UK's Sovereign AI fund backs chip firm Fractile in a £500m-plus round

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Source: https://www.gov.uk/government/news/sovereign-ai-and-british-business-bank-invest-in-british-firm-developing-the-next-generation-of-ai-hardware

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Press release

Sovereign AI and British Business Bank invest in British firm developing the next generation of AI hardware

UK Government’s Sovereign AI and the British Business Bank back Fractile - a Bristol and London based frontier AI hardware firm developing advanced chips

From:

Cabinet Office , Department for Business, Innovation, Science and Trade and British Business Bank

Published: 11 November 2026

UK Government’s Sovereign AI and the British Business Bank back Fractile - a Bristol and London based frontier AI hardware firm developing advanced chips, as part of a funding round worth more than £500 million

Investment supports the government’s ambition to make Britain a world leader in developing the technology that powers artificial intelligence

Backing British companies will strengthen sovereign capabilities, reduce reliance on overseas technology and support highly skilled jobs and industrial renewal across the country

Fractile, a startup based across London and Bristol developing advanced chips - the physical hardware that powers artificial intelligence - has secured backing from the UK Government’s Sovereign AI Venture Fund and the British Business Bank as part of a round worth over £500 million.

The investment, announced today [Wednesday 11 November], is another step in the government’s ambition to make Britain a world leader in the technologies that will shape the future of AI, ensuring that British scientific excellence translates into British companies, highly skilled jobs and industrial strength.

It will also help strengthen Britain’s sovereign capabilities in critical technologies, reducing dependence on fragile overseas supply chains and ensuring the UK has a greater stake in the hardware that will underpin its future economy

Fractile is re-inventing the hardware that AI runs on, so that it is faster, more energy efficient, and less costly. It is taking a unique approach, looking at the full stack of technologies that AI rests upon: from chips, to software and fundamental research into machine learning (the mathematical algorithms that underpin AI). Today’s funding round values the company at over £5 billion. Besides Sovereign AI and the British Business Bank, it is also being backed through this Series C round by investors including CapitalG, Lightspeed and Redpoint.

From Alan Turing’s pioneering work to the creation of Arm in Cambridge, Britain has a proud history of laying the foundations for modern computing. Yet too often, the industrial and commercial rewards of British breakthroughs have been realised elsewhere.

The government is determined to change that, backing ambitious homegrown companies to grow into global technology leaders while keeping more of the jobs, expertise and economic value they create here in Britain.

Through Sovereign AI, the government is backing British chip designers, advanced hardware companies and AI entrepreneurs. By anchoring these critical capabilities on home soil, the government is safeguarding the UK’s critical infrastructure, keeping British data secure and ensuring the economic returns of technological breakthroughs directly benefit British workers.

The British Business Bank is the UK's economic development bank, helping innovative businesses access the finance they need to start up, scale up and stay in the UK. Their support will help the company access the long-term capital needed to scale its breakthrough AI hardware technology in the UK.

AI Minister Kanishka Narayan said:

For too long, Britain has produced some of the world's best scientific ideas, only to see too much of the technology, industry and wealth they create built elsewhere.

We are determined to change that. If AI is going to serve the British people, strengthen our public services and create good jobs across the country, Britain needs to build more of the technology that powers it.

Fractile represents the very best of British ambition, bringing together world-class chip design, engineering and AI expertise to develop faster, cheaper and more energy-efficient hardware.

By backing brilliant British companies like Fractile, we're making sure Britain has the industrial strength and sovereign capability to shape the future of AI, with the jobs and economic rewards coming home to communities across our country.

Business Secretary Jonathan Reynolds said:

Fractile is a fantastic British success story. This fundraising news, backed by the British Business Bank and Sovereign AI, will boost our ability to make the chips and cutting-edge tech powering AI here at home.

With plans to expand their presence in Bristol, Fractile are helping to put our plans for reindustrialisation into action – delivering the good jobs and growth that will benefit communities across the country and drive our economy forward.

Sovereign AI Investment Partner Joséphine Kant said:

Walter and the team at Fractile are taking on an ambitious challenge, with the potential to make a significant contribution to the global future of AI hardware. Their approach brings together deep expertise across chip design, software, and machine learning, and we believe it has the potential to compete with the very best globally.

Leandros Kalisperas, Chief Investment Officer of the British Business Bank, said:

Fractile is pushing the frontier of AI forward by rearchitecting the hardware stack. Walter and his team are building chips designed to work faster and at greater capacity, allowing AI to reach new potential, scaling faster and more cost effectively. This is British innovation at its best - exceptional technical minds focused on building technology that can compete and win on a global stage. We're proud to be backing them at this critical stage of growth.

This news comes a fortnight after the Budget, where the Chancellor confirmed a further £140 million backing for Sovereign AI, with an additional £60 million to support the Fund's investments, plus £80 million for Sovereign AI's R&D Procurement Scheme. The Chancellor also announced that Sovereign AI would expand into a new focus area of Physical and Industrial AI, building on the UK's leading research base and growing strengths in areas such as robotics, autonomous systems and advanced manufacturing. Meanwhile the UK is also pushing with plans to build and deploy the compute infrastructure it needs for the AI era, and ensuring that Britain is home to next wave of leading AI and compute companies, with up to £2 billion of investment over the coming years, under the AI Compute Roadmap .

Sovereign AI is the government's big bet on promising early-stage AI companies to help them grow, scale and succeed from Britain, offering a range of backing to high-potential AI businesses that are starting out on British shores.

Combining the pace and ambition of venture capital with the weight of the state behind it, Sovereign AI is moving fast, backing ambition and cutting through the red tape that so often holds brilliant ideas back, so they can go on to succeed globally.

All of the startups Sovereign AI supports have a meaningful presence here in the UK, and create well paid jobs right across the country - supporting the Government's ambition for good growth in every postcode. These startups are all firmly anchored in the UK with either their founders, leadership, operating headquarters or a large proportion of their talent based here in Britain.

The Chancellor also expanded the British Business Bank's investment capacity by £5 billion to £30.6 billion, giving

it more firepower to back innovative British firms as they grow. The package unveiled at the Budget will back growing businesses across every part of the UK and is expected to support more than 24,600 existing jobs and create more than 15,800 new jobs over the lifetime of the finance.

Notes to editors:

The Sovereign AI Fund will invest directly in promising UK AI companies to help them scale in the UK. Our investments will be focused on companies at the early and growth-stage.

Typical equity investments will be worth around £1-10 million, though every company's circumstances will be different.

Like most venture capital funds we do not comment on specific investment figures as they are commercially sensitive- The British Business Bank creates deeper pools of scale up capital for UK companies by backing venture capital funds. It has backed over 150 venture capital and growth funds to date, most recently investing £180m across six AI and deeptech funds

Alongside this, it invests directly in fast-growing technology businesses and is the UK's most active late-stage investor in deeptech. Recent AI investments include Wayve, Kraken Technologies, PhysicsX, PolyAI, Salience Labs and Ineffable Intelligence.

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