

Due diligence checklist

Due diligence is an investigation that an investor undertakes before entering into an agreement or contract with another party. This checklist aims to provide an understanding of the due diligence process investors will undertake when considering investing in your business.



Transaction information

- Documents detailing the proposed funds required and what the investor will receive.



Industry overview

- Summary of industry data, including customers, market size, competitors, and other matters of key importance.
- List of relevant regulatory authorities, together with any significant regulations, licences or accreditations.



Company overview

- Brief summary of company/group history e.g. ownership changes, changes in scale and similar.
- Brief summary of key events over recent years e.g. acquisitions, directors or senior management changes, new premises, new products or markets.
- Group corporate structure including related entities or subsidiary entities, details of incorporation and nature of business.
- Share capital structure detailing type and number of shares.
- Shareholder list including names of shareholders and number of shares held.
- Details of any financial instruments e.g. outstanding options or convertible notes.
- Minutes to recent board meetings.
- Minutes of senior management meetings.
- Most recent business plan identifying the market strategies presently adopted.
- SWOT analysis.



Products and services

- Details of principal products or services, including date introduced and the stage in the 'product life cycle', together with any new product development plans.
- Product and services marketing brochures.



Management overview

- Organisational chart of management structure, responsibilities and personnel.
- Information on the current directors, senior management, and key employees.
- For all directors and senior management, details of other business interests, loans to/from group.
- Management succession plans.
- Management performance and evaluation system.



Workforce

- Details of employees and total cost of employees by division, location and similar.
- Details of labour skills, availability, and staff turnover rates.
- Details of staff training policy and plans.
- Detailed salary and wage structure including hours worked, pay rates, holiday pay, bonuses and similar.
- Latest payroll report detailing pay and leave entitlements, and any bonuses/commissions due.
- Details of any recent redundancies.
- Details of accident history, and any recent health and safety reports.
- Details of any government grants received in relation to employment.
- Details of job descriptions.



Operational factors

- Details of premises owned or leased.
- Details of any spare premise capacity or unused land.
- Copies of any independent valuations or insurance reports.
- Details of any government assistance or grants and similar.
- Details of production planning processes including cycle times, capacity constraints and productivity measures.
- Capacity of plant and equipment, and any details of plant which is unused, under used or under repair.
- Details of any recent history of production rejects or substandard output.
- Details of production waste and waste disposal arrangements.
- Flow chart demonstrating the key processes and material flows.
- Description of any R&D facilities and any tax credits or rebates.
- Marketing plans and budgets.



Legal agreements

- Details of any legal agreements materially affecting the business.
- Property leases.
- Significant supply contracts.
- Executive employment contracts.
- Options to acquire assets.
- Asset purchase agreements.
- Support services agreements.
- Loan and finance agreements.



Systems and controls

- Information on the key performance indicators used by senior management to control the business, and the frequency they are used.
- Description of business planning and budgeting process.
- Descriptions of management information and accounting systems used for forecasting, internal control, costing, and inventory management and similar.
- Summary of computer hardware and software used in the business.
- Details of disaster recovery plans.
- Summary of historical and budgeted IT investment.



Financial requirements

- Copies of management accounts for past year.
- Copies of audited or unaudited financial statement for past three years.
- Financial analysis of sales by customer, product or market.
- Details of gross profit by product or service area.
- Analysis of any overhead expenditure or unusual items to historical information.
- Removal of any personal related expenditure from management and statutory accounts.
- List of key customers and key suppliers.
- Fixed asset register.
- Details of significant capital expenditure in the period of review.
- Cash flow statement showing movement in working capital.
- Details of short and long-term debt including loan agreements.
- Details of related party loans.



Commitments, contingencies and litigation

- Details of any litigation underway or pending.
- Product liability claims if applicable.
- Details of current insurance cover and annual premiums.
- Details of any significant insurance claims.



Forecasts

- Budgets and forecast for the next 12 months.
- Capital expenditure projections.
- Projected profit & loss, balance sheet and cash flow statement.



Taxation

- Details of income tax returns.
- Details of any significant tax events.
- Copies of ATO running balance accounts.
- Details of tax registrations (GST and withholding).
- Copies of recent business activity statements.
- Copies of notice of assessments.



Policies

- Employment
- Occupational health and safety
- Environment
- Human resources
- Equal employment
- Bullying, harassment and discrimination
- Drug and alcohol
- Social media
- Privacy
- Code of conduct

The Department of Primary Industries and Regional Development is ready to assist you

For further information please contact:

e investorreadiness@dpird.wa.gov.au

p 1300 374 731 (1300 DPIRD1)

w dpird.wa.gov.au/investorreadiness

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