

Terms of engagement

We/Our Kinghans Limited/Kinghan & Associates Accounting Limited (Kinghans)
You/your You the Client and/or trading entity

Purpose, Scope and Output of the Engagement

This firm will provide Accounting services, which will be conducted in accordance with the relevant professional and ethical standards issued by the Accounting Professional & Ethical Standards Board Limited (APESB)

The extent of our procedures and services will be limited exclusively for the purpose requested only. As a result, no audit or review will be performed and, accordingly, no assurance will be expressed. Our engagement cannot be relied upon to disclose irregularities including fraud, other illegal acts and errors that may exist. However, we will inform you of any such matters that come to our attention.

Financials Statement, GST returns Income tax returns and FBT and PAYE returns on a, as required basis and tax returns will be prepared for distribution to the governing body of your entity for the agreed purpose. There is no assumption of responsibility for any reliance on our report by any person or entity other than you. The report shall not be inferred or used for any purpose other than for which it was specifically prepared. Accordingly, our report may include a disclaimer to this effect.

Period of Engagement

This engagement will start on the date the authority is signed. We will not deal with earlier periods unless you specifically ask us to do so and we agree.

This engagement document will be effective for future years unless we issue an amended one.

Responsibilities

In conducting this engagement, information acquired by us in the course of the engagement, including any information relating to your affairs whether it belongs to you or not or is provided by you or not, is subject to strict confidentiality requirements. That information will not be disclosed by us to other parties except as required or allowed for by law, or with your express consent.

We wish to draw your attention to our firm's system of quality control which has been established and maintained in accordance with the relevant APESB standard. As a result, our files may be subject to review as part of the quality control review program of CPA Australia which monitors compliance with professional standards by its members. We advise you that by accepting our engagement you acknowledge that, if requested, our files relating to this engagement will be made available under this program.

We may collect Personal Information about you, your representatives, your clients and others when we provide services to you. If we do, you agree to work with us to ensure that we both meet the

obligations that we each may have under **Privacy Act 1993**. The obligations may include notifying the relevant person to whom the personal information relates who we are and how we propose to use their personal information. Where you have collected personal information, you confirm that you have collected the personal information in accordance with the Privacy Act, that you are entitled to provide this personal information to us and that we may use and disclose the personal information for the purpose/s we provide our services to you. We will handle personal information in accordance with the Privacy Act.

You are responsible for the reliability, accuracy and completeness of the accounting records, particulars and information provided and disclosure of all material and relevant information. You are required to arrange for reasonable access by us to relevant individuals and documents, and shall be responsible for both the completeness and accuracy of the information supplied to us. Any advice given to you is only an opinion based on our knowledge of your particular circumstances. You or your staff are responsible for maintaining and regularly balancing all books of accounts, and the maintenance of an adequate accounting and internal control system. You have obligations under self assessment to keep full and proper records in order to facilitate the preparation of accurate returns. It is your responsibility to keep those records for seven years

A taxpayer is responsible under self assessment to keep full and proper records in order to facilitate the preparation of a correct return. Whilst the Commissioner of Taxation will accept claims made by a taxpayer in an income tax return and issue a notice of assessment, usually without adjustment, the return may be subject to later review. Under the taxation law such a review may take place within a period of up to four (4) years after tax becomes due and payable under the assessment. Furthermore, where there is fraud or evasion there is no time limit on amending the assessment. Accordingly, you should check the return before it is signed to ensure that the information in the return is accurate.

Where the application of a taxation law to your particular circumstances is uncertain you also have the right to request a private ruling which will set out the Commissioner's opinion about the way a taxation law applies, or would apply, to you in those circumstances. You must provide a description of all of the facts (with supporting documentation) that are relevant to your scheme or circumstances in your private ruling application. If there is any material difference between the facts set out in the ruling and what you actually do the private ruling is ineffective.

If you rely on a private ruling you have received, the Commissioner must administer the law in the way set out in the ruling, unless it is found to be incorrect and applying the law correctly would lead to a better outcome for you. Where you disagree with the decision in the private ruling you can lodge an objection against the ruling if it relates to income tax, fuel tax credit or fringe benefits tax. Your time limits in lodging an objection will depend on whether you are issued an assessment for the matter (or period) covered by the private ruling.

Future changes in the law and interpretation of the law

Advice provided by Kinghans Limited is limited to New Zealand accounting and income tax matters. Unless specifically requested to do so, we will not specially consider other legislative or commercial implications that may arise from the proposal discussed.

Our income tax advice is provided on the basis of current taxation law. This view of the income tax law may differ from the view ultimately adopted by the Inland Revenue Department and the Courts.

Unless instructed by you, advice will not be updated to take account of subsequent changes or even potentially retrospective application of tax reforms. Further advice should be obtained from us prior to the finalization of the matters contained in this advice.

Tax advice and accounting assistance provided pursuant to a request from you will be provided for the use of yourself only. Accordingly, neither Kinghans Limited nor any member or employee of Kinghans Limited will undertake responsibility in any way whatsoever to any person or company other than yourself for any errors or omissions in the advice or assistance given.

Any advice given to you is only an opinion based on our knowledge of your particular circumstances.

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 final returns or reports for reasonableness and correctness and as being true and correct statutory records. If signed Tax Returns are not returned back in our office within 30 days, Kinghans may sign at our discretion the returns/declaration/s as Tax Agents. Any alterations to GST returns must be advised with 10 days otherwise the GST returns will be filed as being reviewed and approved by you.

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.

Liability

Our maximum liability for services rendered under this engagement shall be limited to the annual fees paid to us for the work that we have provided by way of taxation services, notwithstanding the basis upon which the action is taken against you the client. We shall not be liable for consequential, special, incidental or exemplary loss, damage or expenses including without limitation, loss of profits or opportunities, notwithstanding whether we have been advised of their existence; and

You shall indemnify and hold both us and our employees from any claims liabilities, costs (including the costs of professional advisors and also including our fees) that are brought against us or any of our employees that arise out of the taxation services provided by us under this letter of engagement except to the extent that we or our employees have been grossly negligent of or have been guilty of willful misconduct.

Independence

Independence is not a requirement for a compilation engagement.

If we are aware that we are not independent of the trading entity 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 of the *trading entity*.

Use and distribution of the financial information

We understand that the intended use and distribution of the financial information we will compile is 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 information/statements.

No person should rely on the financial statements/returns without having an audit or review engagement conducted.

Information and Disclosure

The conduct of this engagement is in accordance with professional rules and ethical standards. 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.

Involvement of Others

Where, as part of our engagement, the services of an external consultant or expert are required, an estimated cost and timeframe and involvement will be provided to you for your approval.

Outsourced Services

Acceptance of our services in conjunction with this engagement document indicates your acceptance of the use of outsourced services as required. Where the outsourced service requires the disclosure of personal information to an external recipient a consequence of your consent is that we will be required to take reasonable steps to ensure that the New Zealand Privacy Principles are complied with by the external recipients of the Personal Information.

Storage of Information

By signing this letter and accepting these services you acknowledge and agree that your personal information may be stored overseas on external servers.

Fees

The fee arrangement is based on the expected amount of time and the level of staff required to complete the services as agreed. The fee is detailed on the authority documents. This fee arrangement will be subject to change if the following circumstances should occur:

- The software providers increase their fees
- Monthly and Annual Fees may increase annually to reflect average annual rate of inflation, wages costs or outsourcing costs or to reflect extra work requirements

If the work is carried out for a limited liability company, or other incorporated body, it is acknowledged that the work is being carried out at the request of those persons who sign the business/personal/trust checklists and such persons accept responsibility and liability jointly and severally with the client and each other for the payment of the account.

If the account payment is not received by due date, Kinghans shall be entitled to look to any or all of the parties signing these terms, Business Checklist or memorandum for payment without being obligated first to seek or enforce payment from the client itself.

If payment is not received by the due date:

- We may decline to continue further work until the account is paid or arrangements are made for payment.
- In accordance with normal commercial practice we may charge a late payment penalty on any balance outstanding after due date at a rate of \$50.00 plus 10% per calendar month or part thereof compounded from due date to date of actual payment.
- We reserve the right to place any outstanding account in the hands of our Solicitors or debt collection. Any costs incurred in recovery action will be added to the amount owing.

Where you have agreed to pay monthly we will invoice you at the commencement of each month with payment due on the 20th of the month. All other invoices payment is required within 14 days.

There will be additional costs to bring in data and reconcile for the current year from April 01 to current date. We will invoice separately to finalize any other prior years.

A minimum annual fee will apply for part year trading (this is 80% of the annual fee).

Setup Costs of \$750 will only be payable if services are terminated within 24 months.

Ownership of Documents

All original documents obtained from you arising from the engagement shall remain your property. However, we reserve the right to make a reasonable number of copies of the original documents for our records.

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.

We will store tax records that we hold on your behalf for a limited period date. At the end of that period, unless you ask us to send that information to you, these records will be destroyed using secure document destruction.

Our engagement will result in the production of various work paper documents of the engagement including, if applicable, electronic documents or files. All documents produced by us in respect of this engagement will remain the property of the firm, subject to any statutory obligations.

The firm has a policy of exploring a legal right of lien over any client documents in our possession in the event of a dispute. The firm has also established dispute resolution processes.

Our Expectations

Year End Information

- a) We expect to receive from you the completed questionnaire *before* the end of July. With all questions completed and relevant data attached. Our Questionnaire will be available on our website before year end.
- b) We will complete within 32 working days from date of receiving all required information. End of year information received after 30th July may be completed outside of these time parameters and will compromise our ability to file your returns on time. We are unable to complete Year end commitments in a GST month (June, August, October, December) and January will not count within the 32 days) unless for urgent cases advised in advance.

Tax

- a) We will include a tax summary with your year-end financials detailing a summary of Income Tax estimates for the prior year plus details of any standard provisional payments due. These are as always subject to IRD assessment
- b) We will send to you an advice of income tax due within seven days of payment date either by email or by mail

GST and XERO reconciliations

- a) We expect you to have completed all Xero reconciliation for each GST period by the 10th of the month. We wish you well with your business in the coming years and we all look forward to working with you and we trust that records, documentation and other information requested in connection with our compilation will be made available to us in a timely manner

Xero

Xero uses cloud computing services which involves the storage of files on remote servers operated by third parties, which in Xero's case, involves the use of hosting providers in the United States of America;

You may act as the Subscriber for Xero Business Edition subscriptions and to "invite" us the Partner into that subscription as an "invited user", rather than having the Partner act as Subscriber to that subscription. Only standard XERO or premium with invoicing will be transferred to any new accountant upon cleared cessation with us. Xero Cashbook remains with us.

You will be unable to access Xero Cashbook data relating to your business upon termination of our relationship. We will immediately stop the bank feeds so that you setup a new Xero with feeds.

Xero Setup is included Free of charge however please note a \$500 Setup fee will be automatically applied if you leave within 24 months of being setup on Xero.

In signing your Authority to Act form, or commencing with us, you are deemed to have



accepted the above terms and conditions. You understand these terms will continue to be updated and reviewed with a current copy always available on our site.

Attached a sample copy of our compilation report.

Compilation Report

For sample entity
For the year ended 31 March 2017
Compilation Report to the Directors of Sample Limited

Scope

On the basis of information provided and in accordance with APES 315 Compilation of Financial Information, we have compiled the financial statements of Sample Limited for the year ended 31 March 2017.

These statements have been prepared in accordance with the accounting policies described in the Notes to these financial statements.

Responsibilities

The Directors are solely responsible for the information contained in the financial statements and have determined that the Special Purpose 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.

Independence

We have no involvement with Sample Limited other than for the preparation of financial statements and management reports and offering advice based on the financial information provided.

Disclaimer

We have compiled these financial statements based on information provided which has not been subject to an audit or review engagement. Accordingly, we do not accept any responsibility for the reliability, accuracy or completeness of the compiled financial information contained in the financial statements. 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 these financial statements.