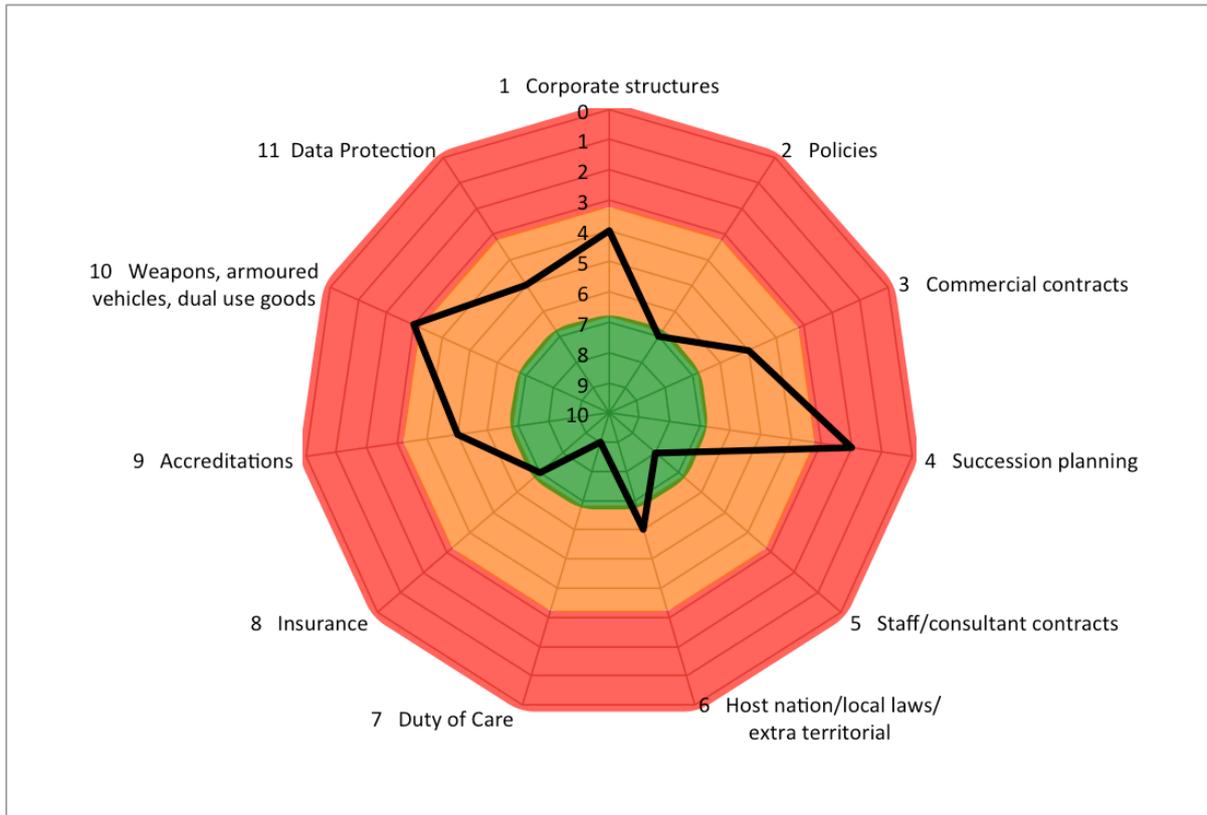


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# COMPANY XX – LEGAL RISK MAP.

XX JAN 17



7-10. Green zone, less to worry about.

4-6. Amber zone, work to be done.

0-3. Red zone, significant risk present.

Please note that this is NOT legal advice and should not be treated as such.

This legal risk map is an overview only, based on initial enquiries, and is intended to suggest areas of improvement.

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## THEMATIC OBSERVATIONS

### THEME 1 – CORPORATE STRUCTURES

Overall risk score 7 – Low.

Company structure:

We discussed your company structure. You explained that you have two companies in operation – xx Ltd and xx Ltd. Your reasoning for doing this is in order to separate out military and law enforcement clients from high net-worth clients, meaning you are able to take advantage of preferential business rates. We discussed a holding group structure that you may wish to explore in the future. As you appear to understand company structures, we graded that risk as 7/low.

Documents in place:

We discussed the corporate documents you have in place. You have articles of association and a memorandum of association for both companies, although you are aware that they are nothing more than the standard ones produced (called model articles) by the accountant when they incorporated the companies. You acknowledge this is probably not ideal and both sets of documents may need looking at in the medium term. Articles of association, we always recommend, are kept up to date. Companies can morph quickly from one type of deliverable to another and the articles don't always reflect the actual business practices and how the company is ran and controlled. As such we graded that risk as 6/medium.

Shareholders:

You believe that all of the shares are of the same class with the same rights. You are a shareholder of 70% of the xx company and xx owns 30%. You own 100% of xx. You understand that as you are not a 75 % shareholder of UK solutions you would be unable to close it down without the other shareholders agreement as so you do not have a full controlling interest. This is not, per se, a problem, unless your relationship with the other shareholder deteriorated. 7/low.

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## THEME 2 – POLICIES

Overall risk score 5 - moderate

You do have policies but not relating to areas such as money laundering or anti-bribery (which are extra territorial in reach). It is important you understand how they work and can affect you, so we have marked this as a moderate risk of 5.

## THEME 3 – COMMERCIAL CONTRACTS

Overall risk score 4 – moderate

Contracts (third party suppliers):

You have third party suppliers (companies) and you do some basic due diligence on them on the internet. There is an obligation to carry out due diligence under money laundering regulations, which is required: when you establish business to business (B2B) relationship; when carrying out an occasional transaction worth €15k or more; if you suspect money laundering or terrorist financing; when you have doubts about client information; and/or when an existing customers circumstances change. Whilst you are doing 'something' to check a company's background we advise you to do more, especially as you have US contracts. 4/medium to high risk.

Contracts (with clients):

You have contracts in place with clients, including for delivery of services and goods to US clients and in one instance a German client. You have some contracts in place but they only really amount to a basic set of T&C's. We have not reviewed them but we advise they are reviewed soon. You have no contract in place with the German client because they are government based and they normally 'purchase' services in the same way they would purchase equipment. As such it is difficult for you to put contracts in place. Obviously we always advise that you have contracts in place, even with government clients. There are times when they can contract with you and it amounts to little more than referring you to a rather large book on contracting terms. With US government clients this could be the Federal Acquisition Regulations, which are significant. Going forward we advise you at least read into this area more. Because you have client contracts in place this presents a risk of 3/high.

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## THEME 4 – SUCCESSION PLANNING

Overall risk score 7 - low.

Succession planning is important, but given xxxxx it is more likely that in the event you were incapable of carrying out your day to day running of the business, it would not fall over and collapse. However we do recommend you give some thought as to what you would like to happen if you became incapable and indeed, the long term of how you want your business to continue. We have marked this as a low risk 7.

## THEME 5 – STAFF/CONSULTANT CONTRACTS

Overall risk score 3 - High.

You currently only have consultant contracts in use although some of these consultants have been with you for some time. With HMRC paying more attention to IR 35 compliance (basically how consultants are employed) we recommend you ensure your consultant contracts are reviewed and your practices reviewed to ensure you are complaint. The risk is a significant back taxes bill if HMRC assess you have actually been employing them as employees. From April 2017 HMRC will be paying much more attention to this area. 3/high.

## THEME 6 – HOST NATION/LOCAL/EXTRA-TERRITORIAL LAWS

Overall risk score 7 – Low.

You understand the risks of working overseas, especially for instance in the field of surveillance where local laws prevail. You do take time to check local laws. When you deliver services overseas they are normally for governments so you don't tap into local work forces or companies, meaning your exposure is limited to the likes of money laundering regulations and anti-bribery. You don't currently have any polices on these issues, but agreed it is something you will do. 7 / low.

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## THEME 7 – DUTY OF CARE

Overall risk score 2 - high.

You don't currently do risk assessments for any of your work. Whilst you are not necessarily working in hostile environments, it is important you carry out risk assessments whenever you send someone to a place other than your company offices. Indeed, working in company offices also requires risk assessments. Given the nature of your work, we would advise you do this and certainly for professional indemnity they may require you do it. You clearly understand what risk assessments are, so on that level you don't worry us, but it is important you carry them out especially for overseas work. **Your risk therefore is high / 2.**

## THEME 8 – INSURANCE

Overall risk score 3 – High

You have employers liability in place, but you do not have professional indemnity insurance. We recommend you review this as soon as possible because it appears you are delivering advisory services. Not having such insurance in place puts you at significant risk. You may want to contact xx at xx (xx@xx) or xx at xx ([xx@xx](mailto:xx@xx)) who could at least provide you with a quote. This is a high risk so is marked as **3/high**.

## THEME 9 – ACCREDITATIONS

Overall risk score 8 – low.

You don't have any accreditations in place and so, interestingly, this presents a low risk based on our experience. We say this because companies often become accredited to certain management standards then essentially hide behind them and fail to maintain them, thinking all the work is done because they have passed an audit. We do, however, recommend them, but only if they are kept up to date and followed. As such, without them you present less of a risk than companies with them who do not monitor the requisite standards. **Low 8.**

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## THEME 10 – WEAPONS/ARMoured VEHICLES/DUAL USE GOODS.

**Overall risk score 6 – Medium**

You do deal in dual use goods and understand the restrictions, however you believe it may be timely to refresh your knowledge of them and the relevant laws. This is particularly important given the liberal use of sanctions on various countries by the US Government. **Medium risk 6.**

## THEME 11 – DATA PROTECTION

**Overall risk score 7 – Low**

Given your profession skills, you understand the relevant laws in place from Data Protection to Computer Misuse amongst many others and have signed up to the Information Commissioners Office with attendant obligations. You have acknowledged you could probably do an assessment in the near future to determine what personal data you have, in particular related to the XXXXX contract, that in reality you don't need to retain. This is marked as **7/low risk.**

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## UNDERSTANDING YOUR LEGAL RISK MAP

This process does not represent legal advice and should not be relied upon as such. It merely represents a snap-shot of your business based on generic questions. A more accurate and deeper legal risk mapping could be carried out, which could then be relied upon as legal advice. Our grading system is outlined here and is for guidance only.

### THEMES

Theme 1 - Corporate structures - including memorandum of association; articles of association and shareholders agreements.

Theme 2 - Policies, including (for instance): day-to-day function of your company; data protection; anti-money laundering; anti bribery and corruption; approach to duty of care; third party suppliers.

Theme 3 - Commercial contracts - includes identifying if you have contracts in place between clients and third party suppliers.

Theme 4 - Succession planning – identifies if you are considering what would happen if you became incapable of running your business or worse, die. It also asks if you have any sort of Power of Attorney in place or planning in your will for how your part of the company ownership would transfer.

Theme 5 - Staff/consultant contracts – identifies if you have employees or consultants and if you are contracting with them correctly, as well as their rights to work and visas.

Theme 6 - Host nation and local laws for overseas projects, extra-territorial laws and compliance with them – briefly asks about your understanding of extraterritorial law and whether or not you are considering the local laws of places you are doing business.

Theme 7 - Duty of care –this identifies your risk management processes, if any, and whether or not you weave them into your general day-to-day running of your company.

Theme 8 - Insurance – establishes if you have professional indemnity, whether you may need it and if you have employers liability and if you need that also.

Theme 9 - Accreditations – whether you would be ready to take an audit to implement, their usefulness and if you have them whether you are continuing to follow them.

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Theme 10 - Use of weapons and armoured vehicles, dual-use goods (if applicable). We ask here if you use this type of equipment and if so, whether you understand the regulations surrounding them.

Theme 11 - Data protection – Here we establish your basic understanding, de-conflict the cyber and data protection terminology and ask you about how you store data.

**SCORING**

1. Significant legal risk is identified on this issue alone and you should take immediate action to resolve it.
2. Legal risk is identified on this issue alone and you should take action to resolve this.
3. Legal risk is identified on this issue alone and you should give this attention as soon as you can.
4. There is moderate legal risk on this issue alone and you should review this within 1 month.
5. There is medium to moderate legal risk on this issue alone and you should review this within 2 months.
6. There is medium legal risk on this issue alone and you should review this within 3 months.
7. Based on the brief conversations and binary answers to the basic questions you present a relatively low legal risk on this issue alone.
8. Based only a conversation and some verbal questions and answers you present a low legal risk on this issue alone.
9. Based on a medium level of analysis of documents, interviews with some staff and an assessment of contracts with clients and outline of your products and services you have a low level of legal risk on this issue alone.
10. No legal risk has been identified based on the documents we have examined and extensive interviews with staff, third parties, analysis of financial practices and a deep assessment of your contracts with clients, products and services on this issue alone.

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