

**Client Focused Accountancy Services**  
**Registered Tax Agent & Public Accountant**  
**ABN-18-546-524-910**  
**0417-25-16-42 -0403-521-539**

April 26, 2011

Dr. Anecito Mantilla  
4/90 Teralba Road  
Adamstown, NSW 2289

Dear Dr. Anecito Mantilla,

**Re: Engagement of Client Focused Accountancy Services as your Accountant/Tax Agent**

Confirming our discussions in March 2011, we are pleased to accept appointment as your accountant. We will act in your best interest at all times and will provide the highest level of professional service. This document sets out the terms of our engagement with you.

The scope of our engagement is set out below with any additions by the written agreement of both parties.

As your Accountant/Tax Agent we will:

- (a) Analyse, discuss and make recommendations regarding your accounting records and financial affairs;
- (b) Prepare financial and other statements as requested; and
- (c) Prepare and lodge taxation returns, review assessments and advise on appeal procedures where necessary.
- (d) Such other work as agreed between the parties...

You are reminded that:

- Performance of tasks is limited exclusively to those set out in this engagement;
- We do not (unless otherwise engaged to do so) undertake an audit or review, and as such no assurance will be expressed; and
- Unless we are otherwise engaged to do so, this engagement can not be relied upon to disclose any irregularities (such as fraud, illegalities or errors of other parties) that may occur

**Professional Fees and Payments**

Our professional fees for the services we provide will be based on the time and degree of skill and acumen required to complete the nominated tasks and will include as an additional item out of pocket expenses and statutory charges, unless otherwise agreed between the parties.



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Our standard professional fees are (subject to notification of any changes to the rates):

Fixed Rate (Per annum)	\$ 1,500
Tax Preparation (Business)	\$ 130.
Individual Tax Return	\$90

*Estimates (optional)*

An estimate of the cost of our service is just that, an estimate. The actual cost may vary. Accurate estimates are difficult due to unforeseeable problems and delays, the cooperation or otherwise of third persons and/or deficiencies in documentation. If costs are likely to be significantly higher than originally estimated, we will provide you with an additional letter of engagement informing you of this and setting out the reasons for the likely increase.

**Deduction of Fees from refund cheque (optional)**

The parties have agreed that fees for the service provided will be deducted directly from any tax refund cheque. In accordance with the requirements of the National Institute of Accountants, your refund cheque will therefore be deposited into our trust account with our fee being deducted and the remaining amount forwarded to you in accordance with your requirements.

**Terms of Payment**

Unless other terms have been agreed to, our terms are strictly 14 days from the date of each invoice. We will provide you with an account of professional fees, costs and disbursements. If you do not pay your account by that date, we reserve the right to use a debt collection agency or other legal means to recover any outstanding fees.

**Disclosure of other fees and commissions**

We will disclose to our clients any commissions or other fees received as a result of work done for that client and will fully comply with statutory requirements in relation to the disclosure of such information.

**Documents**

Before we lodge any necessary documentation on your behalf, we will forward draft documentation to you for approval. We shall endeavour to ensure that documentation is lodged with the relevant departments by the due dates, provided all information and documentation is received promptly after the Financial Year End or other statutory date - to allow us adequate time for preparation and lodgement.

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 lodgement penalties incurred.



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**Responsibility for Accounting and Internal Control Systems**

We advise that the responsibility for the maintenance of a business accounting system and internal control systems, including protection of and prevention against fraud rest with you the client. You will also be responsible for the maintenance of and keeping of the books of account. This includes any work produced by a third party not engaged by this firm that is sought to be relied upon. If any material weakness in the accounting systems or internal control systems comes to our notice, we will advise you accordingly.

It is important to remember that you are personally responsible for the information contained in any statutory return and that you must retain all necessary supporting documentation to substantiate your transactions. We do not take responsibility for any failure on your behalf to maintain adequate records or to provide us with all the relevant information.

**Quality Review**

As a Member of the National Institute of Accountants (NIA) the Principal is subject to periodic quality assurance reviews. Unless otherwise advised by yourself, by engaging us, you are consenting to your files being part of such a quality review. This review is a review of my file and not a review of you as a client. Your confidentiality will be retained throughout this process.

**Standards**

We will provide the highest standard of professional service and we focused on your concerns as the firms client. If for any reason you feel you have not received the service level expected or have an issue to raise, please, at first instance, contact myself to discuss how the problem may be resolved. As a member of one of the professional accounting bodies I am bound by the SMSF Auditors Competency framework. (optional)

Furthermore, as a Member of the NIA in public practice, I am subject to the ethical and professional requirements of the NIA and its Investigations and Disciplinary processes. These requirements cover issues such as a Code of Ethics, adherence to Accounting and Auditing Standards, requirements to undertake Continued Professional Education and to hold trust money in a Trust Account. Should there be an issue regarding my ethical or business practices, such matters may be referred to the NIA for investigation.

As a member of the NIA I am obliged to have Professional Indemnity Insurance, and I warrant to you that my insurance cover is in accordance with the NIA's requirements.

As a member of the NIA in NSW I am also subject to the Professional Standards Legislation and my liability is capped under a scheme approved by the Professional Standards Legislation.

**Privacy Statement**



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We are bound by the provisions of the *Privacy Act* to maintain all your records securely and in accordance with the provisions of that Act. Any breach of these requirements should be notified to the Privacy Commissioner. However, as noted above in "Quality Review", your file, unless you specifically forbid it, may be subject to a Quality Review by the NIA.

**Accounting and Record Keeping**

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

- The bookkeeping for all business entities is maintained on a regular basis. In fact, we recommend the bookkeeping and record-keeping tasks be attended to each week.
- Reconciliations for the bank accounts, debtors and creditors are performed at the end of each month for each of the business entities.
- A stocktake will be performed during the last weekend in June for each entity that deals in trading stock.

It is expected that the trial balance of each of the business entities will be completed no later than 15 October of each year.

In respect of the personal tax returns for you and your family, it is expected that all relevant information will be collated and forwarded to our office Before June 30 of each year. We shall detail more specific requirements in respect of the individual tax returns later in this letter.

**Ownership of Documents**

The final documents which we are specifically engaged to prepare, together with any other original documents given to the firm, shall remain your property. Documents brought into existence by the firm including general journals, working papers, the general ledger, and draft financial statements, will remain the firms property at all times. However, the firm will always provide you with copies of any documents that you may require from time to time.

**Lien over Documents (optional)**

*(if no lien)*

In relation to any subsequent termination of our services, you are advised that we shall not exercise any lien over any documents, regardless of whether fees have been paid in full or not.

*(if claim lien)*

In relation to any subsequent termination of our services, you are advised that we may invoke a Lien over certain documents held until such time as outstanding fees have been paid or other satisfactory arrangements are reached. A lien is a right to hold certain documents or property until the debt incurred in respect of that property/document has been satisfied. The lien however may not be held over property that belongs to another, including if held jointly, and does not cover statutory documents (eg a Tax Return, BAS or

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refund cheque). We will provide you with a copy of all documents subject to my claim of a lien.

**Additional Services**

Our agreed fee is only for the preparation and lodgement of the accounting and taxation matters detailed above. Naturally, this fee includes the checking and forwarding of original assessments and original payment notices that are received from the Australian Taxation Office and the Australian Securities & Investments Commission (ASIC).

However, any additional services or advice you have requested are not included in this agreed fee. These additional services will be charged on the basis of the time and degree of skill and acumen required to complete the task undertaken by us, including any out of pocket expenses. Please note, any correspondence from the Australian Taxation Office or ASIC that does not relate to initial assessments nor original payment notices, will be treated as additional services.

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

**BAS Returns (optional depending on scope of engagement)**

As the BAS returns are prepared quarterly and lodged during the financial year, it is not possible for this firm to review the correctness of the underlying financial information as part of the preparation of the quarterly BAS return.

This is because we are engaged to prepare the annual accounts and these are prepared at the conclusion of the financial year.

Therefore, for the quarterly BAS returns, we will rely on and process the financial information provided to us 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.
- You have the necessary supporting documentation to satisfy the Australian Taxation Office for GST audit purposes.
- 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.

It is possible that, when the financial accounts are prepared, some discrepancies will exist between the information disclosed in the quarterly BAS returns and in the annual financial

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statements. Should any discrepancies arise, we will discuss the need to correct either the BAS returns and/or financial accounts and the fee for those services.

**Financial Accounts** (optional depending on scope of engagement)

This firm has been engaged to prepare the annual accounts of the business entities in your group. This service includes the preparation of:

- (a) Profit and loss statement;
- (b) Balance sheet; and
- (c) Notes for the above accounts.

This service includes maintenance of the charts of accounts for the general ledgers of your business entities. It also includes telephone support should you require any assistance as to how to record specific transactions in the general ledger.

This service does not include the preparation of one-off accounts for presentation to your financiers for additional finance and the like. A separate fee shall be applicable to this service.

**Income Tax Returns** (optional depending on scope of engagement)

This firm has been engaged to prepare and lodge income tax returns for the business entities in your group and for your family.

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

It is also expected that, in respect of individual income tax returns, each person will comply with the substantiation provisions of the Income Tax Assessment Act.

We will specifically advise as to the requirements of the substantiation provisions relating to your income tax return and of the necessity to obtain acceptable receipts as specifically required by the legislation.

From time to time, We prepares templates and schedules to assist with the collation of information to complete income tax returns. These will be provided at no charge.

The fee for this service does not cover inquiries or investigations conducted by the Australian Taxation Office.

**Fringe Benefits Tax Returns** (optional depending on scope of engagement)

We have also been engaged to prepare and lodge the FBT returns for your business entities **if applicable**.



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Please note that with the introduction of GST, it is no longer possible to prepare an FBT return from the information contained in the general ledger. It is necessary to revert to the source documentation to allow this firm to analyse the FBT implications of any transaction.

Our fee for this service includes advice on how to collate the information necessary to prepare the annual FBT return.

Our fee also includes an annual review of the means to reduce the FBT expense on the annual FBT return. This fee also includes the calculation of Reportable Fringe Benefits Tax Amounts that are to be included on **the annual payment summaries for your employees (including family members employed in your business).**

#### **Previous Returns**

We note we are not engaged to review the accuracy of any previous returns lodged by your organisation including that of the Principals, Partners, Trustees, Directors, Shareholders or Beneficiaries. You have warranted that we are entitled to rely on the balance sheet(s) and other financial records as presented.

#### **Commonwealth and State Taxes and Duties**

Please note that any Commonwealth and/or State Taxes and Duties, including the **Goods and Services Tax (GST)**, imposed by legislation of either the Commonwealth or a State government will be due and payable together with any fees required by such regulation and/or legislation.

#### **Client Acknowledgement and Confirmation**

Please contact us you have any queries about this engagement. Please sign and return the confirmation of acceptance of this engagement. If you fail to return a signed acceptance but continue to use our services this will be taken as acceptance of its terms.

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

Yours faithfully

Lydia



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**Acknowledgement and Confirmation**

We, Dr Anecito Mantilla & Mrs Charina Mantilla of 4/90 Teralba Road, Adamstown, NSW 2289 hereby acknowledge and accept the terms of this engagement as have been provided to us. We also undertake that we have the capacity to make this engagement (if on behalf of an entity).

We also agree and we shall be personally liable for all fees for services performed in accordance with such agreement.

.....  
Signed

.....  
Print Name

.....  
Signed

.....  
Print Name

Date .....