

LAMBERT CHAPMAN LLP
TERMS OF ENGAGEMENT: Accounts for an Audit Exempt LLP
Last Revised 13 August 2010

We are bound by the ethical guidelines of the Institute of Chartered Accountants and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

1 Your responsibilities as designated members

- 1.1 As designated members of the LLP, you are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, you are required to:
- (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgments and estimates that are reasonable and prudent; and
 - (c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.
- 1.2 You are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 (the Act) as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (SI 2008/1911) and the Statement of Recommended Practice: *Accounting by Limited Liability Partnerships*. You are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 1.3 You are responsible for determining whether, in respect of the year, the LLP meets the conditions for exemption from an audit set out in section 477 [or section 480 for a dormant LLP] of the Act, namely that:
- (a) it qualifies as a small LLP in relation to that year for the purposes of section 381;
 - (b) its turnover in that year is not more than £6.5 million (£5.6 million for accounting periods ending before 1 October 2008); and
 - (c) its balance sheet total for the year is not more than £3.26 million (£2.8 million for accounting periods ending before 1 October 2008).
- 1.4 You are responsible for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in sections 478 and 479 of the Act; namely that at no time during the year was the LLP:
- (a) an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company;
 - (b) carrying on an insurance market activity;
 - (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 or an employers' association as defined in section 122 of that Act;
 - (d) a member of a group that exceeded the group exemption limits; or
 - (e) a member of an ineligible group.
- 1.5 The exemption is available only if you, as members, sign a declaration on the balance sheet as required by section 475(3) of the Act stating that:
- (a) for the year in question, the LLP is eligible to take advantage of the audit exemptions;
 - (b) you acknowledge your obligations to keep adequate accounting records and to prepare financial statements which give a true and fair view of the state of the LLP's affairs and of its profit or loss for the period.
- 1.6 You have undertaken to make available to us, as and when required, all the LLP's accounting records and related financial information, including minutes of management and shareholders' meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information.
- 1.7 You are responsible for ensuring that the company complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

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2 Our responsibilities as accountants

- 2.1 As the LLP is totally exempt from audit, we have no statutory responsibilities to the LLP at all. Our only responsibilities arise from those specifically agreed upon between us in respect of other professional services.
- 2.2 We do not have any responsibility to report whether any shareholder of the LLP has notified the LLP that he or she requires an audit. Consequently we have no responsibility to carry out any work in respect of this matter.
- 2.3 Should our work indicate that the LLP is not entitled to exemption from an audit of the financial statements, then we will inform you of this. In these circumstances, if appropriate, we will discuss with you the need to appoint us as auditors.
- 2.4 We have a professional duty to prepare financial statements that conform with generally accepted accounting principles. Furthermore, as members, you have a duty to prepare financial statements that comply with the Companies Act 2006, the Statement of Recommended Practice: *Accounting by Limited Liability Partnerships* and applicable accounting standards. Where we identify that the financial statements do not conform to accepted accounting principles or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the financial statements.

3 Scope of work

- 3.1 Our work will not be an audit of the financial statements in accordance with Auditing Standards. Accordingly, we will not obtain any evidence relating to entries in the accounting records, or to the financial statements or to the disclosures in the financial statements. Nor will we make any assessment of the estimates and judgements made by you in the preparation of the financial statements. Consequently our work will not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, or other irregularities or error. In addition, we have no responsibility to determine whether you have maintained proper accounting records in accordance with section 386 of the Act and we will not address this point unless you specifically request us in writing to do so.
- 3.2 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the LLP, we are unable to provide any assurance as to whether the financial statements that we prepare from those records present a true and fair view.
- 3.3 As part of our normal procedures when preparing the financial statements, we will attach an accountant's report to them. This report will state that they have been prepared from the books and records of the LLP and from information supplied by the members. This report should not be filed with the financial statements at Companies House.
- 3.4 As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.
- 3.5 Whilst we do not express any opinion on the accounts we as a firm have a professional duty not to be associated with any accounts that we believe to be misleading. If we cannot agree on a presentation of a particular matter that we do not regard as misleading we will have no option under the ethical guidelines of [*Insert name of professional body*] but to resign as your accountants. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you and for time spent on any other work that is not completed as a result of our resignation.