

Due Diligence

Factsheet Legal

The following factsheet was drawn up by the trade body's Technical Committee, comprised of experts in financial, technical and legal aspects of angel investing. This factsheet on legal issues has been produced by Tony Littner at Harbottle & Lewis LLP, Jon Gill at Eversheds LLP and Sandy Finlayson at MBM Commercial LLP.

**Strictly private and
confidential Subject to
contract**

**Legal due diligence
enquiries checklist**

These enquiries are submitted on behalf of [INVESTOR] so that it may obtain further details in relation to [INVESTEES] (the "**Company**"), its subsidiaries and their respective activities in order to assess whether to proceed with a proposed investment in the Company (the "**Transaction**").

Please provide us with written responses to the following enquiries together with copies of all documents referred to in your answers and/or specifically requested below and provide a document reference number in the appropriate column. Please provide answers to all enquiries and/or affirm or deny statements where requested to do so. Where an enquiry is not applicable or a statement is incorrect please state this and where possible, give reasons. Where any document or information is not currently available please indicate the expected date of availability or reason for non availability. Please ensure that any documents sent to us are clearly identified and numbered, using the numbering set out in the enquiries set out below. We reserve the right to raise further enquiries at a later date.

Unless otherwise stated references to the Company shall be deemed to include a reference to each of its subsidiaries. Please therefore provide separate answers in respect of the Company and each of its subsidiaries in respect of each enquiry as and when appropriate.

No	Enquiry	Response	Document reference
1.	General Company information		
1.1	Please provide the following details in respect of the Company:		
(a)	Full name, date and place of incorporation, registered number, registered office and accounting reference date		
(b)	A copy of the certificate of incorporation (and any certificate of incorporation on change of name) memorandum and articles of association		
(c)	Copies of all shareholders' resolutions passed (whether in the form of a written resolution or at a meeting of the shareholders)		
(d)	Details of the issued share capital of the Company and a copy of the register of members and other statutory books of the Company		
(e)	Particulars of share capital, showing total capital (authorised and issued), classes of shares and number of shares in each class, whether shares are paid up in full or in part, whether shares were paid for in cash or for other consideration, the amount of any premium, details of capital changes since the date of the Company's incorporation and details of any options, warrants, security or other rights existing in connection with the share capital, with copies of all relevant documents in each case		

No	Enquiry	Response	Document reference
(f)	Confirmation that there are no outstanding agreements relating to the voting, disposal or acquisition of any of the Company's issued or unissued shares or securities (including pre-emption, option or nominee agreements or arrangements)		
(g)	Copies of any agreements under which any third party consent may be required to the proposed Transaction		
(h)	Details of any repurchase of the Company's own shares and of any redemption of shares		
(i)	Details of the location of the Company's statutory and minute books;		
(j)	Names and addresses of all directors and the company secretary, stating job title (if any) and other directorships and business interests		
(k)	Please provide the names and addresses of any person other than the directors of the Company entitled to represent or bind the Company under powers of attorney, specifying the type of power of attorney and their directorships or business interests		
1.2	Have any directors of the Company any unspent convictions, been bankrupt or held the position of officer of any company or had a material interest in a business within twelve months of its bankruptcy, receivership, administration, liquidation or other insolvency?		
1.3	Please provide details of any securities given over the assets or shares of the Company to third parties and of any debentures, charges or other encumbrances over or affecting any of the Company's assets		
1.4	Please provide details of any intra group transfers other than at arm's length and otherwise than for market value?		

No	Enquiry	Response	Document reference
1.5	Please provide details of any trade name(s) (if different) from the Company's full corporate name		
1.6	Please provide details of any VAT number held by the Company		
1.7	Please provide copies of all minutes of meetings of the shareholders and meetings held by the board of directors during the last [] years		
2.	Activities of the Company		
2.1	Please describe briefly the Company's main activities and list the countries in which it operates		
2.2	Please provide details of the Company's market share in any country in which it operates		
2.3	Please provide details of any activities carried on by the Company which are: (a) outside of the United Kingdom; or (b) outside of the main activity of the Company		
2.4	Please provide details of the names of all companies (listed and unlisted), partnerships, associations and other entities (of whatever nature) in which shares or any interest (whether option, security or loan stock) are held by the Company, stating (as appropriate) place(s) of incorporation and business, particulars of its capital, the percentage of the capital held by the Company, the book cost of investment and any revaluations and copies of any shareholders', investment or other similar agreements relating to any such entity.		
2.5	Please provide details of any trade associations of which the Company is a member		

No	Enquiry	Response	Document reference
3.	Accounts and management accounts		
3.1	Please provide a copy of the Company's last audited accounts (the " Accounts ") and copy of the [] sets of audited accounts preceding them		
3.2	Please provide a copy of all management accounts in respect of the period since the balance sheet date in the Accounts		
3.3	Please provide details of any change in the accounting reference date of the Company since the date of the Accounts		
4.	Finance, borrowings and liabilities		
4.1	Please provide details (together with copies of any relevant documents) of:		
(a)	name(s) and address(es) of the Company's bankers;		
(b)	all bank facilities and accounts held by the Company (with copies of existing mandates);		
(c)	current level of the Company's overdraft and any other borrowings from any source (including a breakdown of short term and long term indebtedness);		
(d)	any debt securities issued by the Company;		
(e)	all liens, mortgages, charges or other encumbrances (of whatever nature) on any property (including but not limited to real property) of the Company, with officially certified statements of those charges from the relevant land and other registrars (or equivalent), if appropriate;		

No	Enquiry	Response	Document reference
(f)	all outstanding loans granted to the Company by third parties (including, without limitation, any intra group loans and loans made by directors or shareholders or any persons connected with them);		
(g)	any off-balance sheet commitments of the Company; and		
4.2	Please provide copies of budgets and financial forecasts for each of the last [] financial years		
4.3	Please provide copies of all hire purchase, credit sale, rental, leasing and similar arrangements		
4.4	Please provide details of all guarantees, sureties and indemnities given in favour of or by the Company		
4.5	Please provide details of all grants or other financial assistance from any authority or agency received or applied for by the Company in the last [] years		
4.6	Please provide details of all grants or other financial assistance received by the Company from any authority or agency which is now or which may in the future be liable to be repaid		
4.7	Please provide details of all factoring invoice, discounting or similar arrangements in relation to any of the Company's debts		
4.8	Please provide details of all material capital commitments and intended capital expenditure		
4.9	Please provide details of all distributions declared, made or paid since the date of the last audited accounts of the Company		

No	Enquiry	Response	Document reference
5.	Contracts, agreements, commitments and trading arrangements		
5.1	Please provide copies of all agreements entered into by the Company which cannot be terminated on one month's notice or less without payment of compensation		
5.2	Please provide copies of contracts for the sale of any product or the provision of any service of the Company which have more than six months to run or by virtue of which any discounts or special terms are being granted to customers or suppliers		
5.3	Please provide details of all credit arrangements for customers in favour of whom terms of payment in excess of 30 days or special discounts have been granted.		
5.4	Please provide copies of any contracts or arrangements currently in operation which will be (or are capable of being) terminated or altered on a change of control of the Company or where the consent of a third party is otherwise required on a change of control or where a change of control is capable of resulting in any monies becoming payable by to the Company or otherwise resulting in any other adverse consequences for the Company		
5.5	Please provide copies of all licences, agency and distribution agreements which the Company is a party to		
5.6	Please provide details of any negotiations of material importance that are currently in progress by or on behalf of the Company and of any outstanding quotation, estimate or tender for a material contract made to or submitted by the Company.		
5.7	Please provide copies of any agreement or arrangement (written or unwritten or intended to be legally enforceable or not) restricting any		

No	Enquiry	Response	Document reference
	activities of the Company		
5.8	Please provide copies of any standard terms and conditions of the Company or standard form contracts used by it		
5.9	Please provide copies of any agreement or arrangement by which the Company is a member of or party to any joint venture, consortium, partnership or incorporated or unincorporated association		
5.10	Please provide copies of all material, long term, onerous or unusual agreements, arrangements or obligations to which the Company is a party and all agreements, arrangements or obligations entered into by the Company otherwise than at arm's length		
5.11	Please provide details of all customers of the Company accounting for more than five per cent. of the Company's turnover in the last financial year, with copies of any material agreements or arrangements between the Company and its customers		
5.12	Please provide details of all suppliers of the Company accounting for more than five per cent. of goods of that nature supplied to the Company in the last financial year, with copies of any material agreements or arrangements between the Company and its suppliers.		
5.13	Please provide details of any customers or suppliers of the Company which are expected to end or reduce their dealings with the Company as a result of the proposed Transaction		
5.14	Please provide copies of any other material contracts not covered by the preceding enquiries		

No	Enquiry	Response	Document reference
6.	Acquisitions and disposals		
6.1	Please provide copies of all contracts for the sale or acquisition by the Company of any shares or other securities in any other body corporate or any part of its business within the last [] years		
6.2	Please provide details of all or potential material liabilities outstanding or arising under any share or business acquisition or disposal agreement		
6.3	Please provide details of all intra-group reorganization carried out within the last [] years, including details of any management or similar charges raised by or on the Company since the date of the last audited accounts of the Company		
7.	Arrangements with directors and connected persons		
7.1	Please provide details of any contracts or arrangements to which the Company is party and in which any of its shareholders, directors or persons related to or otherwise connected with them are or have been interested, whether directly or indirectly		
7.2	Does any shareholder, director, employee or other person, firm or company connected with any of the foregoing have any interest (direct or indirect) in a business competitive with the business of the Company?		
8.	Assets		
8.1	Please provide details of all assets acquired or disposed of by the Company otherwise than at arm's length in the last [] years		
8.2	Please provide details of all assets used in the business in respect of		

No	Enquiry	Response	Document reference
	which the Company is not the legal and beneficial owner (including details of IP licenses and other intangible assets)		
8.3	Please provide a schedule of all plant, machinery and equipment of the Company and all maintenance contracts or arrangements relating to them		
8.4	Please provide details of any stocks which are damaged, obsolete or slow moving		
8.5	Please provide details of all assets owned by the Company but not in its possession or under its control		
9.	Competition		
9.1	Please provide copies or details of any agreement or arrangement with one or more competitors (whether or not legally enforceable) and of any agreement, arrangement, judgment or ruling which restricts the Company's ability to trade in any jurisdiction		
9.2	Please provide details of any investigation by or correspondence with the Office of Fair Trading, the Competition Commission or any other competition authority		
9.3	Please provide details of any undertakings notifications made to, or undertakings given to, the Office of Fair Trading or the Competition Commission		
9.4	Please provide details of any agreements or arrangements with any supplier, dealer or other intermediary in relation to resale prices, allocation of territory or customers and/or restrictions on resale		

No	Enquiry	Response	Document reference
10.	Compliance with laws and litigation		
10.1	Please confirm that all filing requirements under the Companies Act 2006 have been complied with to date and that no officer or employee of the Company has failed to comply with any statutory duty in respect of the Company		
10.2	Please provide details of any circumstance, event, act or omission which might give rise to an assertion that the Company or any of its employees has not complied with any material obligation under any law applicable to the Company, including, without limitation, any law relating to real property, environmental and health and safety matters and employees		
10.3	Please provide details of all actual, pending or threatened litigation, arbitration proceedings, or governmental investigations and proceedings (domestic or foreign), including parties, damages and other remedies sought, nature of action and details of any actual or potential breaches of contract or infringement of rights by the Company		
10.4	Please provide details of any disputes or potential disputes involving any existing or former key supplier or customer of the Company		
10.5	Please provide details of any judgments affecting the Company or its assets		
10.6	Please provide details of any actual or threatened inspections, proceedings, investigations or enquiries by or before administrative or governmental authorities in which the Company is or may become involved, with copies of relevant documents, including correspondence		

No	Enquiry	Response	Document reference
11.	Compliance and regulatory		
11.1	Please provide details of all regulatory regimes (if any) to which the Company is subject		
11.2	Please provide details (together with copies of all relevant documents) of:		
(a)	all permits, licenses, consents, approvals, authorizations, certificates, applications, registrations and declarations required to be issued to or made in respect of the operations of the Company in any jurisdiction (" Permits ");		
(b)	any non-compliance with the conditions of any Permits, or notices of failure to remedy any non-compliance or any failure to acquire any Permits; and		
(c)	any circumstances which would or might give rise to any claims against the Company or which may cause any Permits to be revoked, suspended or varied or otherwise not renewed or not granted.		
12.	Employment		
12.1	Please provide an organization chart and list of all persons employed by the Company, including their name, date of birth, date of commencement of employment, job title and duties, current annual salary, commission and bonus arrangements and entitlements, benefits, notice period for termination of employment (both for the employer and employee), whether full or part time, where located (i.e. UK or overseas), any disciplinary action taken against the employee in the last [] years and details of any actual, agreed or proposed increase in remuneration, emoluments or pension benefits since the date of the Company's last audited annual accounts or		

No	Enquiry	Response	Document reference
	within the last 12 months		
12.2	Please provide copies of all employment contracts or other agreements with directors, the company secretary and all persons employed or engaged to work as agents by the Company and details of any changes to the terms set out in such documents or of any terms or conditions of employment not specifically referred to in such documents		
12.3	Please provide copies of any standard form employment contract used by the Company and a copy of any disciplinary rules or procedures		
12.4	Please provide details of all employee benefits such as company cars, life assurance, accident, permanent health and medical insurance		
12.5	Please provide details of (and copies of any relevant documents) any share option, share incentive, bonus, commission sharing or profit sharing arrangements and particulars of applicability to each director and employee		
12.6	Please provide copies of any golden parachute agreements (i.e. agreements providing for the Company to pay any director or employee benefits in the event that the Company is taken over, resulting in the loss of their job)		
12.7	Please provide details of any loans made to employees or guarantees provided by the Company for the benefit of an employee		
12.8	Please provide details of any compensation or redundancy payment agreed to be paid to any former director or former employee (or next of kin or dependent of any former director or former employee), any part of which was unpaid at the end of the last financial year for which annual audited accounts have been prepared		

No	Enquiry	Response	Document reference
12.9	Please provide details of any person formerly employed by the Company whose employment with the Company has ceased at any time during the last [] years including details of the contracts in respect of whom such person was the principal contact, any parties who terminated the Company's engagement as a consequence of the employee leaving, the commissions or other revenues attributable to such employee in the [] year period prior to their leaving and details of what the relevant employee left to do (for example, do they now work for a competitor?)		
12.10	Please provide details of any offer of employment or engagement made by the Company which is still outstanding or which has been accepted but the relevant employment or engagement has not yet commenced		
12.11	Please provide a list of all consultants or other persons who are not employees who are engaged by the Company to provide any services (" contractors ") to it together with copies of any agreements between such persons and the Company (or if no such agreements are in place then details of the main terms (including, without limitation, remuneration) on which such persons are engaged)		
12.12	Please provide details of any current employees or contractors who have given or have been given notice to terminate their employment or engagement with the Company		
12.13	Please provide details of any person working in the Company but not employed or engaged directly by it (e.g. employees who provide central administrative services on a group basis)		
12.14	Please provide details of any existing or potential employment tribunal applications or other similar claims involving the Company and details of any pending dismissals or disputes with any directors or		

No	Enquiry	Response	Document reference
	employees		
12.15	Please provide details of membership by employees of the Company of any trade union, staff association or other workers' representative body and of current and historic labor relations		
12.16	Please provide details of all agreements or arrangements with any trade union, staff association or other workers' representative body		
13.	Pensions		
13.1	Please provide details and copies of relevant documents relating to any pension scheme(s) operated by the Company including:		
(a)	trust deeds and rules;		
(b)	employee booklets and notices;		
(c)	names of the present trustees and actuary;		
(d)	actuarial valuations, trustees' annual reports and annual audited accounts for the last two years;		
(e)	details of the current rate of the employer's and employees' contributions to the scheme(s) and any proposed alterations to the current arrangements;		
(f)	details of insurance premiums, taxes and expenses paid in relation to the scheme(s);		
(g)	a list of all existing members of the pension scheme(s) (and those likely to become members within the next six months) including sex, date of birth, date of joining the scheme(s), current pensionable salary, and any additional benefits granted or additional contributions		

No	Enquiry	Response	Document reference
	made;		
(h)	details of any ex gratia or unapproved pension arrangements granted to employees;		
(i)	copy of the HM Revenue & Customs approval letter(s) for the scheme(s) and details of any reason of which the Company is aware as to why the pension scheme(s) may cease to be approved; and		
(j)	copy of the contracting out certificate(s) under the Pension Schemes Act 1993		
13.2	Please provide a list of any employees of the Company not participating in the pension scheme(s)		
13.3	Has the Company facilitated access for its employees who are not members of the pension scheme(s) to a designated stakeholder scheme?		
13.4	Have the trustees and the Company complied with all relevant pensions legislation and the rules of the pension scheme(s)?		
13.5	Please provide details of any whistle-blowing reports or reports to the Pensions Regulator		
13.6	Has the Company any liability under any financial support direction or any contribution notice?		
13.7	Please provide details of any claims or complaints that have been made or are pending or threatened in relation to the pension scheme(s) or in respect of the provision of (or failure to provide) pension, lump sum, death or ill health benefits by the Company		
13.8	Please provide details of any former pension scheme(s) that applied		

No	Enquiry	Response	Document reference
	before the current scheme(s)		
13.9	Please provide copies of any other insurance policies, rules and any other relevant documents establishing or supplementing any scheme of the Company or to which the Company contributes or any other arrangement for the provision of benefits for employees on retirement, death, disability, sickness or withdrawal from service, whether voluntary or not		
14.	Insurance		
14.1	Please provide details and copies of all insurance policies (including professional indemnity insurance and any key man insurance policies), taken out by or for the benefit of the Company (identifying classes of risks covered and amounts insured) and receipts for the last premiums on all insurance policies, with details of claims history and any outstanding claims		
14.2	Please provide details of any circumstances which may give rise to a claim under an insurance policy but which has not yet been notified to the insurers		
14.3	Please provide details of any refusal or withdrawal of insurance cover in the last three years		
15.	Intellectual property		
15.1	We understand that the Company owns an interest in certain intellectual property rights which are used in or required to be used in or relate to its business (the " Company IPR "). Please provide details of the Company's interest in the Company IPR, details (including copies of any relevant documents) of the chain of title to such rights, details of the remaining term of the copyright protection and a breakdown of the revenues received as a result of such interest in the		

No	Enquiry	Response	Document reference
	current financial year and each of the last [] financial years.		
15.2	Please describe how decisions relating to the exploitation of the Company IPR are made		
15.3	Who are the other persons who have an interest in the Company IPR? Has there ever been any dispute between any of such persons relating to the rights or any other facts, matters or circumstances which have adversely affected the relationship between any of such persons? Have there ever been any proceedings or threatened proceedings relating to the rights bought against the Company or any other person with an interest in the rights?		
15.4	Please provide details of all patents, trade or service marks, registered design, copyright or other know how or intellectual property rights owned or used by the Company and not referred to in Enquiry 15.1 , including a list of any registrations and any applications for registration (and, if any applications are in the process of being made, details of any opposition or challenges to such applications)		
15.5	Please provide details of any application for the registration of any intellectual property rights		
15.6	Please provide copies of all agreements to which the Company is party licensing any intellectual property rights to third parties.		
15.7	Please provide details of all intellectual property rights not owned by the Company but used by it under a license and copies of all such licenses		
15.8	Please provide details of any confidential know-how used by the Company in relation to which a third party has any right to deny future use by the Company of such know-how		

No	Enquiry	Response	Document reference
15.9	Please provide details of any complaints, objections, disputes or claims relating to any intellectual property rights owned or used by the Company and of any suspected or alleged infringement by the Company of any intellectual property rights owned by third parties		
15.10	Please provide details of any prospective or alleged infringement by third parties of any intellectual property rights owned or used by the Company.		
16.	Information technology		
16.1	Please provide an overview of the Company's IT systems including details of all computer software and hardware used by the Company, indicating the licensor/owner of any software used and details of any royalties or continuing payments required to be made for the use of any software		
16.2	Please provide details of all contracts taken out by the Company relating to the maintenance of computer hardware and software		
16.3	Please provide details of the security and back up arrangements in place to protect any information maintained by the Company on computer and to retrieve information in the event of a computer system shutdown, and of the type and range of information stored by computer including details of any disaster recovery arrangements or facilities management/ongoing support arrangements employed by the Company		
16.4	Please provide details of arrangements relating to the source codes of any software developed, owned or used by the Company, and of records relating to its creation		
16.5	Please provide details of any copyright owned by the Company in		

No	Enquiry	Response	Document reference
	respect of software used by it		
16.6	Please provide copies of all licenses and equipment leases relating to the software and hardware used by the Company		
16.7	Please provide details of any circumstances pursuant to which the Company may lose the benefit of any of the software licenses it holds		
16.8	Please provide the details of any domain names registered in the name of the Company and please provide the details of any website operated by the Company, including relevant URLs and any e-mail address families associated with them. Please also supply copies of any document or agreement relevant to the creation, maintenance, hosting, management or operation of any websites		
16.9	Please provide details of copyright owned by the Company in its websites		
16.10	Please provide the details of any disputes between the Company and any third party in respect of any use by the Company of the computer system, the ownership of IT assets or the quality of IT services or assets supplied by the Company		
17.	Data protection		
17.1	Has the Company carried out any processing of personal data as defined by the Data Protection Act 1998? If so, has the Company registered any such processing with the Information Commissioner (if so please provide a copy of the Company's current notification certificate)?		
17.2	Does the Company have all required consents and approvals, as required by the Data Protection Act 1998 (and any other applicable legislation including, without limitation, the Privacy and Electronic		

No	Enquiry	Response	Document reference
	Communications (EC Directive) Regulations 2003), from the relevant individuals to enable it to carry out the processing of personal data which it collects or otherwise holds? Please explain, together with all supporting documentary evidence including any privacy policies or other statements, how such consent is obtained		
17.3	Does the Company use any third party to process personal data for or on its behalf? If so, does it have the required contractual provisions and obligations in place as required by the Data Protection Act 1998?		
17.4	Does the Company transfer personal data to countries outside the European Economic Area and if so what measures have been taken to comply with the Data Protection Act 1998?		
17.5	Does the Company process personal data relating to any minors?		
18.	Real estate and environment		
18.1	Please provide details (including plans and any relevant documents) of all freehold and leasehold property currently owned, used or occupied by the Company, giving a full description of each property and the way in which it is used, distinguishing properties owned by the Company, properties leased or licensed from a third party and properties leased or licensed to a third party		
18.2	Please provide official copy entries and title numbers of all registered titles, copies of documents mentioned therein and any other documents of title and a full epitome of any unregistered titles		
18.3	Please provide details of any other properties formerly owned, occupied or used by the Company or in respect of which the Company has or may have any estate, interest, right or liability (whether actual or contingent, secondary or otherwise)		

No	Enquiry	Response	Document reference
18.4	Please provide details of all charges or encumbrances affecting any of the properties owned or used by the Company		
18.5	Please provide details of the current rent, service charge and any other monies payable by the Company under the terms of any lease or license to which it is a party in respect of any property owned, used or occupied by it		
18.6	Please provide details of any contingent liability in respect of any estate or interest in land (whether in the ownership of the Company or not) including any residual liability for any estate or interest in land formerly owned or occupied		
18.7	Please provide details of all planning and other permission notices (whether given or received) and licenses in respect of the any properties		
18.8	Please provide copies of any reports and assessments relating to any environmental liability or compliance or health and safety audits carried out (whether voluntarily or as required by law) by or on behalf of the Company in the last five years		
18.9	Please provide copies of all of the Company's environmental and health and safety policies and procedures, details of any health and safety risk assessments carried out by the Company and copies of all permits, records, and logbooks required by the Company to carry out any of its activities under health and safety legislation		
18.10	Please provide details and copies of any communications between the Company and the Health & Safety Executive, the Environment Agency or any relevant local authority		
18.11	Please provide details of any complaint or remediation notice made by a local or other authority in relation to contamination, nuisance or		

No	Enquiry	Response	Document reference
	non compliance in respect of the Company's business, or any site, adjacent land or other property previously owned or used by the Company		
18.12	Please provide details of any construction work being undertaken on any of the properties, including copies of all documentation under which the construction is being undertaken		
19.	[Tax] [This assumes that separate tax advisers are being appointed to carry out any tax DD]		

[Date]