

1. SCOPE OF WORK & TERMS OF ENGAGEMENT

1.1 The work to be undertaken by us is summarized below, our work will be limited to the matters set out in this document.

1.2 We will advise and assist in completing collateral surveys and audits for various companies ("Review Companies") who are existing or proposed clients of the lender using either your collateral review workpapers or Audit ID workpapers (to be agreed).

1.3 You will provide details of the Review Company, from which we will then arrange the commencement date in line with your requirements. For existing client reviews the lender will provide historic information, in order that Audit ID can prepare for the review to include;

- Prior collateral review report
- Last loan portfolio review
- Current internal statistics and reserves

1.4 Audit ID Ltd will not verify or corroborate the information provided. Current review findings will be combined with historic statistics reported in prior reports and, where required, reported on a combined basis.

1.5 Following our review, we will report our findings to you in the form of a confidential collateral survey report normally within 3 working days from completion of field work. The report is to be read in conjunction with collateral review workpapers.

1.6 The scope of our work will be in accordance with the lender's collateral review programme. Sample sizes to be completed for accounts receivable review will be agreed between us prior to undertaking the job. Standard samples sizes for various tests are currently as follows;

- Shipping test ≥ 10 items
- Credit Notes Discretionary depending on dilution levels
- Remittance Test ≥ 10 items
- A Telephone Debt Verification will be completed on request (this maybe subject to an additional fee – to be negotiated per instruction)
- Inventory cost test $> 10\%$ of inventory value or 10 items
- Inventory gross margin test $> 10\%$ of inventory value or 10 items
- Inventory count $> 10\%$ of inventory value

1.7 The scope of our work will be limited by the time available and by the information made available to us that will be limited. In the circumstances, you should not rely on our work and our report as being comprehensive as we may not become aware of all facts or information that you may regard as relevant.

1.8 Our work will not be an adequate substitute for the sort of comprehensive investigation on which reliance could properly be placed as part of the process in making an investment decision.

1.9 We appreciate that you may use our reports for the purpose of considering your lending strategy in respect of the Review Companies. The nature of the collateral survey services is limited, and our reports should not form the sole basis of your decision. We understand that the completion of a collateral survey by Audit ID is only one of several steps taken by the lender to protect itself from any potential loss including that which may arise as a result of fraud at the Review Company.

1.10 You acknowledge that in view of the limited scope of the Service provided by Audit ID we will not necessarily detect a fraud or identify all matters that will be of interest to the lender. Our sole duty of care in respect of the Services is to you.

1.11 Our Reports will solely deal with the matters set out above. For the avoidance of doubt, in addition to any limitations arising from the access constraints noted above, we accept no responsibility for the following matters and we shall not report on them:

- issues of law (including, without prejudice to the foregoing, validity and effectiveness of contracts, licences, title deeds including those for property, investments and stock, encumbrances, compliance with relevant laws and regulations and all matters relating to product liability)
- the commercial merits of the Funding

- the technical merit of the Target's technology or the market for it
- advice on the merits of funding
- environmental issues
- specialist industry advice
- current market values of property and stock
- directors' CVs
- regulatory issues

1.12 You should consider whether to obtain expert advice in relation to these areas.

1.13 The Reports (and any Drafts) and any related communications are limited in nature, and do not comprehend all matters relating to the Funding that might be pertinent or necessary to your evaluation. Accordingly, the Reports and any related communications should not be taken to supplant other inquiries and procedures that you should undertake.

2. CONTACT POINTS AND AUTHORISATION

2.1 It is envisaged that each review will take approximately 1-7 days, depending on the size of the case and the nature of the issues involved.

2.1 Our understanding is that we shall report to Lender contacts to be agreed at each instruction.

2.2 It is expressly agreed between us that in all dealings with third parties we will be acting as agent on your behalf and not as principal, and that we shall be entitled to make this clear in all communications with such third parties.

3. FEES

3.1 Our rate per day for performing collateral surveys will be £850 per day excluding disbursements. We will raise our invoice following completion of each individual review for incurred charges.

3.2 Our invoices are payable within 7 days from date of invoice. In addition, expenses will be charged as incurred, and any significant expenses will be agreed with you in advance.

3.3 Our fees and expenses for this work will be the sole responsibility of The Lender.

4. AGREEMENT OF TERMS

4.1 Once it has been agreed, these terms and conditions will remain effective until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of termination must be given in writing. We shall be grateful if you will confirm in writing your agreement to these terms by signing and returning the copy of this document.