Innovate UK product range in support package

What products will Innovate UK offer through its new funding?

Innovate UK is aiming to sustain existing and continuing innovation in the UK’s R&D intensive companies through the current COVID-19 challenges and the resulting longer-term economic impact.

The opportunities are split across 2 categories:

<table>
<thead>
<tr>
<th>Product offer</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Managing cashflow and project slippage</strong></td>
<td>All existing Innovate UK award recipients, subject to status</td>
</tr>
<tr>
<td>Automatic ‘no cost’ extensions (3 months, renewable)</td>
<td></td>
</tr>
<tr>
<td>Reducing retention of grant pending Independent Accountants Reports from 15% to 10%</td>
<td></td>
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<tr>
<td>Moving to monthly payments</td>
<td></td>
</tr>
<tr>
<td><strong>Additional funding to ensure existing projects can continue and complete</strong></td>
<td>All existing SME IUK award recipients, subject to status and demand</td>
</tr>
<tr>
<td>Continuity grants up to £250k (under the Temporary Framework for State aid). Support is available to fund the remaining costs of live projects that are not already covered through an existing Innovate UK award</td>
<td></td>
</tr>
<tr>
<td>Innovation continuity loans up to £1.6m (under the Temporary Framework for State aid) for viable businesses facing greater funding challenges</td>
<td>All existing SME Innovate UK award recipients, subject to status and credit review</td>
</tr>
<tr>
<td><strong>Funding new projects</strong></td>
<td>Subject to innovation assessment through Innovate UK’s processes</td>
</tr>
<tr>
<td>Through ‘fast start’ grants – also accessible to COVID-19 fast start beneficiaries seeking follow on funding</td>
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</tbody>
</table>

How will Innovate UK decide if an application is eligible?

All applications will be judged on merit. The specific criteria for each product will vary, being proportionate to the amount and purposes of the funding requested, and our assessment of risk.

**Continuity products**

- for lower value, smaller asks, changes will be subject to the usual checks around Project Change Requests
- for grants to cover unmatched project costs, you will be required to fill in a short questionnaire about your business which will be assessed to determine the ongoing viability of your business as
of December 2019. This will be added to your original innovation score and decisions will be made on the balance of the 2 assessments

- For innovation continuity loans, you will need to complete a more detailed questionnaire about your business and provide detailed financial information which will be evaluated by our credit team. The key factors in determining whether to offer a loan will be our evaluation of your ability to service interest (in the first instance) and repay the loan in the longer term

How does this relate to other Government-back solutions?

Innovate UK is not seeking to compete with market actors and/or other Government schemes specifically designed to support SMEs at this time.

For example, businesses that can secure funding via British Business Bank’s CBILS guarantee programme, should look to do so. However, we recognise that not all innovative businesses will be suitable for CBILS and our offer looks to support them in continuing and completing their live R&D projects funded through our awards.

We also recognise that traditional means of kick-starting innovation, such as friends and family, angel investment and recycling of revenues from existing products may be constrained at this time. To address that, we are expanding our fast start offer.

For larger projects, we hope to announce future competitions across grants and loans in due course, subject to funding.

Can these solutions be used together?

These solutions are expected to be discrete to reduce the risk of breaching state aid intensity levels and/or reducing customer commitment to the business, thereby increasing financial risk and reducing the added value of public funding.

There may be circumstances in which the products available can be used together. However, so far as possible we want to ensure that the reach of these interventions is broad, serving many businesses with differing needs.

SME should carefully consider their needs before applying. Awards will only be made where those needs are established and compelling relative to other applications.

Will this support cumulate with grant/subsidy provided through Article 25?

Through to the end of December 2020, a temporary framework is available for providing aid to businesses. In this period, loans and fast start grants will be offered under this framework, through de Minimis grants, and through other routes such as through Article 25.

After the temporary framework lapses, alternative approaches will be put in place, according to need and dependent on the prevailing rules at the time.
Advisory support services

Survive – Stabilise - Grow

Which businesses can benefit from the support available?

The support available will focus on innovative high-growth-potential, high-growth and scaling SMEs.

The support will be available to the following SMEs:

- SMEs currently receiving Innovate UK support, both funding and non-funding interventions (including Global Business Innovation Programmes, Women in Innovation, Young Innovators)
- Innovate UK EEN Innovation and Growth Adviser clients and high-growth SMEs in receipt of EU H2020 and EIC funding
- Innovate UK EEN SME growth clients (if not already in above categories)
- New high growth potential clients, including referrals from Growth Hubs and other organisations.

Support will be available to around 6,000 innovative SMEs over the next 2 years (both existing and new clients).

What support can a business get?

The support is based around an SME having access to an Innovate UK EEN Innovation and Growth Adviser and receiving up to 5 days of Adviser time over a 6-12 month period, with up to an additional 3 days for those businesses demonstrating the highest growth potential.

The offer is not a 'one size fits all' programme, but rather a package of support that will be tailored to the needs of each individual SME. It is centred on 3 phases of support which companies might need due to the COVID-19 crisis:

- **Survive** - addressing short-term challenges (0-2 months) faced by the business, both survival and rapid growth
- **Stabilise** - ensure medium-term (3-6 months) stability of the business and to build resilience and plan for growth
- **Grow** - longer-term (7-12 months) support getting the business back on track to realise their longer-term growth ambitions

The Adviser will support the business on areas such as managing cashflow, funding and finance, staff retention, removing costs from the business, building resilience, R&D and innovation capacity, reviewing business models, planning for growth, developing supply chains, building customer base and accessing new markets.

The Adviser will also act as a sounding board and critical friend, helping the business develop plans, implement action and make connections that will bring them back to growth as soon as possible and focused on the future.

How much support are the businesses going to get?

This is not about delivering a prescribed programme of support, but rather what companies need, when they need it.
We anticipate that, for most businesses, it will probably involve up to 5 days of advisor support, typically over 6-12 months.

However, some firms may need much less and others, particularly those with the highest growth potential, might benefit from some additional days.

We aim to keep the offer as flexible as possible, to meet the needs of each individual business.

**How does it work?**

Over a 6-12 month period, an Adviser will work with the business to help them:

- analysis their business needs and identify their main challenges/pain points
- address short-term issues (cash flow, etc.), stabilise the business and agree actions (revised as support progresses)
- monitor and support – build resilience, look at how the business manages innovation and plan for new and emerging opportunities for future growth and scaling
- support the development of their growth plans – focusing down on key challenges: funding and finance, R&D and innovation capacity, re-building customer base, develop supply chains, access new markets, both in the UK and globally

**How is the support delivered?**

The support is managed by Innovate UK’s Business Growth team and delivered through Innovate UK’s Enterprise Europe Network (EEN) advisory teams working across the country.

There are over 200 Innovation and Growth Advisers and 12 Scale Up Directors in 20 partners based regionally but connected nationally and internationally.

Innovate UK’s EEN operates across England, Northern Ireland and Wales and helps ambitious businesses to:

- grow, internationalise and scale
- manage innovation, commercialise great ideas
- access long-term finance from the public and private sectors
- connect to partners to develop products and services via a network of advisors and connections spanning 65+ countries
- expand into new countries with help from local experts, finding partners and opportunities in new markets

EEN is funded and delivered in Scotland by Scottish Enterprise and the European Commission.

**How can businesses access the support?**

**Existing Innovate UK supported SMEs**

If your company is already working with an Innovate UK EEN Innovation and Growth Adviser, then it is likely that the Adviser will already have been in touch with the business.
For SMEs with current Innovate UK grants and loans, and not previously in contact with an adviser, then advisers are proactively contacting those companies.

If you haven’t yet been contacted and want to be put in contact with an adviser who will assess the needs of the business, contact the Innovate UK EEN National Enquiry Gateway, either by completing the contact form on the website at: https://www.enterprise-europe.co.uk/contact-us or by calling 0300 123 3144.

New Innovate UK supported SMEs

SMEs just receiving support from Innovate UK, such as through the ‘Business-led innovation in response to global disruption (de minimis)’ competition, will be contacted by an adviser and offered support.

SMEs not currently receiving Innovate UK support

In addition to the Innovate UK supported companies (both existing and new), the advisers will also be supporting innovative high growth businesses referred from the Growth Hubs. The Growth Hubs will be referring businesses to the Innovate UK EEN National Enquiry Gateway.

What types of businesses can be referred for support?

The support is targeted at innovative high-growth-potential, high-growth and scaling SMEs. The types of SMEs that should be referred for support would meet the following criteria:

- a vision that includes innovation and internationalisation
- the ambition (or previous ambition) for growth aiming for 20% + year on year
- a previous or current plan towards a sustainable business model that could support that growth

The Innovate UK EEN National Enquiry Gateway is the main point of contact for adviser support and can be reached either by completing the contact form on the website at: https://www.enterprise-europe.co.uk/contact-us or by calling 0300 123 3144.

Why is the scheme limited to 5 – 8 days of assistance?

The scheme takes the form of highly focused coaching and mentoring, providing an external perspective and structured approach to support the senior management team of a business identify and address critical issues, to successfully navigate a disruptive environment and to achieve growth and scaling.

For the highest growth potential businesses, additional support can be provided covering areas such as strategic review, structure for growth, funding/finance for growth, entering new/global markets, and getting ready to scale.

Is the scheme limited to certain sectors?

The scheme is not sector-specific, rather the focus is on supporting businesses that are developing innovative products and services with the ambition to grow and scale in the UK and globally.

How many companies will be supported?

Through expanding the number of Innovation and Growth Advisers, the aim will be to work with around 6,000 businesses over 2 years.
Who else are we working with?

The Business Growth team is working internally with the Regional Managers and across the Innovate UK family, and externally with BEIS, DIT, Scottish Enterprise, the Scale Up Institute and other stakeholders including Growth Hubs.

What is the fit with other services to support Innovative SMEs?

The service is complementary and adds value to other support measures announced by Government. Innovate UK EEN Innovation and Growth Advisers are knowledgeable about support offered through Government and other agencies and will support businesses to access and get value from them.

How is the support delivered when people are being asked to stay at home?

Advisers are equipped to provide support remotely, making use of web-conferencing, telephone conference calls, and email systems as appropriate, to enable meetings to be held and workshops delivered while adhering to the restrictions on travel and working that are in place. There are numerous online tools at the disposal of the team.

Why is the support being introduced?

The UK business base is facing many challenges due to the COVID-19 pandemic; survival for some and rapid growth for others. At a time of crisis, businesses don’t always know where to focus effort and short-term needs reduce planning, conducting innovation and focusing on the sustainable growth of the business. The support provided by the advisers will enable businesses to recover quickly and achieve growth more quickly.

Is there a cost to the business?

The support is provided at no cost to the business.

What is the value of the support provided to the business?

The value to each business will be around £5k-10K depending on the support received.

Is the support considered State aid?

The majority of the support will be delivered under Innovate UK’s State aid General Block Exemption Regulation notification. For companies that are considered Undertakings in difficulty, the support will be delivered as de minimis aid providing the business has enough allowance remaining.
Continuity grants for existing customers (£90m)

What are innovation continuity grants?

Innovate UK is offering up to £90 million in advance paid grants to SMEs and third sector organisations who are existing Innovate UK award holders and who are at risk of abandoning their project due to a sudden shortage or even unavailability of funds directly related to COVID-19.

These grants are for eligible organisations that expect to have a funding gap (between £25,000 and £250,000) in the remaining period of their project because they are facing loss or damages, such as reduced access to capital, cancelled orders or increases to costs, and are therefore seeing cashflow disrupted as a result of the COVID-19 outbreak.

The grant is intended to enable SMEs or third sector organisations already supported by Innovate UK to continue and, where necessary, complete their projects during the disruption caused by COVID-19.

Who is eligible to apply for an innovation continuity grants?

Innovation continuity grants are only available to SMEs and third sector organisations that are currently funded project participants in an Innovate UK award. Individuals, academic institutions and research organisations are not eligible.

Only single businesses can receive the grant, so each participant in a consortium funded through collaborative research & development must apply separately.

What funding is available?

We will offer grants of between £25,000 and £250,000, for the specific costs that remain for your live project and that are not already covered through your existing Innovate UK award.

We will fund no more than 100% of your remaining eligible costs provided these costs are not already covered in your grant.

You can also detail further reasonable costs arising from an increase in the cost of delivering your R&D activity as a result of COVID-19, provided these costs are not already covered by other government support.

Innovate UK may decide to offer you a lesser amount than requested, for example, if the programme is oversubscribed or we determine that a lesser amount is within the spirit and intention of the scheme.

Will the innovation continuity grants be paid in full and in advance?

The grants will be paid in full, with no requirement for matched funding from the recipient organisation and 90% of this grant will be paid in advance.

The remaining 10% will be paid once the monitoring officer concludes that the organisation has continued its innovation activity as laid out in the application, in most cases following the next quarterly review.

How will we decide whether to offer an innovation continuity grant?

If we offer you a grant, it will be based on the quality of your ongoing project with us, our satisfaction with the progress of that project and our judgement of the financial viability of your business. This assessment
will be carried out by Innovate UK and its agents, based on your answers to the questions in this application and based on publicly available financial information.

What to expect

In this application, you will be expected to answer questions about your business and its suitability to receive a grant. You will need to outline why you need an innovation continuity advance for the amount requested.

We look for applications that show:

- an appropriate and evidenced grant request
- 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
- evidence of loss or damages due to the COVID-19 pandemic such as reduced access to capital, cancelled orders or increases to your costs
- why you are unable to fund the project from your own resources or other forms of private-sector funding amidst the current financing disruptions caused by the Covid-19 pandemic
- confirmation and evidence that you were not an undertaking in difficulty as of 31 December 2019
- that this funding will enable the project to continue during the COVID-19 pandemic.

You will need to answer all mandatory questions in order for us to assess the quality and suitability of your application.

What conditions will apply?

1. Innovate UK reserves the right to reject your application if you applied to a previous competition as the lead or sole organisation and were awarded funding by Innovate UK or UK Research and Innovation, but did not make a substantial effort to exploit that award. You will not be able to contest our decision.

2. We will retain 10% of the value of the grant Innovate UK provides with a view that monitoring officers will assess continuation of the project and R&D activities at their next quarterly review.

3. We will have the right to require repayment of this grant AND to the recovery of all other relevant grants in the event of a loss, transfer or sale of intellectual property supported by Innovate UK during the term of the projects.

4. We will have the right to take control of any unexploited intellectual property not foregone in a crystallisation event and distribute to the benefit of the UK innovation community.

5. We will have the right to require repayment of this grant AND to the recovery of all other relevant grants in the event that the information provided in this application is later proven to be misleading or false, or if funds are not used for the purpose identified in your bid documentation and any future submissions to Innovate UK or its agents. We have the right to review, amend or cancel the grant offer if the circumstances of the business change and/or if in the reasonable judgement of Innovate UK the project is unlikely to be completed in line with expectations.

6. We reserve the right to recover any continuity award in full in the event that your organisation fails to participate fully in the existing R&D project to which the continuity award applies during the COVID-19 pandemic.

State aid

Aid may be granted to undertakings that were not in difficulty (within the meaning of Article 2(18) of the General Block Exemption Regulation21) on 31 December 2019 and you will be required to complete a state aid declaration to this effect. Further information is in our guidance for applicants: https://www.gov.uk/guidance/innovate-uk-funding-general-guidance-for-applicants#state-aid.

The aid that any business may receive under the Temporary Framework must not exceed €800,000.

**What are the timings of this scheme?**

The innovation continuity grants scheme should launch on 15 May 2020 and close on 29 May 2020. It is hoped that the first payments can be made by early June 2020.

**How many SME businesses could benefit?**

With £90m available up to 500 of the 2,400 SMEs currently claiming grants could be supported.
Innovation continuity loans for existing customers (£210m)

What are innovation continuity loans?

Innovate UK is offering up to £210 million in loans to SMEs and third sector organisations that have a challenge in continuing a live project for which they are have an award from Innovate UK.

Loans are for organisations that find themselves facing a sudden shortage or even unavailability of funds resulting directly from the COVID-19 pandemic. This innovation continuity loan may be suitable if you need funding of between £250,000 and £1,600,000.

The loan will cover no more than 100% of the remaining eligible project costs of your existing project provided these costs are not already covered through your existing award. We may consider further reasonable costs arising from an increase in the cost of delivering your R&D activity as a result of COVID-19 that are not already covered by other government support.

Funding will not be given to support furloughed staff or where the project will not be continued or, where necessary, completed during the COVID 19 pandemic.

Who is eligible to apply for an innovation continuity loan?

Innovation continuity loans are only available to SMEs and third sector organisations that have an active project funded by Innovate UK. Individuals, academic institutions and research organisations are not eligible.

Only single businesses can receive the loan, so each participant in a consortium funded through collaborative research & development must apply separately.

What funding is available?

We will offer loans of between £250,000 and £1,600,000. The total loan amount cannot exceed 100% of the remaining eligible project costs of your existing project providing these costs are not already covered through your existing award. We may consider further reasonable costs arising from an increase in the cost of delivering your R&D activity as a result of Covid-19 that are not already covered by other government support.

Funding will not be given to support furloughed staff or where the project will not be continued or, where necessary, completed during the COVID 19 pandemic.

Deferred interest (described below) will also be included in the maximum loan amount available. If we make you a loan offer, it will be based on your project and our judgement of the suitability and affordability of a loan for your business.

When will the innovation continuity loans be paid, what interest is payable and when will they have to be repaid?

Innovation continuity loans will have a maximum term of 7 years. Within this maximum term, the loan will be:

1. Available for up to 2 years (the ‘availability period’) until the agreed end date of your project. No drawdowns will be permitted after 31 March 2022. You can borrow in stages (‘drawdowns’) during this period and will pay interest at 3.7% per annum on anything you borrow, with additional interest at 3.7% accrued and deferred until the repayment period.
2. Extended until the first commercial sales from the results of the project, up to a maximum of 2 years (the ‘extension period’) after the end of the availability period. You will not be able to make further drawdowns during this period. You will not have to make repayments of your loan but you will pay interest on the amount you have borrowed at 3.7% per annum, with additional interest at 3.7% accrued and deferred until the repayment period.

3. Repayable over a maximum of 5 years (the ‘repayment period’) after the availability and extension periods. You will have to repay anything you have borrowed, including interest accrued and deferred from the availability and extension periods, on a quarterly schedule. You will pay interest at 7.4% per annum on the outstanding loan amount.

These are the longest periods we will consider and, since the overall term of the loan must not exceed 7 years, your application should set out the remaining period of your project (for the availability period) and propose how long the extension and repayments period should be within this term. These should be based on the needs of your business. We will consider the suitability of your proposed timings in any loan offer that we make to you.

We will not charge any arrangement, set up or monitoring fees.

**How will we decide whether to offer an innovation continuity loan?**

If we offer you a loan, it will be based on the innovation quality score of your original project(s), recent reports on project progress and our judgement of the suitability of your business to receive a loan. This will be carried out by our credit team, based on your answers to the questions in your application and your historic and forecast financial statements.

The application takes the form of a survey that you will need to complete online.

We will use the ‘startup high growth index’ survey that has been developed by Early Metrics to provide a structured way to capture qualitative and quantitative information about your business.

**What to expect**

In the application survey, you will be expected to answer questions about your business and its ability to pay interest and repay a loan.

Within your answers to the survey questions you will need to outline your preferred loan conditions and explain why you need an innovation continuity loan for the amount and time requested.

The survey questions include a mixture of:
- requests for specific information (for example on monthly revenues or number of employees)
- selection of category responses (for example on the stage of development of your product or service)
- self-assessment scoring (for example on the level of important challenges to your growth)
- text (for example to allow you to provide a description of your business model)

You will need to answer all mandatory questions in order for us to assess the quality and suitability of your application.
An innovation continuity loan may be offered where you can demonstrate that your business is suitable and eligible. You will need to show that your business can afford the interest and repayments on the loan and that it cannot obtain finance from other sources such as banks and equity investors.

You must be able to show that your business:
- can cover interest payments
- will be able to repay the loan on time
- needs public funding

The Innovate UK Loans Ltd credit committee will decide whether to make a loan offer and its final terms.

We are looking for businesses who can demonstrate that their live projects with Innovate UK are making the best progress in innovation and have the best potential for the future.

Your application will be evaluated on:
- the quality of your ongoing project with us
- our satisfaction with the progress 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 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
- evidence of loss or damages due to the COVID-19 pandemic such as reduced access to capital, cancelled orders or increases to your costs
- why you are unable to fund the project from your own resources or other forms of private-sector funding amidst the current financing disruptions caused by the COVID-19 pandemic.
- confirmation and evidence that you were not an undertaking in difficulty as of 31 December 2019
- that this funding will enable the project to continue during the COVID-19 pandemic.

What conditions will apply?

We expect to take security where it is available in the form of a mortgage debenture. We will not require personal guarantees. Where a business has senior secured commercial debt in place, or takes on such debt, we will be prepared to cede priority. This will not apply to shareholder or director loans or convertible debt.

In addition to your obligation to work with a monitoring officer for your project activity, you will also have to commit to financial and information covenants throughout the period of your loan.

The financial covenants will cover:
- **Liquidity**: you will have to show that you have a sufficient liquidity, with a ratio of current assets to current liabilities of at least 1.1x at the point of each drawdown and each quarter throughout the period of the loan
- **Debt service cover**: you will have to show that you have a sufficient operating profit, with a ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to interest and principal repayments of at least 1.2x, in the repayment period

The information covenants will cover:
- **Project monitoring**: you will have to complete quarterly project monitoring satisfactorily
• **Financial information:** you will have to submit management accounts quarterly and annual accounts within 6 months of the end of your financial year.

Your loan agreement will also include additional control provisions including:

- we will have to give consent for (and right to seek repayment in the event of) a change of control of your business
- we will have the right to determine if your project has failed and the right to accelerate to repayment
- we will have the right to require immediate repayment of your loan in the event that your organisation fails to participate fully in the existing R&D project to which this continuity award applies during the COVID-19 pandemic, or if you fail to meet the terms of your existing Innovate UK grant award
- we will have the right to convert your loan and accrued interest to equity if, for example, at the end of the extension period commercialisation has not been achieved, but appears probable within a reasonable period, or if it appears likely that you will not be able to repay your loan as required. This will be after consultation with you and on terms that we determine, acting reasonably.
- we will have the right to require repayment of your loan AND to recovery of relevant grants in the event of a loss of intellectual property supported by Innovate UK during the term of the loan
- we will have the right to seek early repayment through refinancing or as part of any liquidity event achieved by your business once the financial market disruptions caused by the Covid-19 crisis is deemed to have recovered
- we will have the right to take control of any unexploited intellectual property not foregone in a crystallisation event and distribute to the benefit of the UK innovation community.

More details of our approach, including a summary ‘heads of terms’ document setting out the main terms and conditions of the loans will be available to applicants.

**State aid**

Innovation continuity loans are a form of state aid under the Covid-19 Temporary Framework for the UK. Since the loan will have favourable terms (particularly a below-market rate of interest), the value of this benefit over the life of the loan will be the equivalent of a grant and will be a form of state aid. The gross grant equivalent will be the present value, at the date of commitment of the loan, of the difference between the market cost of interest and fees of a similar loan (using the European Commission’s reference rates for interest) and the cost of an innovation continuity loan.

The cumulative aid that any business may receive under the Temporary Framework must not exceed €800,000 in total. The gross grant equivalent of an innovation continuity loan will form part of this €800,000 limit. We expect that most innovation loans, on their own, will meet this requirement.

Aid may be granted to undertakings that were not in difficulty (within the meaning of Article 2(18) of the General Block Exemption Regulation) on 31 December 2019, but that faced difficulties or entered in difficulty thereafter as a result of the COVID-19 outbreak.

You must complete a state aid declaration to confirm that your business is not an **undertaking in difficulty**.

It is your responsibility to make sure that your organisation is eligible to receive state aid. We strongly recommend that you seek independent legal advice before applying into, and accepting the terms of, this funding award.

**How will the loan be monitored?**
We will rely on the same monitoring reports as for the original innovation project. In addition, businesses will be required to provide quarterly management accounts. A member of our monitoring team will discuss any issues relating the standing of the underlying business.

The role of the monitoring officer will include the extension period.

**What happens if the business defaults on its loan?**

In the event a payment is missed or a covenant is breached, a business has a maximum of 90 days to cure the issue. In the event that the issue is not resolved within this period, assuming that no other agreement has been reached, a formal demand will be issued.

No new grant will be paid to the business or drawdowns made while the business is in default, except by exception and with the consent of Innovate UK Loans Ltd, the lender.

Any grant due to the business at the point of default (relating to costs incurred and defrayed at that date) will be applied in reduction first of the capital balance of the loan outstanding, second in reduction of interest outstanding and finally to the business.

The same will apply in the event that a project is determined to have failed.

We will include in the loan agreement provisions that will allow us to seek to reach agreement with you to convert the loan into equity in your business that, when sold, would provide an alternative repayment mechanism.

**What are the timings of this scheme?**

The innovation continuity loans scheme should launch on 15 May 2020.

Applications will be evaluated as they are received. The scheme will remain open for applications until all available funds have been committed or 31 December 2020, whichever is earlier. It is hoped that the first loan commitments can be made by the end of May 2020.

**How many SME businesses could benefit?**

With £210m available up to 200 of the 2,400 SMEs currently claiming grants could be supported.