

TERMS OF ENGAGEMENT

This document confirms and updates our understanding of the terms of our engagement and the nature of our continuing appointment to perform accounting and administrative services.

On the basis of information you provide, we will compile your annual financial statements or financial information, where necessary. This engagement will be performed in accordance with Service Engagement Standard No.2 *Compilation of Financial Information* (SES-2) issued by the New Zealand Institute of Chartered Accountants.

The financial statements will be prepared in accordance with generally accepted accounting practice in New Zealand and this will be disclosed as part of the financial statements. Any known departures from generally accepted accounting practice will be disclosed within the financial statements and referred to in our compilation report.

Our procedures will not include verification or validation procedures. No audit or review engagement will be performed and accordingly no assurance will be expressed.

Where financial statements are prepared our compilation report will be issued on completion of the engagement and is currently expected to read as follows:

Scope

On the basis of information you provided, we have compiled, in accordance with Service Engagement Standard No.2: "Compilation of Financial Information", the financial statements of the entity. These have been prepared in accordance with Note 1 to the financial statements.

Responsibilities

You are solely responsible for the information contained in the financial statements and have determined that the accounting policies used are appropriate to meet your needs and for the purpose that the financial statements were prepared.

The financial statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.

No audit or review engagement undertaken

A compilation is limited primarily to the collection, classification, and summarisation of financial information supplied by our client. A compilation does not involve the verification of that information. We have not carried out an audit or a review assignment on the financial statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the materials from which the financial statements have been prepared.

Further, the financial statements have been prepared at the request of and for the purpose of our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. In addition, these financial statements are legally privileged.

Disclaimer of Liability

As mentioned earlier in our report, I have compiled the financial information based on information provided to me, which has not been subject to an audit or review engagement. Accordingly, neither I nor any of my employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information, nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.

Extent of Services

We do not accept any responsibility for the accuracy and completeness of the accounting records and other information you supply to us or for the reliability, accuracy and completeness of the financial statements or information compiled on the basis of those records and information. We also do not accept any responsibility for the maintenance of adequate accounting records, an adequate internal control structure and the selection and application of appropriate accounting policies within your organisation. In addition you are solely responsible to users of the financial statements or information we compile.

The information you are to supply and any other information that we consider necessary to complete the engagement must be provided on a timely basis in order that the engagement can be completed on a timely basis.

Our engagement does not include the investigation or discovery of internal control weaknesses, errors, illegal acts or other irregularities, including without limitation, fraud, or non-compliance with laws and regulations. However, we will inform you of any such matters which come to our attention during the course of our engagement.

Additional Services

In addition to compiling the financial reports we may also be perform the services as defined below.

Registered Office (Companies Only)

Unless otherwise agreed, our office is the registered office of the company.

Company Minutes/Directors' Annual Report (Companies Only)

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

Maintenance of Statutory Records (Companies Only)

Unless otherwise agreed, we understand that we are responsible for the maintenance of the following statutory records:

- a) Register of Members
- b) Register of Directors
- c) Register of Directors' Shareholding
- d) Register of Directors' Interests
- e) Minute book - Shareholders' Meetings/resolutions
- f) Minute book - Directors' Meetings/resolutions

Filing of Returns with Registrar of Companies (Companies Only)

Unless otherwise agreed, we understand that our office is responsible for the preparation and lodgement of the annual return as required. On advice from you we will also update the Companies Office records for any changes to company details.

Trust Minutes and Records (Trusts Only)

Unless otherwise agreed, we will be responsible for the preparation of the minutes of the Trustees' annual meeting. We will liaise with your solicitor as required.

Income Tax Returns

We will prepare income tax returns for you and any associated persons/entities from the financial information you provide.

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 assist you to understand the importance and risk of signing these income tax returns as being true and correct statutory records. You authorise us to act as your tax agent with Inland Revenue for all tax types and associated entities.

Annual Imputation Return (Companies Only)

Unless otherwise agreed, we will prepare and file the Annual Imputation Return in conjunction with the company's (if applicable) income tax return.

Goods and Services Tax Returns

Unless otherwise agreed, we understand that you are responsible for the preparation and filing by due dates of all returns. Where appropriate, we shall reconcile your GST returns to your annual financial statements and advise you of any discrepancies and the adjustments required to correct these.

PAYE (Employers Only)

Unless otherwise agreed, we understand that you are responsible for the preparation and filing by due dates of all returns.

Fringe Benefit Tax

Unless otherwise agreed, we will prepare FBT returns based on information supplied to us. We will sign the FBT Return on your behalf.

Insurance

It is your responsibility to ensure that the adequacy and extent of your insurance covers are appropriate for your needs and are regularly reviewed by brokers/insurance companies. We are not responsible, nor liable, for this function.

Other Services

Our services will also include advice on general financial and business matters. This advice will not extend to investment matters.

Independence

Independence is not a requirement for a compilation engagement. If we are aware that we are not independent, this fact will be stated in our report. However, we will not conduct a comprehensive review to determine whether we are, or are not, independent.

Use and distribution of the financial statements or information

We understand that the intended use and distribution of the financial statements or information we will compile is for yourselves and Inland Revenue for taxation purposes. You will need to advise us of any changes to the intended recipients of any financial information. We will not accept any responsibility to any person, other than you, for the contents of the financial statements or information.

If you distribute the financial statements or information 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 any third party in connection with the services provided by us to you.

Fees

Our fees are normally based on hours worked charged at rates appropriate to the work performed and the levels of expertise required.

Our invoices will contain a description of the work that has been performed and the period to which it relates. Once invoiced, fees will be due 14 days following invoice date but we accept and are comfortable with accounts being paid by the 20th of the following month.

Ownership of work papers

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

Information and Disclosure

The conduct of this engagement is in accordance with the professional standards, rules and ethical requirements of the New Zealand Institute of Chartered Accountants. We will not disclose that information to other parties, without your express consent, except as required by law or professional obligations.

However, as members of the New Zealand Institute of Chartered Accountants, 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, its reviewers and/or its disciplinary bodies our files and work papers including client information. By allowing us to undertake this 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, its reviewers and/or its disciplinary bodies. We assure you that the same ethical standards regarding confidentiality that we adhere to apply equally to the Institute’s reviewers.

Authority to obtain information from any third party

In the process of completing our engagement we may require additional information from third parties. This could include, but is not limited to, Inland Revenue, Accident Compensation Commission, lawyers, banks, finance companies and insurance providers. We have authority to communicate with and obtain information from any third party if the information sought is relevant to our engagement.

Acceptance

Please sign and return the attached copy of this letter to confirm that you agree with the above terms of the arrangement for our compilation of your financial statements or information. The terms recorded in this letter will be effective for this and all future engagements that are similar in nature unless we advise you of any change in our arrangements.

Entity: _____

Name: _____

Position: _____

Signature: _____

Date: _____

