

TERMS OF ENGAGEMENT

Please note that each client will have their terms of engagement customised and personalised to their individual circumstances.

The purpose of this document is to confirm the understanding of our terms of engagement and forms the basis of our contract with you, in regard to performing accounting and administration services for the following entity/entities:

(Training Company Limited)

(Asset Holding Trust)

(Joe Bloggs)

(Josephine Bloggs)

Your acceptance of our Terms of Engagement will be presumed unless you advise otherwise.

Acting for You

When we give you accounting advice, we will be relying on the information that you and sometimes other agencies provide to us. Our opinions are based on our best professional judgement. Your instructions will be carried out by a partner, an accountant or client services administrator depending on the level of skill required for particular tasks.

Financial Statements and Reports

We will compile your interim financial reports and your annual financial statements from information provided from you. This is in accordance with Service Engagement Standard No 2 (SES-2) *Compilation of Financial Information* issued by the New Zealand Institute of Chartered Accountants (NZICA).

It is understood and agreed that:

- a) You will provide us with accurate and complete information necessary to compile such statements, and:
 - You will give us this information on a timely basis;
 - You are responsible for the accuracy and completeness of the assertions in the financial statements;
 - You accept responsibility for all records and information supplied to us;
 - You accept responsibility for any failure to supply us with all relevant records and information.
- b) Sellar & Sellar will not undertake an audit or review engagement, unless specifically asked for, and accordingly no assurances will be expressed by us. Each page of the financial statements will be conspicuously marked as being audited if this has been performed, as to the Audit Statute.
- c) Our disclaimer forms part of our financial statement – you will attach our disclaimer when distributing the financial statements to third parties.
- d) The financial information will be prepared in accordance with generally accepted accounting practice in New Zealand, and

this will be disclosed as part of the financial information. If this does not represent a true and fair view of the financial information, this will be explained in the reports and any departures from this practice will be disclosed in the financial reports.

- e) Due to the limited scope of work performed in compilation, Sellar & Sellar cannot be relied upon to prevent or detect fraud, internal control weaknesses, errors, illegal acts or other irregularities. Of course, if anything of this nature comes to our attention during the preparation of financial information, we will inform you of this.
- f) Sellar & Sellar will prepare the financial information and reports knowing that the intended use of these is for yourselves and IRD taxation purposes. You will need to advise us of any changes to the intended recipients of any financial reports. If you distribute the financial statements to any person without attaching to them our statement disclaiming liability, then you will indemnify us against all claims, actions, damages, liabilities, costs and expenses (including, but not limited to, reasonable legal costs and expenses) incurred by us and arising out of or in connection with any action, claim or proceeding brought by a third party in connection with the services provided by us to you.
- g) Independence is not a requirement for a compilation engagement such as this. However the NZICA code of ethics requires us to act objectively and to be, or be seen to be, independent. If we are aware that our independence may be compromised for whatever reason, we will disclose this in the financial report.
- h) Any working papers that we prepare while working on your information will remain the property of this practice. Access to your records and information held by us may be required by the NZICA as part of their quality assurance procedures.
- i) For any financial statements or reports that we prepare, a Compilation Report and Disclaimer will be attached – this will be in the format specified in Appendix 1 to this document.

Other Services

In addition to compiling the financial reports, we will also be performing services as defined in Appendix 2 to this letter.

Timetable for Completion

We will provide you with an efficient and timely service, and a completion date can be discussed if required.

Our Fees

We will charge you a reasonable fee for the work we carry out, this will take into account a number of factors including the time spent on your work by us. We have detailed the specific basis on which

we will charge you, in our letter of engagement. The differences in hourly rates reflect the experience and specialization of our professional staff. GST (if any) is payable by you on our fees and charges. Should it become necessary to provide services falling outside the agreed scope, we will advise you as soon as possible and will give you an estimate of the likely amount of the further costs.

Billing and Terms of Payment

We may send you an invoice for our fees and administration costs at the end of every second month, while the work we do for you is continuing. This must be paid within 14 days of the date of the invoice.

To ensure we continue acting for you, it is essential that you pay your bills promptly. If a bill is not paid by the due date, and no contact has been made with this office to discuss alternative payment options, we will stop acting as your accountant. In the unlikely event that this happens, we will notify you that we intend to stop acting for you.

You will continue to be responsible for paying our fees for the work we have done for you and the expenses we have incurred.

If your bill or part thereof remains unpaid more than 30 days after due date, we reserve the right to charge you interest at the current overdraft interest rate.

What to do if you have Concerns about our Work

We value our relationship with you. If at any time you have any concerns about our work, the costs, or a complaint, please contact our Practice Manager – Vicki Thompson or the partner who is supervising the work.

If we cannot resolve your concern or complaint through meeting with the supervising partner, a partner not directly involved in the matter, will undertake a review, at no cost to you, and formally respond to you within 2 weeks.

You can end your relationship with Sellar & Sellar at any time. Please notify us in writing and we will then send you an invoice for fees and expenses up to the date of termination of the relationship.

We may terminate our relationship with you in any of the circumstances detailed in the NZICA rules of conduct and client care.

Appendix 1

The following Compilation Report and Disclaimer will appear on the financial information we prepare.

COMPILATION REPORT AND DISCLAIMER TO (J & J Bloggs)

Scope

On the basis of information you, the client, have provided, we have compiled the Financial Statements/Report of {entity name} for the 12 months ended 31 March 20{XX}, in accordance with Service Engagement Standard No 2, *Compilation of Financial Information* as per the index. These have been prepared in accordance with generally accepted accounting practice in New Zealand.

Responsibilities

You, the client, are solely responsible for the information contained in the financial statements/reports, and have determined that the basis of accounting used as described above is appropriate to meet your needs, and for the purpose that the financial statements/reports were prepared.

The financial statements/reports were prepared exclusively for your benefit. Neither we, or any of our employees, accept responsibility to any other person for the contents of the financial statements.

No Audit or Review Engagement Undertaken

Our procedures use accounting expertise to undertake the compilation of the financial statements from the information you provided. Our procedures do not include verification of validation procedures. No audit or review engagement has been performed and, accordingly, no assurance is expressed.

Independence

We have no involvement with this client, other than the preparation of financial statements and reports.

Disclaimer

A compilation engagement requires us to apply compilation procedures, in accordance with SES-2 *Compilation of Financial Information*, to compile the financial statements from information you provide to us. These compilation procedures do not include the performance of an audit or review in respect of either the information you provide, or the financial information compiled from it. Accordingly, neither Sellar & Sellar, or any of our employees, accept any responsibility for the reliability, accuracy or completeness of the information from which the financial information has been compiled.

The financial information is compiled at your request and exclusively for your benefit. Neither Sellar & Sellar, or any of our employees accept any liability of any kind whatsoever, including liability by reason of negligence, to either yourself or any other person for losses incurred as a result of placing reliance on the compiled financial information.

Appendix 2

Registered Office

Our office is to be the registered office of the company.

Company Minutes / Directors' Annual Report

We will prepare annual company resolutions for shareholders and directors, together with the annual report, as required by the Companies Act 1993.

The Companies Act 1993 requires that the annual financial statements are completed within nine months of the end of your financial year. It is the responsibility of the directors to ensure that information is provided to us on a timely basis, in order that we may assist directors in achieving compliance with this requirement.

Trust Minutes and Records

We will be responsible for the preparation of the minutes of the trustees' annual meeting.

We will maintain the Trust records, including details of trustees, beneficiaries and deeds completed, and liaise with your solicitor as required.

Maintenance of Statutory Records

We understand that we are responsible for maintaining the following statutory records:

Register of Members

Register of Directors

Register of Directors' Shareholding

Register of Directors' Interests

Register of Charges – PPSR

Minute book – Shareholders' Meetings/resolutions

Minute book – Directors' meetings / resolutions

Other statutory Records

Note that the Companies Act 1993 imposes penalties on the company and directors if these records are not maintained.

Filing of Returns with Registrar of Companies

We understand that our office is responsible for the preparing and lodging the annual return as required. On advice from you, we will also update the Companies Office records for any changes to company details.

Income Tax Returns

We will prepare income tax returns for {entity name}, and the following associated persons/entities, from the financial statements you approve and from additional information you provide in writing:

{Name 1}

{Name 2}

We will assist you to understand the importance and risk of signing these income tax returns as being true and correct statutory records.

We will need you to complete an annual questionnaire to obtain all relevant information to assist in preparing your annual income tax returns. **It is your responsibility** to ensure the final tax returns are a **complete and accurate representation** of your income and financial position for the year.

We will also assist you with tax planning and discuss options with you, in order that you are able to make an informed decision so you may decide upon the proper course of action. Where you elect to use the estimation provisions in relation to any taxation payments, we will advise you of the effects of such an election. Any use of money interest charge due to incorrect estimation would be your responsibility.

You authorise us to act as your tax agent with the IRD for all tax types and associated entities.

Tax Assessments

Our service includes the following:

The use of our practice's address for the IRD to serve notices;

A tax advice letter informing you of the amounts and dates of tax due;

Checking your assessment notices and advising you of any legitimate amendments;

Checking penalties and/or use of money interest charges if made. We will check their accuracy and advise you of the amounts and dates due.

It will be your responsibility to ensure payments are made on time.

Penalty Tax Regime

The tax legislation imposes penalties and interest charges for tax short paid as a result of incorrect returns and late payments of tax. This legislation applies to all forms of tax: income tax, GST, FBT, PAYE, etc. Generally the rules require a taxpayer to either have taken reasonable care or to have an acceptable interpretation if the penalties are not to apply. By using Sellar & Sellar to prepare your returns, it could be said that you have taken the firm step towards that level of care, but it must be emphasised that your obligations will not be fully discharged unless you provide **all relevant** information to us.

We will provide guidance and assistance, so please do not hesitate to discuss any concerns you may have on this matter.

Annual Imputation Return

We will prepare and file the Annual Imputation Return in conjunction with the company's (if applicable) income tax return.

Business Administration Services

Please circle if you would like Sellar & Sellar to prepare your:

GST return

FBT return

RWT return

PAYE return

Cashflow (on demand)

Payroll

You will provide us with accurate and complete information so as to enable us to compile such statements and returns.

Insurance

We confirm our understanding that the adequacy and extent of your insurance covers are regularly reviewed by brokers/insurance companies, and discussed with you by them, and that we are not responsible or liable for this function.

Department of Statistics Return

We will prepare Department of Statistics Returns as required.