

This document sets out the standard terms under which we will act as your accountants and taxation advisers. It also seeks to clarify our respective areas of responsibility.

We shall provide the following services, as your agents, on the understanding that you will make full disclosure of all necessary information to us, and the relevant authorities.

1. Accountancy

1.1 Your responsibilities

- You are responsible, as directors, for maintaining proper accounting records and for preparing accounts which give a true and fair view, and which have been properly prepared in accordance with the Companies Act 1985.
- You are also responsible for determining whether the company meets the conditions for exemption from an audit of the accounts set out in Sections 249A and 249B of the Companies Act.
- We shall assume that no statutory report is required, unless you inform us in writing that the company requires an audit of the accounts.
- Should you advise us that you require an audit of the company's financial statements then we are able to assist you with the appointment of registered auditors.

1.2 Preparation and signing of accounts

- You would like us to prepare accounts in the required Companies Act format for your consideration and approval.
- You are required by the Companies Act 1985 to sign the accounts and also to state:
 - (i) that the company is entitled to exemption from audit
 - (ii) that no notice from the required number of members has been deposited
- You are responsible under the Companies Act for keeping accounting records and preparing accounts which give a true and fair view and comply with the provisions to the Companies Act applicable to your company.
- We do not usually attach an accountants report to the accounts, but a report stating that 'we have prepared the accounts without carrying out an audit, from the accounting records and information and explanations supplied to us' can be provided upon request.
- We have a professional responsibility not to allow our name to be associated with accounts which may be misleading. Therefore, although we are not required to search for such matters, should we become aware that the accounts may be misleading, we would have to take action. If the matter cannot be resolved by agreement we may withdraw from the engagement and notify you in writing of the reasons. We shall inform you should our work indicate the company is not entitled to exemption from an audit under the Companies Act. In these circumstances discuss with you what the requirements will mean.

1.3 Other accountancy work

- You have agreed that you/your staff will be responsible for:
 - keeping the records of receipts and payments.
- We have agreed to:
 - prepare returns relating to employee taxes under PAYE
 - prepare returns of employee expenses and benefits on forms P11D
 - process quarterly VAT figures and provide you with the figures necessary to file the return with HMRC
 - reconcile the bank balances with the bank statements at the accounting year-end.
 - complete the postings to the nominal ledger
 - prepare draft accounts for your approval
 - provide the accounts in their final form, and supply the required number of copies.
 - file accounts at Companies House on your behalf.

2. Taxation

2.1 Corporation tax

- We shall be responsible, as your agents, for the tax affairs of the company as specified herein.
- The company is legally responsible for the accuracy of all information and returns submitted to HM Revenue & Customs, and ensuring all returns are submitted within statutory time limits.
- We shall prepare, for each accounting period specified in our engagement letter with you, a computation of the profits adjusted in accordance with tax law for the purposes of completing the corporation tax return form, CT600.
- Subject to your approval and signature, we shall submit the computation and the return form to HM Revenue & Customs.
- You have agreed that all forms and correspondence which you receive direct from HM Revenue & Customs in relation to the company's tax affairs will be sent to us immediately. In order that we may receive copies of all such forms directly from the HM Revenue & Customs you will have agreed to sign a standard authority form (64-8) and return it to us.
- You have also agreed that payments of tax should only be made following our advice. HM Revenue & Customs will normally deal directly with us once they have been notified that we are acting as your agent. However you may receive certain items directly. All items that you do receive from HM Revenue & Customs must be forwarded to us as soon as possible.
- When requested, we shall gladly advise you on general matters relating to the company's corporation tax liability.
- We shall carry out all taxation work in accordance with our current understanding of the law and in accordance with best practice.

- Our normal practice is to retain tax records for seven years unless we receive instructions to the contrary from you.

2.2 VAT Return

- We will process the company's quarterly figures from the records of your company and provide you with, normally by email, the details required for entry on your company's VAT return. If you agree with the details you should complete the VAT return and submit it to H M Revenue & Customs together with the required payment.
- You are legally responsible for making a correct VAT return, and for payment of VAT on time. We can accept no responsibility for any default surcharge that may arise if the books and records are not available to us by the 15th day of the month after the return period ends or the books and records appear to be incomplete or unclear.
- Further, as the returns are prepared solely on the basis of information provided by you, we can accept no responsibility for any VAT liabilities arising due to inaccuracies or omissions in your accounting procedures which may lead to a mis-declaration whether or not it is one on which penalties and interest may arise.

2.3 Payroll

- We will maintain your payroll records and supply you with details of salary, PAYE and NI payments for the year. We will complete your year end return P35 with forms P14 and P60 and supply you with the completed P35 for signature and submission to HM Revenue & Customs.
- The end of year payroll returns must be received by HM Revenue & Customs by 19 May following the end of the tax year otherwise penalties will be levied.

2.4 Forms P11D (expenses and benefits)

- We will complete form P11D(b) and forms P11D for the director/s and higher paid employees approval before submission to HM Revenue & Customs.
- Forms P11D(b) must be received by HM Revenue & Customs by 6 July following the end of the tax year otherwise penalties will be levied.

2.5 Personal service companies (IR35)

- It is your responsibility to decide on whether the company is subject to the personal services legislation on a contract by contract basis. We are happy to advise you on the all aspects of the

legislation in order to assist in your decision. If there are contracts that you consider are within the personal service legislation we will calculate the deemed salary and advise you how much tax and national insurance to pay and by when.

2.6 Personal tax returns for the directors

- As a director you are legally responsible for making a correct personal tax return in respect of your annual tax liability, and for ensuring that that tax liability is paid on time.
- Should you decide to appoint us it is essential that we, as your agent are supplied with all relevant information.
- By signing the form 64-8 you are authorising HM Revenue and Customs to send us copies of formal notices in relation to your personal tax affairs. In practice HM Revenue and Customs will treat this as authority to correspond with us, in which case they will not correspond with you except to the extent they are formally required to do so. Notwithstanding this authority, please advise us promptly of all communications which you receive from the tax authorities.
- We shall prepare your personal tax return together with all supporting schedules. You will be responsible for providing all the information which we require for this purpose and all relevant data should be made available to us by 30 August following the tax year end to which the return relates.
- We shall forward your tax return form and supporting schedules for your approval and signature. Once the return has been approved and signed by you, we shall submit it to HMRC electronically.
- We shall respond where necessary to any correspondence sent to us by you or by the HMRC.
- We shall also make recommendations to you as to suitable payments on account and the dates for payment. If we ask you for information to complete the tax return and it is not provided within the timescale requested, so that the preparation and submission of the return are delayed, we accept no responsibility for any penalty or interest that may arise. Under the self assessment regime there are a number of key dates by which returns and payments must be made. Failure to meet these deadlines will result in automatic penalties and interest. You are responsible for ensuring that information is provided and payments are made on time.
- We shall check PAYE notices of coding where such notices are forwarded to us by you or the Inland Revenue.

2.7 General tax advice

- We shall be happy to deal with the Inland Revenue on any tax enquiries in respect of your company or personal tax affairs, having discussed such matters with you and agreed a separate fee as appropriate. If requested and subject to agreeing an appropriate fee where necessary we shall also be pleased to advise on the implications of particular business or personal transactions and on other tax matters which you refer to us, such as Employee taxes and benefits, Value Added Tax and customs duties, Capital Gains Tax and Inheritance Tax.
- We would, however, warn you that because tax rules change frequently you should ask us to review any advice already given if a transaction is delayed, or is to be repeated, or if an apparently similar transaction is to be undertaken.

3. Statutory records and company secretarial assistance.

- You remain responsible for company secretarial matters and maintaining the statutory books of the company.
- We will assist you in filing the annual accounts at Companies House and with your company's annual return as part of our ongoing service to you.
- Where requested, and subject to agreement of a separate fee where appropriate, we would be happy to provide advice and assistance in connection with other company secretarial matters including proper procedure, wording of minutes and filing requirements.

4. Fee protection Service

If you have chosen to subscribe for our fee protection service then the terms and conditions of this will be sent to you under separate cover.

- Our Tax Investigations Service is fully backed by an Insurance Policy and will reimburse the professional fees you will incur if you are investigated by HM Revenue & Customs.
- If you have not subscribed for this service and would like more information then please ask your client manager for details.

5. Other services

- Through associations with other companies Clarkson Cleaver and Bowes Ltd can assist you to find Independent Financial Advice, Professional Indemnity cover and other business insurances. Please ask your Client Manager if you would like more information about any of these matters.

6. Commissions

- In some circumstances commissions or other benefits may become payable to us or one of our associates in respect of introductions to other professionals or on transactions we or other professionals arrange for you. Where such commission payments are modest in value the fees that would otherwise be payable by you will not be abated by such amounts. You consent to such commission being retained by us.

Where a commission is received by us we will notify you in writing of the amount received and the terms of payment.'

7. Retention of records

- We will endeavour to return all original documents to you once we have finished using them. Whilst certain documents may legally belong to you, unless you tell us not to we intend to destroy correspondence and other papers that we store that are more than seven years old.

8. Proceeds of Crime Act and Money Laundering Regulations 2003

- In common with all accountancy and legal practices the firm is required by the Proceeds of Crime Act 2003 and the Money Laundering Regulations 2003 to:
 - maintain identification procedures for all clients;
 - maintain records of identification evidence;
 - report in accordance with the relevant legislation and regulations

9. Contracts (rights of Third Parties) Act 1999

- A person who is not a party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any 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.
- The advice we give you is for your sole use and does not constitute advice to any third party to whom you may communicate it. We accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

10. Limitation of liability

- 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 by the failure of you or others to supply appropriate information, act on our advice or to respond promptly to communications from us or the tax authorities.
- You agree to hold harmless and indemnify us, our directors and staff against any misrepresentation, intentional or unintentional, supplied to us either orally or in writing in connection with this agreement. You have agreed that you will not bring any claim in

connection with services provided to you by the firm against any of our employees on a personal basis.

11. Applicable Law

- 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 any 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.

12. Comments on our service

- If at any time you would like to discuss how our service to you could be improved or you have any other concerns, please let us know by contacting one of our directors. We undertake to consider carefully any comments and do all we can to resolve any problems. If we are unable to satisfy you, you have the right to contact the Institute of Chartered Accountants in England and Wales or the Institute of Financial Accountants.

13. Fees

- Our fees are fixed and are based on the time spent on your affairs by Directors and staff, and on the levels of skill and responsibility involved.
- Our fees for the first year will be confirmed to you in writing. Fees for services outlined in this letter are subject to change by agreement with yourself.
- For any additional assignments you may ask us to undertake we aim to agree all fees in advance of commencing work and additional assignments may be the subject of a separate engagement letter. Unless agreed otherwise, we will collect our fees by direct debit at quarterly intervals or at other times as shall be mutually agreed.

14. Agreement of terms

- You will be asked to acknowledge your agreement to these standard terms, as amended for your specific circumstances, in a formal 'Letter of Engagement', which will be sent to you by post.