

4 November 2016

The Director
Mr D J Salthouse
Horse Trek'n Limited
By email: don@salthousebrokers.com

Dear Don

HORSE TREK'N LIMITED – IRD NUMBER 121-183-102

The New Zealand Institute of Chartered Accountants requires us to record and communicate the nature of the work that we do for you as well as our terms of business.

We want to establish a close, professional relationship with you, and don't want to send you a boring, legal letter. So we have set out the basics below and put the detail in an appendix. Please check that what we have set down here agrees with your understanding and then sign the copy letter on page 3 in the space provided.

Who Does What?

	Not Applicable ✓	PKF to do ✓	You will do ✓
Financial and Tax			
Wages			✓
PAYE returns			✓
GST returns			✓
FBT returns	✓		
RWT returns	✓		
Monthly accounts			✓
Annual accounts		✓	
Income tax returns for the entities named above plus company shareholders, partners and trust beneficiaries		✓	
Management of all tax assessments		✓	
Provision of our income tax payment reminder and collection service		✓	
Regular income tax planning		✓	

Tel +64 9 407 7142

Fax +64 9 407 5434 • kerikeri@pkfpl.co.nz • www.pkfpl.co.nz

9 Hobson Avenue • PO Box 81 • Kerikeri • New Zealand

Directors: Jack P Poutsma, CA, ACIS, AMInstD. Alison Lemon, CA.

PKF Poutsma Lemon Limited is a member firm of the PKF International Limited and PKF New Zealand Limited networks of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.



Accountants &
Business Advisers

Company and Trust

	Not Applicable	PKF to do	You will do
Trustees' resolutions	✓		
Trust administration	✓		
Initial trust administration risk review and annual review thereafter	✓		
Company directors' and shareholders' resolutions		✓	
Company statutory records		✓	
Provision of our office as the registered office of your company		✓	
Filing of your annual company return with the Registrar of Companies		✓	
Initial administration review of your company records and annual review thereafter	✓		

Other Services

	Not Applicable	PKF to do	You will do
BankLink data supply service	✓		
Xero application support		✓	
ACC administration and advisory	✓		
Payment of your supplier accounts			✓

Basis of fees

Our fees are based on the time it takes us to do the work and the experience and qualifications of the people involved. Our more experienced people will deal with more complex and high value work – naturally at a higher hourly rate.

Authority to Act

You authorise us to act as tax agent for the tax types associated with your business entity indicated above in the 'PKF to do' column. Please sign the enclosed authorities to act. Make sure that authorities are signed by a director / trustee / partner as appropriate or the individual concerned. For minors, a parent should sign.

You also authorise us to link your business entity to the ACC online services (if applicable).

PKF

PKF Poutsma Lemon (Kerikeri) Limited is a member firm of the PKF International Limited and PKF New Zealand Limited family of legally independent firms. Neither the other member firms nor the correspondent firms of the network nor PKF International Limited and PKF New Zealand Limited is responsible or accepts liability for the work or advice which PKF Poutsma Lemon (Kerikeri) Limited provides to its clients and in signing and returning to us the enclosed copy of this Engagement letter

you acknowledge and accept that such other member and correspondent firms and PKF International Limited and PKF New Zealand Limited do not owe you any duty in relation to the work or advice which we will from time to time provide to you or are required to provide to you.

Guarantee

You are the judge of our performance. If you think the fee is excessive for the work done or if you are dissatisfied with our work we invite you to contact any partner of the firm, who will investigate without cost to you and suggest a remedy. If you are still not happy you may also lay a complaint with the New Zealand Institute of Chartered Accountants.

Please indicate your acceptance of this proposal by checking that the services as listed above match your understanding and then signing the enclosed copy of this letter and returning it to us.

Yours sincerely
PKF POUTSMA LEMON LIMITED



Alison Margaret Lemon
Director

The services and terms set out above and referred to in the attached appendix are as agreed.

For and on behalf of:

- Horse Trek'n Limited

IRD Number 121-183-102

Signed: _____
D J Salthouse – Director and Shareholder

Dated: _____

Signed: _____
C S Ganantchian - Shareholder

Dated: _____

Appendix 1

1. What we will do

- 1.1 We will use our professional skills to do the work you have requested based on information supplied by you. This work will be performed in accordance with Service Engagement Standard No.2 Compilation of Financial Information issued by the New Zealand Institute of Chartered Accountants.
- 1.2 Annual accounts for companies will be prepared in accordance with the Financial Reporting Act 1993. Other than for exempt companies, these are general purpose reports and must be prepared in accordance with generally accepted accounting practice in New Zealand. If necessary, additional explanations will be added to ensure that a true and fair view is given.
- 1.3 Annual accounts for exempt companies may be prepared either in accordance with generally accepted accounting practice in New Zealand as described above or in accordance with the simpler format of the Financial Reporting Order 1994.
- 1.4 Other accounts will be prepared in accordance with any applicable legislation. For partnerships, trusts, sole traders and other entities where the format of accounts is not dictated by legislation, we will prepare special purpose annual financial statements according to the principles contained in the Income Tax Act 2007. Periodic accounts for management are not governed by legislation and will be prepared on the basis requested by management.
- 1.5 The general basis of accounting used to compile the accounts will be described in the notes to the financial statements together with any significant departures from that basis. Significant departures will also be referred to in our compilation report (see 1.7 below).
- 1.6 We will inform you of any suspicions of omissions or irregularities that come to our notice.
- 1.7 We will provide a compilation report on all annual accounts that include a balance sheet. An example of a typical report, not specific to your circumstances, is attached.
- 1.8 We retain legal ownership of working papers prepared by us.
- 1.9 We set a limit on our liability to you for any other reason at five times the annual accounting fee.
- 1.10 We will explain or redraft any element of these terms to ensure that you understand them and think they are reasonable.

2. What we will NOT do

- 2.1 We will not conduct an audit or any other independent verification work.
- 2.2 Consequently we will not express any kind of opinion on the accuracy of the material we compile or its suitability for any purpose.
- 2.3 We will not necessarily establish or maintain independence. It is not a professional requirement to be independent before carrying out compilation work of this nature. However, any other relationship will be described in our compilation report.
- 2.4 We will not take active steps to identify weaknesses in your internal accounting system, errors, illegal acts or other irregularities, for example, fraud or non-compliance with laws and regulations. However, should we become suspicious of any irregularities we will report it to you (see 1.6 above).
- 2.5 We will not accept liability in negligence or for any other reason to anyone but you and your enterprises listed at the head of the main letter. A disclaimer to this effect will be included in our compilation report.

3. What you will do

- 3.1 You will deliver accurate, complete information needed to compile the accounts and returns promptly at the times agreed. We will provide a checklist to assist in identifying the information we require. You accept that we cannot be held accountable for incomplete or erroneous information supplied to us, nor for transactions that occur outside of the financial records such as property or barter transactions
- 3.2 You remain responsible for the reliability, accuracy and completeness of the financial information compiled, including tax returns. You have delegated certain tasks to us, as tabled in the main letter, and we are responsible for carrying out those tasks in a professional manner. You cannot abrogate the ultimate responsibility for ensuring that the financial information is compiled properly.
- 3.3 You will inform us if the information we compile is intended to be disclosed to any person or body and how they are expected to use it. This does not apply to:
 - 3.3.1. the directors, shareholders, partners, trustees or equivalent office holders of your enterprises as listed at the head of the main letter, and
 - 3.3.2. the Inland Revenue Department.
- 3.4 You confirm that we have authority to communicate with and obtain information from any third party if the information sought is relevant to our work.
- 3.5 You agree that the New Zealand Institute of Chartered Accountants may have access to the records and information we hold that support our working papers. This is an essential part of the Institute's quality assurance function. The likelihood that any particular engagement is selected is very small. All Institute employees and contractors are required to maintain the strictest confidentiality.
- 3.6 You will pay our fees on time. Invoices for work done in a calendar month will be delivered by the 7th working day of the following month and are due for payment by the 20th of that month. If you do not pay our fees when due you will pay interest calculated at 1.5% per month on any amount outstanding and you will pay all costs and expenses if legal action is necessary, and / or any debt collection agency's fees which may be incurred. We may decline to carry out further work until all fees, interest and costs are paid in full.
- 3.7 You will advise us in advance of any proposed company shareholding changes as these can carry unintended tax consequences. You accept that we cannot be held responsible for any losses caused by such a change where we have not been advised.
- 3.8 You accept that we cannot be responsible for the adequacy of your insurance and ACC covers.
- 3.9 You undertake to obtain and hold a tax invoice for every GST input claim, if GST registered
- 3.10 You will let us know if any of these terms are unclear or not what you think is reasonable and we will explain or redraft to make sure you are happy. **See 1.10 above.**

Appendix 2

The following is a sample of a typical Compilation Report and Disclaimer which will appear on the financial information we prepare.

COMPILATION REPORT to the directors / partners / trustees / proprietor of [Entity Name]

Scope

We have compiled these financial statements of [Entity Name] for the year ended [Day Month Year] as set out on the following pages from the information you provided. Our work was carried out to the professional standards promulgated by the New Zealand Institute of Chartered Accountants, in particular Service Engagement Standard No. 2: Compilation of Financial Information. The financial statements have been prepared, as you instructed, in accordance with the basis of accounting described in Note 1 to the financial statements (the statement of accounting policies).

No assurance expressed

You directed us to use accounting expertise to compile the financial statements from information you provided. Your instructions did not include verification or validation of that information. No audit or review engagement has been performed and accordingly we **express** no assurance on the financial information.

Responsibilities

You are responsible for the information contained in the financial statements and have determined that the basis of accounting adopted is appropriate for your intended uses of the financial statements. The intended users are you and the Inland Revenue Department.

The financial statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.

Disclaimer of liability statement

As mentioned earlier in our report, we have compiled the financial information based on information provided to us which has not been subject to an audit or review engagement. Accordingly, neither we nor any of our employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.

[Firm Signature]

[Firm Name]

[Firm Address]

[Date]

Authority to Act

Authority to obtain information from Inland Revenue

I / We authorise the accountancy firm of PKF Poutsma Lemon Limited as my / our tax agent to act on my / our behalf for all tax types until further notice.

I / We give authority to PKF Poutsma Lemon Limited:

- to obtain information from Inland Revenue and other financial institutions to enable my tax returns to be completed. This includes obtaining information via letter, phone, fax, e-services and online services available on Inland Revenue's website.
- to link (insert Tax Types) on my behalf. I / We understand that linking allows PKF Poutsma Lemon Limited as my / our authorised tax agent to have full access to information held by Inland Revenue and ability to modify my / our details relating to the relevant tax types. Correspondence for linked tax types will be directed to PKF Poutsma Lemon Limited.
- to prepare, submit and sign tax returns on my / our behalf and on behalf of any of my / our associated entities.

For and on behalf of:

- Horse Trek'n Limited

IRD Number 121-183-102

Signed: _____
D J Salthouse – Director and Shareholder

Dated: _____

Signed: _____
C S I Ganantchian - Shareholder

Dated: _____