

Our Service

On the basis of information you provide, we will compile a set of financial statements comprising of but not limited to, a Statement of Profit & Loss along with associated tax returns for the individual or entity named in the attached cover letter. 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.

The financial information will be prepared in accordance with a tax basis and this will be disclosed as part of the financial information. Any known departures from the tax basis of accounting will be disclosed within the financial statements and referred to in our compilation report.

Our procedures will not include verification or validation procedures. No audit or review engagement will be performed and accordingly no assurance will be expressed.

Our compilation report contained in the financials will be issued on completion of the engagement and is currently expected to read as follows:

EXAMPLE COMPILATION REPORT

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 These 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 for the purpose that 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 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.

Independence (if required)

We are not independent of *(the entity)* because *(reason why not independent, for example, the member participates in the decision of management regarding the compiled financial information)*.

Extent of Services

We do not accept any responsibility for the accuracy and completeness of the accounting records and other information you supply to us or 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.

You will 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/ approving income tax returns or other statutory compliance engagements (GST, FBT, Employee Deduction forms, PAYE, Statistic NZ Forms etc) as being true and correct statutory records.

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.

Our engagement does 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 and regulations. However, we will inform you of any such matters which come to our attention during the course of our engagement. If, for any reason, we are unable to complete the 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.

Independence

Independence is not a requirement for a compilation engagement. 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 your entity.

Use and distribution of the financial information

We understand that the intended use and distribution of the financial information we will compile is solely for taxation purposes. If this should change in any material respect, you will inform us immediately. We will not accept any responsibility to any person, other than you, for the contents of the financial statements.

Information and Disclosure

The conduct of this engagement is in accordance with the professional standards, rules and ethical requirements of the New Zealand Institute of Chartered Accountants. 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.

However, as members of the New Zealand Institute of Chartered Accountants, we are subject to and bound by the disciplinary procedures and rules of the Institute, and our work and files are subject to the practice review rules of the Institute under which compliance with professional standards by members is monitored. These procedures and rules require us to disclose to the Institute, 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 the Institute, its reviewers and/or its disciplinary bodies. We assure you that the same ethical standards regarding confidentiality that we adhere to apply equally to the Institute's reviewers.

Fees

Unless a fixed fee has been pre-arranged, our firm will typically base its fees on the time spent on the business matters of your business and the value of the services provided. In determining a fee it will take into account;

- The skill and knowledge required for the type of professional service involved
- The level of training and experience of the persons engaged in performing the professional services
- The time occupied by each person engaged in performing the professional services
- The degree of risk and responsibility that performing those services entails
- The complexity of the matter and the difficulty of the work involved
- The urgency and circumstances in which the professional services are performed

Payment of Account

Fees are due for payment within 14 days following the invoice. We reserve the right to charge overdue fees and interest on all accounts not paid by the due date. In the event where your overdue account is referred to a collection agency and/or law firm, you will be liable for all costs incurred in the collection of the debt. Any account queries must be brought to our attention within the invoice time frame. If you are having difficulty paying your account please discuss this with us. It is our policy not to release final copies of financial statements or other reports or provide such

reports to external parties until payment for the service has been received.

In the unfortunate circumstance that a disagreement arises between us over our fees, if the matter cannot be resolved amicably by discussion (which is the preferred option) then we both agree to use the Fees Resolution Service of the CA ANZ to resolve the matter. Details of this Service are available from CA ANZ. You should be aware that, like all other providers of services, we are entitled to retain possession of your records that have been used in relation to this engagement until outstanding fees are settled.

Ownership of work papers & Storage

Hard copy material that you provide to us remains yours and (if requested) will be returned to you when the engagement is completed. Work papers that we create remain our property.

However, if your affairs at some time in the future are handled by another Chartered Accountant, 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 to perform the services we previously provided.

Our work may involve the collection of personal information relevant or incidental to the engagement. Any such information will be held at our offices and will be retained for as long as may be relevant to the engagement, and, except where otherwise noted in this letter, will only be used or disclosed for purposes related to the engagement. Individuals concerned will be able to contact us to access information held concerning them and, if necessary, seek correction to that information.

Unless the entity is a Trust, we will store tax records that we hold on your behalf for a period of seven years after the applicable balance date. At the end of that period, unless you ask us to send that information to you, the records will be destroyed using a secure document destruction service and/or soft copies delete.