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Terms of Engagement

The purpose of this document is to confirm the terms of engagement and nature of our continuing appointment to perform accounting, advisory and administrative services.

1. Financial Statements and Reports

On the basis of information you provide, we will compile your financial reports, including your annual statements in accordance with Service Engagement Standard No.2 *Compilation of Financial Information* (SES-2) 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) We will not undertake an audit or review engagement and accordingly no assurances will be expressed by us;
- c) You will attach our compilation report when distributing the financial statements to third parties;
- d) The financial information will be prepared as a special purpose report for Inland Revenue Department compliance purposes 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, Lathan & Associates 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) We 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 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 including a Disclaimer will be attached - this will be in the format specified in Appendix 1 to this letter.

2. Other Services

In addition to compiling financial reports we will also be performing

- a) Advisory services as mandated by you from time to time, and
- b) Administrative, tax management and other compliance services as defined in Appendix two.

3. Advisory Services

We will only act on your clear engagement to provide services. Where this cannot be reasonably obtained from you, we will stop work until it is received.

We will act in your best interests and take all reasonable steps to keep you informed of the steps taken to carry out the engagement. We will use all due care and skill in carrying out the engagement subject to any ethical duties.

Our duties are owed to you. Unless otherwise agreed in writing, those duties do not extend to the other closely associated parties, for example, shareholders or related companies, directors, or employees or parents or other family members.

If you engage us on behalf of someone else, you are liable to pay the account that we render for work done together with all disbursements.

If you engage us as a director or officer of a company, or trustee of a Trust, then you are liable to pay the account in the event of that company or Trust failing to pay.

Any information supplied by you pursuant to our engagement is treated by us as confidential information and will be returned to you upon your request.

4. Managing our Engagement

Generally, you will have one member of the firm responsible for the engagement. He or she will or may involve others to assist as appropriate.

If you have any concerns about any person who is acting on a mandate, please contact Dave Lathan.

5. Our Charges

In setting our fee, we take account of matters such as:

- a) The skill, specialised knowledge and responsibility required.
- b) The complexity of the mandate and the difficulty or novelty of its contents.
- c) The time we spend on the mandate, charged at our then current hourly rates.
- d) The importance of the mandate to you and the results achieved.
- e) The urgency and circumstances in which the mandate is carried out.

Our hourly rates are

David Lathan (Director)	\$250 per hour (plus GST)
Colette Bryant (Associate)	\$160 per hour (plus GST)
Accounting Staff	\$100 - \$150 per hour (plus GST)

Advisory costs for our specialised advisory services are particularly difficult to estimate. Fees depend upon many factors, so we can give estimates of the likely fees based on our experience with similar engagements.

Estimates are given as a guide only and not as a fixed quotation. All estimates given will be subject to on-going review.

We charge for disbursements (i.e. payments made to other people for work to be done, or our own out-of-pocket costs). We reserve the right to ask either for these specific amounts or for an approximate amount to cover these expenses to be paid to ensure that we are not out-of-pocket.

We also charge for general office services, for example, photocopying, facsimiles, telephone communications and mail deliveries.

For a variety of reasons, some engagements are not completed. If this occurs, we will charge you for work undertaken and all costs incurred up to the time of cessation of the engagement.

In some situations, we may be required to incur additional time or expenses following completion of an engagement. We will charge for our time and expenses in the usual way.

6. Billing

We will bill you on a monthly basis unless agreed otherwise in writing.

Our invoices are payable on the 20th day of the month following invoice. You authorise us to pay any invoice from funds paid by you in advance at the commencement of the engagement, or funds received during the course of the engagement, and held in your name in our Trust account.

If you have any queries about any account, please let us know immediately.

For engagements where hold funds on your behalf in our Trust Account, we will make payment of your account by deduction from these funds. Under these Terms and Conditions, you consent to such deduction.

If an account is not paid promptly, we reserve the right to do any of the following:

- a) Not do any further work on the mandate, and to retain custody of your papers or files and intellectual property in the work, until all accounts are paid in full.
- b) To charge interest at up to 18% per annum on any amount outstanding one month after the date of the account.
- c) Start proceedings to recover the amount owed.

You will be liable for costs, on an indemnity basis, associated with the collection and recovery of your overdue and unpaid account. Information you have provided to us may be used to assist in collecting an overdue account.

7. Security for fees

Each entity which has engaged us grants Lathan & Associates Limited a general security interest in all of the relevant entities present and after acquired property on terms contained in the current General Security Agreement of the Auckland District Law Society.

8. Termination of Engagement

There may be some instances when we may not be able to further act for you. These circumstances may include:

- a) Conflict of interest
- b) Withholding relevant information
- c) Acting contrary to our advice
- d) Misrepresentation of critical facts
- e) Failing to pay our fees when due

If we become unable to further act for you on an engagement, or you end an engagement, all outstanding fees and charges will be billed to you. You have the right to uplift your papers, files and deeds when you have paid your account.

Either you or we may terminate an engagement at any time by giving written notice. The enforceability of this agreement is not affected by the termination or changes to the constitution or directors of Lathan & Associates Limited.

9. Tax Pooling

We may utilise the services of third parties, including tax pooling intermediaries, from time to time and as separately notified to you to manage your tax affairs. To perform the services, we provide these third parties with access to your data to the extent this is required to perform the services. This requires information being sent to these services providers in accordance with our Privacy Policy.

Appendix 1 - Our Compilation Report and Disclaimer

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

COMPILATION REPORT

Scope

On the basis of the information you have provided we have compiled, in accordance with Services Engagement Standard No 2: Compilation of Financial Information, the financial statements for the year ended as set out on the preceding pages.

Responsibilities

You are solely responsible for the information contained in the financial statements and have determined that the financial reporting framework used is appropriate to meet your needs and for the purpose that the financial statements were prepared.

The financial statements are special purpose reports and were prepared exclusively for your benefit. They may not be relied upon for any other purpose. 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.

Disclaimer of Liability

As mentioned above 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.

Lathan & Associates Limited
Chartered Accountants
Tauranga

Appendix 2 - Administrative, Tax Management, and other Compliance Services

1. 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.

2. Trust Minutes and records

We will prepare minutes of the Trustees' meeting that adopts financial statements and the Trust tax return. We will maintain the Trust records including details of trustees, beneficiaries, and minutes.

3. Maintenance of Statutory Records

We understand that we are responsible for the maintenance of the following statutory records where held by us.

- a) Share Register
- b) Register of Directors
- d) Interests Register
- 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.

4. Filing of Returns with Registrar of Companies

We will prepare and file the annual return of relevant companies and maintain accuracy of information at www.companies.govt.nz

5. Income Tax Returns

We will prepare income tax returns for all entities for which we are engaged based on the Financial Statements 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.

It is your responsibility to ensure final tax returns are a complete and accurate representation of income and financial position for the year of the relevant entity.

We will assist you with tax planning and discuss options with you in order that you are able to make an informed decision as to timing of tax payments.

6. 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.

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

7. Penalty Tax Regime

Tax legislation imposes penalties as well as interest charges for taxes short paid as a result of incorrect returns and late payment. This legislation applies to all forms of tax. Generally the rules require a taxpayer to either have taken reasonable care or to have an acceptable interpretation if penalties are to be mitigated. By obtaining our advice in the prepare of your tax returns, where necessary, it will likely be arguable that you have taken reasonable care. This is situation specific and requires that you provide all relevant information to us. Any penalties imposed are your sole responsibility.

8. Annual Imputation Return

We will prepare and file the Annual Imputation Return in conjunction with the company's income tax return.

9. Goods and Services Tax Returns

If requested, we will prepare the GST returns required 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, we or any of our employees are exposed to penalties for doing this, you indemnify us for these penalties.

10. PAYE

If requested, we will prepare the PAYE returns required from information supplied to us. We will sign the PAYE Return on your behalf. If, for whatever reason, we or any of our employees are exposed to penalties for doing this, you indemnify us for these penalties.

11. Fringe Benefit Tax

If requested, we will prepare FBT returns as required based on information supplied to us. We will sign the FBT Return on your behalf. If, for whatever reason, we or any of our employees are exposed to penalties for doing this, you indemnify us for these penalties.

12. Department of Statistics Returns

We are to prepare Department of Statistics Returns as required.