Schedule 7.4 - Lot 2

Financial Distress

Version 5.0

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CHANGE HISTORY

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1 Definitions

1.1 In construing this Schedule 7.4 (Financial Distress), unless otherwise expressly specified in this Schedule terms defined and used in Schedule 1 (Definitions) will have the same meaning in this Schedule.

2 Credit Rating And Duty To Notify

2.1 The Supplier warrants and represents to the Authority for the benefit of the Authority that as at the Effective Date the short term and long term Credit Ratings issued in respect of the Supplier, the Guarantor and each Key Sub-contractor by each of the Rating Agencies are as set out in Annex 2. The Supplier has also undertaken all due diligence necessary to verify that the long term credit ratings for the Key Sub-contractors and their Guarantors are as set in Annex 2.

2.2 The Supplier shall promptly notify (or shall procure that its auditors promptly notify) the Authority in writing if there is any downgrade in the Credit Rating issued by any Rating Agency for any of the Supplier, the Guarantor or a Key Sub-contractor (and in any event within five (5) Working Days of the occurrence of the downgrade).

2.3 If there is any downgrade Credit Rating issued by any Rating Agency for either the Supplier, the Guarantor, or a Key Sub-contractor the Supplier shall ensure that the Supplier's auditors Guarantor's auditors, or the relevant Key Sub-contractor's auditors (as the case may be) thereafter provide the Authority within ten (10) Working Days of the end of each Contract Year and within ten (10) Working Days of written request by the Authority (such requests not to exceed four (4) in any Contract Year) with written calculations of the quick ratio for the Supplier or the Guarantor, as the case may, be as at the end of each Contract Year or such other date as may be requested by the Authority. For these purposes the “quick ratio” on any date means:

(A+B+C)/D

where:

A is the value at the relevant date of all cash in hand and at the bank of the Supplier, the Guarantor, or the relevant Key Sub-contractor (as the case may be);

B is the value of all marketable securities held by the Supplier, the Guarantor, or the relevant Key Sub-contractor (as the case may be) determined using closing prices on the Working Day preceding the relevant date;

C is the value at the relevant date of all account receivables of the Supplier, the Guarantor, or the relevant Key Sub-contractor (as the case may be); and

D is the value at the relevant date of the current liabilities of the Supplier, the Guarantor, or the relevant Key Sub-contractor (as the case may be).

all based on the information underpinning the decision to downgrade the Credit Rating or any later information available to disclose to the Authority.

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2.4 The Supplier shall:

(a) regularly monitor the Credit Ratings of the Supplier, the Guarantor and each Key Sub-contractor with each of the Rating Agencies; and

(b) promptly notify (or shall procure that its auditors promptly notify) the Authority in writing following the occurrence of a Credit Rating Distress Event or any fact, circumstance or matter which could cause a Credit Rating Distress Event (and in any event, ensure that such notification is made within ten (10) Working Days of the date on which the Supplier first becomes aware of the Credit Rating Distress Event or the fact, circumstance or matter which could cause a Credit Rating Distress Event). For the avoidance of doubt nothing in this Paragraph obliges the Supplier to breach applicable law or regulation.

2.5 For the purposes of determining whether a Credit Rating Distress Event has occurred pursuant to the provisions of Paragraph 3.1(a), the Credit Rating of the Supplier, the Guarantor or relevant Key Sub-contractor (as the case may be) shall be deemed to have dropped below the applicable Credit Rating Threshold if any of the Rating Agencies have rated the Supplier, the Guarantor or relevant Key Sub-contractor (as the case may be) at or below the applicable Credit Rating Threshold.

2.6 If the Supplier enters into any scheme of arrangement or Refinancing (including, but not limited to, any scheme of arrangement or refinancing relating to a Financial Distress Event) the Supplier shall:

(a) promptly notify the Authority of the existence of the scheme of arrangement or refinancing; and

(b) provide to the Authority on demand all information reasonably requested by the Authority.

3 Consequences Of A Financial Distress Event

3.1 In the event of:

(a) a Credit Rating Distress Event;

(b) the Supplier, the Guarantor or any Key Sub-contractor issuing a profits warning to a stock exchange or making any other public announcement, in each case about a material deterioration in its financial position or prospects;

(c) there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Supplier, the Guarantor or any Key Sub-contractor;

(d) the Supplier, the Guarantor or any Key Sub-contractor committing a material breach of any covenant to its lenders;

(e) a Key Sub-contractor notifying the Authority that the Supplier has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute; or

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(f) any of the following:

(i) commencement of any litigation against the Supplier, the Guarantor or any Key Sub-contractor with respect to financial indebtedness greater than £5m or obligations under a service contract with a total contract value greater than £5m;

(ii) non-payment by the Supplier, the Guarantor or any Key Sub-contractor of any financial indebtedness;

(iii) any financial indebtedness of the Supplier, the Guarantor or any Key Sub-contractor becoming due as a result of an event of default or breach of key covenants or conditions that apply to any indebtedness relevant to this Agreement; or

(iv) the cancellation or suspension of any financial indebtedness in respect of the Supplier, the Guarantor or any Key Sub-contractor, in each case which the Authority reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the Services in accordance with this Agreement;

(each being a "**Financial Distress Event**") then, immediately upon notification of the Financial Distress Event (or if the Authority becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Authority shall have the rights and remedies as set out in Paragraphs 3.3 to 3.6.

3.2 In the event of a late or non-payment of a Key Sub-contractor pursuant to Paragraph 3.1(e), the Authority shall not exercise any of its rights or remedies under Paragraph 3.3 without first giving the Supplier ten (10) Working Days to:

(a) rectify such late or non-payment; or

(b) demonstrate to the Authority's reasonable satisfaction that there is a valid reason for late or non-payment.

3.3 The Supplier shall (and shall procure that the Guarantor and/or any relevant Key Sub-contractor shall):

(a) at the request of the Authority meet the Authority as soon as reasonably practicable (and in any event within three (3) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement;

(b) ensure that the plan relating to the Business Continuity Management System includes consideration of a Financial Distress Event; and

(c) where the Authority reasonably believes (taking into account the discussions and any representations made under Paragraph 3.3(a)) that the Financial Distress Event

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could impact on the continued performance and delivery of the Services in accordance with this Agreement:

(i) submit to the Authority for its approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within ten (10) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing); and

(ii) provide such financial information relating to the Supplier and the Guarantor as the Authority may reasonably require.

3.4 The Authority shall not withhold its approval of a draft Financial Distress Service Continuity Plan unreasonably. If the Authority does not approve the draft Financial Distress Service Continuity Plan, it shall inform the Supplier of its reasons and the Supplier shall take those reasons into account in the preparation of a further draft Financial Distress Service Continuity Plan, which shall be resubmitted to the Authority within five (5) Working Days of the rejection of the first draft. This process shall be repeated until the Financial Distress Service Continuity Plan is approved by the Authority or referred to the Dispute Resolution Procedure under Paragraph 3.5.

3.5 If the Authority considers that the draft Financial Distress Service Continuity Plan is insufficiently detailed to be properly evaluated, will take too long to complete or will not ensure the continued performance of the Supplier's obligations in accordance with the Agreement, then it may either agree a further time period for the development and agreement of the Financial Distress Service Continuity Plan or escalate any issues with the draft Financial Distress Service Continuity Plan using the Dispute Resolution Procedure.

3.6 Following approval of the Financial Distress Service Continuity Plan by the Authority, the Supplier shall:

(a) on a regular basis (which shall not be less than monthly), review the Financial Distress Service Continuity Plan and assess whether it remains adequate and up to date to ensure the continued performance and delivery of the Services in accordance with this Agreement;

(b) where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with Paragraph 3.6(a), submit an updated Financial Distress Service Continuity Plan to the Authority for its approval, and the provisions of Paragraphs 3.4 and 3.5 shall apply to the review and approval process for the updated Financial Distress Service Continuity Plan; and

(c) comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).

3.7 Where the Supplier reasonably believes that the relevant Financial Distress Event under Paragraph 3.1 (or the circumstance or matter which has caused or otherwise led to it) no

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longer exists, it shall notify the Authority and the Parties may agree that the Supplier shall be relieved of its obligations under Paragraph 3.6.

3.8 The Supplier acknowledges the importance of early disclosure to the Authority, and shall offer full transparency to the Authority concerning any possible Financial Distress Event. The Supplier and Guarantor shall (and the Supplier shall procure of each Key Sub-contractor shall) disclose to the Authority the full details of any "internal" Supplier or Guarantor discussions of a material nature concerning any suggested or possible default on any of its financial instruments or commitments, to afford the Authority the maximum business continuity preparation time ahead of any potential occurrence of such an event. The Authority shall keep all such information provided by the Supplier strictly confidential.

4 Termination Rights

4.1 The Authority shall be entitled to terminate this Agreement under Clause 33.1(b) (Termination by the Authority) if:

(a) the Supplier fails to notify the Authority of a Financial Distress Event in accordance with Paragraph 2.4(b);

(b) the Parties fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraphs 3.3 to 3.5; and/or

(c) the Supplier fails to comply with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraph 3.6(c).

5 Primacy Of Credit Ratings

5.1 Without prejudice to the Supplier's obligations and the Authority's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1(b) to 3.1(f), the Rating Agencies review and report subsequently that the Credit Ratings do not drop below the relevant Credit Rating Threshold, then the Supplier shall be relieved automatically of its obligations under Paragraphs 3.3 to 3.6.

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