Insolvency Risk Appendix

This is the Insolvency Risk Appendix to the Board's determination under Section 175(5) of the Act in respect of the 2020/21 Levy Year. Unless defined in this Appendix, expressions defined in the rules set out in the determination (the "**Rules**") shall have the same meanings as set out therein.

Part 1: Categorisation Principles

1.1.   This Part sets out the categorisation principles referred to at Rule E3.2, which will be applied for the purposes of assigning Employers to categories pursuant to Rule E3. Subject to paragraphs 1.5 and 1.6 of this Part 1 and Rule E7, all provisions of Rule E2 will apply in relation to data collection and will be used to determine which category an Employer is assigned to. If an Employer is categorised on any of the Scorecards identified in this Part then, regardless of the type of accounts, if any, Filed by that Employer and regardless of any financial data contained in them, the Scorecard identified in this paragraph will apply. In the event that more than one of these Scorecards could apply to the Employer, the following hierarchy applies:

   (1)   Special Category, Scorecard 11;

   (2)   CRA Rated, Scorecard 9;

   (3)   Industry-Specific, Scorecard 10;

   (4)   Not For Profit, Scorecard 8.

1.2.   To be assigned to a Group category pursuant to Rule E3.1(3), (4), (5) or (6), the following conditions must be satisfied:

   (1)   the Employer must be or must have a Parent; and

   (2)   either:

      (a)   Experian must have collected, or there must have been Filed, in accordance with Rule E2, Consolidated Accounts for the Employer's Ultimate Parent; or

      (b)   there must be at least one other member of the Group other than the Employer whose accounts would be taken into account for the purposes of paragraph 3.4 below and which has filed its Latest Accounts with Companies House in the UK.

   Where an Employer that would otherwise be assigned to a Group category does not satisfy these conditions, it will instead be assigned to the category under Rule E3.1 that would be applicable if the Employer were not part of a Group.

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1.3. Where Rule E2.6(2)(c) has applied for the purposes of the 2019/20 Levy Year (the "First Full Accounts Year"), but (in the absence of this paragraph 1.3) would not have applied in any Levy Year subsequent to the First Full Accounts Year, the Employer concerned will (unless it is an employer which falls within one of the categories in Rule E3.1(8)-(11)) nonetheless be categorised for the purposes of any Levy Year subsequent to the First Full Accounts Year as follows:

(1) *Group <£10m* in the case of an Employer which is part of a Group and whose Latest Accounts show a Turnover of less than £10 million;

(2) *Group £10m to £50m* in the case of an Employer which is part of a Group and whose Latest Accounts show a Turnover of more than £10 million; or

(3) *Non-Subsidiaries <£30m* in the case of an Employer which is not part of a Group.

1.4. For the purposes of assigning Employers in any case where Accounts are expressed in a currency other than sterling, Experian will:

(1) obtain the Employer's last four sets of Accounts (to the extent that four such sets of Accounts are available);

(2) confirm the balance sheet date of the Employer's Latest Accounts; and

(3) for each set of Accounts obtained under (1) above:

(a) retrieve the currency in which the Accounts are stated;

(b) retrieve the exchange rate for that currency as at the balance sheet date confirmed in (2) above; and

(c) multiply the figures in the Accounts by the exchange rate identified in (b) above.

Where Group non-consolidated Accounts are received in respect of an Employer, Experian will follow the steps outlined at (1) to (3) above for each company in the Group, then add the converted figures for each Group entity together.

Where Accounts are prepared in different currencies in different years, Experian will retrieve the exchange rate for each currency as at the balance sheet date of the youngest set of Accounts prepared in the relevant currency. For example, where an Employer's N Accounts are prepared in euro, but its Accounts for the previous year's N-1 to N-3 were prepared in US dollars, Experian will use the euro exchange rate as at the balance sheet date of the Employer's N Accounts and the US exchange rate as the balance sheet date of the Employer's N-1 Accounts.

1.5.   For the purposes of determining whether Rule E3.1(8) applies to an Employer:

(1)   Experian will take into account (in addition to data collected or Filed in accordance with Rule E2) any other data which the Board supplies to it for this purpose (or which the Board directs it to collect), and the Board may direct Experian that Rule E3.1(8) does or does not apply to a particular Employer; and

(2)   subject to any evidential requirements set out in Rule E3.1(8) being met, assignment will be based on whether the factual tests in Rule E3.1(8) are met as at the relevant Score Measurement Date.

1.6.   For the purposes of determining whether Rule E3.1(1)(b)(iii) applies, Experian will accept data provided pursuant to Rule E2.3 up to and including the Measurement Time.

Part 2: Scorecards

Set out below are the Scorecards to which Employers will be assigned pursuant to Rule E3 and on the basis of which their Monthly Scores and Adjusted Monthly Scores will be calculated pursuant to Rule E4.

Scorecard 1 – Non-Subsidiaries £30m+ and Large Subsidiaries

Scorecard 1 – Non-subsidiaries £30m+ and large subsidiaries			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Intercept	-	-1.69067797214732	-
Log Net Worth	£ (GBP)	-0.0339471946263439	-10.2
Log Creditor Days (Sales Based)	Days	1.16522528204678	1.35
Log Total Assets	£ (GBP)	-0.587785191966404	5.013
Cash by Liabilities	£ (GBP)	-1.04448733451402	0
Log Pre-Tax Profit	£ (GBP)	-0.14253423300834	-10.53

Scorecard 2 – Non-Subsidiaries <£30m

Scorecard 2 – Non-subsidiaries <£30m			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Intercept	-	-6.92648362501854	-
Log Cash	£ (GBP)	-0.103164366365695	0.3
Capital Employed	£ (GBP)	-2.00334747681712e-08	-171600000
Log Pre-Tax Profit	£ (GBP)	-0.133851392604795	-8.604
Log Creditor Days (Sales Based)	Days	1.46274961590855	1.234

Scorecard 2 – Non-subsidiaries <£30m			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Log Current Liabilities	£ (GBP)	0.148946735493765	9.447

Scorecard 3 – Group £50m+

Scorecard 3 – Group £50m+				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Intercept	-	-	-	-7.10460674910167000000
Pre Tax Margin	%	Unknown	0.00000000000000000000	1.32960640343370000000
Pre Tax Margin	%	<2	0.00000000000000000000	1.32960640343370000000
Pre Tax Margin	%	2 to 6	-0.10021122021618400000	1.53002884386607000000
Pre Tax Margin	%	6 to 10	-0.23219038064224200000	2.32190380642242000000
Pre Tax Margin	%	>10	0.00000000000000000000	0.00000000000000000000
Average Remuneration per Employee	£Thousands	Unknown	0.00000000000000000000	1.53020793691005000000
Average Remuneration per Employee	£Thousands	<7.5	0.00000000000000000000	1.53020793691005000000

Scorecard 3 – Group £50m+				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Average Remuneration per Employee	£Thousands	7.5 to 17.5	-0.00329720691773492000	1.55493698879306000000
Average Remuneration per Employee	£Thousands	17.5 to 35	-0.07380646967737340000	2.78884908708673000000
Average Remuneration per Employee	£Thousands	35 to 50	-0.01370817655857750000	0.68540882792887700000
Average Remuneration per Employee	£Thousands	>50	0.00000000000000000000	0.00000000000000000000
Mortgage Age	Years	Unknown	0.00000000000000000000	1.25860760820654000000
Mortgage Age	Years	None	0.00000000000000000000	0.00000000000000000000
Mortgage Age	Years	0 to 1.5	0.00000000000000000000	1.80635551381964000000
Mortgage Age	Years	1.5 to 5	-0.02684691718207970000	1.84662588959276000000
Mortgage Age	Years	5 to 7	-0.85619565184117900000	5.99336956288826000000
Mortgage Age	Years	>7	0.00000000000000000000	0.00000000000000000000

Scorecard 3 – Group £50m+				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Change in Turnover	Ratio	Unknown	0.00000000000000000000	0.57794182692327700000
Change in Turnover	Ratio	<-0.625	0.00000000000000000000	1.47610914888338000000
Change in Turnover	Ratio	-0.625 to -0.175	-0.83066692375223800000	0.95694232153822900000
Change in Turnover	Ratio	-0.175 to 0.05	-1.87919490492926000000	0.77344992483225000000
Change in Turnover	Ratio	0.05 to 0.2	-4.52993453057191000000	0.90598690611438200000
Change in Turnover	Ratio	>0.2	0.00000000000000000000	0.00000000000000000000
Parent Strength	Score		-0.01852533324005720000	

Scorecard 4 – Group £10m to £50m

Scorecard 4 – Group £10m to £50m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Intercept				-4.80943033510774000000
Mortgage Age	Years	Unknown	0.00000000000000000000	-0.49723056159746300000

Scorecard 4 – Group £10m to £50m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Mortgage Age	Years	None	0.00000000000000000000	-1.47142928033267000000
Mortgage Age	Years	<0.5	0.00000000000000000000	0.00000000000000000000
Mortgage Age	Years	0.5 to 2.5	-0.35264578836699500000	0.17632289418349700000
Mortgage Age	Years	2.5 to 7	-0.15462782457365200000	-0.31872015299859000000
Mortgage Age	Years	7 to 10	-0.02343749767241590000	-1.23705430360851000000
Mortgage Age	Years	>10	0.00000000000000000000	-1.47142928033267000000
Pre Tax Profit	£Thousands	Unknown	0.00000000000000000000	1.19543713038494000000
Pre Tax Profit	£Thousands	<0	0.00000000000000000000	1.19543713038494000000
Pre Tax Profit	£Thousands	0 to 250	-0.00006320000339169150	1.19543713038494000000
Pre Tax Profit	£Thousands	250 to 750	-0.00048622418427667800	1.30119317560618000000

Scorecard 4 – Group £10m to £50m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Pre Tax Profit	£Thousands	750 to 1000	-0.00374610014959470000	3.74610014959470000000
Pre Tax Profit	£Thousands	>1000	0.00000000000000000000	0.00000000000000000000
Change in Fixed Assets	%	Unknown	0.00000000000000000000	0.00000000000000000000
Change in Fixed Assets	%	<-75	0.00000000000000000000	0.84800358089174600000
Change in Fixed Assets	%	-75 to -25	-0.00529351429274873000	0.45099000893559200000
Change in Fixed Assets	%	-25 to 50	0.00011413868057498400	0.58618133326868400000
Change in Fixed Assets	%	50 to 100	-0.01183776534594870000	1.18377653459487000000
Change in Fixed Assets	%	>100	0.00000000000000000000	0.00000000000000000000
Capital Employed Per Employee	£Thousands	Unknown	0.00000000000000000000	1.10489944079703000000
Capital Employed Per Employee	£Thousands	0 to 10	0.00000000000000000000	1.10489944079703000000

Scorecard 4 – Group £10m to £50m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Capital Employed Per Employee	£Thousands	10 to 30	-0.01719216052331670000	1.27682104603020000000
Capital Employed Per Employee	£Thousands	30 to 57.5	-0.00037301453846788900	0.77224666648473200000
Capital Employed Per Employee	£Thousands	57.5 to 75	-0.04290276174416160000	3.21770713081212000000
Capital Employed Per Employee	£Thousands	>75	0.00000000000000000000	0.00000000000000000000
Parent Strength	Score		-0.03277697266547760000	

Scorecard 5 – Group < £10m

Scorecard 5 – Group <10m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Intercept	-	-	-	-3.38077850913273000000
Shareholders Funds	£Millions	Unknown	0.00000000000000000000	0.00000000000000000000

Scorecard 5 – Group <10m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Shareholders Funds	£Millions	<0	0.00000000000000000000	0.00000000000000000000
Shareholders Funds	£Millions	0 to 0.5	-0.91206029956916500000	0.00000000000000000000
Shareholders Funds	£Millions	0.5 to 3	-0.10349585501941800000	-0.40428222227487300000
Shareholders Funds	£Millions	3 to 27.5	-0.00848947323523620000	-0.68930136762741900000
Shareholders Funds	£Millions	27.5 to 50	-0.02902450579496550000	-0.12458797223486400000
Shareholders Funds	£Millions	>50	0.00000000000000000000	-1.57581326198314000000
Return on Capital	%	Unknown	0.00000000000000000000	0.41340558608153200000
Return on Capital	%	<0	0.00000000000000000000	0.41340558608153200000
Return on Capital	%	0 to 2.5	-0.01860038381795590000	0.41340558608153200000
Return on Capital	%	2.5 to 10	-0.02461476240704040000	0.42844153255424300000

Scorecard 5 – Group <10m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Return on Capital	%	10 to 15	-0.03645878169676780000	0.54688172545151600000
Return on Capital	%	>15	0.00000000000000000000	0.00000000000000000000
Creditor Days (Sales Based)	Days	Unknown	0.00000000000000000000	0.00000000000000000000
Creditor Days (Sales Based)	Days	0 to 2.5	0.00000000000000000000	-1.27904322731378000000
Creditor Days (Sales Based)	Days	2.5 to 12.5	0.10270413882800100000	-1.53580357438378000000
Creditor Days (Sales Based)	Days	12.5 to 30	0.02073595775533760000	-0.51120131097549100000
Creditor Days (Sales Based)	Days	30 to 40	0.00949512138266521000	-0.17397621979531900000
Creditor Days (Sales Based)	Days	>40	0.00000000000000000000	0.20582863551128900000
Change in Employee Remuneration	%	Unknown	0.00000000000000000000	0.00000000000000000000
Change in Employee Remuneration	%	<-60	0.00000000000000000000	0.25990254479020700000

Scorecard 5 – Group <10m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Change in Employee Remuneration	%	-60 to -10	-0.00908300227157929000	-0.28507759150455100000
Change in Employee Remuneration	%	-10 to 20	-0.01475304500820340000	-0.34177801887079100000
Change in Employee Remuneration	%	20 to 40	-0.00947282410672507000	-0.44738243690035700000
Change in Employee Remuneration	%	>40	0.00000000000000000000	-0.82629540116936000000
Mortgage Age	Years	Unknown	0.00000000000000000000	0.49506133695288800000
Mortgage Age	Years	None	0.00000000000000000000	0.00000000000000000000
Mortgage Age	Years	<1	0.00000000000000000000	0.82662297743542800000
Mortgage Age	Years	1 to 6	-0.02548354216567390000	0.85210651960110200000
Mortgage Age	Years	6 to 10	-0.13256099328193000000	1.49457122629864000000
Mortgage Age	Years	>10	0.00000000000000000000	0.16896129347933900000

Scorecard 5 – Group <10m				
Variable	**Unit**	**Band**	**Gradient**	**Constant**
Parent Strength	Score		-0.01744964317425120000	

Scorecard 6 – Group Small

Scorecard 6 – Group Small			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Intercept	-	-5.78701534836878	-
Parent Strength	Score	3.04538813366191	0
Log Current Liabilities	£ (GBP)	0.207285140564088	5.836
Cash	£ (GBP)	-1.49239377138899E-06	0
Log Retained Earnings	£ (GBP)	-0.0522723105032014	-8.909
Log Debtors	£ (GBP)	0.218823694904031	10.29
Log Net Worth	£ (GBP)	-0.0698218537549641	-8.579

Scorecard 7 – Independent Small

Scorecard 7 – Independent Small			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Intercept	-	-6.22659047988968	-
Log Retained Earnings	£ (GBP)	-0.0361652597898648	0

Scorecard 7 – Independent Small			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Cash	£ (GBP)	-3.01137649578911e-06	0
Total Assets	£ (GBP)	-2.90101594123924e-07	0
Change in Total Assets	Ratio	-0.762472561907129	0.2
Log Total Liabilities	£ (GBP)	0.619659924138246	1.505

Scorecard 8 – Not For Profit

Scorecard 8 – Not for Profit			
Variable	**Unit**	**Coefficient**	**Replacement Value**
Intercept	-	-5.13074360579722	-
Log Current Assets	£ (GBP)	-0.350195037537332	0
Equity Gearing	%	-0.000818078409419197	0
Log Profit or Surplus[1]	£ (GBP)	-0.0942328758326361	0
Total Assets	£ (GBP)	-1.29164526087994e-07	0
Log Total Liabilities	£ (GBP)	0.45522572693158	0.3

Scorecard 9 – Credit Rated

The Monthly Score for a CRA Rated Employer shall be calculated in accordance with paragraph 4.15 below.

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[1] "Surplus" means net movement of funds, where this figure is taken from annual reports filed with the Charities Commission.

Scorecard 10 – Industry-Specific

The Monthly Score for an Industry-Specific Employer shall be calculated in accordance with paragraph 4.16 below.

Part 3: Variables – Calculation Principles

3.1.   Variable Values Table

Table 1 below and paragraphs 3.2 – 3.11 of this Part 3 set out how the Variable Values (as defined in Part 4 of this Appendix) set out in each Scorecard will be calculated by using data collected or received in accordance with Rule E2. To the extent that the method of calculation of any Variable Value (or the inputs to that calculation) are not expressly set out (or, as the case may be, defined) in this Part 3, the method of calculation (or definition, as the case may be) shall be in accordance with Experian's ordinary course of business from time to time.

Table 1

Variable	Source	Calculation	Notes
Average Remuneration per Employee	Accounts	Total Employee Remuneration divided by Total Number of Employees	Total Employee Remuneration includes wages, social security and pensions payments and the figure is annualised if accounting period is not 52 weeks. See paragraph 8 of this Part 3 in relation to Total Number of Employees.
Capital Employed	Accounts	Taken directly from Accounts	If not stated in Accounts, calculated as Total Assets minus Current Liabilities. If primary financial statements do not identify current liabilities, this is derived from the notes. Current Liabilities are those due within 12 months of the Year End Date. If the above does not create a Variable Value for this Variable, Shareholder Funds / Total Net Assets will be

Variable	Source	Calculation	Notes
			used in substitution for it.
Capital Employed Per Employee	Accounts	Capital Employed divided by Total Number of Employees	If not stated on Accounts, Capital Employed is calculated as Total Assets minus Current Liabilities If primary financial statements do not identify current liabilities, this is derived from the notes. If the above does not create a figure for Capital Employed, Shareholder Funds / Total Net Assets will be used in substitution for it. See paragraph 8 of this Part 3 in relation to Total Number of Employees.
Cash	Accounts	Taken directly from Accounts	
Cash by Liabilities	Accounts	Cash divided by Current Liabilities	If current liabilities is unknown or 0, or if cash is unknown then this taken as unknown
Change in Employee Remuneration	Accounts	[Total Employee Remuneration in Year N minus Total Employee Remuneration in Year N-3] divided by Employee Remuneration in Year	Year N figure taken from Latest Accounts. Year N-3 figure taken from the N-3 Accounts. Total Employee Remuneration Includes wages, social

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Variable	Source	Calculation	Notes
		N-3 and expressed as a percentage	security and pensions payments. Figure is annualised if accounting period is not 52 weeks. See further paragraphs 8 and 9 below. See also Part 4 of this Appendix re missing/disregarded data.
Change in Fixed Assets	Accounts	[Fixed Assets in Year N minus Fixed Assets in Year N-3] divided by Fixed Assets in Year N-3 and expressed as a percentage	Year N figure taken from Latest Accounts. Year N-3 figure taken from the N-3 Accounts. See further paragraph 9 below. See also Part 4 of this Appendix re missing/disregarded data
Change in Total Assets	Accounts	[Total Assets in Year N minus Total Assets in Year N-3] divided by Total Assets in Year N-3	Year N figure taken from Latest Accounts. Year N-3 figure taken from the N-3 Accounts Figure is annualised if accounting period is not 52 weeks. See further paragraph 9 below. See also Part 4 of this Appendix re missing/disregarded data

Variable	Source	Calculation	Notes
Change in Turnover	Accounts	[Turnover in Year N minus Turnover in Year N-3] divided by Turnover in Year N-3	Year N figure taken from Latest Accounts. Year N-3 figure taken from the N-3 Accounts

Figure is annualised if accounting period is not 52 weeks.

See further paragraph 9 below.

See also Part 4 of this Appendix re missing/disregarded data

If reported turnover figure is 0, or null but Other Income figure is positive, the Other Income figure is used in place of Turnover |
| Creditor Days (Sales Based) | Accounts | [Trade Creditors divided by Turnover] x 365 | Trade Creditors can include Accounts Payable.

Turnover figure annualised if accounting period is not 52 weeks. If reported turnover figure is 0, or null but Other Income figure is positive, the Other Income figure is used in place of Turnover. |
| Current Assets | Accounts | | If primary financial statements do not identify current assets, this is derived from the notes. |

Variable	Source	Calculation	Notes
Current Liabilities	Accounts	Taken directly from Accounts	If primary financial statements do not identify current liabilities, this is derived from the notes.
Equity Gearing	Accounts	Shareholders Funds divided by Total Assets and expressed as a percentage	If Total Assets is unknown or 0, or if Shareholders Funds is unknown, then this is taken as unknown
Fixed Assets	Accounts	Taken directly from Accounts	
Mortgage Age	UK Companies House (and other overseas electronic public registries in the following countries: Australia, Gibraltar, Hong Kong, India, Ireland, Isle of Man, Malaysia, New Zealand and Singapore) mortgages and charges data	Time elapsed between most recently registered mortgage or charge at UK Companies House (or other overseas electronic public registries in the following countries: Australia, Gibraltar, Hong Kong, India, Ireland, Isle of Man, Malaysia, New Zealand and Singapore) and Score Measurement Date. Only charges where the chargor is the Employer are taken into account, even where Consolidated Accounts are used.	
Net Worth	Accounts	Shareholders Funds less Intangible Assets	

Variable	Source	Calculation	Notes
Parent Strength	Various	See paragraph 3 below for details	
Pre Tax Margin	Accounts	Pre-Tax Profit divided by Turnover and expressed as a percentage	Turnover and Pre-Tax Profit figures annualised if accounting period is not 52 weeks. If reported turnover figure is 0, or null but Other Income figure is positive, the Other Income figure is used in place of Turnover
Pre Tax Profit	Accounts	Taken directly from Accounts, or established as zero in accordance with Experian's ordinary course of business from time to time	Pre-Tax Profit figure annualised if accounting period is not 52 weeks
Retained Earnings	Accounts	Taken directly from Accounts	
Return on Capital	Accounts	Pre-Tax Profit divided by Capital Employed and expressed as a percentage	Pre-Tax Profit figure annualised if accounting period is not 52 weeks. If not stated on Accounts, Capital Employed calculated as Total Assets minus Current Liabilities

If primary financial statements do not identify current liabilities, this is derived from the notes. |

Variable	Source	Calculation	Notes
			Current Liabilities are liabilities due within 12 months of the Year End Date. See further, paragraph 3.11 below.
Shareholders Funds	Accounts	Taken directly from Accounts	
Total Net Assets	Accounts	Taken directly from Accounts	Includes tangibles and intangibles
Total Assets	Accounts	Taken directly from Accounts	
Total Liabilities	Accounts	Current Liabilities plus Long Term Liabilities	Long Term Liabilities means the total of all debts not due within 12 months of the Year End Date.
Turnover	Accounts	Taken directly from Accounts	Turnover includes Revenue and Sales. Turnover figure annualised if accounting period is not 52 weeks. If reported turnover figure is 0, or null but Other Income figure is positive, the Other Income figure is used in place of Turnover

3.2. Log Transformations

(1) The identification of a Variable in Part 2 above with the 'Log' prefix refers to the use of the common logarithm of the raw value of that Variable. In the case of a log transformation, the common logarithm of a raw value *x* is the power to which "*10*" would have to be raised to equal *x*.

(2) The following rules are applied to the calculation of all variables which require a log transformation:

   (a) if the variable value =0 and the variable is not Creditor Days Sales Based, then calculate *log (variable+1)*; else

   (b) if the variable value =0and the variable is Creditor Days Sales-Based, then it is treated as unknown; else

   (c) if Variable value ≥ 10,000, and the variable is not Creditor Days Sales Based, then calculate *log (variable+1)*; else

   (d) if Variable value < 10,000 and >0, and the variable is not Creditor Days Sales Based, then calculate *log (10000)*; else

   (e) if Variable value =< -10,000 and the variable is not one of the following: Current Assets, Total Assets, Current Liabilities, Total Liabilities, Cash, Creditors days Sales Based, then calculate *log (|variable|+1) * (-1)*; else

   (f) if Variable value <0 and >-10,000 and the variable is not one of the following: Current Assets, Total Assets, Current Liabilities, Total Liabilities, Cash, Creditors days Sales Based, then calculate *log (10000) * (-1)*; else

   (g) if Variable value < 0 and one of the following: Current Assets, Total Assets, Total Liabilities, Cash, Creditors Days Sales Based, then it is treated as unknown; else

   (h) If the variable is Creditor Days Sales Based and the value >365 then calculate log (365); else

   (i) If the variable is Creditor Days Sales Based and the value >=1 then calculate log (variable); else

   (j) If the variable is Creditor Days Sales Based and the value <1 and >0 then calculate log (1);

3.3. Days Beyond Terms

For the avoidance of doubt, this Variable will be calculated in accordance with Experian's ordinary course of business from time to time using its Payment Performance Programme[2].

3.4. Parent Strength

(1)   The Parent Strength Variable is calculated by generating an Adjusted Monthly Score for the Ultimate Parent (as defined in these Rules) of the Employer, using the same procedures as set out in these Rules as if that Ultimate Parent were an Employer provided that, for these purposes:

(a)   Notwithstanding the provisions of Rule E3 and Part 1 of this Appendix, the Ultimate Parent will always be allocated to either:

(i)   Scorecard 9 (CRA Rated) if it is CRA Rated;

(ii)   Scorecard 10 (Industry-Specific) if (i) does not apply but it meets the criteria under Rule E3.1(10);

(iii)   Unless paragraph 3.4(1)(b) applies, Scorecard 1 (Non-Subsidiaries £30m+ and Large Subsidiaries) if neither (i) nor (ii) applies and its Latest Accounts show a Turnover of above £30 million;

(iv)   Unless paragraph 3.4(1)(b) applies, Scorecard 2 if neither (i) nor (ii) applies and its Latest Accounts show a Turnover of less than or equal to £30 million; or

(v)   Scorecard 11 if it is a Special Category Employer.

(b)   In circumstances where the Latest Accounts Filed by the Ultimate Parent (or otherwise collected by Experian pursuant to Rule E2.2(1) in respect of the Ultimate Parent) are not Consolidated Accounts:

(i)   where the Latest Accounts Filed by (or otherwise collected by Experian pursuant to Rule E2.2(1) in respect of) the entity which would be the Ultimate Parent if any Non-UK Group members were disregarded are Consolidated Accounts, the Latest Accounts of that entity will be used and treated as if they were the Latest Accounts of the Ultimate Parent (except where the Employer itself is that entity, in which case (ii) will apply); and

(ii)   where (i) does not apply, Variable Values calculated by reference to the Latest Accounts filed at Companies House in the UK of each member of the Group (excluding any Consolidated Accounts Filed

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[2] For the purposes of information only, a summary of the current methodology is available on request from Experian.

by any member of the Group other than the Ultimate Parent, where Experian is satisfied that to include them would cause double counting) will be summed to create the Variable Value attributable to the Ultimate Parent.

(2)   Except where paragraph 3.4(3) or 3.4(4) applies, that Ultimate Parent's Adjusted Monthly Score is then converted into a 1-100 Score as set out in Table 2 below and that 1-100 Score is the Variable Value for the Parent Strength Variable (where applicable) of the Employer.

(3)   This paragraph 3.4(3) applies where the Ultimate Parent is assigned to Scorecard 11 (Special Category Employer).

    (a)   Where an Employer is assigned to Scorecard 6 (Group Small), a rate of zero is applied as the Variable Value;

    (b)   In any other case, when calculating the Monthly Score for the Employers in the scheme in respect of which the Ultimate Parent relates the Ultimate Parent's Adjusted Monthly Score shall be converted into 1-100 Score 100 as set out in Table 2 below

(4)   Where the Employer in question is assigned to Scorecard 6 (Group Small) and paragraph 3.4(3) above does not apply, the Ultimate Parent's Adjusted Monthly Score is applied as the Variable Value.

(5)   When identifying and sourcing accounts for Group members for the purposes of this paragraph 3.4, Experian shall carry out whatever process or procedure would constitute its ordinary course of business. In the absence of any such ordinary course of business, Experian should take such reasonable practical endeavours as agreed with the Board to identify Group members such that would enable a calculation of the parental strength variable in the manner that best gives effect to the general approach laid down in the Levy Rules and the Insolvency Risk Appendix.

Table 2:

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
1	0.039463241	1
2	0.029187329	0.039463241
3	0.023841445	0.029187329

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
4	0.020144396	0.023841445
5	0.017682923	0.020144396
6	0.015770161	0.017682923
7	0.014284768	0.015770161
8	0.012996069	0.014284768
9	0.012003383	0.012996069
10	0.010975772	0.012003383
11	0.010014898	0.010975772
12	0.009215554	0.010014898
13	0.008466763	0.009215554
14	0.00786111	0.008466763
15	0.007270592	0.00786111
16	0.006738982	0.007270592
17	0.006237263	0.006738982
18	0.005814188	0.006237263
19	0.00546476	0.005814188
20	0.005139028	0.00546476
21	0.004841226	0.005139028
22	0.004560466	0.004841226

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
23	0.004298539	0.004560466
24	0.004078565	0.004298539
25	0.003872181	0.004078565
26	0.003687459	0.003872181
27	0.003505536	0.003687459
28	0.003326618	0.003505536
29	0.003167479	0.003326618
30	0.003036272	0.003167479
31	0.002906319	0.003036272
32	0.002773755	0.002906319
33	0.002651118	0.002773755
34	0.002519154	0.002651118
35	0.002401307	0.002519154
36	0.002292955	0.002401307
37	0.002184461	0.002292955
38	0.002081722	0.002184461
39	0.001990541	0.002081722
40	0.001914589	0.001990541
41	0.001836204	0.001914589

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
42	0.001759802	0.001836204
43	0.001685558	0.001759802
44	0.001618604	0.001685558
45	0.001550721	0.001618604
46	0.001491213	0.001550721
47	0.001426642	0.001491213
48	0.001370278	0.001426642
49	0.001311131	0.001370278
50	0.001256508	0.001311131
51	0.001204495	0.001256508
52	0.001154751	0.001204495
53	0.001104645	0.001154751
54	0.001064693	0.001104645
55	0.001020826	0.001064693
56	0.000975639	0.001020826
57	0.000935219	0.000975639
58	0.000894632	0.000935219
59	0.000854116	0.000894632
60	0.000818508	0.000854116

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
61	0.000779661	0.000818508
62	0.000744607	0.000779661
63	0.000709087	0.000744607
64	0.000675719	0.000709087
65	0.000647486	0.000675719
66	0.000622072	0.000647486
67	0.000592802	0.000622072
68	0.000563914	0.000592802
69	0.000537663	0.000563914
70	0.000511018	0.000537663
71	0.000488071	0.000511018
72	0.000466564	0.000488071
73	0.000448275	0.000466564
74	0.000425953	0.000448275
75	0.000401792	0.000425953
76	0.000377299	0.000401792
77	0.000354191	0.000377299
78	0.000332131	0.000354191
79	0.000311124	0.000332131

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
80	0.000291257	0.000311124
81	0.000275101	0.000291257
82	0.000259524	0.000275101
83	0.00024539	0.000259524
84	0.00022919	0.00024539
85	0.000214653	0.00022919
86	0.000203362	0.000214653
87	0.000193315	0.000203362
88	0.000181695	0.000193315
89	0.000168629	0.000181695
90	0.000156772	0.000168629
91	0.000150499	0.000156772
92	0.000144854	0.000150499
93	0.000140184	0.000144854
94	0.000131295	0.000140184
95	0.000112559	0.000131295
96	0.0000900	0.000112559
97	0.0000704	0.0000900
98	0.0000563	0.0000704

1-100 Score	Minimum Score (the numbers in this column are inclusive)	Maximum Score (the numbers in this column are not inclusive, except for score 1)
99	0.0000399	0.0000563
100	0	0.0000399

3.5. Consolidated Accounts

For the avoidance of doubt, where Accounts are Consolidated Accounts, the Variable Value will be calculated on the basis of the consolidated position in relation to all entities in respect of which the Consolidated Accounts are prepared.

3.6. Currency Conversion

(1) Except where paragraph 3.6(2) applies, in any case where Accounts are expressed in a currency other than sterling, the currency conversion rate which would be used by Experian at the closing rate as at the date of those Accounts is used to convert the currency of the Accounts to sterling for the purposes of assessing the Variable Value.

(2) In any case where N-3 Accounts are expressed in a currency other than sterling, the currency conversion rate which would be used by Experian at the closing rate as at the date of the Scheme's Latest Accounts is used to convert the currency of the N-3 Accounts to sterling for the purposes of assessing the Variable Value.

3.7. Data collection, provision and use

For the avoidance of doubt, Rule E2 will apply for the purposes of assessing which set of Accounts are to be used to calculate each Variable Value.

3.8. Total Number of Employees

(1) Save where paragraph 3.8(3) or 3.8(4) applies, the Total Number of Employees will be assessed without reference to the number of hours ordinarily worked by those employees.

(2) Where Experian has, by the Measurement Time, received a written statement, signed by the Employer(s) (or, as the case may be, Group Subsidiary or Ultimate Parent's) auditor which complies with guidance issued by the Board from time to time and confirms:

(a) that the Employer, Group Subsidiary or Ultimate Parent (as the case may be), has not stated (and is not required by law to state) in its Accounts the number of its employees; and

(b) the number of its employees, as at the date of its Latest Accounts (calculated in accordance with paragraph 3.8(1) above unless paragraph 3.8(4) below applies),

Experian will use that data to calculate the Variable Value in respect of the Variables, which depend on Total Number of Employees, from the date on which the Employer's Latest Accounts were Filed.

(3) Where Experian has, by the Measurement Time, received a written request from an Employer, Group Subsidiary or Ultimate Parent (as the case may be), that it should use the number of employees which appears in the Latest Accounts and is calculated on a FTE Basis for the purposes of calculating all relevant Variable Values, Experian will (subject to Rule E2.6) use that data to calculate the Variable Values which depend on Total Number of Employees, from the date on which the Employer's Latest Accounts were Filed.

(4) Where Experian has, by the Measurement Time, received a written statement, signed by the Employer's (or, as the case may be, Group Subsidiary or Ultimate Parent's) auditor which complies with guidance issued by the Board from time to time and confirms:

(a) that the Employer, Group Subsidiary or Ultimate Parent (as the case may be), has not stated (and is not required by law to state) in its Accounts the number of its employees; and

(b) the number of its employees, as at the date of its Latest Accounts calculated on a FTE Basis,

Experian will use that data to calculate the Variable Values, which depend on Total Number of Employees, from the date on which the Employer's Latest Accounts were Filed.

3.9. Change Variables

(1) This paragraph 3.9 applies for the purposes of calculating the following Variable Values:

(a) Change in Employee Remuneration;

(b) Change in Fixed Assets;

(c) Change in Total Assets;

(d)   Change in Turnover.

(2)   Where this paragraph applies, subject to paragraph 4.9(3) of Part 4 of this Appendix, in the event that the figure in the N-3 Accounts which is to be used as the denominator of the fraction to calculate the relevant Variable Value is negative, that figure shall be converted to its absolute (or modulus) value for the purposes of using it as the denominator.

3.10. Change in Accounting Standard

(1)   Where F Accounts are Filed in respect of an Employer or Ultimate Parent, and an Accounting Standard Change Certificate has been provided, and

(2)   the Year End Date of the F Accounts is later than the Year End Date of the N-3 Accounts,

any Change Variable impacted by the Change in Accounting Standard in respect of that Employer or Ultimate Parent will be adjusted in the manner set out in paragraph 3.10(3).

(3) $C = Q_{F-1} - Q_{F-1\ adj} + Other_{F-1\ adj}$

Change Variable $= (\ Q_N - Q_{N-3} + C\ )\ /\ |(\ Q_{N-3} - C\ )|$

Where

C is the change in the relevant Variable figure as at the Year End Date of the F-1 Accounts that is due to the impact of the change in Accounting Standard.

$Other_{F-1\ adj}$ is the change in the relevant Variable figure as at the Year End Date of the F-1 Accounts that is not due to the impact of the change in Accounting Standard.

Q_{F-1} is the relevant Variable figure stated in the Employer's F-1 Accounts as at the Year End Date of the F-1 Accounts.

$Q_{F-1\ adj}$ is the relevant Variable figure stated in the Employer's F Accounts as at the Year End Date of the F-1 Accounts.

Q_N is the relevant Variable figure stated in the Employer's N Accounts as at the Year End Date of the N Accounts.

Q_{N-3} is the relevant Variable figure stated in the Employer's N-3 Accounts as at the Year End Date of the N-3 Accounts.

Where the value of (Q_{N-3} – C) is negative, that value shall be converted to its absolute (or modulus) value for the purposes of using it as the denominator to calculate the Change Variable.

References to an Employer in the above paragraph shall include an Ultimate Parent where that is the entity certified.

"F-1 Accounts" – means the set of Accounts having a Year End Date that is one calendar year before the Year End Date of the Employer, or Ultimate Parent's (as the case may be) F Accounts.

"F Accounts" – means a set of an Employer, or Ultimate Parent's Accounts in which a change in Accounting Standard is reflected for the first time in respect of that Employer or Ultimate Parent (as the case may be).

"N Accounts" – means the Employer or Ultimate Parent's (as the case may be) Latest Accounts.

3.11. Capital

(1)   This paragraph 3.11 applies for the purposes of calculating the Variable

(a)   Return on Capital.

(2)   Where this paragraph applies, in the event that the figures in the Accounts which are to be used as inputs to the calculation of the Variable Value (as set out in Table 1) are both negative, the figure used as the denominator of the fraction to calculate the relevant Variable Value shall be converted to its absolute (or modulus) value for the purposes of using it as the denominator.

3.12. Employers and Dormant Subsidiaries: from Consolidated Accounts to non-Consolidated Accounts

Where Experian has, by the Measurement Time, received a written statement from the Employer,

(1)   which confirms that in relation to the N-3 Accounts relating to the Employer, all the Employer's Subsidiaries were Dormant at the effective date of the N-3 Accounts;

(2)   which confirms that the Change Variables in the Employer's N-3 Accounts (being Consolidated Accounts):

(a)   report an identical value on a consolidated and non-consolidated basis and relevant extracts of the N-3 Accounts are provided (for example, with the relevant figures highlighted); or

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(b)   paragraph (a) above does not apply because the non-consolidated information is not reported in the N-3 Accounts, but instead the Employer's auditor has provided written confirmation that the values on a consolidated and non-consolidated basis were identical at the effective date of the N-3 Accounts (and that confirmation is appended to the Employer's written statement); and

(3)   which complies with any guidance issued by the Board from time in relation to this matter,

then paragraphs 4.3(a) and 4.9(3)(a) below shall apply.

Part 4: Monthly Score Methodology

Once data has been applied to the relevant Scorecard, the Monthly Score is calculated by applying the following processes:

Scoring Methodology A

4.1.   This methodology for calculating Monthly Scores applies to Employers categorised on the following Scorecards:

      (1)   Scorecard 1 – Non-Subsidiaries £30m+ and Large Subsidiaries;

      (2)   Scorecard 2 – Non-Subsidiaries <£30m;

      (3)   Scorecard 6 – Group Small;

      (4)   Scorecard 7 – Independent Small; and

      (5)   Scorecard 8 – Not For Profit.

4.2.   Subject to paragraph 4.3, the Adjusted Variable Value is calculated for each Variable within the Scorecard by using the following formula:

      Adjusted Variable Value = Coefficient x Variable Value, where:

            "Coefficient" is the number which appears in the Coefficient column of the Scorecard for the relevant Variable; and

            "Variable Value" is the value of that Variable for the Employer in question, calculated in accordance with Part 3 of this Appendix and converted to the unit of measurement set out in the unit column of the relevant part of the relevant Scorecard[3].

4.3.   In the case of any Variable which measures a change in value over time, the Coefficient will be the number which appears in the Constant column corresponding to the band which relates to that Variable and is marked as "unknown" in any case where one or more of the following applies:

      (a)   there are no Accounts meeting the definition of N-3 Accounts (unless paragraph 3.12 above applies, in which case Experian shall take the Variable in the N-3 Accounts and not mark it as "unknown");

      (b)   where the figure used to calculate the Variable Value and which would fall to be used in the calculation of the Variable Value as one of the inputs to the calculation (set out in the Calculation column of Table 1 in part 3 of

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[3] For example, if a band, expressed in units of £millions, is 0-3.75 (see fifth row of scorecard 1), a value of £2,500,000 would fall within this band and its Variable Value would be 2.5.

this Appendix as read with the Notes column to that table) is zero in the Latest Accounts or the N-3 Accounts.

4.4.   Where the data collected or received pursuant to Rule E2 do not include a figure for a given Variable Value or the relevant figure is reported as unknown the Variable Value shall instead be the number which appears in the Replacement Value column of the Scorecard for the Variable.

4.5.   The Adjusted Variable Values are summed together with the Intercept which appears in the relevant Scorecard.

4.6.   An algorithm is applied to transform the sum of the Adjusted Variable Value and the Intercept, as follows:

$e^X/(1+e^X)$, where:

    X is the sum of the Adjusted Variable Value and the Intercept; and

    "e" is "Euler's number", a mathematical constant.

4.7.   The result of the calculation in paragraph 4.6 above generates the Monthly Score.

Scoring Methodology B

4.8.   This methodology for calculating Monthly Scores applies to Employers categorised on the following Scorecards:

    (1)   Scorecard 3 – Group, £50m+;

    (2)   Scorecard 4 – Group, £10m to £50m; and

    (3)   Scorecard 5 – Group, < £10m.

4.9.   Coefficients are created for each Variable within the Scorecard:

    (1)   Subject to paragraphs 4.8(2) and 4.8(3) below, the Coefficient for any Variable is calculated by using the following formula:

    Coefficient = (Variable Value x Gradient) + Constant, where:

        "Variable Value" is the value of that Variable for the Employer in question, calculated in accordance with Part 3 of this Appendix and converted to the unit of measurement set out in the unit column of the relevant part of the relevant Scorecard;

"Gradient" is the number which appears in the Gradient column of the relevant Scorecard which corresponds to the band within which the Variable Value falls; and

"Constant" is the number which appears in the Constant column of the relevant Scorecard which corresponds to the band in which the Variable Value falls.

(2)   Where paragraph (a) or (b) applies (or they both apply), the Coefficient will be the number which appears in the Constant column corresponding to the band which relates to that Variable and is marked as "unknown":

(a)   This paragraph (a) applies where the data collected or received pursuant to Rule E2 are insufficient for Experian to calculate a given Variable Value. For the purposes of the Mortgage Age Variable:

(i)   without prejudice to the generality of the foregoing, such data will be deemed to be insufficient where the Employer (or, for the purposes of the Parent Strength Score, the Ultimate Parent) is neither of the following:

(A)   an entity to which sections 859A-859Q of the Companies Act applies (with or without modification) whether directly or by virtue of any other legislation;

(B)   a company registered in Australia, Gibraltar, Hong Kong, India, Ireland, Isle of Man, Malaysia, New Zealand or Singapore;

(ii)   such data will be deemed to be sufficient where Experian has received by the Measurement Time evidence that in the opinion of the Board (and in accordance with any guidance published by the Board) demonstrates that the Employer (or, for the purposes of the Parent Strength Score, the Ultimate Parent) may not by law grant security over any of its (or their) assets.

(b)   This paragraph (b) applies where a figure which appears in the Latest Accounts and which would fall to be used in the calculation of the Variable Value as one of the inputs to the calculation (set out in the Calculation column of Table 1 in part 3 of this Appendix as read with the Notes column of that table) is zero.

(3)   In the case of any Variable which measures a change in value over time, the Coefficient will be the number which appears in the Constant column corresponding to the band which relates to that Variable and is marked as "unknown" in any case where one or more of the following applies:

(a)   there are no Accounts meeting the definition of N-3 Accounts (unless paragraph 3.12 above applies, in which case Experian shall take the Variable in the N-3 Accounts and not mark it as "unknown");

(b)   where the figure used to calculate the Variable Value and which would fall to be used in the calculation of the Variable Value as one of the inputs to the calculation (set out in the Calculation column of Table 1 in part 3 of this Appendix as read with the Notes column to that table) is zero in the Latest Accounts or the N-3 Accounts.

4.10.   The Coefficients are summed together with the Intercept which appears in the relevant Scorecard.

4.11.   An algorithm is applied to transform the sum of the Coefficients and the Intercept, as follows:

$e^X/(1+e^X)$, where:

X is the sum of the Coefficients and the Intercept; and

"e" is "Euler's number", a mathematical constant[4]

4.12.   The value obtained at paragraph 4.11 is multiplied by the Adjustment Multiplier which applies to the relevant Scorecard as set out in Table 3 below:

Table 3

Scorecard	Adjustment Multiplier
3: Group £50m+	0.645891243861122
4: Group £10m-50m	0.934907280339482
5: Group <£10m	0.596408095011219

4.13.   The value obtained at paragraph 4.12 is multiplied by a 2nd Adjustment Multiplier which applies to the relevant Scorecard as set out in Table 4 below:

Table 4

Scorecard	2nd Adjustment Multiplier
3: Group £50m+	1.06

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[4] For the purposes of information only, "e", to 10 decimal places is: 2.71828182845.

4: Group £10m-50m	1.43
5: Group <£10m	0.91

4.14.   The result of the calculation at paragraph 4.13 above generates the Monthly Score.

Scoring Methodology C

4.15.   This methodology for calculating Monthly Scores applies to Employers categorised on the following Scorecards:

  (1)   Scorecard 9 – Credit Rated; and

  (2)   Scorecard 10 – Industry-Specific.

4.16.   For a CRA Rated Employer, the Monthly Score shall be the Monthly Score attributed in Table 5 below to the CRA Rating for that Employer.

4.17.   For an Employer scored on the Industry-Specific Scorecard, the Monthly Score shall be the Monthly Score attributed in Table 5 to the Credit Model Score for that Employer.

Table 5

CRA Rating/Letter Grade Score	Monthly Score	CRA Rating/Letter Grade Score	Monthly Score
AAA/Aaa	0.0002%	BB/Ba2	0.2788%
AA+/Aa1	0.0020%	BB-/Ba3	0.4922%
AA/Aa2	0.0031%	B+/B1	0.8750%
AA-/Aa3	0.0106%	B/B2	1.5302%
A+/A1	0.0165%	B-/B3	2.7007%
A/A2	0.0167%	CCC+/Caa1	4.2786%
A-/A3	0.0258%	CCC/Caa2	7.7381%
BBB+/Baa1	0.0433%	CCC-/Caa3	14.4170%

BBB/Baa2	0.0546%	CC	31.2570%
BBB-/Baa3	0.1113%	C	29.9233%
BB+/Ba1	0.1880%	D/Ca-C/SD/R	42.1400%

General

4.18.   In calculating the Monthly Score pursuant to this Part 4, figures will not be rounded.

Part 5: Adjustments

The following adjustments will be applied to any Monthly Scores calculated by Experian to produce the Adjusted Monthly Score, PROVIDED THAT, where the data collected pursuant to Rule E2 are insufficient to allow Experian to independently verify that these adjustments should be made, no such adjustments will be made.

5.1.   This paragraph applies in the case of any Employer or, as the case may be, Ultimate Parent, where, as at the Measurement Time:

(1)   it has already suffered an insolvency event for the purposes of section 121 of the Act; or

(2)   it is already the subject of another insolvency procedure or another procedure analogous to an insolvency event under section 121 of the Act in a non-UK jurisdiction including, without limitation, proceedings under Chapter 7 or 11 of the United States Bankruptcy Code.

In a case to which this paragraph applies, each Monthly Score shall be adjusted so that it is 100%.

5.2.   Each Monthly Score shall be adjusted to what it would have been if the existence of the following were disregarded:

(1)   Any Pension Scheme Mortgage(s);

(2)   Any Rent Deposit(s); and

(3)   Any Immaterial Mortgage(s),

PROVIDED THAT such adjustments shall only be made to the extent that any relevant guidance issued by the Board has been complied with and PROVIDED FURTHER THAT, where an adjustment is made pursuant to paragraph 5.4 below, the Refinance Mortgage in respect of which that adjustment has been made is treated in the adjusted manner for the purposes of the definition of an Immaterial Mortgage pursuant to this paragraph 5.2.

5.3.   Where the Group CRA Test is met:

(1)   in relation to an Employer, the Monthly Score of that Employer will be adjusted to what it would have been if Experian were satisfied that the Employer had no mortgages or other charges;

(2)   in relation to the Ultimate Parent, the Monthly Score of that Ultimate Parent, for the purposes of calculating the Parent Strength Score, will be adjusted to what it would have been if Experian were satisfied that all members of the Employer's Group had no mortgages or other charges;

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PROVIDED THAT such adjustments shall only be made to the extent that any relevant guidance issued by the Board has been complied with.

5.4.   Each Monthly Score shall be adjusted to what it would have been if the age of any Refinance Mortgage were deemed to be the age of the corresponding Original Mortgage, PROVIDED THAT:

(1)   where the Refinance Mortgage replaces more than one Original Mortgage, for the purposes of this paragraph 5.4 the Refinance Mortgage will be deemed to be the age of the most recent of the Original Mortgages; and

(2)   adjustments under this paragraph 5.4 shall only be made to the extent that any relevant guidance issued by the Board has been complied with.

5.5.   Where Revised Accounts are Filed before 28 February 2020, each Monthly Score used to calculated the 2020/21 levy shall be adjusted to what it would have been if the Revised Accounts had been Filed at the time when the set of Accounts that is revised was Filed. For example, if Revised Accounts are Filed on 28 February 2020 for a set of Accounts originally Filed on 31 December 2019, Monthly Scores will reflect the figures in the Revised Accounts on and after 31 December 2019.

Where Revised Accounts are submitted after 28 February 2020, Monthly Scores for the 2020/21 levy year may be adjusted in accordance with any policy or principles stated by the Board in respect of corrections of data.

5.6.   Each Monthly Score shall be adjusted to what it would have been if any statement received by Experian pursuant to paragraph 3.8(2) or paragraph 3.8(4) of this Appendix had been received at the date when the Latest Accounts of the Employer, Group Subsidiary or Ultimate Parent in question were filed or otherwise collected by Experian.

5.7.   Where an Accounting Standard Change Certificate has been received in respect of an Employer, Group Subsidiary or Ultimate Parent, each Monthly Score shall be adjusted in accordance with paragraph 3.10 of this Appendix.

Part 6: Calculation Principles

6.1.   Unless otherwise specified in the Rules or in this Appendix, the Board shall round all figures representing a measure of insolvency risk to six decimal places (that is, to four decimal places when expressed as a percentage) at each stage of the calculation. Without limitation, this shall apply to (i) all figures derived by taking the average of LRs and to (ii) the product of the weighted LRs and a scaling factor based on Scheme structure in accordance with Rule E6.

6.2.   Where an Employer has become an Employer in respect of a Scheme part way through the Levy Year immediately preceding the 2020/21 Levy Year, Rule E5.1 applies notwithstanding that the Employer was not an Employer in respect of the Scheme in question for some or all of the Score Measurement Dates during the 6-month period immediately preceding the start of the 2020/21 Levy Year.

6.3.   Where an Employer in respect of a Scheme has come into existence as an entirely new entity part way through a Levy Year, the Mean Score which applies to the Employer shall be the value constituting the mean average of the Adjusted Monthly Scores that Experian informs the Board had been assigned to that Employer at each Score Measurement Date for which the Employer was in existence, provided that if a Monthly Score is not available as at each such Score Measurement Date, the Mean Score shall be the mean average of the Adjusted Monthly Scores derived from the Monthly Scores that are available.

6.4.   For the purposes of Rule E5.3 and E5:

    (1)   Medians shall be based on a set of Levy Rate data that is supplied by Experian to the Board for the purposes of calculating the Levies in the 2020/21 Levy Year and that is designated by the Board (by reference to the date of its provision) as the appropriate data set for the purposes of this paragraph 6.4.

    (2)   The Board may revise its designation of any data set for the purposes of this paragraph 6.4, in respect of any Median, if in the opinion of the Board it would be appropriate to do so in order to ensure that the calculation of the Levies is prudent and reasonably practicable for the Board and best gives effect to the general approach laid down by the Levy Rules.

6.5.   The Board may instruct Experian to exclude specified classes of Score which it regards as unrepresentative when calculating the relevant Medians.

6.6.   For the avoidance of doubt, in determining such Medians Experian shall not include any Employer to which a Scheme average LR has been applied in accordance with Rule E5.3.

6.7.   For the purposes of Rule E5.3, where the mean average LR falls between two Levy Bands, the mean average is that point at which the average falls notwithstanding that this mean average would not correspond with a LR contained within Table 6 of Part 7 of this Appendix.

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6.8.   For the purposes of Rule E5.4 and E5.5, where the Median LR falls between two Levy Bands, the Median is the mid-point between those two Levy Bands notwithstanding that this Median would not correspond with a LR contained within Table 6 of Part 7 of this Appendix.

Part 7: Levy Rate Table

Table 6: Levy Bands and Levy Rates calculated by reference to Minimum and Maximum Mean Scores.

Minimum Mean Score	Maximum Mean Score	Levy Band	Levy Rate (LR)
0.000%	<0.030%	1	0.28%
0.030%	<0.049%	2	0.31%
0.049%	<0.086%	3	0.35%
0.086%	<0.143%	4	0.40%
0.143%	<0.243%	5	0.53%
0.243%	<0.488%	6	0.81%
0.488%	<1.049%	7	1.26%
1.049%	<1.595%	8	1.76%
1.595%	<2.986%	9	2.39%
2.986%	100.000%	10	3.83%

ANNEX I: ASSIGNMENT OF CRA RATINGS

1.   Scope

1.1.   This Annex applies to Employers which meet the criteria for the CRA Rated category under Rule E3.1(9) of the Levy Rules.

2.   Assignment of CRA Ratings

2.1.   For the purposes of the Determination, the CRA Rating in respect of an Employer shall be assessed by reference to the S&P Rating, Moody's Rating and Fitch Rating for that Employer, as defined below.

2.2.   Where the Employer –

        (1)   has been assigned only one rating, the Employer's CRA Rating shall be that rating;

        (2)   has been assigned more than one rating, the Employer's CRA Rating shall be the second most favourable rating.

3.   S&P Global Ratings

3.1.   The S&P Rating for the Employer shall be:

        (1)   If S&P has made publicly available a global long-term senior unsecured and unsupported senior debt rating in respect of the Employer, that rating; else,

        (2)   If S&P has made publicly available a global long-term insurer financial strength rating in respect of the Employer, the rating one notch below the published rating; else,

        (3)   If S&P has made publicly available a global long-term issuer credit rating in respect of the Employer, that rating; else,

        (4)   The Employer shall not be assigned an S&P Rating.

4.   Moody's Investor Services

4.1.   The Moody's Rating for the Employer shall be:

        (1)   If Moody's has made publicly available a global long-term senior unsecured and unsupported senior debt rating in respect of the Employer, that rating; else,

        (2)   If Moody's has made publicly available a global long-term insurer financial strength rating in respect of the Employer, the rating one notch below the published rating; else,

(3) If Moody's has made publicly available a global long-term issuer credit rating in respect of the Employer, that rating; else,

(4) If Moody's has made publicly available a global corporate family rating in respect of the Employer, that rating; else,

(5) The Employer shall not be assigned a Moody's Rating.

5. <u>Fitch Ratings</u>

5.1. The Fitch Rating for the Employer shall be:

(1) If Fitch has made publicly available an international long-term senior unsecured and unsupported senior debt rating in respect of the Employer, that rating; else,

(2) If Fitch has made publicly available an international long-term insurer financial strength rating in respect of the Employer, the rating one notch below the published rating; else,

(3) If Fitch has made publicly available an international long-term issuer credit rating in respect of the Employer, that rating; else,

(4) The Employer shall not be assigned a Fitch Rating.

ANNEX II: CALCULATION OF CREDIT MODEL SCORES

1.   Scope

1.1.   This Annex applies to Employers that meet the criteria for the Industry Specific category under Rule E3.1(10) of the Levy Rules.

2.   Calculation of Credit Model Scores

2.1.   An Employer's Credit Model Score shall be the letter grade score calculated in respect of that Employer by applying the Credit Model[5] (as amended from time to time) in the manner ordinarily applicable to the calculation of letter grade scores for financial institutions in the sub-industry to which the Employer is allocated under Rule E3.1(10)(c). Where S&P undertake any recalibration or other adjustment in respect of the Credit Model during the 2020/21 levy year, the calculation of Credit Model Scores for all Score Measurement Dates shall be carried out by reference to any such recalibration or adjustment.

2.2.   The calculation will be undertaken by the Board, or a third party appointed by the Board to undertake the calculation. References to the Board in this Annex shall also be references to any third party appointed for these purposes.

2.3.   The Board will select, from the options available within the Credit Model, the most appropriate industry, sub-industry, and regional model for applying the Credit Model to each Employer.

2.4.   The Board (or its appointed third party provider) will collect Employers' Latest Accounts in accordance with Rule E2.6 and will extract and apply such financial data from those Accounts as is ordinarily required as an input to the calculation of the Credit Model Score in accordance with paragraph 2.1 above. Where the application of a currency conversion rate to Accounts is required for the purposes of calculating a Credit Model Score, the currency conversion rate will be the rate used, as at the date of those Accounts, in accordance with S&P's ordinary course of business from time to time.

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[5] Further information about the CreditModel[TM] Financial Institutions model can be found on the PPF website at https://www.ppf.co.uk/sites/default/files/file-2018-10/creditmodel_financial_institutions_white_paper_aug17.pdf

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