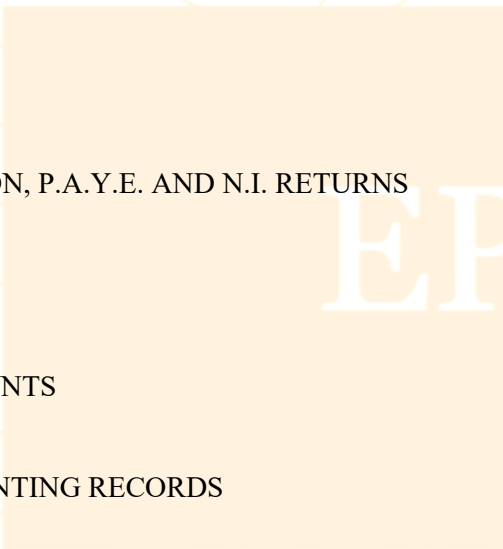


Client Appendix Contract Information:

LETTERS OF ENGAGEMENT FOR GENERAL CLIENTS – APPENDIX

NATURE OF SERVICES

- A. ANNUAL ACCOUNTS – SOLE TRADERS/PARTNERSHIPS
 - B. ANNUAL ACCOUNTS – LIMITED COMPANIES
 - C. PERSONAL TAX – INDIVIDUALS/SOLE TRADERS/PARTNERS
 - D. PARTNERSHIP TAX
 - E. CORPORATION TAX
 - F. PAYROLL PREPARATION, P.A.Y.E. AND N.I. RETURNS
 - G. VAT RETURNS
 - H. MANAGEMENT ACCOUNTS
 - I. MAINTAINING ACCOUNTING RECORDS
 - J. LIMITED ASSURANCE ENGAGEMENT
- 
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A. ANNUAL ACCOUNTS – SOLE TRADERS/PARTNERSHIPS

Your responsibility for the preparation of accounts

1. You have undertaken to make available to us, as and when required, all the accounting records and related financial information necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information. The accounts need to be approved by you before we are able to issue our report.
2. You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the business or for the accounts, is reliable. You are also responsible for ensuring that the activities of the business are conducted honestly and that its assets are safeguarded, and for establishing arrangements designed to deter fraudulent or other dishonest conduct and to detect any that occur.
3. You are responsible for ensuring that the business complies with the laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

Our responsibilities for the preparation of accounts

1. We will compile your annual accounts based on the accounting records [maintained by you] and the information and explanations given to us by you. We shall prepare draft annual accounts for your approval.
2. We will advise you as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which we consider necessary. We shall not be responsible if, as a result of you not taking our advice, you incur losses or penalties.
3. We will use reasonable skill and care in the preparation of your accounts but will not be responsible for errors arising from incorrect information supplied by you.
4. We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.
5. We have a professional duty to compile accounts which conform with generally accepted accounting principles. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

B. ANNUAL ACCOUNTS – LIMITED COMPANIES

Responsibilities of Directors

As director of the company, under the Companies Acts you are responsible for:

- ensuring that the company maintains proper accounting records and for preparing accounts
- determining whether for any reason the exemption is not available in respect of the period.

You will keep records of sales invoices, purchase invoices, receipts and payments, together with any other documents relating to the company's transactions and activities. It will also be necessary for you to provide a record of stock at the company's year end.

For financial years beginning on or after 06 April 2008, a private company is usually required to file its accounts at Companies House within 9 months of the year end. The company will be liable to a fine if it fails to do so. In order to avoid this we will produce statutory accounts, suitable for filing, within the required period, provided all your records are complete and presented to us within five months of the year end, and all subsequent queries are promptly and satisfactorily answered.

We have agreed to act as your agent and to:

- (a) submit the accounts to the Registrar of Companies;
- (b) complete and submit the company's annual return;
- (c) complete and submit any other forms required by law to be filed at Companies House, provided that you keep us fully informed of any relevant changes or events which are required to be notified to Companies House, within one week of the change or event; and
- (d) maintain the statutory books.

Or

You have agreed to complete all the returns required by law, for example, the annual return and the notification of changes in directors. We shall, of course, be pleased to advise you on these and any other company secretarial matters if requested.

Responsibility of the accountants

In relation to the accounts, we will prepare the company's accounts on the basis of the information that is provided to us. We will also draft the accounts in accordance with the provisions of the Companies Act, and related Accounting Standards for approval by the Board.

Should our work lead us to conclude that the company is not entitled to exemption from an audit of the accounts, or should we be unable to reach a conclusion on this matter, then we will advise you of this.

B. Continued:

You have instructed us to prepare your financial statements for the year(s) ended and subsequent years. It was agreed that we should carry out the following accounting and other services:

- (a) write up the accounting records of the company insofar as they are incomplete when presented to us;
- (b) complete the postings to the nominal ledger; and
- (c) prepare the accounts for approval by yourselves.

You have agreed that you or your staff will:

- (a) keep the records of receipts and balances;
- (b) reconcile the balances monthly with the bank statements;
- (c) post and balance the purchase and sales ledgers;
- (d) extract a detailed list of ledger balances; and
- (e) prepare details of the annual stocktaking, suitably priced and extended in a form which will enable us to verify the prices readily by reference to suppliers' invoices.

Or

- (f) provide us with a copy of the valuation produced by your independent stocktakers.

And

- (g) prepare details of work-in-progress at the accounting date and make available to us the documents and other information from which the statement is compiled.

You/your management are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts, unless prohibited from doing so by the Anti Money Laundering Legislation.

We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.

We have a professional duty to compile accounts which conform with generally accepted accounting principles. Furthermore, the accounts of a limited company are required to comply with the Companies Acts and applicable accounting standards. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

C. PERSONAL TAX – INDIVIDUALS AND SOLE TRADERS

[Your spouse is legally responsible for [his/her] own tax affairs and should be dealt with independently. However, if both spouses sign this letter you agree that we can disclose to your spouse such details of your financial affairs as are required to consider your combined tax position.]

- (a) We shall be pleased to act as your personal tax advisers in the UK with effect from
- (b) We will prepare your personal income tax and capital gains tax return together with all supporting schedules and [prepare]/[check HM Revenue & Customs' calculation of] your self-assessment of tax [and Class 4 National Insurance contributions].
- (c) We will forward to you your tax return form [tax computations] and supporting schedules [in duplicate] *[optional]* for your approval and signature. Once the return has been approved and signed by you and returned to us, we will submit it [with the computations] to the HM Revenue & Customs. [You authorise us to file the return electronically.]
- (d) We will advise you as to amounts of tax [and National Insurance contributions] to be paid and the dates by which you should make the payments, including payments on account and the balancing payment, and if appropriate we will initiate repayment claims when tax [and National Insurance contributions] appear[s] to have been overpaid.
- (e) We will deal with HM Revenue & Customs regarding any amendments required to your return and prepare any amended returns which may be required.
- (f) We will advise as to claims and elections arising from the tax return and from information supplied by you and, where instructed by you, we will make such claims and elections in the form and manner required by HM Revenue & Customs.
- (g) You have asked us to undertake all correspondence with HM Revenue & Customs on your behalf. To avoid any problems would you please send to us any forms or correspondence received from HM Revenue & Customs as soon as you receive them. In particular would you please ensure that no payments are made to HM Revenue & Customs without our confirmation that the demands are correct.
- (h) HM Revenue & Customs has powers to charge both interest and penalties if there is a delay in submitting a tax return. Such charges are automatic if the tax return is submitted after 31st January following the end of the tax year, or if any payments are made after the respective due dates.
- (i) It is therefore important that all details required for the preparation of your tax return are forwarded to us as soon as possible after 5th April each year and by 30th June at the latest. If the information is received after that date, we will not accept responsibility for any penalties or surcharges charged by HM Revenue & Customs.
- (j) HM Revenue & Customs audits a number of tax returns each year, many of these audits are the result of a random selection. Assistance in respect of such an audit beyond the answering of straightforward queries regarding entries on the tax return is additional work and will result in separate charges. We will keep you fully informed before undertaking any extra work in respect of such an audit.

- (k) We will provide our professional services outlined in this letter with reasonable care and skill. However, we will not be responsible for any losses, penalties, surcharges, interest or additional tax liabilities arising from the supply by you or others of incorrect or incomplete information, or your or others' failure to supply any appropriate information or your failure to act on our advice or respond promptly to communications from us or the tax authorities.
- (l) You agree that we can approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs.
- (m) [Please sign and return the enclosed HM Revenue & Customs form 64-8,*]/[We have submitted form 64-8 to HM Revenue & Customs,*][*delete as applicable*] which authorises HM Revenue & Customs to send us copies of formal notices. In practice, HM Revenue & Customs will treat this as authority to correspond with us, in which case they will not correspond with you except to the extent that they are formally required to do so. However, this authority does not apply to all HM Revenue & Customs correspondence, and even where it does, HM Revenue & Customs sometimes overlook it. You should therefore always send us the originals or copies of all communications you receive from HM Revenue & Customs.

Or

- (a) You have not asked us to become involved in your tax affairs with regard to income tax. Should you require it we can offer advice on the operation of all aspects of income tax.
- (b) We will be pleased to advise on any other taxation matters referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

D. PARTNERSHIP TAX

- (a) We will prepare the income tax and capital gains tax computations based on the partnership accounts from the accounting records and other information and explanations provided by you.
- (b) We will prepare the firm's annual partnership return, including the partnership statement of total income, gains, losses, tax credits and charges of the firm for each period of account ending in the return period.
- (c) We will forward to you the income tax and capital gains tax computations and the tax return and supporting schedules [in duplicate] *[optional]* for your approval and signature. Once the return has been approved and signed by you and returned to us, we will submit it, with the accounts and computations, to HM Revenue & Customs. [You authorise us to file the return electronically.]
- (d) We will advise all the partners who were partners of the firm during the period of their respective shares of the firm's total income, gains, losses, tax credits and charges in order that they are able to file their personal self-assessment tax returns within the relevant time period.
- (e) We will deal with HM Revenue & Customs regarding any amendments required should the partnership self-assessment tax return be challenged.
- (f) We will advise as to claims and elections arising from the tax return and from information supplied by you and, where instructed by you, we will make such claims and elections in the form and manner required by HM Revenue & Customs.
- (g) We will deal with all communications relating to the partnership return addressed to us by HM Revenue & Customs or passed to us by you. However, if HM Revenue & Customs choose the partnership tax return for enquiry, this work will be the subject of a separate assignment and we will seek further instructions from you. Assistance in respect of such an enquiry beyond the answering of straightforward queries regarding entries on the tax return is additional work and will result in separate charges. We will keep you fully informed before undertaking any extra work in respect of such an enquiry.
- (h) You have asked us to undertake all correspondence with HM Revenue & Customs on the partnership's behalf. To avoid any problems would you please send to us any forms or correspondence received from HM Revenue & Customs as soon as you receive them.

D. Continued:

- (i) HM Revenue & Customs have powers to charge both interest and penalties if there is a delay in submitting a tax return. Such charges are automatic if the tax return is submitted after 31st January following the end of the tax year. For partnership penalties, the amount due is multiplied by the number of partners. Delays in submitting the partnership return may also have an effect on the returns of all the partners, with the possibility of penalties, interest and surcharges being payable by each individual partner.
- (j) It is therefore important that all details required for the preparation of your tax return are forwarded to us as soon as possible after 5th April each year and by at the latest. If the information is received after that date, we will not accept responsibility for any penalties or surcharges charged by HM Revenue & Customs.
- (k) You agree that we can approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs and undertake to authorise such third parties to communicate directly with us.
- (l) [Please sign and return the enclosed HM Revenue & Customs form 64-8,*]/[We have submitted form 64-8 to HM Revenue & Customs,*] [*delete as applicable*] which authorises HM Revenue & Customs to send us copies of formal notices. In practice, HM Revenue & Customs will treat this as authority to correspond with us, in which case they will not correspond with the partnership except to the extent that they are formally required to do so. However, this authority does not apply to all HM Revenue & Customs correspondence, and even where it does, HM Revenue & Customs sometimes overlook it. You should therefore always send us the originals or copies of all communications you receive from HM Revenue & Customs.

Or

- (a) You have not asked us to become involved in your tax affairs with regard to income tax. Should you require it we can offer advice on the operation of all aspects of income tax.
- (b) We will be pleased to advise on any other taxation matters referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

E. CORPORATION TAX

We will 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 will also prepare the corporation tax return (form CT600) required under the Corporation Tax Self Assessment regulations. The corporation tax return, together with the supporting corporation tax computations, will be sent to you for approval and signature prior to submission to the Inspector of Taxes.

It should be recognised that in law a taxpayer cannot contract out of his fiscal responsibilities and that computations and return forms are prepared by us as agent for the company. You are legally responsible for making correct returns and for payment of tax on time. If we ask you for information to complete the tax return and it is not provided within the time-scale requested, so that the preparation and submission of the return are delayed, we accept no responsibility for any penalty or interest that may arise.

We will advise you of the corporation tax payments to which the company will be liable, together with the due date of payment. You must inform us immediately if the company pays or receives any interest or makes any other payment, or transfers any asset to any shareholder.

Where necessary we will deal with any queries raised by the Inspector of Taxes and negotiate with the Revenue on any question of taxation interest or penalties which may arise.

To enable us to carry out our work you agree:

- (a) to make a full disclosure to us of all sources of income, charges, allowances and capital transactions and to provide full information necessary for dealing with the company's affairs. We will rely on the information and documents being true, correct and complete;
- (b) to respond quickly and fully to our requests for information and to other communications from us;
- (c) to provide us with information in sufficient time for the company's self-assessment tax return to be completed and submitted by the due date. In order to do this, we need to receive all relevant information by [.....] each year; and
- (d) to forward to us on receipt copies of all statements of account, letters and other communications received from HM Revenue & Customs to enable us to deal with them as may be necessary within the statutory time limits.

You agree that we can approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs and undertake to authorise such third parties to communicate directly with us.

E. Continued

[Please sign and return the enclosed HM Revenue & Customs form 64-8,*]/[We have submitted form 64-8 to HM Revenue & Customs,*] which authorises HM Revenue & Customs to send us copies of formal notices. In practice, HM Revenue & Customs will treat this as authority to correspond with us, in which case they will not correspond with you except to the extent that they are formally required to do so. However, this authority does not apply to all HM Revenue & Customs correspondence, and even where it does, HM Revenue & Customs sometimes overlook it. You should therefore always send us the originals or copies of all communications you receive from HM Revenue & Customs.

Or

You have not asked us to become involved in your tax affairs with regard to corporation tax. However, we can offer advice on all aspects of corporation tax, should you so require.

We will be pleased to advise on any other taxation matters that may be referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

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F. PAYROLL PREPARATION, P.A.Y.E. AND N.I.

Payroll and year end returns

In order for us to prepare your payroll and year end returns we will require the following information from you:

- (a) Personal details of all employees (i.e. name, NI number, home address, and the data required by HMRC to file payroll returns online which is known as Real Time Information (RTI)).
- (b) All P45s, or equivalent, received by you.
- (c) If any casual labour is taken on, you are required to operate P46, or equivalent, procedures. Completed forms should be passed to us for processing.
- (d) Notification within two weeks of any employee who is ill for four or more calendar days, including weekends, bank holidays etc. This will enable us to operate statutory sick pay for you.
- (e) Notification of any employee who adopts, becomes pregnant or whose partner adopts or becomes pregnant. This will enable us to operate statutory adoption, maternity and paternity pay.
- (f) Details of any money or benefits made available to employees by you or by a third party through you.
- (g) Hours worked, rates of pay, bonuses, the amount of any pension deductions (Automatic Enrolment) etc.
- (h) Notification of employees engaged by you or leaving your employment.
- (i) Any notice of coding received by you.

In respect of the “Automatic Enrolment” of pensions you will need to seek the advice of a person who is regulated to provide pension’s advice. We will assist you in processing your payroll based on the pension deductions that you provide.

The end of period payroll returns must be received by HM Revenue & Customs on or before pay day otherwise significant penalties may be levied. There may also be interest payable if income tax and National Insurance contributions payments, due each month or quarter are late or less than indicated by the return. Only the information provided for the payroll will be reported to HMRC.

We will assist in the preparation and submission of PAYE returns as required by the authorities concerned. However, it should be understood that our appointment as your agent does not absolve the company or its directors from their statutory responsibilities. We would draw your attention to the strict rules and time limits for the submission of such returns and the substantial penalties which 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. Completed returns will be submitted in accordance with HMRC requirements unless you undertake to submit these yourself.

P9D/P11D benefits for directors*/officers* and employees*

You have asked us to prepare forms P9D/P11D for your approval. To ensure these forms are correctly prepared we will require details of all benefits, perks or reimbursed expenses received by the directors*/officers*/employees.*

There are penalties for the late submission of forms P9D/P11D. In order to avoid these, you must ensure that we receive complete and accurate details of all benefits and expenses for the tax year (*NB*: not accounts year) within 14 days of the end of the tax year.



F. Continued:

Subcontractors

We have agreed to operate the Construction Industry Scheme for the subcontractors you engage. In order for us to do this, we will require the following information from you on a timely basis:

- (a) written confirmation that you have checked or 'verified' each new subcontractor with HM Revenue & Customs; and
- (b) written confirmation stating whether HM Revenue & Customs has advised that the subcontractor should be paid net or gross.

We will advise on employment status to the best of our ability however we cannot give any form of guarantee or assurance that HM Revenue & Customs will not challenge the employment status of one or more of your subcontractors and we cannot be held responsible for any loss or consequential loss as a result of any action or penalty imposed by HM Revenue & Customs.

OR

It is your sole responsibility to establish the employment status of each and every one of your subcontractors. In respect of the employment status of subcontractors we cannot advise therefore we accept no liability in the event that HM Revenue & Customs challenges the employment status of one or more of your subcontractors.

Under the new rules, CIS registration will be lost if returns are made late or tax is paid late. HM Revenue & Customs no longer has discretion regarding whether or not to cancel registration. I/We cannot be held responsible or liable for financial loss or consequential financial loss if your CIS registration is cancelled for late submission where we have not received the necessary information on a timely basis or for any late payment occurring as a result.

As detailed above, we have agreed to operate your payroll/P9D/P11D/subcontractors'* system. We can also offer you advice in the following related areas:

- returns EAS/FPS/EPS/P60 and reconciliations;*
- casual labour P46;*
- subcontractors;*
- benefits for employees and directors.*

(* Delete as appropriate and consider which of the paragraphs are necessary)

Or

You have not asked us to become involved in your PAYE system. However, we can offer advice on the operation of all aspects of wages and PAYE, should you so require.

We will be pleased to advise on any other taxation matters referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

G. VAT RETURNS

You have asked us to undertake the completion of your VAT returns. We cannot be held responsible for any penalties or default surcharges arising from the late submission of VAT returns. However, we will endeavour to meet the relevant deadlines if we receive all the company's VAT records within 14 days of the end of the VAT return period. You have undertaken that you/your staff will ensure that:

- (a) all relevant VAT records are forwarded to us within 14 days of the end of the VAT return period;
- (b) valid VAT invoices are received for all payments where VAT is being reclaimed;
- (c) the VAT rating of supplies is correctly dealt with, i.e. between positive and zero rates and exempt supplies;
- (d) we are notified in writing of any positive-rated own consumption;
- (e) any input VAT on non-business expenditure is clearly marked on supporting invoices;
- (f) we are notified each quarter of any payments to or for the benefit of directors or staff for fuel used for private mileage, together with the business mileage for each such person, for each quarter;
- (g) all supplies made by the business are shown in the records made available to us.

Or

You/your staff will be responsible for completing and submitting VAT returns. We will not be responsible for checking the VAT treatment of supplies made, i.e. between positive and zero rates, and exempt supplies unless specifically requested in writing to make a detailed review. We will, however, ensure that the sales figure in your accounts is reconciled to your VAT returns submitted, provided you:

- (a) let us have copies of all returns submitted; or,
- (b) complete our VAT return form which we will forward to you on request.

Similarly, we will not specifically check the deductibility of input VAT and the validity of supporting invoices unless specifically requested in writing to carry out a detailed review.

Or

At the time of this letter you are not VAT registered. If registration becomes necessary, we will endeavour to ensure that you register in time provided that:

- (a) you notify us in writing within 14 days of the end of each month of the total value of supplies you have made in that month; and
- (b) you notify us immediately in writing if the value of taxable supplies that you will make in the next 30 days is likely to exceed the annual registration limit then in force.

It should be understood that our appointment as your agent does not absolve the company or its directors from their statutory responsibilities. We would draw your attention to the strict rules and time limits for the submission of such returns and the substantial penalties which 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. Completed returns will be sent to you for approval and signature prior to submission on the company's behalf

H. MANAGEMENT ACCOUNTS

We understand that you require us to prepare the monthly/quarterly* management accounts of your business/partnership* for the month/quarter* ended and subsequent months/quarters*.

This involves us in completing the writing up of your books and records, insofar as they are incomplete when presented to us, from the information and explanations supplied to us and preparing draft accounts therefrom for your approval.

We understand that you have agreed that your staff will be responsible for:-

- (a) maintaining records of all receipts and payments of cash;
- (b) reconciling cash book balances monthly/quarterly* with the bank statements;
- (c) posting and balancing the purchase and sales ledgers; and
- (d) extracting a detailed list of ledger balances.

You will also provide estimates of any stocks at the end of each period.

You understand that we will not be carrying out an audit and accordingly will not verify the assets and liabilities of the business, nor the items of expenditure and income. To carry out an audit would require additional work to comply with generally accepted auditing standards which we are not authorised to carry out.

We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts.

The accounts are prepared for your exclusive use within your business. They should not be shown to any other party without our prior consent. To ensure that anyone reading the accounts is aware that we have not carried out an audit, we will annex to the accounts a short report. This report must remain attached to any accounts shown to any other parties.

Or

Our involvement in the management accounts production process is constrained by the need to process and produce the accounts on your computer system, so preventing the operation of certain of our quality control procedures. The accounts are prepared for your exclusive use within your business and you undertake not to represent to any third party that the accounts have been prepared by us.

The accounts are not suitable for submission within the self-assessment tax return, or for summary thereon.

I. MAINTAINING ACCOUNTING RECORDS

It is agreed that we should carry out the following accounting and other services:

- (a) keep the records of receipts, payments and balances;
- (b) reconcile the balances monthly with the bank statements;
- (c) post and balance the purchase and sales ledgers;
- (d) extract a detailed list of ledger balances;
- (e) prepare details of the annual stocktaking and work in progress, suitably priced and extended in a form which will enable us to verify the prices readily by reference to suppliers' invoices;
- (f) complete the postings to the nominal ledger; and
- (g) prepare the accounts for approval by yourselves.

You have agreed that you or your staff will:

(detail items (a) to (g) above, as appropriate)

You/your management are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter.

