

17 February 2010

Dear

**RE: PRE-PURCHASE DUE DILIGENCE – PROPOSED ACQUISITION OF  
NEWS**

Further to our discussions and my review of material provided, set out below is a detailed list of further information required in order to complete our pre-purchase due diligence on your behalf.

1. Business Premises – current tax invoice provided by landlord, including break-up of rental and outgoings contribution;
2. Lease – Business Premises

Please provide a copy of the Lease Agreement (current as well as proposed);

3. Plant and Equipment
  - (i) Ascertain equipment maintenance schedule and current contractors (if any) ie. Golden Casket;
  - (ii) Signage – ascertain who has ownership and responsibility of signage;
4. Hire Charges/Leasing

Please provide list of plant and equipment, chattels that are not owned by vendor (ie. supplier equipment/coca cola fridge, if any). If so, please provide copy of agreement including current rental/hire charge or loan arrangement (note Schedule “B” of Contract is blank – is this intentional);

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5. Wages of Employees (Schedule "D" of Contract)

- (i) Confirmation that wages/salaries exclude owners remuneration (including family members). If so, list name and amount paid/drawn;
- (ii) Please provide summary of wage records for period 1 July 2007 to 30 June 2009, including copy of PAYG Payment Summaries for each employee;
- (iii) What is current payroll system used in business;

6. Employees for News

- (i) Salaries, Employees, Key Personnel
  - (a) Obtain list of all:
    - Employees including owners and family members;
    - Positions held;
    - Weekly remuneration;
    - Any overtime worked;
    - Employment on full-time/part-time/casual basis?
  - (ii) Staff roster (with regard to organisational chart) for News including non-paid family members/proprietors who work in the business;

7. Trading Hours

In addition to trading hours of store provided, set out any additional hours spent with regard to:

- (i) Bookkeeping/paying accounts etc. (outside trading hours);
- (ii) Newspaper delivery, including preparation and distribution (outside normal hours) and name of employee/family members who perform work;

8. Training/Induction of Golden Casket and Newsagency

Please set out all costs and courses associated with buyer transferring business, including:

- (i) Cost;
- (ii) Duration of Course etc;

9. Software

Please set out detail of all software used in business, including:

- (i) Golden Casket;
- (ii) Lotto;
- (iii) Record Keeping:
  - (a) MYOB;
  - (b) Newspaper Accounts;

10. Home Delivery

Please provide:

- (i) Map of area/territory;
- (ii) Copy of aged trade debtors report as at:
  - (a) 30 June 2009;
  - (b) 31 December 2009;

11. Transfer Fee

Please advise of any transfer fees/bond amounts required for:

- (i) Rental premises;
- (ii) Supplier;

12. External Accountants' Prepared Financial Statements, including Income Tax Returns and Depreciation Schedules thereto for:

- (i) 1 July 2006 to 30 June 2007;
- (ii) 1 July 2007 to 30 June 2008;
- (iii) 1 July 2008 to 30 June 2009;

including:

- (i) Trading Statements;
- (ii) Profit & Loss Statement;
- (iii) Balance Sheet;
- (iv) Depreciation Schedule;

13. Management Reports

Please provide Management prepared Financial Statements for the interim period 1 July 2009 to 31 December 2009;

14. Business Activity Statements

Please provide Business Activity Statements (on a quarterly basis) for the periods 1 July 2007 to 31 December 2009 (10 quarterly periods);

15. Insurances

Copy of insurance policies and premium notices for:

- (i) 1 July 2007 to 30 June 2008;
- (ii) 1 July 2008 to 30 June 2009;
- (iii) 1 July 2009 to current;

Advice of any claims made over past three (3) years and if so, detail of such claim.

16. Warranties

Obtain detail of warranty life remaining on key plant and equipment and shop fitout;

17. WorkCover

- (i) Obtain copy of WorkCover policy to ascertain rate of WorkCover applicable;
- (ii) Seek from owners a written statement as to claim history of News.

18. Procedures, Manuals, etc.

- (i) Ascertain what work procedures and policies are in place/documented;
- (ii) Provide copy of certificate of registration with regard to:
  - (a) Workplace health and safety;
  - (b) Brisbane City Council health regulations;
  - (c) Quality assurance (if applicable);
  - (d) Business Name registration;
  - (e) Newsagency Council;
  - (f) Golden Casket and Lotto;

19. Eftpos Facility

- (i) Is Eftpos facility used in business?
- (ii) Is so, what financial institution is machine linked to?

20. Delivery Cost

Please detail by whom this service is provided and cost break-up. Is there a contract for service in place if not performed by own employees/family members. If so, please provide a copy of agreement. If delivery and wrapping provided by employee, please advise which staff member;

21. Copy of Terminal Hire Agreements for News with regard to:

- (i) Golden Casket;
- (ii) Lotto;

22. Security at News

Please provide detail of current security arrangements in place, including:

- (i) Copy of agreement/contract for security/alarm monitoring (back to base) systems;
- (ii) Other arrangements including money handling;

23. Stock in Trade

Provide closing stock value as at 30 June 2008 and 30 June 2009 and 31 December 2009;

24. Marketing Group

Please advise if News has any link/association with any marketing group. If so, whom and what are the financial arrangements (ie. fees/charges);

25. Summary

As can be seen, significant amounts of information needs to be obtain in order for us to complete this pre-purchase review.

Accordingly, we suggest you seek this information forthwith and attend your inspection of business premises and operations with these issues in mind.

If you require additional assistance or clarification please do not hesitate to contact our Mr otherwise we await the information requested in order for us to complete our work in order to advise you further.

Thanking you for your instruction in this matter.

Yours faithfully