

Employee Ownership Trust Checklist

1 Statutory:

- a. Company name,
- b. Registered number,
- c. Registered address,
- d. Subsidiary companies,
- e. Directors' names and addresses and dates of birth,
- f. Name and address of any company secretary,
- g. Shareholder's names, addresses and shares issued,
- h. Any shareholders agreement? Please also provide a copy of the company's articles of association,
- i. Any share options,
- j. Any charges over shares,
- k. Financial year-end date,
- l. Corporation tax reference,
- m. Number of employees and names of those related to or connected with the Sellers.

2 Borrowings:

- a. Any loans to or from the directors, shareholders, or related parties,
- b. Intercompany loans,
- c. Bank lending,
- d. HP, lease finance, invoice finance,
- e. Charges/debentures in place for banks or other lenders.

3 Consents:

- a. Any customer, supplier, lender (especially bank) consents to a sale or change of ownership termination rights.

4 New constitution – company board:

- a. Owner/seller director(s),
- b. Staff director(s),
- c. Independent director.

5 New constitution – trust board:

- a. Owner/seller director,
- b. Staff director(s),
- c. Independent director,
- d. Preferred name of the trustee company and registered office address.

6 Employee council:

- a. List of members (ideally, these include the staff directors above),
- b. Information to be shared with the council,
- c. Communication with the two boards,
- d. Obligations to minute council meetings.

7 Information flow between the company board, trust board and employee council, for example:

- a. Sale agreement and terms,
- b. Repayments of deferred consideration,
- c. Monthly accounts,
- d. Company strategy,
- e. Feedback from staff.

8 Companies House Filing Code and Unique Tax Reference.

9 Employment contracts:

- a. Salaries for seller directors
- b. Notice periods
- c. Job titles
- d. Any change in responsibilities
- e. Remuneration for non-executive director.

10 Valuation (some of this will not be available):

- a. Statutory accounts for the last five years (i.e. four full sets of accounts with detailed P&L appended).
- b. Management accounts, ideally monthly for the last two full years, plus the current year to date.
- c. Financial projections, at least comprising turnover, gross profit, overheads and EBITDA to the end of this year and for the following year. Include assumptions to price rises and cost increases, expectations on future headcount and capex.

- d. Schedule setting out annual costs incurred by the sellers for the (ideally five) years before the sale to the EOT, along with expected salary going forward. Any other non-recurring items to be included.
- e. Schedule of all debts (HP, lease finance, overdrafts, loans, deferred income/deposits) and related party debtors and creditors, with when they will be settled.
- f. Similar schedule for costs that will increase post EOT (egg new board directors, any increases in staff headcount, new premises).
- g. Any material that can help to understand the business (egg business plan or information memorandum).
- h. Best guess at working capital requirements for the business, i.e. how much cash should be left in to allow for VAT quarters, wages, capex and any minor downturns in trading.

11 Summary of:

- a. Key people and roles/remuneration,
- b. Business operations (i.e. what each of the companies do),
- c. Sector barriers to entry,
- d. Names of four key competitors to each operation and that their strengths/weaknesses.

12 Market conditions (this may be best guesses):

- a. Any closely related M&A transactions that have taken place,
- b. Outlook for the sector for the next two to five years.

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Important Information

This checklist is for illustrative purposes only and should not be relied upon by any parties for any other reason.
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