



TERMS OF ENGAGEMENT

Name:

Address:

The purpose of this letter is to confirm and set out the terms of our engagement to perform annual accounting services for you and your business and outline the nature and extent of the services we will provide.

Primary Assignment

Using information supplied by you, we will use our professional skills to compile annual financial statements and an income tax return for the period ended 31 March each year. This work will be performed in accordance with the Service Engagement Standard (SES-2) issued by the New Zealand Institute of Chartered Accountants. We can provide a copy of these standards at your request.

Annual accounts for companies will be prepared in accordance with the Financial Reporting Act 1993. Other than for exempt companies, these are general purpose reports and must be prepared in accordance with New Zealand Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs). If necessary, additional explanations will be added to ensure that a true and fair view is given.

Annual accounts for exempt companies may be prepared either in accordance with FRSs and SSAPs as described above, or in accordance with the financial statements and referred to in our compilation report that accompanies the financial statements.

Other accounts will be prepared in accordance with any applicable legislation. For partnerships, trusts, sole traders and other entities where the format of accounts is not dictated by legislation, we will prepare special purpose annual financial statements according to the principles contained in the Income Tax Act 2007. Periodic accounts for management are not governed by legislation and will be prepared on the basis requested by management.

The general basis of accounting used to compile the accounts will be described in the notes to the financial statements together with any significant departures from that basis. Significant departures will also be referred to in our compilation report.

We will prepare income tax returns on behalf of the associated parties as agreed from the financial information you have provided and from additional material and facts you provide in writing.

We will not audit, review or otherwise attempt to verify or provide assurance on the accuracy or completeness of such financial information and material provided. The outputs that are compiled for you cannot be relied upon to detect error or fraud. For this reason, your financial statements will include a clear statement by us headed "Disclaimer of Liability", recording that our responsibility in connection with the financial statements is to you only, and not to other readers or users of the financial statements.

We will not take active steps to identify weakness in your internal accounting system, errors, illegal acts or other irregularities, for example, fraud or non-compliance with laws and regulations.

You are authorising us to communicate with banking and lending institutions, solicitors, and other persons or organisations to obtain such further information as we may require in order to carry out this engagement until such time that you inform us in writing that we no longer have authority to act, or that the solicitors or banking and lending institutions no longer act for you.

You give us authority to obtain information from Inland Revenue about all tax types (except NCP and CPR). This includes obtaining information through all Inland Revenue media and communication channels.

You consent to receiving informational material from us via email, text messaging, or any other means.

This authority shall extend to those entities with which you are associated unless otherwise instructed and include the linking of individuals associated with the business.

Taxation Services

This letter will serve as an authority from you to us to list all of the tax payers listed above on our tax agency with Inland Revenue. This authority allows us to obtain information from Inland Revenue on your behalf. The authority is not restricted to any one taxpayer and is for all tax types. You should be aware that information is obtained from Inland Revenue by a number of different methods, generally telephone or internet contact or by correspondence. You may receive, from time to time, notification from Inland Revenue that the authority has been acted upon.

From time to time we may be requested to provide tax advice and tax opinions. This letter of engagement covers such assignments unless we agree separate terms with you.

Generally we will not sign any taxation returns or forms on your behalf. In the event that you request us to do so, then this letter will serve as an authority from you for us to sign those returns and that you confirm the correctness of the information contained in that return.

Where, from time to time, we provide oral advice in meetings and over the telephone, we will always strive to provide accurate advice, but it must be recognised that oral advice is not our considered view on a particular issue. Accordingly, if the oral advice relates to a significant issue and you intend to rely on the oral advice you should seek written confirmation.

Personal Guarantees

You agree that all directors, trustees or partners shall have, at all times, a joint and separate personal liability for all costs incurred by your company, trust or partnership. This is a continuing guarantee and will remain fully in force until such time as it is revoked in writing by us. This guarantee is given by you, on behalf of those entities in this agreement, to induce us to extend credit to you.

Your Responsibilities

It is understood and agreed that you:

- 1 **Provide us** with accurate and complete information necessary to compile the financial statements and income tax returns promptly;
- 2 **Accept responsibility** for the accuracy and completeness of all records and information supplied to us and you accept responsibility for any failure to supply us with all relevant records and information. We will not be responsible for the consequences of delays caused by incomplete or inaccurate information or failure to supply us with the information in a reasonable time nor shall we be bound by any undertakings we may have provided with respect to delivery of the work where such delays result from incomplete information being available to us;

- 3 **Remain responsible** for the reliability, accuracy and completeness of the financial information compiled, including income tax returns;
- 4 **Note that** each page of the financial statements must be in conjunction with the notes to the financial statements and the accompanying statement of disclaimer;
- 5 **Acknowledge that** the financial statements and income tax returns are compiled at your request, for your purposes only, and that SBC (Nelson) Limited will not be liable for any losses, claims or demands by any third party;
- 6 **Acknowledge that** the financial statements will be prepared in accordance with the New Zealand Financial Reporting Act 1993, the Financial Reporting Order 1994 and the Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) where applicable;
- 7 **Acknowledge that** your acceptance of this compilation engagement letter provides us with authority to obtain further information from the Inland Revenue Department (IRD), or any other third party, including ACC as necessary to complete the financial statements and tax return for you and your business and to place on our agency listing with the IRD;
- 8 **You agree** that should you ignore the advice we provided, act contrary to our advice, or not seek advice from us then any and all losses arising or suffered as a result shall be yours and yours alone and SBC (Nelson) Limited shall not in any way be liable for any consequential loss.

Limitations of Our Assignment's Scope

Due to the limited scope of the work performed in compilation, this engagement cannot be relied upon to prevent or detect fraud, irregularities or error. Therefore we wish to emphasise that control over and responsibility for the prevention and detection of fraud, irregularities and error must remain with management.

Information and Disclosure

The conduct of this engagement is in accordance with the professional standards, rules and ethical requirements of the New Zealand Chartered Accountants and CPA. Information we obtain in the course of this engagement is subject to confidentiality requirements, in addition to our obligations under the Privacy Act 1993. We will not disclose that information to other parties without your express consent, except as required by law or professional obligations.

We understand that the intended use and distribution of the financial information we will compile is for your use and the IRD only. We will link you to our agency list. If this should change in any material aspect, you will inform us immediately. We will not accept any responsibility to any personnel, other than yourself and IRD for the contents of the financial statements and tax returns.

We understand that you may wish a copy of your financial statements to be presented to your bank; we will only do this upon your instruction.

However as members of the New Zealand Institute of Chartered Accountants and the CPA, we are subject to and bound by the disciplinary procedures and rules of the Institute, and our work and files are subject to the practice review rules of the Institute under which compliance with professional standards by members is monitored. These procedures and rules require us to disclose to the Institute and CPA, our files and workpapers including client information. By allowing us to undertake the engagement (whether or not you sign this letter), you acknowledge that, if requested our files relating to this engagement will be made available to the Institute.

Limitation of Liability

You agree that in no circumstances shall the maximum liability of SBC (Nelson) Limited including directors, employees and agents, to you for any loss arising in connection with this engagement exceed two times the fees rendered by for this engagement in the calendar year in which the engagement letter is signed. You agree to indemnify and hold harmless us, its directors, employees and agents from and against any and all costs, expenses, losses, claims, demands, actions, suits or proceedings paid, incurred or suffered by, or made or initiated against, any of them by any third party arising out of, or in connection with this engagement.

Ownership of Workpapers

Material that you provide to us remains yours and will be returned to you when the engagement is completed. Workpapers that we create remain our property.

Our Fees

Our fees of the engagement are due and payable within 14 days of the invoice date unless otherwise noted.

If you are on a monthly fee arrangement, these reflect the ongoing nature of accounting and tax service provision and are not refundable if the engagement is terminated part way through a financial year.

We reserve the right to require prepayment for work to be undertaken, based on a percentage portion of the previous year's activities or any sum nominated to be sufficient to cover the expected account.

In providing services we may incur disbursements or have to make payments to third parties on your behalf. A fee to cover such costs may be included as an additional item beyond the hourly charges or any fixed pre-agreed charge as quoted.

Overdue Accounts – should you default in payment of any monies due to us then we shall be entitled to:

- Without further notice charge interest at 2% per month on all overdue amounts from the date payment was due until payment is full of the monies outstanding.
- Charge a late payment fee of \$100 (plus GST).
- Recover from you costs or disbursements incurred by us in recovering any outstanding monies including debt collection agency fees, court charges and our legal fees.
- Withhold further services including income tax returns awaiting filing until the account is paid in full.
- Deduct all outstanding accounting fees from any IRD refund payable to you and your related entities and the balance to be refunded to you or your related entities.
- Should an account become +60 days in arrears we reserve the right to refer the outstanding account to a debt collection agent and impose and recover from you their debt collection charges. Where you have provided credit card payment details to us, we reserve the right to without notice charge your credit card for the sum outstanding including interest and penalties that may have accrued.
- Should a payment arrangement be entered into between the parties, we may impose a single 15% administration charge on the balance payable.
- We claim a lien over all books and records in our possession until all work has been performed and all fees rendered have been paid.

Retention of Records

We will store accounting records that we hold on your behalf for a period of seven years after the applicable balance date. At the end of that period all records will be destroyed using a secure document destruction service.

These Arrangements

The arrangements outlined in this letter will continue in effect from year to year unless amended or superseded by mutual agreement. We will however have to ask you to accept these arrangements on a year by year basis.

If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign this letter and return it to us.

We appreciate the opportunity in providing these services and we commit to providing you with quality services in an efficient and timely manner.

Kind regards

Smart Business Centre (Nelson) Limited



Alison Blanchett
Director

<p>CLIENT ACCEPTANCE</p> <p>Name:</p> <p>Signature:</p> <p>Authorised to act on behalf of:</p> <p>Date:</p>
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