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## Joint Schedule 7 (Financial Difficulties)

### 1. Definitions

1.1 In this Schedule, the following definitions shall apply:

“Applicable Financial Indicators”	means the financial indicators from Paragraph 5.1 of this Schedule which are to apply to the Monitored Suppliers as set out in Paragraph 5.2 of this Schedule;
“Board”	means the Supplier’s board of directors;
“Board Confirmation”	means written confirmation from the Board in accordance with Paragraph 8 of this Schedule;
“Cabinet Office Markets and Suppliers Team”	means the UK Government’s team responsible for managing the relationship between government and its Strategic Suppliers, or any replacement or successor body carrying out the same function;
“Credit Rating Threshold”	the minimum credit rating level for each entity in the FDE Group as set out in Annex 1 to this Schedule;
“FDE Group”	means the Supplier, Key Sub-contractors, and the Monitored Suppliers;
“Financial Distress Event”	Any of the events listed in Paragraph 3.1 of this Schedule;
“Financial Distress Remediation Plan”	a plan setting out how the Supplier will ensure the continued performance and delivery of the Deliverables in accordance with the Contract in the event that a Financial Distress Event occurs;
“Financial Indicators”	in respect of the Supplier and Key Sub-contractors means each of the financial indicators set out at paragraph 5.1 of this Schedule and in respect of each Monitored Supplier, means those Applicable Financial Indicators;
“Financial Target Thresholds”	means the target thresholds for each of the Financial Indicators set out at paragraph 5.1 of this Schedule;

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“Monitored Suppliers”	means those entities specified at paragraph 5.2 of this Schedule;
“Rating Agencies”	The rating agencies listed in Annex 1 of this Schedule;
“Strategic Supplier”	means those suppliers to government listed at <a href="https://www.gov.uk/government/publications/strategic-suppliers">https://www.gov.uk/government/publications/strategic-suppliers</a> .
“Applicable Financial Indicators”	means the financial indicators from Paragraph 5.1 of this Schedule which are to apply to the Monitored Suppliers as set out in Paragraph 5.2 of this Schedule;

1.2 The Parties shall comply with the provisions of this Schedule in relation to the assessment of the financial standing of the FDE Group and the consequences of a change to that financial standing.

1.3 The terms of this Schedule shall survive:

1.3.1 under the Framework Contract until the later of (a) the termination or expiry of the Framework Contract or (b) the latest date of termination or expiry of any call-off contract entered into under the Framework Contract (which might be after the date of termination or expiry of the Framework Contract); and

1.3.2 under the Call-Off Contract until the termination or expiry of the Call-Off Contract.

**2. Warranties and duty to notify**

2.1 The Supplier warrants and represents to the Relevant Authority for the benefit of the Relevant Authority that as at the Effective Date:

2.1.1 the long term credit ratings issued for each entity in the FDE Group by each of the Rating Agencies are as set out in Annex 2 to this Schedule; and

2.1.2 the financial position or, as appropriate, the financial performance of each of the Supplier, Guarantor and Key Sub-contractors satisfies the Financial Target Thresholds.

2.2 The Supplier shall promptly notify (or shall procure that its auditors promptly notify) the Relevant Authority in writing if there is any downgrade in the credit rating issued by any Rating Agency for any entity in the FDE Group (and in any event within 5 Working Days of the occurrence of the downgrade).

2.3 The Supplier shall:

2.3.1 regularly monitor the credit ratings of each entity in the FDE Group with the Rating Agencies;

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- 2.3.2 monitor and report on the Financial Indicators for each entity in the FDE Group against the Financial Target Thresholds at least at the frequency set out for each at Paragraph 5.1 (where specified) and in any event, on a regular basis and no less than once a year within ninety (90) days after the Accounting Reference Date; and
- 2.3.3 promptly notify (or shall procure that its auditors promptly notify) the Relevant Authority in writing following the occurrence of a Financial Distress Event or any fact, circumstance or matter which could cause a Financial Distress Event (and in any event, ensure that such notification is made within 10 Working Days of the date on which the Supplier first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event).
- 2.4 For the purposes of determining whether a Financial Distress Event has occurred pursuant to the provisions of Paragraphs 3.1, and for the purposes of determining relief under Paragraph 7.1, the credit rating of an FDE Group entity shall be deemed to have dropped below the applicable Credit Rating Threshold if any of the Rating Agencies have rated that entity at or below the applicable Credit Rating Threshold.
- 2.5 Each report submitted by the Supplier pursuant to paragraph 2.3.2 shall:
  - 2.5.1 be a single report with separate sections for each of the FDE Group entities;
  - 2.5.2 contain a sufficient level of information to enable the Relevant Authority to verify the calculations that have been made in respect of the Financial Indicators;
  - 2.5.3 include key financial and other supporting information (including any accounts data that has been relied on) as separate annexes;
  - 2.5.4 be based on the audited accounts for the date or period on which the Financial Indicator is based or, where the Financial Indicator is not linked to an accounting period or an accounting reference date, on unaudited management accounts prepared in accordance with their normal timetable; and
  - 2.5.5 include a history of the Financial Indicators reported by the Supplier in graph form to enable the Relevant Authority to easily analyse and assess the trends in financial performance.

**3. Financial Distress events**

- 3.1 The following shall be Financial Distress Events:
  - 3.1.1 the credit rating of an FDE Group entity dropping below the applicable Credit Rating Threshold;
  - 3.1.2 an FDE Group entity 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;

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- 3.1.3 there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of an FDE Group entity;
- 3.1.4 an FDE Group entity committing a material breach of covenant to its lenders;
- 3.1.5 a Key Sub-contractor notifying CCS or the Buyer that the Supplier has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute;
- 3.1.6 any of the following:
  - (a) commencement of any litigation against an FDE Group entity with respect to financial indebtedness greater than £5m or obligations under a service contract with a total contract value greater than £5m;
  - (b) non-payment by an FDE Group entity of any financial indebtedness;
  - (c) any financial indebtedness of an FDE Group entity becoming due as a result of an event of default;
  - (d) the cancellation or suspension of any financial indebtedness in respect of an FDE Group entity; or
  - (e) the external auditor of an FDE Group entity expressing a qualified opinion on, or including an emphasis of matter in, its opinion on the statutory accounts of that FDE entity;in each case which the Relevant Authority reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the Deliverables in accordance with the Contract; and
- 3.1.7 any one of the Financial Indicators set out at Paragraph 5 for any of the FDE Group entities failing to meet the required Financial Target Threshold.

**4. Consequences of Financial Distress Events**

- 4.1 Immediately upon notification by the Supplier of a Financial Distress Event (or if the Relevant Authority becomes aware of a Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Relevant Authority shall have the rights and remedies as set out in Paragraphs 4.3 to 4.6.
- 4.2 In the event of a late or non-payment of a Key Sub-contractor pursuant to Paragraph 3.1.5, the Relevant Authority shall not exercise any of its rights or remedies under Paragraph 4.3 without first giving the Supplier 10 Working Days to:
  - 4.2.1 rectify such late or non-payment; or

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- 4.2.2 demonstrate to the Relevant Authority's reasonable satisfaction that there is a valid reason for late or non-payment.
- 4.3 The Supplier shall (and shall procure that any Monitored Supplier, the Guarantor and/or any relevant Key Sub-contractor shall):
- 4.3.1 at the request of the Relevant Authority, meet the Relevant Authority as soon as reasonably practicable (and in any event within 3 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Relevant 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 the Contract; and
- 4.3.2 where the Relevant Authority reasonably believes (taking into account the discussions and any representations made under Paragraph 4.3.1) that the Financial Distress Event could impact on the continued performance and delivery of the Deliverables in accordance with the Contract:
- (a) submit to the Relevant Authority for its approval, a draft Financial Distress Remediation Plan as soon as reasonably practicable (and in any event, within 10 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Relevant Authority may permit and notify to the Supplier in writing); and
  - (b) to the extent that it is legally permitted to do so and subject to Paragraph 4.8, provide such information relating to the Supplier, any Monitored Supplier, Key Sub-contractors and/or the Guarantor as the Buyer may reasonably require in order to understand the risk to the Deliverables, which may include forecasts in relation to cash flow, orders and profits and details of financial measures being considered to mitigate the impact of the Financial Distress Event.
- 4.4 The Relevant Authority shall not withhold its approval of a draft Financial Distress Remediation Plan unreasonably. If the Relevant Authority does not approve the draft Financial Distress Remediation 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 Remediation Plan, which shall be resubmitted to the Relevant Authority within 5 Working Days of the rejection of the first draft. This process shall be repeated until the Financial Distress Remediation Plan is approved by the Relevant Authority or referred to the Dispute Resolution Procedure set out in Clause 34 of the Core Terms under Paragraph 4.5.
- 4.5 If the Relevant Authority considers that the draft Financial Distress Remediation 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 Contract, then it may either agree a further

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time period for the development and agreement of the Financial Distress Remediation Plan or escalate any issues with the draft Financial Distress Remediation Plan using the Dispute Resolution Procedure in Clause 34 of the Core Terms.

4.6 Following approval of the Financial Distress Remediation Plan by the Relevant Authority, the Supplier shall:

4.6.1 on a regular basis (which shall not be less than fortnightly):

- (a) review and make any updates to the Financial Distress Remediation Plan as the Supplier may deem reasonably necessary and/or as may be reasonably requested by the Relevant Authority, so that the plan remains adequate, up to date and ensures the continued performance and delivery of the Deliverables in accordance with this Contract; and
- (b) provide a written report to the Relevant Authority setting out its progress against the Financial Distress Remediation Plan, the reasons for any changes made to the Financial Distress Remediation Plan by the Supplier and/or the reasons why the Supplier may have decided not to make any changes;

4.6.2 where updates are made to the Financial Distress Remediation Plan in accordance with Paragraph 4.6.1, submit an updated Financial Distress Remediation Plan to the Relevant Authority for its approval, and the provisions of Paragraphs 4.4 and 4.5 shall apply to the review and approval process for the updated Financial Distress Remediation Plan; and

4.6.3 comply with the Financial Distress Remediation Plan (including any updated Financial Distress Remediation Plan) and ensure that it achieves the financial and performance requirements set out in the Financial Distress Remediation Plan.

4.7 Where the Supplier reasonably believes that the relevant Financial Distress Event under Paragraph 4.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Relevant Authority and the Parties may agree that the Supplier shall be relieved of its obligations under Paragraph 4.6.

4.8 The Supplier shall use reasonable endeavours to put in place the necessary measures to ensure that the information specified at paragraph 4.3.2(b) is available when required and on request from the Relevant Authority and within reasonable timescales. Such measures may include:

- 4.8.1 obtaining in advance written authority from Key Sub-contractors, the Guarantor and/or Monitored Suppliers authorising the disclosure of the information to the Buyer and/or entering into confidentiality agreements which permit disclosure;

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- 4.8.2 agreeing in advance with the Relevant Authority, Key Sub-contractors, the Guarantor and/or Monitored Suppliers a form of confidentiality agreement to be entered by the relevant parties to enable the disclosure of the information to the Relevant Authority;
- 4.8.3 putting in place any other reasonable arrangements to enable the information to be lawfully disclosed to the Relevant Authority (which may include making price sensitive information available to the Relevant Authority's nominated personnel through confidential arrangements, subject to their consent); and
- 4.8.4 disclosing the information to the fullest extent that it is lawfully entitled to do so, including through the use of redaction, anonymisation and any other techniques to permit disclosure of the information without breaching a duty of confidentiality.

4.8.5

**5. Financial Indicators**

- 5.1 Subject to the calculation methodology set out at Annex 3 of this Schedule, the Financial Indicators and the corresponding calculations and thresholds used to determine whether a Financial Distress Event has occurred in respect of those Financial Indicators, shall be as follows:

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Financial Indicator	Calculation <sup>1</sup>	Financial Target Threshold:	Monitoring and Reporting Frequency
<b>1</b> <b>The higher of (a) the Operating Margin for the most recent 12 month period and (b) the average Operating Margin for the last two 12 month periods</b>	$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Revenue}}$	> 5%	Tested and reported at least quarterly in arrears based on the latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures for the 12 months ending on the relevant accounting reference date.
<b>2</b> <b>Net Debt to EBITDA Ratio</b>	$\text{Net Debt to EBITDA ratio} = \frac{\text{Net Debt}}{\text{EBITDA}}$	< 3.5 times	Tested and reported at least quarterly in arrears based on latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon EBITDA for the 12 months ending on, and Net Debt at, the relevant accounting reference date.
<b>3</b> <b>Net Debt + Net Pension Deficit to EBITDA ratio</b>	$\text{Net Debt + Net Pension Deficit to EBITDA Ratio} = \frac{(\text{Net Debt} + \text{Net Pension Deficit})}{\text{EBITDA}}$	< 5 times	Tested and reported quarterly in arrears based on latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon EBITDA for the 12 months ending on, and the Net Debt and Net Pension Deficit at, the relevant accounting reference date.

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<b>4</b> <b>Net Interest Cover</b>	Net Interest Payable Cover = Earnings Before Interest and Tax / Net Interest Payable	> 3 times	Tested and reported at least quarterly in arrears based on latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures for the 12 months ending on the relevant accounting reference date.
<b>5</b> <b>Current Ratio</b>	Current Ratio = Current Assets / Current Liabilities	> 1 times	Tested and reported quarterly in arrears based on latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures at the relevant accounting reference date.
<b>6</b> <b>Net Asset value</b>	Net Asset Value = Net Assets	> £0	Tested and reported quarterly in arrears based on latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures at the relevant accounting reference date.
<b>7</b> <b>Group Exposure Ratio</b>	Group Exposure Ratio = Current Assets – Group Assets – Current Liabilities	> £0 If lower a PCG may be required	Tested and reported quarterly in arrears based on the latest publicly available information. Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures at the relevant accounting reference date.

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<b>8</b>	Free Reserve Ratio = Free Reserves / Unrestricted Expenditure	> 0.25	Tested and reported at least quarterly in arrears based on the latest available information.  Calculation as a minimum should be updated within 285 days of each accounting reference date based upon figures at the relevant accounting reference date.
<b>Free Reserve Ratio</b>			

Key: 1 – see Annex 3 to this Schedule which sets out the calculation methodology to be used in the calculation of each financial indicator.

## 6. Monitored Suppliers

- 6.1 If applicable, monitored Suppliers shall be designated by the buyer at contract signature.
- 6.2 A Monitored Supplier could include any Sub-contractor that is not a Key Subcontractor, which in the opinion of the Buyer, performs (or would perform if appointed) a role:
- (a) in the provision of all or any part of the Deliverables that is such that the discontinued provision of that role would be detrimental to the ability of the Supplier to deliver the Deliverables to its established performance standards; and/or
  - (b) in the provision of all or any part of the deliverables that is such that the discontinued provision of that role may affect the Supplier's financial stability; and/or
  - (c) for which it would be difficult for the Supplier to find a replacement Sub-contractor within a reasonable time.

<b>Monitored Supplier</b>	<b>Applicable Financial Indicators</b> (these are the Financial Indicators from the table in Paragraph 5.1 which are to apply to the Monitored Suppliers)

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**7. Termination rights**

7.1 The Relevant Authority shall be entitled to terminate the Contract if:

- 7.1.1 the Supplier fails to notify the Relevant Authority of a Financial Distress Event in accordance with Paragraph 2.3.3;
- 7.1.2 the Parties fail to agree a Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraphs 4.3 to 4.5; and/or
- 7.1.3 the Supplier fails to comply with the terms of the Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraph 4.6.3,

which shall be deemed to be an event to which Clause 10.4.1 of the Core Terms applies and Clauses 10.6.1 and 10.6.2 of the Core Terms shall apply accordingly.

**8. Primacy of Credit Ratings**

8.1 Without prejudice to the Supplier's obligations and the Relevant Authority's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1.2 to 3.1.7, the Rating Agencies review and report subsequently that the credit ratings for the FDE Group entities do not drop below the relevant Credit Rating Thresholds specified for those entities in Annex 2 to this Schedule, then:

- 8.1.1 the Supplier shall be relieved automatically of its obligations under Paragraphs 4.3 to 4.6; and
- 8.1.2 the Relevant Authority shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 4.3.2(b).

**9. Board confirmation**

9.1 The Supplier, subject to Paragraph 9.4 of this Schedule, the Supplier shall within ninety (90) days after each Accounting Reference Date or within 15 months of the previous Board Confirmation (whichever is the earlier) provide a Board Confirmation to the Relevant Authority in the form set out at Annex 4 to this Schedule, confirming that to the best of the Board's knowledge and belief, it is not aware of and has no knowledge:

- 9.1.1 that a Financial Distress Event has occurred since the later of the Effective Date or the previous Board Confirmation or is subsisting; or
- 9.1.2 of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event.

9.2 The Supplier shall ensure that in its preparation of the Board Confirmation it exercises due care and diligence and has made reasonable enquiry of all relevant Supplier Staff and other persons as is reasonably necessary to understand and confirm the position.

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- 9.3 In respect of the first Board Confirmation to be provided under this Contract, the Supplier shall provide the Board Confirmation within 15 months of the Effective Date if earlier than the timescale for submission set out in Paragraph 8.1 of this Schedule.
- 9.4 Where the Supplier is unable to provide a Board Confirmation in accordance with Paragraphs 9.1 to 9.3 of this Schedule due to the occurrence of a Financial Distress Event or knowledge of subsisting matters which could reasonably be expected to cause a Financial Distress Event, it will be sufficient for the Supplier to submit in place of the Board Confirmation, a statement from the Board of Directors to the Buyer (and where the Supplier is a Strategic Supplier, the Supplier shall send a copy of the statement to the Cabinet Office Markets and Suppliers Team) setting out full details of any Financial Distress Events that have occurred and/or the matters which could reasonably be expected to cause a Financial Distress Event.

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**Annex 1: Rating Agencies and their standard Rating System**

This Annex sets out the standard rating scales for each of the Rating Agencies selected. The Buyer reserves the right to use other rating scales from other Rating Agencies that are not listed in this Annex.

Rating Agency	Credit Rating Level	Risk level
Standard and Poor's	Credit Rating Level 1 = [AAA] [AA+] [AA] [AA-] [A+] [A] [A-]	Low Risk
	Credit Rating Level 2 = [BBB+] [BBB] [BBB-] [BB+] [BB] [BB-] [B+] [B] [B-]	Greater Than Average Risk
	Credit Rating Level 3 = [CCC] [CC] [C] [D] [NR]	High Risk
Moody's	Credit Rating Level 1 = [Aaa] [Aa] [A]	Low Risk
	Credit Rating Level 2 = [Baa] [Ba] [B]	Greater Than Average Risk
	Credit Rating Level 3 = [Caa] [Ca] [C]	High Risk
Dun and Bradstreet	Credit Rating Level 1 = Failure Score of 51 or above	Low Risk
	Credit Rating Level 2 = Failure Score of 11 to 50	Greater Than Average Risk
	Credit Rating Level 3 = Failure Score of 10 or below	High Risk
Experian	Credit Rating Level 1 = 51 or above	Low Risk
	Credit Rating Level 2 = 26 to 50	Greater Than Average Risk
	Credit Rating Level 3 = 25 or below	High Risk
Company watch	Credit Rating Level 1 = 36 and above	Low Risk
	Credit Rating Level 2 = 26 to 35	Greater Than Average Risk
	Credit Rating Level 3	High Risk

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	= 25 or below	
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**Annex 2: Credit Ratings and Credit Rating Thresholds**

Entity	Credit rating (long term)	Credit rating Threshold
Supplier - Corporate Travel Management (North) Limited	Dun & Bradstreet –Risk Indicator 2	Dun & Bradstreet – Failure Score 11 or above / Risk Indicator 2 or above (Credit Rating Level 2)

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**Annex 3: Calculation methodology for Financial Indicators**

The Supplier shall ensure that it uses the following general and specific methodologies for calculating the Financial Indicators against the Financial Target Thresholds:

**General methodology**

- 1 **Terminology:** The terms referred to in this Annex are those used by UK companies in their financial statements. Where the entity is not a UK company, the corresponding items should be used even if the terminology is slightly different (for example a charity would refer to a surplus or deficit rather than a profit or loss).
- 2 **Groups:** Where the entity is the holding company of a group and prepares consolidated financial statements, the consolidated figures should be used.
- 3 **Foreign currency conversion:** Figures denominated in foreign currencies should be converted at the exchange rate in force at the relevant date for which the Financial Indicator is being calculated.
- 4 **Treatment of non-underlying items:** Financial Indicators should be based on the figures in the financial statements before adjusting for non-underlying items.

**Specific Methodology**

Financial Indicator	Specific Methodology
1 <b>Operating Margin</b>	<p>The elements used to calculate the Operating Margin should be shown on the face of the Income Statement in a standard set of financial statements.</p> <p>Figures for Operating Profit and Revenue should exclude the entity's share of the results of any joint ventures or Associates.</p> <p>Where an entity has an operating loss (i.e. where the operating profit is negative), Operating Profit should be taken to be zero.</p>
2 <b>Free Cash Flow to Net Debt Ratio</b>	<p><b>"Free Cash Flow"</b> = <i>Net Cash Flow from Operating Activities – Capital Expenditure</i></p> <p><b>"Capital Expenditure"</b> = <i>Purchase of property, plant &amp; equipment + purchase of intangible assets</i></p>

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<p>OR</p>	<p><b><i>“Net Debt” = Bank overdrafts + Loans and borrowings + Finance Leases + Deferred consideration payable – Cash and cash equivalents</i></b></p> <p>The majority of the elements used to calculate the Free Cash Flow to Net Debt Ratio should be shown on the face of the Statement of Cash Flows and the Balance Sheet in a standard set of financial statements.</p> <p><u><i>Net Cash Flow from Operating Activities</i></u>: This should be stated after deduction of interest and tax paid.</p> <p><u><i>Capital expenditure</i></u>: The elements of capital expenditure may be described slightly differently but will be found under ‘Cash flows from investing activities’ in the Statement of Cash Flows; they should be limited to the purchase of fixed assets (including intangible assets) for the business and exclude acquisitions. The figure should be shown gross without any deduction for any proceeds of sale of fixed assets.</p> <p><u><i>Net Debt</i></u>: The elements of Net Debt may also be described slightly differently and should be found either on the face of the Balance Sheet or in the relevant note to the financial statements. All interest bearing liabilities (other than retirement benefit obligations) should be treated as borrowings as should, where disclosed, any liabilities (less any assets) in respect of any hedges designated as linked to borrowings (but not non-designated hedges). Borrowings should also include balances owed to other group members.</p> <p>Deferred consideration payable should be included in Net Debt despite typically being non-interest bearing.</p> <p>Cash and cash equivalents should include short-term financial investments shown in current assets.</p> <p>Where Net debt is negative (i.e. an entity has net cash), the relevant Financial Target Threshold should be treated as having been met.</p> <p>OR</p> <p><b><i>“Net Debt” = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable – Cash and cash equivalents</i></b></p>
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<p><b>Net Debt to EBITDA Ratio</b></p>	<p><b><i>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge</i></b></p> <p>The majority of the elements used to calculate the Net Debt to EBITDA Ratio should be shown on the face of the Balance sheet, Income statement and Statement of Cash Flows in a standard set of financial statements but will otherwise be found in the notes to the financial statements.</p> <p><u><i>Net Debt:</i></u> The elements of Net Debt may be described slightly differently and should be found either on the face of the Balance Sheet or in the relevant note to the financial statements. All interest bearing liabilities (other than retirement benefit obligations) should be included as borrowings as should, where disclosed, any liabilities (less any assets) in respect of any hedges designated as linked to borrowings (but not non-designated hedges). Borrowings should also include balances owed to other group members.</p> <p>Deferred consideration payable should be included in Net Debt despite typically being non-interest bearing.</p> <p>Cash and cash equivalents should include short-term financial investments shown in current assets.</p> <p>Where Net debt is negative (i.e. an entity has net cash), the relevant Financial Target Threshold should be treated as having been met.</p> <p><u><i>EBITDA:</i></u> Operating profit should be shown on the face of the Income Statement and, for the purposes of calculating this Financial Indicator, should include the entity’s share of the results of any joint ventures or Associates. <i>The depreciation and amortisation charges for the period may be found on the face of the Statement of Cash Flows or in a Note to the Accounts. Where EBITDA is negative, the relevant Financial Target Threshold should be treated as not having been met (unless Net Debt is also negative, in which case the relevant Financial Target Threshold should be treated as having been met).</i></p>
<p><b>3</b></p>	<p><b><i>“Net Debt” = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable – Cash and cash equivalents</i></b></p>

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<p><b>Net Debt + Net Pension Deficit to EBITDA ratio</b></p>	<p><b><i>“Net Pension Deficit” = Retirement Benefit Obligations – Retirement Benefit Assets</i></b></p> <p><b><i>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge</i></b></p> <p>The majority of the elements used to calculate the Net Debt + Net Pension Deficit to EBITDA Ratio should be shown on the face of the Balance sheet, Income statement and Statement of Cash Flows in a standard set of financial statements but will otherwise be found in the notes to the financial statements.</p> <p><u>Net Debt</u>: The elements of Net Debt may be described slightly differently and should be found either on the face of the Balance Sheet or in the relevant note to the financial statements. All interest bearing liabilities (other than retirement benefit obligations) should be included as borrowings as should, where disclosed, any liabilities (less any assets) in respect of any hedges designated as linked to borrowings (but <i>not</i> non-designated hedges). Borrowings should also include balances owed to other group members.</p> <p>Deferred consideration payable should be included in Net Debt despite typically being non-interest bearing.</p> <p>Cash and cash equivalents should include short-term financial investments shown in current assets.</p> <p><u>Net Pension Deficit</u>: Retirement Benefit Obligations and Retirement Benefit Assets may be shown on the face of the Balance Sheet or in the notes to the financial statements. They may also be described as pension benefits / obligations, post-employment obligations or other similar terms.</p> <p>Where ‘Net Debt + Net Pension Deficit’ is negative, the relevant Financial Target Threshold should be treated as having been met.</p> <p><u>EBITDA</u>: Operating profit should be shown on the face of the Income Statement and, for the purposes of calculating this Financial Indicator, should include the entity’s share of the results of any joint ventures or Associates.</p>
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	<p>The depreciation and amortisation charges for the period may be found on the face of the Statement of Cash Flows or in a Note to the Accounts.</p> <p>Where EBITDA is negative, the relevant Financial Target Threshold should be treated as not having been met (unless 'Net Debt + Net Pension Deficit' is also negative, in which case the relevant Financial Target Threshold should be regarded as having been met).</p>
<p><b>4</b></p> <p><b>Net Interest Paid Cover</b></p>	<p><b><i>"Earnings Before Interest and Tax" = Operating profit</i></b></p> <p><b><i>"Net Interest Paid" = Interest paid – Interest received</i></b></p> <p>Operating profit should be shown on the face of the Income Statement in a standard set of financial statements and, for the purposes of calculating this Financial Indicator, should include the entity's share of the results of any joint ventures or Associates.</p> <p>Interest received and interest paid should be shown on the face of the Cash Flow statement.</p> <p>Where Net interest paid is negative (i.e. the entity has net interest received), the relevant Financial Target Threshold should be treated as having been met.</p>
<p><b>5</b></p> <p><b>Acid Ratio</b></p>	<p>All elements that are used to calculate the Acid Ratio are available on the face of the Balance Sheet in a standard set of financial statements.</p>
<p><b>6</b></p> <p><b>Net Asset value</b></p>	<p>Net Assets are shown (but sometimes not labelled) on the face of the Balance Sheet of a standard set of financial statements. Net Assets are sometimes called net worth or 'Shareholders' Funds'. They represent the net assets available to the shareholders. Where an entity has a majority interest in another entity in which there are also minority or non-controlling interests (i.e. where it has a subsidiary partially owned by outside investors), Net Assets should be taken inclusive of minority or non-controlling interests (as if the entity owned 100% of such entity).</p>
<p><b>7</b></p> <p><b>Group Exposure Ratio</b></p>	<p><b><i>"Group Exposure" = Balances owed by Group Undertakings + Contingent liabilities assumed in support of Group Undertakings</i></b></p>

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	<p><b><i>“Gross Assets” = Fixed Assets + Current Assets</i></b></p> <p><u>Group Exposure</u>: Balances owed by (ie receivable from) Group Undertakings are shown within Fixed assets or Current assets either on the face of the Balance Sheet or in the relevant notes to the financial statements. In many cases there may be no such balances, in particular where an entity is not a member of a group or is itself the ultimate holding company of the group.</p> <p>Contingent liabilities assumed in support of Group Undertakings are shown in the Contingent Liabilities note in a standard set of financial statements. They include guarantees and security given in support of the borrowings of other group companies, often as part of group borrowing arrangements. Where the contingent liabilities are capped, the capped figure should be taken as their value. Where no cap or maximum is specified, the relevant Financial Target Threshold should automatically be regarded as not having been met.</p> <p>In many cases an entity may not have assumed any contingent liabilities in support of Group Undertakings, in particular where an entity is not a member of a group or is itself the ultimate holding company of the group.</p> <p><u>Gross Assets</u>: Both Fixed assets and Current assets are shown on the face of the Balance Sheet</p>
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**ANNEX 4: BOARD CONFIRMATION**

**Supplier Name:**

**Contract Reference Number:**

The Board of Directors acknowledge the requirements set out at paragraph 8 of Joint Schedule 7 (*Financial Distress*) and confirm that the Supplier has exercised due care and diligence and made reasonable enquiry of all relevant Supplier Staff and other persons as is reasonably necessary to enable the Board to prepare this statement.

The Board of Directors confirms, to the best of its knowledge and belief, that as at the date of this Board Confirmation it is not aware of and has no knowledge:

- (a) that a Financial Distress Event has occurred since the later of the previous Board Confirmation and the Effective Date or is subsisting; or
- (b) of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event

On behalf of the Board of Directors:

Chair .....

Signed .....

Date .....

Director .....

Signed .....

Date .....

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