LIMITED COMPANY – AUDIT

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as auditors and to clarify our respective responsibilities in respect of the audit.

Auditing Standards require us to appoint an engagement partner who shall take overall responsibility for the planning and conduct of the audit, and for the report that is issued on behalf of the firm. We have assessed the professional requirements of this assignment and have nominated the person listed as the Senior Statutory Auditor.

Under the *Companies Act* 2006 (CA 2006), the audit report in the signed copy of the financial statements provided to you must be signed by the Senior Statutory Auditor in their own name on behalf of the firm. The audit report in all other copies of the financial statements must state the name of the Senior Statutory Auditor, but may be signed in the name of the firm. The audit report in the financial statements filed at Companies House must state the name of the Senior Statutory Auditor and the name of the firm but does not need to be signed.

1 Your responsibilities as directors

1.1 Our audit will be conducted on the basis that you acknowledge and understand that you have responsibility:

(a) to prepare financial statements for each financial year that 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 those 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) for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable you to ensure that the financial statements comply with CA 2006 and applicable accounting standards. 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; and

(d) for safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly and 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 to provide us with:

(a) access to all information of which you are aware that is relevant to the preparation of the financial statements such as the company's books of account and all other

relevant records and documentation, including minutes of all management and shareholders' meetings and other matters;

(b) additional information that we may request from you for the purpose of the audit, including access to information relevant to disclosures;

(c) unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence; and

(d) additional information that may include when applicable, matters related to other information in accordance with ISA (UK) 720. If such information is not expected until after the date of the auditor's report, you should note that we still have a responsibility to take appropriate action if we consider a material misstatement exists in this other information.

1.4 You are required to confirm in the directors' responsibility statement that:

(a) an appropriate accounting basis was used to prepare the financial statements; and

(b) in so far as you are aware, there is no relevant audit information of which we, the company's auditors, are unaware and that you have taken all the steps that you ought to take as directors in order to make yourselves aware of any relevant audit information and to establish that we are aware of that information.

1.5 Where audited information is published on the company's website or by other electronic means, it is your responsibility to advise us of any intended electronic publication before it occurs and to ensure that any such publication properly presents the financial information and auditor's report. We reserve the right to withhold consent to the electronic publication of our report if it or the financial statements are to be published in an inappropriate manner.

1.6 It is your responsibility to ensure there are controls in place to prevent or detect quickly any changes to that information. We are not required to review such controls or to carry out ongoing reviews of the information after it is first published. The maintenance and integrity of the company's website is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

Scope of the audit

1.7 In connection with representations and the supply of information to us generally as part of the audit, we draw your attention to CA 2006, s. 501 under which it is an offence for an officer or employee of the company to knowingly or recklessly make misleading, false or deceptive statements to the auditors.

1.8 We expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting which may affect the financial statements. We are entitled to receive details of all written resolutions that are to be circulated to members, to attend all general meetings of the company, and to receive notice of all such meetings.

2 Our responsibilities as auditors

2.1 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK) as to whether:

- the financial statements give a true and fair view of the state of the company's affairs as at the year end, and of its profit or loss for the year then ended;
- the financial statements have been properly prepared in accordance with applicable accounting standards;
- the financial statements have been prepared in accordance with the CA 2006;
- the financial statements have been appropriately prepared on the going concern basis;

- the financial statements have disclosed any identified material uncertainties that may cast significant doubt on the company's ability to continue to adopt the going concern basis for at least the next twelve months from the date they are approved;
- the directors' report and, if relevant, the strategic report or any other information included in the annual report:
  - have been prepared in accordance with applicable legal requirements;
  - include information that is consistent with the financial statements; and
- in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified any material misstatements in the directors' report and, if relevant, the strategic report or any other information included in the annual report, and to give an indication of the nature of such misstatements.

In respect of the following matters specified in the CA 2006 we will also report to you on whether or not in our opinion:

- adequate accounting records have been kept by the company and returns adequate for our audit have been received from branches not visited by us; or
- the financial statements are in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have received all the information and explanations we require for our audit; or
- where the company has prepared financial statements in accordance with the small company regime, whether it is entitled to do so; or
- where the company has taken advantage of the small companies' exemption in preparing the directors' report and, if relevant, taken advantage of the small companies' exemption from the requirement to prepare a strategic report, whether it is entitled to do so.

In arriving at that opinion those standards require us to comply with ethical requirements.

2.2 It is not sufficient for us as auditors to conclude that the financial statements give a true and fair view solely on the basis that the financial statements were prepared in accordance with accounting standards and any other applicable legal requirements. We are therefore required to consider whether additional disclosure will be necessary in the financial statements when compliance with an accounting standard is insufficient to give a true and fair view. If you are unwilling to make such additional disclosures, we will have to consider the effect on our report.

2.3 If the financial statements have been prepared in accordance with the micro-entities regime and FRS 105, which is not considered a fair presentation framework but a compliance framework, we reserve the right to include an 'other matter' paragraph in our report to mitigate any potential misunderstanding.

2.4 Our report will be made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of CA 2006. Our audit work will be undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for the audit report, or for the opinions we form. The audit of the financial statements does not relieve you of your responsibilities.

2.5 There are certain other matters which, according to the circumstances, may need to be dealt with in our report. For example, where the financial statements do not give details of directors' remuneration or of their transactions with the company, the CA 2006 requires us to disclose such matters in our report. Although only auditors of listed companies are required to include key audit matters in their report, there may be rare occasions when we believe it necessary to communicate key audit matters in our report.

2.6 In addition, we have a professional duty to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion non-

compliance is justified in the circumstances. In determining whether or not any departure is justified we will consider:

(a) whether the departure is required in order for the financial statements to give a true and fair view; and

(b) whether adequate disclosure has been made concerning the departure.

2.7 Our professional duties also include:

(a) incorporating in our report a description of the directors' responsibilities for the financial statements, where the financial statements or accompanying information do not include such description; and

(b) considering whether other information in documentation containing the financial statements is consistent with the audited financial statements and our knowledge acquired during the course of the audit.

2.8 Where the company is a subsidiary of a group, the audited financial statements of this company are included in the group financial statements of the parent company. We are required by auditing standards to cooperate with the auditors of the parent company and to provide them with representations and confirmations concerning the conduct of the audit of this company. You agree that we may correspond with the auditors of the parent and respond to their reasonable requests for explanations and information (which may include granting them access to our working papers and the transfer of relevant documentation for the use of the group auditor) concerning the preparation and audit of the group financial statements without further authority from you. Our communications with the group auditor will be unrestricted to the extent possible under laws and regulations. Our communications with the group auditor may include:

(a) the sharing of important communications between us as component auditor, and you as component management, or those charged with governance, including communications on deficiencies in internal control; and

(b) communications between regulatory authorities and entities or business units related to financial reporting matters that may be relevant to the group audit.

The group auditor may request that we perform additional work on the company for the purposes of the group audit. This work may extend beyond the work that we would reasonably undertake as part of our statutory audit work on the company.

2.9 Where the company is the parent of a group and all components are audited by the same firm, the audited financial statements of this company are the group financial statements.

As the group engagement auditors, we are required by auditing standards to coordinate the audit work on all subsidiary companies. Therefore, whilst as auditors of each subsidiary company the firm already has access to the management of those companies concerning their individual audited financial statements, you agree that we may also correspond with the management of the subsidiary companies and request reasonable information concerning the preparation and audit of the group financial statements without further authority from you.

2.10 Where the company is the parent of a group and not all component auditors are from the same firm, the audited financial statements of this company are the group financial statements.

As the group engagement auditors, we are required by auditing standards to coordinate the work of the auditors of the components and to provide them with guidance concerning the conduct of the audit of the group. You agree that we may correspond with the management, or those charged with governance, as appropriate, of the components, and their auditors, and request reasonable explanations and information (which may include access to the component auditor's working papers and the transfer of relevant documentation from the

component auditor) concerning the preparation and audit of the group financial statements without further authority from you. Our communications with the component auditors will be unrestricted to the extent possible under laws or regulations. Component auditors are required to share the following communications with us:

(a) important communications between the component auditor and those charged with governance or management of the component, including communications on significant deficiencies in internal control; and

(b) communications between regulatory authorities and entities or business units related to financial reporting matters that may be relevant to the group audit.

As the group engagement auditors, we are also permitted to perform work, or request a component auditor to perform work, at the component for the purposes of the group audit.

2.11 We will inform you of all significant facts that may bear upon our integrity, objectivity and independence. If the entity is listed or another public interest entity we will provide a written statement that we have complied with the relevant ethical requirements and will communicate all relationships and other matters that may reasonably be thought to bear on our independence together with any relevant safeguards.

2.12 Where we cease to act as statutory auditors, we are required by SI 2016/649 *Statutory Auditors and Third Country Auditors Regulations* 2016 to make available, if requested, all relevant information concerning the most recent audit of the company to our successors as auditors. You agree to cover any reasonable costs that we may incur in fulfilling our statutory duty in making such information available.

Scope of the audit

2.13 Our audit will be conducted in accordance with the ISAs (UK) issued by the Financial Reporting Council (FRC). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. We will evaluate whether the information presented in the financial statements is relevant, reliable, comparable and understandable as well as providing adequate disclosures and appropriate terminology. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors;
- whether there is adequate disclosure of the applicable financial reporting framework; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and, if relevant, the Strategic Report, as stated in 2.1. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

2.14 Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered even though the audit is properly planned and performed in accordance with ISAs (UK).

2.15 We will obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish whether the company has maintained adequate accounting records. We will need to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.

2.16 The nature and extent of our tests will vary according to our assessment of the company's accounting and internal control systems, and may cover any aspects of the business's operations. We shall report to the management any significant deficiencies in, or observations

on, the company's systems that come to our attention of which we believe the directors should be made aware. Any such report may not be provided to any third party without our prior written consent. Such consent will only be granted on the basis that such reports are not prepared with the interests of any party other than the members in mind and that we therefore neither have nor accept any duty or responsibility to any other party as concerns the reports.

2.17 In performing our audit procedures, we may make use of analytical tools. To facilitate this, we may request that you extract data, provide back-ups or provide alternative access to your accounting systems. How we will use analytical tools and any data provided will be set out in the communication of our planned approach.

2.18 As noted in section 1, the responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the directors. However, we will plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities, fraud or non-compliance with law or regulations, but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance that might exist.

2.19 As part of our normal audit procedures, we will request you to provide formal representations concerning certain information and explanations we receive from you during the course of our audit. In particular, where we bring misstatements in the financial statements to your attention which are not adjusted, we shall require written representation of your reasons.

2.20 To enable us to conduct a review of your financial statements, which constitutes part of our audit, we will request sight of any documents or statements which will be issued with the financial statements.

2.21 Once we have issued our report we will have no further direct responsibility in relation to the financial statements for that financial year. However, as noted in section 1, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting which may affect the financial statements.

2.22 HMRC do not require the auditor to provide assurance on the XBRL tagging of the financial statements submitted to it with the Company Tax Return. In addition, the ISAs (UK) do not require the auditor to confirm the accuracy of the tagging as part of the audit. Accordingly, our audit does not cover the accuracy of the XBRL tagging in the financial statements, and we accept no responsibility for any inaccuracies identified by HMRC.

2.23 A fuller description of the scope of an audit of financial statements arising from the requirements of ISAs (UK), together with other legal and regulatory requirements, is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Communication

2.24 In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications.

- We shall contact your primary contact listed by telephone prior to each year-end for preliminary discussions concerning the audit. We will confirm in writing the matters discussed and any agreed action.
- We will arrange a meeting to discuss the forthcoming audit prior to the expected start date. Again we will confirm in writing the matters discussed and any agreed action.
- We will arrange a meeting to discuss any matters arising from the audit after completion of the detailed work. Again we will confirm in writing the matters discussed and any agreed action.

2.25 The formal communications set out above are the minimum required to comply with auditing standards. We shall of course contact you on a more frequent and regular basis regarding both audit and other matters.

2.26 We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm (principals and staff) other than those engaged on the audit, for example information provided in connection with accounting, taxation and other services.