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# Deals Advisory

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# KEY BENEFITS FOR YOU

Issue	Your response & Benefits
<b>Industry Knowledge</b>	We aim to be our clients' preferred expert and adviser across many industries, and we work hard to anticipate your needs to ensure that we deliver relevant ideas and valuable insights. The industry where we have in-depth expertise includes manufacturing and automotive, energy and resources, private equity, TMT and consumer and retail.
<b>Technology</b>	We help our clients navigate an increasingly complex technology landscape. We help our clients generate the confidence to make choices that can achieve growth and to better understand and manage the challenges and opportunities inherent in technology. We understand that the pace and breadth of technological change can be daunting for both boards and management alike and, to this end, we provide clarity, direction, and support.
<b>Customized services offerings</b>	We have extensive experience serving companies and are well versed in the challenges and opportunities that are unique to them. We work hard so our services are customized to meet your needs and not deliver a one size fits all solution.
<b>Multidisciplinary</b>	We have a far-reaching network and multidisciplinary model, with deep knowledge that allows our professionals in each business line to deliver exceptional services across a range of industry sectors.
<b>Pragmatic advice</b>	We recognize your need to get pragmatic, actionable advice. Our recommendations are meant to be implemented – and we are happy to help you in putting them into action.
<b>Global reach</b>	We can provide you with a local team that is easy to work with. Our member firms operate in a professional and cost-efficient manner – wherever your business may be.

# HOW OUR APPROACH WILL HELP YOU: OUR FIRM



**We are a leading full service advisory group with over 20 years of experience in the Romanian market.**

Our objective is to be the go-to counsel for middle market international clients, private equity, investment firms as well as entrepreneurs and family offices.

Our strength in the middle market enables us to advise clients at all intervals of development - from start-up to rapid growth and expansion, to transition.

Working at CLA will challenge you to develop and grow.

## Key numbers & Facts

### +320 International Clients

Including global corporations, middle market international firms, private equity and investment funds, entrepreneurs, and family offices.

### +12 Industries

With large groups of clients represented, including manufacturing and automotive, energy and resources, pharmaceuticals and life sciences, private equity, TMT, consumer and retail, IT& C and real estate.

### Experience

Experience in a comprehensive suite of ERPs and reporting tools, including SAP, Navision, Oracle, NetSuite, Quick Books.

### Fluent

Professionals fluent in English, German, Italian, Spanish and French.

# HOW OUR APPROACH WILL HELP YOU: OUR FIRM CLA (CLIFTONLARSONALLEN LLP)

## Our World in Numbers



### AWARDS AND CREDENTIALS:



8<sup>th</sup> place in Accounting Today's Top 100 Firms (2024).



Fastest-growing firm by revenue among firms with over \$1 billion in annual revenue.



Recognized leader in accounting and advisory services.

### SERVICE LINES:

- Wealth Advisory
- Audit
- Tax
- Consulting
- Outsourcing
- Digital Solutions

# HOW OUR APPROACH WILL HELP YOU: OUR FIRM OFFICE LOCATIONS



get direction



**HEAD OFFICE:**  
4D Gara Herăstrău Street,  
5<sup>th</sup> floor, Building C. Green  
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# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Business overview</b></p> <p>Obtain an understanding of the Company's activity development between 2017 - 2019, and identify potential business risks, including its organizational structure and management reporting relationships;</p>	<ul style="list-style-type: none"><li>• Read Company's financial statements and gain an understanding of the Company's accounting policies and practices including:<ul style="list-style-type: none"><li>- reporting methodology and consistency with generally accepted accounting policies;</li><li>- significant accounting estimates;</li><li>- comment on the accounting treatment of the long-term contracts, if applicable.</li></ul></li><li>• Comment on major issues or disclosures presented in the Financial Statements;</li><li>• Analysis of key business drivers; (as presented below)</li><li>• Assessment of the current quality and robustness of the financial &amp; management reporting systems.</li></ul>
<p><b>Quality of Earnings:</b></p> <p><b>Key business drivers</b></p> <p>To understand the key drivers of historical growth, cost structure and profitability. The analysis of the historical trading performance needs to take account of:</p> <ul style="list-style-type: none"><li>• The relative contribution/profitability of different services at revenues, gross profit and EBITDA level.</li><li>• Trading relationships with key customers and with key suppliers. Major contracts won/lost.</li><li>• Impact on revenue and operating expenses of changes in prices and ability to pass on cost increases.</li><li>• Incorrect application of capitalisation policies</li></ul>	<ul style="list-style-type: none"><li>• Perform high level analysis of the Statement of Financial Performance for FY17, FY18 and FY19.</li><li>• Comment on significant components, their accounting treatment and fluctuations.</li><li>• Comment on revenue and cost recognition policy as well as cost allocation;</li><li>• Present the impact of seasonality on sales and profitability</li><li>• Comment on sales revenues (e.g. analysis by main types of products, projects, clients, region etc)</li><li>• Analysis of fixed costs allocation per product groups and type of project;</li><li>• Analysis of variable costs per product groups and type of project;</li><li>• Analysis of margins per product groups and type of project and potential margin improvement;</li><li>• Analysis of price changes per product groups;</li><li>• Present production capacity limitations in manufacturing activities;</li><li>• Inquire and comment on the treatment of revenues from the state, if applicable;</li><li>• For top 10 customers, detailed analysis of customer type, customer relationship (e.g. length of cooperation), margins per contract;</li><li>• For top 10 suppliers analysis of supplier relationship, price changes;</li><li>• Inquire and comment on significant operating expenses during the analysed period, such as: raw materials, merchandise expenses, personnel cost, third party services (ex: subcontractors), etc.</li><li>• Prepare a summary of the Collective Labour Agreement. Comment on main financial clauses</li><li>• Comments on total payroll cost by category of employees (e.g. production, administrative, management) and evolution of the number of employees during the analysed period.</li><li>• Read &amp; comment about the individual labour contracts of the key employees; (maxi 5 contracts)</li><li>• Comment on the personnel contracted as subcontractors alone &amp; the risk associated with; and</li><li>• Comment on disputes with former or current employees, if the case.</li><li>• Below EBITDA items analysis</li></ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Adjusted EBITDA</b></p> <p>To aid the comparison of historical year on year earnings and identify underlying growth and margin trends.</p> <p><b>The historical results may be impacted by:</b></p> <ul style="list-style-type: none"><li>• One-offs/non-recurring items</li><li>• Provisions made/released</li><li>• Changes in accounting policies/applications</li><li>• Year-end prepayments/accruals process</li><li>• Gain/loss of significant customers</li><li>• Impact of related parties transactions</li></ul>	<ul style="list-style-type: none"><li>• Comment upon significant unusual, one-off/non-recurring costs and revenues based on discussion with management;</li><li>• Analysis of related party transactions and their impact to the reported EBITDA, if applicable;</li><li>• Proposal of EBITDA adjustments and calculation of Adjusted EBITDA (including comment on any potential adjustments proposed by the Seller and analysis of costs and expenses related to current shareholders);</li></ul>
<p><b>Related parties</b></p> <p>To understand the extent and nature of related party transactions.</p> <p>Unusual and infrequent transactions with related parties.</p>	<p>Prepare a summary of balances and transactions with related parties for the historical period. Through discussions with management and analysis of the information provided, comment on the nature and extent of related party transactions, including commercial terms and dependency.</p>
<p><b>Quality of net assets</b></p> <p>Understand the nature of items included on the balance sheet and potential areas of subjectivity.</p> <p>The reported balance sheet may contain overstated net assets or understated liabilities (e.g. off balance sheet items) which might impact valuation.</p> <p>The book value of tangible assets is unlikely to equal their fair value.</p>	<ul style="list-style-type: none"><li>• Analyse the key line items in the balance sheet for the historical period &amp; comment on significant fluctuations in the analysed period.</li><li>• Consider appropriateness of the Company's accounting policies for purchasing, capitalizing and depreciating non-current assets.</li><li>• Comment on the revaluation of the non-current assets, if the case.</li><li>• Inquire and comment on intangibles and their accounting treatment, if the case. Comment upon the adequacy of insurance coverage for fixed assets.</li><li>• Comment on any restriction in the use of assets, securities over the Company's assets.</li><li>• Based on discussions with management, comment on the nature and existence of any significant non- operating / non - core assets and liabilities.</li><li>• Leased vs owned assets.</li></ul>



# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Quality of net assets (cont')</b></p>	<ul style="list-style-type: none"><li>• Present any distribution of dividends during the analyzed period.</li><li>• Comment on the nature of the profit appropriation account for the period [insert]</li><li>• Present the cash and cash equivalents items and comment on any restricted balances.</li><li>• Comment on how quickly and easily cash equivalents can be converted into cash.</li><li>• Inquire about the nature (claims, litigations, etc.) of provisions accounted for during the relevant period and discuss with management the method and procedures used to estimate the amounts to be provided for.</li></ul>
<p><b>Capital expenditure</b> To understand how historical &amp; future capex splits into maintenance / replacement and expansionary spend – including committed and discretionary future capex.</p>	<ul style="list-style-type: none"><li>• Analyse schedule of historical capital expenditure, including year to date capex spend as compared to current year budget.</li><li>• Comment on categorisation between maintenance / replacement and expansionary capex.</li><li>• Comment on the key trends, including any relevant known one-off or non recurring items identified.</li><li>• Obtain and comment on CAPEX commitments.</li></ul>
<p><b>Net working capital</b> Identify the “normal” level of working capital and any investment/funding needed.</p> <p>The reported historical working capital position of the business may not be indicative of the position in the future and trends may be distorted by seasonality in the business.</p>	<ul style="list-style-type: none"><li>• Analyze and describe the main components of the Company’s net working capital at period end (inventories, trade receivables, trade payables, other assets, other liabilities).</li><li>• Analyze financial information available and discuss with management any ‘one-off’ non-recurring items that may exist in the financial statements, any changes in accounting policies and/or any structural changes in the business over the period under analysis that may impact historical working capital balances.</li><li>• Prepare an analysis of monthly working capital for the period 1 January 2017 – 31 December 2019, aiming to determine minimum / maximum working capital needs and average working capital. Further, comment on unusual trends or items as per discussion with management of the Company and on the Company’s seasonality.</li><li>• Provide analysis of top 10 suppliers, as well as top 10 clients, for the period 1 January 2017 – 31 December 2019.</li><li>• Comment on items included in reported working capital as at 31 December 2019 which have a rather debt nature and net debt adjustment may be considered. This adjusted working capital analysis will only be made for year-end purposes when full cut-off procedures are in place.</li><li>• Analyze debtors and creditors ageing, comment on average days for inventories, trade receivables and trade payables (DIO, DSO, DPO).</li></ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Quality of net assets (cont')</b> The reported net historical working capital may not reflect the current operations and arrangements of the business and may contain non-recurring or non-cash items.</p> <p><b>The reported results may be impacted by:</b></p> <ul style="list-style-type: none"> <li>• Capital expenditure creditors</li> <li>• One-off / non-recurring items</li> <li>• Interest and finance cost accruals</li> <li>• Non-cash items in debtors and/or creditors</li> <li>• Customer deposits / advances</li> <li>• Year/Period-end (or quarter end) "procedures" to manage working capital for covenant compliance and/or statutory reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Comment on the ageing of significant inventory types and locations, if available. Analysis of inventory write offs.</li> <li>• Comment on the accounting policies for valuation of inventory.</li> <li>• Analyze and comment on the adequacy of any debtor and inventory provisions and appropriateness/adequacy of these provision levels.</li> <li>• Comment on the accounts pledged, factored or subject to any restrictions in their use. Obtain and present breakdown of top 10 outstanding supplier balances and agreed payment terms. Present and comment on the suppliers aging.</li> <li>• Consider main items in the prepaid expenses and other assets. Present a breakdown of other major liabilities and deferred revenues. Inquire and comment upon the long-term liabilities, if the case.</li> <li>• Based on inquiries with management, present unrecorded liabilities, if applicable.</li> </ul>
<p><b>Net working capital</b> Understand the financing. Existing financing may be sub-optimal or may carry onerous terms and conditions. Net debt may not be correctly defined and consideration needs to be given as to how "debt-like" items are treated for valuation purposes. Reported debt may need adjustment for: Debt-like items (e.g. capex creditors, provisions) &amp; any other material "cash" exposures.</p> <p>Obligations for cash received in advance (e.g. deferred income, deposits or customer advances). Large one-off prepayments or accruals. Unrecorded provisions for pending litigation against the Company. Unrecorded provisions for additional taxes and penalties which may be assessed by the Tax Authorities for periods which have not been yet tax audited.</p>	<p>Present a breakdown of and assess the existing loans (both shareholder and bank facilities) and leasing, and short description of their status (including a short presentation of key terms of the banking arrangements including any change of control clauses: terms of borrowing, interest rates, security, refinancing, etc.);</p> <ul style="list-style-type: none"> <li>• Present a pro-forma net debt as at [insert]</li> <li>• Identify any off-balance sheet and contingent items based on review of financial statements and through discussion with management of the Target;</li> <li>• Identify and quantify the costs of refinancing / repayment of existing loans and leases including capital repayment, early termination and other relating fees;</li> <li>• Identify and quantify any outstanding CAPEX supplier balances and any known future CAPEX liabilities not accounted for in the Target's Books;</li> <li>• Financial guarantees granted and received;</li> <li>• Comment about debt-like, as well as cash-like items in the Balance Sheet;</li> <li>• Comment on the nature of subsidies received by the Company for the period [insert], if any</li> <li>• In liaison with the tax due diligence team, identify and comment on contingent liabilities relating to taxation matters (please refer to detailed scope of tax due diligence) and consider whether provisions for identified risks are necessary to be factored in the net debt statement.</li> </ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Net debt and off balance sheet items</b></p> <p>Understand the financing. Existing financing may be sub-optimal or may carry onerous terms and conditions. Net debt may not be correctly defined and consideration needs to be given as to how “debt-like” items are treated for valuation purposes. Reported debt may need adjustment for:</p> <ul style="list-style-type: none"><li>• Debt-like items (e.g. capex creditors, provisions) and any other material “cash” exposures.</li><li>• Obligations for cash received in advance (e.g. deferred income, deposits or customer advances).</li><li>• Large one-off prepayments or accruals.</li><li>• Unrecorded provisions for pending litigation against the Company.</li><li>• Unrecorded provisions for additional taxes and penalties which may be assessed by the Tax Authorities for periods which have not been yet tax audited.</li></ul>	<ul style="list-style-type: none"><li>• In liaison with the legal due diligence team/ management, identify and comment on the existence of material outstanding commitments (non-trade related) and whether any crystallized liability needs to be considered for the pro-forma net debt statement upon Closing. Analyze a sample of 10 customers contracts and top 10 suppliers and comment on significant commitments arising from the commercial contracts.</li><li>• Obtain a list from management and comment on the off-balance sheet items (e.g. letters of credit, promissory notes, bills of exchange, guarantees, bonds, etc.) including guarantees granted to customers.</li></ul>
<p><b>Quality of cash flows</b></p> <ul style="list-style-type: none"><li>• The reported cash flows may not reflect the underlying performance of the business and may not form an appropriate basis for determining the future cash generation and funding requirements.</li><li>• Compare year on year historical free cash flows and make adjustments to present them on a comparable or a like-for-like basis.</li><li>• Comment on the Target’s cash conversion rate, i.e., the company’s ability to convert profits into cash and any inherent restrictions / limitations.</li><li>• Consider and adjust if appropriate, any P&amp;L adjustments made in Adjusted EBITDA if they have an impact on the Adjusted Cash Flow analysis.</li><li>• Identify and comment on the underlying drivers and trends in the free cash flow.</li></ul>	

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## FINANCIAL DUE DILIGENCE – SCOPE

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Area	Our work
<b>Quality of financial information</b>  <b>Source of numbers and reconciliations</b> To understand and assess the suitability of the financial information presented for the financial appraisal of the business	Provide commentary on the following: <ul style="list-style-type: none"><li>• The source of key figures and the reconciliations between these</li><li>• Whether the reconciliation of differences can be adequately explained / adjusted</li><li>• The underlying assumptions and the nature and degree of estimation in the financial data</li><li>• Whether there are any carve-out and pro forma issues; i.e., what are the principal adjustments made to the numbers for “underlying” profitability purposes.</li></ul>
<b>Significant accounting policies and procedures</b> To understand the policies and procedures applied in the preparation of the financial information.	Provide commentary on the following: <ul style="list-style-type: none"><li>• Are accounting policies and practices appropriate and in line with industry practice?</li><li>• Have they been consistently applied?</li><li>• What are the judgmental areas?</li><li>• Is there any evidence to suggest accounting policies or practices have been used to manipulate reported results?</li></ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

Area	Our work
<p><b>General</b></p> <ul style="list-style-type: none"><li>• To assess that the tax policies and procedures are in line with tax regulations.</li><li>• Presentation of the compliance level of the Target with the Romanian tax provisions</li></ul>	<ul style="list-style-type: none"><li>• Review whether the Target filed its tax returns and paid its taxes in due time for the period under review.</li><li>• Review of documentation relating to tax inspections and other correspondence with the tax authorities, e.g. tax rulings, as well as discussing with management pending tax and court proceedings.</li><li>• Determine the historical period open to assessment by the tax authorities</li><li>• Review of tax optimization solutions introduced so far, if any</li></ul>
<p><b>Corporate Income Tax (CIT)</b></p> <ul style="list-style-type: none"><li>• To ensure reasonable level of comfort on the Target's tax accounting in the agreed scope.</li><li>• To identify material tax exposures in the agreed scope</li></ul>	<ul style="list-style-type: none"><li>• Review of the Target's tax position, tax loss utilization and of the amount of tax loss carry forward available</li><li>• Review of CIT returns and reconciliation from financial to tax result</li><li>• Review whether major cost / revenue categories are properly qualified as the tax deductible costs / taxable revenues</li><li>• We shall conduct interviews with the Company's management and focus to check sensitive areas in treating certain costs / income for tax purposes. We shall inquire, among others, on the following matters: transactions with related parties (however a review / preparation of transfer pricing documentation / study is outside our scope), borrowing costs deductibility, depreciation allowances, tax incentives / exemptions the Target is benefiting from and whether these may be used post acquisition, nature and tax treatment of tax provisions, tax losses or credits carried forward and related restrictions of future utilization,</li><li>• Comments on the calculation of the profit tax focusing on the adjustments for non deductible expenses and non taxable revenues;</li><li>• Comment on the Target's profit and loss account, calculate the effective tax rate (ETR) and comment with respect to differences between ETR and the statutory CIT rate</li><li>• Analysis of tax provisions in the latest available statutory accounts and provide comments on key components;</li></ul> <p>If, further to our analysis and the interviews performed, we identify non-compliance instances related to CIT and having in mind the materiality threshold, we will aim to quantify, if possible, potential additional CIT liabilities and related penalties.</p>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

Area	Our work
<p><b>Withholding tax (WHT)</b></p> <ul style="list-style-type: none"><li>• To assess the WHT position of the Target for the reviewed period</li><li>• To identify material tax exposures in the agreed scope</li></ul>	<p>We will aim to identify potential WHT exposures, inquiring inter alia on the following:</p> <ul style="list-style-type: none"><li>• The application of the WHT treatment in case of external payments of services, interest, royalties and dividends;</li><li>• The contracts concluded by the Company (on a sample basis) with non-residents in order to determine the tax regime;</li><li>• Availability of tax residency certificates (and/or other necessary documents) relating to cross-border payments.</li></ul> <p>If, further to the interviews performed, we identify non-compliance instances related to WHT and having in mind the materiality threshold, we will aim to quantify, if possible, potential additional WHT liabilities and related penalties.</p>
<p><b>Value added tax (VAT)</b></p> <ul style="list-style-type: none"><li>• To ensure reasonable level of comfort on the Target's tax accounting in the agreed scope.</li><li>• To identify material tax exposures in the agreed scope</li></ul>	<p>From a VAT perspective, we shall conduct interviews with the Target' management in order to evaluate whether the Target applied the correct VAT treatment to its incoming and outgoing operations and whether the Target fulfilled its VAT compliance obligations.</p> <p>We shall enquire, among others, on the following matters:</p> <ul style="list-style-type: none"><li>• VAT reverse-charge;</li><li>• Exercising the VAT deduction right;</li><li>• Cross-border operations with goods and services (if the case);</li><li>• Applicability of VAT exemptions or other VAT reliefs;</li><li>• Adjustments of input VAT for capital assets.</li></ul> <p>If, further to the above procedures we identify non-compliance instances related to VAT and having in mind the materiality threshold proposed above, we will aim to quantify, if possible, potential additional VAT liabilities and related penalties.</p>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

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Area	Our work
<p><b>Local taxes</b></p> <ul style="list-style-type: none"><li>• To assess the compliance of the Target related to local taxes for the reviewed period</li><li>• To identify material tax exposures in the agreed scope</li></ul>	<p>We will comment on calculation/payment of local taxes and seek to identify areas of exposure.</p> <p>If, further to the interviews performed, we identify non-compliance instances related to local taxes and having in mind the materiality threshold, we will aim to quantify, if possible, potential additional tax liabilities and related penalties.</p>
<p><b>Personal income tax &amp; social charges</b></p> <ul style="list-style-type: none"><li>• Payroll taxes may not be considered adequately, especially with respect to management participation programs and fringe benefits</li><li>• To identify material tax exposures in the agreed scope</li></ul>	<p>We will conduct interviews with the Target's management in order to evaluate whether they applied the correct treatment in respect of payroll and individual related taxes and contributions.</p> <p>We shall inquire on:</p> <ul style="list-style-type: none"><li>• Preparation of tax returns and personal income tax calculations on employment contracts concluded with individuals;</li><li>• Taxation of benefits granted to employees (including any employee/director share schemes);</li><li>• Special remuneration schemes and collaborators, but also management/shareholders remuneration (i.e., dividend payments or other assimilated compensation).</li></ul> <p>If, further to the interview performed, we identify non-compliance instances related to PIT and having in mind the materiality threshold proposed above, we will aim to quantify, if possible, potential additional PIT liabilities and related penalties.</p>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

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Issue	Scope
<b>Identification of tax risks in relation to the Target</b>	<p><b><u>Our work:</u></b> The scope of our tax due diligence will include verifying the historical tax position of the Target, focusing on the following areas:</p> <ul style="list-style-type: none"><li>• Corporate income tax;</li><li>• Value added tax;</li><li>• Personal income tax and social security contributions;</li><li>• Local taxes (building tax, land tax);</li><li>• Withholding tax;</li><li>• Other areas of inquiry.</li></ul> <p><b><u>Period under review:</u></b> Our Tax Due Diligence Report will address the Target’s operations and tax position based on the information provided for the period 1 January 2017 – 31 December 2019 (“period under review”).</p> <p><b><u>Materiality threshold:</u></b> Our analysis will be performed considering a materiality threshold to be established at a further stage, applied per tax item/year. Therefore, we will present in our report only the identified risks that may quantify in individual additional fiscal obligations exceeding the materiality threshold. Our work will be performed based on the statutory accounts that we will assume are correct and complete. If the necessary statutory accounts will not be provided to us we will inform you.</p>



# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

Issue	Scope
<b>Identification of tax risks in relation to the Target</b>	<p>The scope of our tax due diligence will focus on the following:</p> <p><b>1. Corporate income tax (“CIT”)</b></p> <p>Our review will comprise the application of specific procedures and tests to the CIT returns, year-end computations and source documents supporting the regular transactions of the Target, selected on a sample basis. As part of the engagement we will:</p> <ul style="list-style-type: none"><li>• Comment on the Target’s profit and loss account, calculating the effective tax rate (ETR) and comments with respect to differences between the ETR and statutory corporate income tax rate.</li><li>• Present any tax loss available to be carried forward (if any) or other tax attributes (e.g. interest not deducted which can be carried forward, tax credits which could be carried forward etc.);</li><li>• Review the CIT position of the Target, analyzing and applying specific tests to the non-taxable income and non-deductible expenses;</li><li>• Review of the tax treatment of the most significant and most typical types of transactions;</li><li>• Analysis of tax provisions in the latest available statutory accounts with commentary of key components;</li><li>• Enquire on the transactions with related parties to seek to identify potential tax exposures and on the existence of the transfer pricing documentation (however, no detailed analysis will be performed such as benchmarking analysis);</li><li>• Review the Target’s compliance liabilities in relation to CIT (timely submission of CIT statements and payment of the CIT liabilities – where applicable);</li><li>• Comment on other potential areas of exposure.</li></ul> <p><b>2. Value added tax (“VAT”)</b></p> <ul style="list-style-type: none"><li>• Comment on the Target’s activities and their VAT profile;</li><li>• Comment on the VAT treatment for different transactions, both regular and extraordinary, made by the Target;</li><li>• Review the compliance liabilities of the Target;</li><li>• Analysis of the deduction right of VAT incurred for the acquisitions of goods/ services by the Target;</li><li>• Assess potential debts to the State budget, if any.</li></ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – SCOPE

Issue	Scope
<b>Identification of tax risks in relation to the Target</b>	<p><b><u>3. Personal income tax (“PIT”) and social security contributions (“SSC”)</u></b></p> <ul style="list-style-type: none"><li>• Comment on the salary remuneration packages and computation of personal income tax and corresponding social charges and seek to highlight areas of exposure;</li><li>• Review on a sample basis the calculation of personal income tax and social security contributions for the months of June and December of each covered tax year;</li><li>• Review the agreements with subcontractors and assess the tax risks associated with;</li><li>• Review the Target’s compliance liabilities with respect to salary income tax and social security contributions (due time submission to relevant tax authorities).</li></ul> <p><b><u>4. Local taxes (building tax, land tax)</u></b></p> <ul style="list-style-type: none"><li>• Comment on computation/payment of local taxes and seek to highlight areas of exposure;</li><li>• Consider potential risk exposures in respect of local taxes.</li></ul> <p><b><u>5. Withholding tax (“WHT”)</u></b></p> <ul style="list-style-type: none"><li>• Comment on the relevant contractual agreements and the tax regime applicable;</li><li>• Comment on the Target’s position regarding withholding tax;</li><li>• Review of the fiscal obligations regarding the declaration and payment of WHT;</li><li>• Comment on potential areas of exposure.</li></ul> <p><b><u>6. Other areas of investigation</u></b></p> <ul style="list-style-type: none"><li>• Estimate the impact of material outstanding issues in open computations;</li><li>• Review latest available tax audit report, including tax assessments, and any claims arising there from, commenting upon the level of financial exposure arising in this area; undertake discussions with the management of the Target with a view to identifying unrecorded actual or contingent liabilities concerning tax and related penalties and interest. If exposures have been raised during the audits, provide details of procedures/controls implemented to avoid a reoccurrence.</li><li>• Enquire on whether the Target has taken benefits of any special tax incentives, exemptions, and check whether the Target has fulfilled any conditions provided there under and comment upon potential obligations of the Target arising as a result of such incentives/ exemptions.</li></ul>

# HOW OUR APPROACH WILL HELP YOU: OUR SERVICES

## TAX DUE DILIGENCE – ADDITIONAL SERVICES

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Issue	Scope
<b>SPA assistance</b>  <b>Tax structuring services</b>	<p>After the due diligence exercise will be completed, we are available to assist with SPA support and the tax structuring of the transaction.</p> <p><b>In particular, we may:</b></p> <ul style="list-style-type: none"><li>• Analyze the key tax and legal aspects related to the deal structure;</li><li>• Review the main financial and tax clauses of the SPA, including purchase price calculations and definitions of debt, working capital, financial statements etc.;</li><li>• Provide our comments/recommendations in relation to the SPA, taking into account the issues identified within the financial and tax due diligence report;</li><li>• Prepare a written report containing an analysis of the key tax implications that could arise from the structure of the transaction.</li></ul>

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# AN OVERVIEW OF OUR GROUP AND PEOPLE

**Our professionals are experienced advisors** - tax advisers, accountants, payroll advisers, lawyers, M&A and finance professionals, auditors and chartered surveyors speaking English, French, German, Italian and Spanish with years of experience in both public and private sector in Romania and abroad.



**Ionut Zeche**  
Managing Partner



**Raluca Tutu**  
Partner, Tax Services



**Crina Stancu**  
Partner, Corporate Services



**Laurentiu Vasile**  
Partner, Audit Services



**Alina Ene**  
Manager, Audit Services



**Diana Dragodan**  
Manager, Corporate Services



**Nicoleta Crainiceanu**  
Manager, BPS, Payroll & HR



**Denisa Capitanescu**  
Manager, BPS, Payroll & HR

# AN OVERVIEW OF OUR GROUP & PEOPLE

## OUR SERVICES

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### ADVISORY

Business Restructuring and  
Turnaround

Business Services & Outsourcing

Litigation and Disputes

M&A and Transaction Advisory

Management Advisory

Corporate Services

### AUDIT & ASSURANCE

Accounting and  
Reporting Advisory Services

IFRS

Audit

Revenue Recognition

Third Party Attestation

### TAX

Tax compliance and reviews

International Tax Services

Tax Transaction Advisory Services

Tax Agency and Representation

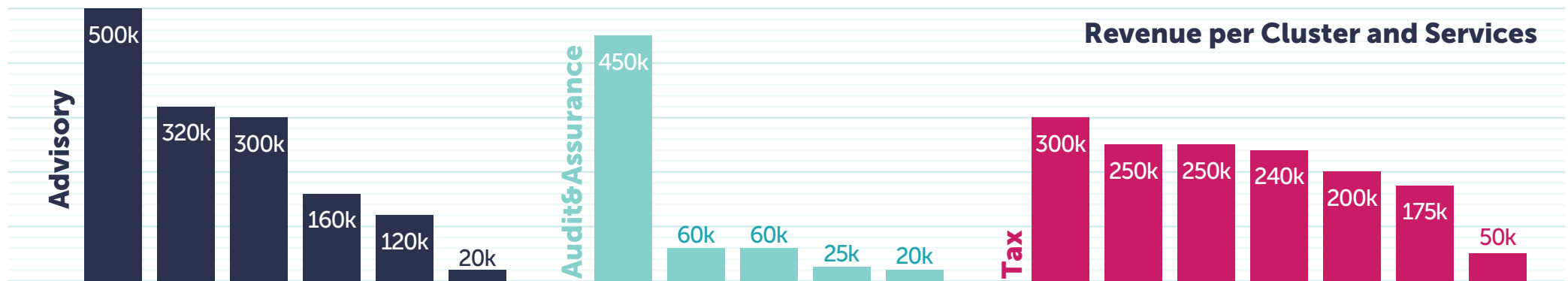
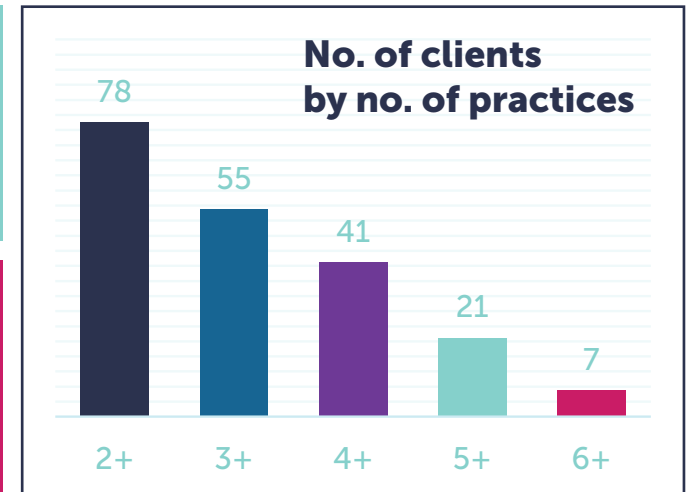
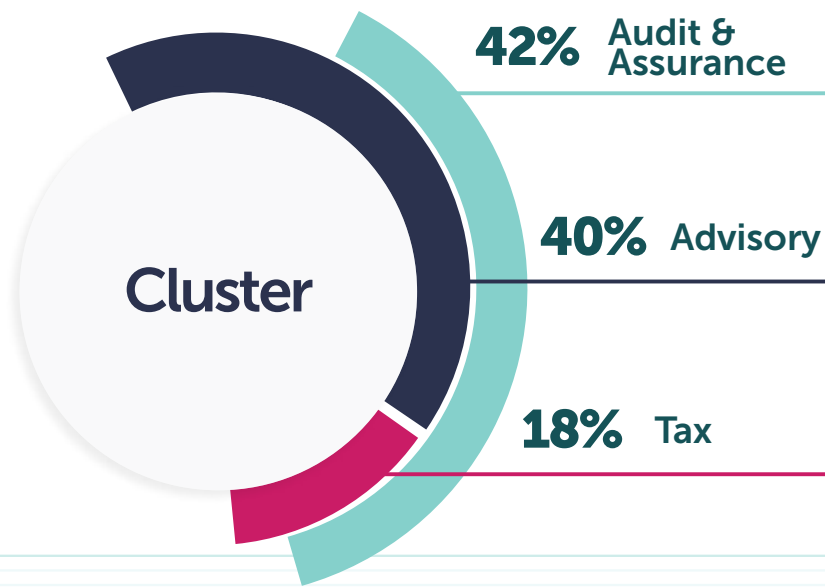
Transfer Pricing

Tax Technology and Automation

Global Employer Services

# AN OVERVIEW OF OUR GROUP & PEOPLE

## KEY STATISTICS

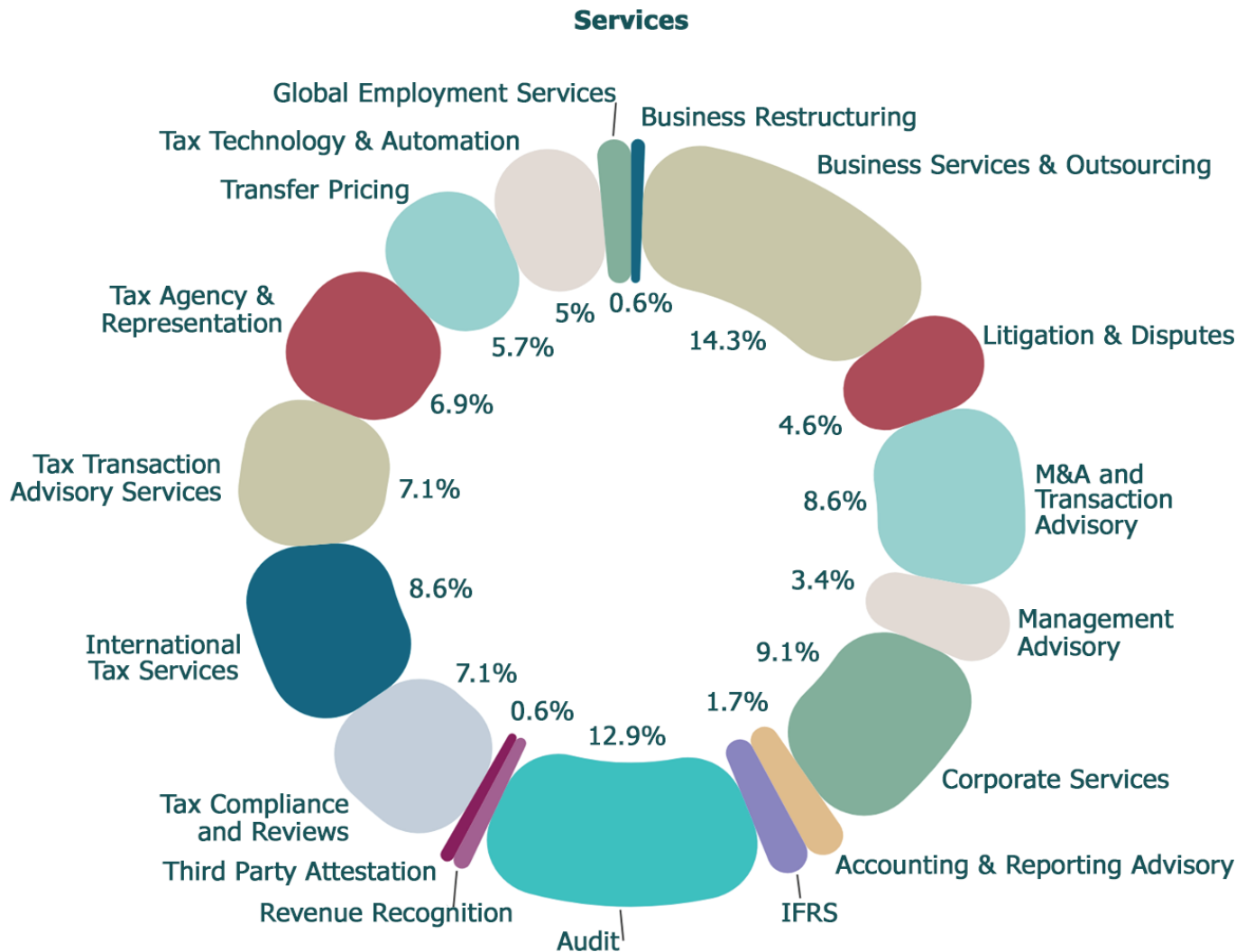


- Business Services & Outsourcing
- Management Advisory
- IFRS
- Tax Compliance & reviews
- Tax Technology & Automation
- Corporate Services
- Business Restructuring
- Revenue Recognition
- Tax Transaction Advisory Services
- Global Employment Services
- M&A & Transaction Advisory
- Audit
- Third Party Attestation
- Tax Agency & Rep
- Litigation & Disputes
- Accounting & Reporting Advisory
- International Tax Services
- Transfer Pricing

# AN OVERVIEW OF OUR GROUP & PEOPLE

## KEY STATISTICS

### REVENUE PER SERVICE:



### No. of clients per service

- 14 Accounting & Reporting Advisory
- 44 Audit
- 10 Business Restructuring
- 88 Business Services & Outsourcing
- 36 Corporate Services
- 28 Global Employment Services
- 20 IFRS
- 21 International Tax Services
- 14 Litigation & Disputes
- 21 M&A & Transaction Advisory
- 8 Management Advisory
- 5 Revenue Recognition
- 82 Tax Agency & Rep
- 28 Tax Compliance & Reviews
- 26 Tax Technology & Automation
- 76 Tax Transaction Advisory Services
- 8 Third Party Attestation
- 31 Transfer Pricing

# HOW OUR APPROACH WILL HELP YOU: OUR FIRM

## KEY TECHNOLOGY & RESOURCES

### Accounting



### Payroll



### Audit



### Custom platforms



### Tax



### M&A



### Legal



### Administrative

