

PART 2 - ACCOUNTING & RELATED SERVICES – LETTER OF ENGAGEMENT

Compilation of Annual Financial Statements

Effective From: 10 October 2018



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Part 2 - Accounting & Related Services – Letter of Engagement - Specific Terms and Conditions

Dear Client

1.0 Objective

- 1.1 The purpose of this letter is to confirm and set out the terms of our engagement to perform accounting services for you and outline the nature and extent of the services we will provide. Unless otherwise agreed between us in writing, Parts 1 and Part 2 of our Terms of Engagement records the entire agreement between us in relation to our engagement in respect to the Compilation of Annual Financial Statements. The specific terms recorded in this letter will remain in force until varied by us in accordance with Part 1 clause 2.9, or until cancelled by either of us by notice in writing to the other.
- 1.2 It is important to note that other engagements may exist between us that are covered by different terms of engagement that are specific to that assignment.
- 1.3 These Terms supersede all previous Accounting and Related Services arrangements (whether written, oral or both).
- 1.4 Our Terms are divided into parts:
 - a) Part 1 contains our General Terms and Conditions (**General Terms**) and these apply to all service engagements and products;
 - b) Part 2 is made up of terms specific to certain clients, service engagements or products (**Specific Terms**). Specific Terms are contained in separate documents.
- 1.5 The Terms set out in this Part are additional Terms or altered terms to the General Terms set out in Part 1 and where there is any conflict between the Terms in Part 1 to the Terms in Part 2 the Terms in Part 2 prevail.
- 1.6 **Your agreement to our current Terms:** Acceptance by you of our Terms occurs when you sign the authority appointing Norrie & Daughters as your tax agent.

2.0 Primary Assignment

- 2.1 On the basis of information you provide, we will compile a set of financial statements comprising of a Compilation Report, Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Depreciation Schedule and Notes to Financial Statements and as necessary Statement of Cash Flows and Statement of Accounting Policies of the entity 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.
- 2.2 The financial information will be prepared in accordance with Company Annual Accounts or Company Annual Accounts to Special Purpose Financial Reporting Standards or Partnership Annual Accounts or Public Benefit Entity Annual Accounts or Sole Trader Annual Accounts or Trust Annual Accounts and this will be disclosed as part of the financial information. Any known departures from [the financial reporting framework/basis of accounting used] will be disclosed within the financial statements and referred to in our compilation report.
- 2.3 The financial statements/report will be compiled from information provided by you. Our procedures will not include verification or validation procedures. No audit or review engagement will be performed and accordingly no assurance will be expressed.

- 2.4 Our compilation report on the financial statements of the Entity will be issued on completion of the engagement and is currently expected to read as set out in Appendix 1

3.0 Conditions and Responsibilities

3.1 It is understood and agreed that:

- You will provide us with accurate and complete information necessary to compile the financial statements;
- You accept responsibility for all records and information supplied to us and you accept responsibility for any failure to supply us with all relevant records and information;
- You accept responsibility for the payment of all income taxes
- It is your responsibility to ensure the footers on the financial statements and reference to us as accountants are not deleted from the statements or from our 'report' and/or 'disclaimer'; and
- Uninformed readers could be misled unless they are aware of the possible limitations of the financial statements and our limited involvement.

4.0 Extent of Services

- 4.1 We do not accept any responsibility for the accuracy and completeness of the accounting records and other information you supply to us 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.
- 4.2 You may 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 income tax returns or other statutory compliance engagements as being true and correct statutory records.
- 4.3 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.
- 4.4 Our duties do 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 or regulations. However, we will inform you of any such matters which come to our attention during the course of our engagement.
- 4.5 If, for any reason, we are unable to complete the compilation of your financial matters within our 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.

5.0 Independence

- 5.1 Independence is not a requirement for a compilation engagement.

- 5.2 If we are aware that we are not independent of you, 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 you.
- 5.3 We understand that the intended use and distribution of the financial statements is to file tax returns, provide you or your management with information as to financial performance and to provide your bankers with financial information. If this should change you will notify us immediately. We will not accept any responsibility to any person, other than you, for the contents of the financial information.

6.0 Information and disclosure

- 6.1 The conduct of this engagement is in accordance with the professional standards, rules and ethical requirements of the New Zealand Institute of Chartered Accountants ("NZICA"). 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.
- 6.2 Norrie & Daughters does employ or engage persons who are members of Chartered Accountants Australian & New Zealand ("CA ANZ"). CA ANZ is the operating name of NZICA. Norrie & Daughters operates its business within the Rules and Standards of CA ANZ, accordingly those staff members are subject to, and bound by, the disciplinary procedures and rules of CA ANZ. Norrie & Daughters and the members work and files may be subject to the practice review rules of CA ANZ under which compliance with professional standards by members is monitored. These procedures and rules require Norrie & Daughters to disclose to CA ANZ, 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 CA ANZ, its reviewers and/or its disciplinary bodies. We assure you that the same ethical standards regarding confidentiality that we adhere to apply equally to CA ANZ reviewers.
- 6.3 Norrie & Daughters is not a member of CA ANZ however the sole director of Norrie & Daughters, Mark Hector Norrie, is a member of CA ANZ but does not hold a Public Practising Certificate. Mark Hector Norrie is an Accredited Insolvency Practitioner under an agreement between CA ANZ, Restructuring Insolvency & Turnaround Association of New Zealand Incorporated ("RITANZ") and NZICA and has entered into a Practitioner Compliance Agreement which provides CA ANZ control and regulation of RITANZ members with Accredited Status in relation to their conduct of Regulated Insolvency Engagements, with the aim of ensuring that conduct is controlled and regulated in a manner that is equivalent to that of a CA ANZ member with a Public Practising Certificate under the rules established under the New Zealand Institute of Chartered Accountants Act 1996
- 6.4 **Electronic Disclosure:** We consent to you giving us notices or making requests by way of electronic communication and by you giving us your email address you consent to us sending you notices, invoices, making requests and other communications by way of electronic communication:
- 6.5 **Additional services:** In addition to compiling the financial statements, Appendix 2 lists our understanding of the other services we may/will perform for you. These additional services unless otherwise subject to additional terms of Engagement are covered by Part 1 and this Part 2 of our Terms of Engagement. In addition to our fees, additional services may also include a supply cost. Our fees and the terms agreed.

6.6 **Limitation of liability** You agree that in no circumstances shall the maximum liability of Norrie & Daughters (including directors) to you for any loss arising in connection with this engagement exceed 0.5 times the fees paid by you to Norrie & Daughters for this engagement.

7.0 Ownership of work papers

7.1 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.

7.2 If your affairs at some time in the future are handled by another Chartered Accountant or tax agent, 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 or tax agent to perform the services we previously provided.

7.3 We look forward to full cooperation with you and/or your staff and we trust that they will make available to us in a timely manner the records, documentation and other information requested in connection with our compilation.

7.4 We claim a lien over all books and records in our possession until all work has been performed and all fees rendered have been paid. Work papers that we create will remain our property.

8.0 Retention of Records

8.1 Provided that you pay our storage fees we will store accounting records that we hold on your behalf for a period of 7 years after the applicable balance date. At the end of that period, unless you write requesting they be forwarded to you, the records will be destroyed using a secure document destruction method.

9.0 Tax Agent

9.1 For Norrie & Daughters to fulfil its obligations to you and the OA in respect of GST and other taxes we require you to consent to Norrie & Daughters being your tax agent. Please complete the attached Tax Agency form and return to Norrie & Daughters by email including proof of your identity. E.g. a copy of both sides of your driver's licence or passport.

Yours faithfully,
Norrie & Daughters

A handwritten signature in blue ink, appearing to read 'Mark Norrie', is placed over a black rectangular background.

Mark Norrie
Director

Enclosures: Appendices 1 and 2

Appendix 1

Example of Compilation Report to You

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) as set out on pages ... to ... [Except as described below,] these statements have been prepared in accordance with (the financial reporting/framework basis of accounting) described 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 (financial reporting framework/basis of accounting) used is appropriate to meet your needs and the purpose for which 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 that you have provided. Our procedures do not include verification or validation of that information. No audit or review engagement has been performed and accordingly no assurance is expressed.

Departure from Reporting Framework (if relevant)

We draw attention to note xxx of the financial statements. There is a departure from the identified financial reporting framework adopted. (Explain the departure and potential effect of the reported results)

Independence

We are not independent of the entity because... (for example: the Norrie & Daughters staff member participates in the decision of management regarding the compiled financial information)

OR (where independence is not an issue no statement is required) however we may add the statement "We do not have any financial involvement with the entity and do not participate in management decisions. Accordingly, we consider that we are independent of the entity".

Accountants Statement & Disclaimer of liability

As mentioned earlier in our report, we have compiled the financial statements based on the financial information provided to us which has not been subject to an audit or review engagement. Accordingly, neither I nor any of my 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. Further, the financial statements have been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatever, including liability in negligence, to any other person who places reliance on the compiled financial information.

Appendix 2

Other Services – Agreed Terms

Annual Income tax returns

The preparation and lodgement of income tax returns will be the responsibility of our office. We do not accept responsibility for the content or accuracy of those returns as they will be prepared based on information that you provide to us. You will ensure that we are provided with the necessary information to ensure that your annual income tax returns are completed on a timely basis. Failure to provide us with information on a timely basis may result in penalties and interest being charged by the IRD for late or underpaid taxes.

Tax assessments

We confirm our office address will be used by Inland Revenue for return acknowledgement. We shall also endeavour to advise the amounts and due dates of tax instalments. However, the responsibility for paying the correct tax and paying on time rests with the taxpayer and not Norrie & Daughters as agents. Any penalties arising from lateness, errors, wrong estimates, or for any other reasons are payable by you as the taxpayer.

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

Goods and Services Tax

We confirm that our office will be responsible for the preparation and filing of GST returns based on information supplied to us, provided the information to prepare the return shall be forwarded to us in full and complete form at least 10 working days before the last date for payment.

We may sign these returns on your behalf, as your tax agent, but do not accept responsibility for the accuracy of the information, nor do we accept responsibility for the payment of the tax. You will indemnify us for any loss that we incur as a result of signing your returns.

OR

We understand that you will be responsible for the preparation and filing of GST tax returns by due dates.

Fringe Benefit Tax

We confirm our office will arrange for the preparation and filing of quarterly or annual fringe benefit tax returns based on information supplied to us at least 10 working days before the last date for filing and/or payment.

We may sign these returns on your behalf, as your tax agent, but do not accept responsibility for the accuracy of the information, nor do we accept responsibility for the payment of the tax. You will indemnify us for any loss that we incur as a result of signing your returns.

OR

We understand that you will be responsible for the preparation and filing of all fringe benefit tax returns.

PAYE

We confirm our office will arrange for the preparation and filing of your monthly PAYE schedules based on information supplied to us.

We may sign these returns on your behalf, as your tax agent, but do not accept responsibility for the accuracy of the information, nor do we accept responsibility for the payment of the tax. You will indemnify us for any loss that we incur as a result of signing your returns.

OR

We understand that you will be responsible for the preparation and filing of all PAYE returns.

Insurance

We confirm our understanding that the adequacy and extent of your insurance covers are to be regularly reviewed by brokers or insurance companies and discussed with you by them and that we are not responsible for this function.

Department of Statistics returns

We confirm our office will complete Department of Statistics returns as required.

Company Secretarial

In addition to the filing of the company's annual return, we understand that we will be responsible for drafting routine annual resolutions and the maintenance of the following statutory records:

- (a) register of members
- (b) register of directors' names and addresses
- (c) register of directors' shareholdings
- (d) interests register
- (e) minute book - shareholders' meetings and resolutions
- (f) minute book - directors' meetings and resolutions
- (g) other statutory records

Registered Office

At your request we provide our address as the registered office of any company that you are associated with including providing an address for service and other addresses required under the Companies Act 1993. Provision of a Registered Office incurs an annual fee that is billed in advance.

Filing of returns with Registrar of Companies

We confirm that you will advise us of all directors and shareholders full legal name, place and date of birth and residential address and any changes of shareholders, directors or addresses and we will complete the preparation and lodgement of returns as required.

Payroll services

At your request we will prepare your salary and wages calculations. You have agreed the basic management procedures related to salaries and wages that must be operating in your office. They are detailed in the attached document [attach document to appendices]. We will send you a copy of the payroll for your personal scrutiny and agreement which is essential to your management control. We do not accept any responsibility for errors or omissions other than by way of fraud or dishonesty on the part of our staff.

Pre-analysed accounting information for our acceptance

We are prepared to accept, without verifying or checking the material in any way, coded, pre-analysed, and summarised accounting information from you that will assist us in the preparation of your financial statements. You should note that the responsibility for the accuracy and completeness of this information remains with you.

Cheque signatories

For your convenience you have asked us to act as cheque signatories on your bank account. Since the proposed signatories are partners of this firm and are unable to be in daily contact with the operations of the company, it is the policy of this firm to obtain an indemnity against legal claims which may arise from the performance of this client service.

We enclose a form of indemnity, which we request you complete and return to us.

Your Instructions for Other Services

Your instructions for the provision of "Other Services" may be given verbally, by letter, email or any other form and the proof of such instruction being given will be the provision of those "Other Services" by us.