

ACQUIRER DUE DILIGENCE CHECKLIST

Corporate & Strategic Information

1. General information on the business/history
2. Overview of company's corporate structure - subsidiaries/parent/dormant companies, joint ventures etc (chart format)
3. Organisational charts and key management resumes
4. List of any associations company is currently endorsed by; accreditations, awards, memberships
5. Strategic business plans (current and future), including succession planning
6. SWOT analysis / PESTLE reports (if available)
7. What is the company's vision?
8. Are there any existing strategic alliances, joint ventures or other partnerships/agreements in place?
9. If so, obtain details of (within the last 6 years): incorporations, acquisitions, disposals, joint ventures, strategic alliances, windings up

Commercial Information

1. Market potential – existing, diversification, domestic, foreign, etc
2. How are products/services currently priced?
3. What factors affect the price of purchases and are processes generally stable?
4. Details of marketing activity & advertising used
5. Details of existing products & services. Any threats?
6. Current distribution channels
7. Promotion – how are products & services promoted?
8. Who are the most significant competitors? How will they react?
9. Sales by top 20 customers; who are the principal customers?
10. Degree of customer concentration
11. Significant customers won/lost in last 3 years
12. Any special terms given to customers?
13. What are customer retention rates?
14. How is new business developed?
15. Approximately what share of the market does the target business hold?
16. Prospects list - Are any new customers under development?
17. What does the current order status and backlog look like?
18. What are the company's core competences?
19. What part of the product lifecycle is the business in?
20. What differentiates the target business from its competition?

Specialists in Print, Packaging and Direct Marketing

21. Ensure you know what the most profitable products/niches/sectors/customers are.
22. Details of any warranties/guarantees for services offered
23. Company board / management meeting minutes
24. Details of all products/services under development
25. Summary of results of all tests, evaluations, studies, surveys, market research reports.
26. Customer due diligence (are they solvent, reliable) – how will they react?
27. How will suppliers react?
28. Supplier due diligence (supplier churn)
29. Details of memberships or, or representation on and trade associations or industry bodies
30. Details of subcontractors
31. Who are their principal suppliers and distributors?
32. Are there alternative sources of supply?
33. Management's assessment of Key Purchase Criteria
34. Are there any unusual payment terms to suppliers?
35. Marketing strategy
36. Information on market and competitors, including market shares, competitor profiles
37. Assessment of markets. Size? Are markets expanding? Are there new products/geographical markets to attack?
38. How price sensitive are customers?
39. What are the major factors driving the size and growth of the markets?
Barriers to entry?
40. What R&D/development would be needed to improve the target's competitive position or take it into new markets?
41. Competitive forces – e.g. consolidation, restructuring, diversification. How cyclical is the market? Impact of economic variables.
42. Market positioning vs. competitors.
43. Sources of competitive advantage.
44. Copies of any recent industry or product surveys.
45. Copies of any recent reports on the target or its products produced by the target or a third party.
46. Membership of any trade association or professional body
47. Has the sales mix changed over the last 3 years? If so why?
48. Any R&D initiatives?

Legal Information

1. Exact corporate name, address and registration number
2. Memorandum and Articles of Association of target business and subsidiaries
3. Certificate of incorporation
4. Does the business have all the relevant documentation conforming to appropriate regulations, e.g. noise, environmental, Health & Safety?
5. Details of litigation issues, outstanding disputes, contract violations
6. Details of any cross-border transactions/trade
7. Details of any acquisitions or disposals of companies or businesses during the last 6 years.
8. Are there any change of ownership clauses the buyer should be aware of?
9. Summary of pending or threatened litigation, claims, or law suits
10. How is compliance with government regulations insured?
11. Copies of all non-disclosure and non-competition agreements
12. Are there any agreements in place within the target company restricting competition?
13. Does the business comply with generally accepted standards of corporate governance?
14. Has the target business complied with statutory requirements to file documents at Companies House? And have all charges on the company's assets been properly recorded and filed?
15. Listing of relevant contracts with third-party vendors, consultants, resellers, independent contractors, etc
16. Warranty and indemnity agreements/considerations
17. TUPE issues
18. Restrictive covenants
19. Agreements with major credit customers
20. Distribution contracts
21. Contracts with suppliers
22. Details of licences, permits and authorities necessary to carry on business.
23. Copies of reports/documents filed with government agencies.
24. Subcontractor agreements
25. Details of any dispensations contained in the 1985 Companies Act
26. Details of any disputes/litigation with customers, suppliers, subcontractors, employees, neighbours – pending/actual/threatened/previous
27. Has any order been made or resolution passed for the winding up of the target? Or has any administration been made or petition for such an order been presented in respect of the target, its subsidiaries or group?
28. Is the business subject to any regulatory matters?
29. Authorised and issued shares of target and each subsidiary
30. Description of shares and class of each share capital
31. Details of any shares created or issued in the last 6 years.
32. Details of any other changes in share capital in the last 6 years.
33. Details of any issue of, or proposals to issue, share capital since the last year-end.
34. Are there any unusual reserves or restrictions on distributions to shareholders?
35. Have any distributions been made or promised since the last accounts?

36. Has the company ever redeemed any shares or debentures from profits or reserves?
37. Names of shareholders and holdings. Are any shareholders under any legal disability?
38. Do any of the major shareholders have any interests in other businesses which could be in competition with the target?
39. Are there warrants, options and other rights to acquire shares?
40. Copies of shareholder agreements.
41. Are there any encumbrances over shares?
42. Copies of all correspondence and other communications with shareholders.
43. Disclosure of any antitrust issues
44. Schedule of all law, accounting and consulting firms engaged by company during the last 5 years

Public Information & Intellectual Property

1. All agreements dealing with IP, property rights and licensing agreements
2. Obtain and review external/media information in public domain that may be relevant (corporate literature, press cuttings, PR/promotional material)
3. Obtain schedule of consulting agreements and licenses, patents held, trademarks/trade names, copyrights , domain names
4. Ensure all technical know-how details are provided
5. Are any Government licenses held?
6. Obtain a copy of any software licenses held
7. Obtain copy of supply/service agreements
8. Obtain copy of purchasing and credit policies
9. Obtain a schedule of unfilled orders
10. Are there any market research reports conducted and customer satisfaction surveys?
11. Are there any other special licenses or certifications?
12. Sponsorship agreements
13. Details of any trade secrets
14. Details of Royalty obligations
15. Non-disclosure agreements
16. Challenges to IP rights and protection procedures
17. Details of technology licensed by the company

Financial Information

1. Annual reports, including year-end financial statements for the past three years (audited if available).
2. Current financial statement / Management Accounts (P&L, Balance Sheet)
3. Has the target business received outside funding?
4. Projection/forecast data
5. Current year budget and reasons for variances
6. Financial/Business Plan for the next 3-5 years including stated objectives
7. Financial ratios
8. Has there been significant capex over the past 3 years?
9. Immediate CAPEX requirements
10. Are there any exceptional cash inflows/outflows?
11. What are the principal uses of cash generated by operations?
12. Bank details, overdraft facilities, loan details and details on all other borrowing facilities including loan agreements, notes, mortgages and security agreements and all financing arrangements, including sale and leaseback arrangements, capital leases and hire purchases
13. Credit arrangements, other credit facilities
14. Have there been any changes in the financial position over the past 5 years and if so, why?
15. Details of any contingent liabilities? e.g. TUPE
16. Are there any other considerable investment areas, e.g. R&D (in what?)
17. What is the true Net Asset Value position of the target business?
18. Accounting procedures
19. Stock valuation method and full inventory
20. Printed stock for customers and terms applying. Purchase orders in place?
21. Any redundant stock? What is their definition of redundant stock?
22. Obtain a copy of auditor's letters and reports
23. Departmental budget information
24. All director lifestyle costs/add-backs and non-recurring costs accounted for? What are these costs?
25. Details of accounting systems used
26. Ensure cash book reconciliations are accurate and up-to-date
27. What are current cheque signatory limits?
28. Details of all completed and outstanding loans/HP agreements/leases
29. Has the target complied with statutory requirements to file documents at Companies House?
30. Are any payments made to wives, ex-directors, etc
31. Schedule of inter-company balances and trading
32. Location of all statutory books of the target and its subsidiaries
33. A summary of the month-end bank and cash book position for the current year and previous two years.
34. Copies of the latest bank reconciliation with supporting bank Statement.
35. An explanation of the major variations the net cash position over the last three years.
36. What are the principal uses of cash generated by operations?
37. Details of charges over assets of the group.
38. Copies of correspondence with lenders.

39. Details of any financial guarantee or indemnities given to secure credit to third parties.
40. Has the target applied for a received any government grants?
41. Any abnormal factors affecting the business?
42. Is the level of cash at the balance sheet date representative of cash held throughout the year

Fixed Assets

1. Full fixed asset register (and general description/location) to include impression counts, age, serial numbers if relevant
2. List of vehicles owned, leased or hired
3. Any recent valuations on the plant & equipment
4. Have there been any recent acquisitions or disposals of equipment unaccounted for?
5. What are the depreciations policies and are they reasonable?
6. Obtain a copy of title deeds for these assets
7. Is there any committed capital expenditure or requirements to do so?
8. Details of intra-group assets

Debtors/Creditors

1. Ensure the vendor verifies that all orders relate to dispatches
2. Are there any bad debts or potential bad debts (details)?
3. Is the target business dependent on one or two key suppliers or customers and how will they react to a change in ownership?
4. Obtain copy of agreements related to outsourced requirements
5. Review vendor's delivery dates and customer assurances
6. Obtain up-to-date list of debtors and creditors
7. Obtain details of any retrospective rebates with suppliers or loss of discount schemes.
8. Debtor/creditor days. Any changes projected?

Insurances

1. If applicable, obtain copies of policies, claims and correspondence relating to the following:-
 - i) Professional indemnity insurance
 - ii) Employee liability
 - iii) General liability
 - iv) Personal
 - v) Property
 - vi) Director / Key-man
 - vii) Worker/compensation
 - viii) Business interruption
 - ix) products liability
 - x) Life/health insurance
 - xi) Worker's compensation

- xii) Summary of any claims
- 2. Ensure the above are all adequately informed of new ownership
- 3. When where insurance policies last reviewed?

Technical & Operational Information

1. Obtain full details of the IT systems and backup arrangements?
2. Is IT system compatible with acquirer's business and is it adequate for current/future needs?
3. Where is secure data located and who has access?
4. Obtain a copy of the physical security, disaster recovery, back up/redundancy, and prevention features.
5. Has any bespoke software been developed and, if so, are you familiar with it?
6. What IT/network security is in place, including that used for online transactions?
7. Staff security - What are the credentials of the systems administration staff and have they undergone criminal checks where necessary?
8. Are there any staff on call 24/7?
9. Are all licenses current?
10. Details of any system maintenance and support guarantees/agreements/contracts
11. Details of production processes
12. What are their KPIs and how do they ensure performance and quality management?
13. Is there a written quality policy (ISO?)
14. Brief description of any unique production methods
15. Summary of recent production problems
16. Constraints on production capacity
17. Degree of supplier concentration
18. Alternative arrangements for materials which are single sourced
19. Any supply chain disruptions?

Property Issues

1. Details of premises used by the target giving complete address,
2. A description of its function, terms of ownership, location, size, description, dilapidation clauses, rent and rates payable and any recent valuations carried out.
3. Do recent valuations differ significantly from book value?
4. Sight of any recent independent or internal valuations or insurance reports.
5. Copies of all appraisals.

6. Are there any known planning permission issues related to neighbouring or adjoining properties?
7. Are there any clauses relating to a change in the use of the building, e.g. sell-on clauses?
8. Tenure - freehold or leasehold?
9. Obtain full deeds, lease agreements/terms, site plans, surveys/searches and other related property documentation
10. If leasehold, who owns the property? What is the current rent, rates, utility costs, etc?
11. Are there any structural issues?
12. Have there been any disputes with neighbours?
13. Maintenance agreements
14. Availability of spare land
15. Details of premises or land not currently in use
16. Check for asbestos – has a risk assessment been completed?
17. Has an environmental audit of the property been completed, including soil and water samples?

Human Resources

1. Obtain a list of employees showing length of service, age, salary and benefits, and job title; pension details
2. Profile of each director and senior manager
3. Obtain a copy of the Health and Safety policy statement, risk assessments, accident book Any asbestos issues?
4. Be clear on all Pension arrangements.
5. Any final salary liabilities?
6. Is there any Union recognition?
7. Are there any ongoing training requirements/programmes?
8. Are there any available training grants?
9. Recruitment policies/programmes
10. Payroll and NI information
11. Obtain copies of all employee and director's contracts/records
12. Obtain details on any holiday pay accrual
13. Be clear on Human resources and personnel policies , terms & conditions
14. Obtain a copy of the Employee handbook
15. Identify skills/planning, identify weaknesses
16. Obtain details of internal disciplinary matters, records of internal employee disputes, union grievances and insurance claims
17. What are staff turnover rates?
18. Non-competition agreements with employees
19. Details of residence permits/visas for employees
20. Disabled access
21. Details of any dismissals/redundancies in past 6 months
22. Sickness records
23. Notice periods
24. List of part time and disabled employees

25. Any identified skills shortages and training requirements
26. Details of any in house/external training programmes
27. Obtain resumes of key employees
28. Be aware of TUPE considerations
29. Organisation structure/chart
30. Overall culture and management style
31. Details of termination procedures, golden parachute and profit share agreements
32. Restrictive covenants on key employees in place? If not agree them.
33. Methods of accruing holiday pay or 'carrying over'.
34. Employment agency contracts and consulting agreements
35. Details of any correspondence with Commission for Racial Equality, Data Protection Commissioner, Disability Commission, Equal Opportunities Commission and any other Health and Safety Authority
36. Details of any recent logged incidents relating to Health & Safety issues and any subsequent action
37. Are there any outstanding employment claims (e.g. discrimination, wrongful dismissal, other tribunal hearings, etc)
38. Resume of each director
39. List of former directors who have left during the last 3 years.

Environmental Issues

1. Obtain a copy of all environmental audit details/reports conducted, assessments, site evaluations, government reports
2. Obtain list of hazardous substances used and description of company's waste disposal methods used
3. Obtain a list of environmental permits and licenses
4. Obtain a copy of correspondence relating to regulatory bodies
5. Ensure all details of any environmental litigation, complaints are provided
6. Is there an Environmental policy statement/procedure(s)?
7. Ensure disclosure of any known environmental issues, e.g. subsistence, flooding, hazardous materials/toxic substances, asbestos, excessive radon gas, fire issues, excessive noise levels, claims, violations, prosecutions

Taxation - finance

1. Tax returns/documentation, provisions for the last 6 years
2. Consider tax impact of proposed transaction and any ways to structure this efficiently.
3. Summarise tax provisions for the last [three] / [six] years.
4. Reconcile the tax charge shown in the accounts to the prevailing statutory rates.
5. Describe deferred tax provisioning policy.
6. Are recent tax computations agreed by HMRC?

7. Has the company been engaged in any scheme for tax avoidance?
8. Have submissions always been on time? Has tax always been paid on time?
Has the company ever been subject to penalties?
9. Has the company ever been investigated by HMRC?
10. Details of any correspondence with the tax authorities
11. Copy of the tax computation and correspondence, covering the last three / six years.
12. Is there a backlog of tax payable to any authority?
13. Has the business entered into any tax planning schemes in recent years?
14. Are any agreed tax losses restricted in their availability?
15. Confirm all relevant elections have been validly made on time.
16. Copies of all tax clearances sought / received.
17. Confirm VAT status.
18. Copy of VAT returns for the current year and previous year.
19. A copy of the VAT account (including VAT bad debt account), PAYE and NIC account.
20. If member of a group, confirm that VAT and corporation tax implications of management charges, etc have been considered.
21. Confirm VAT payments and returns are up to date with no default surcharge notices.
22. Copies of the latest P11Ds. Copies of any P11D dispensations.
23. Details of any taxation or stamp duty schemes.
24. Has the company made any claims under double tax relief treaties?
25. Does the company have unremittable overseas income or gains?
26. Have all relevant documents been duly stamped? Does the company have any exposure to Stamp Duty Reserve Tax?
27. Details of intra-group asset transfers

Buyer Considerations: pre and post completion
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1. Be clear exactly what it is you are buying
2. Consider the implications/benefits of moving the business. Can it be moved?
3. Are there any investment schemes/grants that you should be aware of?
4. Is sufficient funding in place to complete this transaction?
5. Ensure there is hard evidence from financial backers confirming funding
6. What is your credit score?
7. Do you have credible referees in place if required?
8. How do you plan to structure the deal? (Payment terms)
9. Liaise with customers and suppliers to provide assurances
10. Have you done up/middle/down sensitivities in your Business Plan?
11. Is there a cultural synergy of staff on both sides?
12. Is there a financial fit?
13. Is there a Geographic fit? (Commuting distances to be considered)
14. What are the synergies with the businesses operationally/strategically
15. Does the buyer's business culture fit with that of the target business?

16. Ensure you have written strategic and operational plan post-acquisition for at least the first 100 days.
17. What do you plan to do with the staff?
18. What will you expect from the current owners/key staff post-completion?
19. Retention is likely on a consultancy basis to assist in a smooth hand-over period. Consideration should therefore be given to appropriate remuneration.
20. If appropriate, have employees been adequately informed of details of the transaction?
21. Are there any personal issues associated with the deal?, (e.g. relocation, travel allowances)