The AI Index

The UK's Top 1,000 AI Startups

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STARTUP COALITION

Beauhurst

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About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups.

Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scaleups: access to talent, access to finance & regulation.

About Beauhurst

Beauhurst is the ultimate private company data platform. We source, extract and package data from thousands of locations to create the best source of information on the UK's companies, the investors that back them, and the people that run them. Whether you're interested in early-stage startups or established companies, we've got you covered. Our platform is trusted by thousands of business professionals to help them find, research and monitor the UK's business landscape. For more information and a free demonstration, visit beauhurst.com.

Acknowledgements

Many thanks to Beauhurst for supplying the data underpinning this Index. Thanks also to the Index startups that are profiled in this report, the firms engaged in Startup Coalition's advocacy work, and the founders who participated in our AI Founders Survey and roundtable discussions. Thanks also to Coreweave for supporting this work.

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Foreword from CoreWeave

CoreWeave is proud to partner with Startup Coalition on the AI Index, a first-of-its-kind report examining the UK's AI startup and scaleup landscape. We are grateful for Startup Coalition's leadership and rigour in amplifying the voices of the UK's most innovative companies.

This report provides a timely, vital evidence base for policymakers as they work to sustain the UK's competitiveness in a rapidly shifting global AI market. At CoreWeave, our confidence in the UK's AI ecosystem is unequivocal. This is reflected in our £2.5 billion investment to date, supporting AI-specialised cloud infrastructure across London, the South East, and Scotland. This capacity allows British developers to train and deploy advanced systems at scale. Our experience has shown that success requires more than just raw power; it requires coupling compute with the unique software capabilities needed to manage and deploy AI effectively. We view the UK as a global leader in shaping the technical, regulatory, and commercial conditions for responsible AI adoption.

The data in this report underlines the strength of this ecosystem. The UK is home to a remarkable concentration of AI startups and scaleups that have collectively raised over £45 billion and employs more than 35,000 people. Supported by a world-leading university research base, and ready access to a highly skilled workforce, British AI companies are translating cutting-edge theory into real-world applications across diverse sectors. Our mission at CoreWeave is to provide the most performant platform and infrastructure on which these are powered.

This sector is neither speculative nor theoretical; it is commercially significant and accelerating. The UK Government, in its AI Opportunities Action Plan, estimates that widespread AI adoption could grow the UK economy by an additional £400 billion by 2030. We therefore welcome the Government's strategic focus on the full technology stack, from energy and compute to skills and data. While this direction is encouraging, it is crucial that this hard-earned momentum is maintained.

As the *Index* highlights, the UK is an excellent place to start an AI company - the report identifies a number of our real success stories. The next challenge is ensuring it is equally effective at helping them scale and become true global players. The UK must convert early-stage innovation into globally competitive businesses that remain rooted here. This requires practical steps, including more proportionate regulation and targeted interventions at critical growth stages.

While AI moves at machine speed, building a world-class ecosystem depends on human choices regarding investment, infrastructure, and policy. We look forward to working alongside Startup Coalition and the UK Government to turn the recommendations in this report into lasting action.

Ben Richardson
Vice President of Strategy, CoreWeave

Executive Summary

The inaugural Startup Coalition AI Index provides a birds-eye view of the UK's AI Sector as it stood in 2025, profiling the top 1,000 firms based on the amount of private capital they have raised. As valuations of international AI companies skyrocket, this new Index tells the story of the UK's leading AI firms and what the Government can do to supercharge the sector.

The headline figures are striking. The top 1,000 AI startups in the UK have raised over £20 billion, command combined valuations exceeding £45 billion, and alone employ more than 35,000 people across the country. This represents a concentration of capital, talent, and innovation that positions Britain as a serious contender in the global AI race.

Index companies span sectors from agriculture to defence, education to energy, and financial services to food. This illustrates how AI is already spreading across the entire economy. Perhaps unsurprisingly, given the UK's historic strengths, the top 3 sub-sectors are: **business services, financial services, and health**.

Meanwhile, the geographic distribution of the AI Index reveals both strength and vulnerability. Of the top 1000 firms we dug into, 649 firms were headquartered in London, and those firms have raised the most out of any region – a staggering £14 billion. The South East and East of England regions come in second and third.

This Index does more than catalogue company numbers and funding totals. Sitting alongside this data crunch is new survey data from UK AI founders and complemented further still by qualitative evidence from roundtables and depth interviews held in December.

Together, the Index lays the groundwork to help policymakers understand what is happening around them: which sectors are thriving, where geographic clusters are emerging, what founders are experiencing, and, crucially, where policy interventions can have the greatest impact.

Introduction

For more than a decade, there has been growing recognition in UK politics that artificial intelligence represents both a transformative economic opportunity and a strategic imperative. This conviction has intensified dramatically in recent years, with AI moving from niche technology policy to the centre of national economic strategy.

The 2025 AI Opportunities Action Plan set ambitious targets, and significant public investment has flowed through programmes like Advanced Research and Invention Agency (ARIA), funded to the tune of £1.5bn, with a further £2bn committed to AI in the 2025 Spending Review.

According to various international assessments, the UK consistently ranks among the world's top AI ecosystems. Stanford's AI Index places the UK third globally for AI investment and talent concentration. This reflects deep scientific expertise, world-leading universities, an entrepreneurial culture, and a VC ecosystem that understands how to back high-growth technology companies.

Against this backdrop, Startup Coalition decided to dive deeper into the most exciting AI startups headquartered in the UK, through the lens of a systematic analysis of the top 1,000 best-funded. This is our AI Index.

The Index spans 16 industries – from agriculture to healthcare, financial services to manufacturing – with nearly 400 firms focused on AI-powered business services alone. The geographic distribution shows AI innovation happening across the country, though London remains the overwhelming hub with 649 companies. Critically, the Index reveals a maturing ecosystem: university spinouts, accelerator graduates, and an increasing number of firms progressing through funding rounds to build substantial, scaled businesses.

This sectoral spread matters for two reasons. First, it demonstrates that AI is not a narrow technology confined to Silicon Valley-style consumer apps, but a horizontal platform transforming every corner of the economy. As founders have told us, the UK's strength lies in the application layer – taking AI capabilities and embedding them in products, services, and workflows that solve real-world problems for businesses, governments, and consumers.

Second, this diversity creates resilience. No single regulatory shift, market downturn, or sector-specific shock can derail the entire ecosystem. The UK's AI economy is distributed, adaptive, and rooted in genuine economic need across multiple industries. However, the growth in the economy relies on the basics being predictable: timely decisions, fair routes into procurement, and the ability to set up and expand without long delays – without these foundations, businesses cannot thrive.

However, optimism must be tempered with realism. Global headwinds are intensifying. Policy uncertainty in key markets, particularly following political changes in the United States, has created hesitation among international investors. Questions around AI

regulation, data governance, and the availability of compute infrastructure due to grid capacity loom large.

Indeed, the sector's trajectory is not guaranteed. Other nations – from France to Singapore, the UAE to Canada – are deploying aggressive industrial strategies to attract AI companies, talent, and investment. If the UK is serious about AI leadership, it cannot rely on historical advantages alone. It must build on strengths in the application layer, leverage its unique position in professional services and regulated industries, and create an environment where fast-moving companies can access talent, data, compute, and customers at speed.

This Index proves that the UK has the talent, the ideas, and the entrepreneurial energy to lead in AI. The question is whether it will create the conditions for that leadership to flourish.

What Sources Inform This Report

This report is built and informed by three separate sources: the Startup Coalition 2025 AI Index, the Startup Coalition AI Founders Survey, and a roundtable discussion with Series A AI Startups hosted by Startup Coalition.

What is the AI Index? A data-heavy list documenting the 1000 largest AI startups and scaleups in Britain, by fundraising, informed by Beauhurst data. This data allowed us to chart the size, geography and wider composition of the AI sector in the UK.

What is the AI Founders Survey? To support the Index, we aimed to develop both qualitative and quantitative scopes to gain a deeper understanding of the AI sector. In this, we received 47 individual fill-outs and asked 24 questions.

What was the Series A, AI Startup Roundtable? To support the Index, we brought together representatives of some of the most successful, developed and influential startups operating in the AI Sector. We asked them about their experience building in the UK, where they thought the UK could win, and how the Government could support the sector further.

The Index: The Stats

UK AI Startups by the Numbers

- Total Funds Raised: **£20.2bn**
- Total Value of the Index in 2025: **£45.7bn**
- Minimum Jobs that existed in 2025: **35,820**
- Total Grants Secured: **£456.5m** in grants secured

These 1,000 UK AI startups represent a significant concentration of capital, talent, and innovation.

Reasons to be Cheerful

AI is embedded across the real economy. Business services alone account for nearly 40% of firms (388 companies, £8.3bn raised), demonstrating that UK startups are building B2B tools that solve commercial problems. Financial services (123 firms, £1.96bn) and health (129 firms, £2.21bn) show deep sector expertise being combined with AI capabilities.

The ecosystem is maturing. Companies are progressing through funding rounds, building scaled businesses, and demonstrating that the tired narrative about the UK being "good at starting, bad at scaling" is increasingly outdated. Multiple firms in this Index have successfully scaled.

Breadth creates resilience. With 16 sectors represented, from agriculture to manufacturing, defence to education, the UK's AI economy isn't vulnerable to single-sector shocks. This diversity reflects AI as a horizontal platform technology transforming every corner of the economy, along with a strong existing regulatory framework undertaken by the British Government, based on a principles-based, vertical-first approach that responds to each sector as necessary.

What is Worth Noting?

London-centricity is significant. 649 of 1,000 firms (65%) are headquartered in London, which has raised £14 billion - 70% of all funding in the AI Index. Regional representation exists but is more marginal: Most regions have single-digit representation in any given sector.

Public funding is marginal. £456.5 million in government grants against £20.2 billion in private funding means the state is providing just 2.2% of capital. While this shows private sector confidence, it also reveals limited public commitment compared to competitors like France, where the state is actively co-investing at scale.

Software dominance reveals hardware weakness. 968 software firms vs 74 hardware firms (£19.7bn vs £1.84bn) shows strength in applications but limited capability in chips, infrastructure, or physical AI systems, areas where China and the US are making massive bets. This concentration of software applications matches where many of our respondents believed the UK could win – in the application layer.

Five Spotlighted Firms

"The Billion-Pound Baby" - Wayve

Wayve finds itself at the top of the AI Index, having raised $1.3 billion in funding to date. It is a British company at the forefront of autonomous driving technologies developed through deep learning. It employs at least 500 people in the UK.

Founded in 2017 by Alex Kendall while completing his PhD in deep learning, computer vision and robotics at the University of Cambridge, Wayve has pioneered a radically different approach to autonomous driving. Wayve's system learns to drive using vast amounts of data from cameras and sensors, teaching itself to navigate complex environments through experience rather than explicit programming. This "mapless" approach means a single AI model can adapt to new cities and countries with minimal retraining.

"The Nobel Offspring" - Isomorphic Labs

Isomorphic Labs comes in at 7th in the AI Index, and it has fundraised at least £460 million since spinning out of DeepMind. Isomorphic Labs has developed predictive and generative AI models engineered for drug discovery.

Founded in 2021, Isomorphic is on a mission to reimagine drug discovery from first principles using AI, building on the AlphaFold system developed at Google DeepMind. Demis Hassabis currently serves as its founder and CEO, and it employs at least 50 people in the UK.

"The Fast Tracker" - Multiverse

Multiverse comes in at 9th on the AI Index and has fundraised at least £318 million. Multiverse is a software platform delivering training and upskilling content specifically to accelerate AI adoption.

Founded in 2016 by Euan Blair and Sophie Adelman under the name WhiteHat, the company rebranded to Multiverse in 2021 as its ambitions scaled. They set out to build an alternative to university, a platform connecting employers with apprentices in digital, tech, and professional services. Over 22,000 learners have gone through their AI, data and tech programmes. Euan Blair currently serves as the CEO of Multiverse.

"The Enterprise Darling" - Synthesia

Synthesia is listed as 12th on the AI Index and has fundraised at least £266 million. Synthesia pioneered the use of AI to generate realistic video content featuring human avatars. Users simply type a script; Synthesia's models produce a video of an AI presenter delivering it, complete with natural facial expressions, body language, and speech in over 140 languages.

The company was founded in 2017 by Victor Riparbelli, who serves as a co-founder and CEO of Synthesia, along with Steffen Tjerrild, who serves as the COO and co-founder.

"The Breakout Star" - ElevenLabs

ElevenLabs charts at 15th on the AI Index, and has raised at least £224 million according to Beauhurst data. ElevenLabs has developed advanced AI speech tools, which can translate audio and video content into different languages, along with hosting an advanced AI voice generator model. ElevenLabs was founded in 2022 by Mati Staniszewski and Piotr Dabowski, and has become one of the fastest-growing AI startups in the world.

ElevenLabs' text-to-speech models produce remarkably lifelike audio, capturing pauses, laughter, and emotional intonation that had eluded earlier synthetic voices. The company has expanded into voice cloning (replicating a person's voice from a short sample), AI dubbing (translating video content while maintaining the original speaker's voice), and sound effects generation.

The Top 3 Sectors

The dominance of Business Services, Financial Services, and Health in the UK's AI landscape is not accidental. Together, these three sectors account for 64% of the entire Index, and represent over £12.5 billion in capital raised. Their leadership reflects a convergence of structural advantages, market demand, and the UK's existing industrial strengths.

Business Services: AI as Infrastructure for the Enterprise Economy

- Total Funds Raised: **£7,058,856,652**
- Total Value of the Index in 2025: **£13,961,329,639**
- Minimum Number of Jobs that Existed in 2025: **16,480**
- Total Grants Secured: **£66,327,919**

Business Services has emerged as the overwhelming leading sub-sector, with 388 firms employing nearly 20,000 people and raising £8.3 billion in the AI Index. This dominance tells a crucial story about how AI is actually being deployed: not as consumer spectacle, but as foundational infrastructure for the enterprise economy.

The UK has long punched above its weight in B2B software and professional services. From legal and accounting firms to management consultancies, London and the wider UK ecosystem have built deep expertise in serving businesses rather than consumers. AI startups in this sector are building on that foundation, developing tools for sales automation, customer service, and operational efficiency.

The regional spread of Business Services is also notable: it's the only sector represented in every UK region. While London dominates with 264 firms, the South East, East of England, and South West each host meaningful clusters.

Financial Services: London's Legacy Meets AI's Potential

- Total Funds Raised: **£1,546,803,854**
- Total Value of the Index in 2025: **£6,329,826,413**
- Minimum Number of Jobs that Existed in 2025: **3,536**
- Total Value of Grants Secured: **£7,098,248**

Financial Services may rank second by firm count, but its concentration reveals something important about the UK's competitive position. With 79% of the firms in this sub-sector headquartered in London, this is one of the most geographically concentrated sectors in the Index. That concentration is a feature, not a bug.

London is a well-established global financial capital, and the development of a thriving AI startup sector focused on financial services is no surprise. Indeed, this sub-sector has raised

£1.96 billion despite having far fewer firms than the Business Services sub-sector. This suggests Financial Services AI startups are tackling capital-intensive problems or reaching scale quickly, likely due to the high-value nature of financial services contracts and the willingness of incumbent institutions to pay for proven solutions.

This sector shows where the Government and its regulators can support and supercharge the AI revolution. The supercharged sandbox operated by the FCA allows firms to innovate and experiment with AI, providing everything from technical expertise to physical infrastructure as well as a permissive system that allows testing.

Health: Regional Strength Meets National Need

- Total Funds Raised: **£1,539,268,939**
- Total Value of the Index in 2025: **£2,953,830,609**
- Minimum Number of Jobs that Existed in 2025: **1,843**
- Total Value of Grants Secured: **£95,405,697**

Health is the UK's third-largest AI sector by firm count (129 firms) and capital raised (£2.21 billion), but it stands apart in crucial ways. It's one of the most regionally distributed sectors in the Index, with London accounting for just 44% of firms, far below the 65% average. The South East (22 firms), East of England (20 firms), and Scotland (9 firms) represent a collection of clusters, often anchored around research universities and life sciences hubs like Cambridge, Oxford, and Edinburgh. This geographic distribution reflects the health sector's unique characteristics.

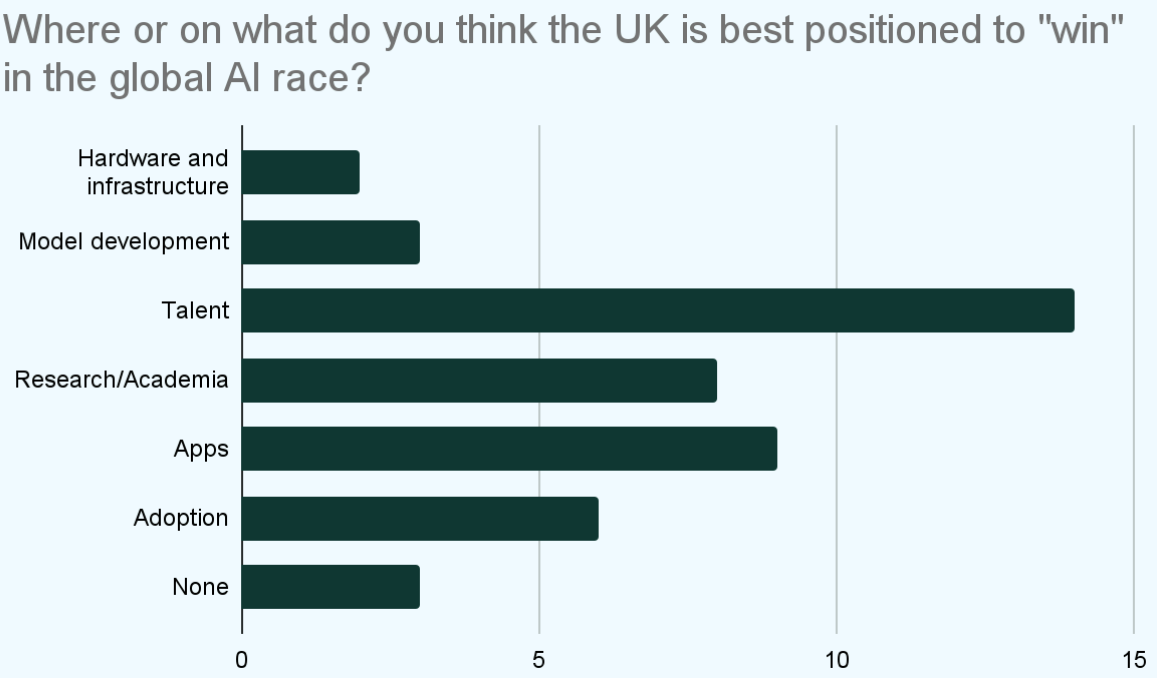
Yet the sector has raised less per firm (£17 million on average) than either Business Services or Financial Services, likely reflecting longer development cycles, more complex regulatory pathways, and the challenge of navigating NHS procurement. The sector employs just 2,178 people, fewer than Financial Services, despite having more firms.

Where in the Stack Can the UK Succeed?

This pattern of AI application development in various sectors aligns with the ideas of AI leadership that came to the fore in our qualitative discussions. Those we spoke to agreed that the UK's competitive advantage in AI lies firmly in the *application layer*, where AI is built into real-world products and services rather than in infrastructure or foundation model development. High energy costs, limited hyperscale infrastructure, and other structural constraints make it unrealistic to compete directly with the US and China on compute-intensive foundation models.

As one founder put it in the roundtable we hosted, "from my perspective, where the UK is winning at the moment is at the application layer. So building on top of foundation models to offer, whether it's you know, AI in healthcare, life sciences, financial services, all of these things"

This emphasis on the application layer being where the UK will succeed in the technology stack was also echoed by those AI founders who filled out the AI Founders Survey:



Government as a Buyer?

The developed sub-sector of health, along with financial services, proves that AI startups are emerging the most in the regulated sectors of the UK. Particularly in the healthcare sector, it is where the government (through NHS trusts) is a buyer and procures from startups to revolutionise their services.

Procurement was a key area of discussion in our AI roundtable with Series A startups. In this, participants reported early progress in procurement culture, such as the Ministry of Defence ringfencing spend for British startups, but emphasised that the main blocker remains risk-aversion among commissioners. Many fear individual accountability when backing innovative suppliers, and would benefit from near-ministerial air cover.

Ideas raised included:

- Ringfencing a proportion of spend for innovative UK AI companies
- Lower procurement thresholds for startups
- A strategic AI supplier list
- More direct communication between ministers, commissioners, and suppliers

However, many founders mentioned that even highlighting the successes of startups by the Government is as good for their own futures as being procured by the Government. Indeed, in our roundtables, a major theme was the value of public endorsement. Rather than more public funding, companies need a strong “halo effect”, credibility created when ministers and departments name successful UK companies, reference them explicitly in strategy documents, and showcase them internationally.

One founder at our roundtable noted that regarding the role of the Government in supporting the AI sector, they “don’t want a handout, but I do expect the Government to be like, okay, what are the companies that are king of winning right now? And how can we create this kind of positive aura around them to avoid the kind of public backlash…this kind of celebration of failure that we see today”.

When we asked AI founders in our survey what were the biggest challenges their company faced scaling in the UK, they answered: cultural/market risk aversion (29%), access to capital (26%), and lack of domestic market scale (20%) were the most frequently cited barriers to scaling in the UK, followed by international competition (14%), talent access (12%), and regulatory complexity (11%).

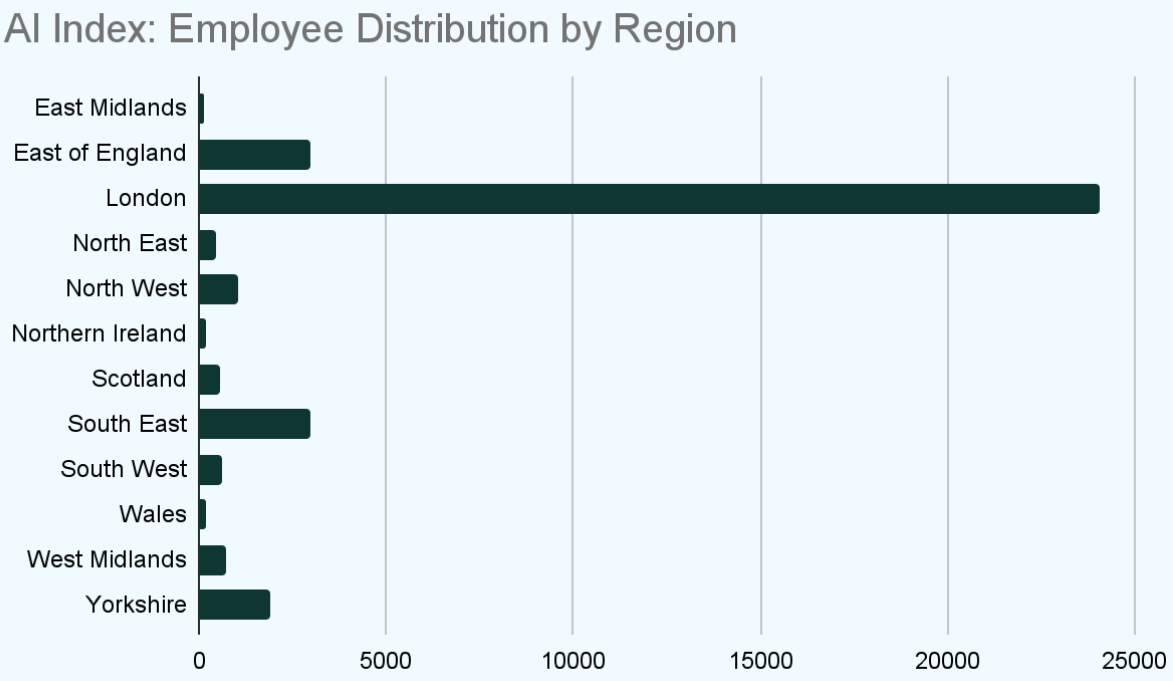
Participants pointed to missed opportunities in the NHS, where government reports praise outcomes but avoid naming the companies delivering them, undermining momentum and procurement confidence. The group also argued that newly appointed AI Champions need real authority: reporting directly to DSIT, supported by small teams, and empowered to spotlight sector leaders.

Another key area of discussion of how the Government can support the AI sector often came back to the issue of data availability across the economy. Many founders that we spoke too welcomed the announcement of a national data library, but remained cautiously optimistic for what data this would unlock, with one founder noting at the roundtable that they wished for the Government to examine how data can be unlocked in multiple sectors across the economy.

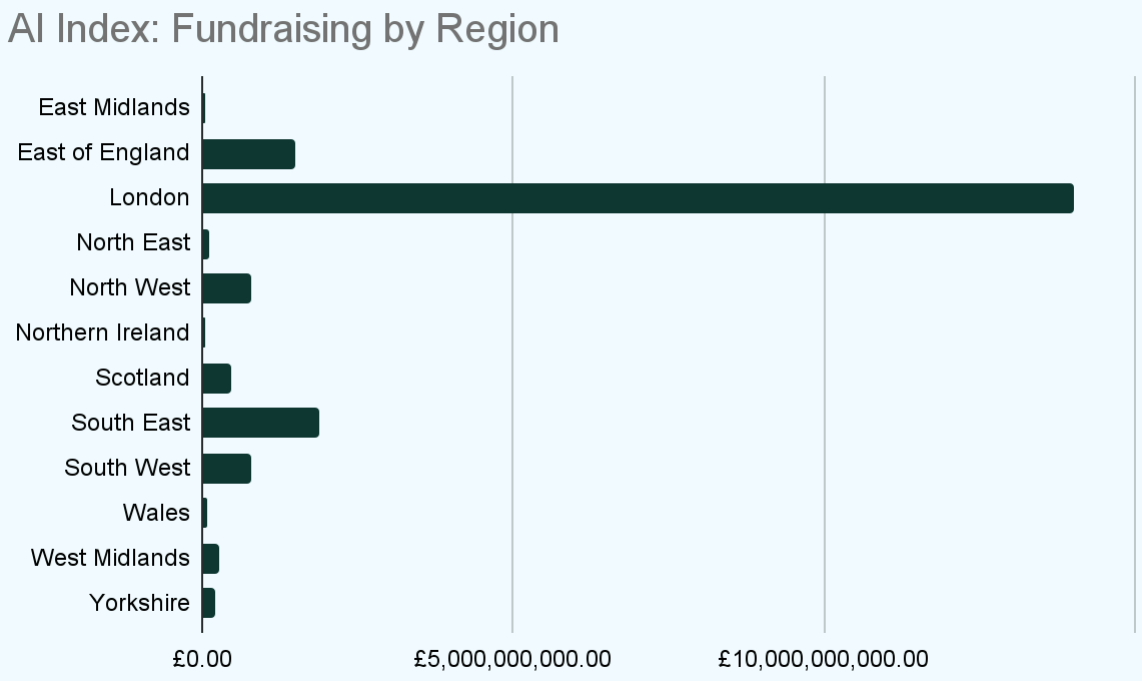
In our AI Founders Survey, we also asked what challenges founders had in scaling in the UK. This generated valuable insights into the myriad of concerns as companies face scaling up in the UK.

Location, Location, Location

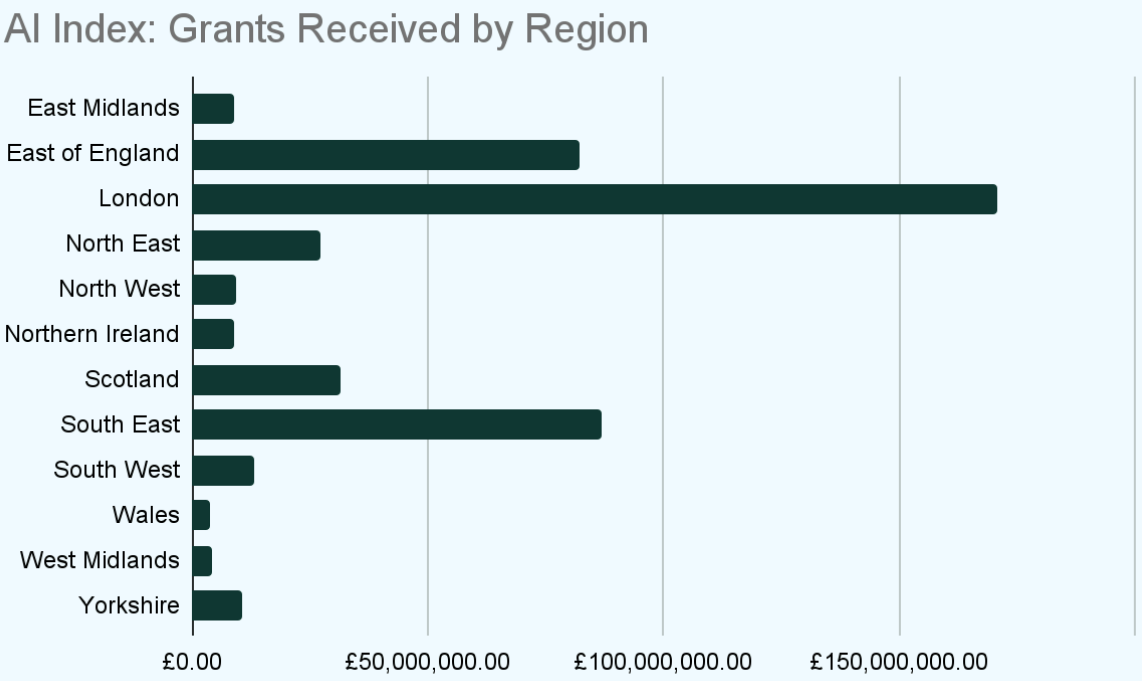
The pattern of London-leading that we see across our top 3 sub-sectors continues right across the piece. The capital hosts 649 of the 1,000 firms in the Index, nearly two-thirds, along with a staggering total of at least 24,052 employees. London-based AI startups have raised £14 billion, representing 70% of all funding tracked.



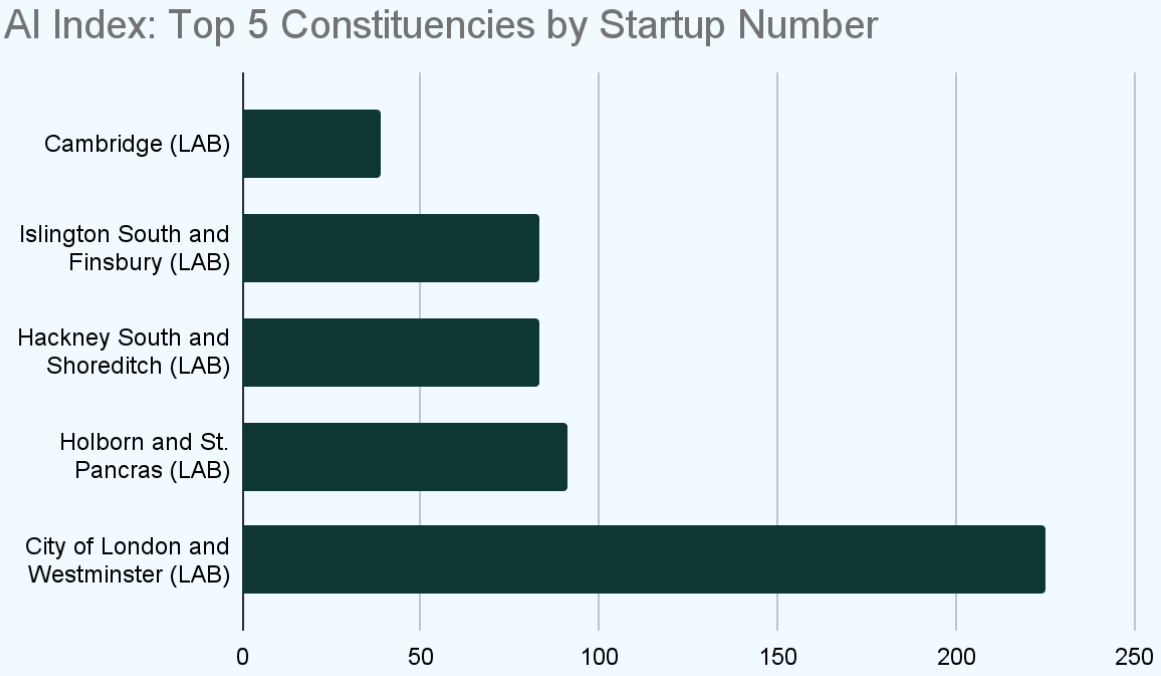
The rest of the regions trail far behind this powerhouse. The South East comes second, buoyed by the Oxford Innovation Corridor and proximity to London. The East of England follows, driven largely by the Cambridge cluster.



Grant funding by region was far more well-distributed than fundraising across regions:

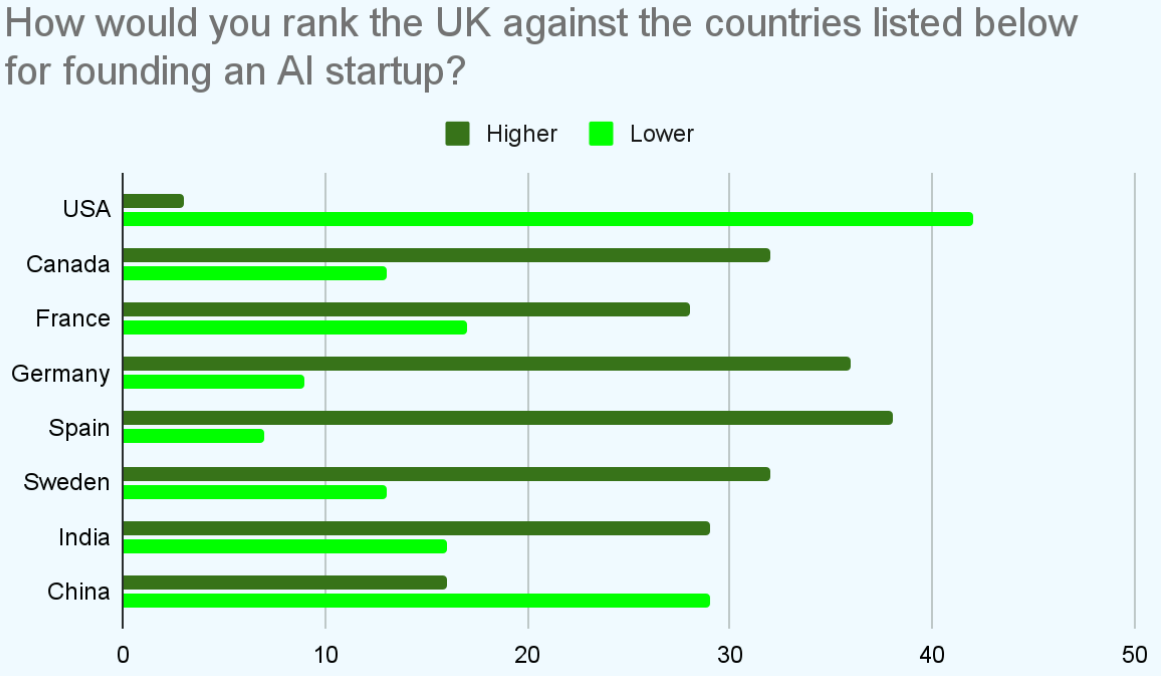


Some constituencies are the big winners when it comes to the sheer number of AI startups they host. The City of London and Westminster host 225 AI startups listed in our Index.



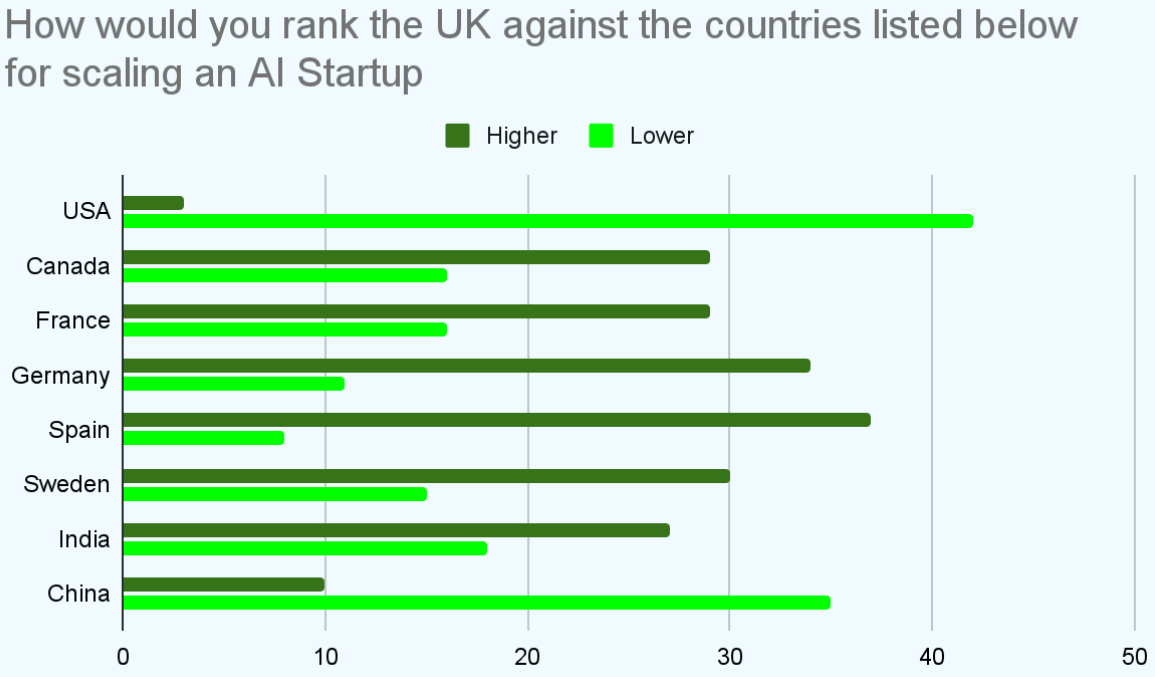
Grab Your Passport!

We, of course, had to go international in our AI Founders Survey, to try and understand how the UK compares to other similar economies, to found and build an AI startup. For founding a startup, unsurprisingly, the US, with its abundant money for investment, strong agglomeration effects in the Bay, Boston and beyond, and more permissive regulatory

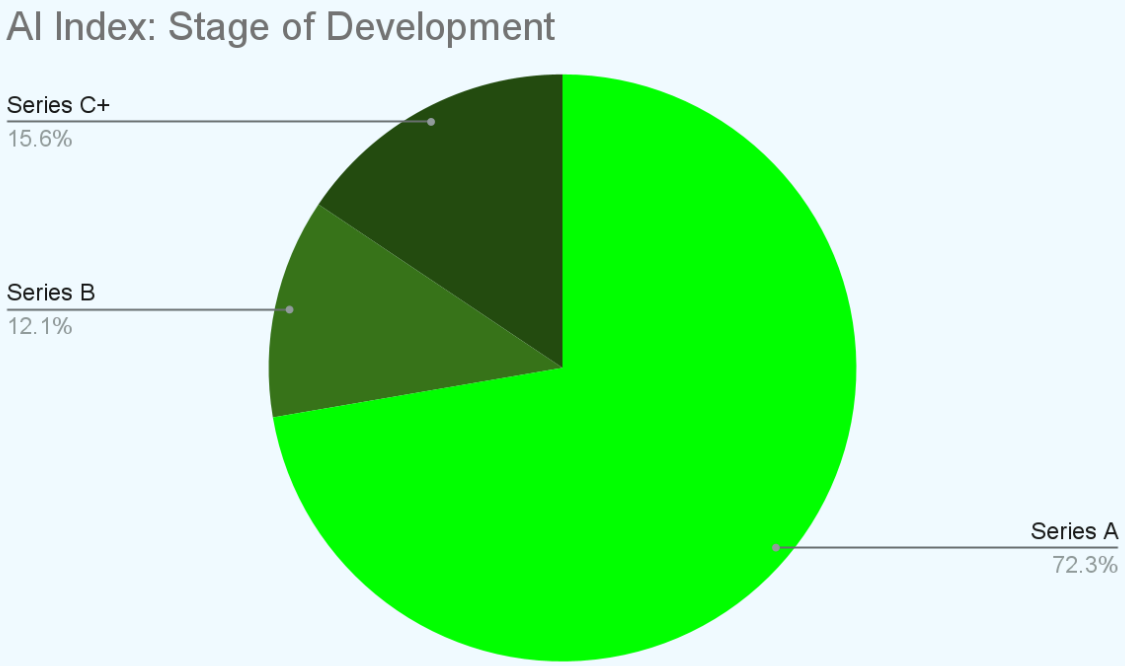


regime - just take copyright - came out on top. All the other countries, apart from the US and China, were listed most commonly as less favourable places to found an AI startup in comparison to the UK. This matches the existing international competition in the geopolitical race for AI leadership between the USA and China.

On the issue of scaling a startup, the USA and China performed very strongly in preferences outlined by founders, who suggested that it was a better place than the UK to do so.



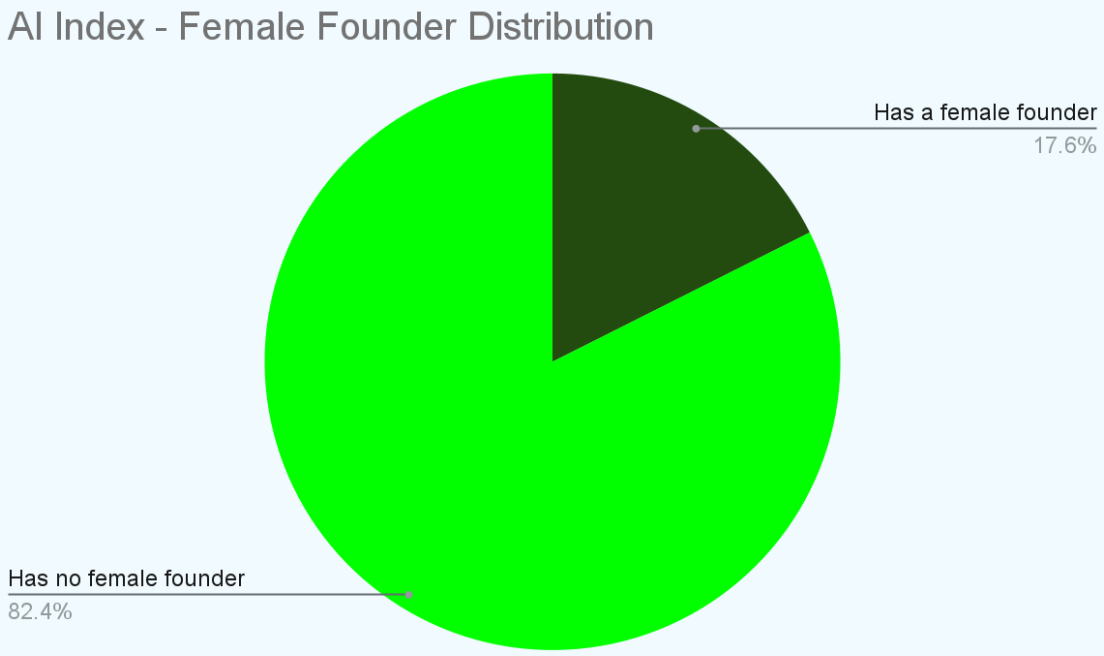
There was a varied stage of development of firms in the AI Index:



Origin Stories

Where are the Women?

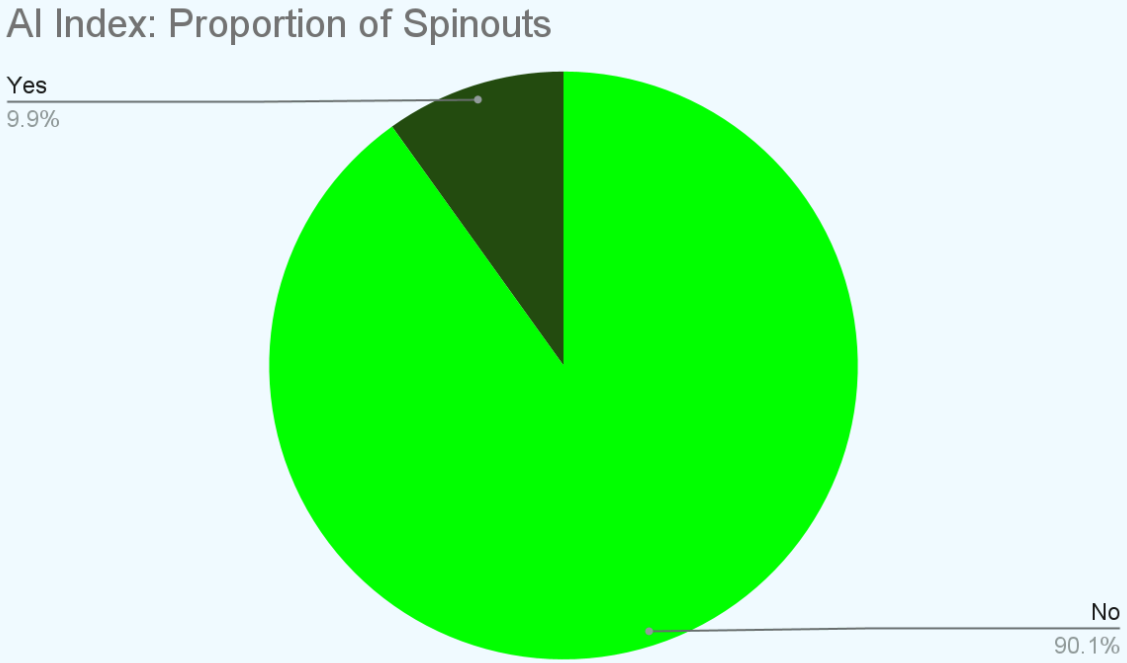
Across the AI Index, 17.6% of startups had one female founder in their team. Across the whole economy, women-owned businesses make up 18% of SME's. Only 4.5% of startups on the AI Index were founded by women only. This is disappointing; however, as the ecosystem develops, we look forward to seeing how this number will change.



Spinouts

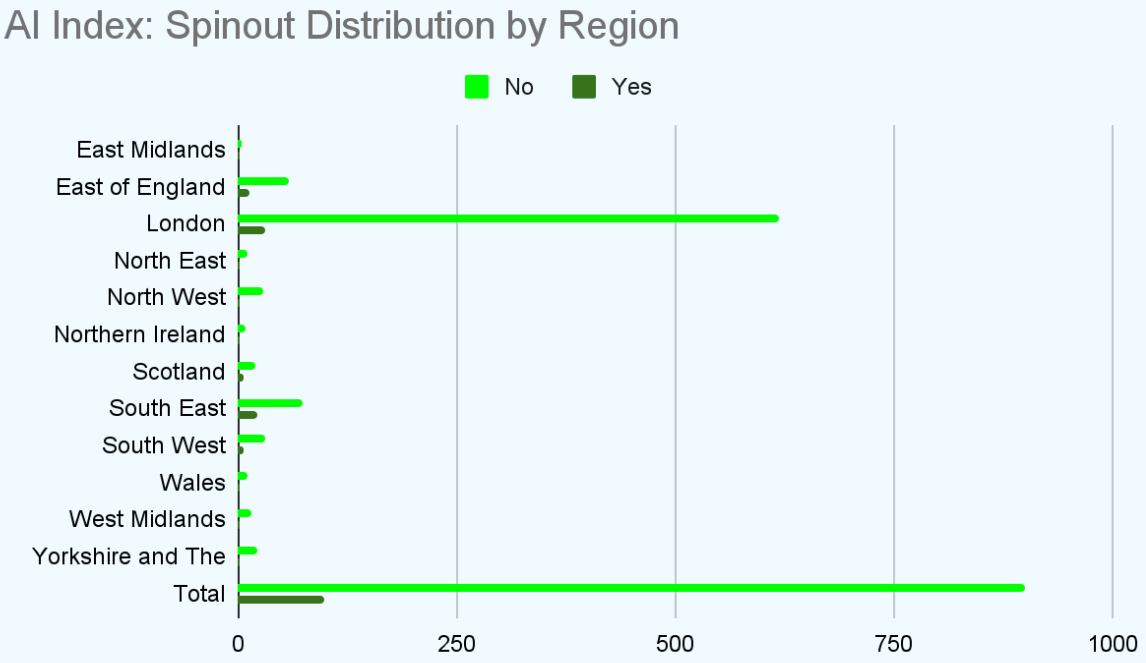
Spinouts are most commonly a new organisation, or company, formed out of a university, commercialising research or technology that has come out of the institution. With such a rich academic culture and strong universities in Britain, it is not surprising that almost one in ten startups featured on our Index are spinouts. This is a celebrated feature of our ecosystem and tracks with what we heard from the AI founders we surveyed - the UK wins on talent and research.

However, we know from dozens of conversations we have had with founders attempting to break free from the shackles of their institution, the journey is not easy. Universities have historically been criticised for taking excessive equity stakes, imposing burdensome IP terms, and lacking the commercial expertise to support scaling. While practices have improved in recent years following the Independent Spinout Review (2023), there remains a great deal of work to be done to ensure that academic excellence translates efficiently into commercial success.



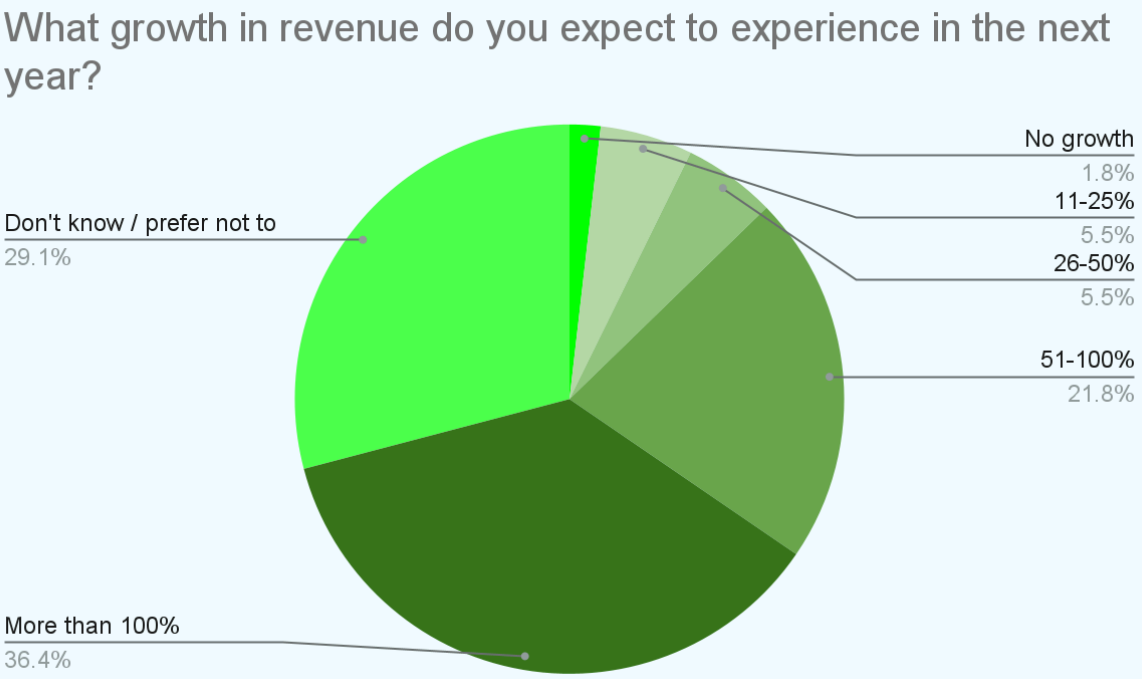
Regional Distribution of Spinouts

The regional distribution of spinouts is also important, with every region hosting a spinout, and the difference between the numbers of spinouts across regions is not as stark as the overall distribution of startups on the AI Index. London does come first with the number of spinouts, but they are closely followed by the East of England and the South East. In our AI



Founders Survey, when we asked which universities startups that were spinouts spun out of, they said: the University of Sheffield, the University of Oxford, the University of Cambridge, and UCL.

Finally, we asked about the growth in revenue expected by those founders who filled out our AI survey. The results of this showed a very significant proportion of AI startups building in the UK were growing at a speed.



Hardware vs. Software

One of the most striking structural features of the UK's AI ecosystem may be its overwhelming software orientation. Of the 1,000 firms in the Index, 968 operate primarily in software, while just 74 focus on hardware. The funding disparity is even more pronounced: software firms have raised £19.7 billion versus £1.84 billion for hardware, a ratio of more than 10:1.

This is not inherently problematic. Software scales more easily, requires less capital to start, and can iterate faster than hardware. The UK also has structural disadvantages, like the cost of electricity, that act as a barrier to those building in the deeptech/hardware space.

The UK's strength in software reflects a rational response to competitive advantage. Building on existing expertise in professional services and regulated industries, UK founders are sensibly focusing on where they can win.

Hardware:
In the Startup Coalition AI Index, at least 74 firms operate in the hardware sector. These startups employed at least 2,351 people in the UK[1]. The combined fundraising value of companies operating in the hardware sector is £1.84 billion.

Software:
In the Startup Coalition AI Index, at least 968 companies operate in the software sector. These startups employed at least 34,600 people in the UK. The overall fundraising for all the companies in the index operating in software is £19.7 billion.

Understanding the Stack

To understand why this matters, consider the AI technology 'stack', the layers of technology that together enable AI applications. At the bottom sits hardware: the chips, servers, and physical infrastructure that provide raw compute power. Above that sits the infrastructure layer: cloud platforms, data centres, and the systems that make compute accessible. The model layer comes next: the foundation models and large language models that provide general AI capabilities. Finally, at the top, sits the application layer: the products and services that solve specific problems for specific users.

Value and control flow differently across these layers. Currently, hardware and model layers capture enormous value and exercise significant control: whoever controls the chips and the foundation models shapes what is possible for everyone above them in the stack. The application layer, while valuable, operates at the pleasure of the lower layers.

The UK's concentration in applications, therefore, raises questions about strategic positioning. If compute becomes scarce, as it arguably already has, UK companies will be at the mercy of foreign infrastructure providers. If proprietary foundation model providers impose unfavourable terms or restrict access, UK applications will suffer. The software strength that appears in our Index is real, but it sits on foundations that the UK does not control. In this context, this may be where open source models could play a significant role in providing the infrastructure on which applications operate on.

This leads to the question of AI sovereignty, which is the degree to which a nation controls the AI capabilities it depends upon. Complete sovereignty is neither achievable nor desirable: no country can or should attempt to build everything domestically. But excessive dependence on foreign providers creates risks that prudent policy should address. The aspirations of developing compute sovereignty aligns with the Government’s wider strategic priorities and will be necessary, but the reality is that the AI build-out will require the UK to embrace international collaboration and investment. In our AI Founders Survey, we asked founders what AI sovereignty meant to them.

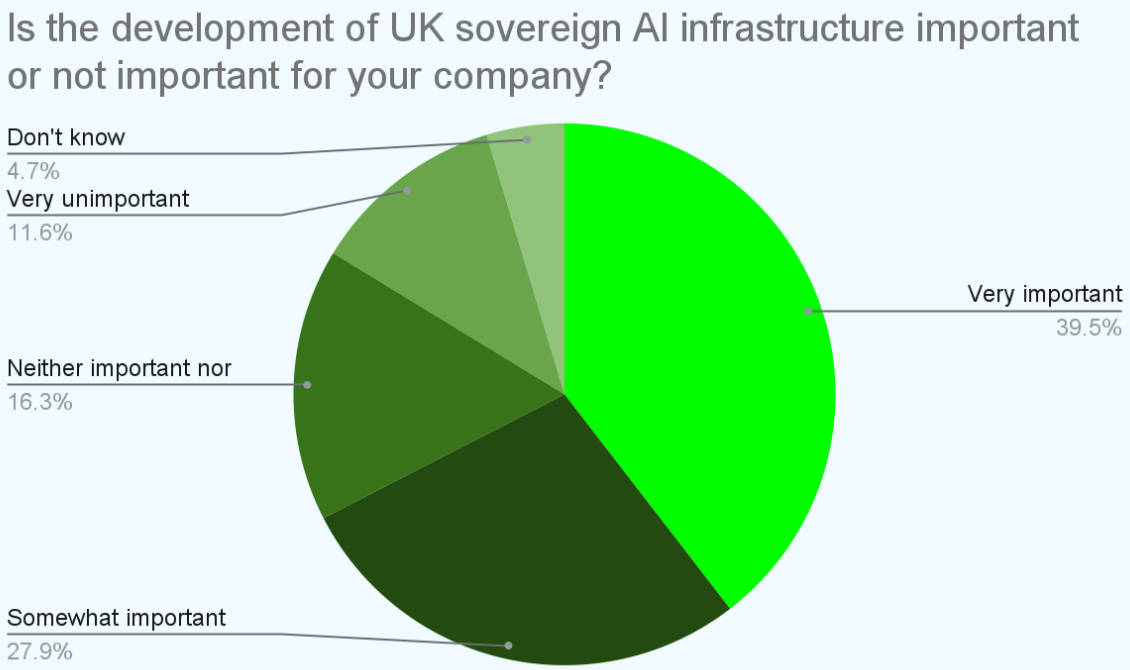
[1] Some companies operated in both software and hardware elements

Responses included:

- “Complete control of the stack”
- “UK-based and owned cloud platform providers that can offer equivalent services to the US hyperscalers”
- “Not being controlled by other countries and entities”
- “To own the full stack”
- “AI sovereignty means the UK can control and accelerate its own innovation rather than relying on overseas infrastructure. It allows the country to be more self-reliant and to retain the economic and strategic value created by advances in AI”
- “The ability to regulate and utilise AI in a manner preferred and deemed safe by the market”
- “Having a compute advantage that delivers economic benefit and defence security. A vertically integrated supply chain, allied with Europe and Canada, that enables AI infrastructure and software startups to become £100bn breakout success stories. Moving the needle on productivity, growth and employment.”

The variety of these responses proves the debate around AI sovereignty remains complex, and arguably the perspectives offered by founders reflect the different needs and goals across companies in the AI sector.

We asked in our AI Founders Survey how important it was to have sovereign elements of the stack:



Recommendations

A: Opportunity Everywhere

London undoubtedly leads the pack; however, talent exists everywhere. The government should double down on ensuring opportunity is everywhere, too. Here are a few ways to do this:

1. Spinouts

Universities should encourage the commercialisation of work that starts within them. In the UK, universities are pockets of excellence, where entrepreneurs can be created. In 2024, average university equity stakes stood at 16.1%. While this has fallen from 25% a decade ago, it is still too high and dilutes founders' incentives and deters external investment. The government should explore introducing a tiered cap to align the UK with frontrunners. This could stimulate more founders spinning out from institutions up and down the country.

2. Public Money

The BBB and Innovate UK each have a number of programmes to support and encourage deals in regions of the UK. New sectoral focuses should overlap with big bets on AI, quantum and robotics to ensure money is being fed to where the UK can build a competitive advantage.

3. Doubling down on AIGZ

Of the four already announced growth zones, two are in Wales, one in the Northeast and one in Oxford. The short-term focus has been on data centre build out, but as these develop Government should articulate how they will interact with Growth Labs and the communities that host them to create new clusters for researchers, industry and startups to develop around.

B: Support to Scale

Our survey shows that while the UK is recognised as a leader when it comes to starting out, graduating is still hard work. This has been recognised by the Government's own Entrepreneurship Adviser, who has consistently emphasised the powerful potential of British scale-ups. Government can help by:

1. Talent whilst Scaling

It was great to see the Government extend the EMI thresholds, but if we really want to back our scaling companies, we need a new, world-leading EMI + for high-growth late-stage companies which outgrow limits, including hiring more than 500 employees. CSOPs are not well understood by high-growth companies that have engaged with the EMI scheme earlier in their development. In order to simplify the process, an EMI+ scheme should be developed that provides advantages to fast-growing companies looking to hire the right talent on their journey to unicorn. This would be at a less generous rate than the main EMI scheme due to the scale of the companies. This could be for companies with between 500 - 1,000 employees, and with a gross asset cap of up to £1bn.

2. Breaking Through the Profit Barrier

Introduce a Scaleup Distribution-Based Corporation Tax (DBCT) regime to provide essential cash flow to firms as they begin to scale. The UK's corporate tax system taxes profits as soon as they are earned, even when they are fully reinvested into growth. This discourages the retention of capital for expansion and penalises companies that have just transitioned to profitability but are not yet at scale. Under DBCT, companies would pay 0% corporation tax on retained and reinvested profits, and would instead pay tax only when profits are distributed (e.g. as dividends or share buy-backs).

During this period, retained earnings could be deployed as working capital to fund new hires, sales expansion, or export growth. This approach, modelled on Estonia's successful system, would allow growing UK firms to reinvest early profits tax-free during their critical scaling phase, improving productivity and the likelihood of remaining and listing in the UK.

3. Act as a First Customer

One of the strongest mechanisms and signals the government can send to the market is by being a customer. Whether through novel Advanced Market Commitments or tried-and-tested procurement routes, the government can gift credibility and revenue to a startup while ensuring it gets the most innovative solutions on the market. This can support fundraising and make startups more investable, helping British startups scale.

C: Sovereignty

The Index spells out plainly where the UK's strength lies when it comes to the AI race - in areas where we have historical strength and are very much concentrated in the app layer. This is not to say we shouldn't have any sovereign capability elsewhere in the value chain - far from it - only that we should recognise this is unlikely to be the source of our global competitive advantage.

1. AI Research Resource (AIRR) for Startups

The Government must follow through on its commitment to open up AIRR for startups. We believe this should be achieved by appointing ARIA-style programme directors to allocate compute capacity to promising startups.

2. Proactivity about Dismantling Outdated Legislation

The Government must utilise institutions and tools such as RIO and the AI growth labs to identify and dismantle legislation which inhibits growth, and do this at speed. However, oftentimes, horizons are too slow to be meaningful to UK startups struggling through regulatory sludge today. RIO has been an effective whack-a-mole in chief thus far thanks to its agility and novelty in the landscape. However, wholesale reform will require the AI Growth Labs, for example, to come online quickly. DSIT should make this a 2026 priority with labs live before the year is out.

3. Act as a Megaphone

Sometimes, the government convening and acting as a megaphone is useful in itself. This should never be underestimated. Many founders we spoke to at one of our roundtables emphasised the power of the Government in simply celebrating the success stories of the startup ecosystem. This should absolutely be the first priority of the Government, always. However, for the founders we spoke to at the roundtable we hosted, celebrating success was not just a Government issue, but constituted a wider cultural issue in Europe, with one founder saying that “In Europe generally we tend to want people and companies to be successful but not too successful”.

Conclusion

The 2025 Startup Coalition AI Index presents a picture of genuine strength. The UK's AI sector is real, substantial, and growing. Over £20 billion raised, more than 35,000 jobs existing, and innovation spanning 16 industries from agriculture to defence. Indeed, the concentration in business services, financial services, and health reflects the UK playing to its strengths: deep sectoral expertise, world-class professional services, and an appetite for applying technology to complex, regulated industries.

But the Index also reveals uncomfortable truths. London's dominance is overwhelming, with 65% of firms and 70% of funding, leaving much of the country as a spectator rather than a participant in the AI economy. And while private capital has poured in, the state's £456m in grants amounts to just 2.2% of total funding, a fraction of what competitor nations are deploying.

Our discussions undertaken with those currently in the ecosystem to produce this report lead us to suggest that the UK's competitive advantage lies in the application layer where AI meets industry expertise and solves specific problems for specific customers. This is a defensible position, but only if policymakers understand its dependencies.

What comes next will determine whether this Index marks a high-water mark or a launchpad. The policy environment matters enormously. Founders need access to talent without visa friction, access to compute without waiting lists, and access to customers, including government, without years of procurement chaos. They need capital that stays patient through scaling, regulation that enables rather than constrains, and a state willing to celebrate success loudly enough for the world to hear.

The UK has the talent, the ideas, and the entrepreneurial energy to lead in AI. What it needs now is the political will to create the conditions for that leadership to flourish, and the urgency to act before the window closes.

Appendix

Methodology

This report was produced using data from Beauhurst. The 1,000 featured firms are the AI startups that have raised the most private funding.

The value, fundraising or grants of a firm after its “death” or “exit” date within Beauhurst were not included in this data. If there was a monetary value associated with the exit event, this was recorded as the final “value” in the Index. The value of a firm that “died” was recorded as the latest post-money valuation, and the latest year that the value was recorded for was the last year where the firm was tracked for at least six months (e.g. if the firm died in April 2024, then the last value would be recorded as 2023, but if it died in August 2024, then the last value would be recorded as 2024). The “death date” of a firm refers to either the date of company dissolution, if this is available, or, if not, it refers to the date that Beauhurst ceased tracking the firm

Startup Coalition surveyed 45 AI startup founders and conducted in-depth interviews with over a dozen AI founders to inform the work and the policy recommendations.

Startup Coalition convened a roundtable of representatives of Series A+ AI startups operating in the UK. This was undertaken through a semi-structured interview method.

To further verify our work, we also conducted a literature review. In 2022, the British Government conducted an analysis of the artificial intelligence sector. They identified a total of 3,170 UK AI Companies that generated £10.6 billion in AI-related revenues. These companies also employed more than 50,000 people in AI-related roles. The review in 2022 also found that London, the South East and the East of England account for 75% of registered AI office addresses, and also for 74% of trading addresses.

Following on from this, the Government in 2024 conducted another sector study for artificial intelligence. The Government AI Sector Review (2024), concluded that the UK’s AI ecosystem stood at more than 5,800 AI companies – an 85% increase over the past 2 years. Employing over 86,000 people. The Review found that the sector generated £23.9 billion in revenue and contributed £11.8 billion in GVA. DBT figures from this year put figures at 3,700 AI companies, employing over 60,000 people and contributing £3.7 billion to our economy.

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