

Standard Terms and conditions for Annual Engagements

Basis of engagement

Our engagement is to assist with the preparation of the financial accounts and the preparation and lodgement of the taxation returns for your Group. This includes the non-trading individual members of your family (**Individuals**), as well as your trading entities (including individuals), corporate entities, partnerships, trustees and superannuation entities (**Entities**).

1.1 Accounting and record-keeping

In undertaking this engagement, you must generally ensure the following:

- The bookkeeping for all Entities is maintained on a regular basis. In fact, we recommend the bookkeeping and record-keeping tasks be attended to each week. Where we are providing these services to you, please ensure that the data required (invoices, accounts, timesheets etc) are provided to us on a weekly basis as agreed.
- Reconciliations for the bank accounts, debtors and creditors are performed at the end of each month for each of the Entities.
- A stocktake will be performed during the last weekend in June for each entity that deals in trading stock.
- It is expected that the trial balance of each of the Entities will be completed no later than August 31 each year.

In respect of the personal tax returns for Individuals, we require that all relevant information be collated and forwarded to our office by September 30 each year. We shall detail more specific requirements in respect of the Individual tax returns later in this letter.

1.2 Taxation services

In engaging us to provide taxation services, it is important for you to understand the following:

- You are responsible for the accuracy and completeness of the particulars and information provided to us by you.
- Any advice we provide is only an opinion based on our knowledge of your particular circumstances.
- You have obligations under the self-assessment regime to keep full and proper records in order to facilitate the preparation of accurate returns.
- We cannot provide taxation services if we find that information on which those services are to be based contain false or misleading information, or omit material information, and you are not prepared to appropriately amend that information.

1.3 Compilation of financial statements

By engaging us to compile financial statements, you acknowledge that:

- the reliability, accuracy and completeness of the accounting records are your responsibility; and
- that you have disclosed to us all material and relevant information.



1.4 No statutory financial audits are conducted

You and your employees are responsible for the maintenance of the accounting systems and internal controls for all the Entities. That includes the keeping and maintenance of all required books of account. Our Firm cannot be relied upon to disclose irregularities, including fraud, and other illegal acts and errors that may occur with regard to such matters.

Our Firm is not being engaged to conduct a statutory audit of the financial records of any of your Entities and we will not express an auditor's opinion as to the truth and fairness of the financial statements.

1.5 Documentation

Before we lodge any returns on your behalf, we will forward the documents to you for approval. We will endeavour to ensure that the returns are lodged by the due dates and will advise you at the beginning of the financial year when documentation should be provided to us. If you are late in providing information, we will do our best to meet the time limits, but we will not be responsible for any late lodgement penalties or interest charges you may incur.

1.6 Ownership of documents

The financial statements, tax returns and any other documents which we are specifically engaged to prepare, together with any original documents given to us by you, shall be your property. Any other documents brought into existence by us, including general working papers, the general ledger and draft documents will remain our property at all times.

Please note specifically, that where we maintain the subscription to the Xero file being used for your record keeping, in the event of you deciding to terminate the accounting relationship with us, we will expect you to accept a transfer of the file to you immediately. However, we will also expect full and prompt payment of any outstanding fees due to us to occur in advance of such a transfer.

If our services are terminated (by either party), each Client separately agrees that we shall be entitled to retain all documents owned by that Client (including all tax refund cheques of that Client which come into our possession) until payment in full of all outstanding fees outstanding from all members of the Group on any account. Where copies of any documents released to you are required for our records, you will be charged for the cost of photocopying at our normal rates.

1.7 Additional services

The scope of our engagement is the preparation and lodgement of the accounting and taxation matters detailed above. Any agreed fee applies only to services and advice provided within the scope of our engagement. This fee includes checking and forwarding original assessments and payment notices that are received from the ATO and the Australian Securities & Investments Commission (ASIC).

However, any additional services or advice that you request are outside the scope of this letter and are not included in this agreed fee. We will separately advise you of the fee for these services, including any direct out of pocket expenses. Please note in particular that any correspondence from the ATO or ASIC that does not relate to initial assessments or original payment notices, will be charged as additional services.

Where the ATO or other statutory bodies undertake audits or reviews of lodged documents (including BAS returns income tax returns, Superannuation Guarantee payments etc, this work is not included in the above work. Tax audit insurance can be taken out (and billed separately for your Group of entities) as agreed that would cover the fees for this activity

1.8 Fees and charges

Our services will be provided to you on an annualised basis, invoiced and payable monthly.



With additional services outside the scope of this agreement, unless otherwise stated in writing, any estimates which we provide to you of our anticipated fees, disbursements and charges for any work are only indicative of the amounts you can expect to be charged. Estimates are not quotes or caps, and are not binding on us.

Where an estimate is given and the scope of the work changes, or if it becomes apparent that the work involves matters which were not taken into account in the estimate, we will endeavour to advise you and provide an amended estimate as soon as it is practicable to do so.

We may require you to deposit money into our trust account in anticipation of our fees and charges. If you fail to make a required trust deposit, we may suspend work or terminate this engagement. Each Client in the Group authorises us to apply trust moneys held on their behalf towards payment of fees and disbursements, and to meet our bill of costs which have been rendered and which have not been paid or disputed within 14 days after issue of the bill of costs.

Each Client in the Group is jointly and severally liable to pay our fees in respect of all work performed for all members of the Group. We may require that payment of our fees be guaranteed by one or more persons who are associated with the Group but are not themselves our clients (for example, company directors). If you fail to provide a required guarantee, we may suspend work or terminate this engagement.

If we suspend work or terminate this engagement by reason of your failure to make a trust deposit or provide a guarantee as required, we will not be liable for any loss or damage suffered by any client in the Group as a result of the suspension or termination.

1.8.1 Goods and Services Tax (GST) – Professional fees

Our professional fees are inclusive of GST. If our services are provided to Individuals or Entities that are registered for GST, then those Individuals or Entities may be able to claim a GST input tax credit for the GST they pay on our services. However, this will not be the case if the services we provide are used by the recipient in creating an input taxed supply or otherwise for a non-creditable purpose. In this situation the GST associated with our professional fees cannot be claimed as an input tax credit.

If your matter involves a mixture of taxable, GST-free and input taxed supplies, we will not apportion our professional fees between these categories of supply unless you have expressly requested us to do so.

Please note that if you make such a request after the commencement of any particular matter it may not be possible for us to subsequently apportion professional fees that were incurred prior to receiving your request. If you need separate advice on whether you will receive the benefit of a GST input tax credit for the GST paid to us, then please contact us.

1.8.2 GST – Disbursements

In addition to our professional fees, you will be responsible for payment of expenses which we incur on your behalf (together with the GST that we pay in relation to such expenses), as set out below.

Certain government charges and fees included in some matters undertaken in the scope of our engagement are effectively GST-free to the applicant, but will attract the 10% GST if paid by this Firm and then passed on to you as part of our services.

Accordingly, for certain disbursements in this category, namely:

- ASIC fees;
- new company and trust deed orders; and



- other specific disbursements notified from time to time,

we will act as your agents in incurring those disbursements. You will therefore technically be primarily liable to pay the account to the supplier. Under this agency relationship, you will receive the benefit of any concessional GST treatment of any part of the disbursement.

Where GST is payable on some or all of a supply acquired by us as your agent, we will forward you the Tax Invoice and you will be entitled to claim the input tax credits directly if you have an ABN and are entitled to claim input tax credits.

For disbursements incurred in this manner, we may in some cases require that you provide us with separate cheques for the relevant amounts to be paid directly to the relevant government body or supplier.

For all other disbursements (e.g., couriers, searches, photocopying, etc.) the treatment will be the same as for professional fees – i.e., we will incur the costs at first instance and invoice them on to you after making allowance for any GST input tax credits received by us on the acquisition. These invoices will include GST for which you may be entitled to claim an input tax credit.

1.9 Information relating to your affairs

Our Firm may, from time to time, use the services of third-party contractors to perform some of the services we are engaged to perform for you.

The list of third-party contractors currently used by our Firm, to whom client information will or may be disclosed, is as follows:

- *n/a*

We will notify you of any change to this list from time to time.

Each Client in the Group hereby authorises us to disclose information relating to that Client's affairs to such third-party contractors as we may choose to engage to perform such work.

Where we use the services of third-party contractors, we are nevertheless responsible for the conduct and activities of those contractors and for the delivery of the services we are engaged to perform for you.

From time to time, our Firm and our third-party contractors may engage external IT service providers (including in relation to "cloud computing" services) in the performance of services under this engagement.

The list of external IT service provider(s) currently used by our Firm or our third-party contractors, to whom client information will or may be disclosed, is as follows:

- *Xero Ltd - General ledger, bank accounts, taxation return data*

We will notify you of any change to this list from time to time.

Each Client in the Group hereby authorises us and our third-party contractors to disclose information relating to those clients' affairs to such external IT service providers as we or our third party contractors may choose to engage.

We may also need to disclose information relating to one Client's affairs to other clients in the Group to assist in performing our work, to persons responsible for the governance of an entity to comply with accounting standards, or to a professional body of which we are a member, in relation to a quality review program undertaken by that body. Each Client in the Group hereby authorises us to do so when we consider it appropriate to further our performance of work for the Group, or when required by that professional body.



1.10 Limitation of liability

Our Firm's liability may be limited by a scheme approved under Professional Standards legislation.

2. Details of services to be provided

We shall now outline the basis of our engagement in the context of the specific services to be provided.

It should be noted at the outset that, as a general proposition, we rely upon our clients to provide us with accurate and timely information to enable us to properly perform our engagement obligations.

Consequently, any rectifying work performed by us on the basis of incorrect or late information will be work which is outside the scope of this letter and will be charged as additional services.

2.1 BAS returns

As the BAS returns are prepared quarterly and lodged during the financial year, it is not possible for this Firm to review the correctness of the underlying financial information as part of the preparation of the quarterly BAS return. This is because we are engaged to prepare the annual accounts and these are prepared after the conclusion of the financial year.

Therefore, for the quarterly BAS returns, we will rely on and process the financial information provided to us without any review of the primary source documents. In doing that, we will make the following specific assumptions:

- The financial information provided to us is accurate.
- The financial information correctly states the GST position. For example, all input tax credits and GST payable amounts have been correctly recorded in the general ledger. If you are unsure of the correct position or require advice regarding this, we are able to provide this as work which is outside the scope of this letter and charged as additional services.
- You have the necessary supporting documentation to satisfy the ATO for GST purposes. Again, if you are unsure of the ATO requirements or require advice regarding these documents, we are able to provide this as work which is outside the scope of this letter and charged as additional services.
- You hold valid tax invoices and adjustment notes for all expenditure incurred by you in respect of which an input tax credit is being claimed. Substantial penalties apply for an incorrectly prepared BAS. If you have any queries in respect to this, please contact our office for assistance.

However, it is possible that, when the financial accounts are prepared, some discrepancies will exist between the information disclosed in the quarterly BAS returns and in the annual financial statements.

Should any discrepancies arise, we will discuss the need to correct either the BAS returns and/or financial accounts. Those services may involve work which is outside the scope of this letter and will be charged as additional services.

2.2 Financial accounts

This Firm has been engaged to prepare the annual financial accounts of the Entities in your Group. This service includes the preparation of:

- a profit and loss statement;
- a balance sheet; and



- notes for the above accounts.

This service includes maintenance of the chart of accounts for the general ledgers of your Entities, and telephone support should you require any assistance as to how to record specific transactions in the general ledger. This service also includes the preparation and lodgement of any standard reports that are required to be furnished to ASIC.

However, this service does not include the preparation of one-off accounts for presentation to your financiers for additional finance and the like. Wherever possible, we will prepare quarterly management accounts in conjunction with the quarterly BAS returns and send these to you for your review and use. Any additional or 'one off' reports separate to this will be billed separately.

2.3 Income tax returns

This Firm has been engaged to prepare and lodge income tax returns for your Group.

This Firm will not be responsible for reviewing or verifying any financial records or statements provided to it either via manual cashbooks or prepared on accounting software such as MYOB or Quickbooks. Correct coding or classification of accounts is outside the scope of this engagement. If assistance is required on how to correctly code, or to review how you currently do so, please discuss this with us. This will entail work which is outside the scope of this engagement and will be charged as additional services.

Also please ensure that you have all source documentation available to allow this Firm to analyse the income tax implications of any transaction, if we request to see it. Whilst we will not as a matter of course be looking at these documents, the ATO will expect you (and you are required) to have them available before any claim is made in your income tax return. We may in some circumstances also request to see source documents if a tax issue is particularly contentious.

It is also expected that, in respect of individual income tax returns, each person will have the necessary documents so as to comply with the substantiation provisions of the *Income Tax Assessment Act*.

We will specifically advise as to the requirements of the substantiation provisions relating to your income tax return and of the necessity to obtain acceptable receipts as specifically required by the legislation. We will not, however, be checking that the requirements of the substantiation provisions have been satisfied.

This specifically means that we will not be reviewing your log book or any calculations or information you provide us, such as a rental property schedule either prepared by you on a spreadsheet or by a property manager. If you require assistance in completing a log book or preparing any calculations, or you would like us to review such work, please discuss this with us. This will entail work which is outside the scope of this letter and will be charged as additional services.

From time to time, this Firm prepares templates and schedules to assist with the collation of information to complete income tax returns. These will be provided free of charge.

The fee for this service does not cover any inquiries made to us, or investigations involving us, conducted by the ATO. Substantial penalties apply for an incorrectly prepared income tax return. If you have any queries in respect to this, please contact our office for assistance.

Each Client in the Group agrees that we can bank into our trust account tax refund amounts received on behalf of that Client, and can deduct from those amounts any fees owed to us either by that Client or by any other member of the Group.



2.4 Fringe Benefits Tax (FBT) returns

This Firm has also been engaged to prepare and lodge the FBT returns for your Entities. Please note, because of the impact of GST, it is not possible to prepare an FBT return from the information contained in the general ledger. It is necessary to revert to the source documentation to allow our Firm to analyse the FBT implications of any transaction.

Our fee for this service includes the following:

- Advice on how to collate the information necessary to prepare the annual FBT return;
- An annual review of the methods available to reduce the FBT expense on the annual FBT return;
- Telephone advice on basic FBT issues; and

The calculation of Reportable Fringe Benefits Tax Amounts that may be required to be included on the annual payment summaries for your employees (including family members employed in the business of any Entity).

2.5 Superannuation

This Firm has also been engaged to attend to the income tax compliance work for your self-managed superannuation fund (SMSF). This assignment will involve the following:

- Preparation of the SMSF's accounts for the purposes of the *Superannuation Industry Supervision Act 1993* (the SIS Act).
- Preparation and lodgement of the SMSF annual return. It is important to note as part of the regulatory framework for SMSFs, an annual audit of the fund must be undertaken and provided to the trustees of the fund before the SMSF annual return is lodged. Therefore, trustees of the fund must ensure that they provide the fund accounting records no later than *October 31* to allow these tasks to be completed.
- With respect to the annual audit of the SMSF referred to above:

This office will make arrangements for the audit to be undertaken by an external party whereby you will be billed directly and liable for all costs associated with the completion of the audit;

In addition to the basic financial information required to complete these requirements, it is expected that the source documentation will be available to allow this Firm to analyse the implications of any superannuation related transaction.

You should also note that the deeds of the fund should be annually reviewed by a superannuation specialist to ensure they continue to comply with the requirements of the SIS Act. Our engagement does not extend to the provision of such legal advice and our fee does not include this service. We are happy to recommend the services of a superannuation specialist for this task.

This service does not cover any inquiries or investigations by the ATO.



2.6 Superannuation advice

We currently do not hold an Australian Financial Services License and are not an authorised representative of such a license holder.

As a result, we are generally prohibited from providing you with any advice, recommendation or opinion that is intended to influence you in making any decision in relation to superannuation (including whether to establish, contribute to or draw benefits from a superannuation fund, or any investment decision by an superannuation trustee), or that could reasonably be regarded as being intended to have such an influence (**Financial Advice**). However, we are able to provide you with superannuation advice that is of a factual nature only (e.g., to explain how superannuation rules would apply to you and what options are available to you).

Where you request us to undertake superannuation-related work (e.g., to arrange for the establishment of a self-managed superannuation fund), we will be obliged to perform that work in accordance with your instructions, even if we believe those instructions may not be in your best interest.

Where you request Financial Advice concerning superannuation, we will endeavour to assist you in obtaining that advice from an appropriately-licensed advisor. Depending on the circumstances, this may involve us outsourcing the provision of the Financial Advice (in which case we would seek your prior authorisation), or referring you to a licensed provider directly.

3. Confirmation of engagement

Obviously, there are many issues to consider in this engagement and we ask that you consider all aspects of this letter to ensure that you are satisfied with the scope of our engagement. Please contact us if you have any queries about the engagement.

Once you are satisfied with the terms of this letter, would you please have all persons sign and date both copies of this letter in the places indicated.

On signing the documents using the electronic signature process in Xero sign, we will automatically receive your acceptance. Please download a copy of the engagement letter for your purposes as well. We note again that we are unable to perform any work for you until we receive the signed letter.

We thank you for the opportunity to provide accounting and taxation services to your Group, and we look forward to developing a close accounting relationship with you for many years to come.