

Carpenter Keen LLP

Standard Terms of engagement – Limited Company

The purpose of this document is to set out the basis on which we will be carrying out work for you. It also explains areas that will be our responsibility and areas that will be your responsibility. The terms assume your agreement to our standard terms of business, available on our website.

As this document set out the terms of a legal contract between you and us it is important that you read it carefully. In addition, company law creates certain legal obligations on you as company directors which we can assist you to fulfil, but you cannot delegate. Some of these obligations, particularly where they relate to accounts, are highlighted in this document, but may be unfamiliar to you. Please do not hesitate to contact us if you would like further explanation of any of the terms.

We are bound by the ethical guidelines of the professional body we are regulated by. We accept the instruction to act for you on the basis we will act in accordance with those guidelines. Please refer to our terms of business for further information.

1 Your legal accounting responsibilities as directors

- 1.1 You are required, as directors, to prepare accounts that give a true and fair view and that are prepared in accordance with the Companies Act 2006. As directors, you must not approve the accounts unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.
- 1.2 In preparing the accounts, you are required by law to:
 - (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgements and estimates that are reasonable and prudent; and
 - (c) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 1.3 You are required to keep adequate accounting records that show with reasonable accuracy at any time the company's financial position. You are also responsible for ensuring that the accounts comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Companies Act 2006. This includes responsibility for selecting the most appropriate of the accounting standards available under the framework set out by FRS 100 *Application of Financial Reporting Requirements*, which we will discuss with you separately.
- 1.4 You are responsible for safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly and preventing and detecting fraud and other irregularities.
- 1.5 You are responsible for ensuring that the company complies with any laws and regulations that are applicable to its activities. You are responsible for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.6 You are responsible for determining each year whether the company meets the conditions for exemption from an audit set out in section 477 to 479A of the Companies Act 2006.
- 1.7 Audit exemption is only available if you, as directors, sign a declaration as required by section 475(3) of the Companies Act 2006 on the balance sheet. This declaration states that:

- (a) for the year in question, the company is eligible to take advantage of the audit exemptions.
- (b) the members have not required the company to obtain an audit of its accounts for the year in accordance with section 476 of the Companies Act 2006; and
- (c) you acknowledge your obligations for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

2 Accounts

Purpose

- 2.1 The purpose of this work is for us to prepare your year-end accounts, to assist you in meeting your obligations as company directors under the Companies Act 2006.

What we agree to do and be responsible for

- 2.2 You have told us that the company is exempt from an audit of the accounts. You have asked us to assist you in preparing accounts in accordance with the requirements of the Companies Act 2006. We have agreed to prepare the year-end accounts for your approval based on the accounting records you maintain. We will also rely on any information and explanations you give us.
- 2.3 We will insert the inline Extensible Business Reporting Language (iXBRL) “tags” in accordance with the minimum tagging requirements specified by HM Revenue & Customs. This allows the data to be read by a computer. In most cases, we will use professional software to undertake the “tagging” and it is therefore agreed that you authorise us to process all normal/standard data tags without reference to you. However, as it is your legal responsibility to provide the information in iXBRL format, we will refer to you on any non-standard or judgemental areas.
- 2.4 We will write to you on or around your year-end date to request the information and records we will need to prepare the accounts.
- 2.5 We have no responsibility to report whether any shareholder of the company has notified the company that they require an audit. Therefore, we have no responsibility to do any work in respect of this.
- 2.6 We will not check whether the company is exempt from audit. However, if our work indicates that the company is not entitled to an exemption from audit we will inform you. If this happens we will discuss with you the need to appoint auditors.
- 2.7 We have a professional duty to prepare accounts that conform to generally accepted accounting principles. As directors, you have a duty to prepare accounts that comply with the Companies Act 2006 and any accounting standards that apply. We will prepare the accounts so as to meet these requirements. The accounts we prepare for filing purposes will, unless you instruct us otherwise, be prepared on the basis of taking all available filing exemptions and so may not be identical to the accounts prepared for members.
- 2.8 We will not specifically check the adequacy of your accounting records. However, if any issues arise during the course of our work then we will recommend improvements.
- 2.9 We shall plan our work on the basis that no report is required on the accounts from us by statute or regulation, unless you inform us in writing to the contrary. In carrying out our work we will make enquiries of you and undertake any procedures we judge appropriate, but we are under no obligation

to perform procedures such as would be required for an audit or other type of assurance engagement.

- 2.10 Our work will not be an audit of the accounts in accordance with International Standards on Auditing (UK). This means that our work will not provide any assurance that the accounting records or the accounts are free from material misstatement, whether caused by fraud or other irregularities or error. It also means that we are unable to provide any assurance as to whether the accounts present a true and fair view.
- 2.11 As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us verbally during the course of our work.
- 2.12 We will provide a report with the accounts addressed to the Board of Directors. This will show that we have not carried out an audit but have compiled the accounts from the accounting records and from information and explanations supplied to us.

What you agree to do and be responsible for

- 2.13 Unless we have also agreed to carry out a bookkeeping service you will carry out all the day-to-day accounting work. This will include:
- (a) keeping the record of receipts and payments;
 - (b) reconciling your records with the bank statement;
 - (c) maintaining records of debtors and creditors;
 - (d) carrying out or arranging for a valuation of the year-end stock levels; and
 - (e) preparing details of any year-end work-in-progress.
- 2.14 You agree to make your accounting records and related financial information available to us in line with the request we will make on or around your year-end date. You recognise that a failure to do so could have an impact on the price or the speed of our work.
- 2.15 Even if we have not directly requested it, you agree to disclose to us in full any information that is relevant to the accounts and may have a bearing on the financial position of the company. You also agree to make available to us minutes of management, directors and shareholders meetings.
- 2.16 You will approve and sign the accounts thereby acknowledging responsibility for them.
- 2.17 Company accounts need to be completed and filed with Companies House within certain deadlines set out in the Companies Act 2006. Failure to submit on time will result in penalties. We will therefore plan our work so as to ensure sufficient time is allowed to meet the submission deadlines. However, if you fail to provide your accounting records in line with our request as noted above or do not promptly answer any queries that we raise, you understand that we will not be responsible for any late filing penalties charged for a late submission.
- 2.18 We have a professional responsibility to not allow our name to be associated with accounts that we believe may be misleading. We are not required to search for such matters, but if we become aware that information in the accounts may be misleading we will discuss this with you so that appropriate adjustments or disclosures can be made. Where the adjustments or disclosures we consider appropriate are not made and we consider that the accounts remain misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our

time spent preparing and discussing the accounts with you as well as time spent on any other work that is not completed as part of our resignation.

- 2.19 To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than you for our work or for the report. If you wish, or are asked, to provide a copy of the accounts to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions which you must comply with. In every situation where we do grant consent you agree to ensure that the report remains attached to the accounts shown to the third party.
- 2.20 If financial information is published, which includes a report by us or is otherwise connected to us, on the company's website or by other electronic means, you must:
- (a) inform us of the electronic publication and get our consent before it occurs; and
 - (b) ensure that it presents the financial information and our report properly.
- 2.21 We have the right to withhold consent to the electronic publication of our report or the accounts if they are to be published in an inappropriate manner.
- 2.22 You must set up controls to prevent or quickly detect any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of published information, and we accept no responsibility for changes made to any information after it is first posted.

3 Company tax

Purpose

- 3.1 The purpose of the work is to assist you in your legal obligation to file an annual company tax return with HM Revenue & Customs. This includes calculating and advising you of your tax payments or refunds.

What we agree to do and be responsible for

- 3.2 Profit from accounts prepared under generally accepted accounting principles may require adjustment to arrive at the profit figure assessed for tax. Where necessary we will prepare the computations for this adjustment from any accounts work we have done, or accounting records we are holding, as well as information and explanations provided by you.
- 3.3 We will prepare the company tax return together with any supplementary pages that are required from the information and explanations you provide to us.
- 3.4 It is mandatory for the company tax return to be delivered electronically to HM Revenue & Customs using the Inline Extensible Business Reporting Language (iXBRL) format, a type of computer language. After obtaining the written approval and signature of an appropriately authorised person we will file the return, computation and accounts online in the iXBRL format.
- 3.5 We will calculate any tax the company tax return shows the company to have. We will tell you how much to pay and when. We will advise on the interest and penalty implications if any payments are made late. Where we become aware that tax has been overpaid we will initiate a repayment claim.

- 3.6 We will inform you if instalment payments of tax are due for an accounting period and the dates they are payable. We will calculate the quarterly instalment amounts based on the information supplied by you and advise you of these amounts.
- 3.7 We will advise when additional tax is due on loans by the company to directors, shareholders or their associates, and calculate the payments due or the amount repayable when the loans are repaid.
- 3.8 We will advise you as to possible claims and elections arising from information supplied by you. Where you instruct us to, we will make such claims and elections in the form and manner required by HM Revenue & Customs.
- 3.9 We will also provide such other taxation ad hoc advisory services as may be agreed from time to time. These may be the subject of a separate engagement letter. We will discuss and agree our fee for such work when it is commissioned by you. Examples of ad hoc work would include:
- Dealing with any enquiry opened into the company's tax return by HM Revenue & Customs.
 - Preparing any amended returns that may be required and corresponding with HM Revenue & Customs as necessary.
- 3.10 Since 17 July 2013 a General Anti-Abuse Rule has been in operation in the UK. This rule enables HM Revenue & Customs to further tackle abusive tax planning schemes. Due to the low probability of eventual success of such schemes and the high ethical standards of this firm, it is our policy not to advise on tax schemes that we consider to be artificial or aggressive in nature. Please let us know if you would like to discuss this matter further or if you feel that you are disadvantaged in any way by the firm's policy on tax avoidance.
- 3.11 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

Payments under deduction of tax

- 3.12 If applicable, we will complete, using information provided by you, return form CT61 regarding payments made to and by the company under deduction of tax. We will send the CT61 form to you for approval, signature and submission by you to HM Revenue & Customs. We will advise you of the amounts of tax that are due, and the due date for payment and submission of the form. You must inform us immediately if the company pays or receives any interest or similar amounts under deduction of tax.

Personal service companies (IR35)

- 3.13 We will advise, based on information supplied by you, on a contract by contract basis whether the company is subject to the personal services legislation. You authorise us to seek an opinion from HM Revenue & Customs where we consider it appropriate.
- 3.14 Where we consider that contracts are within the personal services legislation we will calculate the deemed salary, prepare the computations using the prescribed method, prepare and submit the necessary payroll reports for any "deemed payments" and advise you how much tax and national insurance to pay and by when. We will also advise whether to pay any actual salary before the year-end and if so how much.

Managed service companies

- 3.15 We will advise on whether the company is subject to the managed service legislation. You authorise us to seek an opinion from HM Revenue & Customs where we consider it appropriate. If we deem

the legislation to apply we will prepare the computations using the prescribed method, prepare and submit the necessary payroll documentation and advise you how much tax and national insurance to pay and by when.

- 3.16 As a firm of accountants, we are not a managed service company provider and are not involved with the company under the terms of the legislation. We will not be made responsible for any unrecovered PAYE debt from the company.

Groups and consortia

- 3.17 In relation to groups and consortia of which your company is a member, and in respect of which you have instructed us to act; we will provide the following additional services:

- (a) We will advise on the tax treatment of intra-group payments of dividends, charges and interest.
- (b) We will advise on the eligibility of companies to make elections in relation to such payments.
- (c) We will prepare and submit to HM Revenue & Customs elections relating to intra-group payments of dividends, charges and interest.
- (d) We will deal with all communications relating to elections addressed to us from HM Revenue & Customs.
- (e) Where instructed, in respect of claims for group and consortium relief:
 - We will advise as required on claims for group and consortium relief and the interaction with other reliefs.
 - We will prepare and submit to HM Revenue & Customs appropriate claims.
 - We will adjust the computations and returns to reflect the surrender and receipt of group and consortium reliefs.
 - We will advise on arrangements for payment of tax and the surrender and set-off of tax refunds within the group.

What you agree to do and be responsible for

- 3.18 You as directors, on behalf of the company, are legally responsible for:
- (a) ensuring that the company tax return is correct and complete;
 - (b) ensuring that the information in the return is provided in Extensible Mark-Up (XML) format;
 - (c) filing any returns by the due date; and
 - (d) making payment of tax on time. Failure to do this may lead to automatic penalties and interest.
- 3.19 The signatory to the return cannot delegate this legal responsibility to others. The signatory agrees to check that returns we have prepared for the company are complete before they approve and sign them.
- 3.20 As noted earlier in this letter, it is mandatory for the company tax return to be delivered electronically using the Inline Extensible Business Reporting Language (iXBRL) format, a type of computer language. It is your responsibility to ensure that the accounts have been accurately tagged.

3.21 To enable us to carry out our work you agree:

- (a) that all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
- (b) 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 and will not audit the information or those documents;
- (c) to authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs;
- (d) to provide us with information in sufficient time for the company tax return to be completed and submitted by its due date. In order that we can do this, we need to receive all relevant information by [insert date]. If for any reason we do not receive all relevant information by this date we may, at our discretion and depending on our work capacity, still endeavour to complete your tax return so that it can be submitted on time. We reserve the right to make an additional charge for such rush work and will advise you of the amount prior to carrying out the work.
- (e) to provide information on matters affecting the company's tax liability for the accounting period in respect of which instalments are due at least four weeks before the due date of each instalment. This information should include details of trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
- (f) to provide us with information on advances or loans made to directors, shareholders or their associates during an accounting period and any actual or planned repayments or write offs after the accounting period.

3.22 You will keep us informed of changes in the company's circumstances that could affect its tax liability. If you are unsure whether a change would affect your tax position, then we will be happy to advise you.

3.23 You agree to forward to us any communications you receive from HM Revenue & Customs in time for us to deal with them as necessary within any time limits. Although HM Revenue & Customs have the authority to deal with us directly, it is still possible for them to contact you without us being aware.

4 Company secretarial

Purpose

4.1 The purpose of the work is to assist you to fulfil your company secretarial responsibilities under company law.

What we agree to do and be responsible for

4.3 If agreed with you, we will deal with the following company secretarial matters:

- (a) submit the accounts to the Registrar of Companies.
- (b) complete and submit the company's annual confirmation statement.
- (c) complete and submit any other forms required by law to be filed at Companies House on the basis of information provided by you.

- (d) maintain the statutory books.
- (e) maintain the register of People with Significant Control (PSC) and relevant filings.

4.4 A private company is 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 meet this deadline. We accept no responsibility for fines or regulatory action taken against the directors where the statutory accounts are not available for filing.

What you agree to do and be responsible for

4.5 You agree to keep us fully informed of any relevant changes or events that require notification to Companies House, within one week of the change or event.

4.6 Except where we agree to submit returns or maintain registers on your behalf (see 4.3), you will remain responsible for maintaining registers and completing all the returns required by law.

5 Work that is not part of this engagement

5.1 The work carried out within these standard terms relates only to the company's affairs. Any work we are instructed to carry out for the directors on a personal basis will be agreed separately.

5.2 There are many areas of accountancy and tax that may apply to the company. However, for the sake of clarity, unless it is agreed separately:

- (a) we will not become involved in the company's PAYE system or complete any PAYE year end returns.
- (b) we will not become involved in operating the Construction Industry Scheme for any subcontractors the company may engage.
- (c) we will not become involved in the company's VAT affairs.
- (d) we will not become involved with auto enrolment. You are therefore responsible for finding a pension provider, identifying eligible employees and administering auto enrolment.

5.3 We are able to offer advice and assistance in all these areas so if you would like any help then please do not hesitate to contact us.

5.4 We are also able to offer assistance in many other areas and would be glad to discuss any matters with you. These other services include:

- (a) reports in support of returns or claims, e.g. insurance company certificates, government claims;
- (b) advice on financial matters;
- (c) management accounting, including cash flow statements, costing systems and advice to management;
- (d) advice on the selection and implementation of computer systems;
- (e) investigations for special purposes, e.g. business performance analysis or business acquisitions; and

(f) advice on the selection and recruitment of staff.

6 Other matters

Changes in the law

- 6.1 We will not accept responsibility if you act on advice previously given by us without first confirming with us that the advice is still valid in light of any change in the law or the company's circumstances.
- 6.2 We will accept no liability for losses arising from changes in the law or the interpretation thereof that occur after the date on which the advice is given.