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Finance Controls Before Funding: What Investors and Lenders Expect from the Numbers

Capital providers test whether growth, earnings, cash and forecasts can be traced to reliable records. Strong finance controls make that evidence available before diligence begins.

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EDITORIAL GUIDE

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Capital providers test whether growth, earnings, cash and forecasts can be traced to reliable records. Strong finance controls make that evidence available before diligence begins.

> Investors and lenders do not assess a business only from its headline growth. They test whether revenue, cash, obligations and forecasts can be traced to reliable records. Finance controls determine how quickly management can answer those questions and how much confidence the answers earn.

A funding process compresses years of activity into a due-diligence timetable. Weak account ownership, unreconciled balances and inconsistent metrics create delays precisely when management needs credibility. The remedy is not a polished data room assembled after term-sheet discussions. It is a finance operating model that produces evidence in the ordinary course of business.

What capital providers will test

QUALITY OF EARNINGS	Whether reported revenue and profit are recurring, correctly cut off and supported by contracts and delivery.
CASH CONVERSION	Whether earnings become cash after receivables, inventory, suppliers, tax and capital expenditure.
BALANCE-SHEET INTEGRITY	Whether assets, liabilities, debt, related parties and commitments are complete and reconciled.
FORECAST CREDIBILITY	Whether assumptions connect to operational drivers and prior forecasts have been compared with actual results.

Make reported revenue defensible

Revenue is usually the first bridge between the commercial story and the ledger. Build a contract register showing customer, product or service, value, term, performance obligations, billing, collections and accounting treatment. Reconcile it to the customer subledger and general ledger.

Identify non-recurring revenue, related-party sales, pass-through amounts, rebates, credits and significant manual entries. Concentration should be measured by customer, sector and geography. If a few customers drive the investment case, their contracts, renewal rights and payment behaviour must be clear.

Cut-off testing matters. Growth can be overstated when invoices are raised before delivery or credits are recorded after period-end. Preserve delivery notes, acceptance certificates, project approvals and contract modifications. Management should be able to explain the policy and the evidence, not rely on a single invoice date.

Reconcile EBITDA to cash

Adjusted EBITDA is a management measure, not a substitute for complete financial statements. Every adjustment should be defined, consistently applied and reconciled to the accounting records. Label owner costs, exceptional items, share-based expenses and start-up costs transparently. Repeated “one-off” adjustments undermine trust.

Bridge EBITDA to operating cash flow through receivables, payables, inventory, provisions, tax and other working-capital movements. Then show capital expenditure, debt service and owner distributions. This reveals whether the business funds growth internally or depends on continuing external capital.

IAS 7 classifies cash flows into operating, investing and financing activities and requires reconciliation of cash and cash equivalents. The management bridge can add operational detail, but it should agree to the statutory cash-flow statement and bank-reconciled balances.

Clean the balance sheet before diligence

Each material account needs a recent reconciliation and support. Old suspense items, debit payables, credit receivables, negative inventory and unsupported shareholder accounts invite questions about the entire ledger. Resolve them through evidence and approved accounting entries, not broad write-offs designed to make the trial balance look tidy.

Debt and financing schedules should show principal, interest, security, covenants, maturity, repayment and undrawn capacity. Include leases, guarantees, invoice finance, shareholder loans and supplier-finance arrangements. A legal review may be needed to identify change-of-control or consent clauses.

Related parties must be complete. Map owners, directors, group companies and connected persons; reconcile balances; document terms; and explain transactions. For UAE corporate tax, related-party pricing must satisfy the arm's-length principle, subject to the applicable rules and documentation requirements. Finance and tax records should tell the same story.

> *"A data room should reveal the strength of the control environment, not become a temporary substitute for one."*

Build a forecast from operational drivers

A credible forecast starts with units, prices, contracts, capacity, headcount, customer acquisition, payment terms and investment. The profit-and-loss statement, balance sheet and cash flow must connect. If growth requires inventory or payroll before collection, that funding need should appear automatically.

Keep a base case and defined downside cases. Show the effect of delayed contracts, lower margins, slower collections, higher funding costs and foreign-exchange changes. Identify which costs are committed, which are variable and which management can stop.

Track forecast accuracy monthly. A board that sees the original forecast, actual performance and explanation of differences can assess management's planning discipline. Replacing the budget without retaining the previous version destroys that evidence.

Protect access, approvals and data lineage

Core controls include role-based system access, segregation between preparation and approval, bank-payment controls, vendor-master change approval, journal review and periodic access recertification. Where a small team cannot fully segregate duties, introduce compensating owner or board review supported by system logs and bank evidence.

Every key metric should have a definition, source and owner. Annual recurring revenue, gross merchandise value, active customers, churn and contribution margin can be calculated in different ways. Maintain a metric dictionary and reconcile financial metrics to the ledger. Do not let pitch-deck measures develop outside finance governance.

Cyber and fraud controls are also financial controls. Verify changes to supplier bank details independently, require dual approval for payments and protect administrator access with strong authentication. Keep emergency access visible and time-limited.

Control the data room and the disclosure process

Use a numbered index that mirrors the diligence request list and gives each folder an accountable owner. Mark documents as draft or final, restrict sensitive payroll and customer information, and keep an access log. Personal data should be shared only through an approved process with a clear business purpose, appropriate safeguards and legal review where required.

Maintain one question-and-answer register. Record the request, response, evidence, owner and date, then check that an answer does not conflict with another workstream. A revenue figure supplied to commercial diligence should reconcile with the financial model and tax records. An employee count should agree with payroll and visa records for the same date.

Management should approve material disclosures and identified exceptions. Attempting to hide a control weakness is usually more damaging than explaining it with a quantified effect and credible remediation plan. Preserve the final data-room index and transaction model so that representations made during the process can be traced later.

Prepare the tax and compliance position

Funding diligence commonly reviews corporate tax, VAT, payroll, licences, beneficial ownership and material contracts. Reconcile returns to the ledger and retain supporting schedules. Identify open assessments, voluntary disclosures, disputes and uncertain positions. A potential exposure explained with evidence is easier to evaluate than a surprise discovered late.

For corporate tax, UAE rules require IFRS, with IFRS for SMEs available where revenue does not exceed AED 50 million. Audited-financial-statement obligations may apply based on revenue, Qualifying Free Zone Person status, tax-group status and other legal or contractual requirements. Confirm the current position before the transaction timetable is set.

A 60-day finance-readiness programme

01	**Close:** Complete a controlled month-end with reconciled material balances.
02	**Evidence revenue:** Link contracts, delivery, invoices, cash and accounting treatment.
03	**Normalise carefully:** Reconcile every alternative performance measure and adjustment.
04	**Integrate forecasts:** Connect operational assumptions to profit, balance sheet and cash.
05	**Test controls:** Review access, payments, journals, vendors and related parties.
06	**Index the data room:** Use named owners, version control and a question log.

Strong controls do not guarantee funding, and they cannot repair a weak business model. They do allow capital providers to distinguish commercial risk from accounting uncertainty. That distinction can shorten diligence, improve negotiations and leave the company with a better finance function even if the transaction does not proceed.

Official sources

1. **IFRS Foundation: IAS 7 Statement of Cash Flows**
2. **Federal Tax Authority: Accounting Standards and Corporate Tax Guide**
3. **Ministry of Finance: Ministerial Decision No. 84 of 2025**

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