

LEAFIELD ENGINEERING LTD – COMPANY STANDARDS

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STANDARD TERMS & CONDITIONS OF PURCHASE

	Name & Title	Signature
Prepared by :	R Hamilton Group Quality Manager	
Agreed by :	S Woods LEL Operations Director	
Approved by :	D Edwards LEL Finance Director	

Leaffield Engineering Limited
Leaffield, Corsham, Wiltshire, SN13 9SS
Tel: 01225 810 771; Fax: 01225 810614

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1 General

The following terms shall have the following meanings:

"Company"	means Leaffield Engineering Limited
"Conditions"	means these standard terms and conditions of purchase
"Delivery Address"	means the address to which the Goods are to be delivered as specified on the face of the Order
"Goods"	means those products specified in the Order together with any associated design, engineering, or other services as are necessary to enable the Supplier to supply the Goods to the Company in accordance with the Order
"Order"	means the purchase order placed by the Company on the Supplier
"Special Conditions"	means those conditions which are supplementary to these Standard Conditions, and which have been notified to the Supplier on the Order or otherwise in writing by the Company
"Specification"	means the specification of the Goods or any other description of the Goods agreed by the parties in writing from time to time. Includes, but is not limited to, plans, drawings, data or other information relating to the goods specified on the face of the Order or otherwise notified in writing to the Supplier
"Supplier"	means the person, firm, company or organisation (e.g. United Kingdom MOD, HM Government) to which the Order is addressed
"Writing"	includes telex, cable, facsimile, e-mail and comparable means of communication

2 Prevailing Conditions

- (a) Acceptance of the Order shall include the acceptance of the following terms and conditions to the exclusion of any other terms and conditions submitted or proposed by the Supplier at any time.
- (b) Quantity, quality and description of the Goods, subject as provided in these Conditions shall be as specified in the Order and/or in any applicable Special Conditions supplied by the Company to the Supplier or agreed in writing by the Company.
- (c) Notwithstanding Clause 2(a), the Company may elect in writing prior to the Order being placed to order on terms other than these Conditions. In such cases, the Supplier shall have 14 days from receipt of the election to offer a variation (if any) in its quoted price for the Goods for acceptance by the Company. If the Supplier does not offer an amended price within that period, the Order shall proceed at the price originally quoted.

3 Special Conditions

- (a) Where the Order quotes Special Conditions, they shall supplement these Conditions. In the event of a conflict between these Conditions and any Special Conditions the Special Conditions shall prevail.
- (b) Should the Order invoke any national or international specifications or conditions the Supplier shall ensure the most recently published versions of the specifications or conditions are used to fulfil the Order.

4 Amendment to Order

The Company shall not be liable for any Order or amendments thereto other than those issued in writing and confirmed on the Company's printed form or amendment form duly signed by the Company's approved representative and bearing an Order or amendment number.

5 Packing Marking and Dispatch of Goods

Unless otherwise specified in the Order:

- (a) All Goods shall be properly packed to the standard specified in the face of the Order (if any) or otherwise sufficient to withstand loading, unloading, general handling and transport by the intended method to the Delivery Address.
- (b) All supplies shall be properly marked and dispatched in accordance with the stated requirements of the Company.
- (c) The Supplier shall mark the outside of each package with its name and with the full details of the Delivery Address and include a packing note stating the contents and reference number of the Order.
- (d) The Company shall not be liable to pay for or return to the Supplier any crating or other packaging whether the Company accepts the Goods or not.
- (e) The Supplier shall comply with all applicable regulations or other legal requirements concerning the production, manufacturing, packaging, packing and delivery of the Goods.

6 Price and Invoicing

- (a) The price for the Goods, inclusive of all packaging, delivery, insurance, warranty (unless otherwise stated on the face of the Order) shall be the price stated in the Order. For the avoidance of doubt it shall be deemed to include all import/export or other duties or levies, withholding tax, sales or value added or other turnover related taxes.
- (b) The Supplier shall send a separate invoice for each individual consignment of Goods as soon as it is reasonably practicable after dispatch of the Goods or in accordance with any schedule of payments in the event of part or progress payments being agreed in writing by the Company. The invoice shall quote the Company's Order number.
- (c) The Supplier shall not be entitled to introduce any increase in prices which are retrospective or which are effective less than three months after the date of notification. The Supplier shall provide the Company with a full updated price list for the goods it generally offers for sale at least quarterly on such media (including on disk in software language specified by the Company) as the Company requires.
- (d) Packaging, delivery, insurance, and warranty etc must be stated as separate line items on the invoice.

7 Inspection

- (a) All Goods may be subject to inspection and test by the Company. The Company shall have the right at the Supplier's expense to reject such Goods as shall be defective in design materials or workmanship, or which are not in accordance with the relevant Specification or which otherwise fail to meet the requirements of the relevant Order.
- (b) The Company's representatives or the agent of any government department or other customer concerned shall be allowed to visit the Supplier's premises where the Goods are being manufactured or stored at any reasonable time to inspect the progress and/or quality of work. The

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Supplier shall procure for the Company and its Customers equivalent rights of access for inspection at its agents or sub-contractors in relation to the Goods manufactured.

- (c) The Company will be entitled to inspect and test Goods during manufacture, processing and storage. It shall be entitled to give notice to the Supplier that the Goods do not comply with the relevant Order, whereupon (without prejudice to the Company's rights to reject the Goods concerned) the Supplier will at its own expense take such steps as may be necessary to ensure such compliance.
- (d) Such inspections will not relieve the Supplier of any liability or imply acceptance of the Goods relevant to the Order concerned.

8 Delivery/performance

- (a) All delivery times will be notified to the Supplier within a reasonable period, such times to be agreed by the parties. The Company may notify the Supplier of any alterations to the time of delivery within a reasonable period, such alterations to be agreed by the parties.
- (b) If the Supplier fails to deliver or perform within the specified time or by the specified date the Company have the right to terminate the Order and obtain the Goods elsewhere and the Supplier shall indemnify the Company against any extra costs incurred by the Company in exercising such rights.
- (c) The Company shall be entitled to reject any Goods delivered which are not in accordance with the Order (including early deliveries). The Company shall not be deemed to have accepted any Goods until it has had reasonable time to inspect them following delivery or if later within a reasonable time after any latent defect in the Goods has become apparent.
- (d) Where the Order is for scheduled deliveries over a specified period the Company reserves the right to amend the design or specification of the items ordered for any remaining deliveries with due regard to sufficient notice being given to the Supplier. Unless otherwise agreed between the parties, such notice will be given to the Supplier in writing not later than fourteen days before the contractual delivery date.
- (e) All deliveries are to be delivered at the Delivery Address unless otherwise notified in writing, on the date or within the period stated in the Order in either case during the Company's usual business hours.
- (f) If the Goods are agreed to be delivered by instalments, the Company shall be entitled to treat each delivery as a separate contract and to terminate a contract in respect of an instalment delivery whilst the remaining instalment deliveries remain due to be made.
- (g) The Supplier shall not be entitled to exercise, and shall use its reasonable endeavours to ensure no third party exercises, any lien (whether expressly granted or arising by operation of law or otherwise) or other right to retain or withhold the Goods from delivery to or otherwise so as to restrict free enjoyment by the Company.
- (h) Leaffield Engineering Limited reserves the right to levy a charge for costs incurred in the return of faulty or damaged goods to the supplier. Such a charge will only occur when the fault or damage has arisen through causes that are not attributable in any way to Leaffield Engineering Limited. The charge will be made at the discretion of the Purchasing Manager and the supplier will be informed.

Where applicable, the minimum charge invoiced will be as follows:

£25.00 Postage & Packaging
£25.00 Inspection Costs

9 Force Majeure and Suspension of Deliveries

- (a) Neither party shall be liable for any delay or for the consequences of any delay in performing any of its obligations under an Order if the delay or failure results from events or circumstances beyond its reasonable control. Such circumstances include but are not limited, to industrial disputes of a national nature (but not those limited to the party concerned alone) war or threat of war, acts of God, explosion, flood, tempest or fire, nor any acts restrictions regulations, bye-laws prohibitions or measures of any kind on the part of any government, parliamentary or local authority.
- (b) Any delay or failure caused by an event within Clause 9(a) shall not constitute a breach of the contract and the time for performance of the Order shall be extended by a period equivalent to that during which performance is prevented by the event concerned, provided that if such delay or failure persists for more than six weeks nothing in this Clause 9 shall be taken to limit or prevent the exercise by a party of its right of termination for convenience under Clause 16.
- (c) The Company reserves the right to partially or wholly suspend the contract. In the event of such suspension the period of delivery of performance shall be extended by an amount of time corresponding to that of the suspension period. The Company shall not be liable for any expenses or loss whatsoever incurred by the Supplier in respect of such suspension.

10 Passing of Property and Risk

- (a) Property and risk in the Goods shall pass to the Company on delivery. Without prejudice to any right of rejection that may accrue to the Company under these conditions, upon rejection of Goods, property in the Goods rejected shall re-pass to the Supplier upon notice of such rejection being given to the Supplier by the Company.
- (b) Should part or progress payments be made by the Company then title to all Goods (completed and partially completed) and any material allocated to the Order shall vest in and become and continue to be the property of the Company though remaining at the Supplier's risk until delivery.

11 Terms of payment

- (a) Unless otherwise agreed in writing by the Company, payment shall be made in pounds sterling within sixty days from the end of the month of receipt of an acceptable invoice. Payment in any other currency must be agreed in writing between the Supplier and the Company prior to issue of the Order. Payment by the Company shall not remove or limit in any way the Supplier's obligations or liabilities, nor itself constitute acceptance of Goods.
- (b) In circumstances where Ministry of Defence Contract Terms DEFCON 534, edition 06/97 applies, payment shall be made within thirty days from the end of the month of receipt of an acceptable invoice.
- (c) Inattention to the following details may mean delay in payment but no settlement discounts where appropriate shall be forfeited by the Company on account of the Supplier's failure to:
 - (i) Send on the day of dispatch for each consignment such advice(s) of dispatch as may be indicated on the Order or
 - (ii) Mark clearly the purchase order number on the consignment package(s), packing notes, advice notes, invoices, monthly statements and all other correspondence or
 - (iii) Provide any certificate or other documentation quoted on the Order.
- (d) The Company shall be entitled to set off from any payment due to the Supplier the amount of any credits, allowances or rebates agreed or granted by the Supplier in writing in respect of any contract between the Company and the Supplier.

12 Liability

The Supplier will keep the Company fully indemnified and hold the Company harmless against all actions, proceedings, claims, demands, damages, costs, charges, and expenses whatsoever brought or made against the Company or sustained or incurred by the Company in respect of:

- (a) Any infringement or alleged infringement of any form of intellectual property or intellectual right by the use or sale of any article goods or materials supplied to the Company by the Supplier unless the infringement is due to the use by the Supplier of the Company's design or
- (b) Any injury loss or damage to persons or property caused by any act default or negligence of the Supplier, its sub-contractor, agents or by faulty design workmanship materials except to the extent that injury loss or damage is caused by the negligence of the Company or
- (c) Any failure by the supplier to comply with applicable law regulations or codes of practice or
- (d) Any claim which at any time is made upon the Company and which arise out of accidents to the Supplier's agents, employees or sub-contractors or any of those persons agents employees agents or sub-contractors or
- (e) All liabilities of whatever nature that may at any time result in the wrongful acts or omissions of the Suppliers agents or employees or sub-contractors or any of those persons agents employees or sub-contractors.

13 Health and Safety

The Supplier shall be responsible for the safety and validation of his work and products as indicated on each consignment of the Order. The Supplier shall notify the Company of all possible hazards associated with or with the use of the Goods. Hazard Data Sheets pertaining to the ordered Goods shall be supplied with the Order.

14 Insurance

The Supplier undertakes to effect and maintain insurance cover adequate to meet the risk specified by Clauses 12 and 13 and will upon request produce the relevant policy and evidence of payment of the current premium. In any event the Supplier shall have in place an amount of cover not less than UK £5,000,000 for any claim or series of claims arising from the one incident.

15 Warranty

- (a) In the event that any Goods prove defective within one year of delivery to the Company's customer, the Supplier, on advice of such defects, will with all possible speed (and in any event within one month of such notification) replace such Goods or carry out such repairs as are necessary or renew such work at no cost to the Company or the Company's customer.
- (b) Replacement Goods provided or repairs or rework carried out, under Clause 15(a) shall be warranted by the Supplier in the terms of Clause 15(a).

16 Termination of Order

- (a) The Company shall have the right to terminate the contract in whole or in part at any time. The Supplier shall be given notice in writing, whereupon all work on the Order relevant to the termination instruction shall be discontinued and the Supplier shall take all reasonable steps to mitigate any loss or expense which the Company would otherwise be responsible for.
- (b) The Company shall pay a fair and reasonable price for all work in progress at the time of the termination under Clause 16(a) and the Supplier shall afford the Company every assistance to ascertain the extent of such work in progress.

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- (c) In the event of termination under Clause 16(a) the Supplier shall submit a claim within two months of such termination after which time claims will only be met at the Company's sole discretion.
- (d) The Company shall not be liable for loss of anticipated profits or for any direct or consequential loss whatsoever whether arising out of termination under this Clause 16 or otherwise.

17 Drawings, specifications, tooling

- (a) All drawings, specifications, patents, photography samples and other data provided by the Company to the Supplier shall remain the property of the Company to whom they shall be returned within one month of completion of the Order unless otherwise agreed.
- (b) All jigs moulds or other tooling (whether hard or soft tooling), including computer software, acquired or designed and built by the Supplier for the purposes of the Order shall be separately identified by the Supplier to the Company and shall be the property of the Company. They shall be held to the Company's Order at all times and delivered to the Company on request.
- (c) All jigs, moulds and tooling, including computer software (whether owned by the Supplier or by the Company) shall be maintained and kept in good repair and replaced when necessary by the Supplier. Jigs, moulds or tooling (including computer software) falling within Clause 17(b) shall not be used by the Supplier other than for the Company's benefit without the written consent of the Company.
- (d) All jigs, moulds and tooling (including computer software) which are owned by the Company shall be identified by a tool / jig number from a register held by the Company and available on request.

18 Sub-contracting/assignment

- (a) Neither the whole nor any part of an Order shall be sub-contracted or assigned without the prior written approval of the Company and any sub-contract or assignment shall be on the same terms and conditions as the Order.
- (b) The Supplier shall remain fully liable to the Company in accordance with the terms of the Order notwithstanding any sub-contracting as authorised by the Company and the Supplier shall be responsible for and liable to the Company for any act or omission of its sub-contractors.

19 Bankruptcy or liquidation

The Company shall be entitled to terminate an Order without liability to the Company by giving notice to the Supplier at any time if:

- (a) The Supplier makes any voluntary arrangement with its creditors (within the meaning of the Insolvency Act 1986) or (being an individual or firm) becomes bankrupt or (being a company) becomes subject to an administration order or goes into liquidation (otherwise than for and immediately followed by an amalgamation or reconstruction) or
- (b) An encumbrancer takes possession or a receiver is appointed of any of the property or assets of the Supplier or
- (c) The Supplier ceases or threatens to cease permanently to carry on business or
- (d) The Company reasonably apprehends that any of the events mentioned above is about to occur in relation to the Supplier and notifies the Supplier accordingly and the exercise by the Company of its right to termination under this Clause will be without prejudice to any rights to damages or action or other remedy which the Company may have and shall not affect any rights or liabilities accrued or continuing to accrue under this contract.

20 Disputes

- (a) An arbitrator shall be appointed to determine any dispute or difference arising out of or in connection with this contract where the contract value is over £50,000. In the event of this threshold being reached the dispute shall be referred to the arbitration of a sole arbitrator to be appointed in accordance with Section 16(3) of the Arbitration Act 1996 (“the Act”) the seat of such arbitration being hereby designated as London England. In the event of failure of the parties to make the appointment pursuant to Section 16(3) of the Act the appointment shall be made by the President for the time being of the Chartered Institute of Arbitrators.
- (b) Should the value of the contract be less than £50,000, a court of competent jurisdiction shall determine disputes.
- (c) Pending settlement of the final decision of any dispute the Supplier shall continue to proceed with all outstanding Orders unless notified otherwise.

21 Quality Conditions

- a) For all delivered Goods the Supplier shall provide the Company with a Delivery Advice Note. A Certificate of Conformity when requested will constitute a Delivery Advice Note.
- b) When required, particular Quality conditions may be applied. Any such condition(s) will be identified on the Order and will be indicated by a Condition Code selected from Annex A (identified on the reverse of the Purchase Order) and/or by specific instructions (Paragraph 3 - Special Conditions).

22 United Kingdom Ministry of Defence

The Company shall specify on the face of the Order any United Kingdom Ministry of Defence contracting terms and conditions which it is obliged or which it wishes to introduce into the contract.

- (b) The Supplier shall retain all records relating to any contract for a period of not less than four years from the date of fulfilment of the order concerned.

Confidentiality

- (a) Each of the parties shall keep confidential all information relating to the other party or its business which is disclosed to them or of which they become aware as a result of a contract for a period of [three years] from the date of disclosure save to the extent that the confidential information is in or comes into the public domain or is lawfully acquired by a party from a third party free of any confidentiality restriction.
- (b) For the avoidance of doubt, any sales forecasts disclosed by the Company shall be confidential information of the Company.

24 Liquidated Damages

Accordingly it is hereby agreed, but without prejudice to any other rights of the Company under this contract, that in the event of such delay in delivery in relation to the Goods:-

- (i) The Supplier shall be liable to pay to the Company by way of liquidated damages a Sum amounting to 1% of the agreed price for that Article for each 28 day period of delay, up to a maximum of 6%.
- (ii) That the said sum(s) represent(s) a reasonable pre-estimate of the loss or damage likely to be sustained by the Company in the event of such failure in delivery.

No payment or concession to the Supplier by the Company or other act or omission of the Company shall in any way affect the rights of the Company to recover the said Liquidated Damages or be deemed to be

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a waiver of the right of the Company to recover such damages unless a waiver has been expressly stated in writing by the Company.

25 General

- (a) No waiver by the Company of any breach of contract by the Supplier shall be considered as a waiver of any subsequent breach of the same or any other provision.
- (b) If the provisions of any contract are held by any competent authority to be invalid or unenforceable in whole or in part the validity of the other provisions of the contract and the remainder of the provisions in question shall not be effected thereby.
- (c) These conditions, including the details on the face of the Order contain the entire agreement between the parties with respect of the subject matter hereof and supersede all previous agreements and understandings between the parties with respect hereto and may not be modified except in writing signed by the duly authorised representatives of each of the Supplier and the Company.
- (d) All terms of this contract shall be irrevocable and binding, unless varied by notice in writing, such variation having been agreed between the parties.
- (e) Any notice to be given in respect of a contract or Order or the service of any proceedings in relation thereto, shall be deemed to have been properly given or served if addressed to the Supplier or left at the Supplier's address stated on the Order, and if posted, sent by first class prepaid recorded delivery to that address. Any such notice or proceedings shall be deemed to have been given or served after 3 days of being posted or forthwith upon having been left at such address. In the instance of using facsimile, telex, cable or e-mail, service shall be deemed to have taken place on the next working day following despatch.

26 Law

The Order under any contract shall be governed by English law and each of the parties hereby submits to the non-exclusive jurisdiction of the English courts and in so doing hereby waives unconditionally and irrevocably any right to object to the jurisdiction of the English courts on the basis that they constitute an inconvenient forum.

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Annex A

<u>Code</u>	<u>Requirement</u>	<u>Conditions</u>
QC01	Certificate of Conformity	Certificate shall state the following or similar <i>“The supplies detailed have been inspected and tested and unless otherwise stated, conform with the requirements of the Contract or Order”</i> .
QC02	Lot No	A Lot Number is required and must be identified on the outside of the outer, intermediate and primary packaging. If more than one lot is shipped together, parts with different lots must be segregated and separately identified.
QC03	Serial Number	A Serial Number is required for the supplied item(s) and must be as indicated on the Purchase Order.
QC04	First Article Inspection	One part identified as 'First Article', shall be available at the Supplier's premises for LEL QC checks. LEL shall be advised not less than 72 hrs in advance of the time that the parts are ready for inspection/test. A formal record of the measurements shall be available for the LEL representative. The Supplier shall not proceed with deliveries until LEL approval of the 'first article' is granted.
QC05	Sample Inspection	Inspection sampling shall be performed in accordance with BS 6001-1 / ISO2859-1 sampling plan 2-A, General Inspection Level II with an AQL 0.65 unless a specific plan is otherwise stated. All features identified on the drawings/specifications shall be checked in the sample size. If the non-conformance quantity exceeds the specified acceptance level, batches shall not be delivered to LEL without appropriate rework.
QC06	100% Inspection	100% inspection must be performed before each delivery. Batches shall not be delivered to LEL without appropriate rework if any non-conformance is identified.
QC07	VAS - Validation At Source	LEL inspection required before delivery. The supplier shall notify LEL no less than 4 working days in advance of the time that the parts are ready for checking.
QC08	Production sample	A 'Production Standard' sample of the part shall be supplied for assessment. The Supplier shall not proceed with deliveries until LEL approval of the sample is granted.
QC09	Raw Material Test Traceability	The material manufacturer's inspection certificate must be supplied with the order. Unless specified otherwise, EN10204 Type 3.1 or Type 3.2 certificates are acceptable.
QC10	Chemical Analysis Certificate(s)	A certificate of chemical analysis for the material used for the processing of the part shall be provided to LEL by the Supplier. The certificate must identify the test house, material type, specification, heat treatment, lot number etc.
QC11	Test Reports	The Supplier shall provide LEL with 2 copies of all the test reports required by the designated specifications. These must be sent to LEL as part of the Supplier's delivery documentation.

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QC12	Shelf Life Data	Details of the cure/manufacture date and shelf life, and/or expiry date, together with the Supplier's lot or batch reference to be provided for each batch of parts. Shelf life items shall have on the day of delivery, more than 90% of the life remains or have more than 5 years life remaining, whichever is the greater.
QC13	Calibration Certificate	Items require a calibration certificate to be issued. Certificate must be traceable to national standards.
QC14	Static Protection	ESD/EMS parts shall be packed in static shielding material to prevent damage. Conductive film can be used to protect all exposed leads. Polyethylene or bubble wrap shall NOT be used as an intimate wrap.