

Dear Sir/Madam

1 ACCOUNTING SERVICES

Your responsibilities

- 1.1 You will be responsible for the reliability, accuracy and completeness of the accounting records.
- 1.2 You have undertaken to make available to us, as and when required, all your accounting records and related financial information, including any minutes of management meetings, necessary to carry out our work. You will provide us with all information and explanations relevant to the purpose and compilation of the financial information.

Scope of our work

- 1.3 You have asked us to assist you in the preparation of your unaudited financial statements to enable profits to be calculated to meet the requirements of Section 42 of the Finance Act 1998, as amended by the Finance Act 2002 and which provides sufficient and relevant information to enable the completion of your tax return. We will compile the financial information for your approval based on the accounting records maintained by you and the information and explanations you give us.
- 1.4 We shall plan our work on the basis that no report is required by statute or regulation, unless you inform us in writing to the contrary. In carrying out our engagement, we will make appropriate enquiries 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.
- 1.5 Our work will not be an audit of the financial information in accordance with Auditing Standards. Consequently, our work will not provide any assurance that the accounting records or the financial information are free from material misstatement, whether caused by fraud, other irregularities or error and cannot be relied on to identify weaknesses in internal controls.
- 1.6 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the entity, we are unable to provide any assurance as to whether the financial information that we prepare from those records presents a true and fair view.
- 1.7 We have a professional duty to compile financial information that conforms with the generally accepted accounting principles selected by management as being appropriate for the purpose for which the information is prepared. The accounting basis on which the information has been compiled, its purpose and limitations will be disclosed in an accounting policy note to the financial information and will be referred to in our accountants' report.
- 1.8 We also have a professional responsibility not to allow our name to be associated with financial information which we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial information may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial information. 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 information is misleading, we will withdraw from the engagement.

- 1.9 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.
- 1.10 You will approve and sign the financial information thereby acknowledging responsibility for it, including the appropriateness of the accounting basis on which it has been compiled, and for providing us with all information and explanations necessary for its compilation.

Form of our report

- 1.11 We shall report to you that in accordance with this engagement letter we have compiled, without carrying out an audit, the financial information from the accounting records of the entity and from the information and explanations supplied to us. The report should not be used for any purpose other than as set out in this engagement letter.

2 Taxation services

- 2.1 We shall prepare, in respect of each accounting period, a computation of profits adjusted in accordance with the Taxes Acts. Once they have been approved by you we shall complete the appropriate self assessment schedule.
- 2.2 We shall prepare on your behalf the necessary self assessment returns including a calculation of your tax liabilities from the information supplied by you. With your agreement we shall obtain some information direct from your bank, building societies etc.

We shall forward your return, together with copies of all supporting material we propose to submit to HM Revenue & Customs with your return to you for approval and signature. You are legally responsible for making a correct return in respect of your annual tax liability, and it is essential that we as your agent are supplied with all relevant information. At this stage we shall advise you as to your outstanding tax liabilities and the appropriate payment dates.

It is important to note that HM Revenue & Customs will charge interest on any tax paid late, and in some cases can increase any outstanding liability by imposing surcharges. Furthermore, to avoid automatic late filing penalties, which start at £100, the return must normally be submitted to the Inspector by 31 January following the tax year to which the return relates. This date may be extended if there is an HM Revenue & Customs delay in issuing the return to you. It is therefore essential that you respond on a timely basis to any requests for further information to enable us to complete your return and submit it to the Revenue on time.

It is your responsibility to ensure that your tax is paid on time and that your return is filed on time.

2.3 Enquiries

We shall respond to any enquiries from HM Revenue & Customs arising from your tax return. However, we shall consult you if it becomes clear that HM Revenue & Customs are opening an in-depth enquiry. They have the power to do this on a purely random basis.

2.4 Record keeping requirements

You will be responsible for retaining records in accordance with legislation.

Penalties of up to £3,000 may be imposed for non-compliance with these provisions.

2.5 **Other services**

We shall be pleased to give advice on the tax implications of specific matters which you may refer to us from time to time.

We shall assist in the preparation and submission of PAYE and VAT returns as requested. We would draw your attention to the strict rules and time limits for the submission of such returns and the substantial penalties that may arise if these are not observed. It is therefore essential that we receive full information from you promptly to enable us to ensure that the returns are made on a timely basis. We will send completed returns to you for approval and signature prior to submission on your behalf.

3 **Ethical and practice guidelines**

In accepting the terms of this letter you recognise that we shall comply with our Institute's ethical and practice guidelines to correct any HM Revenue & Customs errors.

4 **Investment advice**

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

5 **Client monies**

- 5.1 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
- 5.2 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 would 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.
- 5.3 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.

6 **Limitation of liability**

We shall perform the engagement with reasonable skill and care. The total aggregate liability to you, 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.

7 **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.

8 Fees

- 8.1 Our fees are computed on the basis of the time spent on your affairs by the partners and our staff 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.
- 8.2 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.
- 8.3 Invoices are payable in full before the report is signed and the accounts are made available.
- 8.4 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.
- 8.5 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.

9 Retention of and access to records

- 9.1 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.
- 9.2 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 are of continuing significance. If you require retention of any document you must notify us of that fact in writing.

10 Applicable law

- 10.1 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.
- 10.2 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.

11 Money laundering

- 11.1 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.

12 Electronic communication

- 12.1 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 e-mail 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.
- 12.2 It is the responsibility of the recipient to carry out a virus check on any attachments received.

13 Data Protection Act 1998

- 13.1 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.

14 External review

- 14.1 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.

15 Agreement of terms

- 15.1 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.
- 15.2 We shall not be responsible for periods earlier than the date of our appointment.
- 15.3 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