



Cabinet Office  
1 Horse Guards Road  
London  
SW1A 2HQ

Penlon Limited  
Abingdon Science Park  
Barton Lane  
Abingdon  
OX14 3NB

29 March 2020

Dear [REDACTED],

**RE: Ventilators - confirmation of order for 10,000 units**

Cabinet Office and Penlon are in discussions with regard to the manufacture and supply of a further 10,000 ES02 Emergency ICU Ventilators (Air Driven Variant), to be used by the NHS in response to the current COVID-19 emergency in the UK. In addition to the previous order for 5,000 ES02 Emergency ICU Ventilators (Air Driven Variant) dated 26 March 2020, please receive this order for a further 10,000 units. This order is a firm commitment for 4 weeks of production and will be reviewed on a bi-weekly schedule thereafter, providing flexibility to adjust order quantities as required.

Please see the order table below detailing the Purchase Order number and invoicing details.

Serial	Description	Quantity	Delivery	Price (ex. VAT)	Order Detail	Payment Process
2	ES02 Emergency ICU Ventilator	10,000	Delivery in accordance with the embedded Manufacturing Output Plan with last delivery no later than w/c1 June 2020.	Price in accordance with point 3 below.	ES02 Emergency ICU Ventilator (Air Driven Variant)	Invoiced weekly, per units delivered.  Send invoices quoting [REDACTED] and/or [REDACTED] addressed to The Minister for the Cabinet Office of 1 Horse Guards Road, London SW1A 2HQ to the following email addresses: [REDACTED] [REDACTED] copying in [REDACTED]

This Order is subject to the following terms:

1. The Ventilators will be supplied subject to the NHS terms and conditions (purchase order version) for the supply of goods and are attached to the covering email of this letter for your ease of reference, to the exclusion of all other terms.
2. Penlon Ltd shall ensure that the Ventilators have all necessary approvals from MHRA.
3. The price of the Ventilators supplied under this Order will be calculated on cost plus a mark-up basis, calculated as follows:

$$A=B+C+D$$

Where:

A = Price payable for Ventilators

B = cost of manufacture of Ventilators (as incurred by Penlon but excluding pass through costs)

C = an amount equal to ■■■% of B

D = agreed pass through costs

For the avoidance of doubt, pass through costs will not be subject to the ■■■% mark-up.

For clarity, the cost of component parts will be the amount paid by Penlon Ltd to component part suppliers/manufacturers net of any taxes, discounts and rebates. Penlon Ltd will provide transparency to the Cabinet Office with respect to all costs associated with the manufacture of ventilators and accordingly it will provide such evidence as the Cabinet Office may reasonably require to enable the Cabinet Office to verify such cost prices.

In order to support the rapid production of the Ventilators, it is recognised that it may be necessary for the Cabinet Office to provide a level of advance payment to enable Penlon Ltd to facilitate the sourcing of certain component parts. To the extent that the Cabinet Office makes such advance payment, that payment shall be set-off against amounts due from the Cabinet Office under the Order. In addition, with respect to component parts purchased by Penlon Ltd utilising the advanced payment made by the Cabinet Office:

- (a) Penlon Ltd shall transfer title in those component parts to the Cabinet Office provided that this transfer of title will not prevent Penlon Ltd using those Component Parts to manufacture and supply Ventilators under the Order;
- (b) title in the component parts will transfer back to Penlon Ltd at the point of supply of Ventilators; and
- (c) Penlon Ltd will take all such steps and execute such documentation as may be necessary to give effect to the arrangements contemplated in paragraphs (a) and (b) above.

Cabinet Office has already supplied Penlon with £■■■■■■■■ to cover set-up and liquidity costs and an additional ■■■■■■■■ for the long lead time components to be used for manufacturing this order and the previous order of 5,000 units.

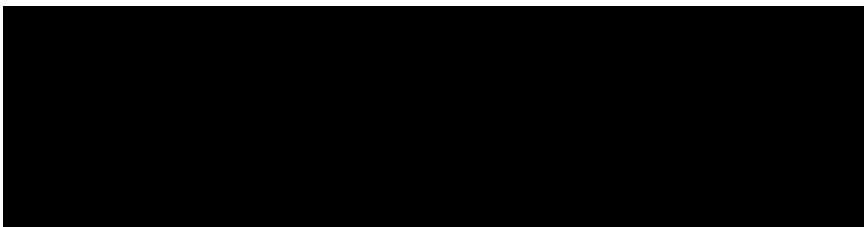
In addition to this order for 10,000 units the Authority will allow you to recover mobilisation costs and associated long lead time components for 30,000 units, as detailed in the spreadsheet attached to the covering email, to the value of £32,100,000.00 (ex. VAT). The cost of these long lead time components shall be offset against the price of the units delivered and invoiced for, and shall remain the property of the Authority until such time as the offset takes place.

Invoice payment is contingent on adherence to the embedded Delivery Schedule, with the last delivery invoice to be placed no later than w/c 1 June 2020. The Delivery Schedule is aligned to the Penlon Commercial Model submitted to Cabinet Office and is attached to the covering email for ease.

Mobilisation order											
Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Totals
23/03/2020	30/03/2020	06/03/2020	23/03/2020	30/03/2020	06/03/2020	23/03/2020	30/03/2020	06/03/2020	23/03/2020	30/03/2020	
-	30	50	700	1,400	2,200	3,000	3,000	3,000	3,000		16,380

The purchase order is placed subject to the terms of the NHS terms and conditions (purchase order version) for the supply of goods and are attached to the covering email of this letter for your ease of reference, to the exclusion of all other terms.

Very kind regards,



[Redacted Name]

Government Chief Commercial Officer