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INVESTMENT READINESS · GUIDANCE SHEET

The UK Early-Stage Investment Guidance Sheet

A practical guide for founders raising angel and early venture funding in the UK: how to prepare, what to build, how the process runs, and what to watch for in the paperwork.

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EDITOR	James Doherty, Non-Executive Director
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AUDIENCE	Founders, CEOs and finance leads of UK companies raising pre-seed, seed or early venture rounds. Deliberately generic; applies across sectors.

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Important notice and disclaimer	Please read first: no reliance, risk warning, limits of this guide
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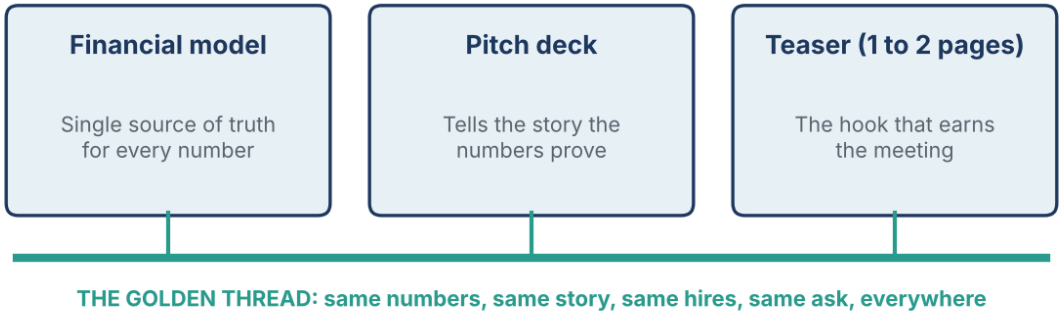
1. The raise on a page

Raising early-stage equity is a sales process, not an application. Investors are buying a share of a future outcome, so your job is to make that outcome believable, make the numbers consistent, and make it easy to say yes. Ten rules cover most of what separates a smooth raise from a long one.

1. **Raise against a milestone, not a date.** Ask for enough cash to reach the next value-creating event (for example regulatory clearance, first paying customers, a proven sales cycle), plus contingency.
2. **Know your numbers cold.** Every founder and finance lead should be able to explain runway, burn, unit economics, pipeline and use of funds without notes.
3. **Keep one golden thread.** The financial model, pitch deck and teaser must tell the same story with identical numbers, hires and timings.
4. **Present an opportunity, not a request.** You are not asking for money; you are offering a return. Lead with market, traction, team and why now.
5. **Show evidence, not adjectives.** Paying customers, paid pilots, signed contracts, pipeline stages, regulatory milestones and named early adopters beat claims of a large market.
6. **Build a pipeline, not a wish list.** Plan for many conversations and low conversion. Run a tracker with owners, stages and next actions.
7. **Create momentum.** A lead investor, a target close date and a rolling close compress the timeline. Drift kills rounds.
8. **Get the tax position sorted early.** If investors will rely on SEIS or EIS, secure advance assurance before you go out, not after you have a term sheet.
9. **Keep your house in order.** Clean cap table, IP assigned to the company, signed contracts, filed accounts. Due diligence finds what you hoped it would not.
10. **Stay motivated after dilution.** A good deal leaves founders and the team strongly incentivised. A deal that over-optimises price at the expense of terms or fit usually costs more later.

The three core documents

Whatever the stage, expect to need three pieces of core collateral, kept in step with each other.



Document	Purpose	Length

Investor-ready financial model	Shows the funding need, how the cash is deployed, and the return it creates. A funding model, not an operating model.	Three-statement model with summary pages

Document	Purpose	Length
Pitch deck	The story of the company so far and the growth the funding unlocks. Presented live and read alone.	15 to 20 slides plus reference slides
Teaser / executive summary	One or two pages capturing the investment thesis, used to earn the first meeting. Pair it with a short impact statement for the email opener.	1 to 2 pages

2. Are you ready, and is equity the right tool?

Readiness test

Before you start, score yourself honestly. Each "no" is a reason to delay outreach or to fix it first. Starting early with a weak foundation burns your best investor introductions.

Area	Question to answer	Ready when
Purpose	What will this money change, and by when?	A defined milestone, spend profile and expected result
Traction	What evidence shows customers want this?	Paying customers, paid pilots, signed LOIs or a measurable pipeline
Team	Can this team deliver the plan, and who is missing?	Bios, gap analysis, hiring plan tied to the model
Numbers	Do you trust your own forecast?	Monthly three-statement model that balances and reconciles to actuals
Cap table	Who owns what, and are all promises documented?	Current register, no informal equity promises, option pool agreed
IP and contracts	Does the company own what it sells?	IP assignment from founders, employees and contractors; key contracts signed
Regulatory	Are approvals, standards or data rules understood?	Map of requirements, milestones achieved, risks understood
Time	Can the leadership team afford the distraction?	A named raise lead and cover for day-to-day operations
Tax schemes	Will investors need SEIS or EIS?	Eligibility checked and advance assurance in hand or in progress

Equity versus other funding

Equity is expensive capital because it is permanent and dilutive. It suits uncertain, high-growth businesses that cannot service debt yet. Many companies use a blend. Match the instrument to the risk.

Source	Best for	Watch-outs
Grants	R&D and innovation spend; non-dilutive; signals credibility	Match funding, reporting burden, competitive and slow, restrictions on use

Government-backed innovation loans	Commercialising funded R&D when equity is hard or expensive	Interest accrues, repayments start on a schedule, covenants apply, can take months to complete

Source	Best for	Watch-outs
Commercial debt and asset finance	Assets, equipment or predictable receipts	Needs capacity to service; security and covenants; lenders look at cash cover
Venture debt	Extending runway after an equity round	Usually follows institutional equity; warrants and covenants
Revenue-based or invoice finance	Companies with recurring or invoiced revenue	Costly effective rates; reduces cash margin
Angel and seed equity	Pre-revenue to early revenue; speed and flexibility	Dilution, investor management, tax-scheme conditions
Venture capital	Proven traction and a scale plan; larger cheques	Higher bar, formal governance, strong preference terms
Crowdfunding	Consumer-facing brands with a community	Public-facing campaign, many small shareholders, platform and compliance costs

Sequence matters Debt and grant timelines are long and run on their own clocks, so start them early and in parallel. Government-backed loan processes can take up to six months. A debt facility can also make the equity story stronger, because it shows non-dilutive support and reduces the equity needed.

3. Round size, dilution and valuation

How much should you raise?

Ask for what the plan says you need, with sensible contingency, and no more. Investors test whether the number ties to the model. A common approach is 18 to 24 months of runway, enough to hit a milestone that supports a higher valuation at the next round.

Step	Worked example (illustrative)
1. Net monthly burn through the plan	£60,000 average net burn
2. Months of runway to the milestone	18 months
3. Cash needed	£60,000 x 18 = £1,080,000
4. Contingency (typically 10 to 20 per cent)	15% = £162,000
5. Total requirement	£1,242,000, so the ask is about £1.25m
6. Check against existing cash and committed income	Deduct cash already available, plus loans or grants already agreed

Timeline matters as much as the number: your plan should show the organic period (working within current cash constraints) up to the point cash arrives, the deployment of funds, and the scale that follows.

Dilution worked example

Founders usually give up somewhere around 15 to 25 per cent per early round, plus any option pool top-up the investors require. The example below shows how a pre-money valuation, round size and option pool interact.

Item	Value
Pre-money valuation	£2,400,000
New money raised	£600,000
Post-money valuation	£3,000,000
New investors' ownership	£600,000 / £3,000,000 = 20.0%
Option pool required by investors (post-money)	10.0%, created before the round so it dilutes existing holders
Founders after the round	70.0% in total (for example 60/40 between two founders = 42.0% and 28.0%)

Pool shuffle

An option pool created "pre-money" lowers the effective valuation the existing shareholders receive. If the investor asks for a 10 per cent post-money pool, the effective pre-money is lower

than the headline. Always ask for the fully diluted cap table before and after.

How valuations are formed

Early-stage valuations are negotiated, not calculated. Valuations are a bit like art: they are whatever a willing investor will pay. Be flexible and open-minded, but protect your motivation after dilution. Investors typically triangulate:

- **Comparable rounds** for similar companies in your sector and stage (most influential).
- **Traction multiples** such as revenue, recurring revenue, pipeline or growth rate.
- **Scorecard or checklist methods** that adjust a regional benchmark for team, market, product, competition and traction.
- **Round mechanics:** what percentage the investor needs to own to make the cheque worthwhile, and the valuation your next round must reach to give them a return.
- **Discounted cash flow** is rarely the anchor at this stage because the inputs are too uncertain, but it must sit behind your model.

Tip: decide in advance your walk-away terms. A lower price with clean terms and a supportive lead often beats a higher price with heavy preference rights.

4. Choosing investors and instruments

Investor types by stage

Investor type is key and should be driven by your growth stage and the quantum you seek. Figures below are indicative ranges for UK rounds and vary by sector.

Investor	Typical stage	Indicative cheque	What they look for
Angels and angel syndicates	Pre-seed and seed	£10k to £150k each; syndicates pool larger rounds	Founder quality, a credible story, tax relief eligibility, sector knowledge
Tax-advantaged funds (EIS and SEIS funds)	Seed to growth	£100k to £2m	Qualifying companies, advance assurance, defined exit routes

Investor	Typical stage	Indicative cheque	What they look for
Venture capital trusts (VCTs)	Later seed to growth	£500k to £5m+	EIS-style qualifying status, revenue, a strong board and reporting
Seed and micro-VC funds	Seed to Series A	£250k to £2m	Repeatable traction, market size, team, defensibility
Venture capital	Series A and beyond	£2m to £10m+	Scalable model, metrics, a path to a large outcome
Family offices and strategic investors	Seed upwards	Varies widely	Strategic fit, long horizon, sometimes commercial partnership
Crowdfunding investors	Early, brand-led	Small tickets, large numbers	A clear consumer story and community

Matching and approaching investors

- **Build a target list by fit:** stage, cheque size, sector, geography, previous deals, typical ownership target. Eliminate funds that cannot lead or cannot write your cheque.
- **Prefer warm introductions** from founders they have backed, advisers or shared contacts. Cold outreach works best when it is specific and short.
- **Target a lead.** One credible lead who sets terms unlocks followers and keeps the round moving.
- **Do your own diligence on investors:** references from founders they have backed (including ones where things went badly), follow-on behaviour, and how they behave in a down round.
- **Be mindful of conflicts:** an investor in a direct competitor, or one whose cheque would block a later strategic investor.

Instruments: how the money goes in

Investor	Typical stage	Indicative cheque	What they look for
Venture capital trusts (VCTs)	Later seed to growth	£500k to £5m+	EIS-style qualifying status, revenue, a strong board and reporting
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Whichever instrument you use, understand what happens on conversion: the discount, the valuation cap, how the option pool is treated, and how many shares result. Model the cap table on conversion so no one is surprised.

5. Tax-advantaged investment: SEIS, EIS and VCT

The UK venture capital schemes give investors income tax relief and capital gains benefits, which makes them a major reason angels and funds write cheques to small companies. Many investors will not invest unless the company qualifies. Rules changed from 6 April 2026, so check the current position before relying on any figure below.

Key parameters (in force from 6 April 2026)

	SEIS	EIS	VCT
Who it targets	Very early companies	Early-stage growth companies	Funds that invest in qualifying companies
Investor income tax relief	50%	30%	20% (reduced from 30% from 6 April 2026)
Investor annual limit	£200,000	£1m, or £2m if at least £1m goes into knowledge-intensive companies	£200,000
Minimum holding period	3 years	3 years	5 years
Company raise limit	£250,000 (includes other small-amount state aid in the previous 3 years)	Per 12 months: £10m, or £20m if knowledge-intensive. Lifetime: £24m, or £40m if knowledge-intensive	Qualifying holdings must meet EIS-style conditions
Gross assets (company and subsidiaries)	Not over £350,000	Not over £30m before and £35m after the investment	As for EIS
Employees	Fewer than 25 full-time equivalents	Fewer than 250 (500 if knowledge-intensive)	As for EIS
Company age	Trade started within the last 3 years	Generally within 7 years of first commercial sale (10 years if knowledge-intensive)	As for EIS
Capital gains	50% reinvestment relief; gains on the shares exempt after the holding period	Deferral of 100% of a gain; gains on the shares exempt after the holding period	Gains on the shares exempt; no deferral
Loss relief	Yes	Yes	No
Dividends	Taxable	Taxable	Tax-free dividends for the investor

Limits in the table are the headline figures. Each scheme has further conditions on trade type, share rights, use of funds, connected persons, and a **risk-to-capital condition** that tests whether the company has a genuine objective to grow and develop, with a significant risk of losing the investor's capital. A qualifying company that is simply preserving capital will not pass.

Knowledge-intensive companies

Higher EIS limits apply to knowledge-intensive companies. In outline, a company must be within ten years of a first commercial sale or £200,000 turnover, have fewer than 500 full-time equivalent employees, and meet an

innovation and R&D condition (for example, creating intellectual property that is expected to generate the majority of its business, or having at least 20 per cent of employees engaged in relevant research). R&D spend conditions also apply, usually at least 10 per cent of operating costs in each of three years, or 15 per cent in one of three years.

Advance assurance

Advance assurance is HMRC's non-statutory, discretionary opinion on whether a planned investment would qualify. It is not binding and it does not guarantee any individual investor's relief, but investors, VCTs and tax-advantaged funds rely on it heavily. Key points:

- Apply **before** you issue shares. If shares have already been issued, you cannot apply for advance assurance on them.
- A director, the company secretary, or someone they authorise can apply. You need a completed application with full disclosure of the company, trade, plans, how funds will be used, and how each condition is met. If disclosure is incomplete, the assurance is not valid.
- Submit a clear business plan, accounts, cap table, draft articles and share terms, details of use of funds and any areas of doubt.
- Allow several weeks, and build the timing into your plan. Some founders use a specialist provider for the application; others do it with their accountant or solicitor.

Advance subscription agreements and SEIS/EIS

An ASA lets investors commit money before a priced round. For SEIS and EIS the shares must still be subscribed for in cash and fully paid up. HMRC guidance sets strict tests for treating an ASA as acceptable, so use a lawyer who knows the rules. In summary, an ASA is likely to be acceptable only if:

- The money cannot be refunded in any circumstances, and the agreement cannot be varied, cancelled or assigned.
- It carries no interest and gives the investor no investor protections (for example, consent rights over company decisions).
- It has a longstop date for issuing shares, which HMRC expects to be no more than six months from the agreement.
- You applied for advance assurance **before** signing the ASA.

The six-month limit often does not match a 12-month plan to the next round. If the next round is further out than six months, an ASA may not work as intended.

After you raise: compliance steps

1. Issue the shares and file the share allotment return with Companies House within one month.
2. Wait until the conditions are met. For SEIS, the compliance statement can be submitted only after the qualifying trade has run for at least four months, or at least 70 per cent of the money raised has been spent.
3. Submit the compliance statement to HMRC, then issue investors their compliance certificates.
4. Investors claim relief on their tax returns. The claim window is up to five years after the 31 January following the tax year of the investment for SEIS and EIS.
5. Keep the conditions met for at least three years (five for VCT). The money raised under SEIS must be spent within three years of the share issue. Breaches can withdraw investors' relief and damage your reputation with that investor community.

Employee share options (EMI)

From 6 April 2026 the Enterprise Management Incentive limits increased: companies with up to 500 employees and £120m gross assets can qualify, the total unexercised option limit per company is £6m, and the exercise period extends to 15 years. The £250,000 per-employee limit is unchanged. The requirement to notify HMRC of each grant is expected to be removed from April 2027, while annual returns continue. Option pools are a standard part of the hiring plan and the cap table, so budget for them.

6. Your investment collateral

6.1 The investor-ready financial model

Investors need to grasp quickly the overarching investment need, how the cash is deployed, and the return it creates (sales growth, profit, market share and so on). This is not an operational model. It is a funding model, squarely aimed at demonstrating your requirement and how the cash will impact and facilitate your growth.

Standards that earn trust

- **Three statements linked:** profit and loss, balance sheet and cash flow, with the balance sheet balancing and cash reconciling every period.
- **Timeline:** monthly for at least 24 months, then quarterly or annual to year five. Show the organic period before funds arrive, deployment of funds, and the scale after.
- **One assumptions sheet** driving the model. No hardcoded numbers inside calculations; every driver visible and changeable.
- **Scenarios:** base, downside (for example half the sales ramp) and upside. Show runway in each. Investors always ask "what if sales are slower?".
- **Use of funds and hiring plan** that tie directly to the ask and to the headcount in the deck.
- **Unit economics and KPIs:** customer acquisition cost, lifetime value, gross margin, payback, sales cycle length, churn and conversion, as relevant to your model.
- **Cap table link:** pre- and post-money ownership, option pool and conversion mechanics.
- **Debt schedule:** loans, interest and capital repayments, covenant tests where relevant, and any grant income and conditions.
- **Integrity checks:** a front-page check summary that shows the model balances, cash ties and totals agree.
- **Actuals first:** reconcile the opening position to the latest management accounts and statutory accounts, and explain any adjustment.
- **Navigation:** simple cover, contents, colour conventions (inputs, formulas, checks), version control.

Inputs you should gather before building

Item	Why it is needed

Latest long-form statutory accounts	Baseline financial position and prior-year comparatives
Latest management accounts	Current trading, cash position and run-rate costs
Your internal projections model	Existing assumptions to challenge and improve
Payroll summary: role and gross annual salary	Largest cost line; drives headcount plan and employer costs
Loan structures, interest and capital repayments	Debt service and covenant assumptions
Unusual or material balance sheet items	Other debtors, creditors, deferred income, accruals that distort cash

Item	Why it is needed
Revenue model and underlying streams	Pricing, volumes, contract terms, recognition and cash timing
Anything else relevant	Grants, tax credits, regulatory or capex commitments

Revenue that starts too soon and ramps too fast, with no link to sales capacity or cycle length. Ignoring working capital and deferred income, so cash does not match profit. Forgetting employer on-costs, recruitment fees, equipment, tax timing and VAT. A "hockey stick" that appears in year three with no operating lever behind it. A model that differs from the deck by even a small amount. Investors notice.

6.2 The pitch deck

The numbers in the model must wholly align to the deck. The deck tells the story of how you got here and what happens next: what the company has achieved, what is needed to continue, and what the outcome will be. Aim for **15 to 20 slides**. Keep reference material in an appendix. Be visual: if a slide looks like a page from a book, cut it.

Recommended slide order

#	Slide	What it must do
0	Disclaimer	Place it at the very front of the deck. It states that the deck is not an offer to the public and carries the risk warning.
1	Founders' story and ambition	Brief: why you started, what drives you, what you aspire to build. Authenticity builds trust.
2	Why now, why us, why this market	A summary opener. Why the timing is right, what makes you different and disruptive, and why this market is attractive, with routes to market.
3	Vision and value proposition	One clear sentence on the offering and the value it creates, the pain it solves, and a customer quote or case study if you have one.
4	The problem	Customer-stated problems from your research, with quotes or data. Show what the market lacks today.
5	The solution	Visual, customer-focused and light on technical detail. Walk through an example showing why buyers will buy and what drives acquisition.
6	Market size: TAM, SAM, SOM	See the diagram below. Anchor the SOM on near-term early adopters, specific verticals and channels, and paid pilots.

#	Slide	What it must do
7	Team and onboarding plan	Short, impactful bios; advisers; a gap analysis and hiring plan. The team is what investors are really backing, so put it early. Align hires to the model.
8	Traction and journey to date	Milestones achieved and the roadmap. Customers, revenue, pilots, regulatory or product milestones.
9	Customers and pipeline	Key current clients, paid pilots and how acquisition will deliver growth. Show pipeline stages and conversion.
10	Revenue model	How you make money, pricing benchmarked to competitors, ideally shown as a flow. This should be clear and visible.

#	Slide	What it must do
11	Go-to-market	Channels, partners, marketing activity, sales team and plan. Use a recognised framework such as the 7 Ps or Five Forces if helpful. Show how the plan plays out in numbers.
12	Competition	Where you fit, three to five reasons customers choose you, and a testimonial. Include latest revenue or funding of close competitors but avoid distressed examples, which question market validity.
13	IP and defensibility	Patents (granted and pending), trademarks, know-how, data and regulatory moats. Consider an IP audit or valuation.
14	Financial summary	Trading metrics only: revenue growth, margins, EBITDA, cash balance. Two years past and the forecast, with a few graphics. Must come from the model.
15	The ask and use of funds	The amount, the instrument, and a clear deployment plan with expected results and milestones.
16	Exit options	Debatable, but show you have thought about routes: trade sale, secondary sale, listing. It signals commercial maturity.
17	Valuation and terms (optional)	Many leave valuation to the conversation; show round structure and who is already committed.
18	Thank you and contact details	Clear next step.

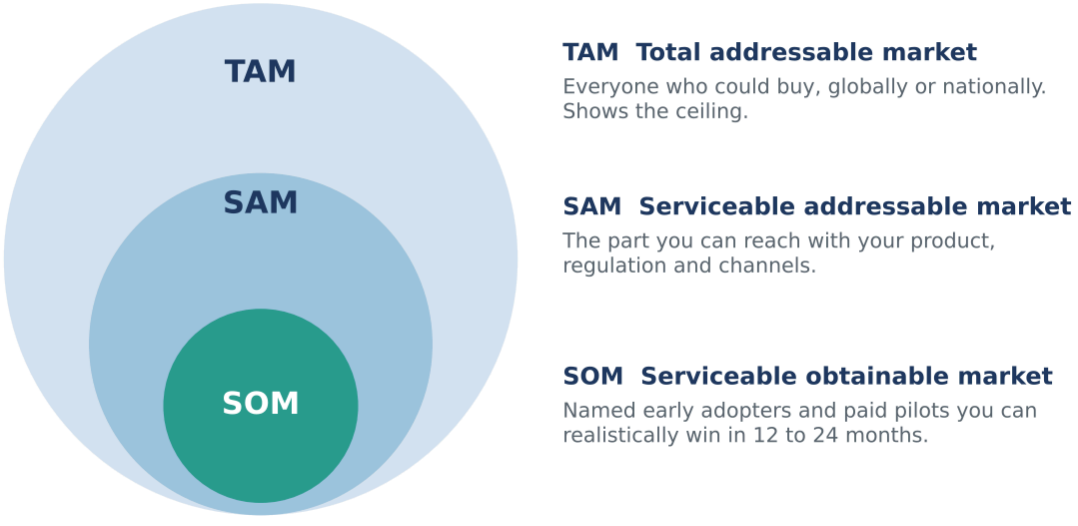

Figure 1. Market sizing: keep the serviceable obtainable market tied to named customers and paid pilots.

Deck craft

- **Keep the technical depth low.** The deck needs the proposition and evidence. The deep technical specification lives in the data room.
- **One message per slide.** The headline should be the conclusion ("Pilots convert in nine months"), not a label ("Sales").
- **Make it work alone and live.** Investors forward decks. Every slide should make sense without you, and the live version should be 20 minutes with time for questions.
- **Back claims with sources.** Cite market data and give the date. Unsourced TAM numbers damage credibility.
- **Show risks honestly.** Name the top three and your mitigation. Investors find them anyway.
- **Avoid stale detail:** a pipeline slide with no stages and no dates is just a list of logos.

6.3 The teaser and the impact statement

The teaser is a one to two page summary of the investment thesis. Use it to draw out interest, then follow with the full deck once there is engagement. Cover: the team, value proposition, market size and route to market, summary financials, the investment ask and the deployment of funds. A template is in Appendix B.

You also need an **impact statement**: two or three sentences that act as the opener to an email and entice a further look at the teaser or deck. Lead with the proof point, not the product.

Example impact statement (fictional)
"We help hospital trusts reduce scan reporting backlogs by half. After 14 months, we have six paying sites and a pipeline of 20, and we are raising £1.25m to expand delivery and sales into three new regions. I have attached a two-page summary and would value 20 minutes to walk you through it."

6.4 The data room

Investors will ask for supporting documents once interested. Set up an organised, permissioned data room early so that you can respond in hours and so that you find gaps before they do. Suggested structure:

Folder	Contents
1. Corporate	Certificate of incorporation, articles, current shareholder agreements, cap table and share registers, board minutes, PSC register
2. Financial	Statutory and management accounts, detailed model, budgets, debt documents, tax filings, grant and loan terms
3. Commercial	Sales and marketing plan, route to market, target territories, customer contracts, pipeline report, pricing
4. Product and technical	Detailed offering specification, roadmap, security and architecture summary
5. Regulatory and quality	Regulatory framework, approvals and milestones achieved, quality standards, certifications

Folder	Contents
6. IP	Patent list (granted and pending), trademarks, licences, IP assignments, freedom to operate notes
7. People	Senior team bios and CVs, employment contracts, option plan and grants, organisation chart, contractor agreements
8. Legal and compliance	Material contracts, disputes, insurance, data protection documents, financial promotion approach
9. Tax schemes	Advance assurance letter, supporting information, ASAs, compliance records

7. Process, timeline and momentum

Typical timeline

Not all raises are the same, but from sign-off of the collateral to cash in the bank, expect roughly six to eight months for a priced round with institutional or experienced angel investors, and sometimes a shorter period for a small angel round. Plan for preparation before that. Lead investors can accelerate the later stages, but you cannot skip legal work and due diligence. The senior team will spend a significant share of their time on the raise, so plan cover for operations.

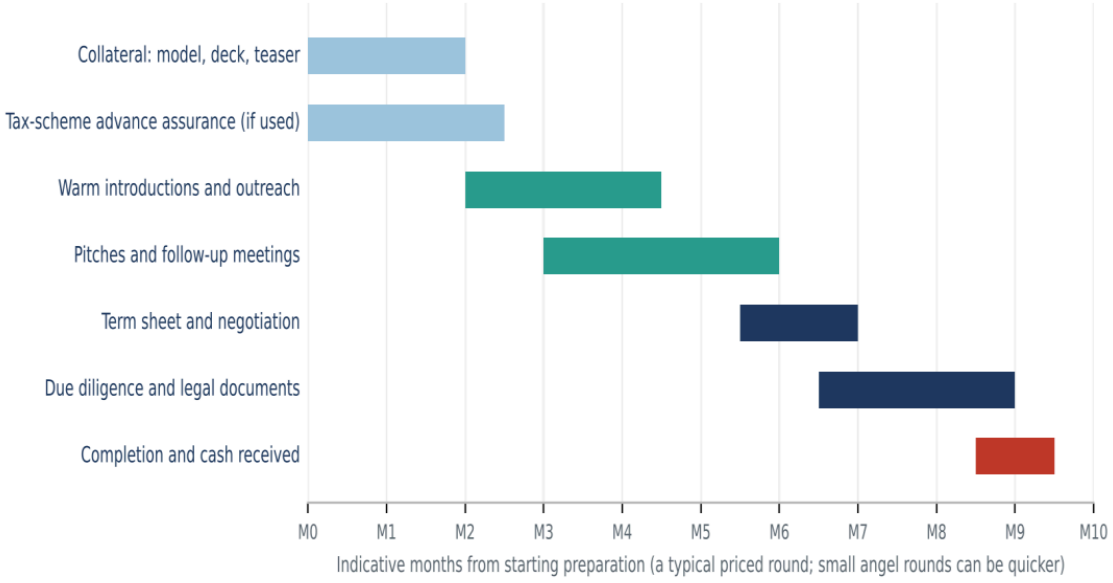

Figure 2. Indicative raise timeline. Overlapping workstreams is how experienced teams compress the calendar.

Stage	What happens	Indicative time
Preparation	Model, deck, teaser, data room, tax-scheme advance assurance, target list	4 to 8 weeks
Outreach and first meetings	Introductions, teaser out, intro calls, first pitches	4 to 8 weeks
Second meetings	Deeper questions, model walkthrough, customer references	2 to 6 weeks
Term sheet	Lead investor offers and negotiates terms; exclusivity may apply	1 to 3 weeks

Stage	What happens	Indicative time
Due diligence and documents	Legal, financial, commercial and technical review; share agreements drafted	4 to 10 weeks
Completion	Signatures, funds in, shares issued, filings	1 to 2 weeks

Run it like a sales pipeline

- **Funnel realism:** treat investor outreach as a pipeline with low conversion. A long list of targets narrows to a handful of serious conversations and a small number of term sheets. Rules of thumb vary, but plan for a lot more conversations than the cheques you need.
- **Batch your outreach.** Run first meetings in a concentrated window so that interest overlaps, rather than a drip that lets momentum fade.
- **Find the lead early.** Test who can lead and set terms before filling the round with smaller cheques.
- **Set a close date** and communicate progress honestly ("round is 60 per cent committed; first close on the 14th"). Avoid false urgency, which the investor community will remember.
- **Use a rolling close** where documents allow, so early money can be received and later investors can join.
- **Follow up within 24 hours** with promised materials and a clear next step.
- **Record feedback.** Patterns in "no" reasons tell you what to fix in the deck or the proposition.

The investor tracker

Maintain a shared internal spreadsheet covering every investor interaction. It lets the whole team know who is talking to whom and prevents mixed messages. Suggested columns are in Appendix C. Review it weekly and use it to decide where the founders' time goes.

8. Term sheets, legals and due diligence

Key terms explained

A term sheet is generally non-binding apart from exclusivity, confidentiality and costs, but it sets the tone for the final documents. Understand every line before you sign.

Term	What it means	Founder-friendly / red flag
Valuation and amount	Pre-money value, new money, post-money, and resulting percentage	Check how the option pool is treated and the fully diluted share count
Liquidation preference	What investors receive before others on a sale or winding-up	Friendly: 1x non-participating. Red flag: participating, multiple (2x or more), or stacked across rounds
Anti-dilution	Protects investors if later rounds are priced lower	Friendly: broad-based weighted average. Red flag: full ratchet
Pre-emption rights	Right to maintain ownership in future rounds	Standard; check carve-outs for options and strategic issues
Board and observer rights	Who sits on the board and what is reserved	Keep founder control of day-to-day; avoid early loss of board majority
Protective provisions / reserved matters	Decisions that need investor consent (new shares, debt, budget, sale)	Keep the list short and tied to material matters
Vesting and leaver provisions	Founders' shares may be earned over time; leavers may be bought back	Expect some vesting. Check good and bad leaver definitions and credit for time served
Drag-along and tag-along	Forces minority to join a sale; lets minority join a sale	Check thresholds, minimum price and who can trigger
Information rights	Reporting investors receive	Agree a realistic reporting calendar
Warranties and indemnities	Founders' statements about the company, with liability if untrue	Disclose properly; seek caps and time limits; avoid unlimited personal liability
Exclusivity (no-shop)	Period during which you cannot talk to other investors	Keep short (typically 4 to 8 weeks) and tied to progress milestones
Costs	Who pays legal and other fees	Agree a cap for investor legal fees

Standard industry model documents exist for priced rounds, and using them (adjusted by a solicitor) saves cost and time. Typical documents are the term sheet, subscription agreement, shareholders' agreement, new articles, disclosure letter, board and shareholder resolutions, option scheme documents and, where relevant, tax-scheme paperwork.

What investors check in due diligence

Area	Typical questions	Red flags that stall deals
Corporate and cap table	Is the register accurate? Are all share issues validly authorised and filed?	Informal equity promises, missing filings, unclear ownership

Area	Typical questions	Red flags that stall deals
IP	Does the company own what it sells?	No IP assignments from founders, employees or contractors; open-source or licence conflicts

Area	Typical questions	Red flags that stall deals
Financial	Do accounts, management numbers and the model agree?	Unreconciled differences, aggressive revenue recognition, unexplained balance sheet items
Commercial	Are customer contracts real, renewable and assignable?	Change-of-control clauses, concentration in one customer, paid-pilot terms unclear
Employment	Are contracts, options and contractor arrangements in order?	Misclassified contractors, unrecorded option promises, key-person dependence
Regulatory and data	Are approvals, quality standards and data protection in place?	Gaps in approvals, no data protection documentation, security incidents
Tax	Are filings up to date, and is the tax-scheme status right?	Late filings, unresolved enquiries, scheme conditions not met

Run a mock due diligence six to eight weeks before outreach. Fix IP assignments, tidy the registers, reconcile the accounts to the model, and put everything in the data room. It costs far less than a delayed completion or a price chip late in the process.

9. Regulation and compliance

Financial promotions

In the UK, communicating an invitation or inducement to invest ("a financial promotion") is restricted unless you are authorised or an exemption applies. A deck, teaser, email or website page inviting investment can all be financial promotions. Founders commonly rely on exemptions such as communications to investment professionals, certified high net worth individuals, certified or self-certified sophisticated investors, or to members of a recognised angel network. Each exemption has conditions, including mandatory risk warnings, investor statements and record keeping. Do not post a public invitation to invest or share the deck widely without advice. If in doubt, ask a solicitor to review your materials and your process. Many companies use an authorised firm to approve promotions or run the raise via a regulated platform.

Companies House and corporate housekeeping

- File the share allotment return within one month of issuing shares, and update statutory registers and the people with significant control register.
- Directors and people with significant control now need to verify their identity with Companies House. Complete it before the round so completion is not delayed.
- File new articles and resolutions, and keep accounts and the confirmation statement up to date. Late filings concern investors.
- Keep a clean record of board decisions. Investors read minutes.

Data protection and investor information

- Investor and shareholder details are personal data. Hold them securely, share them only as needed, and have a lawful basis and privacy notice for your outreach.
- Expect investors and their advisers to carry out identity and anti-money-laundering checks. Respond quickly and keep documents ready.
- Use confidentiality agreements sparingly at pitch stage (many investors will not sign them), but protect sensitive material through data room permissions and staged disclosure.

Employee incentives

Share options are part of the cap table. Settle the pool size, vesting, valuation and tax treatment (for example an approved EMI scheme where eligible) before closing, so that the pool is in place when investors expect it. Update your option plan documents and make grants properly with valuations agreed.

10. After the money, common mistakes and tough questions

The first 100 days after completion

1. **Complete filings:** allotment return, registers, tax-scheme compliance statement when eligible, issue certificates to investors.
2. **Announce thoughtfully:** thank investors, agree the message, and use the news for hiring and sales.
3. **Deploy funds against the plan** and track actual use of funds versus the model monthly. The model becomes your reporting tool.
4. **Set up investor reporting:** a short monthly or quarterly update with headline metrics, progress against milestones, cash and runway, asks for introductions, and honest bad news.
5. **Run a proper board rhythm:** agenda, papers in advance, minutes, action tracking.
6. **Plan the next round early:** start building relationships nine to twelve months before you need cash, and watch the six-month ASA limit if tax schemes are involved.

Suggested investor update structure

Section	Content
Headlines	Three wins, three challenges
Metrics	Revenue, pipeline, cash, runway, headcount, and the two or three KPIs that matter most
Progress against milestones	On track / at risk / delayed, with reasons
Cash and use of funds	Actual versus plan
Asks	Specific introductions or expertise needed

Common mistakes

Mistake	Better approach
Raising without a milestone	Define the milestone, the spend and the date it will be reached
Numbers differ between model, deck and teaser	Treat the model as the source and regenerate every figure from it
Over-long, text-heavy deck	Fifteen to twenty slides, visual, with reference slides at the end
Market size claims with no route to market	Anchor the SOM on named early adopters and paid pilots
Hockey-stick forecasts	Build revenue from sales capacity, cycle length and conversion
Talking to the wrong investors	Qualify by stage, cheque size, sector and lead ability before pitching

Mistake	Better approach
No lead investor	Find the lead first; followers then follow
Ignoring tax-scheme eligibility	Check eligibility and secure advance assurance before outreach
Convertible debt used with SEIS or EIS investors	Use ordinary shares or a properly structured ASA
Accepting terms you do not understand	Go through each term with your solicitor and model the downside
Slow responses and drifting timeline	Respond within 24 hours and set a close date
Unfiled paperwork and messy cap table	Mock diligence before you start
Including distressed competitors in the landscape	Show healthy comparables with latest revenue or funding
Public promotion of the round	Use exempt routes and authorised approval
Neglecting the business during the raise	Appoint a raise lead and protect operational delivery

Questions to prepare for

- Why this team, and what makes you the right people to win?
- Why now? What changed that makes this possible today?
- What is your evidence that customers will pay, and how long does a sale take?
- Who are your competitors, including doing nothing, and why do customers choose you?
- What are the three biggest risks, and what have you done about them?
- How is the money spent, month by month, and what happens at half your forecast sales?
- What are your unit economics and when do they turn positive?
- What would make you walk away from a deal?
- What is the likely exit and who would buy you?
- What will you do if you cannot close the round?

Glossary

Term	Meaning
ASA	Advance subscription agreement: investor funds now, shares issued later
Cap table	Capitalisation table: who owns what, including options and convertibles
Dilution	The reduction in an existing holder's percentage ownership when new shares are issued
EMI	Enterprise Management Incentive: a tax-advantaged employee share option scheme
EIS / SEIS	Enterprise Investment Scheme / Seed Enterprise Investment Scheme
Golden thread	Consistency of numbers and story across model, deck, teaser and data room
Knowledge-intensive company	A company meeting the innovation and R&D conditions for higher EIS limits

Term	Meaning
Liquidation preference	The amount investors take before others on a sale or winding-up
Post-money / pre-money	Company value after / before the new investment
Runway	Months of cash left at the current net burn

Term	Meaning
SAM / SOM / TAM	Serviceable addressable / serviceable obtainable / total addressable market
VCT	Venture capital trust: a listed fund that invests in qualifying small companies

Appendix A. Pre-raise checklist

Strategy

- ☐ Milestone, ask, use of funds and runway agreed by the board
- ☐ Investor target list built and ranked by fit
- ☐ Raise lead and roles agreed; operations covered
- ☐ Alternative funding (grants, loans) mapped and timed

Collateral

- ☐ Three-statement model with scenarios and checks
- ☐ Deck of 15 to 20 slides with disclaimer at the front
- ☐ Teaser and impact statement
- ☐ Investor tracker set up
- ☐ Data room built and permissioned

Legal and tax

- ☐ Cap table and registers clean and filed
- ☐ IP assignments in place for founders, staff and contractors
- ☐ Option pool and plan agreed
- ☐ SEIS / EIS eligibility checked; advance assurance obtained before any ASA or share issue
- ☐ Financial promotion route agreed with solicitor
- ☐ Directors and PSCs verified with Companies House

Evidence

- ☐ Customer references and case studies ready
- ☐ Pipeline report with stages and dates
- ☐ Latest management accounts reconciled to the model
- ☐ Regulatory and quality evidence organised

Appendix B. Teaser template (one to two pages)

Section	Content to include
Headline	One-sentence description of what you do and for whom
The opportunity	Problem, why it matters now, size of the market (TAM, SAM, SOM)
The solution	What you offer, how it works at a high level, key differentiator
Traction	Customers, revenue, pilots, pipeline, regulatory and product milestones
Business model	How you make money, pricing, sales cycle, margins
Team	Founders and key hires with one-line credentials
Financial summary	Two years past and three years forward: revenue, gross margin, EBITDA, closing cash
The ask	Amount, instrument, tax-scheme status, who is already committed, target close date

Section	Content to include
Use of funds	Percentage split and the milestones it delivers
Contact	Name and email of the raise lead. Add risk warning and disclaimer

Appendix C. Investor tracker: suggested columns

Column	Purpose
Investor / fund and contact	Who they are and who owns the relationship at your end
Type and stage fit	Angel, fund, VCT, strategic; and cheque size range
Source of introduction	Warm or cold, and the introducer
Status / stage	Identified, contacted, intro call, first pitch, second meeting, term sheet, diligence, closed, declined
Date of last contact and next action	Keeps the pipeline moving; sort by next action date
Feedback and objections	Themes to fix in the deck and proposition
Indicative amount and probability	Total committed, soft-circled and pipeline
Documents sent / access granted	Teaser, deck, model, data room permissions
Tax-scheme relevance	Whether they need SEIS, EIS or VCT-qualifying shares

Appendix D. Official sources to check before you act

Rules change. Before acting, check the current position with the official sources and a qualified adviser:

- GOV.UK guidance: "Use a venture capital scheme to raise money for your company", "Apply to use the Seed Enterprise Investment Scheme", "Apply to use the Enterprise Investment Scheme", and "Tax relief for investors using venture capital schemes".
- HMRC Venture Capital Schemes Manual: advance assurance (VCM60010 and related pages) and advance subscription agreements (VCM12025 for EIS and VCM33025 for SEIS).
- GOV.UK guidance on Enterprise Management Incentives and on identity verification for Companies House.
- The financial promotion rules of the UK financial services regulator, and your solicitor's advice on exemptions.

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