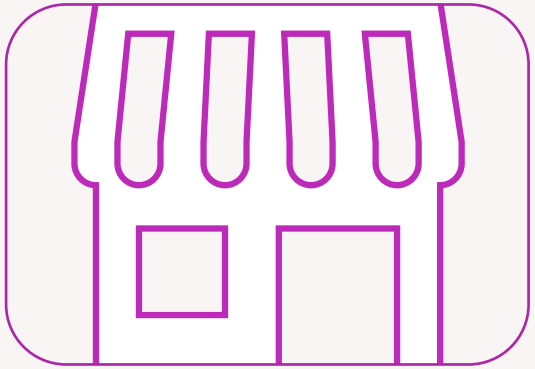
- How much will the project cost and how does it represent value for money for your business and the taxpayer?

Project Finance

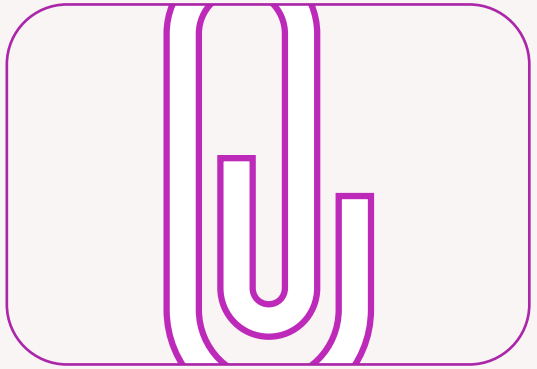
- You must complete your project costs, organisation details and funding details in the application.

Your Project Cost Categories

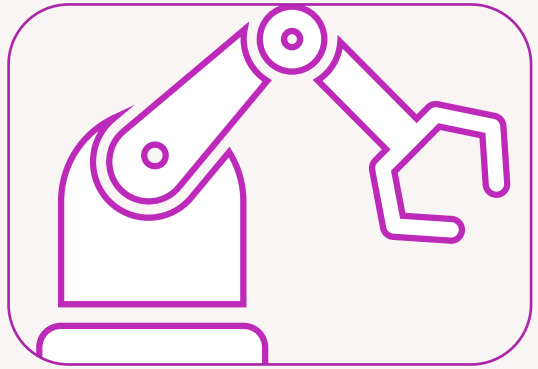
Labour



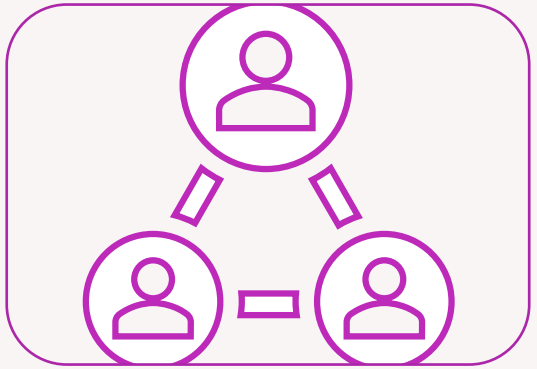
Overheads



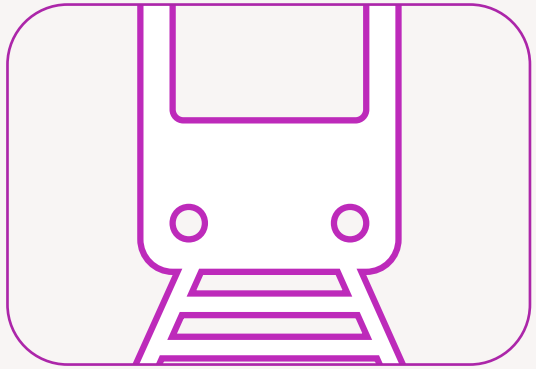
Materials



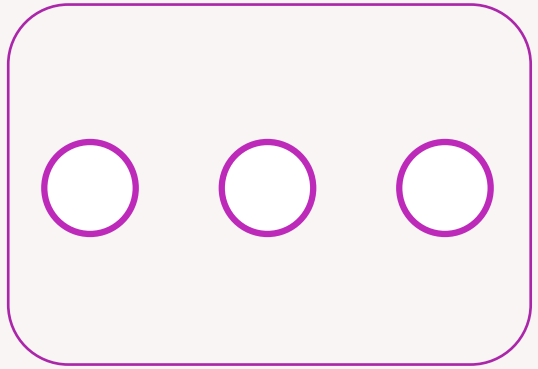
Equipment Usage



Subcontractors



Travel & Subsistence



Other

UKRI Innovate UK

Project application assessment

All eligible and in scope project applications will be assessed by **3** independent Assessors

What do they look for?

- **Clear** and **concise** answers
- **The right amount of information**
  - not too much detail
  - no assumptions
- **Quantification** and **justification**
- A proposal that presents:
  - a **viable opportunity for growth**
  - **a level of innovation that necessitates public sector support**
  - the right **team and approach** to be successful
  - an **appropriate level of costs** that represent **value for money**

Keep your Assessors engaged and interested in your proposal.
You want them to be fascinated and excited by your idea.
You want them to see that your project is credible and deliverable.

Watch our "Answering the Assessors' Prayer" video: https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/

UKRI Innovate UK

Eligibility considerations

Innovate UK

Eligibility criteria

Project eligibility	• lead must be a UK registered micro, small or medium sized business (SME) • carry out its project work in or from the UK • intend to exploit the results in or from the UK • give evidence that your business is suitable to take on a loan
Loan amount	Between £100,000 and £2 million
Project length	Projects can last up to five years, including both the R&D and commercialisation phases.
Project start date	Projects are expected to start by 1 July 2025. Your exact project start date and first innovation loan drawdown will depend on the timing of the final credit committee decision and completion of loan documentation.

UKRI Innovate UK

Previously submitted applications

This competition **does** allow you to submit a previously submitted application.

Previously submitted application	Not a Previously submitted application
A previously submitted application is an application Innovate UK judges as not materially different from one you have submitted before (but it can be updated based on the assessors' feedback)	A brand-new application, project or idea that you have not previously submitted into an Innovate UK competition OR A previously submitted or ineligible application which: ✓has been updated based on assessor feedback ✓and is materially different from the application submitted before ✓and fits with the scope of this competition

UKRI Innovate UK

Before resubmitting, make sure that you have taken both assessor and credit feedback into account

Number of applications

Your business can only submit one application per round of this competition. If you submit more than one application, only the first application will be considered for assessment.

You cannot submit an application in this competition at the same time as submitting an application in any other innovation loans or defence innovation loans competition.

Innovate UK

Compliance with the UK Subsidy Control Regime

On 1 January 2021, the UK left the EU and is no longer subject to EU laws on State aid. We draw your attention to the guidance issued by BEIS: Complying with the UK's international obligations on subsidy control: guidance for public authorities. Please be aware this is a living document and may be updated by BEIS as time progresses.

The set rules (typically GBER) which we previously relied on for the limits of what we could award, have now been replaced by internal decisions based on the new BEIS Subsidy Control Regime, and on policy, which will in turn set out bespoke eligibility requirements for each funding opportunity.

Innovate UK is offering funding for this competition in line with the UK's obligations and commitments to Subsidy Control. An innovation loan is a form of UK Subsidy – registered scheme SC10698.

To ensure that Innovate UK remains compliant with the UK's international Subsidy Control duties in respect of:

- the EU-UK Trade and Cooperation Agreement;
- Article 10 of the Northern Ireland Protocol (successful applicants which are affected by the Northern Ireland Protocol will be funded in line with EU State aid regulations)
- Article 138 of the Withdrawal Agreement (some Union law applicable after 31 December 2020 in relation to the UK's participation in Union programmes and activities)
- the Subsidies and Countervailing measures within the WTO (ASCM)
- any other Free Trade Agreements active at the time of award

All awards will be conditional on compliance at all times with the UK's International obligations on Subsidy Control - this will be reflected in the terms and conditions of any award.

UKRI Innovate UK

Due diligence for UK Subsidy Control Regime

Under the Subsidy Control Regime, we will carry out financial health checks and going concern assurances on your organisation.

Certify you are eligible

When submitting an application, you must certify that you are eligible for funding. If you are unsure, please take independent legal advice before applying. Should you be successful, we will complete these financial checks and assurances before confirming the loan offer.

- For more information on company sizes, please refer to the Company accounts guidance.
- Further information is available on our website in the general guidance.

UKRI Innovate UK

Eligibility Criteria: EU State Aid Regulations – Windsor Framework

If you are an applicant who is conducting activities that will affect trade of goods and/or electricity between Northern Ireland and the EU as envisaged by Article 10 of the Windsor Framework, then you must apply under European Commission State aid rules.

Undertaking in Difficulty

For applicants subject to the European Commission State aid rules, you will be required to prove that they were not an “Undertaking in Difficulty” (UiD). We will ask for evidence of this.

This test applies to:

- companies that are more than 3 years old
- companies where more than half of its subscribed share capital has disappeared as a result of accumulated losses.
- your parent or holding company

Certify you are eligible

When submitting an application, you must certify that you are eligible for State aid. If you are unsure, please take legal advice before applying. Should you be successful, we will apply this test as part of our viability checks before confirming the loan offer.

Further information is available on our website in the general guidance under state aid.

If you are applying for an award funded under State aid Regulations, the definitions for company size are set out in the European Commission Recommendation of 6 May 2003.

Innovate UK

British Overseas Territories

You are unable to claim funding if your company is based in any of the British Overseas Territories (BOTs):

- Anguilla
- Bermuda
- British Antarctic Territory
- British Indian Ocean Territory
- British Virgin Islands
- Cayman Islands
- Falkland Islands
- Gibraltar
- Montserrat
- Pitcairn Islands
- Saint Helena, Ascension and Tristan da Cunha
- South Georgia and the South Sandwich Islands
- Turks and Caicos Islands

UKRI Innovate UK

Other Innovate UK projects

If you have an outstanding final claim or Independent Accountant Report (IAR) on a live Innovate UK project, you will not be eligible to apply to this competition, as a lead or a partner organisation.

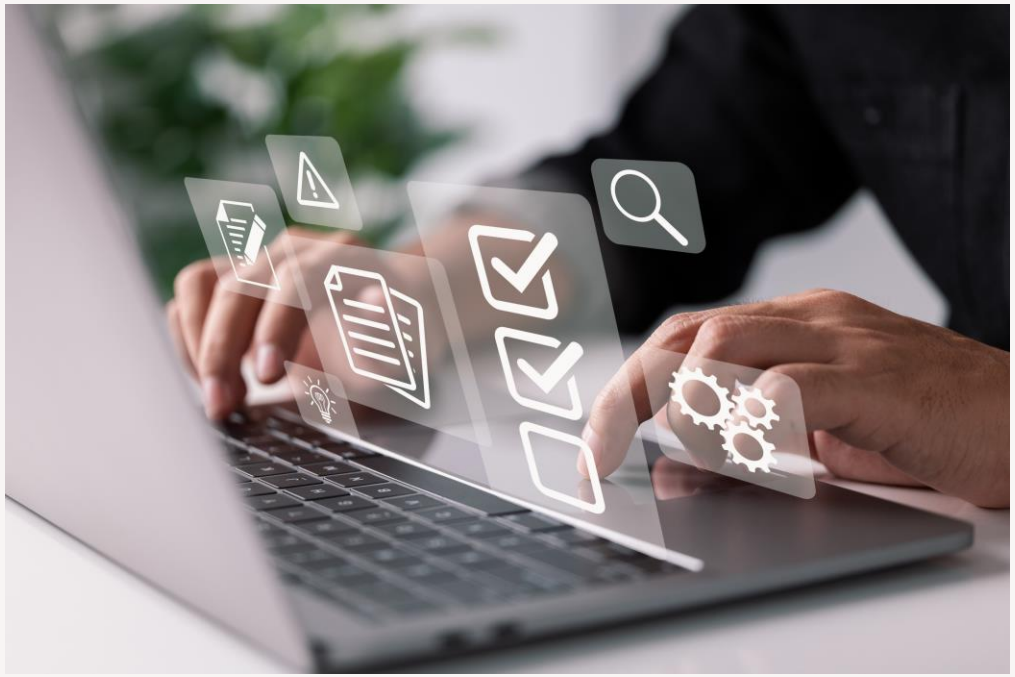
We will not award you any further funding if you:

- applied to a previous competition as the lead or sole company and were awarded funding by Innovate UK, but did not make a substantial effort to exploit that award
- applied to a previous competition as the lead or sole company and failed to comply with loan or grant terms and conditions.

UKRI Innovate UK

Project Impact questions

- **Successful applicants will complete Project Impact questions at the start of their project**
- The Project Impact questions ask for data about your business and innovation and its contribution to the UK economy, society, and the environment
- Visit the Project Impact guidance page for more information, the types of questions you will be asked and how to get further support
- By providing this data, you are enabling us to better understand the impact of our support. It will help us identify success stories and provide evidence to government and the public of the value of supporting innovative businesses



For more information:

- Watch Our Impact Management Framework video here
- Watch How is the Project Impact data collected? video here

UKRI Innovate UK

A great idea can come from anyone

- Diversity in businesses contributes to enhanced performance and commercial success
- We welcome and encourage applications from people of all backgrounds and are committed to making innovation support more visible, accessible, and inclusive.
- We can provide support for people who have a disability or long-term condition and face barriers applying to us
- If you would like any support or advice, please contact Customer Support Service on 0300 321 4357 or support@iuk.ukri.org

UKRI Innovate UK

Additional support

Innovate UK

Innovate UK Business Connect

Innovate UK Business Connect exists to connect innovators with new partners and new opportunities beyond their existing thinking – accelerating ambitious ideas into real-world solutions.

UKRI Innovate UK | Business Connect

We connect

Diverse communities | Innovation Networks

Regional, national and global | Global Alliance

Research and business | Knowledge Transfer Partnerships

Innovators, funders & collaborators | Innovation Exchange

Insight to impact | Insight reports

Investors to UK Innovation | Investment

…for positive change

UKRI Innovate UK | Business Connect

Investor Engagement in Action - Examples

Investor Connect

Flagship event to drive engagement of investors with IUK Group, its products and services, and domain areas

Innovation Loans

Supporting the competitions and striving to reach diverse audiences, connect portfolio businesses to investors

Investor Partnerships

Supporting the competitions and connecting investors to the programme, increasing the pool of active and diverse investors

Financing Net Zero

Convening and catalysing dialogue with investors exploring barriers & solutions and informing future programmes

UKRI Innovate UK | Business Connect

Good Application Guide

https://iuk.ktn-uk.org/investment/good-application-guide/

Please view a recording of ‘Answering the Assessors’ Prayer at: https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/

UKRI Innovate UK | Business Connect

Innovate UK Business Growth

An innovation and growth specialist, or scaleup directors, work with a company's leadership to hone its commercial strategy and help it take targeted action to, for example:

- Build investment readiness
- Manage innovation effectively
- Enter global markets
- Providing local to national to international growth and scaling support

UKRI Innovate UK

Innovate UK Business Growth

Bespoke growth and scaling support at the business end of innovation

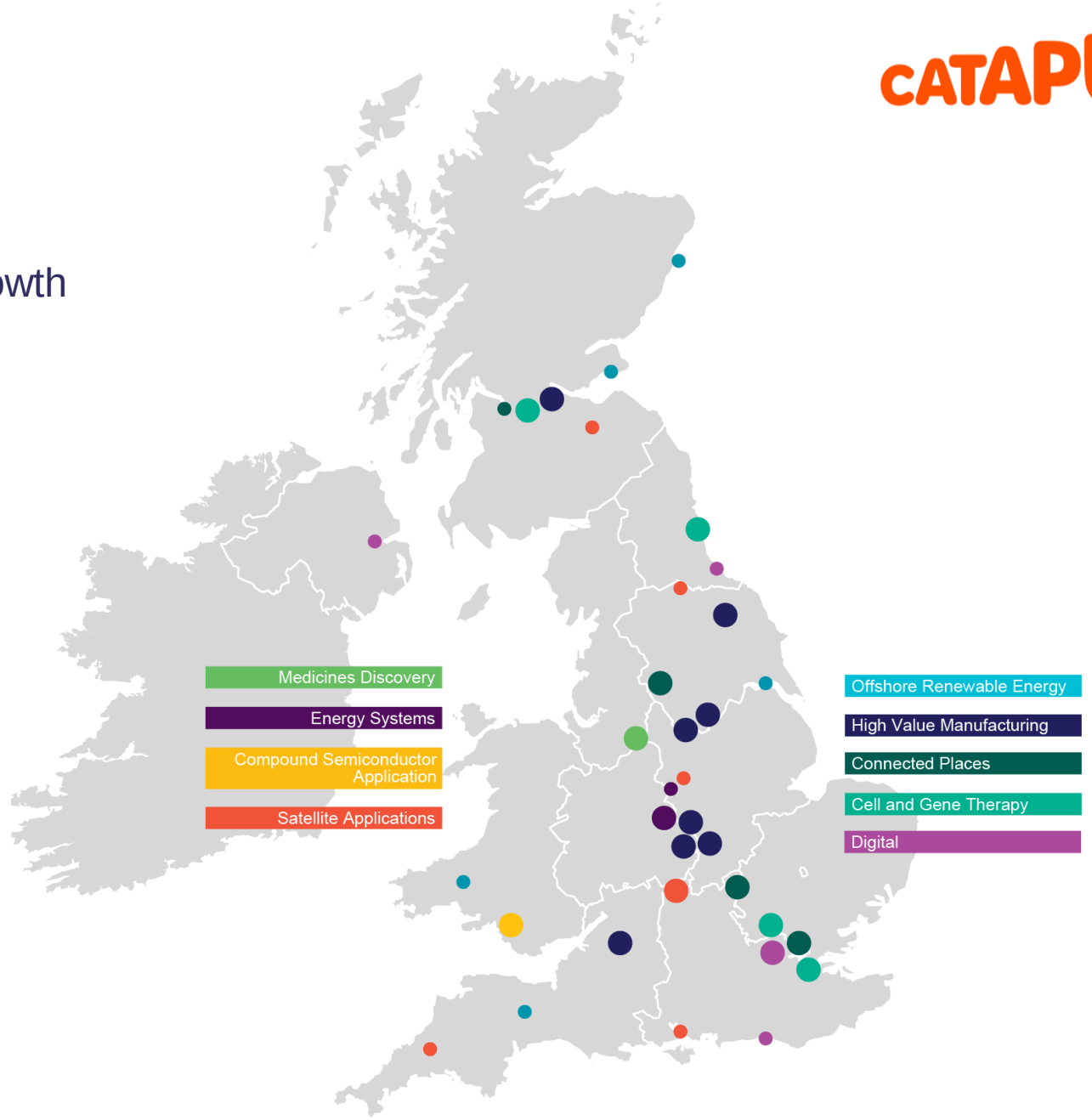
- Intensive growth and scaling support tailored to the needs of each of our ambitious innovation-driven clients
- Offered alongside project funding to Innovate UK award winners, most of whom engage us. We are also available to all high growth potential innovative small or medium-sized businesses*
- Engagement at early, growth and scaling stages, with our core high growth service and enhanced Scaleup Programme
- Delivered by over 400 innovation and growth specialists embedded in regional ecosystems across the UK, including a board of expert scaleup directors

UKRI Innovate UK

Catapults

Fostering innovation to drive economic growth

- bridge the gap between businesses, academia, research and government
- transforming the UK's ability to create new products and services
- ensure global opportunities for the UK and sustained economic growth for the future

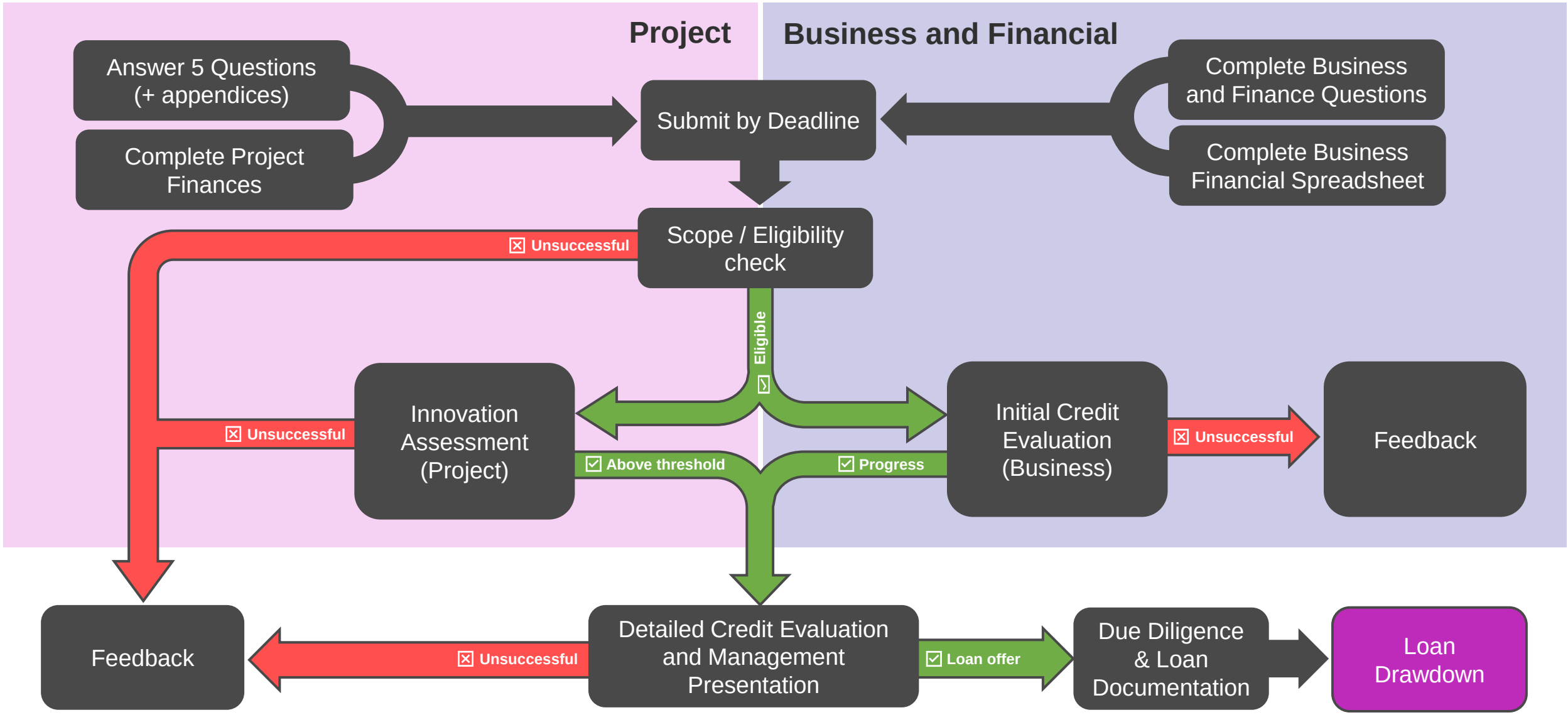


Innovate UK

Recap and ‘top tips’

UKRI Innovate UK

Application Process



Key dates for Round 19

Timeline	Dates
Competition Open	**9 January 2025**
Applicant Briefing Webinar	14 January 2025
Good Application Guide Workshop (Answering the Assessors Prayer)	Please view a recording at https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/ Or read the Guide at Good Application Guide - Innovate UK Business Connect (ktn-uk.org)
How to Complete the Financial Submission Workshop	Please view a recording at https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/
Financial Submission 'Deep Dive' Workshops – Register to attend one workshop	Workshop 1: 20 January 2025 11.00-12.30 Workshop 2: 28 January 2025 14.00-15.30 Workshop 3: 5 February 2025 10.00-11.30
Submission Deadline	**5 March 2025 (11am)**
Initial notification to applicants	21 April 2025
Decision Notification following full Credit Analysis	1 June 2025
Expected project start	1 July 2025

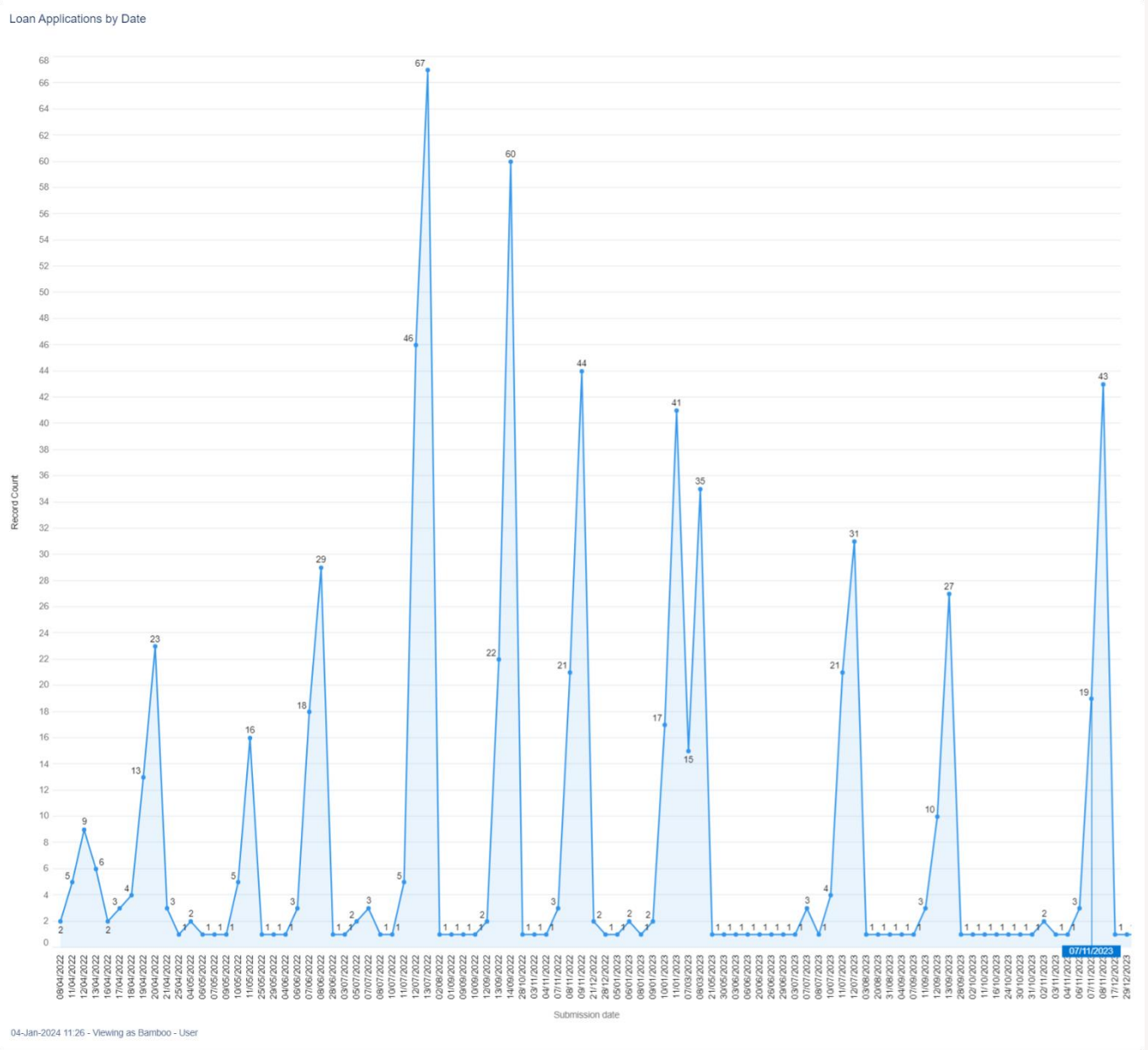
Start early and submit your application early!

Be aware of the potential for last minute technical issues. They happen!

c65% submitted on the last day

c31% submitted in the last 2 hours

Complete the business and financial questions
and
Upload the business financials spreadsheet
and
Complete the project questions
then
SUBMIT ALL
BEFORE 11am
5th March 2025



Innovate UK

Our top tips…

- FOLLOW THE GUIDANCE and WATCH THE WEBINARS
- Prepare well in advance
- Seek financial and legal advice
- Submit ALL parts of the application
- **Complete ALL parts of the business financials**
  - **Profit and loss**
  - **Balance sheet**
  - **Cashflows**
- Cover the full loan period
- Evidence your liquidity and working capital
- Balance the balance sheet and match cash in the balance sheet and cashflow

- Describe the assumptions in the financials
  - Revenues – top down and bottom up, realistic
  - Costs – including all costs needed to deliver your ambitious growth plan
- Think about sensitivities and stress cases
  - Delays invariably happen
  - Revenues are rarely as high as forecast
  - Costs are typically higher than expected
  - Is the loan affordable?
- Have adequate capital
- Have sufficient cash throughout
- Use our Customer Support Services team for questions.
- Submit all parts of the application on time
- READ THE INSTRUCTIONS

UKRI Innovate UK

Contact

Customer Support Services

0300 321 4357

(Mon – Fri: 9am – 12pm and 2pm – 5pm)

support@iuk.ukri.org

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Useful Links

- Innovate UK innovation loans future economy: round 18 https://apply-for-innovation-funding.service.gov.uk/competition/2075/overview/276c06c5-bd53-437b-8279-0d550b198d44
- Link to Webinars -
  - Financial Submission Webinar and Answering the Assessors' Prayer https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/
- Innovation Loans: Guidance for Applicants https://www.ukri.org/councils/innovate-uk/guidance-for-applicants/guidance-for-specific-funds/innovation-loans/
- Innovate UK: General Guidance for Applicants https://www.ukri.org/councils/innovate-uk/guidance-for-applicants/general-guidance/
- Innovate UK https://www.gov.uk/government/organisations/innovate-uk
- Innovate UK Business Connect www.ktn-uk.co.uk
- The Good Application Guide: https://ktn-uk.org/investment/good-application-guide/
- Innovate UK Business Growth https://www.innovateukedge.ukri.org/
- British Business Bank Finance Hub https://www.british-business-bank.co.uk/finance-hub/

Q&A

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Thank You

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