

New Government Financial Support Through Matched Funding and Grants "for innovative firms, tech-based and life science startups"



To all our clients and friends,

In the last few days, the government has announced further measures available for innovative firms, tech-based and life science startups. The objective of these new initiatives is to offer fast-growing UK companies £1.25bn in taxpayer-backed loans as the government attempts to protect emerging sectors of the British economy during the coronavirus pandemic.

The Chancellor said the mix of government loans, grants and private sector-matched funding would help companies access capital at a difficult moment, adding:

"Our startups and businesses driving research and development are one of our great economic strengths, and will help power our growth out of the coronavirus crisis."

We have set out our understanding of these measures below.

The Future Fund

The Future Fund is a £250m scheme that offers businesses matched funding comprising convertible loans of £125,000 - £5,000,000. The main terms are:

- 8% minimum interest rate
- Automatic conversion to equity on company's next qualifying funding round, at a minimum conversion discount of 20%

- Loan will be unsecured and constitute no more than 50% of bridge funding, with the remaining 50% made up by matched investor funding

Eligibility:

- Unlisted UK registered company
- Raised at least £250,000 from third party investors in the last 5 years
- Have a substantive (not defined) economic presence in UK - usually, in other HMRC areas, this mean that most (80% or more) of the business must be UK based
- Funds shall be used solely for working capital purposes (not repay borrowings, pay bonuses or dividends to staff or directors, pay any advisory fees)

Applications will be taken between May-September 2020 and delivered in partnership with the British Business Bank. We will update you with further information as it becomes available.

Billion pound support package for Innovative Firms

The government has pledged a further "£750 million of targeted support for the most R&D intensive small and medium size firms". According to the Chancellor, this funding will be delivered through Innovate UK:

"Innovate UK ... will accelerate up to £200 million of grant and loan payments for its 2,500 existing customers on an opt-in basis. An extra £550 million will also be made available to increase support for existing customers and £175,000 of support will be offered to around 1,200 firms not currently in receipt of Innovate UK funding. The first payments will be made by mid-May."

There are currently no confirmed details of this fund - however, the information above has been acquired from a government press-release. We will update our guidance when further information is made available.