VIRTUFIN

The Financial Readiness Checklist for Growing Tech Companies

Five things to get right before your finances become a problem.

1

Your management accounts aren't investor-ready

If you're thinking about raising investment at any point, the first thing a serious investor or acquirer will ask for is your management accounts. If all you can show them is a Xero profit and loss report, that's a problem.

Investor-ready financial reporting means clean, well-structured management accounts that include a profit and loss, a balance sheet, a cash flow statement, and clear visibility of your key performance metrics. It means being able to explain your unit economics, your customer acquisition cost, your lifetime value, and your burn rate without scrambling to pull the numbers together.

The time to get this right is long before you need it. If you wait until you're actively fundraising, you'll be trying to clean up months or years of messy data under time pressure while also running the business. That's when mistakes happen and deals fall through.

Building your financial reporting properly from the start means that when the opportunity comes, you're ready. The numbers are there, they're clean, and they tell a story that gives investors confidence.

2

You're probably leaving R&D; tax credit money on the table

Most tech companies know R&D; tax credits exist. Fewer have their books structured in a way that maximises the claim. The difference can be tens of thousands of pounds.

The key is capturing qualifying expenditure throughout the year, not trying to reconstruct it at the end. That means your time tracking, your project cost allocation, and your chart of accounts all need to be set up with R&D; claims in mind.

Common mistakes include not claiming for staff costs properly, missing subcontractor costs that qualify, failing to document the technical uncertainty that makes the work eligible, and not claiming for consumables and utilities related to R&D; activity.

A well-structured R&D; claim starts with good financial infrastructure. If your books are set up properly from the beginning, the claim almost builds itself throughout the year rather than being a scramble at the end.

3

You don't know which projects are actually profitable

You're delivering work across multiple clients and projects. Each one has a different scope, different team members involved, and different delivery timelines. But unless you're properly tracking time and costs against each project, you're guessing at your margins.

I've worked with tech companies who discovered their biggest client was actually their least profitable once the real delivery costs were factored in. The revenue looked great on paper, but the amount of senior developer time that client consumed meant the effective margin was a fraction of what they thought.

Project profitability tracking doesn't have to be complicated. It just needs someone to set up the right cost allocation structure and then actually review the numbers regularly. Once you can see which projects make money and which ones don't, you can make much better decisions about pricing, resource allocation, and which types of work to pursue.

Without that visibility, you're guessing at the most important metric in a services business.

4

Your SaaS subscriptions are quietly draining cash

Tech companies accumulate software subscriptions faster than any other type of business. Development tools, cloud hosting, project management platforms, testing environments, design software, communication tools, analytics services. Each one seems small on its own.

But when was the last time someone actually reviewed every subscription you're paying for and checked whether it's still being used? One client found they were spending over £3,000 a month on tools that half the team had stopped using. That's £36,000 a year on software nobody needs.

Cancelling unused tools is the obvious bit. But it's worth understanding your total cost of technology infrastructure and making sure each subscription is justified by the value it delivers. Some tools overlap in functionality. Some have cheaper alternatives. Some are on plans that are far more expensive than what your usage actually requires.

A quarterly subscription review should be a standard part of your financial management. It takes an hour and typically saves thousands.

5

You're making hiring decisions based on how busy you feel

Feeling busy isn't the same as being able to afford another hire. And not feeling busy doesn't necessarily mean you can't afford one either.

When you're thinking about bringing on another developer, designer, or project manager, you need to know what that does to your cash flow over the next 12 months. The salary is just the start. Employer's NI, pension, equipment, software licences, recruitment costs, and the ramp-up period before they're fully productive all factor in.

You also need to model what happens if one of your bigger projects falls through after you've committed to the hire. Can you carry that cost for three to six months while you replace the revenue?

These are calculations that need proper financial modelling. And having that model in place means you can make the decision confidently and quickly when the time is right, rather than procrastinating because you're not sure whether you can afford it.

Want to talk about your finances?

There's no hard sell, just a conversation about where your business is and whether I can help.

GET IN TOUCH

leigh.cooke@virtufin.co.uk
07899 296 552
www.virtufin.co.uk