

## DUE DILIGENCE

In today's economic climate, mitigating the risks of investment in a business requires the investor to be well positioned to make the necessary decisions with the help of their trusted advisors. Marshall Michael understands that investing in a business is an important decision and many factors are to be considered.

The due diligence process ensures that you get a good understanding of the investment, the industry, the structure and the tax considerations of the new venture you are considering. Performed correctly, the Due Diligence can be the difference between buying a business that makes you money and buying a business that costs you money.

At Marshall Michael, as your trusted advisor we bring a wealth of experience in various industries, practical knowledge and are able to offer the following due diligence services:

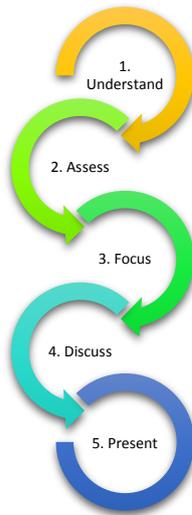
### Types of Due Diligence Services:

<b>Financial Due Diligence</b>	<b>Range of Services</b>
<b>Financial, operational</b>	Are you buying a business? We help you to understand the financial and operational issues in the business that you intend to own
<b>Limited scope</b>	This is a simplified due diligence targeted at specific aspects of the transaction or business.
<b>Financial modelling</b>	A key part of the business plan is the financial model. This is a key service that assists clients to evaluate all the variables in the business in one document.
<b>Forecast reviews</b>	Financial models are at the core of most business transactions and are used to determine value for acquisitions and share transfers. We will review the model to ensure that the numbers you receive are based on reasonable assumptions.
<b>Valuation reviews</b>	Valuations are at the heart of many commercial transactions, as well as for many non-business matters such as probate and relationship breakdowns. In many cases, a party promoting a transaction will present a valuation to the other side and this will need to be verified for accuracy of assumptions and methodology.

### Taxation Due Diligence:

<b>Taxation Due Diligence</b>	<b>Range of Services</b>
<b>Compliance</b>	We confirm that all tax payments have been made and that tax returns have been lodged and review the timeliness of these payments and lodgements of all taxes.
<b>Income Tax</b>	We review tax returns lodged for the last four years to identify any material errors, exposures or opportunities. We consider all material tax adjustments and review tax losses, shareholder loans, tax consolidation and material transactions.
<b>Capital Gains Tax</b>	We review recent acquisitions, disposals and complex restructures in respect of Capital Gains Tax consequences.
<b>International Tax</b>	We review international structures and international transactions to identify any international tax issues either in Australia or offshore.
<b>Employment Tax</b>	We review payroll tax, WorkCover, superannuation guarantee and FBT for compliance history and outstanding issues or opportunities.
<b>Stamp Duty</b>	We review recent acquisitions and complex restructuring to ensure there are no unexpected stamp duty exposures.
<b>Structures</b>	The existence of trusts in group structures can introduce additional tax issues such as trust losses, family trust elections, distribution issues and loans to related parties.

**Our approach to a due diligence engagement:**



**1. Understand the transaction**

- Obtain a brief from the clients
- Understand the transaction and the key drivers to the transaction

**2. Assess the risk**

- Initial meeting with the client
- Review of business précis
- Determine the scope of the due diligence to be undertaken
- Together with the client, identify key areas of risk and initial SWOT analysis

**3. Identify key focus areas based on the scope of the due diligence including, but not limited to**

- income statements
- records of accounts receivable and payable
- balance sheets and tax returns including business activity statements (last 3-5 years)
- profit and loss records (last 2-3 years)
- cash deposit and payment records, as reconciled with the accounts
- bank loans and lines or letters of credit

**4. Liaison with stakeholders**

- Regular updates with the client in relation to any issues, areas of further investigation and costs

**5. Presentation of findings**

- Prepare the due diligence report with summary of findings, key issues and recommendations for the transaction.

Contact Priya Narsing or Michaela Hodgkinson today for further information relating to your next investment.

