

# STANDARD TERMS & CONDITIONS OF PAYMENT

## **Payment of the Contract Price.**

**1.1.** The Payment terms applied are set out in the contract. Dependent upon the nature of the Subcontract, payments will either be made periodically (no greater than monthly valuations) or by completion of stipulated milestones. Our standard Payment terms are compliant with the 'Construction Act' and the Prompt Payment Code with payments being made within 30 days.

**1.2.** Payment of the Contract Price shall be made by Contractor to Subcontractor as follows:

### **1.2.1. Milestone Payments**

Where milestone payments form part of the Subcontract, the contract will contain an agreed schedule of milestones with the relevant payment against each milestone for which payment is to be made on completion of the milestone. We advocate that if Milestone payments are to be used, where possible the elements of work are broken down into smaller milestones to ensure that these can be achieved in shorter periods enabling regular cashflow for our subcontractors. We do however require that in order for payment to be made the completed milestone work must have passed the required quality checks.

### **1.2.2. Periodic Payment**

Where periodic payments form the basis of the Subcontract, this will usually provide for payment on a monthly basis. Each month following the commencement of work by the Subcontractor, the Subcontractor shall submit to the Contractor one application for payment per month. Each application for payment shall set forth the original Contract Price, any adjustments to the Contract Price, approved changes, and the total value of the labour and materials incorporated into the Subcontractor's Work and materials delivered to the Project site suitably stored by Subcontractor to the date of such application for payment, supported by such data as the Contractor may require substantiating the Subcontractor's right to payment. Periodic payments will reflect the quantity of actual work undertaken in the period.

### **1.2.3. Payment Schedule.**

No matter whether the basis of payment under the Subcontract is via milestone or periodic payments, so that all parties are clear regarding the payment provisions we prefer to provide as part of the Subcontract a payment schedule that sets out the following information:

- Application for payment date
- Due date
- Payment notice date
- Payless notice date
- Final date for payment

### **1.2.4. Application for Payment**

The Application for Payment shall include the value of the work undertaken in the period or the relevant value for completion of the milestone and along with supporting information set out in the subcontract.

#### **Due Date**

The due date will be set out on the Payment Schedule. Usually, this will be the same date as the date for the application for payment. We provide a separate due date so as to comply with the Construction Act Requirements.

### 1.2.5. Payment Notice

A 'Payment Notice' will be issued to the sub-contractor no later than 5 days after the due date, providing details of what is payable and why. The payment notice will contain the 'Notified Sum' and this is what, subject to any pay less notice, will be paid on the 'Final Date for Payment'.

### 1.2.6. Final Date for Payment

The Final Date for Payment is the date that the contractor will pay the subcontractor. The Final Date for payment is set out in the payment schedule and in the payment terms that have been agreed in the contract, and are never greater than 30 days from the due date.

### 1.2.7. Pay Less Notice

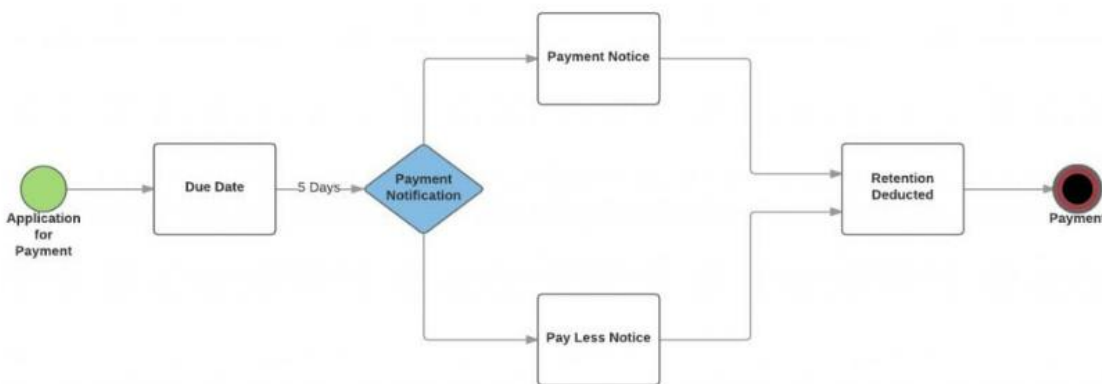
Whilst the Construction Act provides no limitation on when a pay less notice can be given, we believe that rather than leave it until the day before the final date for payment, our supply chain need to have confidence in what they are going to be paid and as such our conditions provide that any pay less notice that is to be given be issued no later than 5 days before the final date for payment. This does occasionally have to be changed depending upon the main contract conditions and the particular trade. Naturally, the Pay Less Notice will state the basis for how the new sum was calculated at that date.

### 1.2.8. Retention.

Where the contract conditions permit, we are advocates of the road map to zero retentions. Indeed, we have practiced this on a number of projects despite having retention withheld as Main Contractors. We believe that if certain safeguards, in particular quality control procedures, testing and the like can be implemented along with the selection of a reliable and stable supply chain members in the first instance, which we have developed through repeat business, this removes the need or at least reduces the amount of retention needed to be held. Where retention is necessary, we endeavour to limit this to the minimum amount necessary and as customary, our subcontract releases half upon satisfactory practical completion with no defects and the remainder following any defect liability period.

### 1.2.9. Final Payment.

Final payment of the full Contract Price as modified by approved Change Orders and subject to any retentions, if any, less the sum of payments previously made, shall be paid to the Subcontractor within thirty (30) calendar days after final acceptance of the Subcontractor's Work by the Contractor.



Tom Northway  
Chairman of ZED PODS Ltd