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Schedule 7.4 – ESMCP Mobile Services Agreement

Financial Distress

Version 1.0

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CHANGE HISTORY

Version No.	Effective Date of agreement / CAN	Version / Details of Changes included in Update	Author(s)
1.0	01/12/2024	Execution version	ESMCP

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1 Definitions

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

2 Warranties and Duty To Notify

- 2.1 The Supplier warrants and represents to the Authority for the benefit of the Authority that as at the Effective Date:
- 2.1.1 the short term and the long term Credit Ratings issued in respect of the Supplier, the Guarantor and each Key Sub-contractor by each of the Rating Agencies are as set out in Annex 2 of this Schedule;
 - 2.1.2 the Appropriate Accepted Mitigations are in place; and
 - 2.1.3 the Supplier has also undertaken all due diligence necessary to verify that the long term credit ratings for the Key Sub-contractors and their Guarantors are as set in Annex 2 of this Schedule.
- 2.2 The Supplier shall promptly notify (or shall procure that its auditors promptly notify) the Authority in writing if there is any downgrade in the credit rating issued by any Rating Agency for any of the Supplier, the Guarantor or a Key Sub-contractor (and in any event within ten (10) Working Days of either the occurrence of the downgrade or when the Supplier becomes aware).
- 2.3 The Supplier shall:
- (a) regularly monitor the Credit Ratings of the Supplier, the Guarantor and each Key Sub-contractor with each of the Rating Agencies;
 - (b) monitor and report on the Financial Indicators for the Supplier, the Guarantor and each Key Sub-contractor against the Financial Target Thresholds, and update the Financial Indicators when public information becomes available, no less than once a year within 120 days after the Accounting Reference Date;
 - (c) promptly notify (or shall procure that its auditors promptly notify) the Authority in writing following the occurrence of a Financial Distress Event (as defined in Paragraph 3.1 or any fact, circumstance or matter which could cause a Financial Distress Event (and in any event, ensure that such notification is made within 5 (five) 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). For the avoidance of doubt nothing in this Paragraph obliges the Supplier to breach applicable Law.
- 2.4 For the purposes of determining whether a Financial Distress Event has occurred pursuant to the provisions of Paragraph 3.1 below and for the purpose of determining relief as an Appropriate Accepted Mitigation the Credit Rating of the Supplier, the Guarantor or relevant

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Key Sub-contractor (as the case may be) shall be deemed to have dropped below the applicable Credit Rating Threshold if any of the Rating Agencies have rated the Supplier, the Guarantor or relevant Key Sub-contractor (as the case may be) below the applicable Credit Rating Threshold.

2.5 Each report submitted by the Supplier pursuant to Paragraph 2.3(b) shall:

- (a) be a single report with separate sections for each of the Supplier, the Guarantor and the Key Sub-contractors;
- (b) contain a sufficient level of information to reasonably enable the Authority to verify the calculations that have been made in respect of the Financial Indicators;
- (c) include key financial, explanatory narrative, and other supporting information (including any accounts data that has been relied on) as separate annexes;
- (d) be based on the audited accounts or any other publicised financial information 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
- (e) include a history of the Financial Indicators reported by the Supplier in graph form to enable the Authority to easily analyse and assess the trends in financial performance.

3 Financial Distress Events and Appropriate Accepted Mitigations

3.1 The following shall each be a Financial Distress Event, unless an Appropriate Accepted Mitigation is in place:

- (a) a Credit Rating Distress Event;
- (b) the Supplier or the Guarantor issuing a profits warning to a stock exchange or making any other public announcement, in each case about a material deterioration in its financial position or prospects;
- (c) there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Supplier, the Guarantor or any Key Subcontractor which results in a fine or other penalties;
- (d) the Supplier, the Guarantor or any Key Sub-contractor committing a material breach of any covenant to its lenders;
- (e) a Key Sub-contractor notifying the Authority that the Supplier has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute;
- (f) any of the following:

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- (i) commencement of any litigation against the Supplier or the Guarantor with respect to financial indebtedness greater than [REDACTED] or obligations under a service contract with a total contract value greater than [REDACTED]m or any Key Sub-contractor with respect to financial indebtedness greater than [REDACTED] or obligations under a service contract with a total contract value greater than [REDACTED];
- (ii) non-payment by the Supplier or the Guarantor of any financial indebtedness;
- (iii) any financial indebtedness of the Supplier, the Guarantor or any Key Sub-contractor becoming due as a result of an event of default or breach of key covenants or conditions that apply to any indebtedness relevant to this Agreement; or
- (iv) the cancellation or suspension of any financial indebtedness in respect of the Supplier, the Guarantor or any Key Sub-contractor,

in each case which the Authority reasonably believes (or would be likely reasonably to believe) could directly impact the continued performance and delivery of the Services in accordance with this Agreement; or

- (g) any one of the Financial Indicators set out at Paragraph 6 below for the Supplier, the Guarantor and the Key Sub-contractors failing to meet the required Financial Target Threshold,

(each being a "**Financial Distress Event**") then, immediately upon notification by the Supplier of the Financial Distress Event (or if the Authority becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Authority shall have the rights and remedies as set out in this Paragraphs 3.5 to 3.8.

3.2 On the notification of a Financial Distress Event pursuant to Paragraph 3.1:

- 3.2.1 the Supplier shall provide the Authority in writing within 10 Working Days or as otherwise agreed between the parties, its proposed mitigation; and
- 3.2.2 the Parties shall then discuss the proposed mitigation in good faith and the Authority shall, as soon as practicable and at its discretion but acting reasonably, either:
 - (a) agree that the proposed mitigation constitutes an Appropriate Accepted Mitigation; or
 - (b) exercise its rights under Paragraphs 3 and 4 of this Schedule.

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- 3.3 Failure by the Authority to exercise its rights under Paragraphs 3 and 4 of this Schedule shall constitute acceptance of the Appropriate Accepted Mitigation, unless such failure was due to an act or omission of the Supplier.
- 3.4 In the event of a late or non-payment of a Key Sub-contractor pursuant to Paragraph 3.1(e), the Authority shall not exercise any of its rights or remedies under Paragraph 3.5 without first giving the Supplier ten [REDACTED] to:
- (a) rectify such late or non-payment; or
 - (b) demonstrate to the Authority's reasonable satisfaction that there is a valid reason for late or non-payment.
- 3.5 The Supplier shall (and shall procure that the Guarantor and/or any relevant Key Sub-contractor shall):
- (a) at the request of the Authority meet the Authority as soon as reasonably practicable (and in any event within [REDACTED] of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement;
 - (b) ensure that the plan relating to the Business Continuity Management System includes consideration of a Financial Distress Event; and
 - (c) where the Authority reasonably believes (taking into account the discussions and any representations made under Paragraph 3.5(a)) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Agreement:
 - (i) submit to the Authority for its approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within [REDACTED] of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing); and
 - (ii) to the extent that it is legally permitted to do so and subject to Paragraph 3.10, provide such information relating to the Supplier, Key Sub-contractors and/or the Guarantor as the Authority may reasonably require in order to understand the risk to the Services, 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.
- 3.6 The Authority shall not withhold its approval of a draft Financial Distress Service Continuity Plan unreasonably. If the Authority does not approve the draft Financial Distress Service Continuity Plan, it shall inform the Supplier of its reasons and the Supplier shall take those reasons into account in the preparation of a further draft Financial Distress Service Continuity Plan, which shall be re-submitted to the Authority within [REDACTED] of the rejection

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of the first draft. This process shall be repeated until the Financial Distress Service Continuity Plan is approved by the Authority or referred to the Dispute Resolution Procedure under Paragraph 3.7.

- 3.7 If the Authority considers that the draft Financial Distress Service Continuity Plan is: insufficiently detailed to be properly evaluated; will take too long to complete; or will not ensure the continued performance of the Supplier's obligations in accordance with the Agreement, then it may either agree a further time period for the development and agreement of the Financial Distress Service Continuity Plan, or escalate any issues with the draft Financial Distress Service Continuity Plan using the Dispute Resolution Procedure.
- 3.8 Following approval of the Financial Distress Service Continuity Plan by the Authority, the Supplier shall:
- (a) on a regular basis (which shall not be less than once per month), review the Financial Distress Service Continuity Plan and assess whether it remains adequate and up to date to ensure the continued performance and delivery of the Services in accordance with this Agreement;
 - (b) where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with Paragraph 3.8(a), submit an updated Financial Distress Service Continuity Plan to the Authority for its approval, and the provisions of Paragraphs 3.6 and 3.7 shall apply to the review and approval process for the updated Financial Distress Service Continuity Plan; and
 - (c) comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).
- 3.9 Where the Supplier reasonably believes that the relevant Financial Distress Event under Paragraph 3.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Authority and the Parties may agree that the Supplier shall be relieved of its obligations under Paragraph 3.8.
- 3.10 The Supplier acknowledges the importance of early disclosure to the Authority, and shall offer full transparency to the Authority concerning any possible Financial Distress Event. The Supplier and Guarantor shall (and the Supplier shall procure that each Key Sub-contractor shall) disclose to the Authority the full details of any "internal" Supplier or Guarantor discussions of a material nature concerning any suggested or possible default on any of its financial instruments or commitments, to afford the Authority the maximum business continuity preparation time ahead of any potential occurrence of such an event. The Authority shall keep all such information provided by the Supplier strictly confidential.

4 Termination Rights

- 4.1 The Authority shall be entitled to terminate this Agreement under Clause 32.1(b) (Termination by the Authority) if:
- (a) the Supplier fails to notify the Authority of a Financial Distress Event in accordance with Paragraph 2.3(c);

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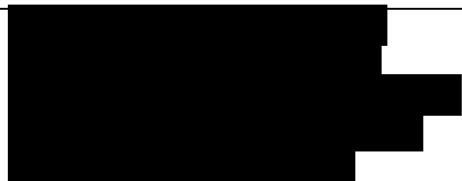
- (b) the Parties fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraphs 3.5 to 3.7; and/or
- (c) the Supplier fails to comply with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with Paragraph 3.8(c).

5 Primacy Of Credit Ratings

- 5.1 Without prejudice to the Supplier's obligations and the Authority's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1(b) to 3.1(f) the Rating Agencies review and report subsequently that the Credit Ratings do not drop below the relevant Credit Rating Threshold, then the Supplier shall be relieved automatically of its obligations under Paragraphs 3.2 to 3.8 and the Authority shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 3.5(c)(ii).

6 Financial Indicators

- 6.1 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. All Financial Indicators should be updated and recalculated by the Supplier prior to the publication of publicly available financial information.

Financial Indicator	Calculation ¹	Financial Target Threshold:	Monitoring and Reporting Frequency (if different from the default position set out in Paragraph 2.3(b) above)
1 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	<i>Operating Margin = Operating Profit / Revenue</i>		
2 Net Debt to EBITDA Ratio	<i>Net Debt to EBITDA ratio = Net Debt / EBITDA</i>		

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3 Net Debt + Net Pension Deficit to EBITDA ratio	Net Debt + Net Pension Deficit to EBITDA Ratio = (Net Debt + Net Pension Deficit) / EBITDA		
4 Net Interest Cover	Net Interest Payable Cover = Earnings Before Interest and Tax / Net Interest Payable		
5 Current Ratio	Current Ratio = Current Assets / Current Liabilities		
6 Net Asset value	Net Asset Value = Net Assets		
7	Group Exposure		

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Group Exposure Ratio	<i>Ratio = Current Assets – Group Assets – Current Liabilities</i>		
8 Free Reserve Ratio	Free Reserve Ratio = Free Reserves / Unrestricted Expenditure		

7 Board Confirmation

7.1 If this Agreement has been specified as a Critical Service Contract then, subject to Paragraph 7.4 of this Schedule, the Supplier shall within [REDACTED] after each Accounting Reference Date or within [REDACTED] of the previous Board Confirmation (whichever is the earlier) provide a Board Confirmation to the Authority in the form set out at Annex 4 of 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 (other than a Financial Distress Event to which an Appropriate Accepted Mitigation applies) has occurred since the later of the Effective 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 (other than a Financial Distress Event to which an Appropriate Accepted Mitigation applies).

7.2 Notwithstanding Paragraph 7.1, if an Appropriate Accepted Mitigation applies to a Financial Distress Event the Board Confirmation in Paragraph 7.1 may be made and is acceptable. The Supplier shall ensure that in its preparation of the Board Confirmation it exercises due care

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and diligence and has made reasonable enquiries of all relevant Supplier Personnel and other persons 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 Effective 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 Authority 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

This Annex sets out the standard rating scales for each of the Rating Agencies selected. The Authority 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
Moodys	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 = D & B Failure Score of 51 or above	Low Risk
	Credit Rating Level 2 = D & B Failure Score of 11 to 50	Greater Than Average Risk
	Credit Rating Level 3 = D & B Failure Score of 10 or below	High Risk

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ANNEX 2: Credit Ratings and Credit Ratings Thresholds

Entity	Credit Rating (long term)	Credit Rating Threshold
Supplier: EEL	D&B 96	D & B Failure Score: 98
Supplier: EEL	Moody's Baa2	credit rating level 2
Supplier: EEL	Standard & Poor BBB	credit rating level 2
Supplier: BT Plc	D&B 92	D & B Failure Score: 98
Supplier: BT Plc	Moody's Baa2	credit rating level 2
Supplier: BT Plc	Standard & Poor BBB	credit rating level 2
Key Subcontractor: Ericsson Limited	D&B 92	D & B Failure Score: 99
Key Subcontractor: Ericsson Limited	Moody's Ba1	credit rating level 2
Key Subcontractor:	Standard & Poor	

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Ericsson Limited	BBB	credit rating level 2
Guarantor: BT Group Plc	D&B 100	D & B Failure Score: 11
Guarantor: BT Group Plc	Moody's Baa2	credit rating level 2
Guarantor: BT Group Plc	Standard & Poor BBB	credit rating level 2

Schedule 7.4 Annex 2: Table 1, Rating Agencies and Credit Ratings

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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
<p>1</p> <p><u>Operating Margin</u></p>	<p>The elements used to calculate the Operating Margin should be shown on the face of the Income Statement (or Statement of Financial Activities) in a standard set of financial statements.</p> <p>Operating Profit is to exclude exceptional items, such as restructuring costs or impairments, and is to include any share of Subsidiaries' Operating Profit.</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>For charities operating profit would be Net Income or Expenditure after charitable activities / Income</p>
<p>2</p> <p><u>Net Debt to EBITDA Ratio</u></p>	<p><i>"Net Debt" = Bank overdrafts + Loans and borrowings + Finance leases + Deferred</i></p>

Financial Indicator	Specific Methodology
	<p><i>consideration payable – Cash and cash equivalents</i></p> <p>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge. EBITDA is to exclude exceptional items, such as restructuring costs or impairments, and to include any share of Subsidiaries’ EBITDA.</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 (or Statement of Financial Activities) 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> <ul style="list-style-type: none"> • <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 not non-designated hedges). Borrowings should also include balances owed to other group members. <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>EBITDA</u>: Operating profit should be shown on the face of the Income Statement (or Statement of</p>

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Financial Indicator	Specific Methodology
	<p>Financial Activities) and, for the purposes of calculating this Financial Indicator. <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>For charities, Operating Profit would be Net Income or Expenditure after charitable activities / Income</p>
<p>3</p> <p>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>“EBITDA” = Operating profit + Depreciation charge + Amortisation charge. EBITDA is to exclude exceptional items, such as restructuring costs or impairments, and to include any share of Subsidiaries’ EBITDA.</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 (or Statement of Financial Activities) 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> <ul style="list-style-type: none"> • <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

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Financial Indicator	Specific Methodology
	<p>(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> <ul style="list-style-type: none"> • <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>Where 'Net Debt + Net Pension Deficit' is negative, the relevant Financial Target Threshold should be treated as having been met.</p> <ul style="list-style-type: none"> • <u><i>EBITDA</i></u>: Operating profit should be shown on the face of the Income Statement (or Statement of Financial Activities) and, for the purposes of calculating this Financial Indicator. <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</p>

Financial Indicator	Specific Methodology
	<p>Financial Target Threshold should be regarded as having been met).</p> <p>For Charities Operating Profit would be Net Income or Expenditure after Charitable Activities / Income</p>
<p>4</p> <p>Net Interest Payable Cover</p>	<p><i>“Earnings Before Interest and Tax”</i> = <i>Operating profit</i></p> <p><i>“Net Interest Payable”</i> = <i>Interest payable – Interest receivable</i></p> <p>Operating profit should be shown on the face of the Income Statement (or Statement of Financial Activities) in a standard set of financial statements. Operating Profit is to exclude exceptional items, such as restructuring costs or impairments, and to include any share of Subsidiaries’ Operating Profit</p> <p>Interest receivable and interest payable should be shown on the face of the Cash Flow statement.</p> <p>Where Net interest payable is negative (i.e. the entity has net interest receivable), the relevant Financial Target Threshold should be treated as having been met.</p> <p>For charities, Operating Profit would be Net Income or Expenditure after Charitable Activities / Income</p>
<p>5</p> <p>Current Ratio</p>	<p>All elements that are used to calculate the Current Ratio are available on the face of the Balance Sheet in a standard set of financial statements.</p>
<p>6</p> <p>Net Asset value</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</p>

Financial Indicator	Specific Methodology
	<p>minority or hold 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>For charities Net Assets would be Total Charity Funds</p>
<p>7</p> <p>Group Exposure Ratio</p>	<p><i>“Group Assets” = Current and Non-Current Balances owed by Group Undertakings</i> <i>Group Exposure:</i> Balances owed by (i.e. receivable from) Group Undertakings are shown within Non-Current 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><i>Current Assets & Current Liabilities:</i> Both Current assets and Current Liabilities are shown on the face of the Balance Sheet</p>
<p>8</p> <p>Free Reserve Ratio</p>	<p><i>“Free Reserves” = Unrestricted Reserves – Designated Reserves (Unless these are for Continuity purposes) – Non-cashable Assets (e.g. PPE, Intangible Assets etc.)</i></p> <p>Expenditure is shown on the face of the Income Statement (or Statement of Financial Activities)</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 7 of Schedule 7.4 (Financial Distress) and confirm that the Supplier has exercised due care and diligence and made reasonable enquiries to all relevant Supplier Personnel 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:

- 1. that a Financial Distress Event (other than a Financial Distress Event to which an Appropriate Accepted Mitigation applies) has occurred since the later of the previous Board Confirmation and the Effective Date or is subsisting; or
- 2. of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event (other than a Financial Distress Event to which an Appropriate Accepted Mitigation applies).

On behalf of the Board of Directors:

Chair
Signed
Date
Director
Signed
Date

OFFICIAL

This document is based on Schedule 7.4 of v1.0 and 18 of v2.0 of the Crown Commercial Services Model Services Agreement and has been adapted for use by the Emergency Services Mobile Communications Programme.

ANNEX 5: Appropriate Accepted Mitigations

1. Appropriate Accepted Mitigations include:

1.1 For the Supplier:

- (a) access to unused credit facilities that are in excess of the sum of Current Liabilities less Current Assets; and
- (b) the existence of a valid Guarantee provided by the Guarantor; and
- (c) the Guarantor is not subject to a Financial Distress Event for which there is no Appropriate Accepted Mitigation.

1.2 For the Guarantor:

- (a) access to unused credit facilities that are in excess of the sum of Current Liabilities less Current Assets; and
- (b) the Guarantor is not subject to a Financial Distress Event for which there is no Appropriate Accepted Mitigation.

1.3 For Key Subcontractors:

- (a) access unused credit facilities that are in excess of the sum of Current Liabilities less Current Assets; or
- (b) The existence of a valid Guarantee provided by a parent undertaking as Guarantor and:
 - (i) the Guarantor is not subject to a Financial Distress Event for which there is no Appropriate Accepted Mitigation; and
 - (ii) the Key Subcontractor's ultimate parent undertaking is not subject to a Financial Distress Event for which there is no Appropriate Accepted Mitigation.