

OUR ENGAGEMENT WITH YOU

THIS DOCUMENT SETS OUT OUR UNDERSTANDING OF THE TERMS AND OBJECTIVE OF OUR ENGAGEMENT WITH YOU, AS WELL AS THE NATURE AND LIMITATIONS OF THE SERVICES WE WILL PROVIDE TO YOU AND/OR YOUR COMPANY/BUSINESS.

1. PREPARATION AND DRAFTING OF ALL COMPANY SECRETARIAL AND STATUTORY DUTIES

This includes:

1. Drafting and/or preparing statutory documentation as required in terms of the **Companies Act 71 of 2008**, as amended, and applicable regulations.
2. In relation to the preparation of the Company's annual financial statements, and to the extent applicable to the Company's circumstances and the services for which we have been engaged:
 - (i) ensuring that the annual financial statements are prepared from the Company's accounting records;
 - (ii) considering the appropriateness of the accounting policies represented to us as having been applied in the preparation of the annual financial statements; and
 - (iii) reporting to the Company in respect of the work performed and matters arising from our engagement.
3. If, during the performance of our duties, we become aware of any material contravention of an applicable provision of the **Companies Act 71 of 2008** or other applicable legislation, we shall bring the matter to the attention of the Company where appropriate.
4. Where the person responsible for the preparation of the financial statements is a director, shareholder, employee or otherwise has an interest in the Company, the appropriate disclosure shall be made where required.
5. Where, during the performance of our duties, we become aware of circumstances indicating that the Company may not be carrying on business or may not intend to resume operations, or where material statutory or financial reporting irregularities come to our attention, we shall advise the Company accordingly and, where required by law, make the appropriate report to the relevant regulatory authority.

2. IN ADDITION, WE WILL SUPPLY YOU WITH THE FOLLOWING

** Charges may apply.*

- 2.1 Any bookkeeping and processing of accounting documents.*
- 2.2 Reconcile the Company's bank account with the bank statement each month for proper account balance and to identify any errors. We will make correcting entries directly and identify the source of each adjustment. We will inform you of these adjustments and make you aware of any corrections.*
- 2.3 Review, analyse and reconcile general ledger accounts for accuracy and confer with you regarding any items not fully understood.*
- 2.4 Prepare and record all necessary journal entries to reflect correct accounting records.*
- 2.5 Prepare and present Financial Statements.*
- 2.6 Prepare Income Tax Returns in accordance with the **Income Tax Act 58 of 1962**, as amended.*
- 2.7 Review the Sales Journal and prepare **Value-Added Tax (VAT) Returns** in accordance with the **Value-Added Tax Act 89 of 1991**, as amended.*

- 2.8 Review and reconcile payroll records and corresponding tax returns.*
- 2.9 Prepare and process Annual Tax Returns.*
- 2.10 Set up and install an accounting system/programme and provide basic training.

3. SCOPE AND LIMITATION OF OUR SERVICES

- 3.1 Our engagement is limited to the period and the accounting services indicated above.
- 3.2 This engagement does not include business management. We will not review the payment of any invoices or bills. If an amount appears unusual or out of the ordinary, we will call it to your attention, but we do not take any responsibility for the discovery of errors, irregularities or fraud.
 - 3.2.1 Any payments made from your Company's bank account should reflect:
 - (a) the **SUPPLIER** name and the Invoice Number, e.g. MIKON 123456, should it be a supplier's payment;
 - (b) the **EMPLOYEE NAME**, should this be a wage or salary payment; and
 - (c) **SHAREHOLDER DRAWINGS / SHAREHOLDER LOAN**, should it be a payment to a shareholder or a shareholder's loan account.
- 3.3 This engagement will not constitute an audit or independent review of your financial statements, or any other accounting documents and information you provide, in accordance with applicable auditing or review standards. Accordingly, you agree not to refer to the services provided under this engagement as an audit or independent review unless a separate engagement has been entered into for such services.
- 3.4 We will not verify the data you submit for accuracy or completeness. Rather, we will rely on the accuracy and completeness of the documents and information you provide to us. Accordingly, our engagement cannot be relied upon to disclose errors, fraud or other illegal acts that may exist.

However, it may be necessary to ask you for clarification of some of the information you provide, and we will inform you of any material errors, fraud or other illegal acts that come to our attention, unless they are clearly inconsequential.
- 3.5 We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot, therefore, be relied upon to make disclosure of such matters.

4. COMPANY RESPONSIBILITY

You, the **Company, Shareholder(s) and/or Director(s)**, are:

- 4.1 Responsible for adopting sound accounting policies, maintaining an adequate and efficient accounting system, safeguarding assets, authorising transactions, retaining supporting documentation for those transactions, and devising a system of internal controls that will, among other things, help ensure the preparation of proper financial statements.

Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services.

- 4.2** Responsible for the design and implementation of programmes and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving:
- (a) management;
 - (b) employees who have significant roles in internal control; and
 - (c) others where the fraud could have a material effect on the financial statements.
- 4.3** You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators or others.
- 4.4** In addition, you are responsible for identifying and ensuring that the Company complies with applicable laws and regulations.

5. ANNUAL RETURNS

In terms of the **Companies Act 71 of 2008**, as amended, and the applicable CIPC requirements, the Company is required to submit its prescribed annual returns to the **Companies and Intellectual Property Commission (CIPC)**.

Reed Business Consultants shall, on an annual basis, issue a TAX INVOICE to you ("the Client") for the prescribed annual return filing fees and our applicable professional fees.

This tax invoice will be delivered to you in advance of the Company's annual return due date, and the amounts shall be due and payable to Reed Business Consultants prior to the applicable filing deadline.

Should this invoice not be paid, Reed Business Consultants shall not be responsible for submitting or paying the prescribed CIPC fees on behalf of the Company, and the Client shall be liable for any penalties, interest, costs or other consequences arising from the late filing or non-filing of the annual return.

The invoice shall include our prescribed professional fee together with the applicable CIPC filing fee and any other statutory charges applicable at the time.

Companies are required to comply with the applicable CIPC annual-return requirements, and failure to comply may result in penalties and, where applicable, deregistration proceedings. ([CIPC](#))

6. YOUR RESPONSIBILITY – BOOKKEEPING

THIS WILL BE CHARGED SEPARATELY ON YOUR INVOICE, APART FROM OUR MONTHLY ACCOUNTING FEE.

- 6.1** You must provide us with the following documents:
- 6.1.1 Cash receipt reports and deposit slips.
 - 6.1.2 Cash disbursements and bank statements.
 - 6.1.3 Cheque register and prior year's tax return.
 - 6.1.4 **Memorandum of Incorporation (MOI)** and any relevant shareholders' agreements or other constitutional documents.
 - 6.1.5 Copies of purchase/lease contracts and loan agreements.
 - 6.1.6 Detailed list of Company assets, including description, date of acquisition, original cost and current value.

- 6.1.7 Annual returns and company secretarial documentation as required by the **Companies Act 71 of 2008** and CIPC.
- 6.1.8 Other documents necessary for correct accounting and reporting.
- 6.2 In order for us to complete this engagement, and to do so efficiently, we require unrestricted access to the following documents and information concerning your Company:
 - 6.2.1 Copies of basic documents reflecting your financial transactions, including:
 - 6.2.2 Cheque stubs;
 - 6.2.3 Summaries of cash receipts and sales, whether cash or credit;
 - 6.2.4 Bank statements and cancelled cheques;
 - 6.2.5 Listings of accounts receivable and accounts payable;
 - 6.2.6 Documentary support of property and equipment transactions, including purchases;
 - 6.2.7 Trades, sales and other disposals;
 - 6.2.8 Information concerning any mortgage or pledge of business assets or business debts;
 - 6.2.9 Any personal guarantees or debt;
 - 6.2.10 Leases or other information that affects or may affect the results of operations of the business;
 - 6.2.11 Any other financial information necessary for purposes of preparing the accounting records, trial balance and tax returns; and
 - 6.2.12 Identification of all cash receipts as to source, i.e. loans, sales, etc., and information concerning all transactions that are consummated with cash.
- 6.3 Any failure to provide such documents and information, and to do so on a timely basis, will impede our services and may require us to suspend our services or withdraw from the engagement.

You agree to accept responsibility for any effect on your accounting records and financial statements arising from basic financial information or transaction documents not submitted to us for processing and entry, or losses that may result from their absence.
- 6.4 For purposes of entry of financial information from your basic transaction documents, classification according to the agreed-upon chart of accounts will be performed by you or your employees. As business conditions change, we may mutually agree to change or modify this arrangement.
- 6.5 The Client agrees that these documents should be forwarded to our office on a periodic basis, such as monthly, as this will enable us to provide you with current, meaningful and useful financial statements.

7. RETENTION POLICY

- 7.1 In conformity with the applicable requirements of the **Financial Intelligence Centre Act 38 of 2001 (FIC Act)**, together with our internal record-retention policy, we recommend that you retain all accounting records and work papers related to the engagement for a period of **10 years**, unless a longer period is required by applicable legislation or a particular matter.

The FIC Act contains statutory record-keeping requirements, including a general five-year minimum for specified records. Our recommended ten-year retention period is therefore an internal policy

recommendation and is not intended to suggest that the FIC Act itself requires ten years in every circumstance. (FIC)

When records are returned, it is your responsibility to retain and protect them for future use, potential examination by any government or regulatory agency, prospective buyers of your business, acquiring business loans, legal proceedings or any other legitimate purpose.

8. OUR FEE POLICY

- 8.1** Our fees for bookkeeping services will normally be charged per hour plus out-of-pocket expenses or a fixed monthly fee, excluding our Monthly Accounting Fee and including the provision of company secretarial services and the maintenance of statutory records, as stated on your invoice, whichever we agree upon in writing.

Income Tax Returns, Annual Financial Statements and/or Management Accounts/Reports will be billed separately.

A minimum deposit may be required and will be settled at the end of the engagement.

9. ONGOING BOOKKEEPING SERVICES

MONTHLY ACCOUNTING FEES WILL BE BILLED ON A MONTHLY BASIS.

- 9.1** Any additional accounting services requested will be billed separately. This may include, but is not limited to, compliance services, handling licences, cost reporting for Government agencies, audit representation or filing renewals.

- 9.2** All invoices are due and payable upon presentation. Billings become delinquent if not paid within 15 days of the invoice date.

If billings are past due in excess of 45 days, we will stop all work until your account is brought up to date, or you withdraw from the engagement.

- 9.3** By this engagement, whether signed or not, you, the holder of the account, automatically authorise us to collect by direct debit any amounts overdue after 30 days if not paid.

Should the payment be unsuccessful, the account will be handed over for debt collection. All costs, including collection fees, will be for your account.

- 9.4** The Client acknowledges and agrees that we are not required to continue work in the event of failure to pay on a timely basis for services rendered as required by this engagement.

The Client further acknowledges and agrees that, in the event we stop work or withdraw from this engagement as a result of the Client's failure to pay on a timely basis for services rendered as required by this engagement, we shall not be liable for any damages that occur as a result of ceasing to render services.

10. TERMINATION OF SERVICE

Should you wish to terminate your service with us, the following is requested:

- 10.1** Letter of approach from the new accounting and/or accounting services provider.
- 10.2** Letter of appointment from the new accounting and/or accounting services provider.
- 10.3** Once we have received the relevant letters of appointment, we will prepare our file for transfer, subject to all outstanding fees and amounts due to us being settled.

11. INDEMNITY

- 11.1** Upon our appointment, the Client accepts and agrees to indemnify Paul Smit and/or Reed Business Consultants from any acts done and/or errors and/or omissions made by any previous bookkeeper and/or accounting service provider relating to the processing of Sales and/or Tax Invoices, VAT and/or Tax Returns and/or audits submitted to **SARS**, and/or related work.
- 11.2** Upon our appointment, this letter indemnifies Paul Smit and/or Reed Business Consultants **[Pty] Ltd** for and from any monetary losses suffered by him/her/it, including but not limited to legal fees caused in whole or in part as a result of the negligence, dishonesty or any other unauthorised act performed by any previous accounting service provider and/or bookkeeper, and/or caused by a failure by the Client to meet or fulfil the obligations imposed upon him/her/it as it appears in this engagement letter.
- 11.3** The Client hereby irrevocably indemnifies and holds harmless Reed Business Consultants, together with its directors, employees, officers and authorised representatives (collectively, the "Indemnified Parties"), from and against any and all claims, demands, actions, liabilities, losses, damages, costs and expenses, including, without limitation, legal costs on the attorney-and-client scale, arising out of, or in connection with, the performance of services under this Agreement, save where such loss or liability arises solely from the gross negligence or wilful default of the Indemnified Parties.
- 11.4** Without derogating from the generality of the foregoing, the Client expressly indemnifies the Indemnified Parties against any obligation to furnish, provide or secure payment of any sum as security for costs in legal proceedings as may be ordered by a court of competent jurisdiction in terms of applicable South African law.

12. SURETYSHIP AND CO-PRINCIPAL DEBTOR

- 12.1** The individual or duly authorised signatory executing this Engagement Letter on behalf of the Client hereby irrevocably and unconditionally binds himself or herself jointly and severally, as surety and co-principal debtor in solidum with the Client, for the due and punctual payment of all amounts owing under this Agreement, including but not limited to legal costs on the attorney-and-own-client scale, collection commission, interest, penalties and any ancillary charges, in accordance with the applicable provisions of the **Companies Act 71 of 2008**, the **Prescription Act 68 of 1969**, and other applicable laws of the Republic of South Africa.

The obligations assumed under this clause shall be of a continuing nature, shall remain in full force and effect notwithstanding any amendment, novation, compromise or other indulgence granted to the Client, and shall constitute a separate and independent undertaking enforceable against the signatory as if he or she were the principal obligor.

13. CONSENT TO JURISDICTION

- 13.1** The Client and the Surety hereby irrevocably consent and submit to the jurisdiction of the **Magistrates' Courts of the Republic of South Africa**, in terms of the **Magistrates' Courts Act 32 of 1944**, as amended, for the adjudication of any claim, action or proceedings arising out of or in connection with this Agreement, notwithstanding that the amount claimed may exceed the ordinary jurisdictional limits of the said Courts.

Nothing herein shall preclude Reed Business Consultants from instituting proceedings in any other court of competent jurisdiction should it so elect.

14. ACCEPTANCE OF TERMS

By continuing to engage the services of Reed Business Consultants, the Client is deemed to have read, understood and irrevocably accepted the terms and conditions of this Engagement, as published on our official website and incorporated by reference into the first invoice issued to the Client.

The Client agrees to be bound by these terms and conditions in full, **WHETHER OR NOT THIS ENGAGEMENT LETTER IS PHYSICALLY SIGNED**, and such acceptance shall constitute a valid, binding and enforceable agreement between the parties for all purposes under the laws of the **Republic of South Africa**.

15. LEGAL AND COMPLAINTS

In the case of a complaint in any matter, legal or otherwise, all correspondence should be lodged with our Legal Department.