Innovation Loans Future Economy Competition
Round 11
September 2023
- The briefing will be recorded and available to refer to through the IFS date page
- 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

Nigel Walker - Deputy Director, Lending & Investor Partnerships

Hemaxi Bhatt – Credit Specialist

Alan Wilson - Credit Risk Analyst

Maggie Kariuki - Credit Risk Analyst

Laura McCartney – Portfolio Manager
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.
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
Innovation Loans: Overview, Scope and Eligibility
**Innovation Loans**

**ACTIVITY**

(to 30 Jun’23)

£205m

Committed

£169m

Drawn

253

Loans

232

Borrowers

£13m

Early Repayments

c1,700

Applications

**PORTFOLIO**

(Innovation Loans by Region (£m))

- South West: 20.8
- South East: 7.3
- North East: 9.3
- North West: 33.6
- East Midlands: 20.8
- East of England: 14.9
- Greater London: 14.9
- Northern Ireland: 6.5
- West Midlands: 5.7
- Wales: 9.9
- Scotland: 4.4
- Yorks & Humber: 24.4

**Innovation Loans by Sector (£m)**

- Clean tech, energy, transport & mobility: 28.9
- Robotics & autonomous systems: 21.6
- Smart buildings, cities & infrastructure: 17.8
- Health & life sciences: 15.3
- Electronics, sensors & photonics: 10.9
- High value & advanced mfg & materials: 6.6
- AI, IT & data economy: 5.5
- Other: 253

**IMPACT**

(to 31 Dec’22)

- Leveraging Private Investment
  - 64 Borrowers
  - £172m Total funding raised
  - 33% Of portfolio
  - £2.7m Average raise

- Supporting Growth
  - 346 Jobs Created
  - £44.7m Increase in Turnover

- Delivering Impacts
  - 100% Increased investment in R&D
  - 84% Increased employment
  - 92% Progressed towards commercialisation
  - 72% Applied for IP protection

*The scaled up additional effected attributed to Innovation Loans*
Innovation Loans

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**
- Below-market Interest rate
  7.4%
  Partial deferral during project period

**Loan size**
- £100k to £2m

**Security**
- Debenture
- No personal guarantees

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

**7 Years**
- Flexible & Patient
  Up to 7 years Availability, Extension and Repayment

**Up to 100% of Eligible Project Costs**
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 period - 3 years
- Monitoring by Monitoring Officer and Credit Team

**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 period – 2 years
- Monitoring by Monitoring Officer and Credit Team

**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 period – 5 years
- Monitoring by Credit Team
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)

- Summary heads of terms in competition Terms & Conditions
Innovation loans scope
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

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

**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**
Eligibility criteria
Previously submitted applications

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

<table>
<thead>
<tr>
<th>Previously submitted application</th>
<th>Not a Previously submitted application</th>
</tr>
</thead>
<tbody>
<tr>
<td>A previously submitted application is an application that Innovate UK judges as not materially different from one you have submitted before (but it can be updated based on the assessors' feedback)</td>
<td>A brand-new application, project or idea that you have not previously submitted into an Innovate UK competition</td>
</tr>
<tr>
<td>OR</td>
<td>OR</td>
</tr>
<tr>
<td>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</td>
<td></td>
</tr>
</tbody>
</table>

Before resubmitting, make sure that you have taken both assessor and credit feedback into account.
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.
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.
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.
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
# Key dates for Round 11

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Dates</th>
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<tbody>
<tr>
<td><strong>Competition Open</strong></td>
<td>14&lt;sup&gt;th&lt;/sup&gt; September 2023</td>
</tr>
<tr>
<td>Applicant Briefing Webinar</td>
<td>26&lt;sup&gt;th&lt;/sup&gt; September 2023</td>
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</tbody>
</table>
Or read the Guide at [https://ktn-uk.org/investment/good-application-guide/](https://ktn-uk.org/investment/good-application-guide/) |
| How to Complete the Financial Submission Workshop | Please view a recording at [https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/](https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/) |
| Financial Submission 'Deep Dive' Workshops – Register to attend one workshop | Workshop 1 – Thurs 5<sup>th</sup> October 9.30am – 11am  
Workshop 2 – Tues 16<sup>th</sup> October 11am – 12.30pm  
Workshop 3 – Weds 25<sup>th</sup> October 2pm – 3.30pm |
| **Submission Deadline** | 8<sup>th</sup> November 2023 (11am) |
| Initial notification to applicants | 14<sup>th</sup> December 2023 |
| Decision Notification following full Credit Analysis | February 2024 |
| Expected project start | 1<sup>st</sup> April 2024 |
## Future Innovation Loan Rounds

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round 12</td>
<td>9\textsuperscript{th} November – 10\textsuperscript{th} January 2024</td>
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</tbody>
</table>
Starting Your Application on the Innovation Funding Service (IFS)
Innovate UK innovation loans future economy: round 11

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

- **Competition opens**: Thursday 14th September 2023
- **Competition closes**: Wednesday 8th November 2023 11:00am
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.
1. Business Information Questions
Business and financial information

Application progress

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<th>Section</th>
<th>Status</th>
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<tr>
<td>Subsidy basis</td>
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<tr>
<td>Business and financial information</td>
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</tr>
<tr>
<td>Application team</td>
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<tr>
<td>Application details</td>
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<tr>
<td>Research category</td>
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<tr>
<td>Equality, diversity and inclusion</td>
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<tr>
<td>Overview and Project summary</td>
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<tr>
<td>Public description</td>
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</tr>
<tr>
<td>Scope</td>
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</tr>
</tbody>
</table>

Application questions

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

1. Applicant location (not scored)  | Incomplete |
2. Project proposal                | Incomplete |
Business and financial information

Business and financial information
Business and financial details
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.

Financial information
You must submit financial information to us about your business. This is done through completion of a spreadsheet template. Please download the financial spreadsheet template and fill this in offline. At the end of the business and financial information you will be asked to upload the financial spreadsheet.

Edit the online business survey
At any stage, you can return here to carry on editing incomplete form.

Need help with this service? Contact us
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](#).
## 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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There are 78 important questions to answer about your business and a detailed spreadsheet – don’t leave this until the last minute!
2. Business Financials Spreadsheet
Financial information

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, alongside your project application on the Innovation Funding Service, to consider the suitability of your business for a loan.

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Guidance on completing the Financial Information form can be downloaded here.

Read the 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)

<table>
<thead>
<tr>
<th>Financial year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
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<th>FY2026</th>
<th>FY2027</th>
<th>FY2028</th>
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<td>Turnover</td>
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<td></td>
<td></td>
<td>250,000</td>
<td>1,125,000</td>
<td>1,750,000</td>
<td>2,375,000</td>
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<td>4,375,000</td>
<td>6,000,000</td>
<td>8,250,000</td>
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<tr>
<td>Other income / grants</td>
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<td></td>
<td></td>
<td>250,000</td>
<td>1,125,000</td>
<td>1,750,000</td>
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<td>3,375,000</td>
<td>4,375,000</td>
<td>6,000,000</td>
<td>8,250,000</td>
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<tr>
<td>Total Income</td>
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<td>-</td>
<td>-</td>
<td>250,000</td>
<td>1,125,000</td>
<td>1,750,000</td>
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<td>3,375,000</td>
<td>4,375,000</td>
<td>6,000,000</td>
<td>8,250,000</td>
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<td>Cost of Sales</td>
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<td>1,000,000</td>
<td>1,350,000</td>
<td>1,900,000</td>
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<td>3,350,000</td>
<td>4,600,000</td>
<td>4,600,000</td>
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<td>-</td>
<td>100,000</td>
<td>475,000</td>
<td>750,000</td>
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<tr>
<td>EBITDA</td>
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<td>-</td>
<td>- 50,000</td>
<td>100,000</td>
<td>225,000</td>
<td>400,000</td>
<td>625,000</td>
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<td>Innovation Loan Interest</td>
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<td>- 50,000</td>
<td>9,250</td>
<td>64,750</td>
<td>92,500</td>
<td>92,115</td>
<td>64,645</td>
<td>31,220</td>
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<td>-</td>
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<td>9,250</td>
<td>64,750</td>
<td>92,500</td>
<td>92,115</td>
<td>64,645</td>
<td>31,220</td>
<td>2,289</td>
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<td>Depreciation / amortisation</td>
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<td>Tax</td>
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<td>960,355</td>
<td>1,393,780</td>
<td>2,097,711</td>
<td>3,050,000</td>
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<tr>
<td>Net profit</td>
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<td>-</td>
<td>- 50,000</td>
<td>109,250</td>
<td>160,250</td>
<td>307,500</td>
<td>532,885</td>
<td>960,355</td>
<td>1,393,780</td>
<td>2,097,711</td>
<td>3,050,000</td>
</tr>
</tbody>
</table>
## 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 | 2,189,500 | 2,259,250 | 6,202,198 | 5,291,963 | 6,781,727 | 7,211,581 | 9,608,731 |
| Debtors | 62,500 | 281,250 | 437,500 | 593,750 | 843,750 | 1,093,750 | 1,500,000 | 2,062,500 |
| Inventories | 18,750 | 61,250 | 125,000 | 168,750 | 275,500 | 306,250 | 418,750 | 575,000 |
| Other current assets | - | - | 25,000 | 457,675 | 2,550,500 | 2,891,750 | 5,964,698 | 6,373,213 | 7,181,727 | 9,130,731 | 12,243,231 |
| Total current assets | - | - | 100,000 | 882,675 | 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 | - | - | - | 37,500 | 162,500 | 250,000 | 337,500 | 475,000 | 612,500 | 837,500 | 1,150,000 |
| Other current liabilities | - | - | - | - | - | - | - | - | - | - | - |
| Total current liabilities | - | - | - | 542,125 | 1,299,500 | 1,583,250 | 1,373,314 | 1,071,473 | 736,208 | 837,500 | 1,150,000 |
| Directors loans | 504,625 | 1,137,000 | 1,333,250 | 1,035,814 | 596,473 | 123,708 | 0 | 0 |
| 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 | 6,000,000 |
| Accumulated Profit and Loss | - | - | 150,000 | 500,000 | 2,000,000 | 2,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 6,000,000 |
| Other Reserves | - | - | 340,750 | 2,001,000 | 2,308,500 | 5,841,385 | 6,801,740 | 8,195,520 | 10,293,231 | 13,343,231 |
| 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 |
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 table]

- **Cash from debtors**
- **Other income / grants**
- **Other Loans/Equity introduced**
- **Innovation Loan drawdowns**
- **Total cash inflows**
- **Cost of sales**
- **Administrative and other costs**
- **Other interest payments**
- **Innovation Loan interest payments**
- **Other loan repayments**
- **Innovation Loan repayments**
- **Assets purchased**
- **Dividends**
- **Tax payments**
- **Total cash outflows**
- **Opening balance**
- **Net cash movement**
- **Closing balance**
## Business Financials

Repayment Calculator Template will show quarterly payments

### Innovation Loan Interest

<table>
<thead>
<tr>
<th>Flexible Project Costs</th>
<th>£ 1,092,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>£ 1,092,000</td>
</tr>
<tr>
<td>Availability Period</td>
<td>5 Years</td>
</tr>
<tr>
<td>Extension Period</td>
<td>1 Year</td>
</tr>
<tr>
<td>Repayment Period</td>
<td>12 Quarters</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Anticipated Drawdown</th>
<th>Quarterly Drawdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 1</td>
<td>£ 586,000</td>
</tr>
<tr>
<td>Quarter 2</td>
<td>£ 156,000</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>£ 156,000</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>£ 156,000</td>
</tr>
<tr>
<td>Quarter 5</td>
<td>£ 156,000</td>
</tr>
<tr>
<td>Quarter 6</td>
<td>£ 156,000</td>
</tr>
<tr>
<td>Quarter 7</td>
<td>£ 156,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Anticipated Principal Outstanding</th>
<th>Quarterly Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 1</td>
<td>£ 586,000</td>
</tr>
<tr>
<td>Quarter 2</td>
<td>£ 742,000</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>£ 898,000</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>£ 1,054,000</td>
</tr>
<tr>
<td>Quarter 5</td>
<td>£ 1,210,000</td>
</tr>
<tr>
<td>Quarter 6</td>
<td>£ 1,366,000</td>
</tr>
<tr>
<td>Quarter 7</td>
<td>£ 1,522,000</td>
</tr>
</tbody>
</table>

### Fees

<table>
<thead>
<tr>
<th>Fees</th>
<th>Arrangement</th>
<th>Monitoring</th>
<th>Interest</th>
<th>Reference</th>
<th>Audited</th>
<th>Others</th>
<th>Current</th>
<th>Deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>13.7%</td>
<td>7.4%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Interest (A &amp; E &amp; R period)</th>
<th>£ 255,755</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid (A &amp; E periods)</td>
<td>£ 34,881</td>
</tr>
<tr>
<td>Deferred interest (A &amp; E periods)</td>
<td>£ 16,000</td>
</tr>
<tr>
<td>Interest paid (R period)</td>
<td>£ 87,144</td>
</tr>
<tr>
<td>Fees paid</td>
<td>£ 5,350</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Principal</th>
<th>£ 1,293,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount borrowed</td>
<td>£ 1,344,000</td>
</tr>
<tr>
<td>Total payments principal + interest</td>
<td>£ 1,599,000</td>
</tr>
<tr>
<td>Quoted Payment (and fees)</td>
<td>£ 195,000</td>
</tr>
</tbody>
</table>

### Availability, Extension and Repayment Profiles

#### Availability Period

<table>
<thead>
<tr>
<th>Availability Period</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Quarter 5</th>
<th>Quarter 6</th>
<th>Quarter 7</th>
<th>Quarter 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid (6 period)</td>
<td>£ 4,528</td>
<td>£ 6,088</td>
<td>£ 7,650</td>
<td>£ 9,212</td>
<td>£ 10,775</td>
<td>£ 12,338</td>
<td>£ 13,903</td>
<td>£ 15,468</td>
</tr>
<tr>
<td>Deferred interest</td>
<td>£ 3,563</td>
<td>£ 6,010</td>
<td>£ 7,440</td>
<td>£ 8,878</td>
<td>£ 10,315</td>
<td>£ 11,752</td>
<td>£ 13,190</td>
<td>£ 14,628</td>
</tr>
<tr>
<td>Fees</td>
<td>£ 1,965</td>
<td>£ 6,063</td>
<td>£ 7,653</td>
<td>£ 9,240</td>
<td>£ 10,808</td>
<td>£ 12,400</td>
<td>£ 13,992</td>
<td>£ 15,584</td>
</tr>
<tr>
<td>Total</td>
<td>£ 9,060</td>
<td>£ 12,163</td>
<td>£ 14,893</td>
<td>£ 17,540</td>
<td>£ 20,250</td>
<td>£ 22,952</td>
<td>£ 25,652</td>
<td>£ 28,350</td>
</tr>
</tbody>
</table>

#### Extension Period

<table>
<thead>
<tr>
<th>Extension Period</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Quarter 5</th>
<th>Quarter 6</th>
<th>Quarter 7</th>
<th>Quarter 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid (E period)</td>
<td>£ 3,563</td>
<td>£ 6,010</td>
<td>£ 7,440</td>
<td>£ 8,878</td>
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<td>£ 20,250</td>
<td>£ 22,952</td>
<td>£ 25,652</td>
<td>£ 28,350</td>
</tr>
</tbody>
</table>

#### Repayment Period

<table>
<thead>
<tr>
<th>Repayment Period</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Quarter 5</th>
<th>Quarter 6</th>
<th>Quarter 7</th>
<th>Quarter 8</th>
<th>Quarter 9</th>
<th>Quarter 10</th>
<th>Quarter 11</th>
<th>Quarter 12</th>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
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<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
</tr>
<tr>
<td>Interest</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
<td>£ 2,375</td>
</tr>
<tr>
<td>Fees</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
<td>£ 3,000</td>
</tr>
<tr>
<td>Total</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
<td>£ 125,996</td>
</tr>
</tbody>
</table>
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

In rounds 1 to 9, 29% of applications were ineligible – primarily due to inadequate financial information.

70% of eligible applications did not progress beyond the innovation assessment and initial credit evaluation

Make sure that a loan is right for your business!

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
• Breakout discussions in groups, led by a member of the innovation loans team, to enable participants to take a ‘deep dive’ into one 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:

Deep dive workshop 1: Thurs 5th October 9.30am – 11am
Deep dive workshop 2: Mon 16th October 11am – 12.30pm
Deep dive workshop 3: Wed 25th October 2pm – 3.30pm
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?
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.
Application Process

1. Answer 5 Questions (+ appendices)
2. Complete Project Finances

Project

- Submit by Deadline
- Scope / Eligibility check

Business and Financial

- Complete Business and Finance Questions
- Complete Business Financial Spreadsheet

- Initial Credit Evaluation (Business)
- Detailed Credit Evaluation and Management Presentation
- Due Diligence & Loan Documentation

Feedback

- Innovation Assessment (Project)
- Above threshold
- Progress
- Loan offer

- Success
- Unsuccessful
- Eligible

Loan Drawdown
How are successful applicants selected?

Project proposal
- Assessors will score each section of 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 detailed credit evaluation and a final lending decision will be made by our Credit Committee.

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.
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 project proposal
AND
Upload the business financials spreadsheet
AND
SUBMIT ALL BEFORE
11am
8th November 2023
Credit Evaluation
Credit Process

Initial Credit Review

- Evaluate on credit application alone
- External diligence systems

Detailed

- Contact is made with company
- More information requested

Management Presentation

- Company presents to the Credit Committee

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

Cannot prove ability to repay

Position of Company

Need and ability to repay are displayed

Cannot prove need

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?
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**:

<table>
<thead>
<tr>
<th>Recommend</th>
<th>From initial analysis, credit concerns are manageable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginal Recommend</td>
<td>Credit concerns but more positive factors than negative</td>
</tr>
<tr>
<td>Marginal Decline</td>
<td>Credit concerns but more negative factors than positive</td>
</tr>
<tr>
<td>Decline</td>
<td>Credit concerns which will not likely be overcome</td>
</tr>
</tbody>
</table>
Progression to detailed credit analysis

Both:
- Innovation quality and
- Credit suitability required

Bias towards innovation

<table>
<thead>
<tr>
<th>Risk appetite: Recommended</th>
<th>Risk appetite: Marginal Recommend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation: Above quality line</td>
<td>Innovation: Top c75% above quality line</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk appetite: Marginal Decline</th>
<th>Risk appetite: Marginal Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation: Top c25% above quality line</td>
<td>Innovation: Lower c75% above quality line</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk appetite: Any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation: Below quality line</td>
</tr>
<tr>
<td>or</td>
</tr>
<tr>
<td>Risk appetite: Decline</td>
</tr>
<tr>
<td>Innovation: Any score</td>
</tr>
</tbody>
</table>
Detailed Credit Analysis

The 5 Cs of Credit

1. Character (credit history)
   - 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

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)
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

Read Nigel’s blog!
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/
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.
Additional Support
Equality, Diversity & Inclusion

• We are on a mission to embed Equality, Diversity, and Inclusion in everything we do, internally and externally.

• We believe that great ideas can, and do, come from anyone and everyone.

• We know that diversity and inclusion in businesses contributes to enhanced innovation, satisfaction, performance, and ultimately, commercial success.

• So, if you would like any support, please contact our Customer Support Service Team on support@iuk.ukri.org or at 0300 321 4357.
## What to Expect

1. Contact our Customer Support Services Team as early as possible – we suggest at least 15 working days before the deadline
2. Complete a request form which will be sent to our partner Diversity & Ability (D&A)
3. D&A will conduct a Discovery Conversation with you and make reasonable adjustments recommendations
4. D&A will organise and deliver bespoke reasonable adjustments for and with you
5. Submit your application – please do so well ahead of the deadline as extensions cannot be provided
INNOVATE UK KTN

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

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[UKRI InnovateUK KTN logo]
Good Application Guide

https://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/
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
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
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
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

• 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
Contact

Customer Support Services
0300 321 4357 (Mon - Fri 9-5pm)
support@iuk.ukri.org

Nigel Walker
Deputy Director, Lending & Investor Partnerships
Nigel.walker@iuk.ukri.org

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

Laura McCartney – Portfolio Manager

Useful Links

• Innovate UK innovation loans future economy: round 11
  https://apply-for-innovation-funding.service.gov.uk/competition/1717/overview/4b1d658f-9679-4563-96bd-758a18b74116

• 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 KTN
  www.ktn-uk.co.uk

• The Good Application Guide: https://ktn-uk.org/investment/good-application-guide/

• Innovate UK EDGE
  https://www.innovateukedge.ukri.org/
Thank You