



G S MCLAUCHLAN & CO
BUSINESS ADVISORS & ACCOUNTANTS

Terms of Engagement for Compilation of Financial Statements and Privacy Act Authority

The purpose of this document is to outline our understanding of the terms of engagement and the nature and extent of the accounting and administration services we provide to our clients.

Financial Statements and Reports

We will prepare interim management reports as well as your annual financial statements from information provided by you in accordance with Service Engagement Standard No 2 (SES-2) *Compilation of Financial Statements* issued by the New Zealand Institute of Chartered Accountants (NZICA).

As required by the Service Engagement Standards, we will include a Compilation Report with the Financial Statements including the following disclaimer:

COMPILATION REPORT AND DISCLAIMER

Scope

On the basis of information you, the client, have provided we have compiled the Financial Statements for the year ended 31 March _____, in accordance with Service Engagement Standard No 2, *Compilation of Financial Information* as per the index.

Responsibilities

You, the client, are solely responsible for the information contained in the financial statements 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 were prepared.

The financial statements were prepared exclusively for your benefit. Neither we, nor 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 or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

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. Those 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 we, nor 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 prepared at your request and exclusively for your benefit. Neither I, nor any of my 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.

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

It is understood and agreed that you will provide us with accurate, complete and timely information necessary to compile such statements:

The responsibility for the accuracy and completeness of the assertions in the financial statements remains with you.

Financial Statements for Trusts, Partnerships and Sole Traders will be prepared according to the requirements of the Income Tax act and may not be appropriate for other purposes.

Financial statements for Companies will be prepared according to appropriate Financial Reporting Standards and Principals under the Financial Reporting Act and Financial Reporting Order 1994.

You acknowledge and accept responsibility for all records and information supplied. You also acknowledge and accept responsibility for any failure to supply all relevant records and information.

Our compilation service does not include an audit or review engagement and accordingly no assurances will be expressed by us. Each page of the financial statements will be conspicuously be marked as being unaudited.

It is not intended that our engagement be relied upon to prevent or detect fraud and error. Responsibility for such prevention and detection remains with you and your management. Of course, if anything of this nature does come to our attention during preparation of the financial information, we will inform you of this;

We will prepare the financial information and reports for the intended use of yourselves and IRD taxation purposes. You will need to advise us of any changes to the intended recipients of any financial reports.

You will attach our Compilation and Disclaimer Report if and when distributing the financial statements to third parties.

Unless stated in the Engagement Letter, any advice or opinion relating to the services is provided solely for your benefit and is not to be relied upon by any other party.

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 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;

Any working papers that we prepare while working on your information will remain the property of this firm.

Other Services

In addition to compiling the financial statements we also perform the following services as required:

Company Administration

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.

Maintenance of Statutory Records

We understand we will be responsible for the maintenance of the following statutory records when we are appointed as the Registered Office for the company, unless otherwise instructed by you:

- a) Register of Members
- b) Register of Directors
- c) Register of Directors' Shareholding
- d) Register of Directors' Interests
- e) Register of Charges - PPSR
- f) Minute book - Shareholders' Meetings/resolutions
- g) Minute book - Directors' Meetings/resolutions
- h) Other Statutory Records

Filing of Returns with Registrar of Companies

We understand that our office will be responsible for the preparation and lodgement of the annual return as required when we are appointed as the Registered Office for the Company unless otherwise instructed by you.

On advice from you we will also update the Companies Office records for any changes to company details.

Annual Imputation Return

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

Trust Administration

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.

Income Tax Planning and Returns

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.

We will prepare income tax returns for you and any associated persons you approve and from additional information you provide in writing:

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

Where you elect to use the estimation provisions in relation to 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 Inland Revenue Department for all tax types and associated entities.

Tax Assessments

Our service includes the following:

The use of our firm's address for the IRD to serve tax assessments and notices and it will be our responsibility to check these tax assessments.

We will advise the amounts and due dates for tax payments in a tax advice letter.

We will provide you with every assistance in meeting your obligations but any advice on payments or reminder letters received from us should be reviewed by you to check that the payment appears reasonable and the date of payment is correct.

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

Any penalties arising from lateness, errors, wrong estimation or any other reason are payable by you.

Goods and Services Tax Returns

We will prepare the GST returns if requested, from information supplied by you. We will be relying on you to obtain and keep all relevant GST tax invoices for the required period of time. It is understood that you will provide all the necessary information and records at least 10 days prior to the date for filing the Returns to enable the Returns to be prepared that are both true and correct.

We will sign the GST Return as agent . If, for whatever reason, we or any of our employees, are exposed to penalties for doing this, you will indemnify us for these penalties.

We will endeavour to reconcile your GST Returns to your Financial Statements.

PAYE

Our payroll service undertakes to prepare the PAYE returns required from information supplied to us.

We will sign the PAYE Return as agent. If, for whatever reason, we, or any of our employees, are exposed to penalties for doing this, you will indemnify us for these penalties.

Fringe Benefit Tax

We will prepare quarterly returns based on information supplied to us.

We will sign the FBT Return as agent. If, for whatever reason, we, or any of our employees, are exposed to penalties for doing this, you will indemnify us for these penalties.

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, nor liable, for this function.

Department of Statistics Returns

We are to prepare Department of Statistics Returns as required.

Consultancy and Advisory

We can assist you with various Consultancy and Advisory Services, including business planning, acquisitions, structures, financing, forecasting, taxation advice, succession and estate planning as required.

We also provide general advice on day-to-day operations.

Timetable for completion

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

Guarantee

We undertake to complete your requirements as efficiently as possible. If at any time you are not happy with our approach or the quality of work we guarantee to review the work undertaken for you. A principal, not directly involved in the matter will undertake this review. The result of this review will be discussed openly and frankly with you. The review will be at no cost to you.

Price and Payment

Our fees are based on a number of considerations. These include the time spent on each assignment, its complexity and its importance to you, the degree of skill, knowledge and responsibility involved, and the result we achieve for you. Therefore our hourly rate is only a guide to our final fees, and is not the only factor we take into account in fixing the amount we charge you.

You will be sent an account either on completion of the job, or if work is likely to take some time or is ongoing, then interim accounts may be sent to you. As we are sometimes required to make payments on your behalf during the course of your work, you may be asked for sufficient funds to cover the costs of these payments before they are made.

Any account queries must be brought to the attention of G S McLauchlan & Co in writing within 10 days of receipt of invoice/statement.

If you are likely to have difficulty meeting any account please discuss this with us. We will then endeavour to make arrangements to suit your circumstances.

Payment is required on or by the 14th day after the date of invoice. G S McLauchlan & Co reserve the right to charge interest of 1.5% monthly on accounts remaining unpaid 30 days after the account is issued. You will indemnify us and pay all costs and expenses on a solicitor/client base if legal action is necessary, and/or Collection Company's fees, which may be incurred in recovering from you any overdue amount.

Practice Review

The New Zealand Institute of Chartered Accountants requires Practitioners to be subject to review from time to time in order to ensure that Professional standards are being maintained. Reviews are based on sample files and specific client files may be selected by the reviewer for examination. The reviewer is officially appointed by the Institute and is bound by declarations of secrecy, making sure confidentiality is maintained.

Ownership of Documents

It is agreed that ownership of all documents supplied by you to assist in the performance our professional services shall remain your property. All documents produced by us in the performance of our services, such as workpapers, shall remain our property. It is agreed that the above has no effect on our rights to claim a particular lien over books, records and other documents.

Limitation of Liability

You acknowledge and agree that the maximum liability of G S McLauchlan & Co (including its principals, employees and agents) to you for any loss arising in connection with this engagement shall not exceed three times the fee paid by you to us for this engagement.

Idemnity

You agree to indemnify and hold harmless G S McLauchlan & Co against any and all losses, claims, actions, demands, damages, liabilities or any other proceedings whatsoever incurred by us in respect of nay claim by a third party arising out of or in any way related to any breach by you or your obligations under this Agreement.

If the services outlined are in accordance with your requirements and the terms are acceptable to you, please tick the acceptance box and complete the client end of year checklist or alternatively print off this letter, sign and date where indicated, and deliver to this office along with a completed End of Year Checklist and accompanying information to this office.

Yours faithfully

G S McLauchlan & Co

The services and terms set out are as agreed

Signed:_____

Date:_____

Signed:_____

Date:_____

For and on behalf of:

Name:_____

Name_____

Name:_____