

# Future Fund Factsheet

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/future-fund/>

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## Overview

The [Future Fund](#), announced by the Chancellor of the Exchequer on 20 April, will open for applications from Wednesday 20 May. The Future Fund uses an online platform for applications, which today publishes its set of standard terms and eligibility criteria for borrowers, investors and solicitors to view in advance of Wednesday's launch.

In parallel, the full [Convertible Loan Agreement](#) upon which all terms for a Future Fund investment are based, has been published today by the Treasury.

The new Future Fund will support innovative UK companies with good potential, that are essential in ensuring the UK retains its world leading position in science, innovation and technology. These companies typically rely on equity investment and are currently affected by Covid-19.

Until now these companies have been unable to access other government business support programmes because they are either pre-revenue or pre-profit. The financing supports companies facing a significantly extended length of time between funding rounds, due to the impact of the current economic situation.

Developed by government and delivered by the British Business Bank, the Future Fund will help these companies through the current period of economic disruption and recovery, so they are able to continue their growth trajectory and reach their full economic potential.

## How it's structured

Operating on a commercial basis, the Future Fund will deliver an initial commitment of £250m of new government funding which will be unlocked by additional third-party investment on a match funded basis, creating a bridge to the next equity funding round for innovative companies with good potential.

The Future Fund uses an online platform based on a recognised financial instrument, and a set of standard terms with published criteria. This allows investors to provide rapid support to the companies where they see good potential. Importantly, it provides a clear, efficient way to make funding available as widely and as swiftly as possible without the need for lengthy negotiations. The process is investor-led and the platform does not match companies seeking funding with investors.

## How it works

- **£125k-£5m government support:** UK-based companies provided with between £125k and £5m in government support, with third-party investors at least matching the government commitment. This means the minimum loan to a company is £250k with no maximum, since there is no upper limit on the amount that additional investors may co-invest.
- **Broad range of third-party investors:** A broad range of third-party investors can invest alongside government as part of the scheme.
- **Convertible loans:** The Future Fund programme uses a recognised financial instrument known as a convertible loan. Unlike equity investment, there isn't a requirement under the convertible loan to value the company or the price of its shares, at a time when company valuations have been significantly impacted by Covid-19. There is no requirement for a company to make regular repayments. Instead, the convertible loans are designed to convert into equity at the next funding round, when an equity value can be negotiated between companies and investors.
- **Investor-led:** The Future Fund programme is investor led. An application on the platform is initiated by a lead investor who will provide information about itself, other investors in the round and the company. If an application is successful, the platform will generate documentation for the company and all investors to sign. As this is not a matching service, each company seeking funding must have already identified investors to contribute the matched funding amount.
- **Self-certification:** Companies will be responsible for confirming company information and reviewing the application before submission and as part of the legal documentation at completion of each the Convertible Loan Agreement.
- **Role of the solicitor:** as part of the scheme, companies appoint a company solicitor to facilitate the payment mechanics at completion of the Convertible Loan Agreement. It is anticipated that solicitors may provide legal advice to clients interested in the scheme.

## Eligibility criteria

- Companies must be UK-incorporated and if part of a corporate group, only the parent company is eligible.
- Companies in receipt of the loans will be required to have previously raised at least £250k in equity investment from third party investors in the last five years.
- Only eligible companies that can attract at least 50% of third-party investment will receive funding.
- Companies cannot have any of their shares traded on a regulated market, multilateral trading facility or other listing venue.

- The company must have been incorporated on or before 31 December 2019.
- At least one of the following must be true for the company:
  - Half or more employees are UK based
  - Half or more revenues are from UK sales

## How to apply

Information, about the Future Fund, including standard terms and eligibility criteria, is available via the Future Fund from Monday 18 May at <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/future-fund/>. The Future Fund portal will open for applications on Wednesday 20 May.