

CALL OFF SCHEDULE 8: FINANCIAL DISTRESS

1. DEFINITIONS

In this Call Off Schedule 8 (Financial Distress), the following definitions shall apply:

“Accounting Reference Date”	means in each year the date to which the Supplier prepares its annual audited financial statements;
“Board”	means the Supplier’s board of directors;
“Board Confirmation”	means written confirmation from the Board in accordance with Paragraph 7 of this Call Off Schedule 8 (Financial Distress);
“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 the Monitored Company as set out in Part A of Attachment 7 (Financial Distress) of the Order Form;
"Financial Distress Event"	<p>the occurrence or one or more of the following events:</p> <ul style="list-style-type: none"> a) the credit rating of the Monitored Company dropping below the applicable Credit Rating Threshold; b) the Monitored Company issuing a profits warning to a stock exchange or making any other public announcement 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 Monitored Company; d) Monitored Company committing a material breach of covenant to its lenders; e) a Key Sub-Contractor (where applicable) notifying the Buyer that the Supplier has not satisfied any sums properly due under a specified invoice and not subject to a genuine dispute; or f) any of the following: <ul style="list-style-type: none"> i) commencement of any litigation against the Monitored Company with respect to financial indebtedness greater than five million pounds (£5,000,000) or obligations under a contract with a total contract value greater than five million pounds (£5,000,000); ii) non-payment by the Monitored Company of any financial indebtedness;

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	<p>iii) any financial indebtedness of the Monitored Company becoming due as a result of an event of default;</p> <p>iv) the cancellation or suspension of any financial indebtedness in respect of the Monitored Company; or</p> <p>v) the external auditor of the Monitored Company expressing a qualified opinion on, or including an emphasis of matter in, its opinion on the statutory accounts of that Monitored Company,</p> <p>in each case which the Buyer reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance delivery of the Services in accordance with this Contract; and</p> <p>g) any of the Financial Indicators set out at Paragraph 4 for the Monitored Company failing to meet the required Financial Target Threshold.</p>
"Financial Distress Service Continuity Plan"	a plan setting out how the Supplier will ensure the continued performance and delivery of the Services in accordance with this Contract in the event that a Financial Distress Event occurs;
"Financial Indicators"	in respect of the Monitored Companies, means each of the financial indicators set out at Paragraph 4.1 of this Schedule;
"Financial Target Thresholds"	means the target thresholds for each of the Financial Indicators set out at Paragraph 4.1 of this Schedule;
"Monitored Company"	Supplier, Guarantor (if any) or any Key Sub-Contractor;
"Rating Agencies"	the rating agencies set out in Part B of Attachment 7 (Financial Distress) of the Order Form; and
"Strategic Suppliers"	means those suppliers to the government listed at https://www.gov.uk/government/publications/strategic-suppliers .

2. WARRANTIES AND DUTY TO NOTIFY

- 2.1 The Supplier warrants and represents to the Buyer that as at the Commencement Date:
- 2.1.1 the long term credit ratings issued for the Monitored Companies by each of the Rating Agencies are as set out in Part A of Attachment 7 (Financial Distress) of the Order Form; and
 - 2.1.2 the financial position or, as appropriate, the financial performance of each Monitored Company satisfies the Financial Target Thresholds.
- 2.2 The Supplier shall promptly (and in any event within five (5) Working Days) notify the Buyer in writing if there is any downgrade in the credit rating issued by any Rating Agency for a Monitored Company.

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- 2.3 If there is any downgrade credit rating issued by any Rating Agency for the Monitored Company the Supplier shall ensure that the Monitored Company's auditors thereafter provide the Buyer within ten (10) Working Days of the end of each Contract Year and within ten (10) Working Days of written request by the Buyer (such requests not to exceed four (4) in any Contract Year) with written calculations of the quick ratio for the Monitored Company as at the end of each Contract Year or such other date as may be requested by Buyer. For these purposes the "quick ratio" on any date means:

$$\frac{A + B + C}{D}$$

where:

- A is the value at the relevant date of all cash in hand and at the bank of the Monitored Company;
- B is the value of all marketable securities held by the Supplier the Monitored Company 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 Monitored Company; and
- D is the value at the relevant date of the current liabilities of the Monitored Company.

- 2.4 The Supplier shall:

- 2.4.1 regularly monitor the credit ratings of each Monitored Company with the Rating Agencies;
- 2.4.2 monitor and report on the Financial Indicators for each Monitored Company against the Financial Target Thresholds at least at the frequency set out for each at Paragraph 4.1 (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;
- 2.4.3 promptly notify (or shall procure that its auditors promptly notify) the Buyer 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 ten (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; and
- 2.4.4 promptly notify the Buyer in writing following the occurrence of any financial event which the Supplier reasonably believes could materially impact its continued performance and delivery of the Deliverables, such event could by way of illustration include a decline in the Supplier's revenue and/or profit margin, an increase in the Supplier's debt to equity ratio and any failure to pay a creditor. Upon such notification, the Buyer may request that the Supplier provides additional information and/or meets with the Buyer to discuss any potential or anticipated impact on performance of the Contract.

- 2.5 For the purposes of determining whether a Financial Distress Event has occurred the credit rating of the Monitored Company shall be deemed to have dropped below the applicable Credit Rating Threshold if any of the Rating Agencies have rated the Monitored Company at or below the applicable Credit Rating Threshold.

3. CONSEQUENCES OF FINANCIAL DISTRESS EVENTS

- 3.1 In the event of a Financial Distress Event then, immediately upon notification of the Financial Distress Event (or if the Buyer 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 Buyer shall have the rights and remedies as set out in Paragraphs 3.3 to 3.6.
- 3.2 In the event that a Financial Distress Event arises due to a Key Sub-Contractor notifying the Buyer that the Supplier has not satisfied any sums properly due under a specified invoice and not subject to a genuine dispute then, the Buyer shall not exercise any of its rights or remedies under Paragraph 3.3 without first giving the Supplier ten (10) Working Days to:
 - 3.2.1 rectify such late or non-payment; or
 - 3.2.2 demonstrate to the Buyer's reasonable satisfaction that there is a valid reason for late or non-payment.
- 3.3 The Supplier shall and shall procure that the other Monitored Companies shall:
 - 3.3.1 at the request of the Buyer, meet the Buyer 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) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Contract; and
 - 3.3.2 where the Buyer reasonably believes (taking into account the discussions and any representations made under Paragraph 3.3.1) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Contract:
 - (a) submit to the Buyer 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); and
 - (b) provide such financial information relating to the Monitored Company as the Buyer may reasonably require.
- 3.4 The Buyer shall not withhold its approval of a draft Financial Distress Service Continuity Plan unreasonably. If the Buyer does not (acting reasonably) 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 Buyer within five (5) Working Days of the rejection of the first or subsequent (as the case may be) drafts. This process shall be repeated until the Financial Distress Service Continuity Plan is approved by the Buyer or referred to the Dispute Resolution Procedure under Paragraph 3.5.
- 3.5 If the Buyer 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 remedy the relevant Financial Distress Event, 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 Buyer, the Supplier shall:

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- 3.6.1 on a regular basis (which shall not be less than fortnightly), 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 Contract;
- 3.6.2 where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with Paragraph 3.6.1, submit an updated Financial Distress Service Continuity Plan to the Buyer for its approval, and the provisions of Paragraphs 3.5 and 3.6 shall apply to the review and approval process for the updated Financial Distress Service Continuity Plan; and
- 3.6.3 comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan) and ensure that it achieves the financial and performance requirements set out in the Financial Distress Service Continuity Plan.
- 3.7 Where the Supplier 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 Buyer and subject to the agreement of the Parties, the Supplier may be relieved of its obligations under Paragraph 3.6.

4. Financial Indicators

- 4.1 Subject to the calculation methodology set out at Annex 2 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	Calculation¹	Financial Target Threshold:	Monitoring and Reporting Frequency if different from the default position set out in Paragraph 2.4.2
1. Turnover Ratio	<i>{Annual Revenue / Expected Annual Contract Value}</i>	>1.5 times	As set out in Paragraph 2.4.2

<p>2. Operating Margin</p>	<p><i>[Operating Margin = Operating Profit / Revenue]</i></p>	<p>>5%</p>	<p><i>As set out in Paragraph 2.4.2</i></p>
<p>3a. Free Cashflow to Debt Ratio</p>	<p><i>[Free Cash Flow / Net Debt]</i></p>	<p>>5%</p>	<p><i>As set out in Paragraph 2.4.2</i></p>
<p>3b. Net Debt Ratio</p>	<p><i>[Net Debt to EBITDA ratio = Net Debt / EBITDA]</i></p>	<p>< 3.5 times</p>	<p><i>As set out in Paragraph 2.4.2</i></p>

<p>4.</p> <p>Net Debt + Net Pension Deficit to EBITDA ratio</p>	<p><i>[Net Debt + Net Pension Deficit to EBITDA Ratio = (Net Debt + Net Pension Deficit) / EBITDA]</i></p>	<p>< 5.0 times</p>	<p>As set out in Paragraph 2.4.2</p>
<p>5.</p> <p>Net Interest Paid Cover</p>	<p><i>[Net Interest Paid Cover = Earnings Before Interest and Tax / Net Interest Paid]</i></p>	<p>> 3.0 times</p>	<p>As set out in Paragraph 2.4.2</p>
<p>6.</p> <p>Acid Ratio</p>	<p><i>[Acid Ratio = (Current Assets – Inventories) / Current Liabilities]</i></p>	<p>> 0.8</p>	<p>As set out in Paragraph 2.4.2</p>
<p>7.</p> <p>Net Asset value</p>	<p><i>[Net Asset Value = Net Assets]</i></p>	<p>> £0</p>	<p>As set out in Paragraph 2.4.2</p>

<p>8. Group Exposure Ratio</p>	<p><i>[Group Exposure / Gross Assets]</i></p>	<p>< 50%</p>	<p><i>As set out in Paragraph 2.4.2</i></p>
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Key: 1 – see Annex 2 to this Call Off Schedule which sets out the calculation methodology to be used in the calculation of each Financial Indicator.

5. TERMINATION RIGHTS

- 5.1 The Buyer shall be entitled to terminate this Contract for material Default if:
- 5.1.1 the Supplier fails to notify the Buyer of a Financial Distress Event in accordance with Paragraph 2.4;
 - 5.1.2 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
 - 5.1.3 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 3.6.3.

6. PRIMACY OF CREDIT RATINGS

- 6.1 Without prejudice to the Supplier's obligations and the Buyer's rights and remedies under Paragraph 4, if, following the occurrence of a Financial Distress Event, the Rating Agencies review and report subsequently that the credit ratings do not drop below the relevant Credit Rating Threshold, then:
- 6.1.1 the Supplier shall be relieved automatically of its obligations under Paragraphs 3.3 to 3.6; and
 - 6.1.2 the Buyer shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 3.3.2(b).

7. BOARD CONFIRMATION

- 7.1 Subject to Paragraph 7.4 of this Schedule, the Supplier shall within ninety (90) days after each Accounting Reference Date or within fifteen (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 3 to this Schedule, confirming that to the best of the Board's knowledge and belief, it is not aware of and has no knowledge:
- 7.1.1 that a Financial Distress Event has occurred since the later of the Commencement Date or the previous Board Confirmation or is subsisting; or
 - 7.1.2 of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event.

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- 7.2 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, including all Monitored Companies, as is reasonably necessary to understand and confirm the position.
- 7.3 In respect of the first Board Confirmation to be provided under this Contract, the Supplier shall provide the Board Confirmation within fifteen (15) months of the Commencement Date if earlier than the timescale for submission set out in Paragraph 7.1 of this Schedule.
- 7.4 Where the Supplier is unable to provide a Board Confirmation in accordance with Paragraphs 7.1 to 7.3 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 – NOT USED

ANNEX 2 - 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

The tables below set out the calculation methodology to be used in the calculation of each Financial Indicator.

Financial Indicator / Metric	Specific Methodology
<p>1. Turnover Ratio</p> <p>{Annual Revenue / Expected Annual Contract Value}</p>	<p>Revenue should be shown on the face of the Income Statement. It should exclude the entity's share of the revenue of joint ventures or associates.</p> <p>The Turnover Ratio is used to understand how large the contract is compared to the annual revenue of the Supplier for the contract. A larger number might suggest that the Supplier can accommodate the contract more easily and be better able to deliver the contract.</p>
<p>2. Operating Margin</p> <p>[Operating Profit / Revenue]</p>	<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>

<p>3A. Free Cash Flow to Net Debt Ratio</p> <p>[Free Cash Flow / Net Debt]</p> <p>OR</p>	<p>Shows what percentage of the Supplier’s debt could be repaid in one year if all free cash flow was used to repay debt.</p> <p>“Free Cash Flow” = <i>Net Cash Flow from Operating Activities – Capital Expenditure</i></p> <p>“Capital Expenditure” = <i>Purchase of property, plant & equipment + purchase of intangible assets</i></p> <p>“Net Debt” = <i>Bank overdrafts + Loans and borrowings + Finance Leases + Deferred consideration payable – Cash and cash equivalents</i></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><i>Net Cash Flow from Operating Activities:</i> This should be stated after deduction of interest and tax paid.</p> <p><i>Capital expenditure:</i> 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><i>Net Debt:</i> 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>
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<p>3B. Net Debt to EBITDA Ratio</p> <p>[Net Debt to EBITDA Ratio]</p>	<p>“Net Debt” = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable – Cash and cash equivalents</p> <p>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge</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><i>Net Debt:</i> 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><i>EBITDA:</i> 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>4. Net Debt + Net Pension Deficit to EBITDA ratio</p>	<p>“Net Debt” = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable – Cash and cash equivalents</p> <p>“Net Pension Deficit” = Retirement Benefit Obligations – Retirement Benefit Assets</p>

<p>[(Net Debt + Net Pension Deficit) / EBITDA ratio]</p>	<p>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge</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><i>Net Debt.</i> 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><i>Net Pension Deficit.</i> 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><i>EBITDA:</i> 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>5. Net Interest Paid Cover</p> <p>[Earnings Before Interest and Tax / Net Interest Paid]</p>	<p><i>“Earnings Before Interest and Tax” = Operating profit</i></p> <p><i>“Net Interest Paid” = Interest paid – Interest received</i></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>6. Acid Ratio</p> <p>[(Current Assets – Inventories)/ Current Liabilities]</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>7. Net Asset Value</p> <p>[Net Assets]</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>8. Group Exposure Ratio</p> <p>[Balances owed by Group Undertakings + Contingent liabilities assumed in support of Group Undertakings]</p>	<p><i>“Group Exposure” = Balances owed by Group Undertakings + Contingent liabilities assumed in support of Group Undertakings</i></p> <p><i>“Gross Assets” = Fixed Assets + Current Assets</i></p> <p><i>Group Exposure:</i> 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</p>

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	<p>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><i>Gross Assets:</i> Both Fixed assets and Current assets are shown on the face of the Balance Sheet</p>
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ANNEX 3 - BOARD CONFIRMATION

Supplier Name:

Contract Reference Number:

The Board of Directors acknowledge the requirements set out at Paragraph 7 of Call Off Schedule 8 (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, including all other Monitored Companies, 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 Commencement 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