

## SCHEDULE 22

# Joint Schedule 7 (Financial Difficulties)

## 1. Definitions

1.1 In this Schedule, the following definitions shall apply:

<b>“Applicable Financial Indicators”</b>	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;
<b>“Board”</b>	means the Service Provider’s board of directors;
<b>“Board Confirmation”</b>	means written confirmation from the Board in accordance with Paragraph 8 of this Schedule;
<b>“Cabinet Office Markets and Suppliers Team”</b>	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;
<b>“Credit Rating Threshold”</b>	the minimum credit rating level for each entity in the FDE Group as set out in Annex 2 to this Schedule;
<b>“FDE Group”</b>	means the Service Provider, Key Subcontractors, the Guarantor
<b>“Financial Distress Event”</b>	Any of the events listed in Paragraph 3.1 of this Schedule;
<b>“Financial Distress Remediation Plan”</b>	a plan setting out how the Service Provider will ensure the continued performance and delivery of the <i>service</i> in accordance with the Contract in the event that a Financial Distress Event occurs including at the request of the Client any mitigations identified as a result of the output of the most recently completed FVRA Tool;
<b>“Financial Indicators”</b>	in respect of the Service Provider, Key Subcontractors and the Guarantor, 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;
<b>“Financial Target Thresholds”</b>	means the target thresholds for each of the Financial Indicators set out at paragraph 5.1 of this Schedule;
<b>“FVRA Tool”</b>	means the latest version of the Government ‘Commercial Function Financial Viability Risk Assessment Tool’;
<b>“Monitored Suppliers”</b>	means those entities specified at paragraph 5.2 of this Schedule;
<b>“Rating Agencies”</b>	The rating agencies listed in Annex 1 of this Schedule;
<b>“Strategic Supplier”</b>	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> .

## 2. Warranties and duty to notify

2.1 The Service Provider warrants and represents to the Client for the benefit of the Client 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 entity in the FDE Group satisfies the Financial Target Thresholds.

2.2 The Service Provider shall promptly notify (or shall procure that its auditors promptly notify) the Client 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 Service Provider shall:

- 2.3.1 complete the FVRA Tool prior to the Contract Date in line with the ‘Bidder Instructions’ included in the FVRA Tool;
- 2.3.2 regularly monitor the credit ratings of each entity in the FDE Group with the Rating Agencies;
- 2.3.3 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

- 2.3.4 promptly notify (or shall procure that its auditors promptly notify) the Client 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 Service Provider 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 Service Provider pursuant to paragraph 2.3.3 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 Client 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;
  - 2.5.5 include a history of the Financial Indicators reported by the Service Provider in graph form to enable the Client to easily analyse and assess the trends in financial performance; and
  - 2.5.6 include an update on all data that was included in the FVRA Tool at the Contract Date by way of recompletion of the FVRA Tool and provision of a comparison document to the Client.

### **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;

- 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 Subcontractor notifying CCS or the Buyer that the Service Provider 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 Group entity;
- in each case which the Client reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the *service* 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 Service Provider of a Financial Distress Event (or if the Client becomes aware of a Financial Distress Event without notification and brings the event to the attention of the Service Provider), the Service Provider shall have the obligations and the Client 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 Subcontractor pursuant to Paragraph 3.1.5, the Client shall not exercise any of its rights or remedies under Paragraph 4.3 without first giving the Service Provider 10 Working Days to:
  - 4.2.1 rectify such late or non-payment; or
  - 4.2.2 demonstrate to the Client's reasonable satisfaction that there is a valid reason for late or non-payment.

4.3 The Service Provider shall (and shall procure that any Monitored Supplier, the Guarantor and/or any relevant Key Subcontractor shall):

4.3.1 at the request of the Client, meet the Client 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 Client may permit and notify to the Service Provider in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the *service* in accordance with the Contract; and

4.3.2 where the Client 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 *service* in accordance with the Contract:

(a) submit to the Client 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 Client may permit and notify to the Service Provider 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 Service Provider, any Monitored Supplier, Key Subcontractors and/or the Guarantor as the Client may reasonably require in order to understand the risk to the *service*, 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 Client shall not withhold its approval of a draft Financial Distress Remediation Plan unreasonably. If the Client does not approve the draft Financial Distress Remediation Plan, it shall inform the Service Provider of its reasons and the Service Provider shall take those reasons into account in the preparation of a further draft Financial Distress Remediation Plan, which shall be resubmitted to the Client 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 Client or referred to the Dispute Resolution Procedure set out in Option W2 of the contract.

4.5 If the Client 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 Service Provider's obligations in accordance with the Contract, then it may either agree a further 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 Option W2 of the contract.

4.6 Following approval of the Financial Distress Remediation Plan by the Client, the Service Provider 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 Service Provider may deem reasonably necessary and/or as may be reasonably requested by the Client, so that the plan remains adequate, up to date and ensures the continued performance and delivery of the *service* in accordance with this Contract; and
- (b) provide a written report to the Client setting out its progress against the Financial Distress Remediation Plan, the reasons for any changes made to the Financial Distress Remediation Plan by the Service Provider and/or the reasons why the Service Provider 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(a), submit an updated Financial Distress Remediation Plan to the Client 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 Service Provider reasonably believes that the relevant Financial Distress Event (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Client and the Parties may agree that the Service Provider shall be relieved of its obligations under Paragraph 4.6.

4.8 The Service Provider 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 Client and within reasonable timescales. Such measures may include:

- 4.8.1 obtaining in advance written authority from Key Subcontractors, the Guarantor and/or Monitored Suppliers authorising the disclosure of the information to the Client and/or entering into confidentiality agreements which permit disclosure;
- 4.8.2 agreeing in advance with the Client, Key Subcontractors, 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 Client;
- 4.8.3 putting in place any other reasonable arrangements to enable the information to be lawfully disclosed to the Client (which may include making price sensitive information available to the

Client's nominated personnel through confidential arrangements, subject to their consent); and 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.

## 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:

Financial Indicator	Calculation <sup>1</sup>	Financial Target Threshold:	Monitoring and Reporting Frequency
<b>1</b> <b>Operating Margin</b>	<i>Operating Margin = Operating Profit / Revenue</i>	<i>&gt; 4%</i>	<i>Tested and reported in arrears within 90 days of each Annual and Interim published accounting dates based upon figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>
<b>2</b> <b>Net Debt to EBITDA Ratio</b>	<i>Net Debt to EBITDA ratio = Net Debt / EBITDA</i>	<i>&lt; 2.5 times</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon EBITDA figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>
<b>3</b> <b>Net Debt + Net Pension Deficit to EBITDA ratio</b>	<i>Net Debt + Net Pension Deficit to EBITDA Ratio = (Net Debt + Net Pension Deficit) / EBITDA</i>	<i>&lt; 2.5 times</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon EBITDA figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>

<b>4</b> <b>Net Interest Paid Cover</b>	<i>Net Interest Paid Cover = Earnings Before Interest and Tax / Net Interest Paid</i>	<i>&gt; 4.5 times</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>
<b>5</b> <b>Acid Ratio</b>	<i>Acid Ratio = (Current Assets – Inventories) / Current Liabilities</i>	<i>&gt; 1.0 times</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>
<b>6</b> <b>Net Asset value</b>	<i>Net Asset Value = Net Assets</i>	<i>&gt; £0</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>
<b>7</b> <b>Group Exposure Ratio</b>	<i>Group Exposure / Gross Assets</i>	<i>&lt; 25%</i>	<i>Tested and reported in arrears within 90 days of each annual and interim published accounting dates based upon figures for the 12 months ending on the relevant annual and interim accounts as published at Companies House</i>



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

## **5.2 Monitored Suppliers**

Service Provider, the Guarantor, Subcontractors

<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)
Not applicable	Not applicable

## **6. Termination rights**

6.1 The Client shall be entitled to terminate the Contract if:

- 6.1.1 the Service Provider fails to notify the Client of a Financial Distress Event in accordance with Paragraph 2.3.4;
- 6.1.2 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
- 6.1.3 the Service Provider 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 90 of the contract applies and the procedure to apply on termination is P1, P2 and P3 and the amount due on termination is A1, A3a and A3.

## **7. Primacy of Credit Ratings**

7.1 Without prejudice to the Service Provider's obligations and the Client's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1.1 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:

- 7.1.1 the Service Provider shall be relieved automatically of its obligations under Paragraphs 4.3 to 4.6; and

- 7.1.2 the Client shall not be entitled to require the Service Provider to provide financial information in accordance with Paragraph 4.3.2(b).

## **8. Board confirmation**

- 8.1 If the Contract has been specified as a Critical Service Contract under Paragraph 2.1 of Part B of Annex 1 to Schedule 20 (Call-Off Schedule 8 - Business Continuity) (if applicable) then, subject to Paragraph 8.4 of this Schedule, the Service Provider 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 Client 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:
- 8.1.1 that a Financial Distress Event has occurred since the later of the Effective Date or the previous Board Confirmation or is subsisting; or
  - 8.1.2 of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event.
- 8.2 The Service Provider shall ensure that in its preparation of the Board Confirmation it exercises due care and diligence and has made reasonable enquiry of all relevant Service Provider Staff and other persons as is reasonably necessary to understand and confirm the position.
- 8.3 In respect of the first Board Confirmation to be provided under this Contract, the Service Provider 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.
- 8.4 Where the Service Provider is unable to provide a Board Confirmation in accordance with Paragraphs 8.1 to 8.3 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 Service Provider to submit in place of the Board Confirmation, a statement from the Board to the Client (and where the Service Provider is a Strategic Supplier, the Service Provider 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.

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

Dun and Bradstreet

Company Watch

## Annex 2: Credit Ratings and Credit Rating Thresholds

### Part 1: Current Rating - Lot 1a, 2a and 3a

Entity	Credit rating (long term)
Service Provider	45
Guarantor	45
Key Subcontractor	45

### Current Rating - Lot 1b, 2b and 3b

Entity	Credit rating (long term)
Service Provider	60
Guarantor	60
Key Subcontractor	60

### Current Rating - Lot 1c, 2c and 3c

Entity	Credit rating (long term)
Service Provider	70
Guarantor	70
Key Subcontractor	70

### Annex 3: Calculation methodology for Financial Indicators

The Service Provider 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>Net Debt to EBITDA Ratio</b>	<p><b>"Net Debt"</b> = bank overdrafts + loans and borrowings + finance leases + deferred consideration payable – cash and cash equivalents</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>
3	<p><b><i>“Net Debt” = bank overdrafts + loans and borrowings + finance leases + deferred consideration payable – cash and cash equivalents</i></b></p> <p><b><i>“Net Pension Deficit” = retirement benefit obligations – retirement benefit assets</i></b></p>

<p><b>Net Debt + Net Pension Deficit 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 + 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><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 <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><i>Net Pension Deficit:</i></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><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.</p> <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>
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<p>4</p> <p><b>Net Interest Paid Cover</b></p>	<p><b><i>“Earnings Before Interest and Tax”</i></b> = operating profit</p> <p><b><i>“Net Interest Paid”</i></b> = interest paid – interest received</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>5</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>6</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>7</p> <p><b>Group Exposure Ratio</b></p>	<p><b><i>“Group Exposure”</i></b> = balances owed by group undertakings + contingent liabilities assumed in support of group undertakings</p> <p><b><i>“Gross Assets”</i></b> = fixed assets + current assets</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</p>



	<p>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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**Service Provider Name:**

**Contract Reference Number:**

The Board acknowledge the requirements set out at Paragraph 8 of Schedule 22 (Joint Schedule 7 - Financial Difficulties) and confirm that the Service Provider has exercised due care and diligence and made reasonable enquiry of all relevant Service Provider Staff and other persons as is reasonably necessary to enable the Board to prepare this statement.

The Board 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:

Chair .....

Signed .....

Date .....

Director .....

Signed .....

Date .....



## **APPENDIX 1: RATING AGENCIES**

Dun and Bradstreet

Company Watch

## APPENDIX 2: CREDIT RATINGS & CREDIT RATING THRESHOLDS

### Part 1: Current Rating - Lot 1a, 2a and 3a

Entity	Credit rating (long term)
Service Provider	45
Guarantor	45
Key Subcontractor	45

### Current Rating - Lot 1b, 2b and 3b

Entity	Credit rating (long term)
Service Provider	60
Guarantor	60
Key Subcontractor	60

### Current Rating - Lot 1c, 2c and 3c

Entity	Credit rating (long term)
Service Provider	70
Guarantor	70
Key Subcontractor	70

