

Client Terms of Engagement

This document together with the 'Client Engagement Schedule' completed and signed by you (the Schedule), sets out our terms of engagement and the scope of the work to be performed by us within that engagement, and supersedes any previous engagement terms provided by us. It applies to the entities and individuals (the 'Group') as set out in the Schedule provided to us by you. Please read it carefully and if you have any queries or wish to discuss any aspect do not hesitate to contact us.

Since 1 March 2010, a new regime for the regulation of tax agents has applied under the *Tax Agent Services Act 2009* (TASA) and accompanying regulations. The new regime has implications for registered tax agents and also for their clients.

An important feature of TASA is the provision of a "safe harbour" protection from penalties in certain circumstances for taxpayers who engage registered tax agents.

To obtain the benefits of "safe harbour" protection, the legislation requires the taxpayer to provide the registered tax agent with "all relevant taxation information" to enable accurate statements to be provided to the Australian Taxation Office (ATO). This requirement may be important to both parties in identifying and understanding the purpose and scope of the engagement as set out below and may also affect other matters discussed below.

You will find further discussion on the "safe harbour" protections in the document entitled *Clients' rights and obligations under the taxation laws*, also available on our website (www.bbv.com.au).

Purpose and scope of engagement

Our engagement is to attend to the services listed in the Schedule.

Unless otherwise agreed, you acknowledge we will continue to attend to the services listed in the Schedule on an ongoing basis for the Group under the Client Terms of Engagement, for each financial year following the financial year to which the Schedule relates.

Each member of the Group engages us on the terms set out in this document and the Schedule and is bound by those terms. The Group members listed are all jointly and severally liable to pay our accounts, regardless of which Group members those accounts are addressed to and regardless of which Group member received the benefit of the work performed.

If we are asked to act for a new or additional member of the Group, we may forward to you an updated Schedule, which each existing Group member agrees will apply in place of any previous Schedule. We will also require the new Group member to sign the Schedule, acknowledging these terms of engagement.

The engagement will be conducted in accordance with the relevant professional and ethical standards issued by the Accounting Professional & Ethical Standards Board Limited (APESB).

The extent of our procedures and services will be limited exclusively for these purposes only. As a result, no audit or review will be performed and, accordingly, no assurance will be expressed. Our engagement cannot be relied upon to disclose irregularities including fraud, other illegal acts or errors that may exist.

The reports and documents prepared by us under the terms of this engagement will be prepared for distribution to you and the parties indicated for the agreed purpose. There is no assumption of responsibility for any reliance on our report by any person or entity other than you

and those parties indicated in the reports. The reports shall not be inferred or used for any purpose other than for which it was specifically prepared. Accordingly, our report may include a disclaimer to this effect.

Unless otherwise agreed, our engagement will be limited to the matters and services described in this document and the Schedule.

Basis of engagement

This engagement will relate to the entities and the period outlined in the Schedule and future periods. Unless specifically agreed to in writing this engagement does not deal with earlier periods.

1 Accounting & record keeping

You, as our client, are responsible for the reliability, accuracy and completeness of the accounting records, particulars and information provided and disclosure of all material and relevant information. Clients are required to arrange for reasonable access by us to relevant individuals and documents, and shall be responsible for both the completeness and accuracy of the information supplied to us.

In undertaking this engagement, it is understood that you will generally ensure where applicable that:

- The bookkeeping for all Group entities is maintained on a regular basis;
- Reconciliations for the bank accounts, credit cards, loans, debtors, creditors, and asset registers are performed at the end of each month for each of the Group entities;
- A stock take will be performed during the last weekend in June for each entity that deals in trading stock;
- All transactions between the Group Entities, are recorded and reconciled.

2 Taxation services

In engaging us to provide taxation services, it is important for you to understand that:

- You are responsible for the accuracy and completeness of the particulars and information provided to us by you;
- Any advice we provide is only an opinion based on our knowledge of your particular circumstances;
- A taxpayer is responsible under self assessment to keep full and proper records in order to facilitate the preparation of a correct return. Whilst the Commissioner of Taxation will accept at face value claims made by a taxpayer in an income tax return and issue a notice of assessment accordingly, the return may be subject to later review. Accordingly, you should check the return before it is signed to ensure the information in the return is accurate.
- We cannot provide taxation services if we find that information on which those services are to be based contain false or misleading information, or omit material information, and you are not prepared to amend or supply that information.

3 No statutory financial audits are conducted

You and your employees are responsible for the maintenance of the accounting systems and internal controls for all the Group entities. That includes the keeping and maintenance of all required books of account.

This engagement cannot be relied upon to disclose irregularities, including fraud, and other illegal acts or errors that may occur with regard to such matters.

Our firm is not being engaged to conduct a statutory audit of the financial records of any of the Group entities and we will not express an auditor's opinion as to the truth and fairness of the financial statements.

4 Documentation

Before we lodge any returns on your behalf, we will forward the documents to you for approval. We will endeavour to ensure that the returns are lodged by the due dates and will advise you at the beginning of the financial year when documentation should be provided to us. If you are late in providing information, we will do our best to meet the time limits, but we will not be responsible for any late lodgement penalties or interest charges you may incur.

5 Ownership of documents

The financial statements, tax returns and any other documents which we are specifically engaged to prepare, together with any original documents given to us by you, shall be your property. However, we reserve the right to make a reasonable number of copies of the original documents for our records. Any other documents brought into existence by us, including general working papers, the general ledger and draft documents will remain our property at all times.

If our services are terminated (by either party), each member of the Group separately agrees that we shall be entitled to retain all documents owned by that Group member (including all tax refund cheques or monies of that member which come into our possession) until payment in full of all outstanding fees owed by any members of the Group on any account. Where copies of any documents released to you are required for our records, you will be charged for the cost of photocopying at our normal rates.

6 Additional services

By providing us with written instructions to perform services additional to those listed in the Schedule, you accept that the terms of this engagement will apply to those additional services.

7 Fees and charges

Unless otherwise expressly stated by us, our services will be provided to you on a fee for service basis, based on hourly rates as set out in the document entitled *Professional Fees & Billing*, a copy of which is available upon request. Some standard services incur a fixed charge and this will be advised to you at the time of you requesting or us providing, such services.

Disbursements properly incurred on your behalf from external suppliers (ie SMSF auditor, couriers, ASIC fees, other Government fees etc.) will be charged to you at cost plus GST.

We anticipate issuing a Fee invoice upon completion of providing the agreed services, however where an engagement extends past the end of a calendar month, we reserve the right to issue a progress invoice to you for any work done during that month and prior to the completion of the engagement.

Unless otherwise stated in writing, any estimates which we provide to you of our anticipated fees, disbursements and charges for any work are only indicative of the amounts you can expect to be charged. Estimates are not quotes or caps and are not binding on us.

Where an estimate is given and the scope of the work changes, or if it becomes apparent that the work involves matters which were not taken into account in the estimate, we will endeavour to advise you and provide an amended estimate as soon as it is practicable to do so.

Each client in the Group is jointly and severally liable to pay our fees in respect of all work performed for all members of the Group.

Upon signing of the Schedule, each client in the Group agrees that we can bank into our trust account tax refund amounts received on behalf of that client and can deduct from those amounts any fees owed to us either by that client or by any other member of the Group.

We may require you to deposit money into our trust account in anticipation of our fees and charges. If you fail to make a required trust deposit, we may suspend work or terminate this engagement. Each client in the Group authorises us to apply trust moneys held on their behalf (including any taxation refunds) towards payment of fees and disbursements, and to meet our invoices which have been rendered and which have not been paid or disputed within 14 days after issue of the bill of costs.

If we suspend work or terminate this engagement by reason of your failure to make a trust deposit as required, we will not be liable for any loss or damage suffered by any member of the Group as a result of the suspension or termination.

8 Information relating to your affairs

In conducting this engagement, information acquired by us in the course of the engagement is subject to strict confidentiality requirements. That information will not be disclosed by us to other parties except as required or allowed for by law, or as outlined below or with your express consent.

We may collect Personal Information about your representatives, your clients and others when we provide services to you. We will handle personal information in accordance with the Privacy Act and by signing this engagement you confirm you have collected and are entitled to provide that personal information to us in accordance with the Privacy Act.

In addition, we wish to draw your attention to our firm's system of quality control which has been established and maintained in accordance with the relevant APESB standard. As a result, our files may be subject to review as part of the quality control review programs of the Certified Practising Accountants (CPA) and also the Chartered Accountants Australia and New Zealand (CA) both of whom monitors compliance with professional standards by its members. We advise you that by accepting our engagement you acknowledge that, if requested, our files relating to this engagement will be made available under these programs.

Our firm may also from time to time use the services of third party contractors to perform some of the services we are engaged to perform for you. Each client in the Group hereby authorises us to disclose information relating to that client's affairs to all such third party contractors as we may choose to engage to perform such work.

The list of third party contractors currently used by our firm, to whom client information will or may be disclosed, is as follows:

- (i) Not Applicable.

We will notify you of any changes to this list from time to time.

Where we use the services of third party contractors, we are nevertheless responsible for the conduct and activities of those contractors and for the delivery of the services we are engaged to perform for you.

From time to time, our Firm may engage external IT service providers (including in relation to "cloud computing" services) in the performance of services under this engagement.

The list of external IT service provider(s) currently used by our firm, to whom client information will or may be disclosed, is as follows:

- (i) C3 Group
 - 184 Orlando Street, Coffs Harbour NSW 2450.
 - Software and System maintenance; backup and storage services.
 - Storage services are located at Equinix SY1 Data Centre Sydney, Unit B, 639 Gardeners Road, Mascot NSW 2020.
- (ii) Handisoft/Sage Software Australia Pty Ltd
 - Level 6, 67 Albert Avenue, Chatswood NSW 2067.
 - Accounting and management software.
- (iii) BGL Corporate Solutions Pty Ltd
 - Suite 2, 606-608 Hawthorn Road, East Brighton VIC 3187.
 - Company and Self Managed Superannuation Software.
- (iv) MYOB Australia Pty Ltd
 - PO Box 371, Blackburn VIC 3130.
 - Accounting software.
- (v) Xero Australia Pty Ltd
 - 1/6 Elizabeth Street, Hawthorn VIC 3122.
 - Accounting software.

We will notify you of any changes to this list from time to time.

Each client in the Group hereby authorises us to disclose information relating to those client's affairs to such external IT service providers as we may choose to engage.

We may also need to disclose information relating to one client's affairs to other clients in the Group to assist in performing our work. Each client in the Group hereby authorises us to do so when we consider it appropriate to further our performance of work for the Group.

9 **What this engagement does NOT cover**

Our engagement only covers the services listed in this document and the Schedule, however for the sake of clarity, in the process of carrying out the listed services, unless stated otherwise, **we do not perform the following** –

- A comparison of your financials to the benchmarks used by the Australian Taxation Office in their risk assessment procedures for the purpose of determining your level of taxation compliance;
- An assessment of your compliance with your superannuation guarantee obligations;
- An assessment of your compliance with any land tax obligations;
- An assessment of your compliance with any payroll tax obligations;
- An assessment of your compliance with your workers compensation obligations;
- An assessment of your business and/or personal insurances;
- An assessment of your will and estate plans.

These are additional services which can be carried out at your specific request and for which an additional fee will be charged.

10 **Termination of the Engagement**

This engagement can be terminated by either party at any time. If we terminate the engagement, we will not be liable for any loss or damage suffered by any member of the Group as a result of the termination. If the engagement is terminated by either party, you will be responsible for payment of our fees for work performed to the date of termination and/or associated with the termination, including any costs incurred by us associated with the termination.

11 **Details of Services to be Provided**

We shall now outline the basis of our engagement in the context of specific services to be provided.

It should be noted at the outset that as a general proposition we rely upon our clients to provide us with accurate and timely information to enable us to properly perform our engagement obligations. Consequently, any rectifying work performed by us on the basis of incorrect or late information will be work which is outside the scope of our engagement and will be charged as additional services.

BAS returns

Where this Firm has been engaged to prepare BAS returns, the BAS returns are prepared either monthly or quarterly and lodged during the financial year under strict time constraints. As such it is not possible for this firm to review the correctness of the underlying financial information as part of the preparation of the BAS return.

Therefore, where we prepare quarterly or monthly BAS returns on your behalf, we will rely on and process the financial information provided to us by you, without any review of the primary source documents. In doing that, we will make the following specific assumptions:

- The financial information provided to us is accurate.
- The financial information correctly states the GST position. For example, all input tax credits and GST payable amounts have been correctly recorded in the general ledger. If you are unsure of the correct position or require advice regarding this, we are able to provide this as work which is outside the scope of our engagement and charged as additional services.
- You have the necessary supporting documentation to satisfy the Australian Taxation Office for GST purposes. Again, if you are unsure of the ATO requirements or require advice regarding these documents, we are able to provide this as work which is outside the scope of our engagement and charged as additional services.
- You hold valid tax invoices and adjustment notes for all expenditure incurred by you in respect of which an input tax credit is being claimed. Substantial penalties apply for an incorrectly prepared BAS. If you have any queries in respect to this, please contact our office for assistance.

However, it is possible that, when the financial accounts are prepared, some discrepancies will exist between the information disclosed in the BAS returns and in the annual financial statements. Should any discrepancies arise, we will discuss the need to correct either the BAS returns and/or financial accounts. Those services will involve work which is outside the scope of our engagement and will be charged as additional services.

Financial accounts

Where this firm has been engaged to prepare the annual financial accounts of the entities in the Group, the service will include the preparation of –

- A profit and loss statement;
- A balance sheet; and
- Notes for the above accounts.

This service also includes the preparation and lodgement of the standard reports to be furnished to ASIC where applicable.

This service does not include the preparation of one-off accounts for presentation to your financiers for additional finance and the like.

Income tax returns

Where this firm has been engaged to prepare and lodge income tax returns for the Group, you are responsible for the reliability, accuracy and completeness of the accounting records, particulars and information provided and the disclosure of all material and relevant information either via manual cashbooks or prepared on accounting software such as Xero, MYOB or QuickBooks.

Also please ensure that you have all source documentation available to allow this firm to analyse the income tax implications of any transaction, if we request to see it. Whilst we will not as a matter of course be looking at these documents, the ATO will expect you (and you are required) to have them available before any claim is made in your income tax return. We may

in some circumstances also request to see source documents if a tax issue is particularly contentious.

It is also expected that, in respect of individual income tax returns, each person will have the necessary documents so as to comply with the substantiation provisions of the Income Tax Assessment Act. We will not be checking that the requirements of the substantiation provisions have been satisfied.

This specifically means that we will not be reviewing your log book, travel diary or any calculations or information you provide us with, for example a rental property schedule either prepared by you on spread sheet or by a property manager.

Each client in the Group agrees that we can bank into our trust account, tax refund amounts received on behalf of that client, and can deduct from those amounts any fees owed to us either by that client or by any other member of the Group.

Fringe benefits tax (FBT) returns

Where this firm has also been engaged to prepare and lodge the FBT returns for the Group entities, it is often necessary to revert to the source documentation to allow our firm to analyse the FBT implications of any transaction.

This service includes advice on how to collate the information necessary to prepare the annual FBT return; telephone advice on basic FBT issues; an annual review of the methods available to reduce the FBT expense on the annual FBT return; the calculation of Reportable Fringe Benefits Tax Amounts that may be required to be included on the annual payment summaries for your employees (including family members employed in your business).

Superannuation

Where this firm has also been engaged to attend to the income tax compliance work for your superannuation fund the assignment will involve –

- Preparation of the superannuation fund's accounts for the purposes of the Superannuation Industry Supervision Act 1993 (the SIS Act).
- Preparation and lodgement of the SMSF annual return. It is important to note as part of the regulatory framework for SMSFs, an annual audit of the fund must be undertaken and provided to the trustees of the fund before the SMSF annual return is lodged. Therefore, trustees of the fund must ensure that they provide the fund accounting records in time to allow these tasks to be completed by the due date for lodgement.
- With respect to the annual audit of the SMSF referred to above this office will make arrangements for the audit to be undertaken by an external party unless otherwise instructed by you, and you will be billed for all costs associated with the completion of the audit.

In addition to the basic financial information required to complete these requirements, it is required that the source documentation will be available to allow this firm to analyse the implications of any superannuation related transaction.

This service does not include financial planning services for the investments of the superannuation fund, or for any planning advice for your future retirement planning needs.

Superannuation advice

We are required to hold an Australian Financial Services Licence (AFSL), or be an authorised representative of the holder of an AFSL, in order to provide you with certain types of advice in relation to superannuation. This includes any advice, recommendation or opinion that is intended to influence you in making any decision in relation to superannuation (including whether to establish, contribute to or draw benefits from a superannuation fund, or any investment decision by a superannuation trustee), or that could reasonably be regarded as being intended to have such an influence (**Financial Advice**).

We are authorised under an AFSL to provide Financial Advice. Our authorisation particulars are as follows:

- Capstone Financial Planning Pty Ltd – AFSL 223135.
- Corporate Authorised Representative – BBV Wealth Management Pty Ltd - CAR 315982.
- Authorised Representative - Veronica Bruce AR 294247.

Where we provide Financial Advice to you, we will be required to follow additional procedures. This will include, but not limited to:

- Providing you with a Financial Services Guide as well as an Adviser Profile as soon as practicable after it becomes apparent that we may be required to provide Financial Advice to you, and in any event before that advice is provided;
- Fully documenting your personal circumstances upon which our advice is based;
- Providing you with a written Statement of Advice; and
- Depending on the circumstances, we may be required to provide you with a separate Fee Disclosure Statement in relation to Financial Advice.

Confirmation of engagement

The above terms of engagement are accepted by signing, dating and returning to us the *Client Engagement Schedule* which has been previously sent to you, or is available upon request.

We emphasise that work on your engagement cannot proceed until the signed Schedule has been returned to us.

We thank you for the opportunity to provide accounting and taxation services to you and your business and we look forward to developing a close accounting relationship with you for many years to come.