

Contract Number: CBCVF/00202

Unclassified

DATED 3 July 2008

THE SECRETARY OF STATE FOR DEFENCE (1)

and

BVT SURFACE FLEET LIMITED (2)

**AIRCRAFT CARRIER
MANUFACTURING PHASE
FLOW THROUGH CONTRACT**

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CONTENTS

Clause	Heading	Page
1	Definitions and Interpretation	3
2	Duration	3
3	Schedule of Requirements for Manufacture, Supply and Delivery	3
4	Quality	3
5	Rectification of Defects	3
6	Acceptance	3
7	Title	3
8	VAT	3
9	Design Authority	3
10	No Lien	3
11	Export and Import Regulation	3
12	Spares	3
13	Liability/Indemnity/Insurance	3
14	Delay and Force Majeure	3
15	Termination	3
16	Survivorship	3
17	Variations and Change Procedure	3
18	Assignment and Novation	3
19	Notices	3
20	General	3
21	Dispute Resolution	3
22	Law	3
23	Jurisdiction	3
24	Delivery of Agreement	3
25	Counterparts	3
Schedule 1	Definitions and Interpretation	3
Schedule 2	Statement of Work	3
Schedule 3	Cardinal Date Programme	3
Schedule 4	Acceptance	3
Schedule 5	Title	3
Schedule 6	Price and Payment	3
Schedule 7	DEFFORM 111	3
Schedule 8	Ship Trials	3
Schedule 9	Ship Related Formalities	3

THIS CONTRACT is made on

2008

BETWEEN:

- (1) **THE SECRETARY OF STATE FOR DEFENCE** of Whitehall, London, SW1 (the “**Authority**”); and
- (2) **BVT SURFACE FLEET LIMITED** (company registration number: 06160534) whose registered office is at Daring Building, Bldg 2-166, Postal Point 100, Portsmouth Naval Base, Portsmouth, Hampshire PO1 3NJ (“**BVT**”).

WHEREAS:

- (A) On 13 April 2006 the Demonstration Phase Alliance Participants entered into the Demonstration Phase Alliance Agreement and their respective Demonstration Phase Works Contracts.
- (B) BVT has entered into the Manufacturing Phase Alliance Agreement (as defined in Schedule 1 (Definitions and Interpretation)) in connection with its participation in the Alliance for the Manufacturing Phase.
- (C) The Authority wishes to purchase and BVT wishes to supply the Vessels and carry out or procure the carrying out of the Works in respect of the Manufacturing Phase on the terms and conditions set out below.
- (D) BVT will subcontract elements of the Works to the Other Industrial Participants pursuant to the IP MFTC Subcontracts which Works will be managed pursuant to the Manufacturing Phase Alliance Agreement.

In consideration of the mutual covenants and undertakings set out below **THE PARTIES AGREE** as follows:

1 Definitions and Interpretation

- 1.1 This Contract shall be interpreted in accordance with the provisions of Schedule 1 (Definitions and Interpretation).

2 Duration

- 2.1 This Contract shall commence on the Commencement Date and subject to Clause 15 (Termination) shall continue until the end of Phase 2 save for any obligations which are intended to survive termination or expiry of this Contract in accordance with Clause 16 (Survivorship).

3 Schedule of Requirements for Manufacture, Supply and Delivery

- 3.1 In consideration of the Contract Price, BVT will supply the Vessels, with all D3B Defects rectified, and perform its other obligations under this Contract all in accordance with this Contract.

- 3.2 Each Vessel shall be delivered at the place where it is located when Vessel Acceptance takes place. Delivery of each Vessel shall occur when Vessel Acceptance is achieved on its Vessel Acceptance Date.

- 3.3 BVT shall and shall procure that its Sub-Contractors shall:

(a) carry out the Works in accordance with:

(i) the Ship Specification including:

(A) the Engineering Standards (which shall be amended within a period of three (3) months from the Commencement Date as set out in Paragraph 5 of the First AMB Minutes; and

(B) Section 1.23 regarding Build Standards which provides the means to develop and maintain a set of manufacturing and installation workmanship standards that ensure standardisation of production processes across all build locations. These standards have been drawn from the best practice of those Industrial Participants which have shipbuilding allocated to them in their Statement of Work, through their trade specific CAM working groups; and

(C) Rules of the Classification Society to achieve “class”

certification of the Vessel(s); and

(ii) Schedule 2 (Statement of Work);

(b) provide all material, equipment and consumables which (together with GFA provided by the Authority) is necessary to carry out the Works.

3.4 BVT shall ensure that the Works, and BVT's staff in the performance of the Works, comply with all applicable Legislation (including the Data Protection Act 1998, the Health and Safety at Work Act 1974, the Environmental Protection Act 1990 and the Management of Health and Safety at Work Regulations 1999).

3.5 BVT and the Authority shall monitor BVT's performance under this Contract, and BVT shall procure that the Other Industrial Participants shall monitor, with the Authority, their performance under their respective IP MFTC Sub-Contracts, in each case in accordance with the Authority's Supplier Development Scheme and the Supplier and Customer Performance Measurement Process.

3.6 The Authority shall pay BVT in accordance with the provisions of Schedule 6 (Price and Payment) which the Parties agree shall apply.

4 Quality

4.1 The following DEFSTANs and AQAPs shall apply to this Contract save to the extent of any inconsistency or conflict with any express provision hereof in which event the provisions of this Contract shall apply, and BVT shall procure that such DEFSTANs and AQAPs apply to the IP MFTC Sub-Contracts and to the extent required by the Procurement Strategy to any Sub-Contracts:

AQAP 2110	Ed 2	NATO Quality Assurance Requirements for Design, Development and Production
DEFSTAN 05-61 Part 1	Issue 4	Quality Assurance Procedural Requirements Part 1 Concessions
AQAP 2105	Ed 1	NATO Requirements for Deliverable Quality Plans
AQAP 2210	Ed 1	NATO Supplementary Software Quality Assurance Requirements to AQAP 2110

		Software
Def-Stan 05-99	Issue 2	Managing Government Furnished Assets in Industry

4.2 BVT, with the Other Industrial Participants, shall produce a quality plan which is consistent with AQAP 2105 within three (3) months of execution of this Contract for approval by the Authority.

4.3 BVT shall, and shall procure that the Other Industrial Participants shall, at all times during the Manufacturing Phase maintain and comply with:

- (a) its accreditation under ISO 9001 or any equivalent accreditation approved by the Alliance Management Board from time to time; and
- (b) the quality plan described in Clause 4.2 above; and
- (c) the Lifer Items Policy.

5 Rectification of Defects

5.1 Subject to Clause 5.2 below, BVT shall, prior to the Vessel Acceptance Date for each Vessel, rectify (whether by re-performing the relevant part of the Works or otherwise, including to the extent relevant by performing the work expressed in paragraphs 6 a - d inclusive of the SRI):

- (a) all Defects in relation to that Vessel; and
- (b) any damage to that Vessel and/or to any Vessel Parts relating to that Vessel and /or to other Insured Property, including damage caused by a Defect or arising from an Indemnified Event;

in order to bring the Works and/or the relevant part of the Works into conformance with the applicable requirements of this Contract. The costs of such rectification of such Defects and/or damage shall be Incurred Costs. Such rectification shall be carried out as soon as reasonably practicable and in any event within the period set out in the Defects Register.

5.2 Any Defect which is outstanding at the Vessel Acceptance Date, and which is

recorded as a D3B Defect on the D3B Report shall be rectified in accordance with Schedule 4 (Acceptance).

- 5.3 BVT shall, and shall procure that each of the Other Industrial Participants shall:
- (a) procure that if any manufacturer of any goods, Articles or services (or part thereof) in connection with the Works (but not any Authority Funded Capex Item), is required as a term of its contract with any Industrial Participant to provide a guarantee, warranty or other confirmation of quality, title or fitness for purpose ("**Manufacturer's Warranty**"), then BVT shall use its reasonable endeavours to procure that such Manufacturer's Warranty is provided for the benefit of all the Manufacturing Alliance Participants; and
 - (b) to the extent reasonably practicable transfer, or assign, to the Authority on the Vessel Acceptance Date for each Vessel the Manufacturer's Warranty to the extent that the same relates to such Vessel and is continuing and is capable of such transfer or assignment.

6 Acceptance

- 6.1 The provisions of Schedule 4 (Acceptance) shall apply.

7 Title

- 7.1 The provisions of Schedule 5 (Title) shall apply.

8 VAT

- 8.1 All sums or other consideration calculated or payable in respect of any supply to be made under this Contract are exclusive of VAT which shall be added, if applicable, at the appropriate rate prevailing at the relevant tax point on receipt of a valid VAT invoice.
- 8.2 BVT shall and shall use reasonable endeavours to procure that the Other Industrial Participants shall cooperate with the Authority in making any submissions to HM Revenue and Customs during the Manufacturing Period as the Authority may reasonably require, to ensure that the supply of the Vessels is

zero rated for VAT.

9 Design Authority

- 9.1 The Authority shall appoint the Design Authority for the Manufacturing Phase.
- 9.2 The Design Authority may delegate this responsibility as necessary.
- 9.3 Formal letters of delegation shall define the scope of authority for each delegation.
- 9.4 For the avoidance of doubt approval of any Works or signing of any design certificate in relation to any of the Works by the Design Authority or his or her delegee or sub-delegee shall not of itself constitute acceptance of those Works by the Authority.
- 9.5 BVT in providing the Works shall co-operate with and comply with the reasonable instructions of the Design Authority from time to time.

10 No Lien

- 10.1 BVT acknowledges that it does not have, and will not at any time assert, and will procure that the Other Industrial Participants do not have, and will not at any time assert, a right of lien, general or otherwise, over any Vessel, Vessel Parts, Compartment or Ship Deliverable, any Insured Property, any Article, any GFA or any other goods, work or raw materials, tooling, equipment or any other property of the Authority in its possession.

11 Export and Import Regulation

- 11.1 If BVT needs to import Articles from outside the European Union for the Manufacturing Phase, then BVT shall ensure that any import duty on such Articles will be waived by registering with HM Revenue and Customs for end user authorisation and then obtaining an import duty waiver certificate from the Authority. Waiver will be provided at the total equipment/system level and therefore only one certificate will be provided for this Contract. Accordingly, BVT shall ensure that the Other Industrial Participants and its and their respective Sub-Contractors obtain the necessary end user authorisation before

providing them with the reference number of the waiver certificate.

- 11.2 BVT shall identify to the Authority which Articles supplied under this Contract are defence equipment in respect of which the United Kingdom will waive the application of import duty and in each case to ensure that they are detailed on all relevant documentation such as invoices for Articles being supplied from overseas so that these items may be readily identified by BVT's agents. Invoices for supplies from overseas shall be endorsed to certify that the Articles are supplied for the Manufacturing Phase and quote the number of this Contract.
- 11.3 In the event that BVT having followed the process set out in Clauses 11.1 and 11.2 above or if, BVT having followed such process, the Authority fails to issue the certificate referred to in Clause 11.1, BVT nevertheless has to pay any import duty on Articles imported from outside the European Union for the Manufacturing Phase, BVT shall be entitled to recover the same as Incurred Costs.

12 Spares

12.1 Initial Provisioning Spares

- (a) Initial Provisioning Spares are not included in the Works and the cost of the Initial Provisioning Spares is not included in the Project Target Cost.
- (b) BVT with the Other Industrial Participants shall provide the Authority with recommendations for the Initial Provisioning Spares. The Authority shall review such recommendations and if, at its sole discretion, the Authority wishes to procure the Initial Provisioning Spares as part of the Works, a Change shall be agreed following the Change Procedure;
- (c) The Authority shall grant access during the Manufacturing Period to BVT and the Other Industrial Participants (as appropriate) to any Initial Provisioning Spares which become part of the Works pursuant to Clause 12.1(b) above. In the event that the Authority agrees that BVT and the Other Industrial Participants (as appropriate) may use any Initial

Provisioning Spares, BVT and the Other Industrial Participants (as appropriate) shall agree a schedule for replacement and delivery of such Initial Provisioning Spares with the Authority. The costs of the replacement Initial Provisioning Spares shall be Incurred Costs.

12.2 Spares for Commissioning and Maintenance

- (a) BVT with the Other Industrial Participants pursuant to the IP MFTC Sub-Contracts shall be responsible for the provision of all spares for commissioning and maintenance (excluding only GFA) prior to Vessel Acceptance of the Vessel(s) and the costs of such spares for commissioning and maintenance shall be Incurred Costs.
- (b) If spares for commissioning and maintenance remain un-used at the end of the Manufacturing Period, BVT shall, and shall procure that the Other Industrial Participants shall, deliver such spares to the Authority and in consideration of such delivery there shall be an Equitable Adjustment.

13 Liability/Indemnity/Insurance

- 13.1 If any of the matters referred to in schedule 14 (Liability/Indemnity/Insurance) of the Manufacturing Phase Alliance Agreement arise then the provisions of that schedule 14 shall apply in relation to such matter.

14 Delay and Force Majeure

- 14.1 If there is a delay or a Force Majeure Event then the consequences thereof shall be governed by the provisions of clauses 22 (Delay) and 23 (Force Majeure) of the Manufacturing Phase Alliance Agreement.

15 Termination

- 15.1 Subject to Clause 16 (Survivorship), this Contract shall, and shall only, terminate on the earlier of:
- (a) the end of Phase 2;
 - (b) the date on which BVT is Excluded; and

(c) the date on which the MAA is terminated

in the case of Clauses 15.1(b) and (c) in accordance with clause 24 (Exclusion, Step-In, Novation and Termination) of the Manufacturing Phase Alliance Agreement.

16 Survivorship

16.1 If this Contract is terminated or expires then such termination or expiry shall, subject to any provision of the Manufacturing Phase Alliance Agreement, be without prejudice to rights accrued as at the date of such termination or expiry and those provisions of this Contract which are expressly or by implication intended to come into or continue in force and effect following such termination shall so come into or continue in force.

17 Variations and Change Procedure

17.1 Any change to this Contract shall be governed by the provisions of clause 26 (Variations and Change Procedure) and schedule 16 (Change Procedure) of the Manufacturing Phase Alliance Agreement.

18 Assignment and Novation

18.1 Neither Party to this Contract shall assign, novate or otherwise transfer this Contract to a third party except in accordance with the provisions of clause 27 (Assignment and Novation) of the Manufacturing Phase Alliance Agreement.

19 Notices

19.1 Any notices sent under this Contract shall be sent in accordance with the provisions of clause 36 (Notices) of the Manufacturing Phase Alliance Agreement.

20 General

20.1 Neither Party shall pledge the credit of the other Party nor represent itself as being the other Party's agent, partner, employee or representative and neither Party shall hold itself out as such nor as having any power or authority to incur

any obligation of any nature, express or implied, on behalf of the other Party.

- 20.2 Nothing in this Contract shall be construed as creating a partnership or a contract of employment between the Authority and BVT.
- 20.3 Save as expressly provided otherwise in this Contract, BVT shall not, and shall not be deemed to be, an agent of the Authority and BVT shall not hold itself out as having the authority or power to bind the Authority in any way.
- 20.4 Neither Party to this Agreement shall place or cause to be placed any order with suppliers or otherwise incur liabilities in the name of the other Party.
- 20.5 This Contract may be entered into in the form of two (2) counterparts, each executed by one of the Parties but, taken together, executed by both, and, provided that both the Parties shall so enter into the Contract, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original but, taken together, they shall constitute one instrument.
- 20.6 The Contracts (Rights of Third Parties) Act 1999 shall not apply to this Contract. No person who is not a party to this Contract (including any Other Industrial Participant, or any member of the Relevant Group of BVT or any Other Industrial Participant, any employee, officer, agent, representative, sub-contractor, Sub-Contractor or Indemnified Sub-Contractor of any Manufacturing Alliance Participant or, in relation to BVT or any Other Industrial Participant, of any member of its Relevant Group) shall have the right (whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise) to enforce any provision of this Contract which expressly or by implication confers a benefit on that person without the express prior agreement in writing of the Parties which agreement must refer to this Clause 20.6.
- 20.7 If at any time any part of this Contract (including any one or more of the Clauses or Paragraphs of this Contract or any part of one or more of the Clauses of this Contract or Paragraphs of the Schedules to this Contract) is held to be or becomes void or otherwise unenforceable for any reason under any applicable law, the same shall be deemed omitted from this Contract and replaced by provisions which shall be determined in accordance with the Change Procedure.

21 Dispute Resolution

21.1 Any dispute or claim arising out of or in connection with this Contract shall be resolved in accordance with the Dispute Resolution Procedure.

22 Law

22.1 This Contract and any dispute or claim arising out of or in connection with it shall be governed by, and construed in accordance with, the laws of England.

23 Jurisdiction

23.1 Subject to the Dispute Resolution Procedure, the Parties hereby submit to the exclusive jurisdiction of the English courts.

24 Delivery of Contract

24.1 The Parties do not intend this Contract to be delivered by, or to become legally binding on, either of them until the date of this Contract is written at its head, notwithstanding that either or both of them may have executed this Contract prior to that date being inserted.

25 Counterparts

25.1 This Contract may be entered into in the form of two counterparts each executed by one or both of the Parties but, taken together and provided that each Party duly executes such a counterpart, each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but, taken together, they shall constitute one instrument.

IN WITNESS OF THE ABOVE the Corporate Seal of the Secretary of State for Defence has been hereunto affixed and BVT has executed this Contract as a deed and the parties have delivered it on the date written at the head of this Contract.

Schedule 1

Definitions and Interpretation

1 Definitions and Interpretation

- 1.1 The headings to Clauses to this Contract and Paragraphs and Annexures to the Schedules and conditions in the DEFCONs are inserted for convenience only and shall not affect the interpretation or construction of this Contract or the DEFCONs.
- 1.2 Words expressed in the singular shall include the plural and vice versa. Words referring to a particular gender shall include both genders.
- 1.3 The words and phrases "other", "including" and "in particular" shall not limit the generality of any preceding words or be construed as being limited to the same class as any preceding words where a wider construction is possible.
- 1.4 References to any statute or statutory provision shall include (i) any subordinate Legislation made under it, (ii) any provision which it has modified or re-enacted (whether with or without modification), and (iii) any provision which subsequently supersedes it or re-enacts it (whether with or without modification).
- 1.5 The Schedules and Annexures to this Contract (including Schedule 8 (Ship Trials) and Schedule 9 (Ship Related Formalities)) are an integral part of this Contract and any reference to this Contract shall include the Schedules and Annexures. All references to Clauses in this Contract and Paragraphs and Annexures to the Schedules are to the clauses, paragraphs, schedules and annexures to this Contract, unless otherwise stated. Any document referred to in this Contract will not form part of this Contract unless otherwise stated.
- 1.6 Any term in this Contract which is defined in the Manufacturing Phase Alliance Agreement and which is not separately defined in this Contract but which is used in this Contract or in any DEFCON which applies to this Contract shall have the meaning ascribed to that term in the Manufacturing Phase Alliance Agreement unless the context otherwise requires.
- 1.7 Where the ISO 9000 series or documents in the AQAP 100 series form part of the Contract either by reference in the special conditions or as invoked by such Defence Standards (DEFSTANS) in the 05-90 series as are called up as part of the Contract, the following provisions shall also have effect:

- (a) “the Purchaser” means “the Authority”;
- (b) “the Purchaser’s Representative” means a duly authorised representative of the Authority;
- (c) “the Contractor” means “BVT”.

1.8 Unless excluded within the terms of this Contract or where required by law:

- (a) references to submission of documents in writing shall include electronic submission; and
- (b) any requirement for a document to be signed or references to signatures shall be construed to include electronic signature, provided that a formal method of authentication as agreed between the Parties is employed and the agreed method recorded in this Contract.

1.9 The word ‘loss’, where used in any DEFCON only, shall include damage or destruction.

1.10 “Material” is a generic term meaning equipment (including fixed assets), stores, supplies and spares.

1.11 Any reference to a person includes any legal or natural person, including any individual, company or corporation and also any firm or partnership or other legal entity;

1.12 Any decision, act or thing which either of the Parties is required or authorised to take or do under this Contract may be taken or done only by any person authorised, either generally or specifically, by such Party pursuant to the Contract Governance Policy to take or do that decision, act or thing on behalf of such Party.

1.13 In this Contract unless the context otherwise requires:

"ACA Accounting Period" means a given period of time which will be agreed between the Authority and the Industrial Participants from time to time for invoicing purposes;

“Acceptance” means the process described in Schedule 4 (Acceptance);

“Acceptance and Assurance Strategy” means the acceptance and assurance strategy for the Manufacturing Phase as approved by the Alliance Management Board ;

“Acceptance Criteria” means the criteria set out in various sections of the Ship Specification and summarised in the VAM, that shall be used to assess whether an Acceptance Subject has passed or failed an Acceptance Event (or, in respect of any Test and Declare Event, whether the Acceptance Event has been performed in accordance with the Test Form);

“Acceptance Event” means the event at which an Acceptance Subject is tested to ensure that it meets the Acceptance Criteria which may comprise one or more of the following tests, trials and inspections as defined by the relevant Test Form:

- (a) Test and Achieve Events;
- (b) Compartment Completion Inspections;
- (c) Test and Declare Events; and
- (d) any other testing or inspection of Ship Deliverables as required by the Ship Specification, including without limitation Sections 1.29 (Acceptance) and 1.34 (Ship Deliverables);

“Acceptance Events Programme” means the written programme of dates and other details of all Acceptance Events (including details of the nature, date, time and location of each Acceptance Event) as updated and amended by BVT, or the Other Industrial Participants, from time to time;

“Acceptance Subject” means:

- (a) each Vessel; and
- (b) any Vessel Part, Compartment and Ship Deliverable which is subject to an Acceptance Event in accordance with the VAM;

"Accepting Authority" means the Authority acting solely through such person or persons who have been duly authorised in writing by or on behalf of the Authority to act as Accepting Authority for the relevant purpose as described in Paragraphs 11.1 to 11.3, inclusive, of Schedule 4 (Acceptance);

"Acquired" means ordered by BVT, paid for by BVT and/or delivered to BVT whichever is the earlier and **"Acquires"** shall be interpreted accordingly;

"AQAP" means NATO Quality Assurance Procedural Requirements;

"Article" means part or the whole of any article or goods which BVT is required to supply under this Contract or in connection with which BVT is required under this Contract to carry out any services including without limitation, the Vessels, all Vessel Parts and all Ship Deliverables;

"Audited Sub-Contractors" means Sub-Contractors of BVT or the Other Industrial Participants with Sub-Contracts having a value in excess of £1,000,000 (one million pounds) in value (where priced on the basis of ascertained costs in accordance with DEFCON 653 (Pricing on Ascertained Costs));

"Build Standards" means the standards set out in Section 1.23 of the Ship Specification;

"Business Day" or "business day" has the same meaning ascribed to that term in the Manufacturing Phase Alliance Agreement;

"Cardinal Date Programme" means the cardinal date programme for the Manufacturing Phase the latest version of which is attached as Schedule 3 (Cardinal Date Programme);

"Change Procedure" means the change procedure set out in schedule 16 (Change Procedure) of the Manufacturing Phase Alliance Agreement;

"Classification Society" means Lloyds Register or any equivalent or additional accreditation approved by the Alliance Management Board from time to time;

“Compartment” means any compartment space or area on or within the Vessel including stairways, gangways and passageways and including key Compartments;

“Compartment Completion Inspections” or **“CCI”** means the inspection of each Compartment by the Presenting Authority to ascertain that each Compartment:

- (a) has been built in accordance with the Design Solution; and
- (b) in the case of key Compartments has been subject to a safety management plan (ACA document identifier CVF-10001236) assessment,

all in accordance with Section 1.29 (Acceptance) of the Ship Specification;

“Concession” means a concession under which the Authority agrees that notwithstanding the fact that the relevant Vessel, Vessel Part, Compartment or Ship Deliverable has not passed the relevant Acceptance Event it may be accepted by the Authority as having passed the relevant Acceptance Event;

“Contract” means this Deed concluded between the Authority and BVT, including all specifications, plans, drawings, Schedules, Annexures and other documentation, expressly made part of this Deed;

“Contract Price” means the price fixed in accordance with clause 1 of DEFCON 653 (Pricing on Ascertained Costs) as amended, clarified or qualified by Paragraph 1 of Schedule 6 (Price and Payment);

“Cost Audit” means any audit by or on behalf of the Authority of Incurred Costs in accordance with DEFCON 653 (Pricing on Ascertained Costs) to enable the Authority to satisfy itself that such costs are fair and reasonable;

“D3B Defect” means any Defect which has not been rectified in full by the Vessel Acceptance Date for the relevant Vessel and for which a Concession is not granted by the Authority;

"D3B Clearance Date" means for each Vessel the date after the Vessel Acceptance Date on which the Authority confirms in writing to BVT that the final D3B Defect for the Vessel has been rectified to its satisfaction;

"D3B Rectification Period" means in relation to each D3B Defect on either Vessel the earlier of:

- (a) the timescale set out in the D3B Report within which BVT is to rectify such D3B Defect and if none is specified then as soon as reasonably practicable; and
- (b) the date six (6) months after the Vessel Acceptance Date of the relevant Vessel;

"D3B Report" means the report recording all D3B Defects outstanding in respect of the relevant Vessel on the Vessel Acceptance Date and signed by the Authority;

"Defect" means any part of the Works relating to a Vessel, Vessel Part, Compartment or any Ship Deliverable (in each case whether or not the subject of an Acceptance Event), which before the Vessel Acceptance Date for the relevant Vessel is:

- (a) found by any of the Industrial Participants to be; or
- (b) notified to the Presenting Party by the Accepting Authority as being,

in either case deficient, defective, not in conformance with the requirements of the Ship Specification or this Contract (including any SRI Defects) or damaged;

"Defects Register" means the document recording all Defects and the time periods within which such Defect is to be rectified;

"Design Authority" means the individual responsible for signing certificates of design in respect of the detailed design, development and integration of the Vessels and their overall technical adequacy and integrity in meeting contract specifications;

“Design Intent” means the design proposed for the Vessels (including the Compartments and the Systems) as set out in the General Descriptions, the Performance Requirements, the Engineering Standards and the General Arrangement Drawing as incorporated and developed in three-dimensional models, two-dimensional models, drawings and key plans in accordance with the Design Rules (which in respect of the key Compartments captures the design intent set out in the General Descriptions);

“Design Intent Reviews” means the review meetings called periodically by the Presenting Authority for the Compartments and the Systems which are attended by the Authority and such other persons as the Acceptance and Assurance Strategy may specify to review the development of the Design Intent;

“Design Rules” means rules to be used in the design of the Vessels that are derived from Engineering Standards, the General Descriptions or the materiel solution and operating descriptions set out in various sections of the Ship Specification;

“Design Solution” means the Design Intent approved by the Authority as the design solution or the ‘build-to’ plan for the Vessels in accordance with which the Vessels shall be constructed and the Works performed and delivered;

“Dispute Resolution Procedure” means the procedure set out in schedule 17 (Dispute Resolution Procedure) of the Manufacturing Phase Alliance Agreement;

“Engineering Standards” means all those engineering standards that appear within the Standards and Applicability table in any Section of the Ship Specification;

“Earned Value Management” or **“EVM”** means earned value management in accordance with the EVM Association of Project Management (APM) Guideline for UK: being the methodology agreed by the Alliance Management Board as being the appropriate project management technique to measure the value of work performed relative to the actual cost of performing the work and the original budget;

“Final Cost Certificate” means a cost certificate in the form set out and otherwise in the form described in Paragraph 1.4(a) of Schedule 6 (Price and Payment);

“Float Out” means the first floating of a fully assembled Vessel;

“General Arrangement Drawing” means the document which sets out the basic arrangement of each Vessel;

“General Descriptions” means the sub-section headed ‘general description’ in each Section of the Ship Specification;

“Initial Provisioning Spares” means the on-board and base-held maintenance spares which are required to support the respective Vessel(s) in service after their respective Vessel Acceptance Dates;

“Integrated Schedule” means the level 1 schedule for the Manufacturing Phase with ACA document identifier ACA Project Integrated Programme (PiP) Issue J Version 03;

“Interim Cost Certificate” means a cost certificate in the form set out and otherwise in the form described in Paragraph 1.3(a) of Schedule 6 (Price and Payment);

“Lifed Items” means those Articles which are subject to a calendar based life and those subject to a usage based life on hours run or the number of starts or both;

“Lifed Items Policy” means the lifed items policy having ACA document identifier CVF-10063818;

“Manufacturing Phase Alliance Agreement” or **“MAA”** means the agreement of even date herewith between the Authority, BVT and the Other Industrial Participants concerning the Manufacturing Phase as amended by the parties thereto from time to time;

“Milestones” means the milestones as provided for in Paragraph 2.7 of Schedule 6 (Price and Payment);

"Monthly Progress Payment" means payments by the Authority:

- (a) made up of those Incurred Costs incurred during each ACA Accounting Period within the Manufacturing Period from the Commencement Date to the end of Phase 2; together with
 - (b) in Phase 1, the Phase 1 Mark Up and, in Phase 2, the Phase 2 Fixed Fee,
- which BVT has invoiced separately to the Authority in accordance with Schedule 6 (Price and Payment);

"Naming Ceremony" means the formal ceremony attended by the Vessel's sponsor at which a Vessel is officially named;

"Parties" means the parties to this Contract and **"Party"** shall include either party hereto according to the context;

"Person" includes any legal or natural person(s) or entity;

"Presenting Authority" means BVT or the Other Industrial Participants pursuant to the Key Project Agreements which shall be responsible for presenting an Acceptance Subject for any Acceptance Event as specified in the VAM;

"Regulatory Body" means a relevant authority imposing rules and regulations with which the construction and delivery of the Vessel must comply as set out in the Ship Specification or this Contract;

"Ship Deliverables" means those items identified as such in section 1.34 of the Ship Specification;

"Ship Specification" means the ship specification for the Vessels being ACA document identifier CVF-10011151 from time to time;

"Statement of Work" means the Statement of Work set out in Schedule 2 (Statement of Work);

"Systems" means any system or equipment set out in the relevant section of the Ship Specification;

“Test and Achieve Event” means those performance related tests for which the Presenting Authority is responsible for gathering acceptance evidence and demonstrating that the performance criteria specified in the Ship Specification and summarised in the VAM, have been met;

“Test and Declare Event” means those performance related tests for which the Presenting Authority is responsible for gathering acceptance evidence and reporting the results, but is not responsible for the level of performance, specified in the Ship Specification and summarised in the VAM, being achieved;

“Test Form” means the form for each Acceptance Event setting out the Acceptance Criteria to be tested at the relevant Acceptance Event;

“Verification and Acceptance Matrix” or **“VAM”** means the database setting out the Acceptance Events in the Ship Specification;

“Vessel(s)” means CVF 01 and/or CVF 02 as each of those terms is defined in the Manufacturing Phase Alliance Agreement;

“Vessel Acceptance” means in relation to a Vessel that it meets the requirements specified in Paragraph 10.1 of Schedule 4 (Acceptance);

“Vessel Acceptance Date” means in relation to a Vessel, the date on which Vessel Acceptance occurs for that Vessel;

“Vessel Part” means any part, assembly, subassembly, system or subsystem of a Vessel but excluding any Ship Deliverable;

“Works” means the goods, Articles and services specified in this Contract including, without limitation, in Schedule 2 (Statement of Work) and in the Ship Specification as being delivered, provided or performed by BVT to or for the Authority.

2 DEFCONS

- 2.1 The following DEFCONS and no others shall apply to and form part of this Contract save to the extent of any amendment, clarification or qualification set out in this Contract or any inconsistency or conflict with any express provision

hereof in which event the provisions of this Contract shall prevail:

DEFCON 23 (Edn 4/98)	Special Jigs, Tooling and Test Equipment
DEFCON 35 (Edn 10/04)	Progress Payments (as amended, clarified or qualified by Paragraph 2 of Schedule 6 (Price and Payment))
DEFCON 68 (Edn 10/07)	Supply of Hazardous Articles and Substances
DEFCON 117 (Edn 05/06)	Supply of Documentation for NATO Codification Purposes (as amended, clarified or qualified by Paragraph 2.4 of this Schedule 1
DEFCON 129 (Edn 11/04)	Packaging
DEFCON 176A (Edn 8/06)	MOD Requirements for Competition in Subcontracting (Non-Competitive Main Contract)
DEFCON 515 (Edn 10/04)	Bankruptcy and Insolvency
DEFCON 516 (Edn 06/04)	Racial Discrimination
DEFCON 521 (Edn 10/04)	Sub-Contracting to Supported Employment Enterprises
DEFCON 522 (Edn 7/99)	Payment
DEFCON 523 (Edn 3/99)	Payment of Bills using the Bankers Automated Clearing Service (BACS) System
DEFCON 527 (Edn 9/97)	Waiver
DEFCON 528 (Edn 10/04)	Overseas Expenditure and Import Licences
DEFCON 534 (Edn 6/97)	Prompt Payment (Sub-Contracts) – Note 1
DEFCON 601 (Edn 10/04)	Redundant Material
DEFCON 602A (Edn 12/06)	Quality Assurance (with Quality Plan)
DEFCON 607 (Edn 05/08)	Radio Transmissions
DEFCON 608 (Edn 10/98)	Access and Facilities to be provided by the Contractor
DEFCON 619A (Edn 09/97)	Customs Duty Drawback
DEFCON 624 (Edn 04/00)	Use of Asbestos in Arms, Munitions or War Materials
DEFCON 644 (Edn 10/98)	Marking of Articles

DEFCON 653 (Edn 10/04)	Pricing on Ascertained Costs (as amended, clarified or qualified by Paragraph 1.1 of Schedule 6 (Price and Payment))
DEFCON 654 (Edn 10/98)	Government Reciprocal Audit Arrangements
DEFCON 656 (Edn 03/06)	Break (as amended, clarified and qualified by clause 24.8 (Compensation on Exclusion)) of the MAA
DEFCON 681 (Edn 06/02)	Decoupling Clause – Sub contracting with the Crown
DEFCON 694 (Edn 6/06)	Accounting for Property of the Authority

Note 1: Does not apply to IP MFTC Sub-Contracts.

2.2 Reference to a DEFCON in this Contract shall be to that edition of such DEFCON as specified in Paragraph 2.1 of this Schedule 1.

2.3 For the purpose of the DEFCONs applying to and forming part of this Contract only, the following terms shall have the following meanings:

“Commercial Officer” means the person named in Schedule 7 (DEFFORM 111) to this Contract as being duly authorised by the Authority to act on its behalf for the purposes of the relevant provision of the relevant DEFCON;

“Contract” means the Key Project Agreements;

“Contractor” means BVT;

“Equipment Support Manager” means the Client Director;

“Firm Price” means a price agreed for the Articles or Services

“Fixed Price” means a price, agreed for the Articles or Services, or both, that is subject to variation in accordance with the variation of price

provisions of the relevant Sub-Contract;

“Project Manager” means the Client Director;

“Representative of the Authority” means a person duly authorised by the Authority to act for the purposes of that provision who is either identified in the Contract or any subsequent notice as being such;

“Schedule of Requirements” means Clause 3 (Schedule of Requirements for Manufacture, Supply and Delivery) of the MFTC which identifies, either directly or by reference, the Articles or Services to be supplied or carried out, the quantities involved and the price or pricing terms in relation to each Article or Service; and

“Services” means all services (excluding the supply of Articles) which the Contractor is required under the Contract to perform or to fulfil.

2.4 The codification requirement set out in DEFCON 117 (Supply of Documentation for NATO Codification Purposes) applies to all Articles which have not previously been so codified. Where such Articles requiring codification under DEFCON 117 (Supply of Documentation for NATO Codification Purposes) are delivered to the Authority under this Contract then the costs of such codification under DEFCON 117 (Supply of Documentation for NATO Codification Purposes) shall be Incurred Costs. If the Authority codifies such Articles then BVT shall provide the Authority with all relevant information to enable it to do so.

Schedule 2
Statement of Work

The Statement of Work is detailed in the following documents:

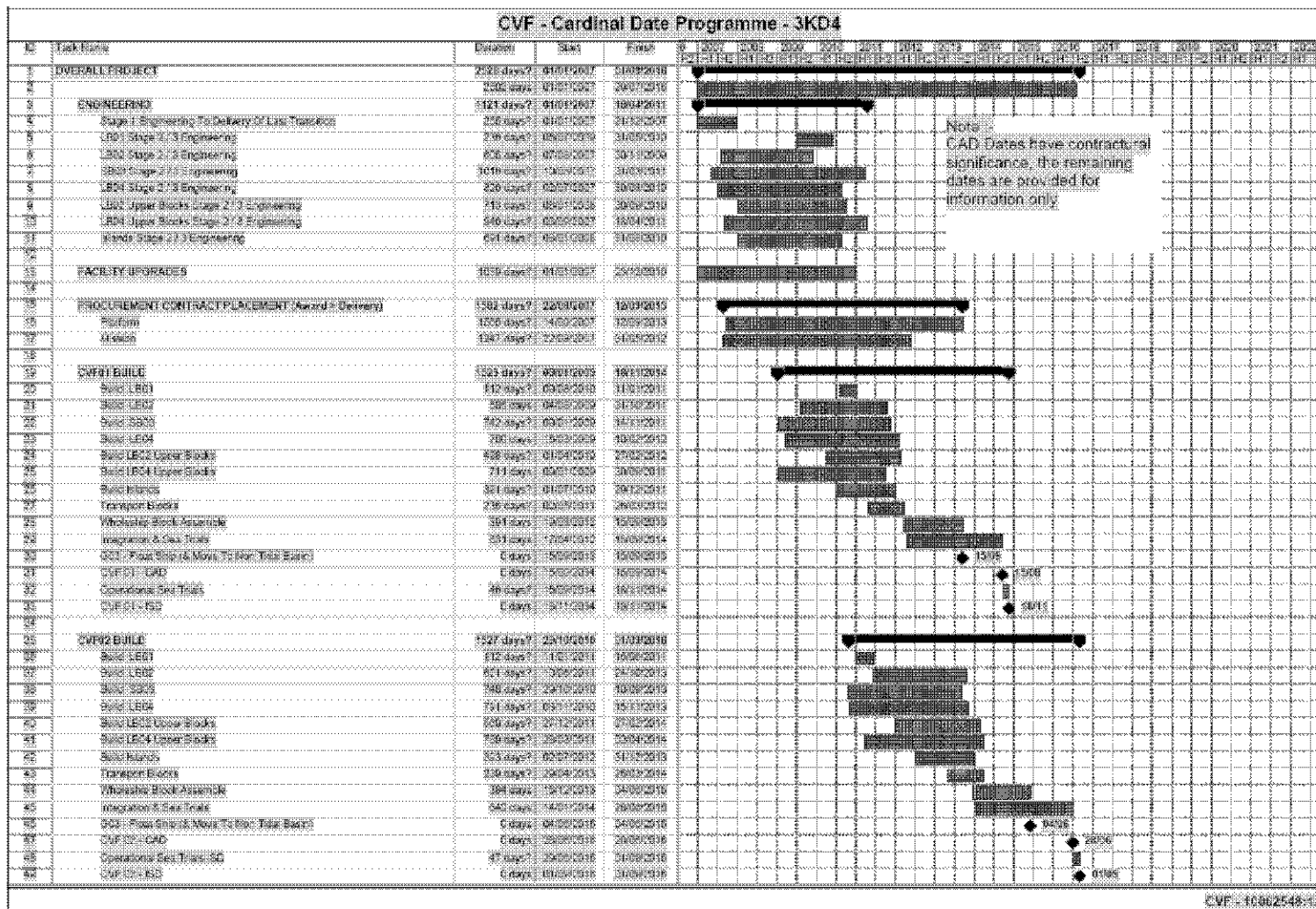
- General
ACA document identifier CVF-10062551
- Stage 2/3 Engineering of Lower Block 4 and Upper Blocks 13, 14 and 17
ACA document identifier CVF-10062552
- Build Lower Block 4
ACA document identifier CVF-10062553
- Stage 2/3 Engineering of Lower Block 2 and Upper Blocks 1 to 5 and 7.
ACA document identifier CVF-10062554
- Build Lower Block 2
ACA document identifier CVF-10062555
- Integration, Commissioning and Construction Acceptance
ACA document identifier CVF-10062556
- Stage 1 Systems Design and Design Authority Support
ACA document identifier CVF-10058005
- Stage 2/3 Engineering of Lower Block 1 and Upper Blocks 15 to 21.
ACA document identifier CVF-10062558
- Build Block 1, Ramp, Upper Blocks above Block 4 and Whole Ship Assembly
ACA document identifier CVF-10062559
- Stage 2/3 Engineering of Lower Block 3 and Upper Blocks 8 to 12 and 6.
ACA document identifier CVF-10062560
- Build of Block 3
ACA document identifier CVF-10062561
- Mission System

ACA document identifier CVF-10021193

- Build of Upper Blocks 1 to 5, 7 and 14.

ACA document identifier CVF-10062654

Schedule 3 Cardinal Date Programme



Schedule 4 **Acceptance**

1 General

- 1.1 Acceptance of each of the Acceptance Subjects shall be in accordance with this Schedule 4, the Ship Specification and where relevant the Design Solution of each Vessel.
- 1.2 Acceptance Events shall be undertaken in relation to all the Performance Requirements in accordance with the Ship Specification (including the requirements of Section 1.29) and this Schedule 4.
- 1.3 Where in this Schedule 4 BVT has an obligation to the Authority the Authority acknowledges and agrees that BVT shall either perform the obligation itself or shall procure that the Other Industrial Participants as appropriate do so in accordance with the IP MFTC Sub-Contracts and, in particular, the Authority acknowledges and agrees that in respect of certain Acceptance Events BVT has appointed the Other Industrial Participants to act on its behalf as the Presenting Authority as set out in the VAM.

2 Test Forms and Acceptance Events Programme

- 2.1 BVT, with the Other Industrial Participants, shall provide the Acceptance Events Programme to the Authority no later than six (6) months after the Commencement Date and shall thereafter provide the Authority with an updated Acceptance Events Programme not less than once every three months or more frequently upon the reasonable request of the Authority from time to time.
- 2.2 If the date of any Acceptance Event changes the Presenting Authority shall promptly notify the Authority and the Presenting Authority shall in any event confirm the date, time and location of each Acceptance Event to the Accepting Authority in writing no later than seven (7) Business Days prior to each Acceptance Event. Failure to provide such notice shall result in the Acceptance Event having to be rescheduled.

- 2.3 The Presenting Authority shall develop a Test Form for each of the Acceptance Events which shall be submitted to the Accepting Authority for approval which shall set out the Acceptance Criteria for the relevant Acceptance Event and which shall be agreed between the Presenting Authority and the Accepting Authority prior to the relevant Acceptance Event.

3 Acceptance Event Process

- 3.1 The Presenting Authority shall submit the Acceptance Subjects for the relevant Acceptance Event set out in the VAM at the times set out in the Acceptance Events Programme.
- 3.2 All Acceptance Events shall be conducted by the Presenting Authority and the Accepting Authority may, but is not obliged to, attend any Acceptance Event.
- 3.3 If the Authority does not attend an Acceptance Event this shall not prevent the Presenting Authority from submitting the relevant Test Form to the procedure set out in Paragraph 6 of this Schedule 4.
- 3.4 The process by which an Acceptance Event is conducted and Test Forms are signed by the Accepting Authority to evidence when the Acceptance Event is completed to the Accepting Authority's satisfaction shall be as set out in the Acceptance and Assurance Strategy document.
- 3.5 The Parties' respective obligations with regard to the conduct of sea trials for the Vessels are set out at Schedule 8 (Ship Trials).

4 Compartments and Systems

- 4.1 BVT shall, with the Other Industrial Participants, develop the Design Intent into the Design Solution so that both the Design Solution and the Vessels comply with the Ship Specification and Performance Requirements.
- 4.2 BVT shall, with the Other Industrial Participants, keep the Authority informed about the development of the Design Intent by meeting with the Authority through the Design Intent Reviews.

- 4.3 Nothing in the development of the Design Intent shall make any Change to the Performance Requirements or reduces the likelihood of the Vessels, Vessel Parts, Compartments or Ship Deliverables passing the relevant Acceptance Event, or changes either the Engineering Standards or Section 1.29 (Acceptance) or any other part of the Ship Specification without following (and being documented as a Change in accordance with) the Change Procedure in order to become effective.
- 4.4 Once the Presenting Authority is satisfied that the Design Intent for one or more Compartments is finalised, the Presenting Authority shall formally present the Design Intent to the Accepting Authority for approval. Once approved, the Design Solution for those Compartments shall become the design of the Vessel against which the Compartment Completion Inspections shall be carried out by the Accepting Authority. Although the process leading to the creation of the Design Solution includes the active participation of the Authority, this does not in any way relieve BVT or the Other Industrial Participants of its responsibilities and obligations under this Contract including without limitation to ensure that both the Design Solution and the Vessels meet the requirements of the Ship Specification.
- 4.5 The Presenting Authority shall conduct a Compartment Completion Inspection for each Compartment and the data recording or reflecting the outcome of the Compartment Completion Inspection and relevant supporting information shall be recorded, on or attached to, the relevant Test Form by the Presenting Authority who shall sign the Test Form and submit the signed Test Form to the procedure set out in the Acceptance Approval and Assurance Strategy.

5 Test and Achieve Events & Test and Declare Events

- 5.1 For Test and Achieve Events and Test and Declare Events, the Presenting Authority shall conduct the relevant Acceptance Event and the data recording or reflecting the outcome of the relevant Acceptance Event and relevant supporting information shall be recorded, on or attached to, the relevant Test Form.
- 5.2 If the Presenting Authority considers that the results of any Test and Achieve Event or Test and Declare Event are such that the relevant Acceptance Event has

been passed (or, in respect of any Test and Declare Event, performed in accordance with the Test Form), the Presenting Authority shall sign the completed Test Form and submit the signed Test Form in accordance with the process detailed in the Acceptance and Assurance Strategy document.

- 5.3 If the Presenting Authority considers that the results of the Test and Achieve Events or Test and Declare Events are such that the relevant Acceptance Event has not been passed (or, in respect of any Test and Declare Event, not performed in accordance with the Test Form), the Presenting Authority shall undertake such work as required for the relevant Acceptance Subject to pass the Acceptance Event (or, in respect of any Test and Declare Event, to meet the requirements of the Test Form) and reschedule the Acceptance Event and update the Acceptance Events Programme accordingly, unless a Concession is granted in accordance with Paragraph 8 below.

6 Acceptance Approval Process

- 6.1 The Presenting Authority shall sign the Test Form and submit the signed Test Form to the Accepting Authority in accordance with the process detailed in the Acceptance and Assurance Strategy document.
- 6.2 The Accepting Authority shall review the Test Form submitted to it by the Presenting Authority and, subject to Paragraphs 6.3 and 7.2 below, shall sign the Test Form to attest that the Acceptance Event has been passed (or, in respect of any Test and Declare Event, performed in accordance with the Test Form). The date on which the Accepting Authority signs the Test Form shall indicate Acceptance of that Acceptance Subject.
- 6.3 If the Accepting Authority reasonably considers and notifies the Presenting Authority in writing that:
- (a) the conditions under which an Acceptance Event is to be, or has been, carried out do not comply with the requirements set out in the Performance Requirements;

- (b) the Acceptance Event was not performed in accordance with the requirements of the Ship Specification as summarised in the VAM or this Schedule 4;
- (c) notice of an Acceptance Event has not been given in accordance with the provisions of this Schedule 4; or
- (d) there has been a manifest error in the Acceptance Event;

the Accepting Authority will have the absolute right to postpone the Acceptance Event or, if it has been carried out, the Authority will not be bound by the result and the Presenting Authority shall arrange for the Acceptance Event to be repeated.

7 Failure of Acceptance Events

7.1 If an Acceptance Event is not passed then, the Accepting Authority in its absolute discretion, may either:

- (a) refuse to accept the relevant Acceptance Subject which is the subject of such Acceptance Event, in which event it will notify the Presenting Authority of such refusal and the Presenting Authority shall, as soon as reasonably practicable, carry out the relevant work necessary for the relevant Acceptance Subject to pass the Acceptance Event and the Acceptance Subject shall then be subject to a further Acceptance Event;
- (b) agree that the Acceptance Event has been passed subject to an obligation on the Presenting Authority to ensure that any requisite work is performed (including the rectification of any Defect as appropriate) in order for the relevant Acceptance Subject to satisfy the requirements of the Acceptance Event;
- (c) if requested by the Alliance Management Board or the Presenting Authority pursuant to Paragraph 8 below, grant a Concession, but any such request and grant shall be made in accordance with and shall be subject to the provisions of Paragraph 8 below.

7.2 The Authority shall be under no obligation to accept an Acceptance Subject that does not satisfy the requirements of the relevant Acceptance Event.

8 Concessions

8.1 In the event that any Acceptance Subject does not pass the relevant Acceptance Event, the Presenting Authority may submit a proposal for a Concession to the Accepting Authority.

8.2 The Accepting Authority shall consider any proposal for a Concession requested by the Presenting Authority and if, in its absolute discretion, it considers it appropriate, the Authority may grant the Concession.

8.3 If the Accepting Authority considers that the grant of such Concession either gives rise to consequential implications for any of the Parties to any of the Key Project Agreements which will necessitate a Change, such Concession shall only be agreed by the Authority as part of a Change agreed in accordance with the provisions of the Change Procedure.

8.4 The Authority shall, in its absolute discretion, decide whether or not to grant a Concession; such decision shall be in writing and the grant of any Concession not subject to Paragraph 8.3 above shall not be unreasonably withheld or delayed. A Concession will not be deemed to be granted by the Authority in the absence of express confirmation of the grant of the relevant Concession by the Authority.

8.5 Where a Concession is granted by the Authority, the Acceptance Subject shall be deemed to have met the requirements of the Acceptance Event in relation to the subject matter of the Concession only and the Acceptance Subject must meet all other aspects or requirements of the relevant Acceptance Event and where necessary or appropriate to demonstrate the same, the Presenting Authority shall carry out the relevant Acceptance Event again.

8.6 Where a Concession and/or any Change or Major Change is not granted by the Authority, the Presenting Authority shall undertake the relevant work necessary for the relevant Acceptance Subject to meet the requirements of the Acceptance

Event and the Acceptance Subject shall be submitted to a further Acceptance Event.

9 D3B Defects

9.1 BVT, with the Other Industrial Participants, shall rectify all D3B Defects relating to a Vessel as soon as reasonably practicable and in any event within the D3B Rectification Period. Vessel Acceptance of a Vessel shall not affect such obligation to rectify all D3B Defects for that Vessel within such period. The costs incurred by BVT and the Other Industrial Participants in rectifying D3B Defects shall be Incurred Costs.

9.2 If any D3B Defect is outstanding after the end of the D3B Rectification Period the Authority shall have the right to arrange for any other person to rectify each such D3B Defect at any time after the end of the relevant D3B Rectification Period having given not less than one month's notice to the Alliance Management Board in advance of exercising this right, which notice may be given at any time during any D3B Rectification Period and subject to the Authority having granted BVT and the Other Industrial Participants reasonable access to the Vessel. If the Authority chooses to exercise this right, an amount equal to the reasonable costs which will be incurred by the Authority in carrying out such rectifications will be deducted from the Project Target Cost in accordance with the Change Procedure.

10 Vessel Acceptance

10.1 For each Vessel to achieve Vessel Acceptance, BVT, with the Other Industrial Participants, must be able to show all in accordance with this Schedule 4 and the Ship Specification that in relation to that Vessel:

- (a) all Test and Achieve Acceptance Events have been passed;
- (b) all Test and Declare Acceptance Events have been performed in accordance with the Test Form;
- (c) all Compartment Completion Inspections have been completed;

- (d) any other testing or inspection of Ship Deliverables have been completed in accordance with the Ship Specification as summarised in the VAM;
- (e) the Vessel has been built in accordance with the Build Standards and the Engineering Standards;
- (f) all relevant certifications from the Classification Society have been delivered to the Authority; and
- (g) each Lifer Item complies with the Lifer Items Policy.

10.2 Vessel Acceptance shall occur for a Vessel on the date which BVT and the Other Industrial Participants can show that each of the items set out in Paragraph 10.1 above have been completed.

10.3 Vessel Acceptance shall not affect the obligations on BVT and the Other Industrial Participants to rectify the D3B Defects in accordance with the provisions of Paragraph 9 above.

10.4 Although the process leading to Vessel Acceptance of a Vessel includes the active participation of the Authority, this does not in any way relieve BVT (or the Other Industrial Participants) of its responsibilities and obligations under this Contract.

11 Parties and Authority

11.1 The Authority confirms that where there is a reference in this Schedule 4 or the Ship Specification to the Accepting Authority, the Accepting Authority (or any person to whom he delegates his authority under Paragraph 11.2 below) is authorised and is empowered to act alone on behalf of the Authority as the Accepting Authority. Accordingly, the signatures of any person so authorised indicating that any Vessel Part, Compartment or Ship Deliverable is Accepted shall, provided that it is given in accordance with and during the term of such authorisation, be binding on the Authority.

11.2 The Authority hereby confirms that the Accepting Authority may delegate by notice in writing to BVT the whole or any part of his power to act on the

Authority's behalf as Accepting Authority to any person or persons (including the Authority, BVT, any Other Industrial Participant or a third party), acting alone or jointly, in connection with the Acceptance of a Vessel, any Vessel Part, Compartment or Ship Deliverable and provided that such delegation shall only be effective if set out in writing and then only to the extent to which such powers are specifically stated in such notice to be delegated.

- 11.3 The Authority shall have the right at any time by notice in writing to BVT to withdraw the authority granted to the Accepting Authority or to any other person authorised pursuant to Paragraph 11.1 above, and to withdraw the authority delegated by the Accepting Authority or by any such other person to any other person pursuant to Paragraph 11.2 above, and to authorise any other person or persons as it may notify in writing to BVT with such powers to act as Accepting Authority as the Authority may state in such notification.

Schedule 5

Title

- 1 Schedule 8 (Intellectual Property Rights) of the Manufacturing Phase Alliance Agreement shall apply to determine title to the CVF Intellectual Property.
- 2 Schedule 12 (Government Furnished Assets) of the Manufacturing Phase Alliance Agreement shall apply to determine title to GFA.
- 3 DEFCON 23 (Special Jigs, Tooling and Test Equipment) shall apply to determine title to all items covered by that DEFCON.
- 4 Save as set out in Paragraphs 1 and 3 above all property and title in:
 - 4.1 each Article as it is constructed or produced together with its component parts and equipment so far as incorporated in the Articles; and
 - 4.2 all material which BVT Acquires or allocates for incorporation in any of the Articles,

shall pass to and vest in and become the absolute property of the Authority as from the time the construction of the Article begins or the material is acquired specifically for or is allocated for incorporation in any of the Articles and shall from that time be in the possession of BVT, its Sub-Contractors, the Other Industrial Participants, their respective Sub-Contractors or any other person for the sole purpose of completing the Articles and delivering them when completed to the Authority, and shall not be within the control or disposition of BVT, its Sub-Contractors, the Other Industrial Participants, nor their respective Sub-Contractors nor any other person other than for that purpose. Neither BVT, nor its Sub-Contractors, nor the Other Industrial Participants, their respective Sub-Contractors, nor any other person shall have a lien or retention of title claim on any Article or material or Vessel or Vessel Part which has vested in the Authority under this Paragraph 4. BVT shall ensure that the provisions of this Schedule 5 are brought to the notice of its Sub-Contractors, the Other Industrial Participants, their respective Sub-Contractors and all other persons dealing with any such Articles or material; that similar provisions are included in the IP

MFTC Sub-Contract and all contracts with Sub-Contractors and other persons dealing with any such Articles or such material; and shall procure that the provisions of this Schedule 5 are complied with by its Sub-Contractors, the Other Industrial Participants, their respective Sub-Contractors and all other persons dealing with any such Articles or material. In the event that any claim to a lien or retention of title claim is made against the Authority by BVT's Sub-Contractors, the Other Industrial Participants, their respective Sub-Contractors or any other person, BVT shall provide the Authority with all such reasonable assistance that is reasonably required by the Authority to defend such claims.

- 5 From the time that any Articles (including its component parts and equipment so far as incorporated in any Article) and any material which BVT or the Other Industrial Participants acquires or allocates for incorporation in any Article passes to and vests in and becomes the absolute property of the Authority in accordance with Paragraph 4 above:
 - 5.1 BVT shall, and shall procure that its Sub-Contractors, the Other Industrial Participants and the Other Industrial Participants' Sub-Contractors shall, ensure that all such Articles and material are marked or recorded so that they are readily identifiable as the property of the Authority, and BVT shall, and shall procure that its Sub-Contractors, the Other Industrial Participants and the Other Industrial Participants' Sub-Contractors shall, comply with any reasonable direction given by the Authority in this respect;
 - 5.2 BVT shall store such Articles and material at its premises or shall procure that such Articles and material shall be stored at its Sub-Contractors' premises, the Other Industrial Participants' premises or at the Other Industrial Participants' Sub-Contractors' premises, in each case in a proper manner in conditions which adequately protect and preserve the Articles and materials;
 - 5.3 BVT shall hold, or shall procure that its Sub-Contractors, the Other Industrial Participants and the Other Industrial Participants' Sub-Contractors shall hold, all such Articles and material on a fiduciary basis as the Authority's bailee;
 - 5.4 BVT shall, and shall procure that its Sub-Contractors, the Other Industrial Participants, the Other Industrial Participants' Sub-Contractors shall, ensure that

the Authority, its employees and agents shall have free and unrestricted access to any premises owned, occupied or controlled by BVT and/or its Sub-Contractors and/or the Other Industrial Participants and/or the Other Industrial Participants' Sub-Contractors and/or to any other location where such Articles and material and Vessel and Vessel Part are situated at any time without prior notice; and

- 5.5 the Authority may at any time, on demand and without prior notice, require BVT to deliver, or procure that its Sub-Contractors, the Other Industrial Participants and the Other Industrial Participants' Sub-Contractors deliver, such Articles and material and Vessel and Vessel Part up to the Authority and the Authority may repossess such Articles and material and Vessel and Vessel Part in the event that BVT becomes insolvent (and for the purposes of this Paragraph 5.5, insolvent shall mean the happening of any of the events at paragraphs 1 (i) to 1 (n) of DEFCON 515 (Bankruptcy and Insolvency)).

Schedule 6
Price and Payment

1 Calculation of Prices

1.1 Application of DEFCON 653 (Pricing of Ascertained Costs) ("DEFCON 653")/Payment of Incurred Costs

The Authority shall pay Incurred Costs to BVT in accordance with this Schedule 6 and DEFCON 653 save only that DEFCON 653 clause 1 shall be deleted and replaced with the following:

“Subject to the following provisions of this Condition, the Authority shall pay a price exclusive of Value Added Tax fixed by agreement between the Authority and the Contractor, the Other Industrial Participants and their Audited Sub-Contractors, on the basis of costs incurred and any other amounts calculated as being payable under schedule 4 (Risk and Reward Incentive Arrangement) of the Manufacturing Phase Alliance Agreement.”

1.2 Application of QMAC

- (a) Reference in this Schedule 6 to the QMAC shall mean the QMAC agreed for BVT, the Other Industrial Participants and their respective Sub-Contractors as appropriate with the Authority from time to time which is prevailing at the time of submission of the relevant invoice.
- (b) Interim trend and estimated (provisional) rates calculated on the basis of QMAC agreed with the Authority may be used for the purposes of invoicing by BVT, the Other Industrial Participants and their respective Sub-Contractors due to the time typically taken to agree the final QMAC based rates.

1.3 Interim Cost Certificates

- (a) BVT shall submit, and shall ensure that the Other Industrial Participants and its and their respective Audited Sub-Contractors shall submit, to the Authority annually within three (3) months of the Authority's financial year end, and again within three (3) months of the end of each of Phase 1 and Phase 2, an interim cost certificate setting out all Incurred Costs incurred during such financial year (or in the case of any such interim cost certificates submitted after the end of each of Phase 1 and Phase 2, since the last interim cost certificate) in the form set out in Appendices A and B to General Notice to Defence Contractors No 1 issued under DEFCON 653
- (b) On receipt of such Interim Cost Certificates, the Authority shall, within a reasonable period of time (and shall in any event use its reasonable endeavours to do so within three (3) months), carry out the Cost Audit in respect of the Interim Cost Certificates and reconcile the Incurred Costs set out in the Interim Cost Certificate against all the Incurred Costs claimed for the relevant period to determine the Allowable Costs for the purpose of finalising the price payable against the Interim Cost Certificate.

1.4 **Final Cost Certificates**

- (a) BVT shall submit, and shall ensure that the Other Industrial Participants and their respective Audited Sub-Contractors shall submit, to the Authority within six (6) months of the end of each of Phase 1 and Phase 2, a final cost certificate for the relevant Phase setting out all Incurred Costs during that Phase, in the form set out in Appendices A and B to General Notice to Defence Contractors No 1 issued under DEFCON 653.
- (b) On receipt of such Final Cost Certificates, the Authority shall, within a reasonable period of time (and shall in any event use its reasonable endeavours to do so within three (3) months), carry out any Cost Audit in respect of the Final Cost Certificates and reconcile the Incurred Costs set out in the relevant Final Cost Certificate against all the Incurred Costs claimed for the relevant period to determine the total Allowable Costs

with each of the Industrial Participants for the purpose of calculating in respect of Phase 1 the amount, if any, of the Phase 1 Incentive Payment and in respect of Phase 2 the final amount of any Gain Share or Pain Share, in each case payable under the RRIA.

1.5 Allowable Costs Reconciliation

If interim trend and estimated (provisional) rates have been used in any Interim Cost Certificates or Final Cost Certificates pursuant to Paragraph 1.2(b) above, the Authority may at any time (whether during or after the Manufacturing Period and even after all payments and reconciliations have been carried out under the RRIA in respect of Gain Share or Pain Share as appropriate) carry out a further reconciliation of the Incurred Costs and Allowable Costs as appropriate agreed in any affected Interim Cost Certificate or Final Cost Certificate to reflect any retrospective adjustment to the rates based on QMAC which may be required and which have not been reflected in the relevant Interim or Final Cost Certificate.

2 Payment

2.1 Recovery of Sums Due

- (a) Subject to Paragraph 2.1(c) below and save as otherwise expressly set out in this Contract, where any Industrial Participant owes any amount to the Authority under any other contract with the Authority (which is not a Key Project Agreement), and where the Authority has a right of set-off under that other contract, the Authority shall have the right to set-off such amounts against invoices from BVT submitted under this Schedule 6 after consultation with the Alliance Management Board.
- (b) Subject to Paragraph 2.1(c) below, whenever under any of the Key Project Agreements any sum of money shall be recoverable from or payable by any of the Industrial Participants to the Authority, the same may be deducted by the Authority from any sum then due, or which at any time thereafter may become due, to the relevant Industrial Participant under any of the Key Project Agreements, or under any other contract

entered into by the relevant Industrial Participant with the Authority, or with any Government Department

- (c) The Authority shall only be entitled to set off amounts so owing:
 - (i) by any Other Industrial Participant to the Authority against the amount invoiced by that Industrial Participant to BVT; or
 - (ii) by BVT to the Authority against the amount invoiced by BVT in respect of any part of the Statement of Work which is not sub-contracted by BVT to the Other Industrial Participants pursuant to the IP MFTC Sub-Contracts,

in each case which is included in the relevant aggregated invoice.

- (d) If there are no invoices in respect of Incurred Costs from which the Authority can set off amounts pursuant to this Paragraph 2.1, then the Authority shall be entitled to make a claim for payment of Pain Share from BVT of, and BVT shall pay, any amounts which remain owing to the Authority from BVT under the Manufacturing Phase Alliance Agreement or this Contract.

2.2 Payments of amounts calculated under MAA

Save as otherwise expressly provided in schedule 14 (Liability/Indemnity/Insurance) of the Manufacturing Phase Alliance Agreement any payments to be calculated pursuant to the provisions of the Manufacturing Phase Alliance Agreement must be paid under this Schedule 6.

2.3 Application of DEFCON 35 (Progress Payments) and DEFCON 522 (Payment)

- (a) DEFCON 35 (Progress Payments) shall apply to this Contract subject only to the following variations:
 - (i) the reference to the rejection of Articles under the Contract in clause 6 shall not apply;

- (ii) clauses 1(b) and 3(b) shall not apply;
 - (iii) delete clause 2 and replace with "BVT's monthly invoice shall clearly show the total expenditure to date, and the total amount of all payments already claimed from the Authority";
 - (iv) delete clause 3(c);
 - (v) if, by reason of progress payments made to BVT it comes to light that an overpayment has been made by the Authority, the Authority shall be entitled to recover such overpayment from BVT in accordance with the process in Paragraph 3.4(b) below;
 - (vi) BVT shall submit a monthly invoice in the format of AG Form 173 with supporting information summarising the Incurred Costs incurred during the previous month in the format set out in Annex A to this Schedule 6;
 - (vii) clause 5 shall not apply unless the Authority has reason to believe that BVT is not performing in accordance with this Contract. In such circumstances the Authority shall obtain the approval of the Alliance Management Board prior to withholding any progress payment; and
 - (viii) clause 7 shall not apply.
- (b) DEFCON 522 (Payment) shall apply to this Contract and DEFFORM 522A (as referenced in DEFCON 522 (Payment)) is attached as Annex B to this Schedule 6

2.4 Phase 1 Monthly Progress Payments

During Phase 1, the Authority shall pay the Incurred Costs monthly in arrears plus ■% of such costs by way of a Monthly Progress Payment. BVT shall be entitled to submit invoices to the Authority for such payments pursuant to Paragraph 3.2 below.

2.5 Phase 1 Incentive Payment

- (a) Any Phase 1 Incentive Payment which may become payable in accordance with the RRIA shall be calculated on a provisional basis at the end of Phase 1 (prior to the certification of costs incurred in Phase 1 through submission of the Phase 1 Final Cost Certificates and the Authority carrying out the Cost Audit in respect of the Phase 1 Final Cost Certificates) and provisional payment of 85% of any such incentive payment which such provisional calculation shows shall be payable shall be made to BVT within one month of the end of Phase 1 on receipt of an appropriate invoice.
- (b) Following the Cost Audit of the Phase 1 Final Cost Certificates in accordance with Paragraph 1.4(b) above, the Final Target Cost agreed at the end of Phase 1 shall be adjusted accordingly as appropriate. The balance, if any, of the Phase 1 Incentive Payment shall be paid to BVT on receipt of an appropriate invoice.

2.6 Phase 2 Monthly Progress Payments

During Phase 2, the Monthly Progress Payment shall, subject to Paragraph 4 below, consist of the Incurred Costs payable monthly in arrears to BVT and the Other Industrial Participants under the IP MFTC Sub-Contracts and the portion of the Phase 2 Fixed Fee Indexed calculated in accordance with Paragraph 2.7 below. The Authority shall pay to BVT the Monthly Progress Payment pursuant to Paragraph 3.3(b) below. BVT may invoice the Authority separately for Incurred Costs and for the Phase 2 Fixed Fee Indexed.

2.7 Payment of the Phase 2 Fixed Fee

- (a) The amount of the Phase 2 Fixed Fee payable shall be proposed by the Alliance Management Board and agreed by the Authority at the commencement of Phase 2 in accordance with paragraph 6.6 of schedule 4 (Risk and Reward Incentive Arrangement) of the MAA.

- (b) 50% of the Phase 2 Fixed Fee calculated in accordance with schedule 4 (Risk and Reward Incentive Arrangement) and schedule 5 (Indexation) to the Manufacturing Phase Alliance Agreement shall be payable to BVT against the Milestones and 50% against EVM as defined.
- (c) For the purposes of calculating that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above, an Alliance level (WBS Level 0) schedule shall be used for calculating the schedule performance index (SPI). If the SPI as calculated by the EVM system operated by BVT (as agreed under the Project Control Requirements) is equal to or greater than:
 - (i) ■ then 100% of that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above for that month shall be paid
 - (ii) ■ then 90% of that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above for that month shall be paid
 - (iii) ■ then 80% of that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above for that month shall be paid
 - (iv) ■ then 70% of that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above for that month shall be paid

If the SPI is below ■, none of that part of the Phase 2 Fixed Fee payable against EVM pursuant to Paragraph 2.7(b) above shall be payable against EVM for that month.

Any part of the Phase 2 Fixed Fee which is payable against EVM pursuant to Paragraph 2.7(b) above that cannot be claimed due to SPI being below ■ as set out above shall be deferred and can be claimed when the SPI recovers in subsequent months.

- (d) For the purposes of calculating the part of the Phase 2 Fixed Fee which is payable against Milestones pursuant to Paragraph 2.7(b) above, the Milestones shall be selected from the Alliance level (WBS level 2) schedule.
- (e) The Milestones for the first twelve months of Phase 2 shall be as follows:

Milestone Ref No	Description	Milestone Date
A05	Commence forward and aft island fabrications for CVF 01 (UB07/UB14)	July 2010
A07	Complete Stage 3 Engineering – all production outputs issued (LB04)	August 2010
A08	Complete Stage 3 Engineering – all production outputs issued (LB02)	September 2010
A04	Integration yard infrastructure complete	December 2010

- (f) Thereafter, the quarterly Milestones shall be agreed by the Alliance Management Board, on a rolling twelve (12) month cycle.
- (g) The element of the Phase 2 Fixed Fee which is payable against achievement of a Milestone pursuant to Paragraph 2.7(b) above shall be payable on achievement of that Milestone. If a Milestone is delayed no part of the Phase 2 Fixed Fee which is payable against achievement of such Milestone shall be payable until the Milestone has been achieved.

- (h) The percentage split between EVM and the Milestones, the EVM SPI criteria and the Milestones and the process for payment against such EVM and Milestones are subject to review and agreement by the Alliance Management Board three (3) months prior to the commencement of Phase 2.
- (i) Upon achievement of the requisite EVM or Milestones in accordance with this Schedule 6, BVT may submit an invoice to the Authority for the relevant amount of the Phase 2 Fixed Fee Indexed payable which shall be annotated with the statement “Claim for Phase 2 Fixed Fee in accordance with Paragraph 2.7(i) of Schedule 6 of the MFTC” and the Authority shall pay such invoices in accordance with Paragraph 3.3(b).

2.8 Payment of Gain Share

- (a) The Authority shall pay to BVT any Gain Share which may become payable in accordance with paragraph 3.4 and paragraph 4.2(a) or paragraph 5.2(a), as applicable, of schedule 4 (Risk and Reward Incentive Arrangement) to the Manufacturing Phase Alliance Agreement. Such Gain Share shall be calculated on a provisional basis at the end of Phase 2 (prior to the certification of Incurred Costs incurred in Phase 2 through submission of a Final Cost Certificate and the Cost Audit of those Incurred Costs by the Authority) and payment of 75 % of the Gain Share so calculated shall be made to BVT within one month of Vessel Acceptance of the Second Vessel
- (b) If, following the D3B Clearance Date for the Second Vessel and following the Cost Audit of the Phase 2 Final Cost Certificate, the Outturn Cost is less than the Final Target Cost then, within twenty (20) Business Days of the Authority's recommendation to the AMB and the AMB's agreement, BVT shall submit for payment by the Authority, an invoice for the balance (if any) of the Gain Share calculated in accordance with schedule 4 (Risk and Reward Incentive Arrangement) of the Manufacturing Phase Alliance Agreement.

2.9 Payment of Sums Due under DEFCON 656 (Break)

For the purposes of recovery by BVT of amounts payable by the Authority under clauses 24.7(h) and 24.8 of the MAA following BVT's and/or any Other Industrial Participant's exclusion under clauses 24.3(e) or (f) of the MAA and DEFCON 656 (Break):

- (a) all amounts due under DEFCON 656 (Break) paragraph 3(c) (indemnity for commitments, liabilities and expenditure, etc) shall be payable to BVT within 25 Business Days following invoice by BVT therefor following agreement by the Authority of BVT's and/or the Other Industrial Participant's claims in accordance with DEFFORM 43; and
- (b) all other amounts incurred by BVT and/or the Other Industrial Participant in respect of the orderly rundown of the Works, including profit under clause 24.8(c)(ii) of the MAA, shall be payable monthly in arrears as if the same were Incurred Costs, by submission of invoices under Paragraph 3.2 below and the Authority shall process and pay all such invoices in accordance with Paragraphs 3.3 and 3.4 below.

3 Invoicing

3.1 Aggregation and Separate Identification of Invoices

- (a) BVT shall, on each invoice it submits, clearly and separately identify all sums referable to invoices submitted to BVT by the Other Industrial Participants properly received in accordance with the IP MFTC Sub-Contract.
- (b) In the event that BVT does not receive an invoice or invoices from one or more of the Other Industrial Participants, in accordance with the IP MFTC Sub-Contract, then BVT shall still be entitled to submit its invoice and the Authority shall still pay such invoice, in accordance with the terms of this Schedule 6.

3.2 Submission of Invoices

- (a) BVT shall submit all its invoices to the Authority for payment and simultaneously copy the invoice to the AMT Finance Department and the Other Industrial Participants.
- (b) All invoices shall be submitted on form AG Form 173 with form DAB-10.
- (c) Supporting information for all invoices (except for invoices sent out pursuant to Paragraph 2.7(i) above) shall be provided with the relevant invoice in the form set out in Annex A to this Schedule 6.

3.3 Payment of Invoices Submitted

- (a) The Authority shall process all invoices properly submitted by BVT under this Contract and subject to Paragraph 3.4 below and subject to there being no manifest error in an invoice, the Authority shall use its reasonable endeavours to approve all such invoices within five (5) Business Days of receipt of the original invoice from BVT.
- (b) The Authority shall pay all invoices properly submitted to the Authority by BVT under this Contract within twenty five (25) days of receipt. The date falling thirty (30) days from receipt by the Authority of BVT's invoice shall be the "relevant date" for the purposes of the Late Payment of Commercial Debts (Interest) Act 1998 s4(2). The periods of twenty five (25) days and thirty (30) days shall exclude any days during which the invoice has been returned by the Authority to BVT under Paragraph 3.3(d) below. Where interest on any late payment is paid to BVT by the Authority, BVT shall, within five (5) Business Days of receipt from the Authority, pay over to the Other Industrial Participants interest calculated on a pro-rata basis by reference to the Industrial Participants' invoiced amounts included in the relevant aggregated invoice from BVT to the Authority.

- (c) BVT will endeavour to make payment to the Other Industrial Participants in cleared funds within one (1) Business Day following receipt of payment from the Authority and shall in any event make such payment within three (3) Business Days.
- (d) In the event that the Authority discovers a manifest error in an invoice submitted by BVT it shall return the invoice to BVT and BVT shall re-submit a corrected invoice for payment.

3.4 **Clarification and Reconciliation of Invoices**

- (a) The Authority may seek clarification of any aspect of any invoice but such clarification shall not delay the payment of such invoice.
- (b) If the Authority considers that it has been incorrectly invoiced for any part or all of any invoice and has thereby overpaid BVT then it may require that the next following invoice submitted by BVT, has an amount equal to the amount considered to have been overpaid, deducted from it and if such invoice is not so adjusted then it shall be deemed to contain a manifest error.
- (c) If an invoice is submitted with a deduction pursuant to Paragraph 3.4(b) above and it is subsequently agreed by the Authority and BVT and/or any of the Other Industrial Participants (as appropriate) that such amount deducted should not have been deducted then the amount can properly be invoiced, in the next following invoice. The parties shall agree any deduction or adjustment within one month of the adjustment or deduction being made.

4 **Repayments**

4.1 Notwithstanding the other provisions of this Schedule 6:

- (a) where there is Pain Share, the amount of which shall be calculated in accordance with schedule 4 (Risk and Reward Incentive Arrangement) of the Manufacturing Phase Alliance Agreement, the Authority shall have the right to require BVT to repay (in accordance with Paragraph 4.2

below) some or all of the Phase 1 Incentive Payment and/or some or all of the Phase 2 Fixed Fee; and

- (b) in respect of any overpayments to BVT identified through reconciliation of Incurred Costs or Allowable Costs, the Authority shall have the right to require BVT to repay (in accordance with Paragraph 4.2 below) the amount of any such overpayment.

4.2 BVT shall adjust its invoices to recover only the reduced amounts of Incurred Costs as detailed in paragraph 3.3 of schedule 4 (Risk and Reward Incentive Arrangement) of the Manufacturing Phase Alliance Agreement and any repayment as part of the reconciliation of Interim Cost Certificates and/or Final Cost Certificates under Paragraphs 1.4 and 1.5 above.

4.3 In respect of any underpayments by the Authority to BVT identified as part of the reconciliation of Interim Cost Certificates and/or Final Cost Certificates under Paragraph 1.5 above the amount of any such underpayment shall be reimbursed to BVT within twenty five (25) Business Days of receipt of the invoice from BVT.

Annex A
Form of Supporting Information to be Submitted with invoices

The form set out in this Annex A is a sample form only and the codes and figures included with in the form are for illustrative purposes only.

**AIRCRAFT CARRIER ALLIANCE
TYPICAL FORMAT FOR APPLICATION FOR PAYMENT - SUMMARY PAGE**

Industrial Participant: BAE SFS (incl SS)					
Contract No.: CBCVF/104		Period Ended Nov-07			
		Date Issued 03/12/2007			
		For Work Covering 30/06/2007 to 23/11/2007			
Level 2					
LEDGER COSTS / APPLICATION FOR PAYMENT					
		PERIOD	PREVIOUS	CUMULATIVE	Accrual @ period end
A.1	AMT Mgt; Project Mgt Services				
A.2	AMT Mgt; IM/IT				
A.3	AMT Mgt; Procurement Mgt				
A.5	AMT Mgt; ILS				
A.6	AMT Mgt; Client Assurance				
A.7	AMT Mgt; Commercial				
A.8	AMT Mgt; Human Resources				
B.A	Engineering Project Management				
B.1	Engineering Systems Design				
B.2	Engineering Stage 2/3 Mobilisation				
B.3	Engineering Stage 2/3 Mgt				
B.4	Engineering Stage 1 Support				
B.6	Engineering Stage 2/3 Wholeship				
B.7	Engineering Stage 2				
B.9	Engineering Stage 2/3 Support to Build				
C	Materials				
D.1	Shipbuild				
D.3	Facilities				
D.A	Integration, Test & Commissioning				
X	Demonstration Phase Activities				
Subtotal					
HO Allocation		<i>stand alone calculation</i>			
Subtotal					
Fee Profit		<i>stand alone calculation</i>			
Total					

Check

██████████ ██████████

Total to 2 decimal places

██████████

VAT

██████████

Grand Total

██████████

Allocation of Invoice Period to SS and SFS

Period Costs SS

Period Costs SFS (balance)



Back-up of Costs for Invoice

Cumulative to October (July to October)

WBS Level 1	Invoice Data				EVM Reconciliation			
	Actual Costs			Grand Total	Actuals SFS	Accruals SFS	Total SFS	Total EVM
	1070	1071	Subs					
A.1								
A.2								
A.3								
A.5								
A.6								
A.7								
A.8				-	-		-	
B.A								
B.1								
B.2								
B.3								
B.4								
B.6								
B.7								
B.9								
C				-	-		-	
D.1								
D.3								
D.A								
X								
Totals	-							
<i>Check</i>								

Actual Costs 341071 - October Cum Accruals October Cum Total including accruals

Class AA

Class AC

Class (All)

Level 1	Data		Level 1	Data		Level 1	Data	
	Sum of Hours	Sum of Pounds		Sum of Units	Sum of Pounds		Sum of Units	Sum of Pounds
A.1	█	█	A.3		█	A.1	█	█
A.2	█	█	A.5	█	█	A.2	█	█
A.3	█	█	B.1	█	█	A.3	█	█
A.5	█	█	Grand Total	█	█	A.5	█	█
A.6	█	█				A.6	█	█
A.7	█	█				A.7	█	█
B.1	█	█				B.1	█	█
B.2	█	█				B.2	█	█
B.3	█	█				B.3	█	█
B.6	█	█				B.6	█	█
B.7	█	█				B.7	█	█
B.A	█	█				B.A	█	█
D.1	█	█				D.1	█	█
D.A	█	█				D.A	█	█
X	█	█				X	█	█
Total	█	█				Total	█	█
B.7	█	█				B.7	█	█
Grand Total	█	█				Grand Total	█	█

**WBS
ANALYSIS**

To be completed by each Industrial Participant

Period 31-
Aug-
End: 07

IP: KBR

WBS Number	Cost Type	Description	LEDGER COSTS / APPLICATION FOR PAYMENT			ACCRUALS
			PERIOD	PREVIOUS	CUMULATIVE	
				Sample format with codes and figures for illustration only		
xxxxx	Labour	WBS Level 2 heading	+	+	+	+
xxxxx	Non labour		+	+	+	+
xxxxx		WBS Level 2 heading	+	+	+	+
xxxxx			+	+	+	+
xxxxx		WBS Level 1 Subtotal	+	+	+	+
xxxxx						
xxxxx		WBS Level 2 heading	+	+	+	+
xxxxx			+	+	+	+
xxxxx		WBS Level 2 heading	+	+	+	+
xxxxx			+	+	+	+
xxxxx		WBS Level 1 Subtotal	+	+	+	+
xxxxx						
xxxxx		WBS Level 2 heading	+	+	+	+
xxxxx			+	+	+	+
xxxxx		WBS Level 2 heading	+	+	+	+
xxxxx			+	+	+	+
xxxxx		WBS Level 1 Subtotal	+	+	+	+

	TRANSFER TO SUMMARY	+	—	+	⊥
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Schedule 7

DEFFORM 111

DEFFORM 111
(Edn 02/08)

Appendix - Addresses and Other Information

1. Commercial Officer
Capital Ships [redacted], CS Directorate,
DE&S, Ash 0c, #3016
MoD, Abbey Wood, Bristol, BS34 8JH
☎ [redacted] Fax: 0117 91 35958
Email: [redacted]

8. Public Accounting Authority
(for Government owned stores issued or to be held by the Contractor)
Ministry of Defence, FMSG/AAC1, West Point, 12th Floor, 501 Chester
Road, Old Trafford, Manchester, M16 9HU
☎ 0161 908 3001 Fax : 0161 908 3000

2. Project Manager, Equipment Support Manager or IPT Leader
(from whom technical information is available)
Capital Ships [redacted], CS Directorate,
DE&S, Ash 0c, #3016
MoD, Abbey Wood, Bristol, BS34 8JH
☎ [redacted] Fax: 0117 91 35958
Email: [redacted]

9. Consignment Instructions
The items are to be consigned as follows:

In accordance with instructions issued by the officer named at Box 2

3. Packaging Approving Authority

N/A

10. Transport. The appropriate Ministry of Defence Transport Offices
are:
A. **AIR** Air Freight Centre, DSDA, Building 400, Andover, Monxton
Road, Andover, Hants, SP11 8HJ.
☎ 01264 38 1564 for exports
☎ 01264 38 1564 for imports
Fax 01264 38 1598
B. **SURFACE** Surface Freight Centre, DSDA, Distribution Directorate,
Building 35, Room 12, Skimming Dish Lane, Caversfield, Bicester,
OX27 8TS:
☎ 01869 875710 for UK Ex-Works contracts
Fax 01869 874397 (Ex-Works)
☎ 01264 38 1605 for IMPORTS
☎ 01264 38 1602 for EXPORTS
Fax 01264 38 1643 (Imports and Exports)

4. (a) Supply/Support Management Branch or JIGSAW Order Manager:

Tel No: TBA

(b) U.I.N. TBA

11. Bill Paying Branch (see Note 2)
Ministry of Defence ☎ 0151-237-6500
DGFM FM SSC
Mersey House, Drury Lane Fax: 0151-242-2197
Liverpool, L2 7PX Website is: www.fmssc.mod.uk

5. Drawings/Specifications are available from

Those not already in the Contractors possession are available from the officer
named at Box 2

12. Forms and Documentation are available from *:
Ministry of Defence, Defence Storage & Distribution Centre
DSDC(L)/6a2
Mwrrwg Road
LLANGENNECH, Llanelli, Carmarthenshire SA14 8YP
A self-addressed label should be sent with each application.

**6. For contracts containing DEFCON 5, mauve Copies of MOD Form
640 are to be sent to**

N/A

(where no address is shown the mauve copy should be destroyed)

NOTES

1. Forms. All contract forms, including MOD Form 640, AG Forms
169 and 173, are available from the address shown at Box 12.

2.* Many DEFCONs and DEFFORMs can also be obtained from the
MOD Internet Website, www.aof.mod.uk

7. Quality Assurance Representative: Is the officer named at Box 2

The Quality Assurance requirements are as stated at Clause 4

AQAPS and DEF STANs are available from Stan 1, Kentigern House,
65 Brown St, Glasgow, G2 8EX. A self addressed label should be sent with
each application. Website is: www.dstan.mod.uk

For Official Use Only Recoverable YES NO
Issue of Government Property YES NO

Finance Branch Capital Ships [redacted]
LH No/Project No P900007200

VAT Contractor - Country of Origin (delete those not applicable)

UK
X

Overseas (non-EC Country)

Overseas (EC Country)

Requisition No

TBA

Project Management/
Production branch
reference

TBA

If EC specify country:

N/A

Place of manufacture

Portsmouth

Outside the scope

Item Nos

Exempt

Item Nos

Taxable Zero Rate

Item Nos

Taxable - Standard Rate

Item Nos

All items

Place of packaging

N/A

Contractor's Tel No

(where contract is with an overseas contractor RP (FIN) VAT Guidance Note No 3 should be consulted)

Schedule 8

Ship Trials

1 General

- 1.1 This Schedule 8 describes the responsibilities and arrangements for the conduct of tests and trials in respect of each Vessel leading to Vessel Acceptance in accordance with Schedule 4 (Acceptance).
- 1.2 Should any tests and trials in respect of each Vessel leading to Vessel Acceptance be required to be repeated, then the Parties shall be responsible for providing personnel, services and equipments as originally provided for the test and/or trial in accordance with this Schedule 8.

2 Parties Responsibilities

- 2.1 The Authority shall provide all necessary ordnance, consorts and targets needed to complete tests and trials and all facilities and services used in naval bases free of charge during the period up to Vessel Acceptance.
- 2.2 BVT shall be responsible for arranging berthing, pilotage, harbour dues, boat transfers, facilities and services when using non-naval ports prior to Vessel Acceptance and its costs for so doing shall be an Incurred Cost.

3 Care and Protection of the Vessel and Personnel

- 3.1 Until the Vessels are accepted by the Authority, BVT shall be responsible for ensuring that their stability is, at all times, satisfactory whether afloat or in dry dock, and the Authority shall have the right to require stability to be checked, at any time during this period. While being fitted-out afloat, the Vessels shall be at a suitable berth and be fully afloat at all states of the tide.
- 3.2 BVT shall ensure that planned maintenance of all machinery and equipment, including GFA as well as items provided by BVT, is carried out in accordance with the schedules within the Unit Maintenance Management System (UMMS) as agreed between the Authority and BVT. Where data from UMMS is not

available, maintenance shall be carried out in accordance with the manufacturer's instructions.

4 Security of the Vessels

4.1 BVT shall be responsible for the security of each of the Vessel(s) and their contents up to ship staff move-on-board (SSMOB). Following SSMOB the ship's staff shall have responsibility for security of the Vessel(s).

5 Threat Alerts

5.1 The Authority shall, regardless of the circumstances of the Vessel(s), retain responsibility for the deployment of armed personnel in response to a threat alert.

5.2 If, at any time, the Authority believes in its sole opinion, that:

- (a) the national interest, the requirements of national security or the occurrence of a state of transition to war, war or other emergency (whether or not involving hostilities);
- (b) a request to the Authority by a local authority, public body, or statutory corporation for assistance in relation to the occurrence or possible occurrence of a major accident, crisis or natural disaster; and/or
- (c) a request by NATO, the United Nations, the European Union or any other country for support and assistance in relation to international obligations,

means that it is necessary or appropriate or desirable for the Authority to take any action in relation to either Vessel, then the provisions of Paragraph 5.3 below shall apply.

5.3 If this Paragraph 5.3 applies then BVT shall and shall procure that its contractors, sub-contractors of whatever tier and the Other Industrial Participants shall take such action and/or refrain from taking such action and/or permit the Authority to take such action, as the Authority in its absolute discretion determines provided always that the Authority shall fully indemnify BVT, its

contractors, sub-contractors of whatever tier and the Other Industrial Participants against all losses whatsoever which it or they reasonably and properly incur as a result of such action.

6 Cryptographic Material and Classified Data

- 6.1 BVT shall provide the Authority with at least six months notice of its requirement for keying material to support setting to work.
- 6.2 BVT shall ensure compliance with the requirements of JSP 440 Vol 3 (Amdt 3) for the use, security and accounting of cryptographic material and classified data whilst in its possession and control.

7 Authority Participation

- 7.1 The Authority shall appoint appropriately qualified and empowered personnel to attend such tests, trials, assurance and acceptance activities, and/or reviews to agree the acceptability of presented evidence or to participate accordingly.
- 7.2 BVT shall allow Authority personnel reasonable access to the Vessel as required at any time to fulfil their duties subject only to the requirements of the Health & Safety at Work Act.
- 7.3 Authority Personnel during Construction/Assembly

The Authority's personnel (including the ship's company) shall commence joining at the Industrial Participants' yards and build up as necessary to fulfil the needs of their individual and collective training and of the trials and maintenance programmes. Such personnel shall be provided by the Authority in accordance with the Complement Build-Up Model (ACA document identifier CVF-00015765), and whether they be service or civilian they shall be acting on instruction of BVT as unpaid servants and the provision of such personnel does not in any way whatsoever relieve BVT of its responsibilities under this Contract. During this period the responsibilities of Authority personnel whilst the Vessel(s) are not at sea shall include:

- (a) Operating and maintaining equipment and systems in support of setting to work and the trials programme, as required by BVT Commissioning Manager;
- (b) Ensuring the proper stowage of onboard naval stores in accordance with extant naval procedures;
- (c) Undertaking training;
- (d) Completing the Authority's Safety and Readiness Checks (SARC) being SARC1 and SARC2; and
- (e) Ensuring the cleanliness of Compartments formally handed over to the Authority following passing their Compartment Completion Inspection.

7.4 Authority Personnel during pre-Vessel Acceptance Date sea trials

During pre-Vessel Acceptance Date sea trials the responsibilities of Authority personnel shall include:

- (a) Operating the Vessels under the direction of BVT's Sea Trials Manager;
- (b) Be able to form the sea trials operating crew and, under the control of the Mechanical Engineering Officer (Design), the attack and support teams of the standing sea emergency party (SSEP), namely:
 - (i) containment party;
 - (ii) damage control;
 - (iii) cryptographic and classified material;
 - (iv) flight deck operation team;
 - (v) bridge and navigation teams;
 - (vi) anchoring, mooring, berthing and sea boat parties;
 - (vii) catering teams;

- (viii) cleaning parties;
- (ix) machinery operating and watch-keeping teams;
- (x) medical team; and
- (xi) evacuation and life saving control.

7.5 Changes of Authority Personnel

Where the Authority wishes to rotate or exchange its personnel it shall provide BVT with ten (10) Business Days notice of these replacements and shall ensure that those replacements have completed appropriate training for the position.

8 Passages at Sea

8.1 Application of Paragraph 8

This Paragraph 8 shall apply to all passages at sea by each of the Vessels under its own power or on tow prior to the Vessel Acceptance Date (or until it shall have been otherwise taken over by the Authority), including (but not limited to):

- (a) launch;
- (b) docking, undocking, change of berth and all other movements;
- (c) specified sea trials and any necessary repeat trials;
- (d) passage to and from the place where trials are to take place;
- (e) extra trials;
- (f) passage to another port for performance of the Works;
- (c) detention of the Vessel at sea for any reason; and
- (g) passage or movement for any other purpose not specified in this Contract which the Authority may require.

8.2 In relation to all passages at sea by Vessel Parts, BVT shall agree all certification requirements with the Authority prior to passage.

8.3 Preparedness for Sea

BVT shall be in charge of the relevant Vessel and responsible for its safety, and shall at all times ensure that the Vessel is suitably prepared and inspected prior to being moved from its berth and/or proceeding to sea and that sufficient, competent and appropriately trained crew members are onboard. The basis for determining the Vessel's preparedness for sea shall be the successful completion of the Authority's appropriate Safety and Readiness Checks (SARC).

8.4 Certificate of Seaworthiness

On all occasions before the Vessel is moved from its berth or proceeds to sea, except:

- (a) in an emergency for its safe preservation; or
- (b) when the movement is undertaken with a dead ship and is under the control of an authorised pilot who is controlling tugs in attendance, in which case if a passage under tow is undertaken the necessary precautions and manning are to be agreed with the Authority in advance;

BVT shall complete and sign a "Certificate of Seaworthiness" in the form set out in Form 100A and forward it to the Authority. The name of the Master (as defined in Paragraph 8.12(a) below) who shall command the Vessel shall be stated on the Certificate. The movement of the Vessel shall not proceed until written authority to do so has been received from the Authority.

8.5 Prior to the Authority signing the Certificate of Seaworthiness in accordance with Paragraph 8.4 above, BVT shall draw up and agree with the Authority detailed plans for the passage including times, tide height, instructions to cover local navigational requirements and contingency plans for all foreseeable eventualities (including alternative berths, supporting vessels and shore support).

8.6 Local Orders, Compliance and Records

BVT shall ensure that:

- (a) all local orders regarding pilotage and use of tugs shall be observed;

- (b) appropriate logs shall be kept;
- (c) the largest published scale chart available shall always be used when at sea and the Vessel's or part thereof position shall be fixed by recognised navigational methods and plotted with such frequency as to indicate the Vessel's or part thereof track clearly and accurately;
- (d) Admiralty charts shall be used;
- (e) each Vessel or part thereof shall comply at all times with the International Regulations for Prevention of Collisions at Sea;
- (f) a record of persons on board together with details of next of kin is maintained both on board and ashore; and
- (g) life-saving apparatus shall be provided to a range and scale agreed with the Authority before each passage.

8.7 Charts and Instruments

At the request of BVT, the Authority shall supply a set of the necessary Admiralty charts, Notices to Mariners and navigational instruments for use by the Master during passages at sea.

Except where they have been placed in the possession and control of Authority personnel, the Admiralty charts, Notices to Mariners and navigational instruments supplied by the Authority shall be supplied to BVT as GFA who shall be responsible for their safekeeping and return in good condition to the issuer immediately after completion of the trials or the passage.

8.8 Sea Trials Safety Briefs

BVT in conjunction with the ship's staff, shall be responsible for providing and delivering a sea trials safety brief to all personnel carried on board each Vessel at sea.

8.9 Qualified Crew

Both BVT and Authority shall provide qualified crew to navigate the Vessel and to operate all the required machinery, systems, electrical installations and equipment. Authority personnel shall be provided in accordance with the terms of Paragraph 7.1 above.

8.10 The Master and members of the crew of the Vessel provided by the Authority in accordance with Paragraph 7.1 above shall act on behalf of BVT and shall be regarded as so acting at BVT's request and entirely without prejudice to BVT's responsibilities under the Contract for the building, trials and completion of the Vessel. The Master shall be regarded as having been appointed by agreement of BVT as its accredited Master of the Vessel for the purpose of all passages as aforesaid.

8.11 Sea Trials Safety Case Report

BVT shall be responsible for providing and maintaining a Safety Case Report for Sea Trials in respect of Acceptance, which shall be formally approved by the Authority fifteen (15) Business Days prior to the commencement of sea trials.

8.12 Trials Master

- (a) The Vessel shall be commanded by a warship trials master who shall be nominated by the Authority and appointed by BVT (referred to in this Schedule 8 as the “**Master**”).
- (b) The Master appointed to command each Vessel leading up to Acceptance shall have responsibility for the safety of that Vessel and for all personnel embarked.
- (c) The Master shall have the lead responsibility for BVT's duty of care of the Vessel(s) during all sea trials. In discharging this duty of care he shall consult and take the advice of the BVT's Sea Trials Manager, the Senior Naval Officer and other experts as appropriate.

- (d) The Master may, in emergency, when grave danger or serious damage is imminent, take or order to be taken such action as he may reasonably believe necessary to avert or minimise the threatened danger.

8.13 Medical Support

- (a) BVT shall be responsible for ensuring the level of medical support provided during sea trials complies with civil legislation.
- (b) BVT shall be responsible for ensuring that an emergency medical evacuation plan is maintained from commencement of –sea trials through to Vessel Acceptance.

8.14 Services for Embarked Personnel

During passages at sea or whilst on Sea Trials, the parties shall be responsible for the provision of all services for embarked personnel and for consumable items as detailed below:

- (a) On-board accommodation – shall be provided by BVT at no cost as ships cabins, where available, shall be allocated as required;
- (b) Messing – the Authority shall provide catering staff and victuals from the point of SSMOB. The Authority shall supply victuals for sea trials and the Target Cost shall be reduced by an amount equal to any sum included in the Target Cost which is for the provision by BVT of victuals for sea trials;
- (c) Bedding (clean and fit for immediate use) - shall be provided by the Authority. BVT shall be responsible for the replacement of damaged items;
- (d) Laundry service - to be provided by the Authority, save that BVT shall be responsible for the cost of laundry of bedding, overalls, medical and galley whites for sea trials;
- (e) Boat service (between Vessel and shore for embarked personnel) - shall be provided by BVT;

- (f) First aid facilities - shall be provided by the Authority, save that BVT shall fund the cost of any replacement consumables;
- (g) Suitably qualified medical staff (including attendance of a paramedic) - shall be provided by the Authority. Evacuation ashore to be made available by BVT, with the Other Industrial Participants, for serious cases;
- (h) Fuel - shall be provided by the Authority; and
- (i) Consumable stores/items - shall be provided by BVT.

Schedule 9

Ship Related Formalities

1 General

1.1 Notwithstanding that the proposed dates for the events listed below are set out in the Cardinal Date Programme, BVT shall notify the Authority in writing of the proposed dates for the events listed below in accordance with minimum period of notice specified below:

Event	Minimum notice period
Laying the first keel-plate or fabricated unit for each of the lower blocks 1-4 for each Vessel	one month
Completion and movement to point of integration of each of the lower blocks 1-4 for each Vessel	one month
Float Out of each Vessel	one month
Naming Ceremony for each Vessel (subject to Paragraph 1.3 below)	Twenty-four months

1.2 The notifications made by BVT in accordance with Paragraph 1.1 above shall include any other relevant information reasonably required by the Authority, including (without limitation), berth or dock number, proposals for ceremonies, arrangements for publicity and attendance of the public.

1.3 The date of the Naming Ceremony shall be subject to agreement by the Authority.

2 Naming Ceremony

2.1 A Naming Ceremony for each Vessel shall be held not later than 3 months after the Float Out of the relevant Vessel. The Authority, consulting BVT as necessary, shall nominate the lady to perform each Naming Ceremony.

- 2.2 At each Naming Ceremony a religious service, however brief and informal, shall be held. BVT may, with or before giving formal notification of the proposed date of each Naming Ceremony in accordance with Paragraph 1.1 above, submit for Authority approval the name of a Minister of Religion to conduct the service. If BVT does not wish to make a nomination, or its nominee does not receive Authority approval, the Authority shall appoint (at its sole discretion) a Minister of Religion to conduct the service.
- 2.3 Unless expressly excluded herein, the costs associated with both Naming Ceremonies shall be charged as Incurred Costs.
- 2.4 BVT shall observe the following guidelines in respect of each Naming Ceremony:
- (a) The total number of guests to be invited to each Naming Ceremony shall not exceed 250, of which 50 should be staff of the Authority.
 - (b) Where not already available, BVT shall provide suitable Naming Ceremony facilities, such as viewing areas for invited guests and sufficient PA equipment to make speeches audible and intelligible.
 - (c) BVT shall liaise with the Authority regarding the participation of a band at each Naming Ceremony. Where a band is to participate BVT shall be responsible for the provision of such a service, utilising a Royal Navy military band where appropriate.
 - (d) Where a Naming Ceremony is attended by a member of the Royal Family, BVT should avoid giving excessively expensive gifts and the type of gift should normally be agreed between BVT and a member of the Royal family's private office. Where a Naming Ceremony is not attended by a member of the Royal family, BVT should not give gifts in excess of £500 in value.
 - (e) Costs associated with travel, accommodation and gifts for invited guests shall not be accepted as Incurred Costs.

3 Other Ceremonies

- 3.1 The Authority does not require any ceremony other than the Naming Ceremony for each Vessel.
- 3.2 Subject to Authority approval, BVT may arrange other ceremonies at its own expense.
- 3.3 BVT must obtain the Authority's prior written approval if it wishes to admit members of the press or the public to any ceremony (including, for the avoidance of doubt a Naming Ceremony) or to organise any form of publicity in relation to any such ceremony.

4 Wearing of Flags

- 4.1 Prior to Vessel Acceptance no ensign or flag shall be flown on the Vessels, except as is permitted by Naval regulations.
- 4.2 The Authority shall, on request, advise BVT about which flags should be flown on the Vessels on specific occasions and may, where requested, provide BVT with any flags required on an "on loan" basis. Normally a blue ensign – defaced, shall be flown for sea trials.

EXECUTED (BUT NOT DELIVERED UNTIL THE)
DATE OF THIS AGREEMENT) AS A DEED BY)
THE AFFIXING OF THE CORPORATE SEAL)
OF THE SECRETARY OF STATE FOR)
DEFENCE OF THE UNITED KINGDOM OF)
GREAT BRITAIN AND NORTHERN IRELAND)
FOR AND ON BEHALF OF THE CROWN AND)
IN THE EXERCISE OF ALL AND ANY POWERS)
ATTACHING TO HIS OFFICE AS SECRETARY)
OF STATE)

Amyas Charles Edward Morse
Authorised Signatory

Amyas Charles Edward Morse
Signatory Full Name

Executed as a Deed by)
BVT SURFACE FLEET LIMITED)
acting by a director)
)
)
(name of director))

[Redacted signature]

In the presence of:
Name of witness: [Redacted]

Address of witness: [Redacted]
[Redacted]
[Redacted]

Occupation of witness: [Redacted]