



Innovate
UK

Innovation loans



Innovation Loans Future Economy Competition Round 11

September 2023



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- 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

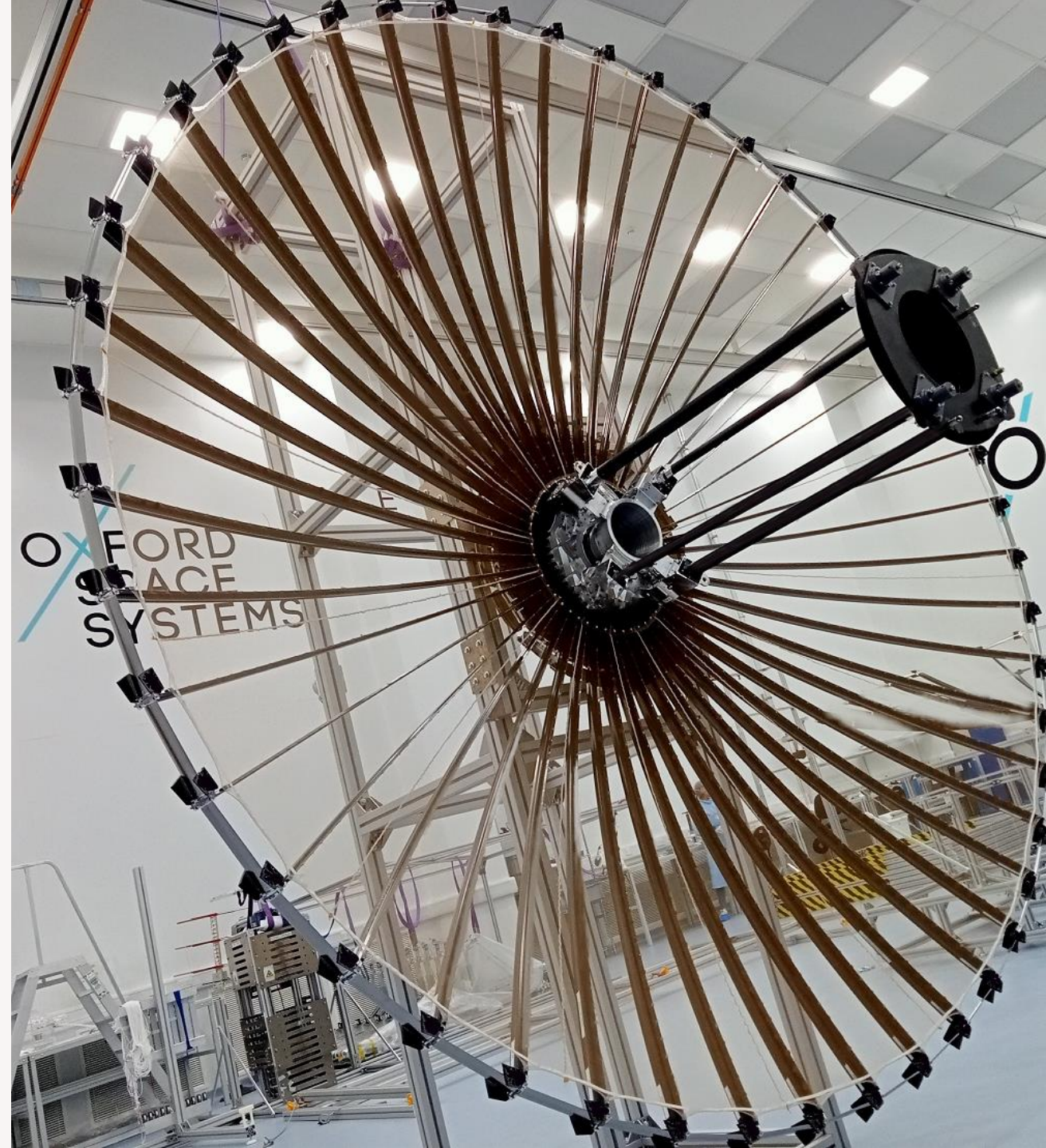
Our Mission

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



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Innovation Loans

ACTIVITY (to 30 Jun'23)

£205m
Committed

£169m
Drawn

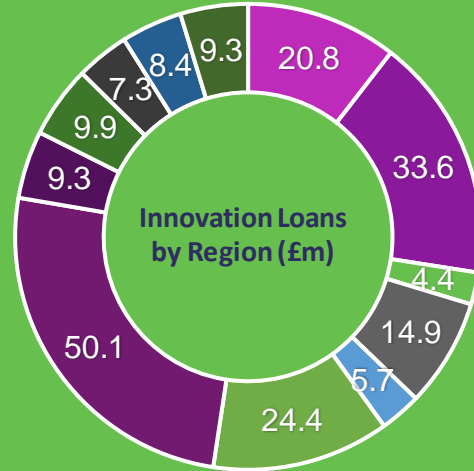
253
Loans

232
Borrowers

£13m
Early Repayments

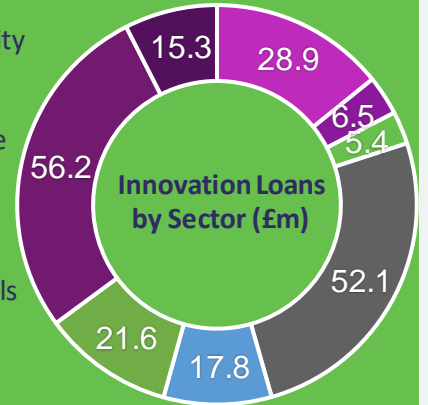
c1,700
Applications

PORTFOLIO (to 30 Jun'23)



- South West
- South East
- North East
- North West
- East Midlands
- East of England
- Greater London
- Northern Ireland
- West Midlands
- Wales
- Scotland
- Yorks & Humber

- Clean tech, energy, transport & mobility
- Robotics & autonomous systems
- Smart buildings, cities & infrastructure
- Health & life sciences
- Electronics, sensors & photonics
- High value & advanced mfg & materials
- AI, IT & data economy
- Other



IMPACT (to 31 Dec'22)

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



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

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



**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

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)

Innovation loans scope



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What are we looking for?

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



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

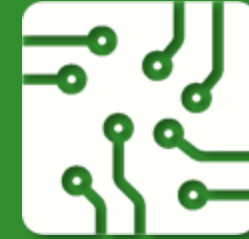
- energy
- impact of industrial processes & use of materials
- agriculture & food and other sources of emissions
- capital intensity



Health & Wellbeing

Innovations in

- wellbeing
- tackling ill-health
- diet & food

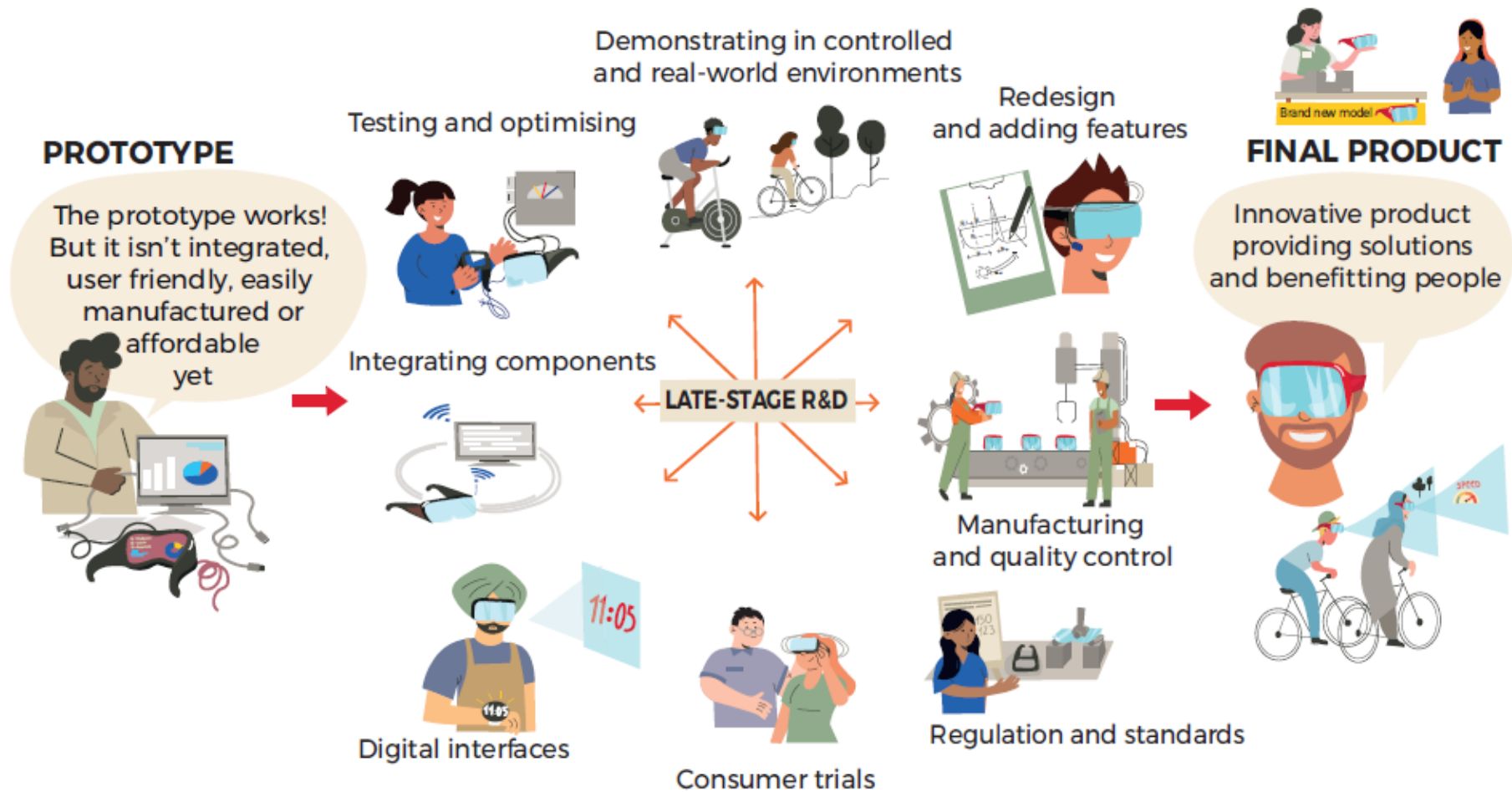


Technology Families

- 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



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
<p>A previously submitted application is an application Innovate UK judges as <u>not</u> materially different from one you have submitted before (but it can be updated based on the assessors' feedback)</p>	<p>A brand-new application, project or idea that you have not previously submitted into an Innovate UK competition</p> <p>OR</p> <p>A previously submitted or ineligible application which:</p> <ul style="list-style-type: none">✓ has been updated based on assessor feedback✓ <u>and</u> is materially different from the application submitted before✓ <u>and</u> fits with the scope of this competition

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

Timeline	Dates
Competition Open	14th September 2023
Applicant Briefing Webinar	26 th September 2023
Good Application Guide Workshop (Answering the Assessors Prayer)	Please view a recording at https://iuk.ktn-uk.org/programme/innovation-loans-future-economy/resources/ Or read the Guide at 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/
Financial Submission 'Deep Dive' Workshops – Register to attend one workshop	Workshop 1 – Thurs 5 th October 9.30am – 11am Workshop 2 – Tues 16 th October 11am – 12.30pm Workshop 3 – Weds 25 th October 2pm – 3.30pm
Submission Deadline	8th November 2023 (11am)
Initial notification to applicants	14 th December 2023
Decision Notification following full Credit Analysis	February 2024
Expected project start	1 st April 2024

Future Innovation Loan Rounds

Timeline	Dates
Round 12	9 th November – 10 th January 2024



Starting Your Application on the Innovation Funding Service (IFS)

Search for a funding competition and review criteria –

[Innovate UK innovation loans future economy: round 11](#)

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

The screenshot shows the GOV.UK Innovation Funding Service page for 'Innovate UK innovation loans future economy: round 11'. The page includes a 'Sign in' link, a 'BETA' notice, and a 'Back to all competitions' link. The main heading is 'Innovate UK innovation loans future economy: round 11'. Below this, it states that UK registered businesses can apply for loans for innovative projects with strong commercial potential to significantly improve the UK economy. The competition opens on Thursday 14 September 2023 and closes on Wednesday 8 November 2023 at 11:00am. A green button labeled 'Start new application' is visible. Below this, there is a link to 'sign in' to continue an existing application. A navigation bar contains tabs for 'Summary', 'Eligibility', 'Scope', 'Dates', 'How to apply', and 'Supporting information'. The 'Description' section is currently selected and contains the following text: 'Innovate UK is offering up to £25 million in loans to micro, small and medium sized enterprises (SMEs). Innovate UK innovation loans are for highly innovative late stage research and development (R&D) projects with the best potential for the future. There must be a clear route to commercialisation and economic impact. Your project must lead to innovative new products, processes or services that are significantly ahead of others currently available, or propose an innovative use of existing products, processes or services. It can also involve a new or innovative business model. Your project must focus on one or more of the future economy areas'.

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.



GOV.UK Innovation Funding Service

BETA This is a new service - your [feedback](#) will help us to improve it.

Back

Create your account

Your organisation

i Your organisation must be UK based to receive funding from Innovate UK

Business

Find your organisation on Companies House

Enter your organisation name or registration number

Search

Companies House search results

Select your organisation from the options below

NOMENSA LTD
04214477 - Incorporated on 10 May 2001
13 Queen Square, Bristol, BS1 4NT

GOV.UK Innovation Funding Service

BETA This is a new service - your [feedback](#) will help us to improve it.

Back

Please sign in or create an account

Used this service before?
Please sign into your Innovation Funding Service account.

New to this service?
If you haven't used the new Innovation Funding Service before you will need to create an account.

Sign in Create account

Innovation Funding Service

Sign in

Email address
Please enter your email address.

Password
Please enter your password.

Show

Need help signing in or creating an account?

My email and/or password isn't working

If you applied previously using the old service, you will need to create a new account.

Forgotten your password?



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1. Business Information Questions



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Business and financial information

Application progress

0% 100%

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

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

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

BETA This is a new service – your [feedback](#) will help us to improve it.

[← Back to application overview](#)

Untitled application

Business and financial information

✓ This question is marked as complete.

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.

[Continue](#)

Need help with this service? [Contact us](#)

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



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Financial information



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Innovation Funding Service

Application Overview

[< Back to Application Overview](#)

Application Number: 10033540

Business and financial information

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Guidance on completing the Financial Information form can be downloaded [here](#)

Continue

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)

Financial year	Actual			Forecast							
	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	600,000
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

Business Financials

Required:

- Profit & Loss Account
- **Balance sheet**
- Cashflow Forecast
- Historic (3 years if available) and
- Forecast (**must cover full loan term**)
- Working capital **must** be detailed – cash, debtors, creditors

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

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)											
Financial year	Actual			Forecast							
	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

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 Outstanding

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%
Availability 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/interest)	£ 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	Quarter 13
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	£ -



Inno
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Suitability for an innovation loan

You are applying for a Loan

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

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

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

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

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



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3. Project Proposal Questions



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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?

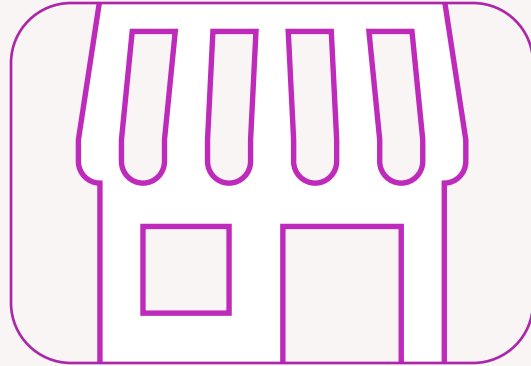
Project Costs

- What are the project costs?

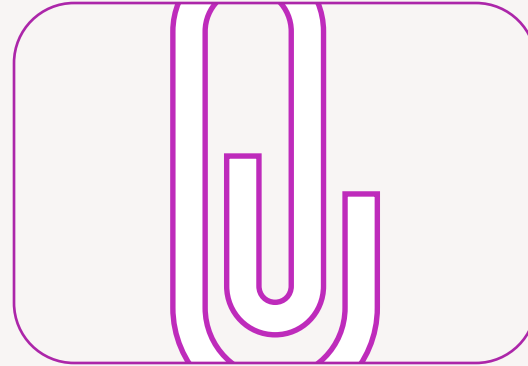
Your Project Cost Categories



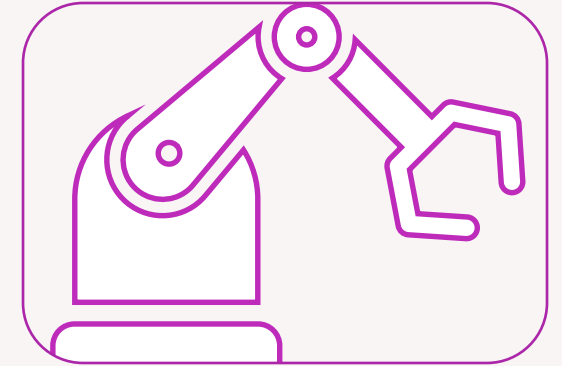
Labour



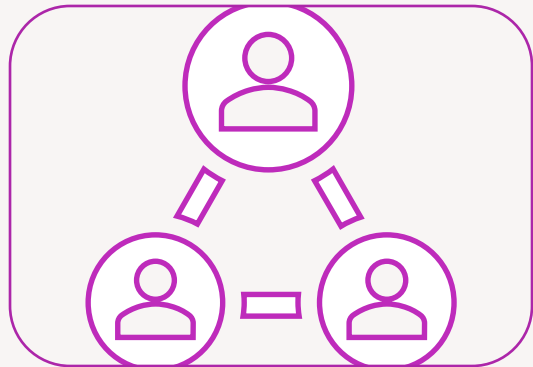
Overheads



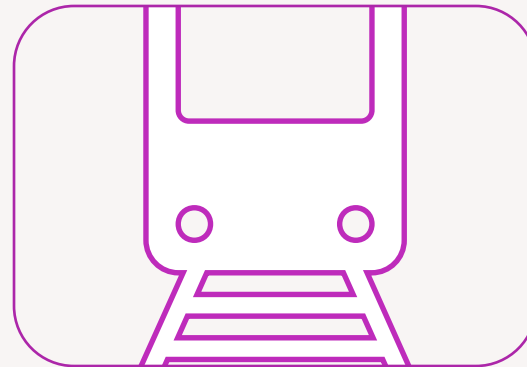
Materials



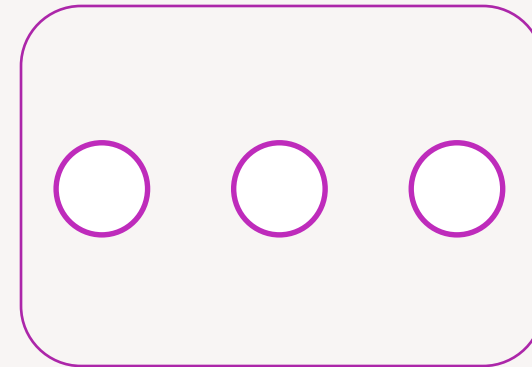
Equipment Usage



Subcontractors



Travel & Subsistence



Other

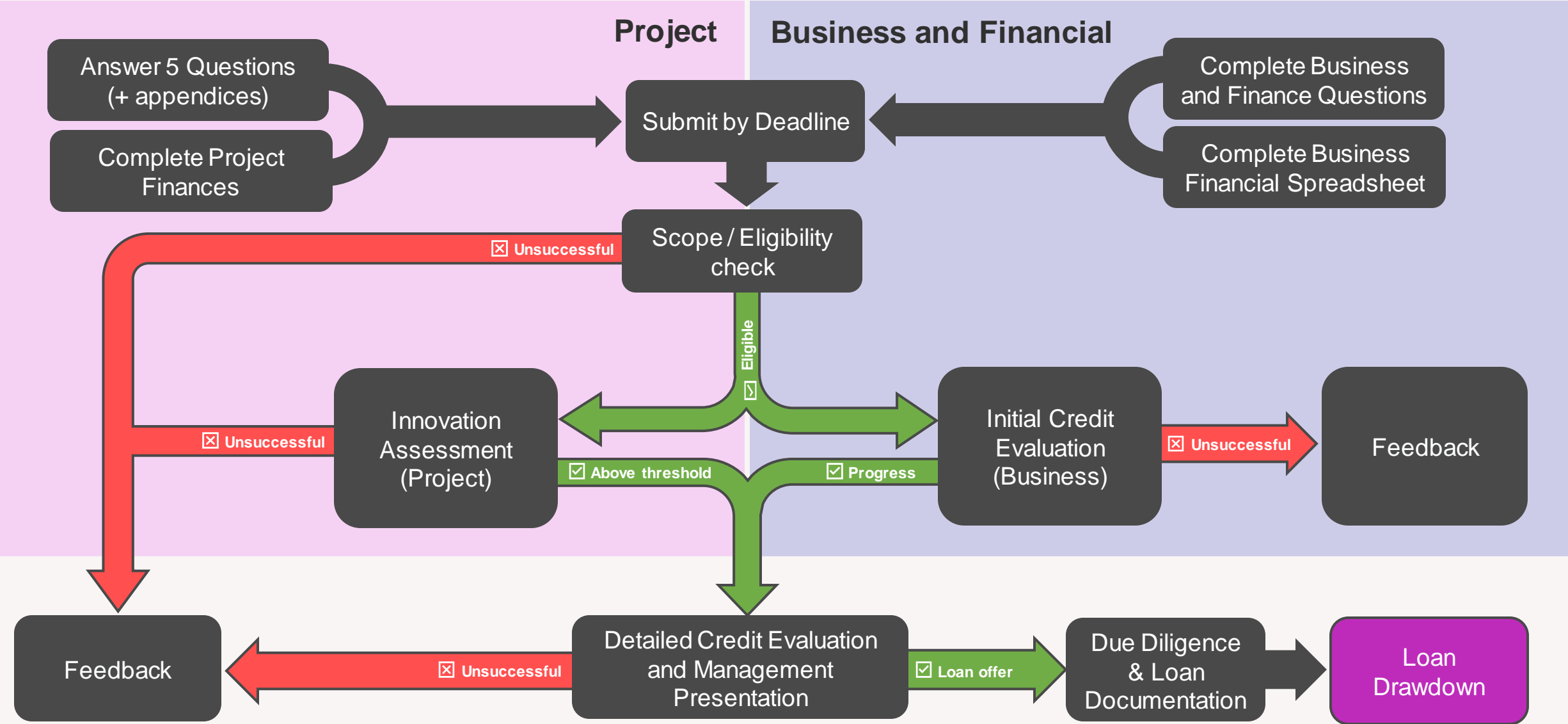
Other Innovate UK projects

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



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

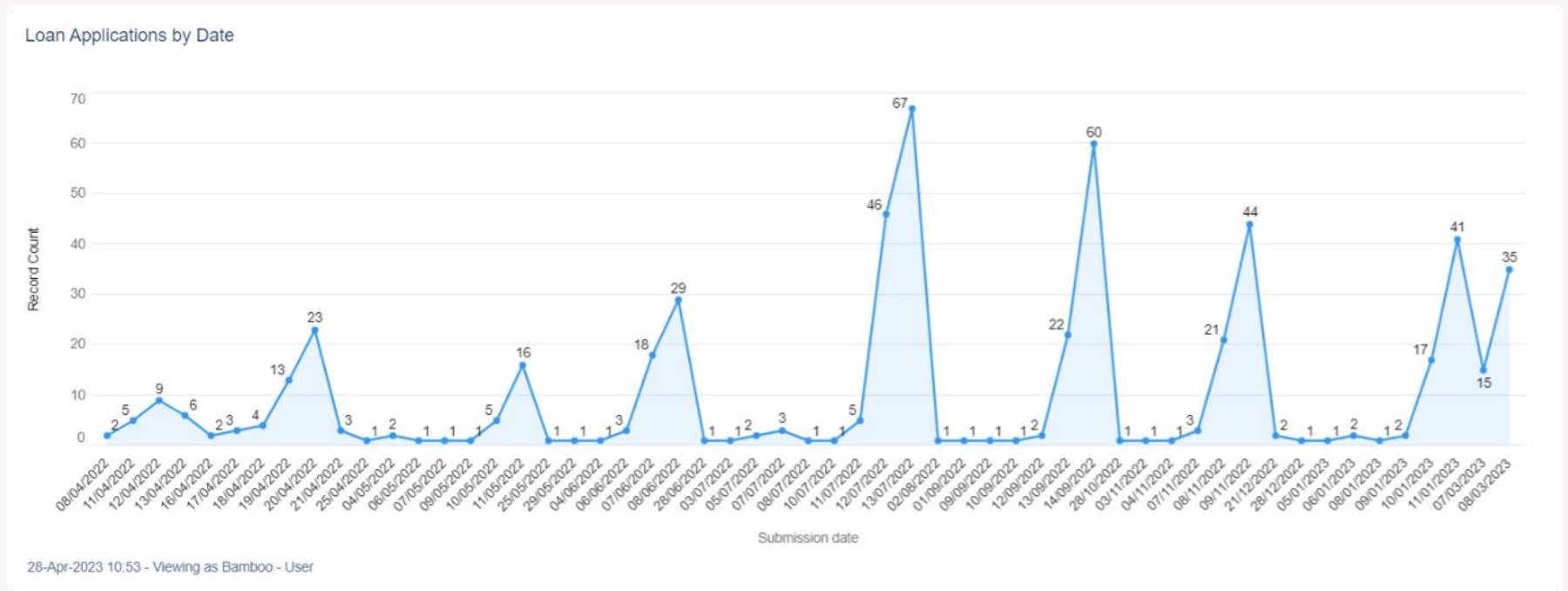
It is intended to be constructive in nature and to highlight both the strong as well as the weak areas of your application.

Submit your application early!

Be aware of the potential for last minute technical issues!

c65% submitted on the last day

c31% 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**



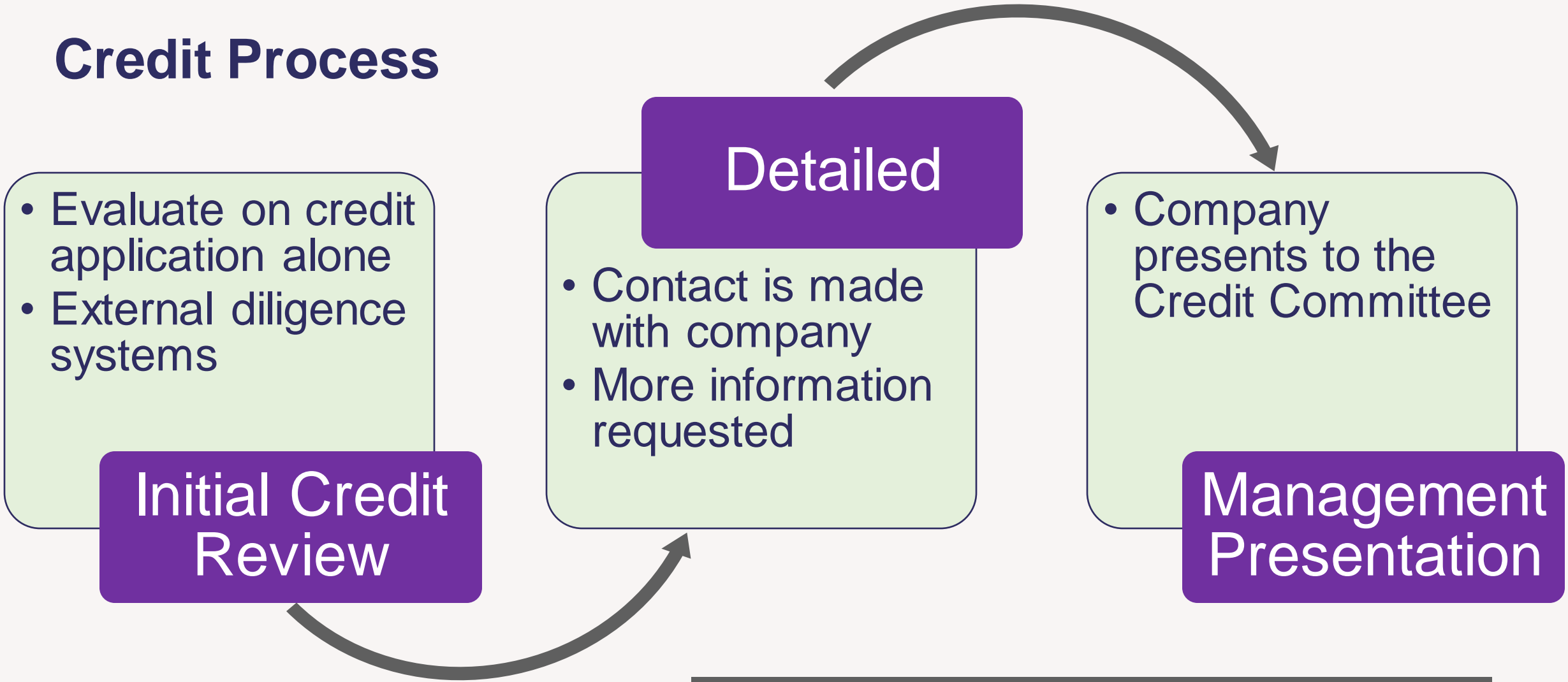
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Credit Evaluation



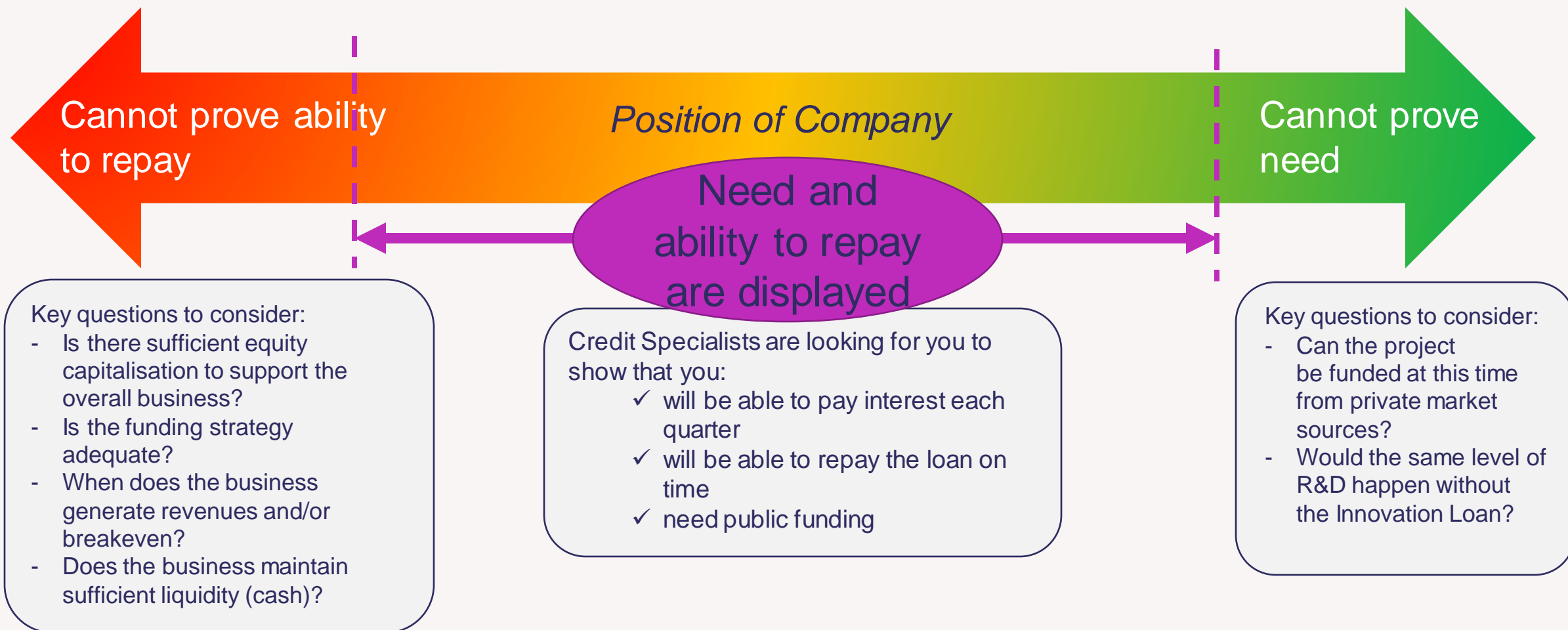
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Credit Process



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

Credit evaluation



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

Progression to detailed credit analysis

Both:

- Innovation quality and
- Credit suitability required

Bias towards innovation

Risk appetite: Recommended Innovation: Above quality line	
Risk appetite: Marginal Recommend Innovation: Top c75% above quality line	Risk appetite: Marginal Decline Innovation: Top c25% above quality line
Risk appetite: Marginal Recommend Innovation: Lower c25% above quality line	Risk appetite: Marginal Decline Innovation: Lower c75% above quality line
Risk appetite: Any Innovation: Below quality line or Risk appetite: Decline Innovation: Any score	

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

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 !

<https://www.ukri.org/blog/innovation-loans-what-makes-a-great-management-presentation/>

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

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/>



Innovate UK EDGE

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



Contact us via:
innovateukedge.ukri.org

Innovate UK EDGE

Bespoke growth and scaling support at the business end of innovation

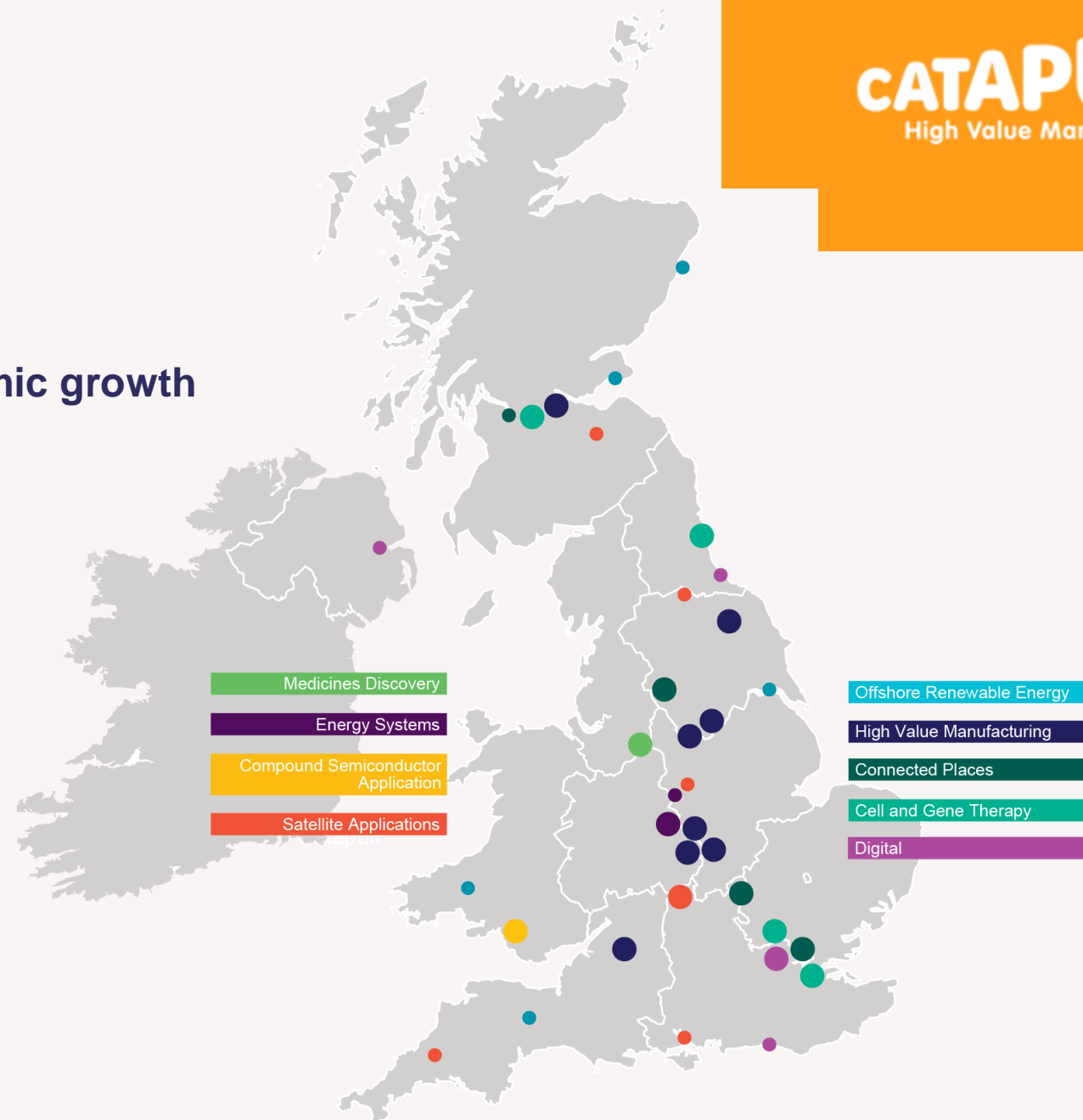
- Intensive growth and scaling support tailored to the needs of each of our ambitious innovation-driven clients
- Offered alongside project funding to Innovate UK award winners, most of whom engage us. We are also available to all high growth potential innovative small or medium-sized businesses*
- Engagement 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/>

Q&A



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Thank You

