

## **To, The Board of Directors**

Dear Sirs,

The purpose of this letter is to set out the basis on which we are engaged as accountants and to outline the respective responsibilities of yourselves, as the directors, and ourselves.

### **1 Accounting services**

#### **Responsibilities of the accountants**

- 1.1 As the company is totally exempt from audit, we have no statutory responsibilities to the company at all. Our only responsibilities arise from those specifically agreed upon between us in respect of other professional services.
- 1.2 You have asked us to assist you in the preparation of the financial statements. We will compile the annual financial statements for your approval based on the accounting records maintained by you and the information and explanations given to us by you. We shall plan our work on the basis that no report is required by statute or regulation for the year, unless you inform us in writing to the contrary. In carrying out our engagement we will make enquiries of management and undertake any procedures that we judge appropriate but are under no obligation to perform procedures that may be required for assurance engagements such as audits or reviews.
- 1.3 You have advised us that the company is exempt from an audit of the financial statements. We will not carry out any work to determine whether or not the company is entitled to audit exemption. However, should our work indicate that the company is not entitled to the exemption, we will inform you of this.
- 1.4 Our work will not be an audit of the financial statements in accordance with Auditing Standards. Consequently, our work will not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, other irregularities or error and cannot be relied on to identify weaknesses in internal controls.
- 1.5 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the company, we are unable to provide any assurance as to whether the financial statements that we prepare from those records present a true and fair view.
- 1.6 We have a professional duty to compile financial statements that conform with generally accepted accounting principles from the accounting records and information and explanations given to us. Furthermore, as directors, you have a duty to prepare financial statements that comply with the Companies Act 1985 and applicable accounting standards. Where we identify that the financial statements do not conform to UK GAAP or if the accounting policies adopted are not immediately apparent this will need to be disclosed in the financial statements.
- 1.7 We have a professional responsibility not to allow our name to be associated with financial statements which may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial statements are misleading, we will withdraw from the engagement.

- 1.8 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations given by you orally during the course of our work.
- 1.9 In common with all accountancy and legal practices, we are required by the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007 to:
- ◆ Maintain identification procedures for all new clients;
  - ◆ Maintain records of identification evidence;
  - ◆ Report, in accordance with the relevant legislation and regulations, to the Serious Organised Crime Agency.

### **Responsibilities of the directors**

- 1.10 As directors of the company, you are responsible for ensuring that the company maintains proper accounting records and for preparing accounts which give a true and fair view and which have been prepared in accordance with the Companies Act 1985.
- 1.11 In preparing the financial statements, you are required to:
- ◆ select suitable accounting policies and then apply them consistently;
  - ◆ make judgements and estimates that are reasonable and prudent; and
  - ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.12 You are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the Act. You are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 1.13 You are also responsible for determining whether, in respect of the year, the company meets the conditions for exemption from an audit of the accounts set out in section 249A [or 249AA] of the Act, and for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in section 249B.
- 1.14 You have undertaken to make available to us, as and when required, all the company's accounting records and related financial information, including minutes of management and shareholders' meetings necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information.

### **Form of the accountants' report**

- 1.15 We shall report to the Board of Directors, with any modifications that we consider may be necessary, that in accordance with this engagement letter and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the financial statements from the accounting records of the company and from the information and explanations supplied to us.

## **2 Taxation services**

- 2.1 We shall prepare, in respect of each accounting period of the company, a computation for corporation tax purposes adjusted in accordance with the provisions of the Taxes Acts. We shall also prepare the return form CT600 and subsidiary forms required by Corporation Tax self assessment. These forms together with the supporting corporation tax computations, will be sent to you for approval and signature prior to submission to HM Revenue & Customs.
- 2.2 We shall advise you as to appropriate payments of corporation tax on company profits and also in respect of loans to participators.

- 2.3 If the company is selected for enquiry by HM Revenue & Customs, we will agree separate terms of engagement. The supplementary engagement letter will include responsibilities and fees as appropriate.
- 2.4 You will be responsible, unless otherwise agreed, for all other returns, more particularly: returns relating to employee taxes under PAYE, returns of employee expenses and benefits on forms P9D / P11D and the returns of income tax deducted at source as required on forms CT61. Your staff will deal with all returns and other requirements in relation to value added tax.
- 2.5 We shall be pleased to advise you on matters relating to the company's corporation tax liability, the implications of particular business transactions and on other taxation matters which you refer to us, such as national insurance, income tax deducted at source, employee benefits, value added tax and inheritance tax.

### **3 Investment advice**

- 3.1 We are not authorised by the Financial Services Authority to conduct Investment Business. If you require investment business services we will refer you to a firm authorised by the Financial Services Authority.

### **4 Client monies**

- 4.1 We may, from time to time, hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the firm's funds. The account will be operated, and all funds dealt with, in accordance with the Clients' Money Regulations of the Institute of Chartered Accountants in England and Wales.
- 4.2 In order to avoid an excessive amount of administration, interest will only be paid to you where the amount of interest that would be earned on the balances held on your behalf in any calendar year exceeds £25. We shall calculate any such interest using the prevailing rate applied by Barclays Bank Plc for small deposits subject to the minimum period of notice for withdrawals. Subject to any tax legislation, interest will be paid gross.
- 4.3 If the total sum of money held on your behalf exceeds £10,000 for a period of more than 30 days, or if we are likely to hold such a sum for more than 30 days, then we shall place the funds in a separate interest-bearing client bank account designated to you. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

### **5 Limitation of liability**

- 5.1 We will perform the engagement with reasonable skill and care. The total aggregate liability to the Company and the Board of Directors, as a body, of whatever nature, whether in contract, tort or otherwise, of Shirtcliffe and Co Limited for any losses whatsoever and howsoever caused arising from or in any way connected with this engagement shall not exceed £5,000.

### **6 Fees**

- 6.1 Our fees are computed on the basis of the time spent on your affairs, and on the levels of skill and responsibility involved. Unless otherwise agreed, our fees will be billed at appropriate intervals during the course of the year and will be due on presentation.
- 6.2 If it is necessary to carry out work outside the responsibilities outlined in this letter it will involve additional fees. Accordingly we would like to point out that it is in your interests to ensure that your records etc., are completed to the agreed stage.

- 6.3 Invoices are payable in full before the report is signed and the accounts are made available for filing.
- 6.4 It is our normal practice to request that clients make arrangements to pay a proportion of their fee on a monthly standing order. These standing orders will be applied to fees arising from work agreed in this letter of engagement for the current and ensuing years. Once we have been able to assess the amount of work and time involved we would be grateful if you would agree to pay an amount to us on a regular basis.
- 6.5 Our terms relating to payment of amounts invoiced and not covered by standing orders, where appropriate, are strictly 30 days net. We shall charge interest on all overdue debts at the rate applicable under the Late Payment of Commercial Debts (Interest) Act 1998.

## **7 Retention of and access to records**

- 7.1 During the course of our work we will collect information from you and others acting on your behalf, and will return any original documents to you following the preparation of your accounts, and returns.
- 7.2 Whilst certain documents may legally belong to you, we intend to destroy correspondence and other papers we store that are more than seven years old, other than documents that we consider to be of continuing significance. If you require retention of any document you must notify us of that fact in writing.

## **8 Quality of service**

We aim to provide you with a fully satisfactory service and Stephen Shirtcliffe, as engagement partner, will seek to ensure that this is so. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If we do not answer your complaint to your satisfaction you may of course take up the matter with the Institute of Chartered Accountants in England and Wales by whom we are regulated.

## **9 Applicable law**

- 9.1 This engagement letter shall be governed by, and construed in accordance with, English law. The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute, or difference concerning the engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.
- 9.2 Persons who are not party to this agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

## **10 Electronic communication**

- 10.1 Internet communications are capable of data corruption and therefore we do not accept any responsibility for changes made to such communications after their despatch. It may therefore be inappropriate to rely on advice contained in an email without obtaining written confirmation of it. We do not accept responsibility for any errors or problems that may arise through the use of internet communication and all risks connected with sending commercially sensitive information relating to your business are borne by you. If you do not agree to accept this risk, you should notify us in writing that e-mail is not an acceptable means of communication.

10.2 It is the responsibility of the recipient to carry out a virus check on any attachments received.

**11 Data Protection Act 1998**

11.1 We may obtain, use, process and disclose personal data about you in order that we may discharge the services agreed under this engagement letter, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance. You have a right of access, under data protection legislation, to the personal data that we hold about you. For the purposes of the Data Protection Act 1998, the Data Controller in relation to personal data supplied about you is Stephen Shirtcliffe.

**12 External review**

12.1 As part of our ongoing commitment to providing a quality service, our files are periodically subject to an independent quality review. Our reviewers are highly experienced and professional people and are bound by the same requirements of confidentiality as our principals and staff.

**13 Agreement of terms**

13.1 The terms set out in this letter shall take effect immediately upon your countersigning this letter and returning it to us, or upon the commencement of the accounts preparation or tax return, whichever is the earlier.

13.2 We will not be responsible for periods earlier than the date of our appointment.

13.3 Once it has been agreed, this letter will remain effective until it is replaced. We shall be grateful if you could confirm in writing your agreement to the terms of this letter, or let us know if they are not in accordance with your understanding.

Yours faithfully

**Stephen Shirtcliffe**  
**Shirtcliffe and Co Limited**

**6 March 2009**