

## TERMS OF ENGAGEMENT

Thank you for choosing us to act as your chartered accountants and business advisers. To ensure that there are no misunderstandings regarding the nature and extent of the services that we will provide to you, this letter together with the attached Service Requirements Checklist, record the entire agreement between us in relation to our engagement and of our continuing appointment to perform accounting and administrative services.

### **Financial Statement Compilation**

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 Special Reporting Framework used is 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**

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

### **Disclaimer of Liability**

We have compiled the financial information based on information provided, which has not been subject to an audit or review engagement. Accordingly, do not 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.

### **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.

### **Extent of Services – Responsibility for Accurate Information and Processes**

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.

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.

**Tax Compliance Services**

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.

We will advise you about any amounts of tax to be paid and the due dates for payment and provide taxation support as required.

**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 and Payment**

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. Fees will be payable within 20 Days following invoice date.

Any estimate of fees provided in the Letter of Engagement is indicative only and will not be binding upon us. The accuracy of any estimate will depend on the accuracy, completeness, relevance and reliability of records and information provided by you.

In addition to our professional fees, we may charge a fee for disbursements for out of pocket costs such as accounting software subscriptions, companies office charges and travel.

***Interest on Late Payment of Fees***

Interest may be charged on fees remaining unpaid after 20 days unless prior arrangement has been made. Interest will be charged at a rate of 18% per annum on the GST inclusive value of unpaid fees. Interest will be calculated and compounded monthly.

***Debt Collection for on Late Payment of Fees***

Unless prior arrangement is made, where fees remain unpaid after 60 days we may start proceedings to recover the amount owed, plus interest and any collection and other associated costs incurred. We may also do no further work for you, and not release your papers and files, until all accounts are paid.

**Disbursements**

With your approval, we may subscribe to Xero accounting software. Xero provides us a bulk purchasing discounts and access to products that are not available to the general public. If we subscribe to Xero on your behalf, we generate a monthly invoice to recover our cost. You agree to pay this invoice by Direct Debit. For "Business Plans", Xero provide us a 30% discount. We retain 5% of this discount to cover our administration time, so effectively pass through a 25% discount. For "Partner Only" plans we retain a \$2 per month margin.

**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 can also include advice on general financial and business matters. This advice will not extend to investment matters. The Service Requirements Checklists indicates some of the other services we may provide.

**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: \_\_\_\_\_

 **Winstone France Ltd**  
Chartered Accountants

## Service Requirements Checklist

In addition to compiling financial statements and income tax returns, we can also assist with the services defined below. Unless otherwise agreement, we assume you are responsible for completion of these activities:

Service		WF	Client
<b>Taxation Support</b>			
	GST Returns		
	Payroll Filing (employers only)		
	Fringe Benefit Tax Returns		
	Resident Withholding Tax (on Interest and Dividends)		
	Imputation Credit Account maintenance (companies only)		
	ACC Review		
<b>Company Administration</b>			
	Registered Office Service		
	Preparation of Resolutions to accompany annual report		
	Maintenance of Statutory Records – e.g. Share Register, Register of Directors Interest		
	Annual Return Filing		
<b>Trust Administration</b>			
	Preparation of Trustee Resolution		
	Trust administration		
<b>Business Advisory Services – we can provide a number of business advisory services, which will have a separate engagement letter</b>			
	Monthly Account Preparation		
	Performance Review and Coaching – monthly and quarterly options available		
	Forecasting		
	Budgeting		
	Business Structure Review		
	Indicative Valuation		
	Due Diligence Support		