

TRANSITION TO A NEW ACCOUNTING BASIS

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 transition from old UK GAAP to a new accounting basis as specified in **Key Facts**, and to clarify our respective responsibilities in respect of that work.

We will communicate with the person named in **Key Facts** in relation to the entity's affairs having agreed with you that he/she may represent the entity in its financial affairs.

1 Your responsibilities

- 1.1 You are responsible for the determination, under the new accounting basis, of:
 - (a) the accounting policies and estimates;
 - (b) necessary judgments regarding facts and figures in the financial statements; and
 - (c) the choice of transitional exemptions taken.
- 1.2 You are responsible for providing us with all relevant accounting records and financial information to enable us to meet our responsibilities, which will include, where relevant, valuations and the details of any valuation method used from yourselves or third parties.
- 1.3 You are responsible for telling us if you intend to apply the 'undue cost or effort' exemption for any items in the financial statements and the rationale for so doing.
- 1.4 You are responsible for communications with third parties, such as lenders, investors or employees, regarding the impact of the new accounting basis, including whether and how it might impact on any bank covenants, profit related pay or earn-outs on business combinations.
- 1.5 You are responsible for determining if there is any impact on the going concern status of the entity and informing us of this.
- 1.6 You are responsible for ensuring that your systems are capable of capturing the information necessary for the preparation of the financial statements under the new accounting basis.
- 1.7 You are responsible for ensuring that, to the best of your knowledge and belief, the financial information supplied to us is accurate and complete.
- 1.8 You will approve and sign the financial statements thereby acknowledging responsibility for them, including the appropriateness of the accounting basis on which they are compiled, the policies selected and the disclosures given, and for providing us with all information and necessary explanations to complete our responsibilities.

2 Our responsibilities as accountants

- 2.1 We will carry out the work as stated in **Key Facts** which may include some or all of the following services:
 - (a) where there is more than one applicable accounting basis, advising you on the key elements of the different bases available to you and the impacts they may have on your financial statements;
 - (b) advising on the impact of the various transitional exemptions on moving to the new accounting basis and the factors to consider in reaching a decision on which to take advantage of;
 - (c) advising you of the options available for presentation of the financial statements to assist you in making a choice;

- (d) preparing the transitional adjustment, based on the information provided by you, as at the start of the comparative period, and the related adjustments in the comparative and current period;
- (e) preparing the transitional disclosures as required or encouraged by the new accounting basis;
- (f) advising on the taxation impact of the changes to the new accounting basis and how this may interact with the choices of policy and transitional exemptions available.

2.2 Where we also perform an audit for the entity (if specified earlier in **Key Facts**), we are responsible for ensuring that we are able to carry out the work in this schedule, as specified in **Key Facts**, with sufficient safeguards in place to maintain our independence in accordance with ethical requirements.