YOUR GUIDE FOR
SUCCESSFUL FINANCE APPROVAL

Preparing your financials to impress lenders and investors is essential to secure financing on favourable terms and at the right time.

Well organised, accurate and clear financial statements combined with a solid business plan demonstrate your business's financial health, stability and growth potential.

This reduces the risk perception for lenders and investors and boosts your confidence as a borrower.

What lenders and investors look for

Lenders primarily want to know if your business can repay its debts (serviceability). This means they focus on liquidity, cash flow, debt service coverage ratio, collateral and your ability to cover expenses for several months if disruption occurs.

Investors are interested in profitability, sustainability, growth trajectory and how effectively the business is managed.

The core documents they expect include:

- **Profit and loss statement (income statement)**
  Shows your revenue, costs and net profit over a specified period, typically monthly, quarterly or annually. It proves your business consistently earns more than it spends.
- **Balance sheet**
  A snapshot of your assets, liabilities (what you own and what you owe) and equity at a specific date. It reveals your financial stability and whether your assets cover your debts.
- **Cash flow statement**
  Tracks cash coming in and going out, proving your ability to meet daily expenses, loan repayments as well as any planned capital expenditure.
- **Business tax returns**
  Usually covering the last 2-3 years, confirming compliance and validating your reported financial performance.
- **Accounts receivable and payable ageing reports**
  Show how you manage incoming payments and outstanding debts (ie how quickly your customers pay you and the terms your suppliers expect to be paid).

A complete business plan incorporates these financials alongside a summary of your strategy, market analysis and goals.

HOW TO CLEAN UP YOUR FINANCIALS

1. **Maintain accurate, up to date records**
   Use reliable accounting software and record transactions promptly on an accrual basis, reflecting revenues when earned and expenses when incurred. This clarity ensures your financial statements portray the true health of your business.

   Reconcile accounts regularly and correct outdated or incorrect entries to avoid discrepancies.

2. **Align financials across documents**
   Ensure your profit and loss statements, balance sheets, cash flow statements and tax returns are consistent with each other. Small discrepancies can cause delays or rejection.

   Cross check that income reported matches tax filings and assets/liabilities are properly classified.

3. **Improve liquidity**
   Lenders look for sufficient cash reserves to cover periods of unexpected downtime or events and this may often be at least six months of operating expenses.

   Consider converting non liquid assets (eg such as property or investments) into cash if you lack sufficient liquidity.

4. **Consider tax strategy impacts**
   While reducing tax liability is important, overly aggressive deductions that reduce reported income can harm loan eligibility.

Work with an accountant to balance minimising taxes without impairing your financial profile for lenders.

5. **Prepare multiple years of financial history**
   At least two to three years of financial statements and tax returns demonstrate track record and stability, making your business more attractive to lenders and investors.

Crafting a compelling business plan

Your business plan should complement your financials by clearly stating why you need finance, how you will use it and how it will generate returns or growth.

Include:

- Executive summary summarising the opportunity and financing purpose.
- Company description and market analysis proving demand and competitive advantage.
- Detailed financial projections with realistic assumptions based on historical data.
- Risk management strategies to address potential challenges.

A well structured, realistic business plan reassures lenders and investors that you have a clear roadmap for success.

The benefits of clean financials and a strong plan

Having well prepared financial statements and a robust business plan will:

- increase your chances of loan or investment approval
- help you qualify for larger amounts or better terms
- accelerate the underwriting and due diligence process
- build credibility and trust with lenders and investors
- give you deeper insight into your business's performance and areas for improvement.

Approach financing as an opportunity to showcase your business acumen and readiness for growth.

If managing this sounds daunting, consider engaging a qualified accountant or financial advisor. They can save you time, reduce errors and optimise your presentation.

By presenting a clear and compelling financial story grounded in solid data and thoughtful planning, you position your business for success in securing the funds needed to thrive.

We look forward to helping you with your application.

Contact us to read
'Understanding key financial ratios: What lenders and investors look for'.

Disclaimer: This article provides general information only and has been prepared without taking into account your objectives, financial situation or needs. We recommend that you consider whether it is appropriate for your circumstances. Your full financial situation will need to be reviewed prior to acceptance of any offer or product. It does not constitute legal, tax or financial advice and you should always seek professional advice in relation to your individual circumstances. ©2025