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AREAS OF CONCERN & UNSATISFACTORY RATINGS

SCCB Contract 0702055 - Provision of Financial Assessment Services

This fact sheet is provided to assist recipients of assessment reports to deal with problems that may arise when concerns about a contractor are identified.

Areas of Concern

When a contractor fails to meet any of the essential criteria, the items underlying the inadequacy are highlighted in the Executive Summary under the heading "Areas of concern". There are also circumstances in which "Areas of concern" are raised in reports where 'acceptable' or 'good' ratings are assigned. This occurs where the criteria are met but risk factors exist which could affect the contractors' financial position. In these cases it is important for the agency receiving the report to properly address the concerns raised.

Addressing areas of concern

There are two methods that you may choose to address areas of concern raised in a report if you consider the risk to be material:

- i) You may contact the contractor directly and discuss the issues raised in Kingsway's report. A copy of the report may be provided to the contractor. You may request that contractor address the items to the agency's satisfaction. For example you may ask for updated figures, additional documentation or request some form of written undertaking such as bank or performance guarantees.
- ii) Alternatively, you may contact Kingsway's Senior Assessor and request that Kingsway contact the contractor on your behalf to request and obtain the responses to address the concerns raised. For example, a high level of trade debtors or inventories may need to be investigated further or if a significant related entity loan exists, an assessment of the related entity may be required. This follow up service is an additional value-added service offered by Kingsway under its contract. Depending on the circumstances, follow up services may attract a fee according to scales identified in the User Guide. Pre-estimates and quotes can be provided on request.

Unsatisfactory ratings - what do they mean?

Kingsway's rating system is a 'financial' rating system. Therefore the 'unsatisfactory' rating relates only to a contractor's financial capacity and not any other aspect of its operations. Secondly, an 'unsatisfactory' rating does not necessarily mean that the contractor is in financial distress or is insolvent. The 'unsatisfactory' rating means that the contractor has not met the minimum financial criteria applied by Kingsway for the contract that it has tendered for or for the prequalification level sought. Note that a contractor may be rated as 'satisfactory' for a \$100,000 contract and 'unsatisfactory' for a \$1million contract. This is because the rating is relative to the actual contract value and is derived by comparing various financial ratios such as Net tangible assets and Working capital to the contract sum. The criteria applied are specified by the Government.

Unsatisfactory ratings, advice and re-assessments

A contractor has the right to query an assessment outcome. If this occurs, you (the client) may provide a contractor with a copy of their report and refer them to Kingsway. While Kingsway is able to discuss the outcome with the contractor, the assessors are not always able to advise contractors specifically on how to overcome the concerns raised.