

## TERMS OF ENGAGEMENT

The purpose of this letter is to confirm/update our understanding of the terms of engagement and nature of our continuing appointment to perform accounting and administration services for the following entities:

§ [Entity Name]

§ [Entity Name]

### Associated Entities

Along with the entities specified above, these Terms of Engagement shall apply to all assignments for you personally, and for any Company, Trust, Partnership, child, spouse or other legal entity in which you have any interest, involvement or association.

### Financial Statements and Reports

We will compile your [monthly/quarterly/half yearly] financial 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).

It is understood and agreed that:

- a) You will provide us with accurate and complete information necessary to compile such statements:
  - § This information will be given to us on a timely basis
  - § The responsibility for the accuracy and completeness of the assertions in the financial statements remains with you
  - § You accept responsibility for all records and information supplied to us
  - § You accept responsibility for any failure to supply us with all relevant records and information
- b) Morrison Creed Advisory Limited will not undertake an audit or review engagement and accordingly no assurances will be expressed by us. Each page of the financial statements will be conspicuously marked as being unaudited;
- c) You will attach our disclaimer when distributing the financial statements to third parties;
- d) The financial information will be prepared in accordance with generally accepted accounting practice in New Zealand and this will be disclosed as part of the financial information. If this does not represent a true and fair view of the financial information, this will be explained in the reports and any departures from this practice will be disclosed in the financial reports;
- e) Due to the limited scope of the work performed in compilation, Morrison Creed Advisory Limited cannot be relied upon to prevent or detect fraud, internal control weaknesses, errors, illegal acts or other irregularities. Of course, if anything of this nature does come to our attention during preparation of the financial information, we will inform you of this;
- f) Morrison Creed Advisory Limited will prepare the financial information and reports knowing that the intended use of these is for yourselves and IRD taxation purposes. You will need to advise us of any changes to the intended recipients of any financial reports. If you distribute the financial statements or any other reports to any person without attaching to them the compilation report which includes 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;
- g) 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;
- h) Any working papers that we prepare while working on your information will remain the property of this firm. Access to your records and information held by us may be required by NZICA as part of their quality assurance procedures; and
- i) For any Financial Statements or reports that we prepare a Compilation Report and Disclaimer will be attached – this will be in the format specified in Appendix 1 to this letter

**Other Services**

In addition to compiling the financial reports we will also be performing services as defined in Appendix 2 to this letter.

**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 partner 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**

Fees rendered by our firm are based on the value of time spent on each assignment.

Payment is required 14 days after the invoice is issued. The Directors of Morrison Creed Advisory Limited reserve the right to charge interest on late payments. Furthermore, any collection costs incurred in recovering any outstanding amounts will be your responsibility.

**Right to Claim a General Lien Over Books and Records**

Morrison Creed Advisory Limited shall be entitled to exercise a general lien (a right to hold until debt is paid), over all the books, records, related documents and other such chattels that may come into our possession for the purpose of performing professional services for you, until all our costs and charges whatsoever for professional services of any nature to you, have been paid. This general lien extends, but is not limited to, the records of any associated entity covered by these terms of engagement or any legal entity in which you have any interest, involvement or association.

**Confirmation**

It is appreciated that from time to time you may desire a change in the scope of work to be undertaken by us, in which case your timely advice would be appreciated.

The arrangements outlined in this letter will continue in effect from year to year unless we agree to change them. Any alteration to these terms will be confirmed in writing.

If you have any questions concerning any part of this letter please contact us.

If the services outlined are in accordance with your requirements and the terms are acceptable to you, please sign and return the enclosed copy of this letter in the attached self addressed envelope.

Kind Regards  
Morrison Creed Advisory Limited

[Client Partner/Director]  
Chartered Accountant

The services and terms set out above are as agreed

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

For and on behalf of:  
[Entity Name]

[Entity Name]

## Appendix 1

The following Compilation Report and Disclaimer will appear on the financial information we prepare

COMPILATION REPORT AND DISCLAIMER TO (Appointing Party, e.g., the directors)

### Scope

On the basis of information you, the client, have provided we have compiled the financial statements of (Client's Name) for the (period e.g. 6 or 12 months) ended (Date Month Year), in accordance with Service Engagement Standard No 2, *Compilation of Financial Information* as per the index. These have been prepared in accordance with generally accepted accounting practice in New Zealand.

### 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.

### Departure from reporting framework (if required)

We draw attention to Note (Note Number) of the financial statements. There is a departure from the identified financial reporting framework in that (Describe departure).

### Independence (if required)

We are not independent of (Client's Name) because (Reason why we are not independent).  
OR

We have no involvement with this client, other than the preparation of Financial Statements and Reports.

### Disclaimer (if required)

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 we, nor any of our 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

Morrison Creed Advisory Limited  
Chartered Accountants  
First Floor  
Cnr Main Street & Victoria Avenue  
Palmerston North

Date

## Appendix 2

- **Registered Office**

Our office is the registered office of the company.

- **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.

The Companies Act 1993 requires that the annual financial statements are completed within nine months of the end of your Financial Year. It is the responsibility of the directors to ensure that information is provided to us on a timely basis in order that we may assist directors in achieving compliance with this requirement.

- **Trust Minutes and records**

We will be responsible for the preparation of the minutes of the Trustees' annual meeting.

- **Maintenance of Statutory Records**

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) Register of Charges - PPSR
- f) Minute book - Shareholders' Meetings/resolutions
- g) Minute book - Directors' Meetings/resolutions

Please note that the Companies Act 1993 imposes penalties on the Company and Directors if these records are not maintained.

- **Filing of Returns with Registrar of Companies**

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.

- **Income Tax Returns**

We will prepare income tax returns for [Main Entity Name] and the following associated persons/entities from the Financial Statements you approve and from additional information you provide in writing:

- § [Name]
- § [Name]
- § [Name]
- § [Name]

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

We will need you to complete an annual questionnaire to obtain all relevant information to assist in the preparation of your annual income tax returns. **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 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. 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:

- a) The use of our firm's address for the IRD to serve notices.
- b) A tax advice letter informing you of the amounts and dates of tax due.
- c) Checking your assessment notices and advising you of any legitimate amendments.
- d) Assisting you to prepare any objections and advising you of the outcome.
- e) Checking penalties and/or use of money interest charges if made. We will check their accuracy and advise you of the amounts and dates due.

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

- **Penalty Tax Regime**

The tax legislation imposes penalties as well as interest charges for tax short paid as a result of incorrect returns and late payments of tax. This legislation applies to all forms of tax – income tax, GST, FBT, PAYE, etc.

Generally the rules require a taxpayer to either have taken reasonable care or to have an acceptable interpretation if the penalties are not to apply. By using Morrison Creed Advisory Limited to prepare your returns, it could be said you have taken the first step towards that level of care, but it must be emphasised your obligations will not be fully discharged unless you provide all relevant information to us.

We will provide guidance and assistance so please do not hesitate to discuss any concerns you may have on this matter.

- **Annual Imputation Return**

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**

If requested we will prepare the GST returns required [either monthly, two monthly or six monthly] from information supplied to us. We will be relying on you to obtain and keep all relevant GST tax invoices for the required period of time.

We will sign the GST Return on your behalf. If, for whatever reason, Morrison Creed Advisory Limited or any of our employees are exposed to penalties for doing this, you will indemnify us for these penalties.

- **PAYE**

If requested we will prepare the PAYE returns required [either monthly or twice monthly] from information supplied to us.

We will sign the PAYE Return on your behalf. If, for whatever reason, Morrison Creed Advisory Limited or any of our employees are exposed to penalties for doing this, you will indemnify us for these penalties.

- **Fringe Benefit Tax**

If requested we will prepare quarterly returns based on information supplied to us.

We will sign the FBT Return on your behalf. If, for whatever reason, Morrison Creed Advisory Limited 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.

Yours faithfully  
Morrison Creed Advisory Limited

[Client Partner/Director]  
Chartered Accountant