

We, us, our and this firm means Hopscotch Accounting Pty Ltd ATF Hopscotch Accounting Trust (ABN 92 899 497 533) of Level 1, 4/2-4 Merton Street, Sutherland NSW 2232.

You means you, a client of this firm.

Entity means a client entity of this firm.

Group means a group of Entities.

1. Introduction

Our engagement is to attend to the following matters for the Group as outlined in our scope of services

Unless otherwise agreed, we will prepare the accounting records, returns and statements on an ongoing basis, in relation to the period following that for which the returns and statements have most recently been finalised, and for each subsequent period, unless it has been defined as Out of Scope in the Letter.

2. Record keeping

In undertaking this engagement, you must generally ensure the following:

Where bookkeeping services are Out of Scope

The bookkeeping for all Entities is maintained on a regular basis. 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 Entities.

A stocktake will be performed at year end for each entity that deals in trading stock.

The trial balance of each of the Entities is completed by no later than 31 August each year.

Where bookkeeping services are included in the Scope of Works

You will provide us all relevant information on a timely basis for us code to relevant transactions.

3. Taxation services

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

- 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.
- You have obligations under the self-assessment regime to keep full and proper records in order to facilitate the preparation of accurate returns.
- 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 appropriately amend that information.

3. Setup of Xero

We will arrange for an account to be setup for each client and perform the following tasks:

- Create Chart of Accounts
- Enter prior year comparatives and opening balances
- Establish bank feeds for bank accounts and credit cards nominated by You
- Create Invoice templates
- Modify Payroll settings to suit your needs.

You will be responsible for importing of employee data and check that all details within Xero are correct.

We will also provide initial training of relevant staff during the first 4 weeks after You start using Xero.

4. Bookkeeping

We will reconcile bank account transactions using cashbook methodology (unless Accounts Payable and/or Accounts Receivable) are included within scope. This will be performed on a regular basis and will include reconciling balance sheet accounts monthly. We will rely on descriptions included in the bank statement and your responses to our queries for coding purposes.

5. Accounts Payable

You will be responsible for emailing us all bills to an email address nominated by us.

We will enter these bills into Xero and we will match withdrawals from bank accounts and credit cards to bills entered in Xero.

6. Accounts Receivable

You will be responsible for invoicing your customers, raising and allocating credit notes. We will match deposits to unpaid invoices in Xero.

7. Management Reports

We will publish in Xero each month a Profit and Loss, and a Balance Sheet for you review. We can provide more sophisticated reporting options for you at an additional fee.

8. Tax Planning Meeting

We will schedule a meeting in April-June to discuss your affairs and assist you in identifying tax planning opportunities. This meeting will generally go for 1 hour.

9. Income tax returns

Where this Firm has been engaged to prepare and lodge income tax returns for your Group.

This firm will not be responsible for reviewing or verifying any financial records or statements provided to it either via manual cashbooks or prepared on accounting software such as Xero. Correct coding or classification of accounts is outside the scope of this engagement (unless Bookkeeping has been included with Scope of Work). If assistance is required on how to correctly code, or to review how you currently do so, please discuss this with us. This will entail work which is outside the scope of this engagement and will be charged as additional services.

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 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. We will not, however, be checking that the requirements of the substantiation provisions have been satisfied.

This specifically means that we will not be reviewing your log book or any calculations or information you provide us, such as a rental property schedule either prepared by you on a spreadsheet or by a property manager. If you require assistance in completing a log book or preparing any calculations, or you would like us to review such work, please discuss this with us. This will entail work which is outside the scope of this letter and will be charged as additional services.

From time to time, this firm prepares templates and schedules to assist with the collation of information to complete income tax returns. These will be provided free of charge.

The fee for this service does not cover any inquiries made to us or investigations involving us conducted by the ATO. Substantial penalties apply for an incorrectly prepared income tax return. If you have any queries in respect to this, please contact our office for assistance.

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.

10. Superannuation funds (SMSF)

Where this firm has also been engaged to attend to the income tax compliance work for your SMSF, this assignment will involve the following:

- 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 no later than 31 October to allow these tasks to be completed.

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

- You should also note that the deeds of the fund should be annually reviewed by a superannuation specialist to ensure they continue to comply with the requirements of the SIS Act. Our engagement does not extend to the provision of such legal advice and our fee does not include this service. We are happy to recommend the services of a superannuation specialist for this task.

Our fee does not include financial planning services for the investments of the SMSF or for any planning advice for your future retirement planning needs.

This service does not cover any inquiries or investigations by the ATO.

11. Financial statements

By engaging us to compile financial statements, you acknowledge that:

- the reliability, accuracy and completeness of the accounting records are your responsibility; and
- that you have disclosed to us all material and relevant information.

12. 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 Entities. That includes the keeping and maintenance of all required books of account. Our firm cannot be relied upon to disclose irregularities, including fraud, and other illegal acts and 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 your Entities and we will not express an auditor's opinion as to the truth and fairness of the financial statements.

13. PAYG Payment Summaries

We will reconcile wages disclosed in the BAS/IAS lodged to Profit and Loss and Payroll records generated in Xero, before preparing the PAYG Payment Summaries.

It is your responsibility to lodge these with the ATO and provide to employees by 14 July each year.

Any revisions of PAYG payment Summaries or preparing paper PAYG Payment Summaries is excluded from our Scope of Works.

14. Business Activity Statements (BAS) & Instalment Activity Statements (IAS)

We will prepare monthly/quarterly BAS and or IAS, based on accounting and payroll records supplied by you.

15. Payroll Tax

We will prepare monthly payroll tax returns with required Australian states and the annual payroll tax reconciliation based on accounting and payroll records supplied by you.

16. ASIC & Company secretarial

We will act as the registered office for your companies that are registered with ASIC.

We will update ASIC records for change in director/shareholder details as notified by you and send to relevant persons for electronic signature prior to lodgement.

It is your responsibility to ensure all ASIC fees are paid on time and that you advise us immediately of any changes that need to be notified to ASIC

17. Fringe benefits tax returns

Where this firm has been engaged to prepare and lodge the FBT returns for your Entities, we will:

- Advise on how to collate the information necessary to prepare the annual FBT return;
- Review of the methods available to reduce the FBT expense on the annual FBT return;
- Calculate Reportable Fringe Benefits; and
- Advise of amounts that may be required to be included on the annual payment summaries for your employees.

18. Worker's compensation declarations

We will complete the declaration based on payroll records and other information provided by you.

19. KPI Tracking

We will identify 3-5 Key Performance Indicators for the business and include these in our regular reporting to you. This will exclude historical analysis prior to the commencement date of the engagement.

20. Business Meetings

The meeting will generally last for 1 to 2 hours and will be in the nature of verbal advice only to discuss general business issues.

21. Cashflow forecasts

Preparation of monthly profit and loss, balance sheet and cashflow statements (3 way forecast) for a period of 2 years, based maximum of 5 flexible assumptions.

22. Minor ad-hoc advice

We will be available to respond to minor ad-hoc queries in respect of business, taxation and other matters as and when required without an additional fee. As a guide a minor ad-hoc query would be considered something that takes us under 1 hour of our time to respond to your query.

Urgent work, that requires us to "drop what we are doing" to assist would not be considered minor and will be considered a special project.

23. 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.

24. Disbursements

In addition to our professional fees, you will be responsible for payment of expenses which we incur on your behalf (together with the GST that we pay in relation to such expenses), as set out below.

Certain government charges and fees included in some matters undertaken in the scope of our engagement are effectively GST-free to the applicant, but will attract the GST if paid by this firm and then passed on to you as part of our services.

Accordingly, for certain disbursements in this category, namely:

- ASIC fees;
 - new company and trust deed orders; and
 - other specific disbursements notified from time to time,
- we will act as your agents in incurring those disbursements. You will therefore technically be primarily liable to pay the account to the supplier. Under this agency relationship, you will receive the benefit of any concessional GST treatment of any part of the disbursement.

Where GST is payable on some or all of a supply acquired by us as your agent, we will forward you the Tax Invoice and you will be entitled to claim the input tax credits directly if you have an ABN and are entitled to claim input tax credits.

For all other disbursements (e.g., couriers, searches, photocopying, etc.) the treatment will be the same as for professional fees – i.e., we will incur the costs at first instance and invoice them on to you after making allowance for any GST input tax credits received by us on the acquisition. These invoices will include GST for which you may be entitled to claim an input tax credit.