Innovate UK

Innovation loans

Innovation Loans Future Economy Competition Round 7

November 2022

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Welcome and Introductions

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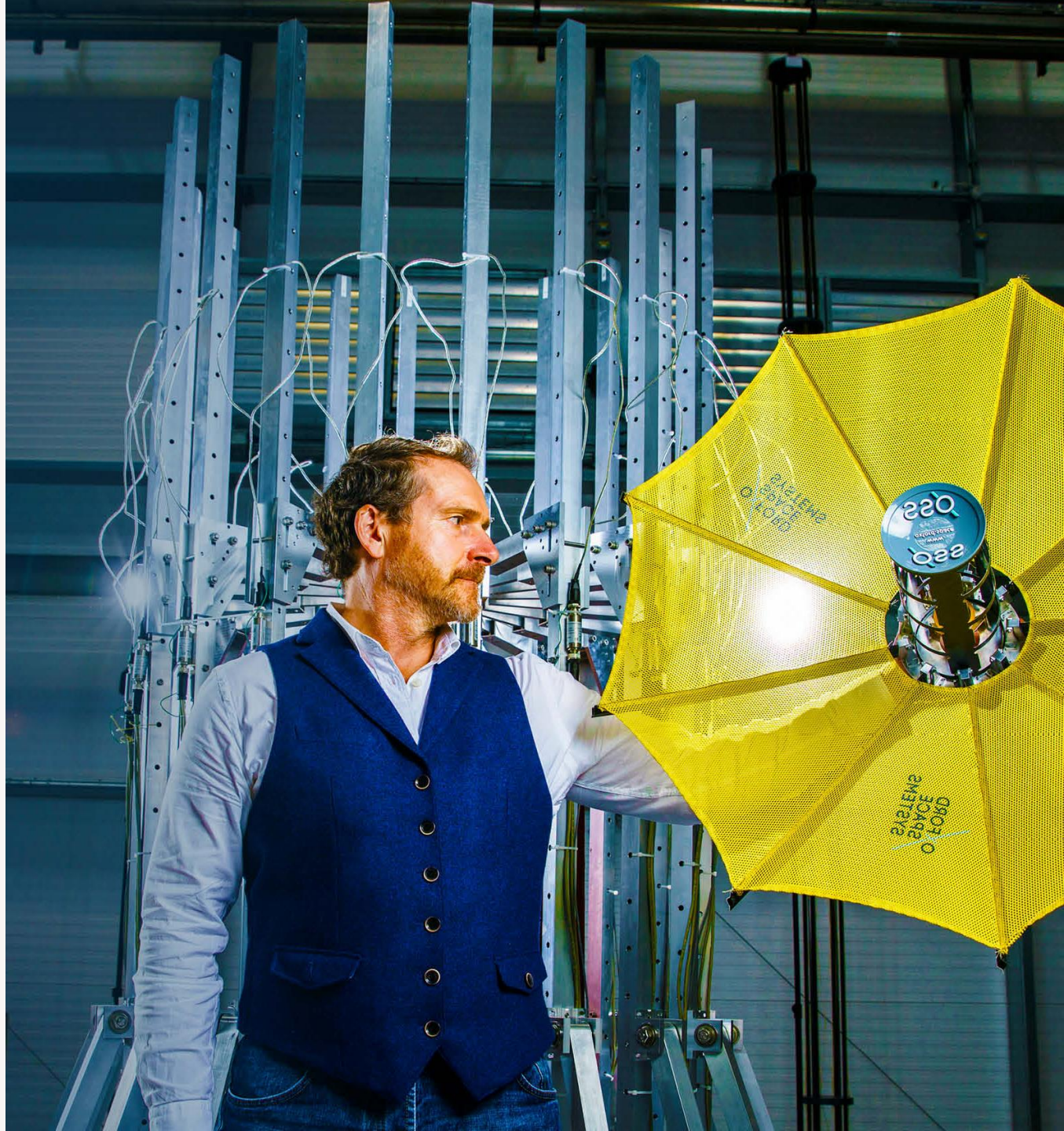
Agenda: Innovation Loans

- Overview, Scope and Eligibility
- Business Information Questions
- Financial Spreadsheet
- Project Proposal and Project Costs
- Submitting your Application
- Assessment and Credit Evaluation
- Additional Support
- Q&A



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Innovation Loans: Overview, Scope and Eligibility

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Innovation Loans

ACTIVITY
(to 30 Jun '22)

£166.7m
Committed

£148.5m
Drawn

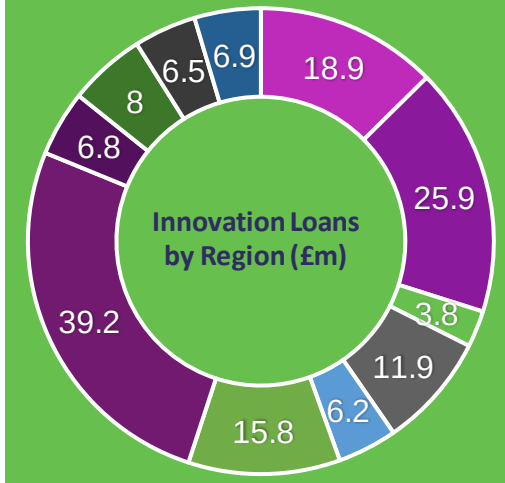
212
Loans

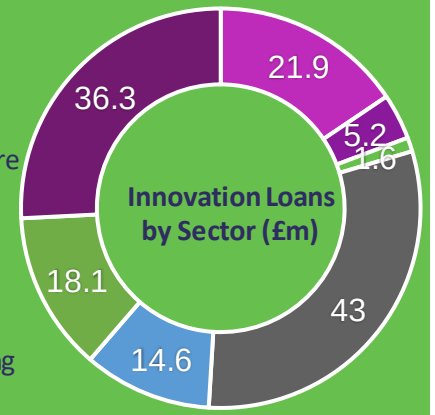
195
Borrowers

£8.9m
Early Repayments

c1,000
Applications

PORTFOLIO





IMPACT

Leveraging Private Investment

64
Borrowers

£172m
Total funding raised

33%
Of portfolio

£2.7m
Average raise

Supporting Growth
pilot programme evaluation survey respondents*

346
Jobs Created

£44.7m
Increase in Turnover

*the scaled up additional effected attributed to Innovation Loans

Delivering Impacts
pilot programme evaluation survey respondents

100%
Increased investment in R&D

92%
Progressed towards commercialisation

84%
Increased employment

72%
Applied for IP protection

Innovation Loans

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GROWTH FINANCE AWARDS | 2019 — WINNER INNOVATIVE PRODUCT OF THE YEAR

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

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

Maximum Loan Term	**7 years**
Availability Period	Up to 3 years
Extension Period	Up to 2 years
Repayment period	Up to 5 years

Example: 2 years for R&D (Availability)
1 year for Commercialisation (Extension)
4 years for repayment
7 years - Total

Availability period: (R&D Activity)
- Quarterly loan drawdowns in advance
- Interest payable quarterly in arrears on amount drawn down
- 3.7% payable and 3.7% deferred to repayment period
- Max term - 3 years

Extension period: (Commercialisation)
- 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
- Max term – 2 years

Repayment period: (Repayment of capital and interest)
- No further drawdowns permitted
- Repayment of principal and interest as well as deferred interest
- 7.4% - quarterly level payments
- Max term – 5 years
- Monitoring by Credit Team

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Innovation Loans: Security, Covenants and Monitoring

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

- Liquidity Ratio of 1.1x throughout the loan
- Debt Service Coverage Ratio of 1.2x throughout the repayment period
- Project monitoring
- Quarterly management accounts
- Annual accounts (within 6 months of year end)

- Summary heads of terms in competition Terms & Conditions

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Innovation loans scope

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What are we looking for?

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

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

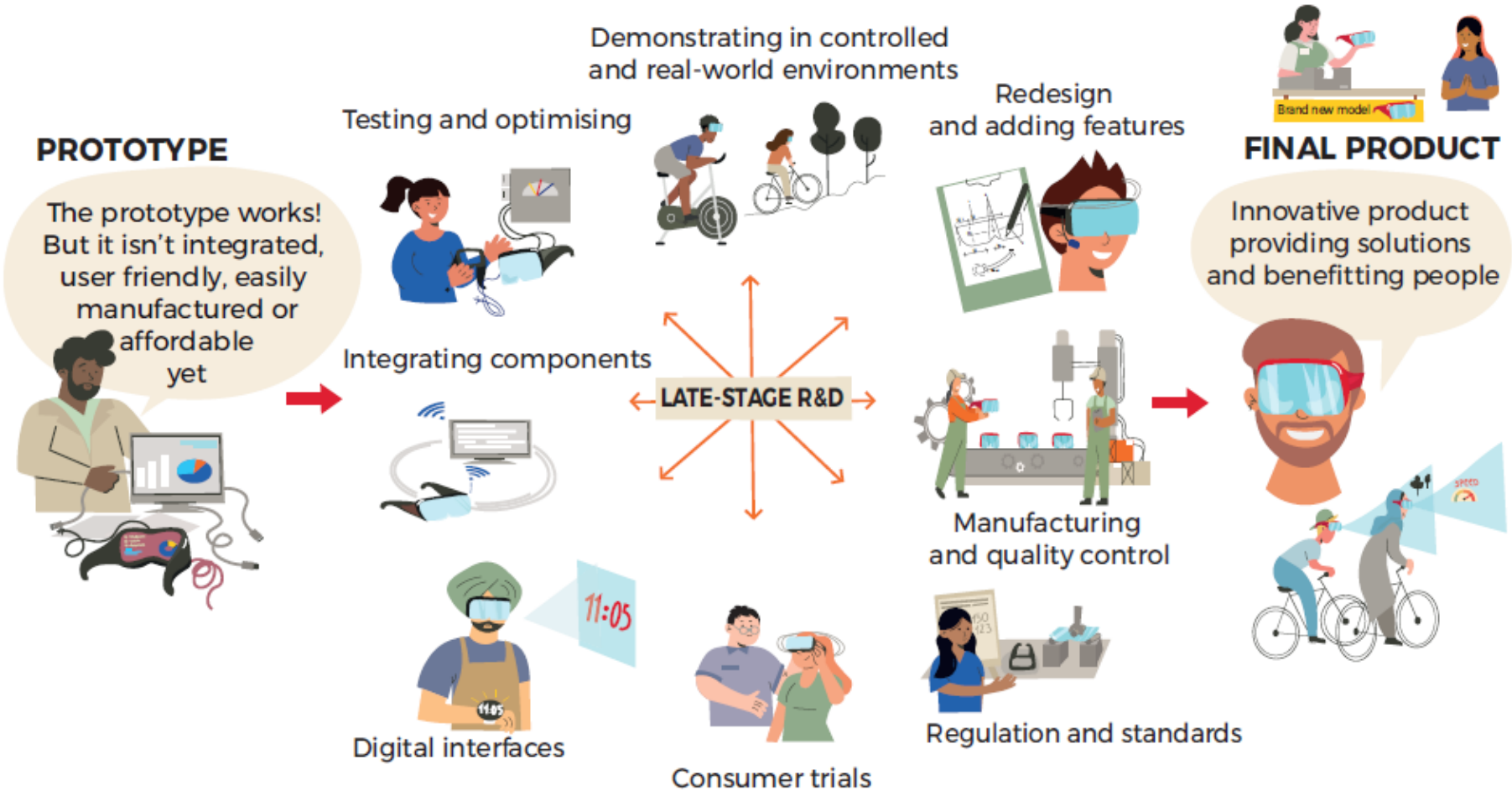
Innovations in
- wellbeing
- tackling ill-health
- diet & food

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



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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

Eligibility criteria

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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

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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. 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.

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Due diligence for UK Subsidy Control Regime

Under the Subsidy Control Regime, we will carry out financial health checks and ongoing 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.

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Eligibility Criteria - EU State Aid Regulations – Northern Ireland Protocol

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 Northern Ireland protocol, 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.

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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

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Key dates for Round 7

Timeline	Dates
Competition Open	**10th November 2022**
Applicant Briefing Webinar	21st November 2022
Good Application Guide Workshop (Answering the Assessors Prayer)	Please view a recording at https://vimeo.com/showcase/9600203
How to Complete the Financial Submission Workshop	Please view a recording at https://vimeo.com/showcase/960020
1 to 1 Session with Credit Specialist	2nd December am 7th December pm Registration link will be advised after the Applicant Briefing
Submission Deadline	**11th January 2023 (11am)**
Initial notification to applicants	10th March 2023
Decision Notification following full Credit Analysis	10th May 2023
Expected project start	June 2023

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Future Innovation Loan Rounds

Timeline	Dates
Round 8	12th January to 8th March

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Starting Your Application on the Innovation Funding Service (IFS)

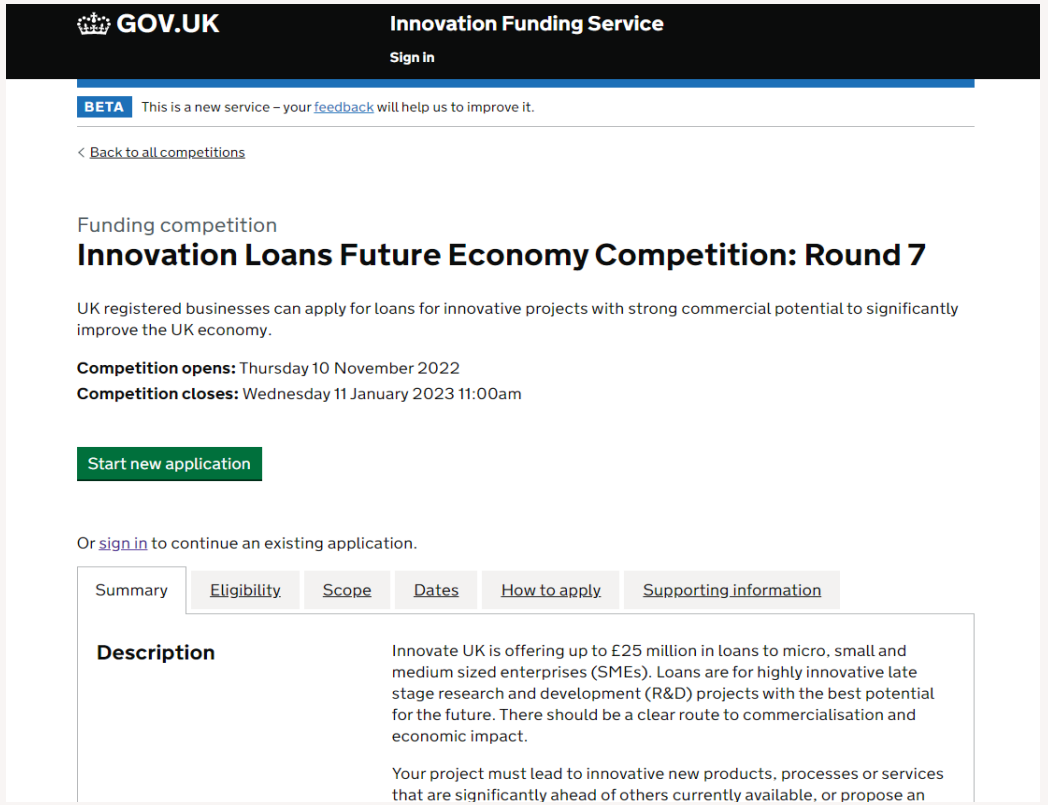
Search for a funding competition and review criteria

Click this link for more : Innovation Loans Future Economy Competition Round 7

Innovation Loans Future Economy Competition: Round 7

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

- **Competition opens:** Thursday 10 November 2022
- **Competition closes:** Wednesday 11 January 2023 11:00am



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Lead Applicant: create an account

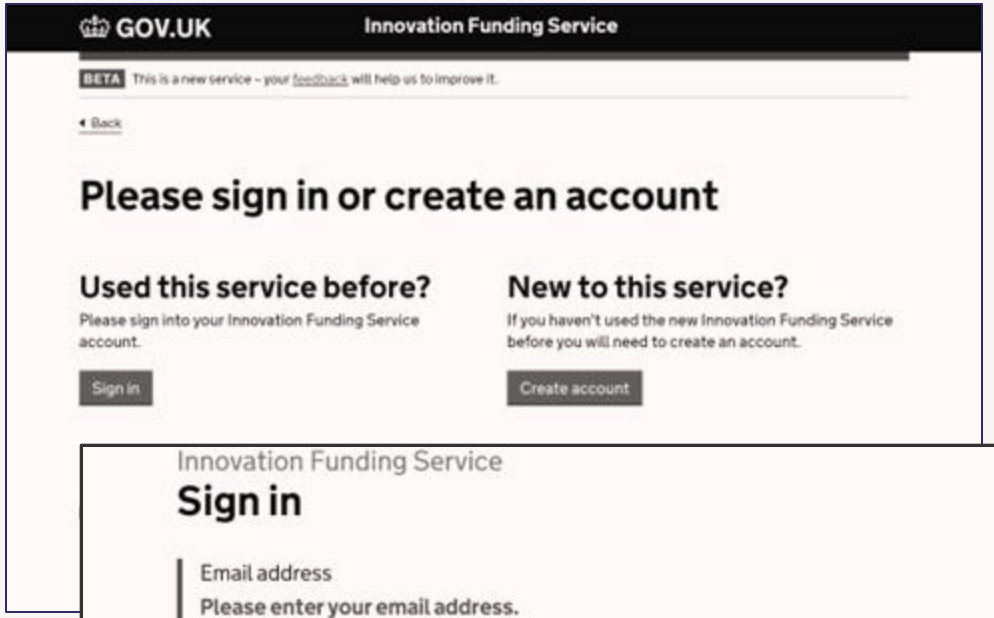
The lead applicant must create an account:

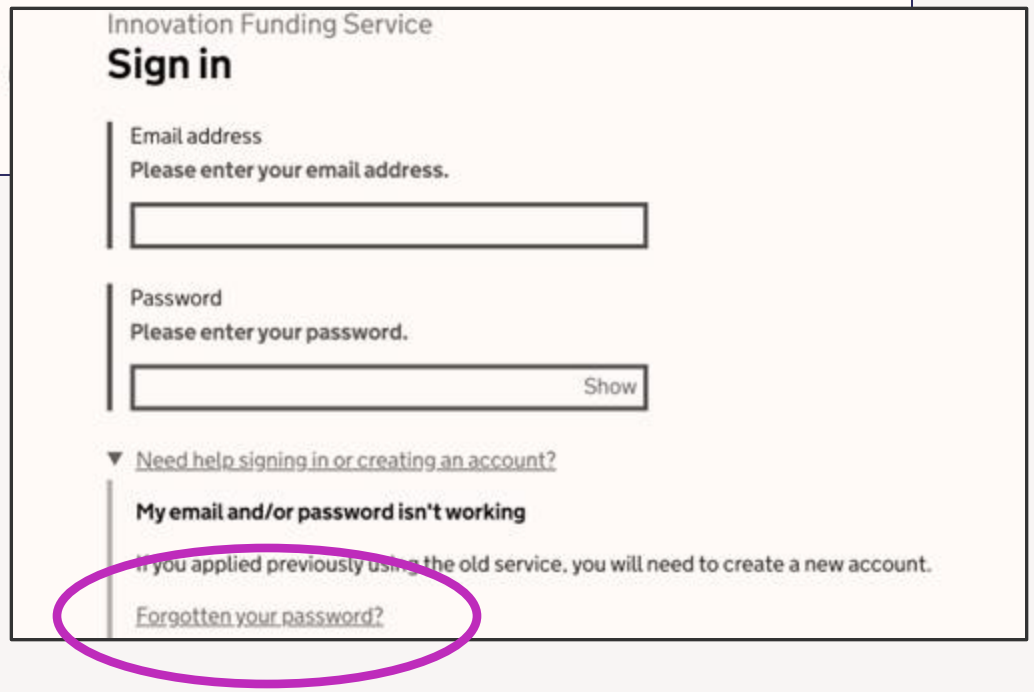
UK registered businesses

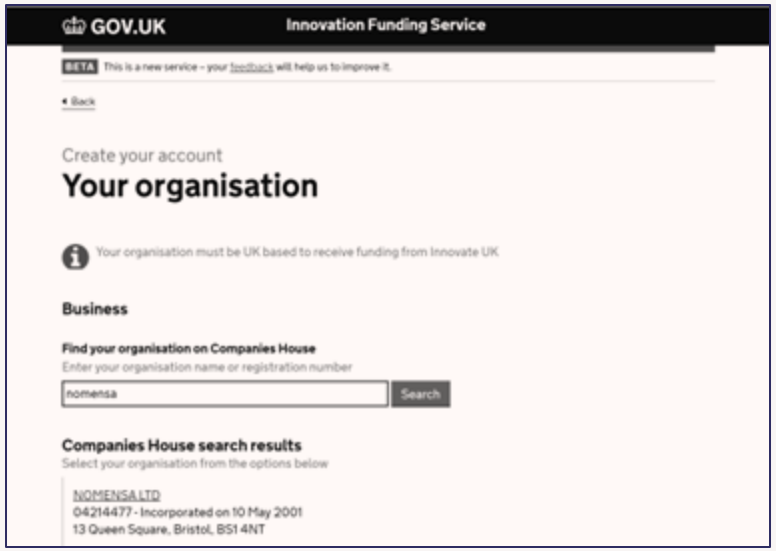
Use Companies House lookup as it speeds up our checks by providing your company number. You are unable to enter this at a later date.

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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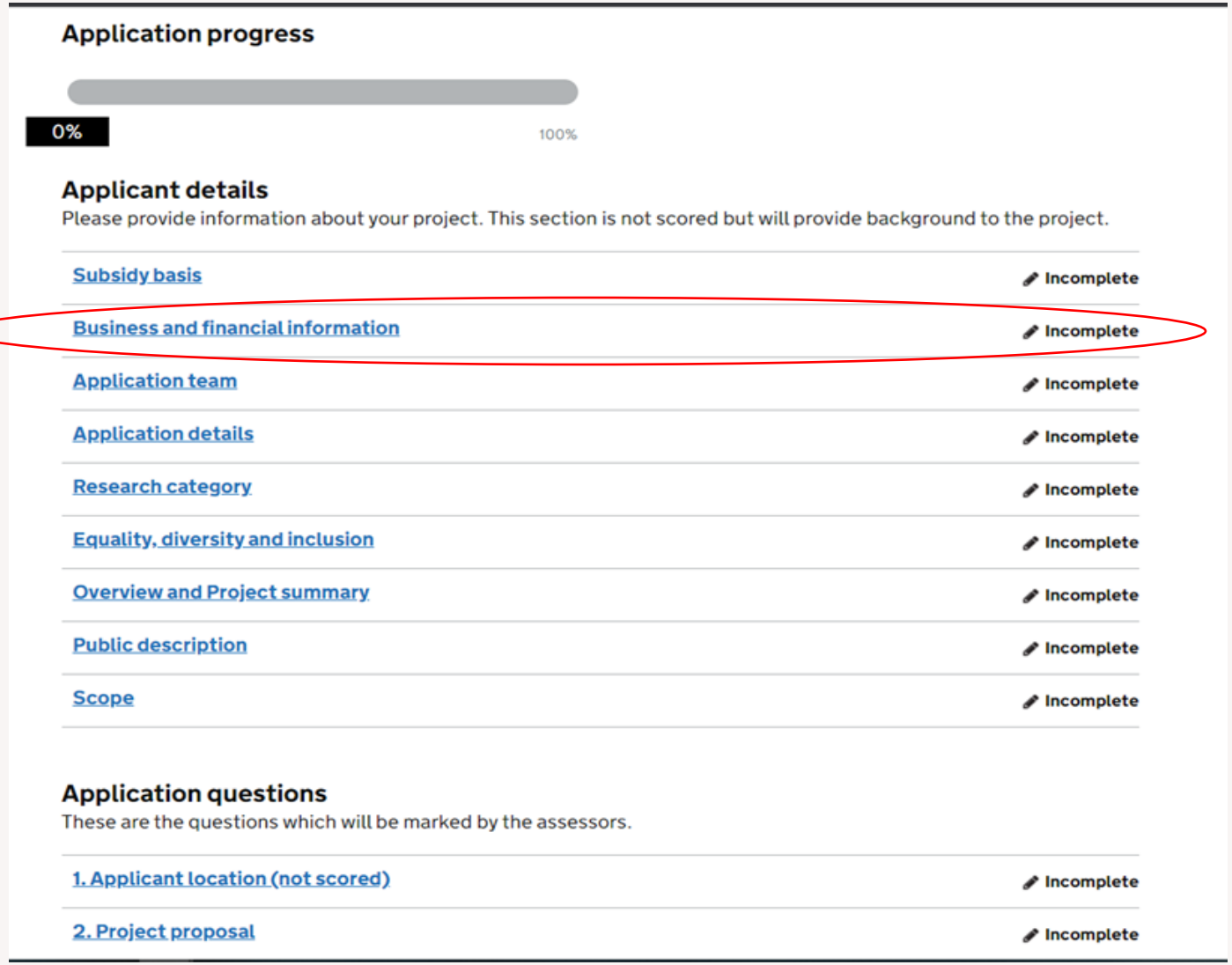
1. Business Information Questions

Business and financial information



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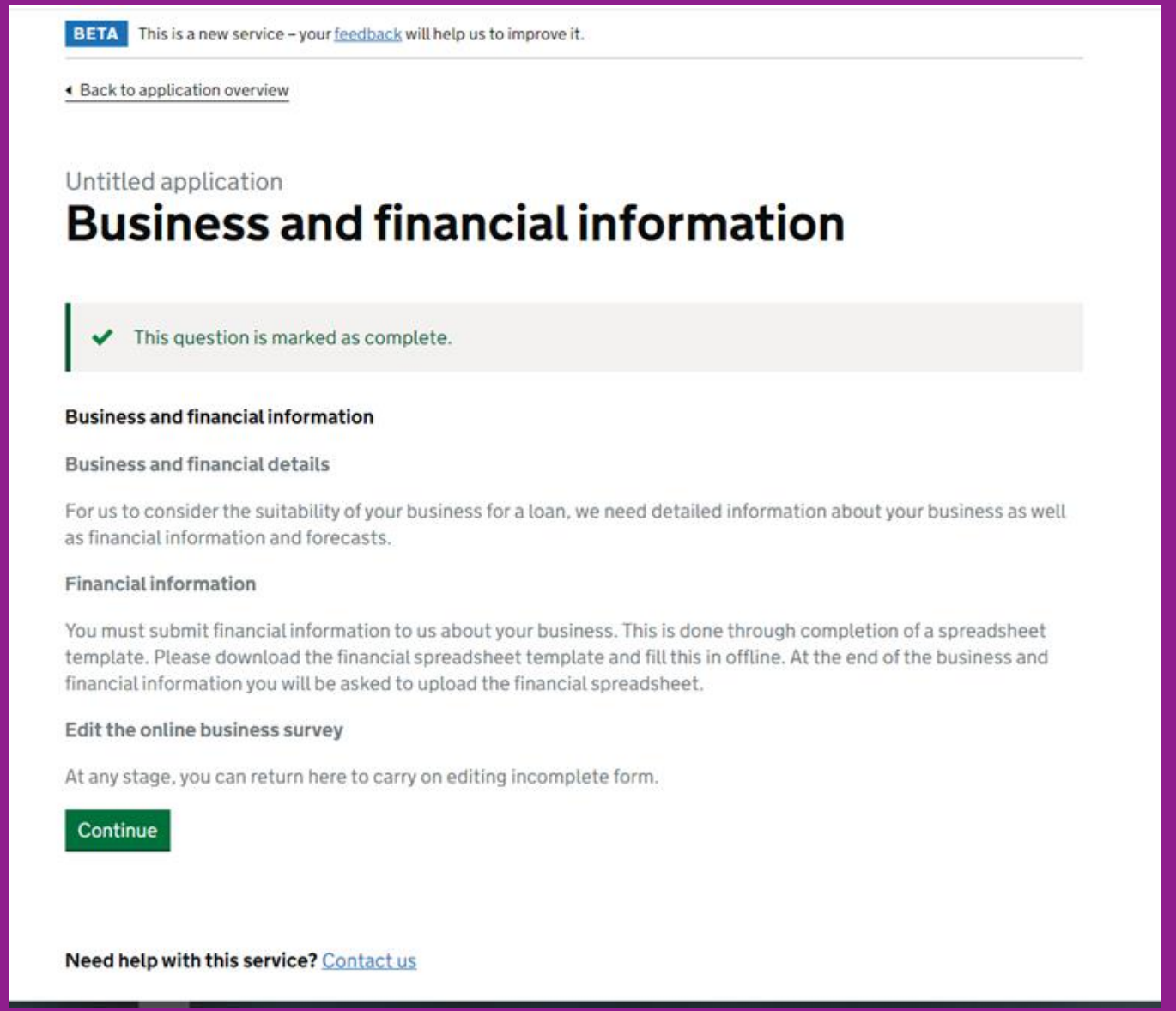
Business and financial information



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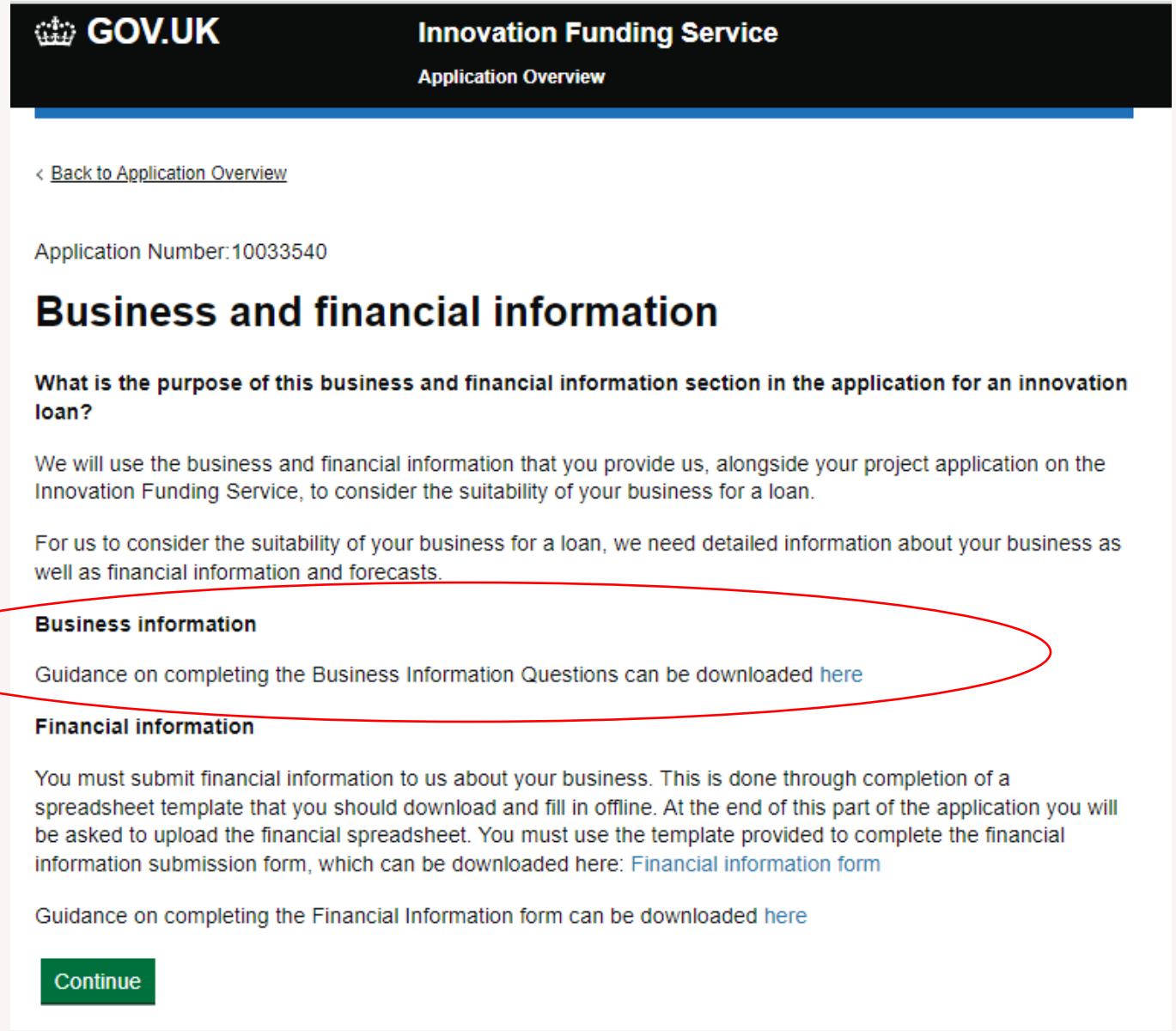
Business information



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

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Business Information Questions

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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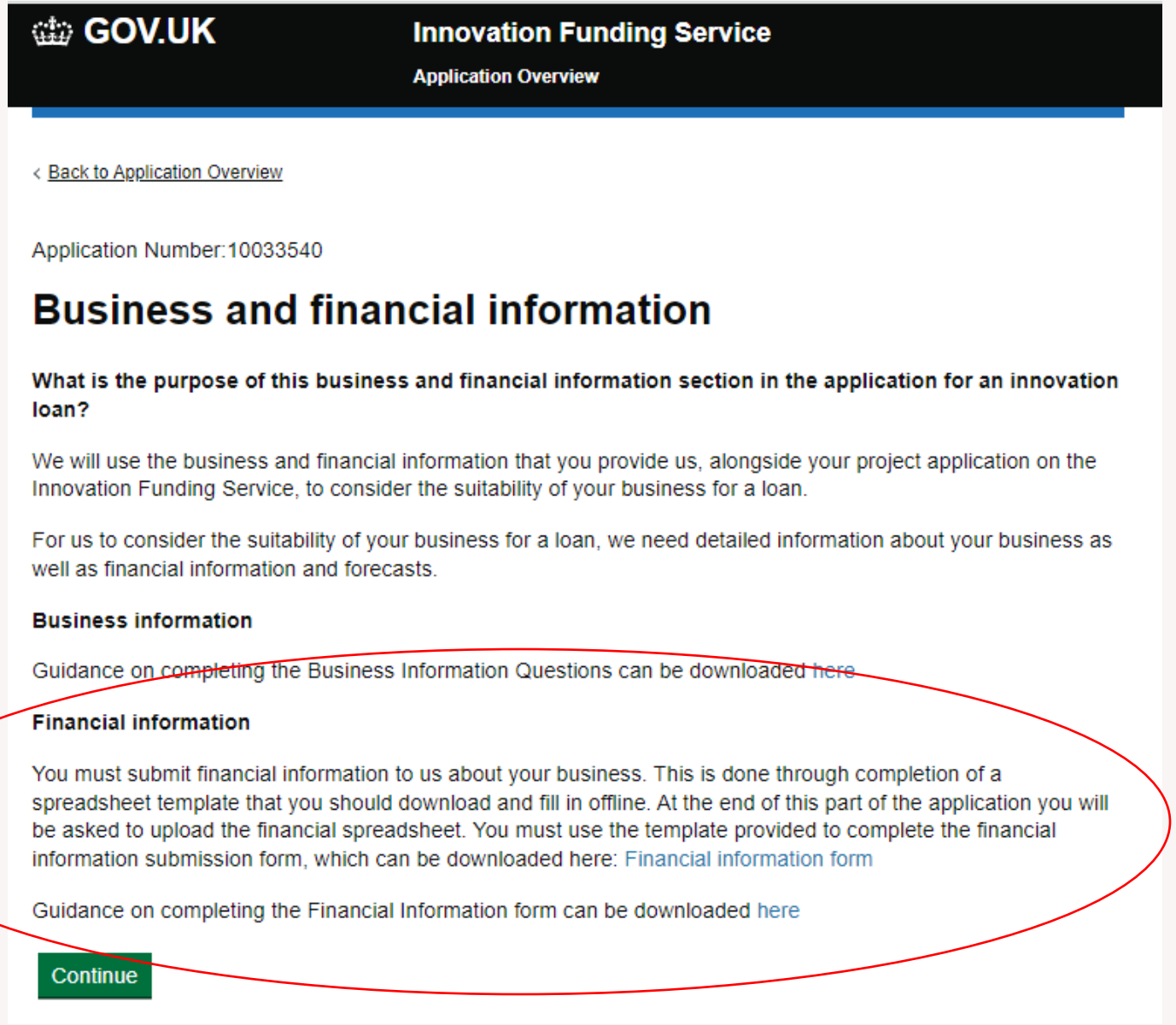
2. Business Financials Spreadsheet

Financial information



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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)

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)

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**	

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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)

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**

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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	£

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3. Project Proposal Questions

Project Proposal Questions and Costs

Applicant Location

- Name of your organisation and full registered address

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?

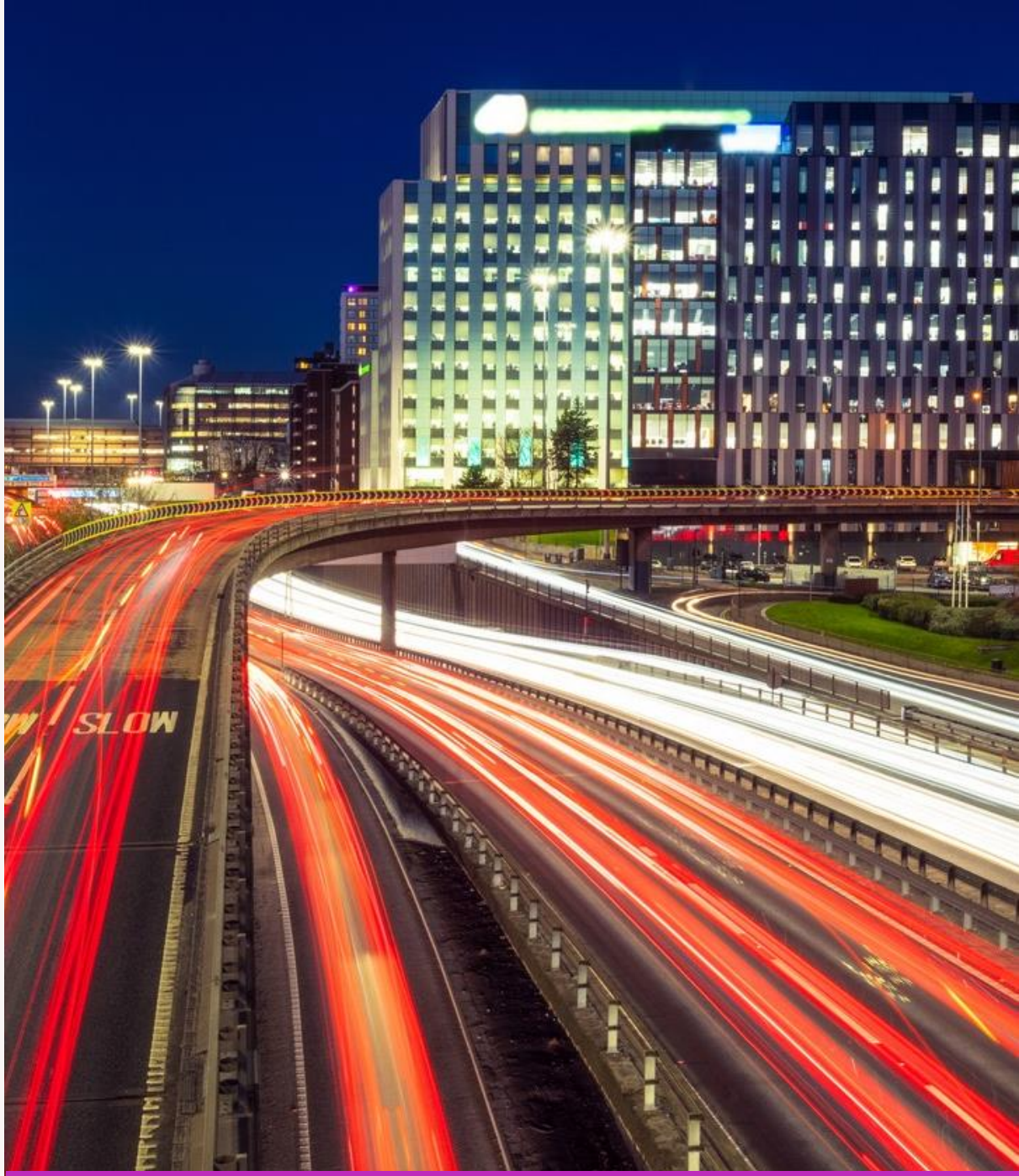
Project Costs and Value for Money

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

Project Costs

- What are the project costs?

Application finances



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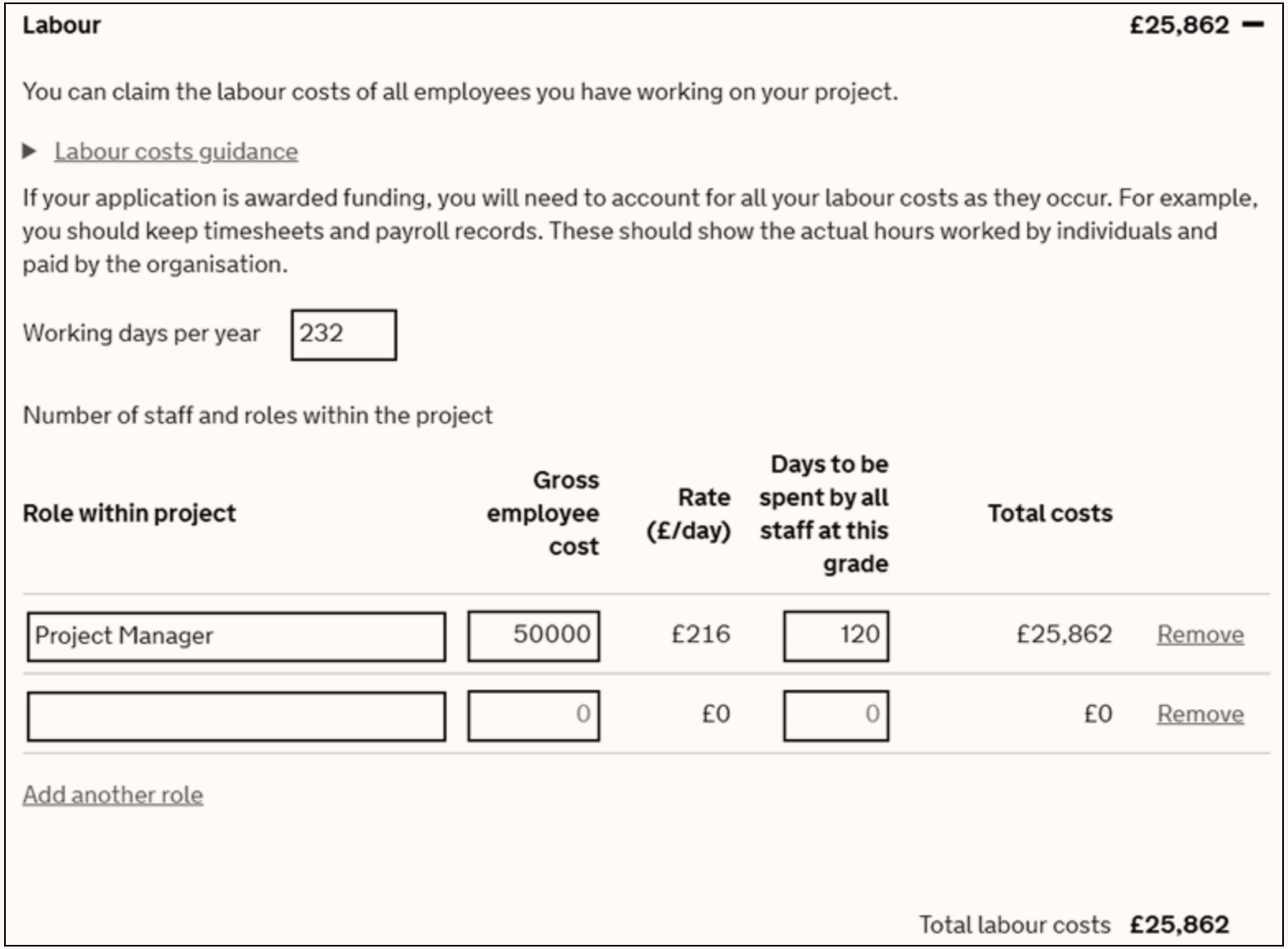
Labour

Eligible:

- staff working directly on project
- paid by PAYE
- NI, pension, non-discretionary costs

Ineligible:

- dividends
- bonuses
- non productive time
- overtime



Labour £25,862 −

You can claim the labour costs of all employees you have working on your project.

▶ Labour costs guidance

If your application is awarded funding, you will need to account for all your labour costs as they occur. For example, you should keep timesheets and payroll records. These should show the actual hours worked by individuals and paid by the organisation.

Working days per year 232

Number of staff and roles within the project

Role within project	Gross employee cost	Rate (£/day)	Days to be spent by all staff at this grade	Total costs	
Project Manager	50000	£216	120	£25,862	Remove
	0	£0	0	£0	Remove

Add another role

Total labour costs **£25,862**

UKRI Innovate UK

Overheads

Innovate UK's definition

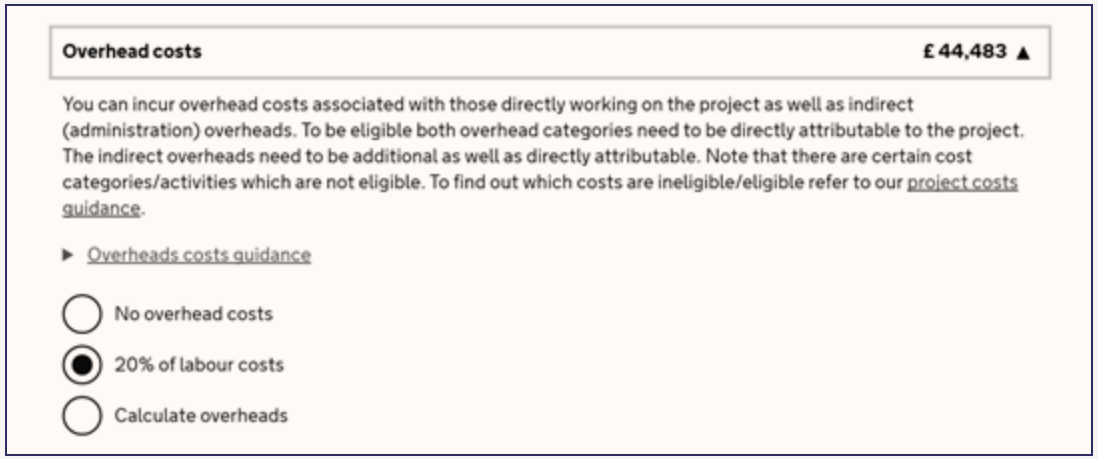
Additional costs and operational expenses incurred directly as a result of the project. These could include additional costs for administrative staff, general IT, rent and utilities

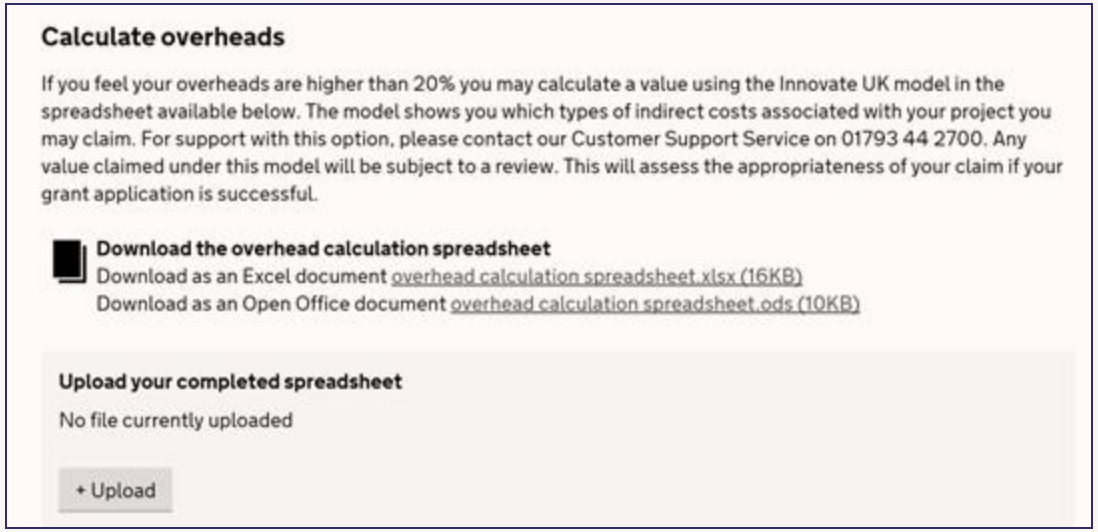
Indirect (administration) overheads

Please ensure they are additional and directly attributable to the delivery of the project

Direct overheads

- e.g. office utilities, IT infrastructure, laptop provision not covered by capital usage
- must be directly attributable to the project
- provide detailed breakdown together with methodology/basis of apportionment





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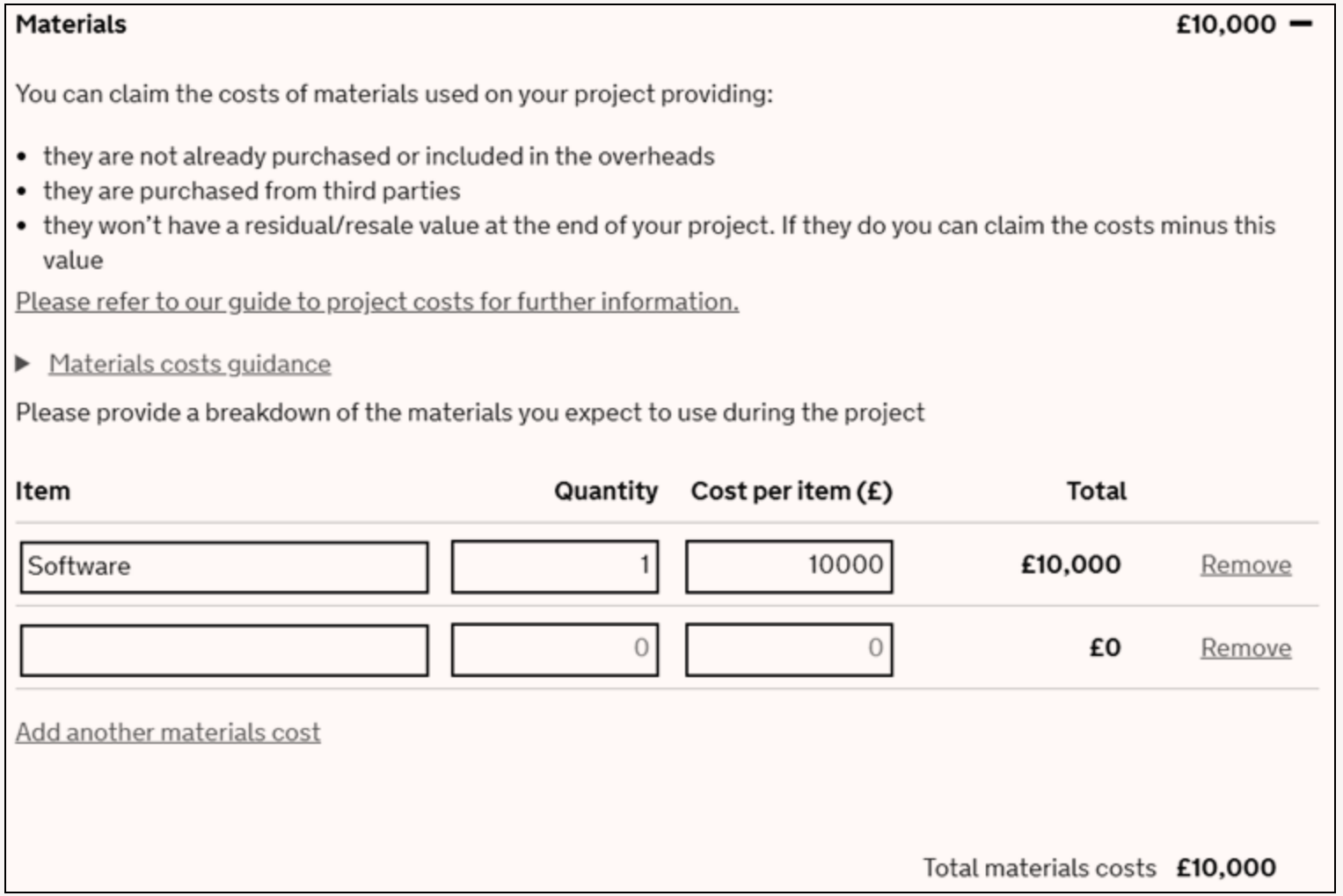
Material costs

Please be clear on what the materials are, just putting consumables does not provide enough detail.

If insufficient information is provided, we will request more information should you be successful which may delay your project start date.



Materials £10,000 −

You can claim the costs of materials used on your project providing:

- they are not already purchased or included in the overheads
- they are purchased from third parties
- they won't have a residual/resale value at the end of your project. If they do you can claim the costs minus this value

Please refer to our guide to project costs for further information.

▶ Materials costs guidance

Please provide a breakdown of the materials you expect to use during the project

Item	Quantity	Cost per item (£)	Total	
Software	1	10000	£10,000	Remove
	0	0	£0	Remove

Add another materials cost

Total materials costs £10,000

Innovate UK

Capital equipment usage

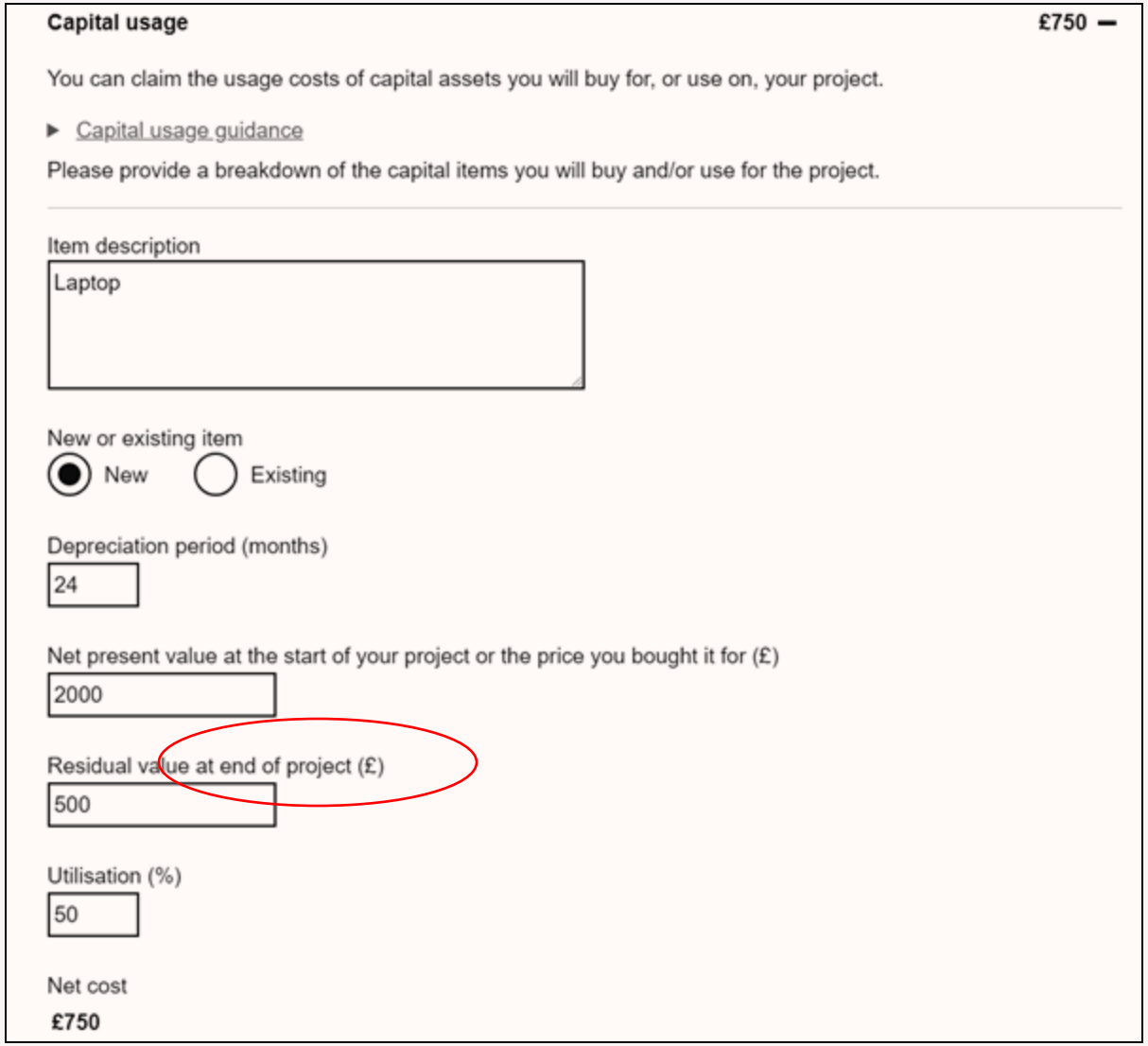
Eligible:

Used in the project or shared with day-to-day production.

Calculations will need to be in line with your accounting practices.

Even if the equipment is depreciated fully over the life of the project this must be added under capital equipment.

The eligible cost can be funded through the loan when needed



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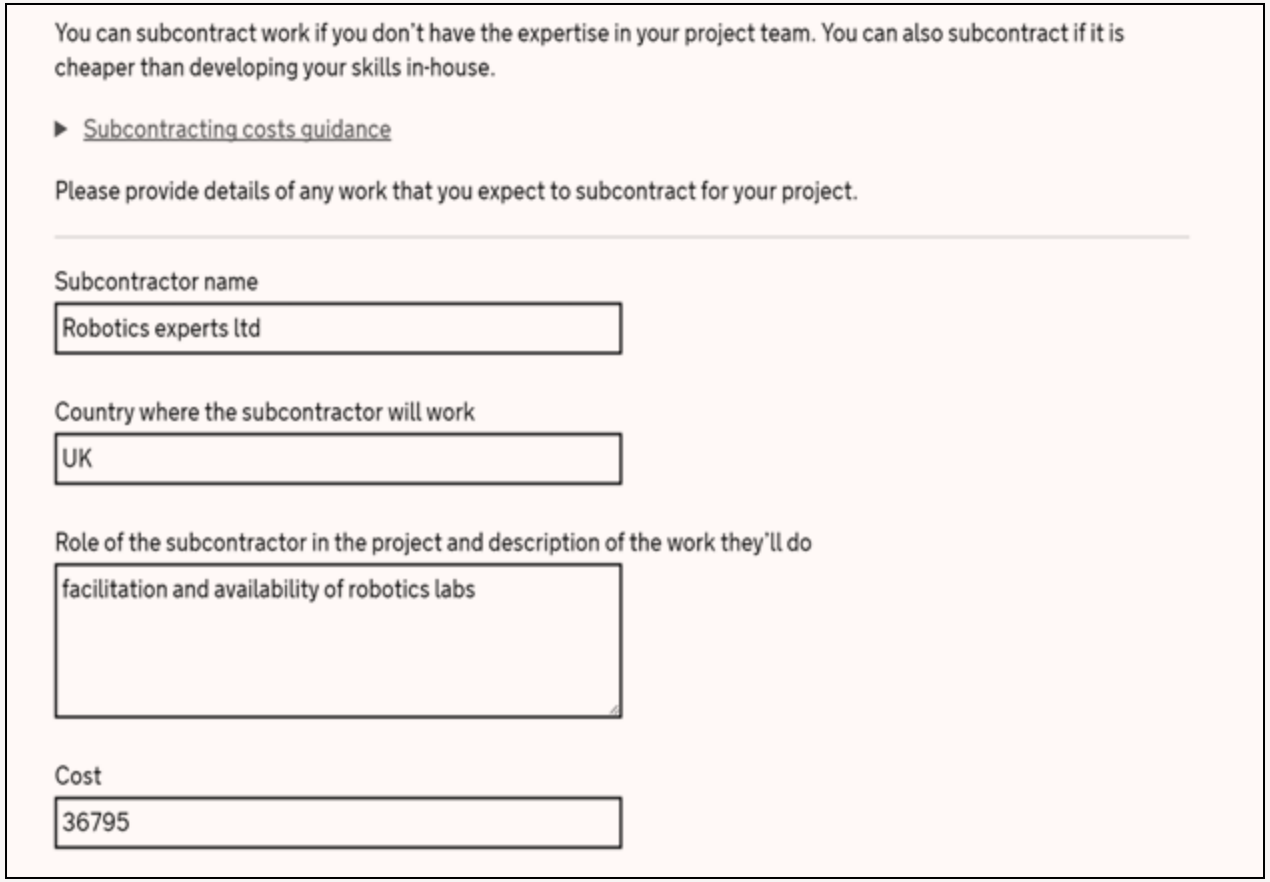
Subcontractors

Justified and quantified.

If non-UK subcontractors are being used, you will need to provide strong justification on why an UK-based subcontractor is not being used.

If you are subcontracting to a parent or sister company, please ensure you list at cost and do not include profit.



Innovate UK

Travel and subsistence

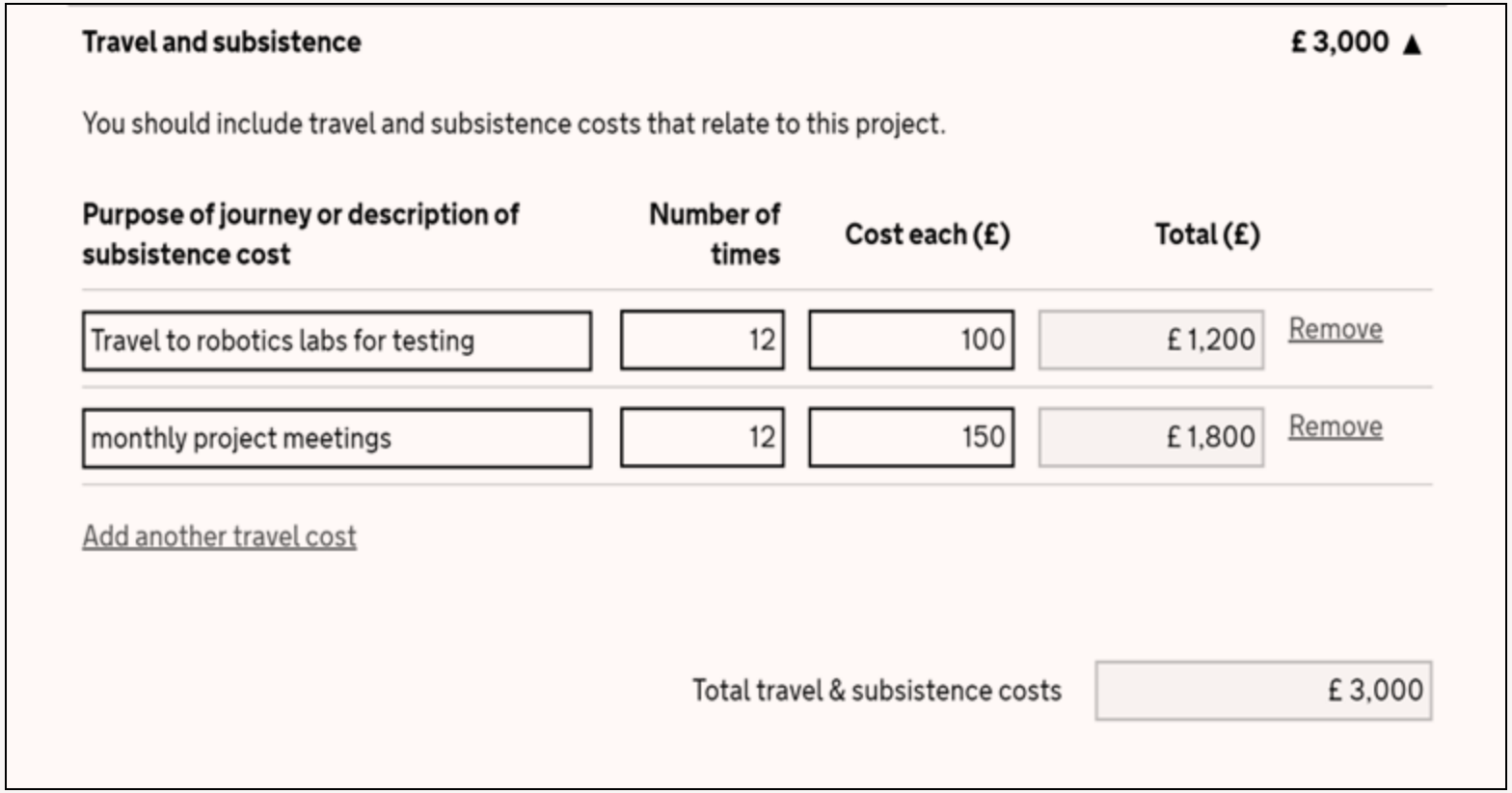
Eligible:

Costs must be directly linked to the project.

Please breakdown your costs as follows:

- Travel
- Accommodation
- Subsistence

If you have an annual trip to visit the parent company this is not an eligible cost.



Travel and subsistence £ 3,000 ▲

You should include travel and subsistence costs that relate to this project.

Purpose of journey or description of subsistence cost	Number of times	Cost each (£)	Total (£)	
Travel to robotics labs for testing	12	100	£ 1,200	Remove
monthly project meetings	12	150	£ 1,800	Remove

Add another travel cost

Total travel & subsistence costs £ 3,000

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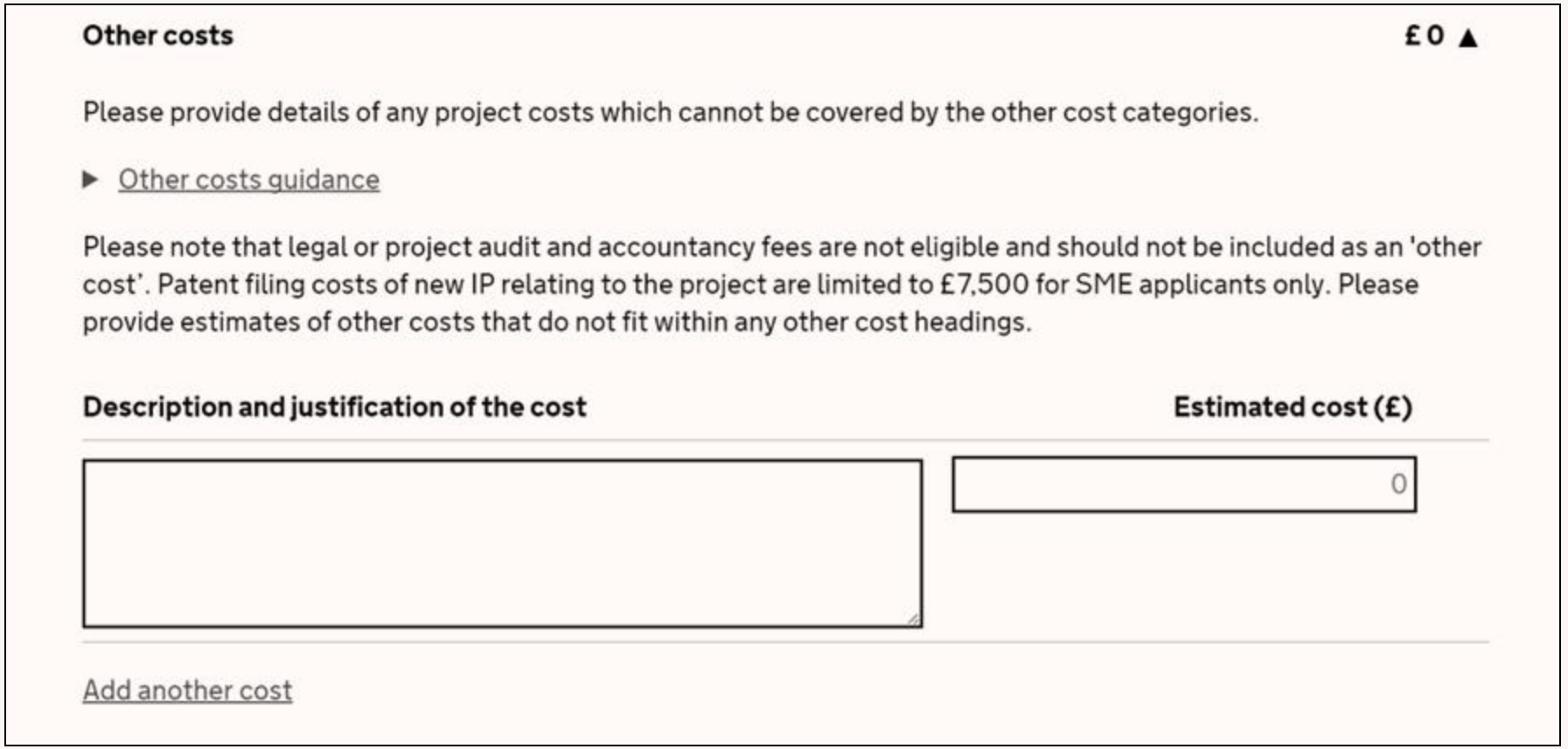
Other costs

Costs that could not be added under previous headings

Do not double count

Patent filing costs for new IP – SMEs up to £7,500



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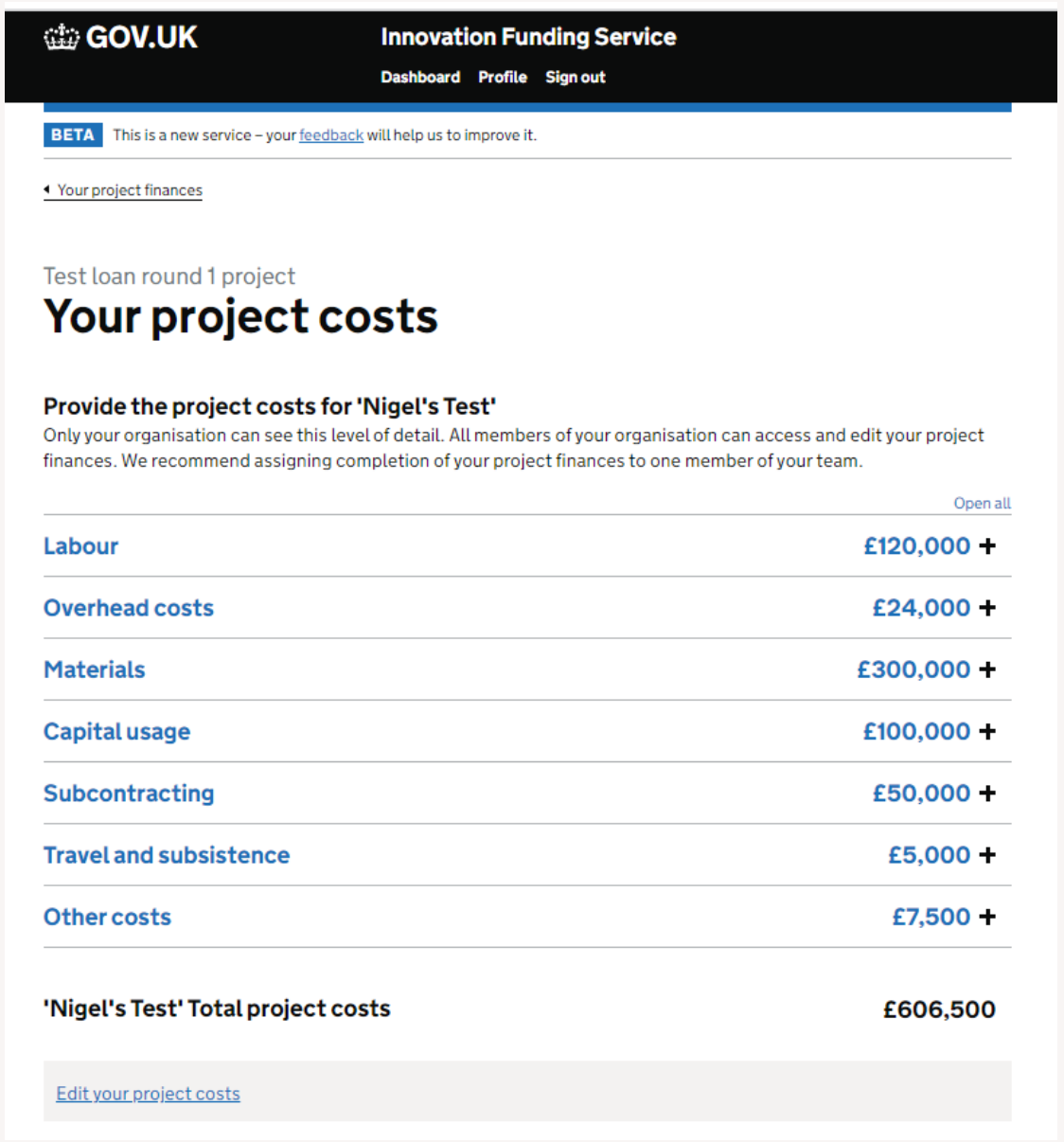
Project cost summary

Project costs will be summarised by category

Project costs can be funded up to 100%

Loans can be between £100k and £2m



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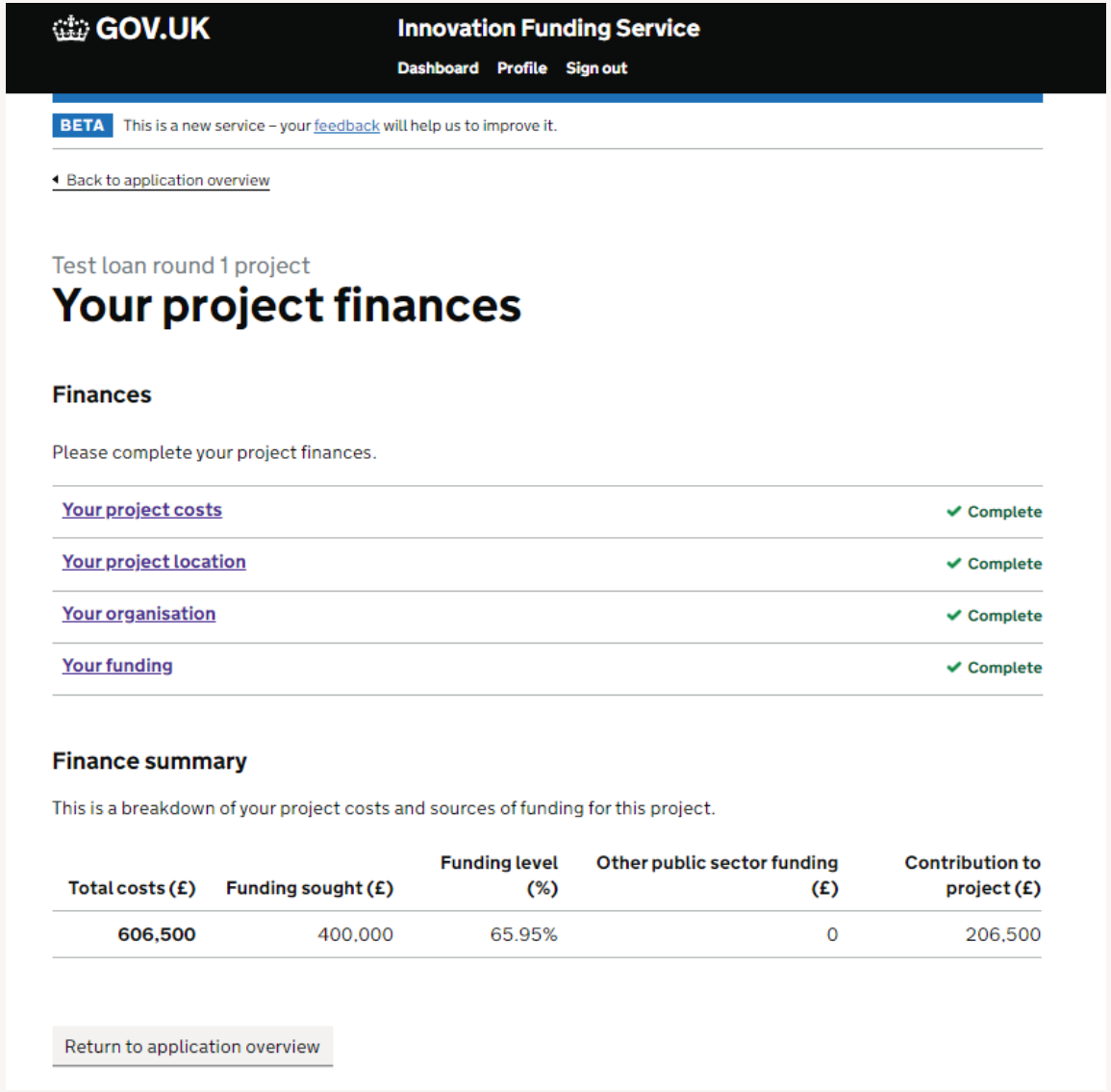
Checking your finances are complete

IFS does not validate project costs



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Submitting your application

Innovate UK

Checking your application is complete

Application number:
10006919

Competition:
Innovation loans: April 2021 open competition

Funding body:
Innovate UK

Application deadline:
11:00am Wednesday 2 June 2021

Application progress

Applicant details

Please provide information about your project. This section is not scored but will provide background to the project.

Subsidy basis	✔ Complete
Business and financial information	✔ Complete
Application team	✔ Complete
Application details	✔ Complete
Research category	✔ Complete
Equality, diversity and inclusion	✔ Complete
Project summary	✔ Complete
Public description	✔ Complete
Scope	✔ Complete

Application questions

These are the questions which will be marked by the assessors.

1. Applicant location	✔ Complete
2. Project proposal	✔ Complete
3. Market opportunity	✔ Complete
4. Project delivery	✔ Complete
5. Project risks	✔ Complete
6. Project costs and value for money	✔ Complete

Project finance

Your organisation is required to submit its project finances. Your organisation's project costs can be seen in the 'Finances overview'.

Your project finances	✔ Complete
Finances overview	✔ Complete

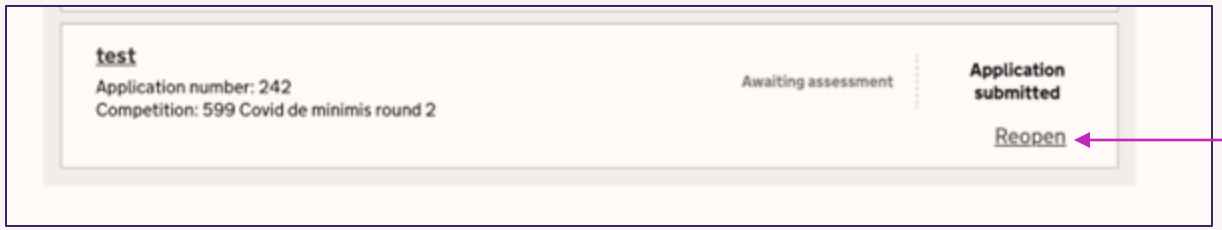
Terms and conditions

You must agree to these before you submit your application.

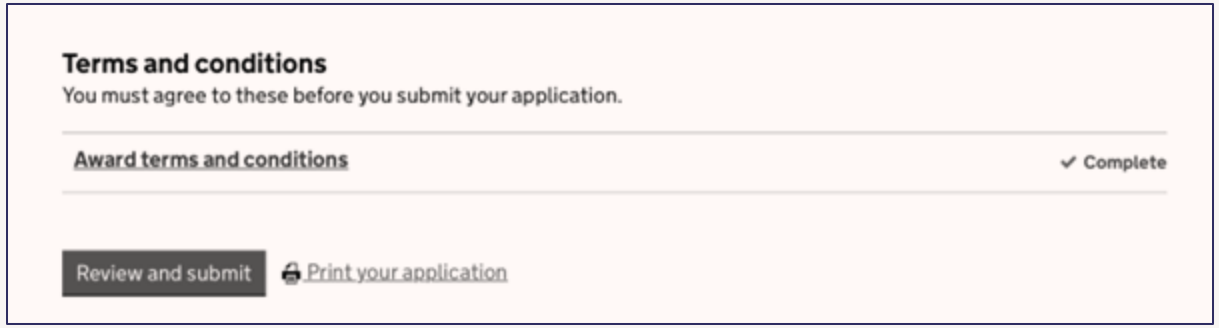
Loan terms and conditions	✔ Complete

Review and submit Print your application

Editing a submitted application



Reopen by clicking here



Remember to press ‘Submit application’

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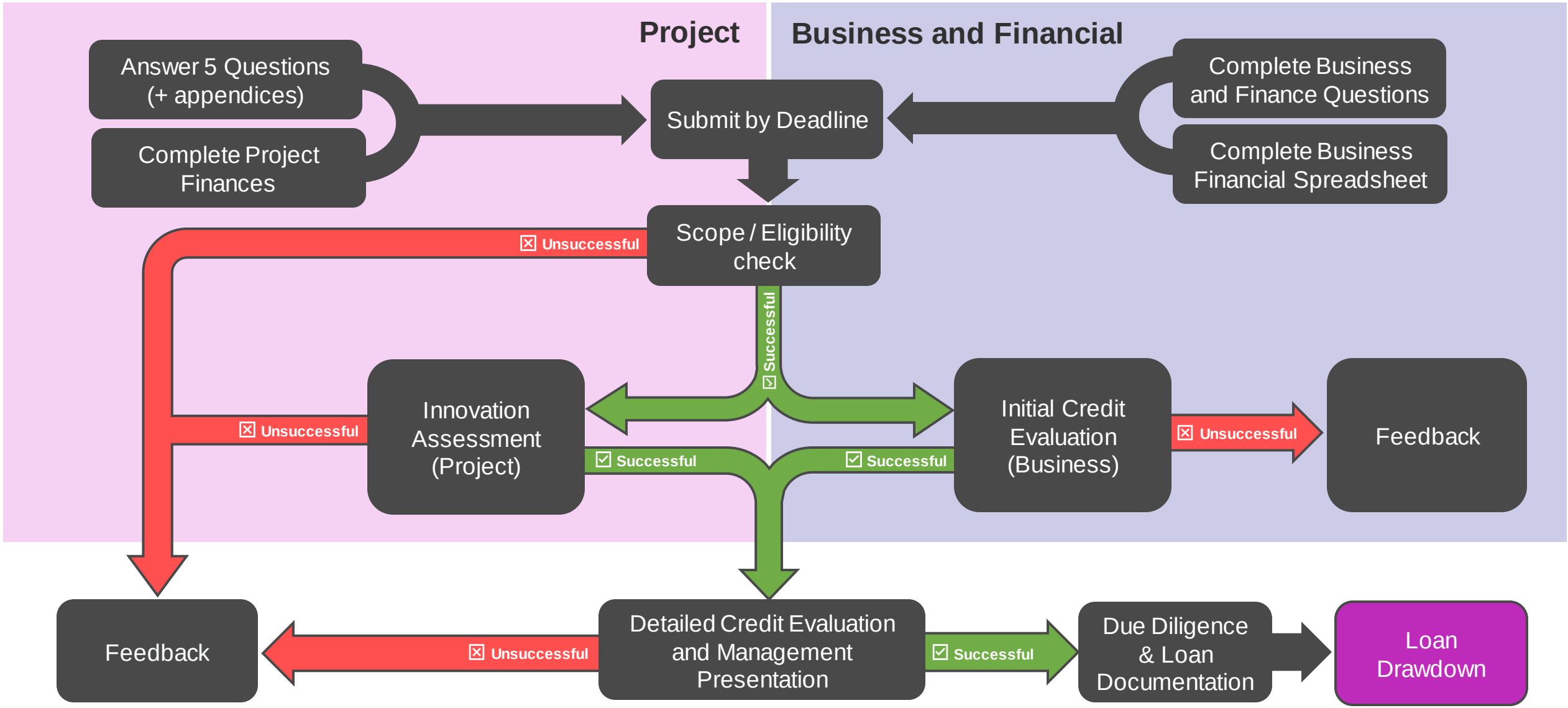
Application Process

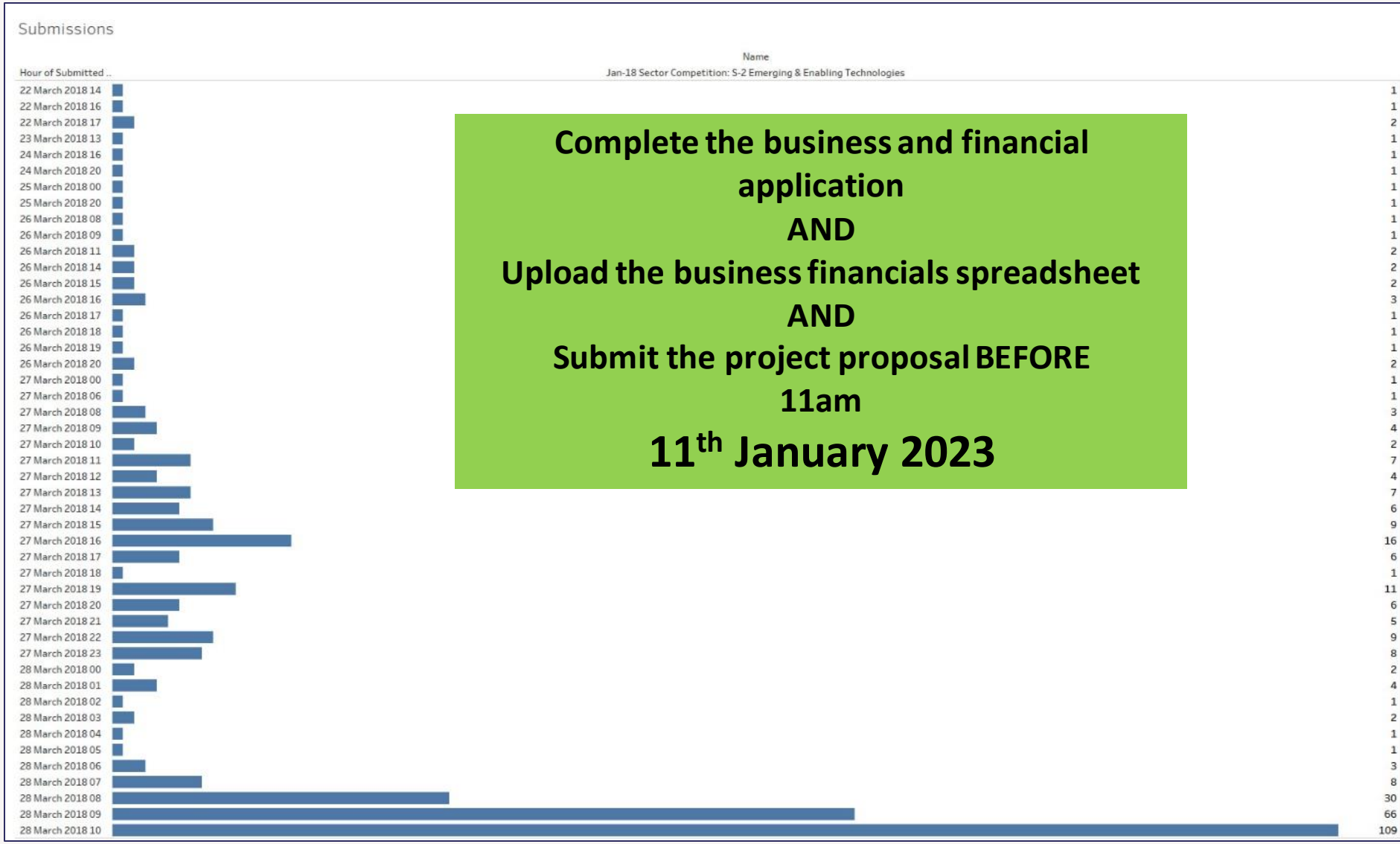


Submit your application early!

Be aware of the potential for last minute technical issues!

65% submitted on the last day

31% submitted in the last 2 hours



Complete the business and financial application
AND
Upload the business financials spreadsheet
AND
Submit the project proposal BEFORE 11am

11th January 2023

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Assessment

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How do our assessors assess?

How are successful applicants selected for funding?

Assessors will score each section of your application.

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.

Your innovation score together with the credit evaluation will be used in deciding the next steps.

You will then receive email notification that your application is moving to the next stage or to inform you that your application has been unsuccessful on this occasion.

Whether successful or unsuccessful in receiving loan funding, you will receive feedback on your application. It is intended to be constructive in nature and to highlight both the strong as well as the weak areas of your application.

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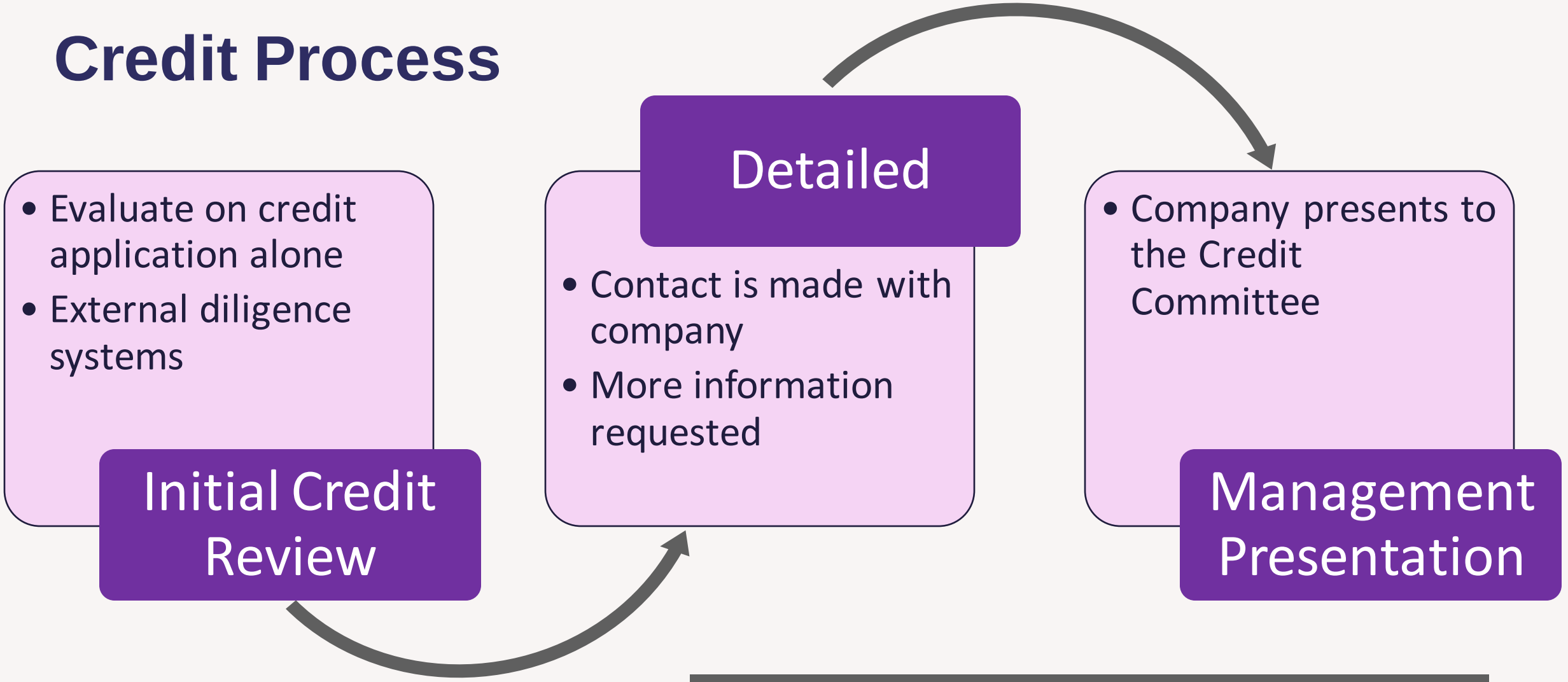
Credit Evaluation

Credit Process



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

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Credit evaluation

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 Review

All applications are reviewed by our Credit Team
An initial credit evaluation is undertaken, focusing on the **business** and **financial submission**
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	From initial analysis, credit concerns are manageable
Marginal Recommend	Credit concerns but more positive factors than negative
Marginal Decline	Credit concerns but more negative factors than positive
Decline	Credit concerns which will not likely be overcome

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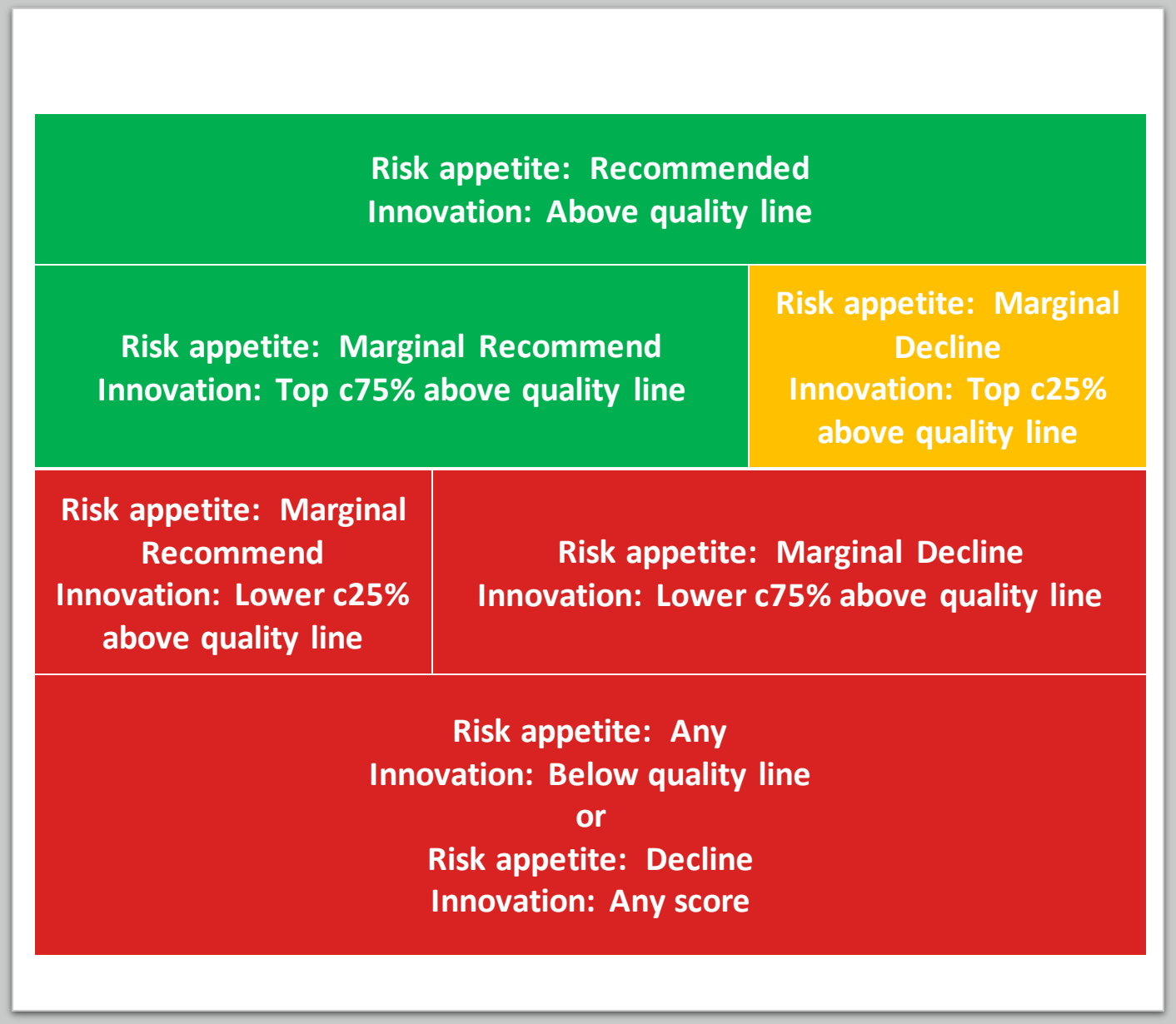
Progression to detailed credit analysis

Both:

- Innovation quality and
- Credit suitability required

Bias towards innovation



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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 given an opportunity 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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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

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

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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Additional Support

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Innovate UK KTN

Find markets.
Find solutions.
Find funding.

Innovate UK KTN is a network partner of Innovate UK. It helps businesses get the best out of creativity, ideas and the latest discoveries
to strengthen the UK economy and improve people's lives.

Innovate UK KTN links new ideas and opportunities from all sectors with expertise, markets and finance through a network of businesses, universities, funders and investors.

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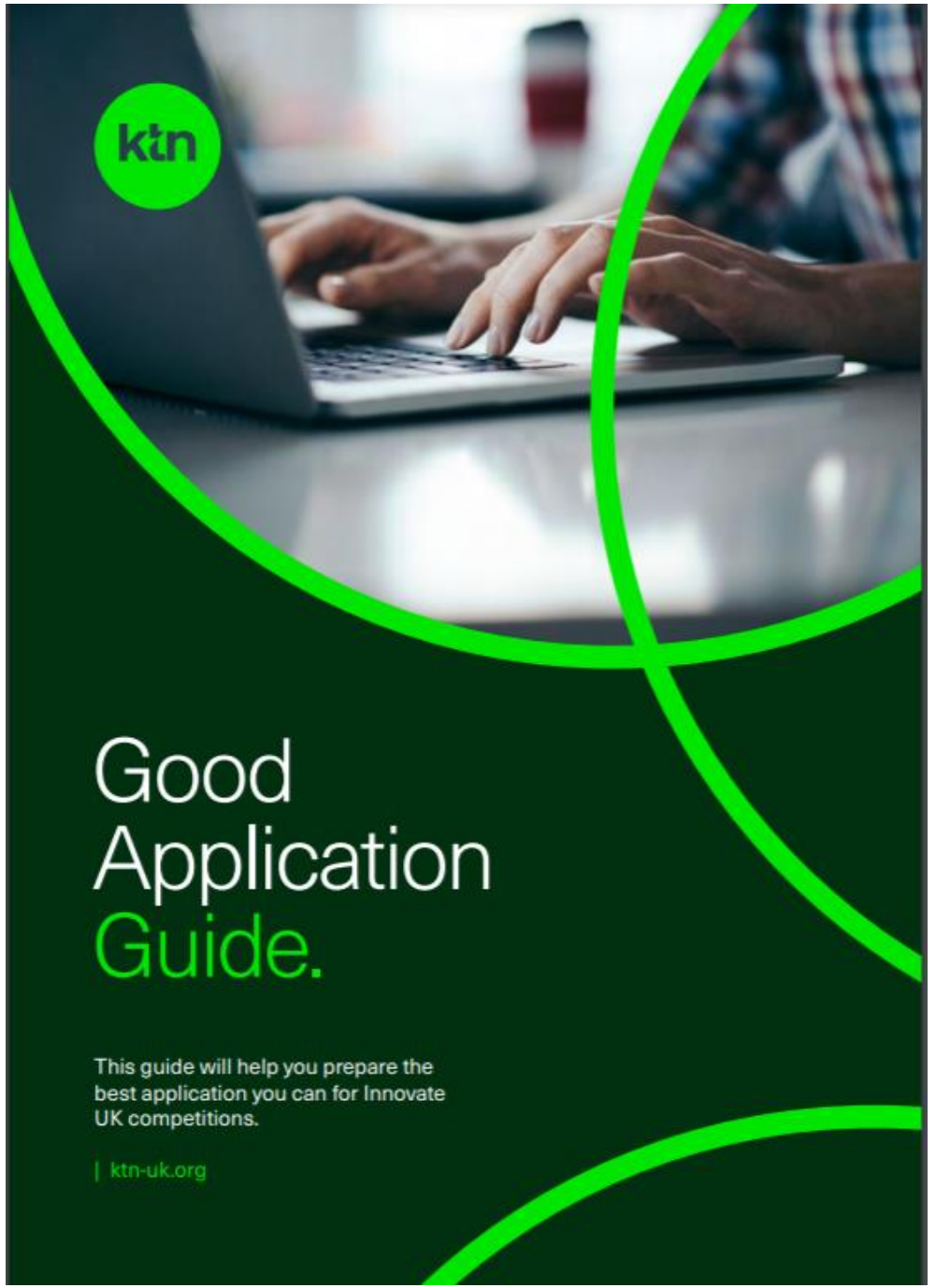
Good Application Guide

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



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Innovate UK EDGE

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 290 innovation and growth specialists embedded in regional ecosystems across the UK, including a board of expert scaleup directors

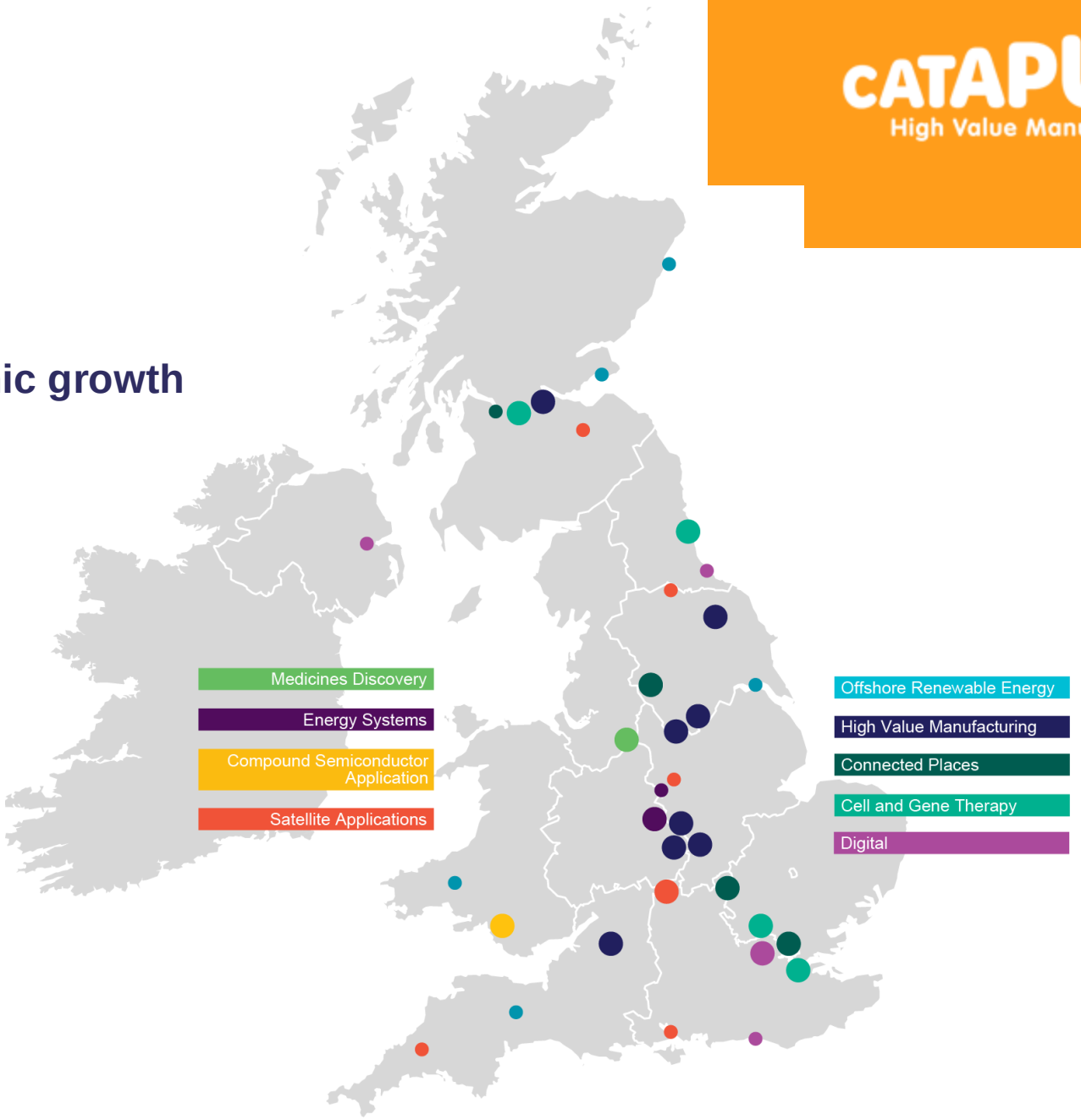
**subject to eligibility and currently in all nations and regions outside Scotland*

UKRI Innovate UK

Catapult Network

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



CATAPULT
High Value Manufacturing

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

Our top tips…

- READ THE INSTRUCTIONS
- 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
- Balance the balance sheet
- 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 9-5pm)

support@iuk.ukri.org

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Nigel.walker@iuk.ukri.org

Hemaxi Bhatt
Credit Specialist
Hemaxi.bhatt@iuk.ukri.org

Laura McCartney – Portfolio Manager

Pamela Bal – Credit Specialist

Maggie Kariuki - Lending Operations Analyst

UKRI Innovate UK

Useful Links

- Innovation Loans Future Economy Competition – Round 7 https://apply-for-innovation-funding.service.gov.uk/competition/1375/overview/1a5b8bf6-a721-4137-85a6-ac6c41f06cf9
- Link to Webinars - https://vimeo.com/showcase/9600203
- 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 KTN www.ktn-uk.co.uk
- Innovate UK EDGE https://www.innovateukedge.ukri.org/

Q&A

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Thank You

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