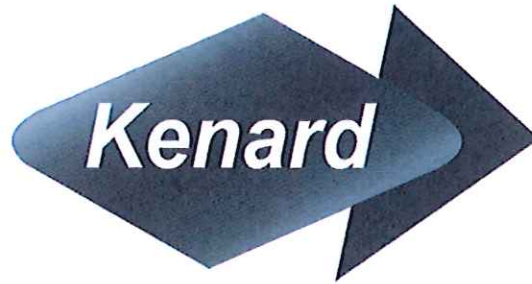


KENARD ENGINEERING LIMITED



GENERAL CONDITIONS OF PURCHASE

1. DEFINITIONS

- '*Buyer*' shall mean Kenard Engineering Ltd.
- '*Company*' shall mean Kenard Engineering Ltd.
- '*Seller*' shall mean the person, firm, or company to whom the Purchase Order is issued.
- '*Goods and Services*' shall mean all matter, articles, things, or provisions of labour to carry out tasks, which are the subject of a Purchase Order.
- '*Contract*' shall mean the instructions of the Buyer contained in the Purchase Order, any other conditions, or documents referred to in the Purchase Order, and these general conditions accepted by the seller.
- '*Packaging*' includes bags, cases, carboys, cylinder, drums, pallets, tank wagons and other containers.
- '*Order*' shall mean a duly authorised Purchase Order form, which details the instructions to the seller.
- '*Amendment*' shall mean any variation to the contract confirmed by an Authorised Purchase Order Form carrying the words '*Purchase Order Amendment...*'.
- '*Authorised*' shall mean the signature of the person that is either named or whose status is shown on the face of the Purchase Order.
- '*Firm and Fixed Price*' shall mean no variation of price nor reconciliation of cost is permitted.

2. GENERAL

These **Terms and Conditions** shall apply in preference to and supercede any Terms and Conditions referred to, offered, or relied on by the seller at any stage in the dealings between the Buyer and the seller with reference to the Goods or Services to which this contract relates. Without prejudice to the generality of the aforementioned, the Buyer will not be bound by any Standard or Printed Terms referred to, or furnished by the seller in any of its documents, unless the Seller specifically states in writing from such Terms, that such Terms are required to apply, and the Buyer acknowledges this in writing. In this context, quotations referred to in the Contract are referenced only for price, delivery and quality.

9. TRANSFER OF PROPERTY AND RISK

- (a) Subject to (b) hereof, the property and risk in the goods shall not be deemed to pass to the Company until the goods are delivered in good condition into the custody of the Company Official at the place stated in the order, or if no place is so stated, then at the Company's works, section 33 of the Sale of Goods Act 1979 shall not apply.
- (b) Where the Company pays the Seller a sum on account of payments for the goods in advance of delivery, the title (but not the risk) in materials ordered by or in the possession of the seller which are intended for incorporation in the goods up to the value of such advance payment shall pass to the Company on receipt by the Seller of the said payment. All items so allocated shall be adequately marked and recorded as being the property of the Buyer.

10. HEALTH AND SAFETY

- (a) Should there be any risks to health or hazards to safety from the goods you shall as required by Section 6 of the **Health and Safety at Work etc Act 1974**, as amended or as required by other statutory regulation, order or code of practice having the force of law, inform us in writing, *in English*, of the risks, the precautions that must be taken and any emergency information needed when the goods are used, handled, processed, stored or transported.
- (b) Hazardous goods must be marked in accordance with **Classification, Packaging and Labelling of Dangerous Substances Regulations 1984** and subsequent amendments. *Risk and Safety notice must be in English.*
- (c) All machinery must be guarded to BS5304 and / or any other statutory regulation, order or code of practice having the force of law from time to time in force.
- (d) Hazard data sheets must meet the legal requirements of the **Health and Safety at Work Act** and the **Health and Safety executive Guidance Note HS/G27**.
- (e) Subcontractors assigned to carry out work on a Kenard Site should note it is a pre-requisite you ensure to supply a current copy of your sub-contractors liability insurance certificate.
- (f) It is your responsibility as the sub-contractor for you to supply your operative's appropriate equipment and work wear to carry out the contracted works in line with current uk health and safety regulations.
- (g) Failure to comply with the above may result in you not being allowed to commence work or being asked to leave the site.

11. DELIVERY, PACKAGING AND MARKING

- (a) All goods supplied against the Order must be adequately protected against damage and deterioration in transit and delivered, carriage paid.
- (b) The goods shall be at the Seller's risk until delivered to the Buyer at the point specified in the Order, unless the Buyer otherwise agrees in writing.
- (c) The Order Number overleaf should be prominently and securely displayed on all packages in the consignment and a detached Packing Note included with the consignment.

- (d) Unless otherwise agreed containers will not be paid for and it shall be considered the responsibility of the Seller for the collection and disposal of all returnable packaging at no cost to the Buyer.
- (e) Unless otherwise authorised by the Buyer, the Seller must make such contract with the carrier on behalf of the Buyer as may be reasonable having regard to the nature of the goods and the other circumstances of the case; and if the seller omits to do so, and the goods are lost or damaged in course of transit, the Buyer may hold the Seller responsible in damages.

12. PAYMENT

All payments made by the Company to the Seller shall be made without prejudice to the Company's right of rejection, cancellation or alteration whether arising under the sale of Goods Act 1979 or otherwise and if the Company shall have paid any sum in excess of the sums due hereunder, the seller shall repay the sum to the Company on demand.

Our normal Payment Terms are 45 days from invoice submittal date unless otherwise expressly agreed in writing by the Company. (This may be longer in line with specific customer agreements but these will be agreed with the specified supplier)

13. STOCKING POLICY

It may be a condition of the Purchase Order Contract that it is a pre-requisite of acceptance of our order that to ensure guaranteed delivery dates the Seller shall hold at all times a minimum stock level of the purchased product/s or a similar quantity agreed between the Seller and the Company. (Should this apply this will be confirmed at the point of Order Placement)

14. ASSIGNMENT AND SUB-CONTRACTING

- (a) The Seller shall not assign or transfer or purport to assign or transfer the Contract or the benefits thereof to any other person.
- (b) The Seller shall not sub-contract the performance of the contract or any material part thereof without the prior written consent of the Company, which consent, shall not be unreasonably withheld.
- (c) Where permission is given, the Seller shall remain responsible for the performance of the Order, and ensuring, that any assignee complies with the requirements of this Contract.

15. VERIFICATION AT SOURCE

The Company or his representative shall be afforded the right and the facilities by the Seller, to verify at source, that the purchased goods conform to specified requirements, but the exercise of such right by the Company shall in no way relieve the Seller of his obligations to provide goods or services in accordance with the contract, nor shall it be used or interpreted as a means of quality control, or preclude subsequent rejection.

16. LAW AND JURISDICTION

The contract shall be governed by and construed in accordance with English Law and the Courts of England shall have exclusive interpretation to hear all disputes arising in connection with the Contract.

17. QUALITY

(a) The goods supplied will be fit for purpose, new and of good construction, sound materially, of adequate strength and free of defects in design, materials and workmanship. Notwithstanding and aforementioned, goods supplied must comply with the express terms of the contract and implied conditions, warranties and terms contained in the *Sale of goods Act 1979, and Supply of Goods and Services Act 1982*, and any related statutes, and any statutory re-enactment(s) or modification(s) thereof and with any specifications of the *British Standards Institute* (or equivalent) which is relevant to the Goods and Services at the time of the order.

(b) Should the end user (the Company's customer) require specific additional quality requirements, full details will be added to the relevant purchase order coverage.

(c) Where purchase orders state 'Manufacture Complete' - the Seller is to supply materials, manufacture and carry out any finishing process as depicted on the relevant drawings, specifications and / or purchase order.

(d) It should be noted that it is a fixed requirement for a full First Article Inspection Report (FAIR) to be submitted for all new first off manufactured components, unless otherwise directed by the purchase order. The requirement for a FAIR will be stated on the purchase order. The format of the FAIR and the information required on the FAIR will be stated on the purchase order.

(e) Any components received at the Company that do not meet all of the requirements quoted on the purchase order are liable to be rejected on the Seller.

(f) The Seller is required to officially notify the Company of any change to its third-party accreditation, such as BSI, BVQI, LLOYDS, CAA, ROLLS-ROYCE, BRITISH AEROSPACE, AIRBUS, BOEING or NADCAP.

(g) The Seller's Quality performance will be monitored by the Company. The data collected will be presented and reviewed at the Company's management meetings. The data collected will be presented at the time of any seller review meetings and / or supplier process and / or product audits of the Seller. This information can be made available to the Seller, upon request.

(h) Errors on supplied release documentation and / or missing documentation are liable to lead to a rejection of the components.

(i) Kenard Engineering will supply some components to a Seller in re-usable packaging, specifically selected to ensure components are not damaged in transit or in handling. The Seller is required to keep the components in their packaging whenever they are not in manufacturing. Costs associated with repair and / or replacement of packaging damaged by the supplier / sub-contractor will be passed on to the supplier / sub-contractor. Should the Seller remove the components from the Company supplied packaging and supply the components to the Company without the packaging, the components will be rejected to the Seller. Any damage caused to the specially-packaged components, in transit or during handling at the Seller's facilities, where the Seller did not use the supplied packaging, will be deemed to be Seller's liability.

(j) Components that are subject to a concession requested by the Seller must be suitably physically identified and the concession must be quoted on the release documentation. A copy of the concession must be sent with the release documentation. Any non-conforming

components received without a concession approved by the Company and /or the final customer (where applicable) will be rejected back to the Seller.

(k) All supplied parts are to be manufactured in accordance with the latest issue drawings and any specific requirement that may be detailed on the purchase order. Any deviation from this practice will be stated on the purchase order requirements. Customer specifications and / or drawings can be supplied upon request and with agreement from the customer.

(l) All plastic and epoxy glass machined components are to be manufactured and packed on 'dedicated non-metallic only' facilities and equipment to eliminate cross contamination of metallic particles.

(m) Machined components are to be supplied with all burrs and sharp edges fully removed.

(n) All surfaces are to be scratch and blemish free. All surfaces are to be clean and free from stains, localised marking and / or discolouration.

(o) All plated surfaces must be uniformly coated and free from any process stains.

(p) All parts are to be packed and protected to prevent corrosion and / or damage and as appropriate protected by bubble wrap type protection and packed in a cardboard box. Components must not come in direct contact with bubble wrap type material. Metal to metal contact must not occur, under any situation.

(q) All deliveries should be clearly labelled with the relevant part number, part description, quantity and purchase order number. Components that cannot be traced to a purchase order placed on the Seller will be rejected.

18. ACCEPTANCE

In the case of goods delivered by the Seller not conforming with the contract whether by reason of not being of quality, or the quality, or fit for the purpose stipulated, the Buyer shall have the right to reject such goods within a reasonable time of their delivery and to purchase equivalents elsewhere without prejudice to any other right which the Buyer may have against the Seller. Before exercising the said right to purchase elsewhere, the Buyer shall give the Seller reasonable opportunity to replace rejected goods with goods that conform to the contract.

Where the Buyer receives goods as *unchecked*, the Buyer's rights to subsequently reject them if they do not comply with the specification, or claim for shortage, shall not be prejudiced.

When goods are rejected, they will be returned at the Seller's risk and expense.

The making of payment shall not prejudice the Buyer's right of rejection.

19. VARIATIONS

The Seller shall not alter any of the goods, except as directed by the Buyer. The Buyer shall have the right, from time to time during the execution of the Contract, by amendment to the Order, to direct the Seller to add or omit, or otherwise vary, the goods, and Seller shall carry out such variations and be bound by the same conditions, so far as applicable, as though the said variations were stated in the Contract.

20. CANCELLATION

Any time or period of delivery, despatch or completion shall be of the essence. The Buyer shall also be entitled to cancel an Order or any part thereof and/or claim reimbursement for all losses and expenses suffered in the event that:

- A. The Seller fails to deliver Goods and Services in accordance with the terms of the Order.
- B. The Seller fails to make progress with the Order so as to jeopardise the purpose of the Order.
- C. The Seller being given a reasonable period to rectify the situation, fails to provide an adequate or satisfactory service.
- D. The Seller becomes bankrupt or insolvent, or has a receiving order made against it, or compounds with its creditors, being a corporation, commences to be wound up or if the Seller attempts to carry on its business under a receiver for the benefit of any of its creditors.
- E. The Seller is the subject of a takeover by or merger with another company.

In the event of cancellation for any of the foregoing reasons, or, in the event of circumstances unforeseen at the time of placing the order resulting in the goods and services being no longer required, the Buyer shall not be liable for any unfulfilled commitment.

21. SUSPENSION

In the event of any interruption of the Buyer's business due to circumstances beyond the Buyer's control, such as, but not limited to any dispute, fire, explosion or accident which would prevent or hinder the use of the goods or services which are the subject of the Order, the Buyer shall have the right to suspend the Order until such circumstances have ceased.

22. HEADINGS

The headings of these conditions are included for convenience and ease of reference only and shall have no effect on the interpretation thereof.

23. RIGHTS OF ACCESS

The Seller shall provide the Company, the Company's customer, or a specified third party (customer / regulatory agency), right of access to the facility and all records related to the Deliverables ordered by the Company. The Company reserves the right for the Company, the Company's customer, or a specified third party (customer/regulatory agency), to perform an audit or inspection at the Vendor's facility. Such verification shall not be used as evidence of effective control of quality. This verification does not absolve the Seller of the responsibility to provide acceptable Deliverables, and does not preclude any subsequent rejection by the Company or its customer.

In addition to the above the Company or his representative shall be afforded the right and the facilities by the Seller, to have access to the Suppliers premises to review any tooling/dies/ stock/or processes as a consequence of execution of the contract.

24. CHANGES TO PROCESSES OR DELIVERABLE

The Seller shall promptly notify the Company of any changes to the processes used in manufacturing the deliverable or in the deliverable itself, including but not limited to, change of a sub-tier supplier, change in manufacturing location, change in Executive Management and / or Quality Management personnel.

25. WARRANTY

Generally warranty on all goods and services provided by the Seller shall carry a minimum 12 months warranty, unless an extended warranty is agreed in writing, Any defect parts or workmanship found within the 12 month period should be replaced free of charge and a new period of warranty should apply.

26. RETENTION OF RECORDS

The Seller shall maintain quality records which provide evidence of conforming to requirements of Deliverables delivered to the Company. Seller shall make such records available to the Company or regulatory authorities upon request. Seller shall maintain such records for a period of not less than 25 (twenty five) years from the date of shipment under each applicable order for all deliverables on the order. Seller shall maintain all records related to the current first article inspection (FAI) for 25 (twenty five) years past final delivery of the Deliverables covered by the FAI. At the expiration of such period set forth above and prior to disposal of records, Seller shall notify Company of the records to be disposed, and at the Company's option and at no additional cost to the Company, Seller shall promptly deliver such records to the Company on media agreed to by both parties.

27. VENDOR REQUEST FOR NONCONFORMANCE DEVIATION

A Seller shall not knowingly ship Deliverables that deviate from the drawing, specification limits, or design intent without prior written authorization from the Company. If such a condition exists, the Seller may petition the Company in writing, to allow shipment of the Deliverable under a written non-conformance deviation. Company approval of a deviation is specific to the Deliverables for which it has been submitted and approved and shall not be construed as a permanent engineering change. The Seller must begin work immediately on corrective action when required. In all cases, the Seller shall fully contain and quarantine all product suspected of being nonconforming. In addition, nonconforming product may be returned to the Seller at Seller's expense, or the Seller may be required to sort any suspect product already shipped to Company sites or be charged back for the cost of sorting by Company. Any Deliverables shipped to the Company that have been approved for deviation shall be clearly identified as such externally on the box, container, or other packaging and on shipping documentation. A copy of the Company approved deviation document shall be included inside each box or package.