

26 October 2023

Thank you for appointing us to act as your accountants, we are delighted to be working with you.

For us to comply with the recommendations issued by the New Zealand Institute of Chartered Accountants Australia and New Zealand (CAANZ), we have prepared a Letter of Engagement for you.

RANGE OF SERVICES

We provide a full range of service options, some of which you may wish to consider for the future:

- To work with you on developing and growing your business so that it reaches your objectives and longer-term goals. This may include business coaching, helping with developing your business and marketing plans, setting regular financial or production benchmarks, preparing cash flow and trading budgets, and assisting in monitoring your progress.
- The preparation of financial statements on an annual basis for the calculation of your taxable income.
- Preparation of GST return calculations and trading results on a regular monthly, two monthly, or six-monthly period (where applicable).
- Keeping you informed of significant changes to tax and other business-related legislation.
- Advising methods and ownership structures that will legally minimise your taxation payable.
- Completing your tax return using information provided by you.
- Assisting and advising on the appropriate type of accounting recording system that is suitable to your business.
- Assisting you in deciding the size and future of your business so that when you decide to no longer work in it, you can obtain the best possible value.

FINANCIAL STATEMENTS

All Chartered Accountants are legally bound to prepare financial statements to a defined standard, and we will forward a check list at the end of the tax year (or your appropriate balance date) to ensure we collect all the relevant information. Please also note that if your business is the subject of an income tax audit, the check list will be reviewed by the Inland Revenue Department. We are required to advise you of the basis upon which we undertake this work, which is as follows:

1. Our procedures will not include an audit or verification of all matters, and we will not be expressing any assurances.
2. Financial statements will be compiled from information provided by you, for which you are responsible, and which should be accurate and complete. Information considered necessary to complete the engagement should be supplied on a timely basis.

3. Your financial statements will be prepared in accordance with the Service Engagement Standard No. 2 for the Compilation of Financial Statements Standards issued by the New Zealand Institute of Chartered Accountants (NZICA), and will include the following report and disclaimer (as a sample):

“SCOPE

On the basis of information provided by you, we have compiled, in accordance with the NZ Institute of Chartered Accountants Service Engagement Standard No. 2: Compilation of Financial Information, the financial statements and supporting schedules of your entity, for the year ended 31 March 2022, as set out in the notes to the financial statements.

For Trusts:

These have been produced in accordance with the Tax Administration Act (Financial Statements – Domestic Trusts) Order 2022 pursuant of s21B & 21c of the Tax Administration Act 1994.

The financial statements have been specifically prepared for the purposes of meeting the company’s income tax requirements.

For Companies:

These have been produced in accordance with the Tax Administration Act (Financial Statements) Order 2014 pursuant of s21B & 21c of the Tax Administration Act 1994.

The financial statements have been specifically prepared for the purposes of meeting the company’s income tax requirements.

RESPONSIBILITIES

You are solely responsible for the information contained within the financial statements and have determined that the Special Purpose Financial Reporting Framework used is appropriate to meet your needs and for that purpose that the financial statements and supporting schedules are prepared.

NO AUDIT OR REVIEW UNDERTAKEN

Our procedures use accounting expertise to undertake the compilation of the financial statements and supporting schedules 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

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.”

4. We will prepare a tax return for the entity and check tax assessments received in our office. We will advise you of tax commitments, but the responsibility for paying the correct tax at the due dates rests with you, including any penalties and interest.
5. We will endeavour to reconcile your GST returns and wage records to your financial statements and advise you of any apparent discrepancies.

6. If you trade as a company, it is your responsibility to comply with all aspects of the Companies Act 1993. We will maintain your Minute Book and file your annual return with the Companies Office for an annual fee of \$184 (GST inclusive). This fee is subject to an annual review.
7. There may be times when we need to consult with a tax specialist for an opinion. In this event, our liability is limited to the work we undertake, and we are not responsible for any consequences arising from acting on the specialists' advice.
8. Our fees will be based on the amount of work required to complete the agreed upon services. Our staff and partners charge based on time taken at set hourly rates. You will be invoiced monthly for work undertaken, or on an interim billing basis.
9. We can offer to estimate your fees and allow you to pay by monthly instalments with a 'wash up' when the work is completed. If this option is preferable, please call to discuss it further.
10. Information we obtain while completing your work is subject to confidentiality under the Privacy Act 2020. We will not disclose information to other parties without your expressed consent except as is required by law or on professional obligations.
11. We are subject to the practice review rules of CAANZ, who perform reviews to ensure we are complying with their professional standards. The review process requires us to submit a sample of our files and work papers to the CAANZ reviewers. By agreeing to this engagement letter, you acknowledge that your files may be included for submission; if requested our files relating to this engagement will be made available to the reviewer. CAANZ and their reviewers adhere to the same ethical standards and confidentiality as RWCA.
12. We will endeavour to record all advice on important matters in writing. Advice given verbally is not intended to be relied upon unless confirmed in writing. If we provide verbal advice (for example during a meeting or on the phone) that you wish to rely on, you must ask us to confirm the advice in writing.

CLIENT DUE DILIGENCE

Accounting practices must comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act). The AML/CFT Act imposes obligations on us when we conduct certain activities, including (without limitation) acting as a formation agent, acting as a nominee shareholder or trustee, managing client funds, or engaging in transactions for buying or selling land or a business or other legal entity/arrangement (Captured Activities). This letter and our terms of engagement do not extend to any Captured Activity that otherwise is or might be covered by them unless and until we have conducted and satisfied ourselves in our sole discretion with any customer due diligence that is required of us under the AML/CFT Act.

The information we may require from you to complete customer due diligence in accordance with the AML/CFT Act will differ depending on the nature of your entity (for example, individuals, companies, and trusts are subject to different requirements) and the level of assessed risk, which determines if standard, simplified, or enhanced due diligence is required. Information required may include (without limitation) passports, address verification by way of recent utility bill, bank statement, or government agency letter, Certificates of Incorporation or Registration, Trust Deed or Partnership Agreement, proof of authority of instructing person, and proof of source of funds.

ACCIDENT COMPENSATION - COMPULSORY

This is a government-controlled scheme whereby a premium is payable by all self-employed persons, shareholder-employees in companies, and for any staff working for you. The premium is normally payable in advance, but in the first year, it will not be assessed until you have filed your first income tax return.

As it is often difficult to establish the level of earnings in the first year, ACC offers a **CoverPlus Extra** policy that allows you to nominate an agreed earnings amount which will be paid out in the event of a claim. If you want this option, please telephone Accident Compensation Corporation on 0800 222 776 for an application form.

The ACC cover is only for accidents, and we recommend you consider taking out an independent loss of earnings insurance to provide a more comprehensive cover.

INDEPENDENCE

Independence is not required for a compilation engagement. If we are aware that we are not independent of your business or entity this fact will be stated in our report.

CONFLICTS OF INTEREST

We will inform you if we become aware of any conflict of interest in our relationship with you, or in our relationship with you and another client. Where identified, if a conflict cannot be managed in a way that protects your interests, or you do not consent to the way in which we propose to manage the conflict, then we will be unable to provide further services to some or all of the persons to whom this engagement applies. If this arises, we will advise you promptly.

INVESTMENT AND FINANCIAL ADVISORY ADVICE

We are prohibited from providing you with investment or financial advice regulated under the Financial Markets Conduct Act 2013, as amended by the Financial Services Legislation Amendment Act 2019.

PROFESSIONAL OBLIGATIONS AND CONFIDENTIALITY

We will comply with the by-laws, regulations and ethical guidelines of Chartered Accountants Australia and New Zealand and the New Zealand Institute of Chartered Accountants. This includes the NZICA Code of Ethics, which among other things contains provisions that apply if we become aware of any actual or potential 'non-compliance with governing laws or regulations' (NOCLAR). Where any such non-compliance poses substantial harm (such as serious adverse consequences to investors, creditors, employees, or the public), we may be required to disclose the matter to an appropriate authority.

OWNERSHIP OF WORKPAPERS

If your work is handled by another accountant in the future, we will supply the information – as required by the CAANZ Code of Ethics - to enable your new advisor to perform the services we were engaged to provide. Material you provide to us remains yours, and work papers we create remain our property. We will store tax records being held on your behalf for a period of seven years after the applicable balance date. Unless you ask us to return the records, we will have them securely destroyed after this time.

DISPUTES AND COMPLAINTS

If you have any concerns about our costs or services, please speak to us in the first instance. We have policies and procedures in place to deal appropriately with complaints and will endeavour to resolve a complaint or dispute to the mutual satisfaction of the parties involved. We may require you to detail your complaint in writing to allow us to fully investigate any concerns that you raise.

PAYMENT TERMS

As we will primarily be undertaking annual work for you, we will invoice you monthly for work undertaken, or on an interim billing basis. Payment is expected by the 20th of the month following the invoice date. Any fees outstanding beyond these payment terms will attract an administration charge at the rate of 2% per month. The account may be referred to our debt collection agency and we have the right to charge you an administration fee for the unpaid portion of the price to cover our cost of recovery.

SIGNING LETTER & AUTHORITY FORM

We will require you to sign this letter as part of the year-end process, there is nothing you are required to complete now.

We will advise you and your spouse/partner on the basis that you are a family unit with shared interests. We may deal with either of you and may discuss with either of you the affairs of the other. If you wish to change these arrangements, please let us know.

You confirm that you, and any other person you nominate in writing from time to time (provided we acknowledge such nomination), are authorised to give us instructions and information on behalf of all persons we are acting for and to receive our advice and documents on their behalf. Where we are acting for a business and receive conflicting information, advice or instructions, we may refer the matter to the board of directors, partners or proprietors as applicable, and act only as instructed by them.

If you are trading through a company, signing this letter provides us with the authority to act on your behalf and allows us to update the records held by the Companies Office using the internet service.

TERMINATION OF AGREEMENT

Each of us may terminate this agreement by giving no less than 21 days' notice in writing to the other party, except where: a conflict of interest has arisen, you fail to cooperate with us, or we have reasons to believe you have provided us or any other person with misleading or factually inaccurate information. In these cases, we reserve the right to terminate this agreement immediately. Termination will not affect any accrued rights.

Please give us a call if you wish to discuss any of the above. If we are unavailable, please leave a message or call any of our trained staff.

Yours Sincerely,

RWCA Limited

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