

Dear Valued Client,

RE: TERMS OF ENGAGEMENT

Thank you for your instructions to attend to the accounting and taxation requirements for your business entities and for your family. This letter sets out our terms of engagement and the scope of the work to be performed by us within that engagement. Please read it carefully and if you have any questions or wish to discuss any aspect do not hesitate to contact us.

If the terms of our engagement are acceptable, please sign one of the enclosed copies of this engagement letter and return it to our office. Please be advised if you do not sign and return this engagement letter and continue to use our services, you are agreeing to our terms henceforth.

Purpose and scope of engagement.

Our engagement is to attend to the following matters:

- prepare and lodge the BAS returns for your business entities;
- prepare the annual financial statements for your business entities (if applicable);
- prepare and lodge the annual income tax returns for your business entities and your family;
- prepare and lodge the annual FBT returns for your business entities (if applicable);
- prepare and lodge the annual returns for your superannuation fund; and
- prepare and lodge the Annual Review of the Company with ASIC (if applicable).

Our services will be provided to you on a fee for service basis based on the hourly rates, before GST, for members of our firm as follows:

Principal	\$300 p/h
Manager	\$260 p/h
Accountant	\$180 - \$210 p/h
Graduate Accountant	\$100 - \$120 p/h

Our fees are usually billed once the tax return or job is completed and our payment terms are strictly 'Net 7 days'.

This letter relates only to the abovementioned services and details the basis and terms of this engagement. Work that is performed or disbursements that are incurred which are outside the scope of our engagement will be the subject of additional charge.

Basis of engagement

As previously discussed, our engagement is to assist with the preparation of the financial accounts and the preparation and lodgement of the taxation returns of your business entities and of your family.

1. Accounting & record keeping

In undertaking this engagement, it is understood that you will generally ensure that:

- The bookkeeping for all business entities is maintained on a regular basis. In fact, we recommend the bookkeeping and record-keeping tasks be attended to each week.
- Reconciliations for the bank accounts, debtors and creditors are performed at the end of each month for each of the business 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 business entities will be completed no later than 15 August each year.

In respect of the personal tax returns for you and your family, it is expected that all relevant information will be collated and forwarded to our office by 31 March each year for the preceding Financial Year. We shall detail more specific requirements in respect of the individual tax returns later in this letter.

2. No statutory financial audits are conducted

You and your employees are solely responsible for the maintenance of the accounting systems and internal controls for all the business entities. That includes the keeping and maintenance of all required books of account.

You and your employees are solely responsible for the accuracy of all financial information with which you provide us. We accept no responsibility or liability in respect of such information.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which you provide, into a financial report. Our firm is not being engaged to conduct any verification, validation, audit or review of any of your business entities. We will not express an auditor's opinion as to the truth and fairness of the financial statements.

3. 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 lodgment penalties or interest charges you may incur.

4. 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.

If our services are terminated, we shall be entitled to retain all documents owned by you until payment in full of all outstanding fees. 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.

5. Limitation of Liability

You agree, to the extent permitted by law, that our liability to you, in any way arising from or connected with this engagement including, without limitation, liability for negligence, will be limited to the full extent permitted by law and you release and indemnify us from all claims arising from or connected with the performance or purported performance of any services arising from or connected with this engagement letter to the extent any such claim or claims made exceed that limit.

Nothing in the terms of this engagement excludes, restricts or modifies the application of the provisions of any statute (including the *Trade Practices Act 1974*) where to do so would contravene that statute or cause any of these terms to be void.

6. Third Parties

Nothing produced by us is to be made available by you to other than your own employees in any way whatsoever without our written permission and, in any event, we accept no responsibility to any third party. You agree and undertake that you will make the provisions as to limitation of liability known to anyone, including your own employees, to whom you may disclose anything produced by us pursuant to this engagement letter.

7. Your Knowledge of this Obligation

We have discussed with you the limitation of our liability created by this clause. You acknowledge that we have advised you that you may wish to obtain legal advice on all questions arising from the terms of our engagement letter and, in particular, the limitation of liability provisions, because they may impact on your legal rights.

8. Indemnity

In consideration of our agreement to supply you with the services described in this engagement letter, you agree to indemnify us in respect of any activity arising from or connected with this engagement letter in respect of any claim of whatever kind, including negligence, that may be made by any person and any costs and expenses that may be incurred by us.

9. Severability

We agree that each of the promises and undertakings given in this letter of engagement are independent from one another and severable.

10. Additional services

Our fee is only for the preparation and lodgement of the accounting and taxation matters detailed above. Naturally, this fee includes the checking and forwarding of original assessments and original payment notices that are received from the Australian Taxation Office and the Australian Securities & Investments Commission (ASIC).

However, any additional services or advice that you request are not included in this fee. These services will be charged on the basis of the time and degree of skill and acumen required to complete the task undertaken by us, including any direct out of pocket expenses. Please note that any correspondence from the Australian Taxation Office or ASIC that does not relate to initial assessments nor original payment notices, will be treated as additional services.

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 additional to the scope of our engagement.

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 additional to the scope of our engagement.
- You have the necessary supporting documentation to satisfy the Australian Taxation Office 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 additional to the scope of our engagement.

- 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.

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 will involve work which is additional to the scope of our engagement.

Financial accounts

This firm has been engaged to prepare the annual financial accounts, if applicable of the business 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 business entities. It also includes telephone support should you require any assistance as to how to record specific transactions in the general ledger.

The fee for this service also includes the preparation and lodgement of the standard reports to be furnished to ASIC.

This service does not include the preparation of one-off accounts for presentation to your financiers for additional finance and the like.

Income tax returns

This firm has been engaged to prepare and lodge income tax returns for the business entities in your group and for your family.

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 in how to correctly code or to review how you currently do so please discuss this with us. This will entail work which is additional to the scope of this engagement and will incur an additional charge.

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, for example a rental property schedule either prepared by you on 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 additional to the scope of our engagement and will incur an additional charge.

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 Australian Taxation Office.

Fringe benefits tax returns

This firm has also been engaged to prepare and lodge the FBT returns, if applicable for your business entities.

Please note, with the introduction of GST, it is no longer 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 advice on how to collate the information necessary to prepare the annual FBT return.

This fee also includes telephone advice on basic FBT issues.

Our fee also includes an annual review of the methods available to reduce the FBT expense on the annual FBT return.

This fee also includes 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 your business).

GST – professional fees

Our professional fees are inclusive of Goods and Services Tax (“GST”). If the services we are providing are provided to your business then you may be able to claim a GST input tax credit for the GST you pay us. However, this will not be the case if the services we provide are used by you in creating an input taxed supply. In this situation you cannot claim the GST associated with our professional fees 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.

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 (couriers, searches, photocopying etc) the treatment will be the same as for professional fees - this firm 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.

Superannuation

This firm has also been engaged to attend to the income tax compliance work for your superannuation fund. This assignment will involve:

- Preparation of the superannuation fund'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 6 months after the end of the financial year, to allow these tasks to be completed.

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.

Our fee does not include financial planning services for the investments of the superannuation fund or for any planning advice for your future retirement planning needs. This service does not cover any inquiries made by or investigations conducted by the Australian Taxation Office.

Authority to Deduct Accounting Fees

I authorise on my behalf and for any related body corporate (as defined in the *Corporations Act 2001* (Cth)) or associate (as defined in the *Income Tax Assessment Act 1936* (Cth)) for Holistic Tax, Accounting and Auditing to immediately pay any money received by Holistic Tax, Accounting and Auditing on account in the provision of professional services for any of the abovementioned into an account operated by Holistic Tax, Accounting and Auditing and established in accordance with the requirements of the Registered Tax Agent's Professional Body.

I further authorise on my behalf and for any related body corporate (as defined in the Corporations Act 2001 (Cth)) and associate (as defined in the *Income Tax Assessment Act 1936* (Cth)) for Holistic Tax, Accounting and Auditing in consideration of work rendered and/or completed, and after the tendering of an account for work involved in rendering professional services to deduct from any ATO refund money or other funds held in an account operated by Holistic Tax, Accounting and Auditing (irrespective of the nature of the client that services were undertaken or the purpose of those funds) the full amount of the account rendered and to forward the balance to me, my related body corporate, associate or nominee.”

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 this letter.

Once you are satisfied with the terms of engagement, kindly sign and date both copies of this letter and return one copy to this office as evidence of your acceptance of the terms of our engagement. Please retain the other copy as your evidence of our engagement.

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

Yours sincerely

Holistic Tax, Accounting & Auditing

**STEVEN LY
PRINCIPAL**

