

Terms Of Engagement.



PO Box 99-983,
Newmarket,
Auckland 1149
Ph 09 638 8736

This letter is to confirm our understanding of the terms of our engagement and the nature and extent of services which we will provide. Unless otherwise agreed in writing, this letter records the entire agreement between us in relation to our engagement. The terms recorded in this letter will remain in force until varied by us in writing to you, or until cancelled by either of us by notice in writing to the other.

Unless we agree different terms in writing these terms apply whenever you instruct us to do work for you.

Preparation of Income Tax Returns and Financial Statements

On the basis of information you provide, we will compile your interim management reports as well as your annual financial statements and Income Tax return. We will also prepare any Income Tax returns required by associated or related parties. 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.

As required by the Service Engagement Standards we will include a Compilation Report including a Disclaimer of Liability with the financial statements, similar to the following:

Compilation Report to *(name of appointing party/management)*

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 *(Name of Entity)* for the period ended *(insert date)*. These have been prepared in accordance with *(the financial reporting framework/basis of accounting)* as detailed in 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

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.

Independence (if required)

We are not independent of *(the entity)* because *(reason why not independent, for example, we participate in decisions by management regarding the compiled financial information)*.

Disclaimer

As mentioned earlier in our report, we have compiled the financial information based on information provided to us which has not been subject to an audit or review engagement. Accordingly, neither we, nor any of our 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.

VGA Chartered Accountants Limited
Auckland N.Z.
(Date)

The Compilation Report and Disclaimer do not diminish our professional obligations and duties. It advises third parties of the duties that we have performed.

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 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 information we compile.

You will be required to review and approve the final returns or reports for reasonableness and correctness, and you will need to understand the importance and risks of signing tax returns or other statutory compliance engagements as being true and correct statutory records.

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.

If, for any reason, we are unable to complete the compilation of your financial information, or we consider the information to be misleading, we may refer to such matters within our compilation report or we may determine, at our sole discretion, not to issue a report.

Independence

Independence is not a requirement for a compilation engagement. If we are aware that we are not independent of the client, 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 information

We understand that the intended use and distribution of the financial information we will compile is for internal management reporting and for taxation purposes. If this should change in any material respect, you will inform us immediately. We will not accept any responsibility to any person, other than you, for the contents of the financial statements.

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. 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.

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.

Taxation Services

You appoint us to act as your tax agent and liaise with Inland Revenue for all tax types and tax matters for you, and any associated or related entities that you require us to act for. Where appropriate we will engage experts to provide advice on resolving any specialised issues.

If required by you, on the basis of information you provide we will prepare Goods and Services Tax (GST) returns, Employer Deductions (PAYE) returns, Fringe Benefit Tax (FBT) returns, Resident Withholding Tax (RWT) returns, Dividend Withholding Tax (DWT) returns, Imputation Credit Account (ICA) returns & any other tax types as and when required.

You authorise us to liaise with Inland Revenue on your behalf in relation to establishing tax payment arrangements at any time you request it.

You authorise us to request Inland Revenue make transfers between tax periods, between tax types, or between related taxpayers to correct payment allocation errors or otherwise as required.

Forecast Reports

Based on information you supply, we will assist you in the preparation of your internal forecasting reports which may include budgets, cashflows and/or forecast financial statements.

Due to the uncertain nature of all forecasting, we accept no responsibility to any person for the information presented in any forecast reports.

Company or Trust Minutes / Resolutions

We will prepare Company Directors' and Shareholders' Resolutions (Minutes), and/or Trustees' Resolutions as required. Once signed these are to be held in the entity's permanent file (for trusts) or legal file (at the Registered Office for companies).

Filing of Returns with Registrar of Companies

We will undertake the preparation and lodgement of all Companies Office Returns when we are appointed as the Registered Office for the Company, unless otherwise instructed by you, in writing.

Our Fees

Our fees reflect the time spent on the work undertaken for you, charged at rates appropriate to the complexity of the work, the level of expertise or specialised knowledge required, and the urgency, etc.

We can give estimates as to the likely fees based on our experience, but estimates are given as a guide only and **not** as a fixed quotation. On request we can inform you periodically of the level of fees incurred, or when fees reach a specified level.

You will be charged GST at the current rate as required by law unless the work undertaken qualifies to be zero-rated or exempt for the purposes of GST.

Payment of Accounts

We will invoice you as work is completed. We may also make an interim billing where finalisation of the financial statements is delayed for whatever reason. Accounts are due for payment by the **20th day of the month after the invoice is issued** unless alternative arrangements have been agreed on beforehand. Any account queries must be brought to our attention within this time. If you are having difficulty paying your account please discuss this with us.

Under certain circumstances we may ask for payment of all or part of the anticipated charges in advance. If this is the case we will hold funds in our trust account until the work has been completed and we have supplied you with an invoice.

In the unfortunate circumstance that a disagreement arises between us over our fees, if the matter cannot be resolved amicably by discussion (which is the preferred option) then we both agree to use the Fees Resolution Service of the New Zealand Institute of Chartered Accountants to resolve the matter. Details of this Service are available from the Institute.

You should be aware that, like all other providers of services, we are entitled to retain possession of your records that have been used in relation to this engagement and decline to undertake further work until outstanding fees are settled.

Interest and Costs on Overdue Accounts

If you do not pay within our terms we reserve the right to charge interest on the overdue balance. You will also be responsible for any collection costs incurred by VGA Chartered Accountants Ltd in the pursuit of payment of overdue accounts.

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.

However, if your affairs at some time in the future are handled by another Chartered Accountant, we will make available, as required by the *Code of Ethics*, such information regarding your affairs that is essential to enable your new Chartered Accountant to perform the services we previously provided.

Our work may involve the collection of personal information relevant or incidental to the engagement. Any such information will be held at our offices and will be retained for as long as may be relevant to the engagement, and, except where otherwise noted in this letter, will only be used or disclosed for purposes related to the engagement. Individuals concerned will be able to contact us to access information held concerning them and, if necessary, seek

correction to that information. By signing this engagement letter, you confirm we have authority to communicate with and obtain information from any third party **through all channels** (including the Inland Revenue Department and Accident Compensation Corporation **and their on-line services**) if the information sought is relevant to our engagement.

If appropriate we will store tax records that we hold on your behalf for a period of seven years after the applicable balance date. At the end of that period, unless you ask us to send that information to you, the records may be destroyed using a secure document destruction service.

Staff

You agree that while these Terms of Engagement are in effect, and for a period of six months thereafter, you will not engage or make any offer of employment to any of our employees or former employees without our prior consent.

Electronic Communications

Unless otherwise agreed with you we may from time to time communicate with you electronically via e-mail, facsimile, our website, or other electronic means. You acknowledge that electronic communication carries with it the possibility of inadvertent corruption, misdirection or non-delivery of material. Unless you notify us in writing, you consent to the use of electronic communication in the course of providing you with our services. We do not accept responsibility for, and will not be liable for any damage or loss caused in connection with, the corruption or non-delivery of electronic communications.

Feedback

We value feedback. Please let us know if you have any comments about these terms, the work we undertake for you, or any of the services that we provide.

We look forward to working with you and we trust that you will make available to us in a timely manner the records, documentation and other information requested in connection with our compilation.

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.

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 information/financial statements/tax returns.

Yours faithfully

VGA Chartered Accountants Limited

The services and terms as set out above are agreed

Signed: _____
DATE

Signed: _____
DATE

Signed: _____
DATE

Signed: _____
DATE

Signed: _____
DATE

Signed: _____
DATE

For and on behalf of:

Name: _____ IRD No: _____

Name: _____ IRD No: _____

Name: _____ IRD No: _____

Name: _____ IRD No: _____

Name: _____ IRD No: _____

All Trustees of the Trust and Company Directors are required to sign the above. Individual clients under 16 need to be signed by a parent/guardian. Deceased persons/intermediary, a new authority to act to be signed by administrator/executor.