

TERMS OF ENGAGEMENT: Preparation of Annual Accounts for Subsidiaries applying S479 Audit Exemption
Last revised 11 January 2022

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the production of the subsidiary company's statutory financial statements and issuing an accountant's report thereon, and to clarify our respective responsibilities in respect of that work.

The entity's financial statements will be prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

Your responsibilities as directors

- 1.1 Our work will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. As directors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
 - (b) in preparing the financial statements, to:
 - (i) select suitable accounting policies and then apply them consistently;
 - (ii) make judgments and accounting estimates that are reasonable and prudent; and
 - (iii) prepare the financial statements on the going concern basis, considering in particular the company's ability to continue in business for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the company will continue in business.
 - (c) you are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the *Companies Act 2006* (CA 2006) and applicable accounting standards as agreed with you. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.
 - (d) For safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly for the prevention and detection of fraud and other irregularities.
- 1.2 In addition to the general duties of directors specified in CA 2006, s. 170-177, 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.
- 1.3 You have agreed that your staff will maintain all accounting records, except as detailed in paragraph 2.4 below
- 1.4 You are responsible for determining whether, in respect of the year, the company meets the conditions for exemption from an audit under CA 2006, s. 479A, namely that
- (a) its parent undertaking is established under the law of any part of the United Kingdom;
 - (b) all members of the company must agree to the exemption in respect of the financial year in question;
 - (c) the parent undertaking must give a guarantee under CA 2006, s. 479C in respect of that year;
 - (d) the company must be included in the consolidated financial statements of the parent for that year;
 - (e) the parent company must disclose in the notes to the consolidated financial statements that the subsidiary is exempt from audit under CA 2006, s. 479A; and

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- (f) the directors of the company must deliver to the Registrar the following documents before the date on which your financial statements are due:
- (i) a written notice that all members of the company agree to the exemption in respect of the relevant financial year;
 - (ii) a statement from the parent undertaking that it guarantees the subsidiary under CA 2006, s. 479C in respect of the relevant financial year (Companies House Form AA06); and
 - (iii) a copy of the parent undertaking's consolidated financial statements including a copy of the auditor's report and the annual report on those financial statements.
- 1.5 You are responsible for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in CA 2006, s. 479B; namely that at no time during the year was the company:
- a quoted company;
 - an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company;
 - carrying on an insurance market activity; or
 - a special register body as defined in the *Trade Union and Labour Relations (Consolidation) Act 1992*, s. 117(1), or an employers' association as defined in s. 122 of that Act.
- 1.6 The exemption is available only if you, as directors, sign a declaration as required by CA 2006, s. 475(3) on the balance sheet to state that:
- (a) for the year in question, the company is eligible to take advantage of the audit exemption under CA 2006, s. 479A relating to subsidiary companies;
 - (b) the members have not required the company to obtain an audit of its financial statements for the year in accordance with CA 2006, s. 476; and
 - (c) you acknowledge your obligations for complying with the requirements of CA 2006 with respect to accounting records and preparation of financial statements.
- 1.7 You have agreed to make available to us, as and when required, all the company's accounting records and related financial information, including minutes of management, directors' and members' meetings, necessary to carry out our work. You have agreed to make full disclosure to us of all relevant information.
- 1.8 You will approve and sign the financial statements thereby acknowledging responsibility for them.
- 1.9 If financial information is published, which includes a report by us or is otherwise connected to us, on the company's website or by other electronic means, you must inform us of the electronic publication and get our consent before it occurs and ensure that it presents the financial information and chartered accountants report properly. We have the right to withhold consent to the electronic publication of our report or the financial statements if they are to be published in an inappropriate manner.
- 1.10 You must set up controls to prevent or detect quickly any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of electronically published information, and we accept no responsibility for changes made to any information after it is first posted.
- 1.11 Financial statements need to be completed prior to submission of the tax return. Failure to submit the return on time will result in penalties and is likely to result in interest and surcharges. In order to avoid this, we must have your accounting records by within 6 months of the year end and queries raised on those accounting records must be answered promptly, otherwise we cannot guarantee the completion of the financial statements to ensure the tax return's timely submission.

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2 Our responsibilities as accountants

- 2.1 The financial statements are required to enable profits to be calculated to meet the requirements of the relevant tax legislation and that provide sufficient and relevant information to complete a tax return.
- 2.2 You have told us that the company is exempt from an audit of the financial statements and have asked us to assist you in the preparation of financial statements in accordance with the requirements of the CA 2006, and to issue an accountant's report on those financial statements. We will compile the annual financial statements for your approval based on the accounting records maintained by you and the information and explanations that you give us.
- 2.3 If the company is a small entity, the company would qualify under CA06, s. 444(1), to file only the balance sheet and associated notes at Companies House. Where this applies it is assumed that the company wishes to file the minimum of information at Companies House, and therefore the financial statements for filing purposes will be prepared on that basis unless you inform us otherwise.
- 2.4 As agreed with you, we shall carry out the following bookkeeping services:
- (a) write up the accounting records insofar as they are incomplete when presented to us; and
 - (b) complete the postings to the nominal ledger.
- 2.5 We will write to you on or around your year-end date to request the information and records we will need to prepare the financial statements.
- 2.6 We do not have any responsibility to report whether any shareholder of the company has notified the company that he or she requires an audit. Consequently we have no responsibility to carry out any work in respect of this matter.
- 2.7 We will not check whether the company is exempt from audit. However, should our work indicate that the company is not entitled to exemption from an audit of the financial statements then we will inform you. In these circumstances, if appropriate, we will discuss with you the need to appoint us as auditors.
- 2.8 We have a professional duty to prepare financial statements that conform with generally accepted accounting principles. Furthermore, as directors, you have a duty to prepare financial statements that comply with CA 2006 and applicable accounting standards as agreed with you. 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.
- 2.9 We will not specifically check the adequacy of your records; however, where any issues arise during the course of our work, we will advise you on whether your records are adequate for preparation of the financial statements and recommend improvements.
- 2.10 We shall plan our work on the basis that no report is required by statute or regulation for the year, unless you inform us in writing to the contrary. In carrying out our engagement we will make enquiries of management and undertake any procedures that we judge appropriate but are under no obligation to perform procedures that may be required for assurance engagements, such as audits or reviews.
- 2.11 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). 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 judgments 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 adequate accounting records in accordance with CA 2006, s. 386, and we will not address this point unless you specifically request us in writing to do so.

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- 2.12 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the company, we are unable to provide any assurance as to whether the financial statements that we prepare from those records and on which we are reporting present a true and fair view.
- 2.13 We have a professional responsibility not to allow our name to be associated with financial statements we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial statements are misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the financial statements with you and for time spent on any other work that is not completed as a result of our resignation.
- 2.14 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.
- 2.15 We will report to the Board of Directors, as appropriate, that in accordance with this engagement schedule and to assist you to fulfil your responsibilities, we have not carried out an audit but have compiled the financial statements from the accounting records and from the information and explanations supplied to us.
- 2.16 To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors, as a body for our work or this report. If you wish, or are asked, to provide a copy of the financial statements to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions; however, in every situation where we grant consent, then the accountant's report must remain attached to the financial statements shown to the third party.