

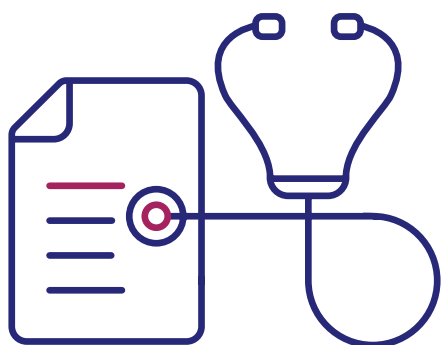
# Company Health Check



We are now offering our 'Company Health Check' service for all SME's who are either looking to prepare their company for sale or for companies that are looking to make sure that they are fully up to date and compliant.

## Step 1 – Regulatory Matters

The first stage in the process will be for us to conduct a thorough review of the company's constitutional documentation and ensure that the company complies with all regulatory matters. In particular we will ensure that the statutory books are properly up to date.



Keeping up to date statutory books is important for a number of reasons:

- i. It is a requirement of the Companies Act 2006 ("CA2006") for every company to maintain a set of registers, keeping certain information about the company, failure to do so will result in a substantial fine;
- ii. Companies are also required by law to make their records available for inspection, a shareholder is entitled to inspect the registers on request and without charge, further the public are entitled to access the statutory books for review for a charge and only certain registers can be kept confidential. Failure to provide access or keep the registers available for inspection is also an offence under CA2006;
- iii. The register of shareholders sets out who the legal owners of the shares are and so if information is not properly recorded or missing then this can cause issues, and if the correct register cannot be agreed then the court will need to step in to reconstitute the registers;
- iv. When selling a company the solicitors acting for the buyer will request copies of the statutory books and will want to see that they are up to date and readily available.

There have been developments in case law regarding company articles and whether they are fit for purpose, in particular a question has been raised as to whether the model articles are appropriate as drafted for companies with a sole director and so there is quite a lot of uncertainty around this subject in particular.

## Step 2 – Employment

The second stage in the process will be for us to review all matters relating to employment. Employment Law and Regulations are regularly changing and updating, it can be difficult to keep track of these changes and make sure that you are up to date.

Employment law controls the relationship between employees and employers. It governs what employers can expect from employees and what an employer can ask their employees to do, and employees' rights at work. The three main sources of UK employment law are:

### Common law

The employment contract forms the legal basis of the employer and employee working relationship. As such it is important to make sure that your employment contracts are up to date with the relevant case law and that they reflect the current terms of your employee's employment.

### European Law:

This legislation focuses quite a lot on equal pay, discrimination and employees' rights on business transfers. Even though the UK has left the European Union, much of the European legislation on employment law still applies in the UK. Therefore, it is important to make sure that your employment practices are in line with the European legislation.

### UK Law:

This includes Health and Safety at Work Act, Disability Discrimination Act, National Minimum Wage Act and Employment Relations Act. The law is regularly changing or being updated and it can be difficult to ensure that your employment practices are in keeping with the ever changing landscape of employment law.

Failing to comply with employment law does not only carry a risk of a claim being brought by an employee, it can also lead to prosecution which can be damaging and costly for any organisation. Indeed, where companies have fallen foul of these laws this has been publicised and the companies have been issued with heavy fines.

## Step 3 - Contracts

The third stage of the process will be to ensure that all of your commercial contracts with suppliers and customers are up to date and are a correct reflection of the agreement between your business and the other party.

Every contract should be tailored to meet the exact terms of the deal in hand. Any business relationship will have both benefits as well as risks that will need to be identified and mitigated. Making sure you have well drafted contracts in place for all of your business arrangements should help to limit risk to both parties and should avoid most disputes arising as well as outlining how such disputes can be resolved without damaging the relationship.

As well as making sure that the contract is tailored appropriately for the relevant agreement, we will ensure that the contracts contain several key clauses that should always be included in a contract, this will include, the payment terms, the obligations of both parties, limitations on liability and provisions for termination of the agreement or what to do in the event of a breach. If the contract does not deal with these fundamental issues then it is likely that you will run into difficulties at some point.

## Step 4 – Due Diligence

The final stage in the health check process is optional and most suited to those clients looking to market their company or business for sale in the near future.

During this stage we will work with you to prepare a set of due diligence enquiries that will be relevant to your business, this will be akin to a due diligence questionnaire that you might expect to receive from a prospective buyer during the sale process. Then with our assistance we will work through each question and prepare answers and locate relevant documentation to deal with each question.

The idea behind this is that it will mean when it does come to selling your company or business you will have the majority of the questionnaire already dealt with, this will make the due diligence process of your sale a lot more streamlined and will take the stress out of the whole process.

It will also serve to highlight any other potential issues that you can deal with before marketing the company or business for sale ensuring that you have minimised any risk or cause for later negotiation from the buyer.

## Contact details



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