

Standard Financial Assessment (Procurement)

WILLIAMS CIVIL CONTRACTING PTY LTD

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Assessment Requested: Williams Civil Contracting Pty Ltd
Prepared for: CSC BI Test Customer
On behalf of: Sample Report
Contract Name: Intersection Reconstruction
Contract Value: \$1,500,000
Report prepared by: Corporate Scorecard Pty Ltd
Job Number: 10501
Analyst: Sandra Yeh
Phone: 02 9959 3318
Contract Number: RFT 082011
Ref No / Cost Centre: SFA-P



Overview

Organisation Name	WILLIAMS CIVIL CONTRACTING PTY LTD
ACN/ARBN	013764882
ABN	12013764882
Ultimate Parent	WILLIAMS HOLDINGS PTY LTD
Trustee	No
Head Office Address	22 Bourke Road, Alexandria NSW 2016
Telephone	(02) 9000 0000
Line of Business	Civil contractor
ANZSIC Code(s)	E412
Year Established	2005
Registered Charges	Yes
Court Actions & Litigation	Yes

Latest Financial Statements	30-Jun-11
Sales Revenue	\$2,910,763
Operating Profit before Tax	(\$49,547)
Net Tangible Worth	\$119,188
Working Capital	\$18,441



Contract Value	\$1,500,000
Duration	6 months
Type	Intersection reconstruction
Rating	Marginal
Score (1 - 10)	3.67
Pass/Fail	Fail

Executive Summary

<p>Financial Position</p>	<p>For the year ended 30 June 2011, the subject recorded sales revenue of \$2,910,763 and a net loss after tax of \$49,547. The loss was attributed to the lower revenue generated in the past year and adverse weather conditions which increased project costs.</p> <p>The subject had working capital of \$18,441 and net tangible worth of \$119,188 at 30 June 2011.</p> <p>The company was observed as being worse than the industry median for both liquidity and gearing.</p>
<p>Assessment Results</p>	<p>On the basis of information obtained, the subject has been assigned with a Score of 3.67, indicating that it has a Marginal financial capacity to undertake the contract in question.</p>
<p>Key Points and Recommendations</p>	<ul style="list-style-type: none"> - Established in 2005 to acquire certain plant and equipment and WIP from Williams Civil Pty Ltd that had been placed into Administration. Rick Williams was the founder of both companies. - Loss incurred in 2011 due to lower revenue and adverse weather conditions which impacted project costs - Historic annual revenue levels and previous experience indicates that the contract in question is within the company's operating capacity - Suppliers and subcontractors expressed some slowness with the account - Although net tangible worth is considered acceptable for a contract of the size in question, the working capital position is below the desired level - Recently commenced a \$1.50m contract in the past week and combined with the contract in question, may cause some tightness in liquidity during the start-up phase of both contracts until progress claims are lodged and payments received - Significant dividends and current loans have been provided to Williams Group Pty Ltd (parent entity). This is adversely impacting the working capital and overall financial position of the subject. <p>An option for the subject to meet the working capital requirement is for the parent (or any related entity) to inject long-term loans into the company. Consideration may also be given for the parent (or any related entity) to provide a cross company guarantee or enter into the contract on a joint and several basis with the subject. Before this option is taken, it is recommended that a financial assessment be carried out on the guarantor entity to determine its financial position to provide such a guarantee. Legal advice should also be sought in the wording of any cross guarantee.</p>
<p>Related Party Risk</p>	<p>The subject had provided a \$500,000 loan to the parent (Williams Group Pty Ltd) at 30 June 2011. The positive working capital position is reliant on the recoverability of this loan. Although the loan was advised to be fully recoverable, no counterparty risk assessment has been carried out.</p> <p>Loans from related parties (Rick Williams, Director) totalled \$250,000 at 30 June 2011.</p>
<p>Documentation</p>	<p>The assessment was made on the basis of information provided by the subject and other sources. All documents and information requested was provided on a confidential basis and no documents were withheld.</p>

Corporate Details

Registered Name	WILLIAMS CIVIL CONTRACTING PTY LTD
Registered Address	22 Bourke Road Alexadria NSW 2016
Incorporation/Registration Date	15 Apr 2005
State (Country) of Incorporation	NSW
Status	Registered
Former Name(s)	WILLIAMS CONTRACTING PTY LTD
Entity Type	Australian Proprietary Company
Share Capital	\$5.00

Shareholders

Name	Address	Shares Held	Class
WILLIAMS GROUP PTY LTD	22 Bourke Road Alexandria NSW 2016	5	ORD

Officeholders

Director Name	Address	Date of Birth	Appointment Date
RICK ANDREW WILLIAMS	17 Bower Street Woollahra NSW 2025	19 Dec 1946	15 Apr 2005
JAMES ANTHONY WILLIAMS	12 Hampton Avenue Darling Point 2027	24 Jul 1971	06 Sep 2009
Secretary Name	Address	Date of Birth	Appointment Date
RICK ANDREW WILLIAMS	17 Bower Street Woollahra NSW 2025	19 Dec 1946	15 Apr 2005

Officeholders - Other Directorships

RICK WILLIAMS

Other Directorships: WILLIAMS HOLDINGS P/L, WILLIAMS GROUP P/L, WILLIAMS PLANT P/L, WILLIAMS CONSTRUCTION P/L, WILLIAMS PROPERTY HOLDINGS P/L

Previous Directorships: WILLIAMS CIVIL P/L (Under External Administration)

JAMES WILLIAMS

Other Directorships: WILLIAMS HOLDINGS P/L, WILLIAMS GROUP P/L, WILLIAMS PLANT P/L, WILLIAMS CONSTRUCTION P/L, WILLIAMS PROPERTY HOLDINGS P/L

Previous Directorships: JAMES WILLIAMS INVESTMENTS P/L

Adverse Check on Directors

Name	Action Date	Action Type	Amount	Creditor	Plaint Number	Court Type
RICK ANDREW WILLIAMS	19 Nov 2009	Default Judgement	\$1,382	OPTUS	123456	Magistrates Court

A search of the Adverse file on 14 Sep 2011 revealed that there were no actions recorded against James Williams at that date.

Business Profile

Organisation Name	WILLIAMS CIVIL CONTRACTING PTY LTD
Head Office Address	22 Bourke Road, Alexandria NSW 2016
Telephone	(02) 9000 0000
Mobile	0400 000 000 (Rick Williams)
Facsimile	(02) 9999 9999
Website	www.williamscivil.com.au
Branch(s)	26 Bay Street, Newcastle NSW 2300
Controlled Entities	Williams Construction Pty Ltd (dormant)
Associated Entities	Williams Plant Pty Ltd Williams Property Holdings Pty Ltd
Parent Entity	WILLIAMS GROUP PTY LTD
Ultimate Parent	WILLIAMS HOLDINGS PTY LTD
Employees	32
Name of Bank	National Australia Bank Limited
Bank Address/BSB	100 George Street, Sydney NSW 2000
Bank Overdraft	Yes
Overdraft Limit	\$750,000
Bank Guarantees	\$200,000
Bank/Commercial Bills	\$200,000
Other Facilities	Equipment Finance - \$500,000

Organisation Profile	<p>The subject was incorporated in April 2005 as Williams Contracting Pty Ltd and adopted its current style in July 2009.</p> <p>The subject was formed to acquire certain plant and equipment and projects from the Administrator of Williams Civil Pty Ltd. The latter was founded in 1989 by Rick Williams and was placed into External Administration due to bad debts incurred from a private client involved in land subdivisions. Williams Civil Pty Ltd had undertaken a number of civil contracts for this client and was owed in excess of \$750,000.</p> <p>The subject operates as a civil contractor with projects including roads, roundabouts, car parks, kerb and gutter, drainage and land subdivisions.</p>
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Financial Information

Person(s) Interviewed	Rick Williams, Managing Director
Interview Date	September 2011
Documents reviewed	Financial Statements of Williams Civil Contracting Pty Ltd for the year ended 30 June 2011. Financial Statements of Williams Civil Contracting Pty Ltd for the year ended 30 June 2010.
Auditors	None appointed
Confidentiality Agreement	No
Financial Overview	<p>For the year ended 30 June 2011, the subject recorded sales revenue of \$2,910,763, compared with \$4,107,540 for the previous year. The company incurred a net loss after tax of \$49,547 in 2011, compared with a net profit after tax of \$160,892 in 2010.</p> <p>The loss in 2011 was attributed to the lower revenue base and adverse weather conditions, which caused delays on projects and increased costs.</p> <p>The subject declared a dividend of \$100,000 in 2011 (2010: \$200,000).</p> <p>Working capital decreased from \$251,503 at 30 June 2010 to \$18,441 at 30 June 2011 while equity decreased from \$368,735 at 30 June 2010 to \$219,188 at 30 June 2011. The deterioration was impacted by the loss incurred in the past year, the payment of a \$100,000 dividend to the parent and a negative cash flow from operations.</p>
Capacity	<p>Following a review of the financial data obtained, the subject fails to meet the minimum desired financial criteria for the contract in question. The company's working capital position is considered to be below the desired level for a contract of the size in question. Furthermore, the company also commenced a \$1.50m contract in the past week. Combined with the contract in question, this may cause some tightness in liquidity during the start-up phase of both contracts.</p>
Other Considerations	Rick Williams will be retiring in the next 3 months and his son James Williams will take over as Managing Director.

Summary Financial Statement

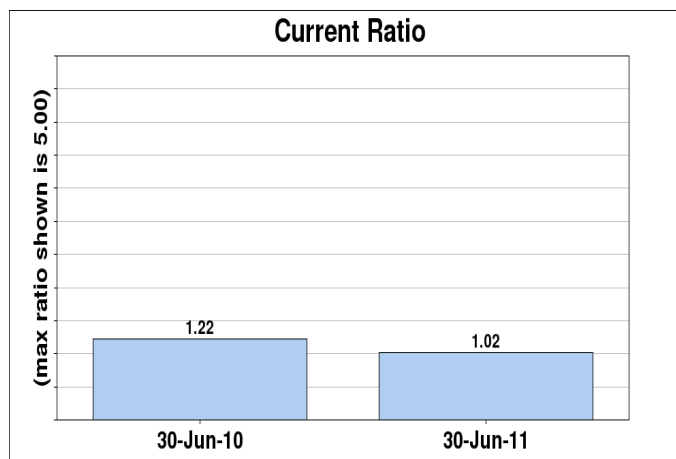
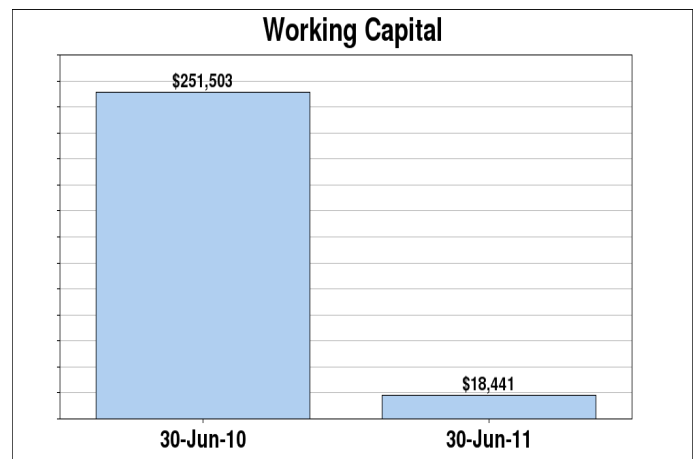
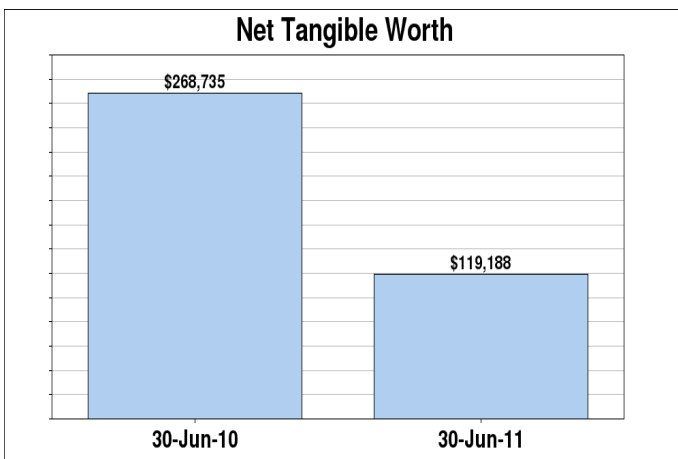
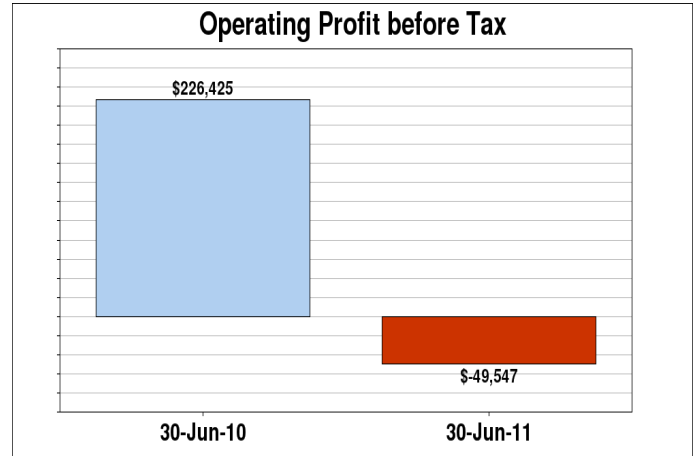
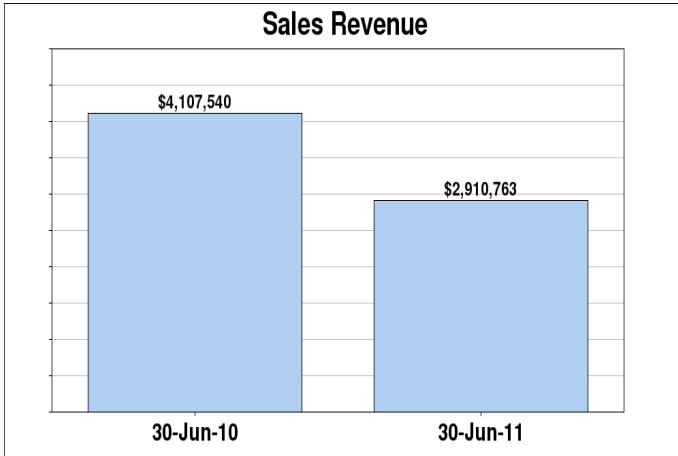
WILLIAMS CIVIL CONTRACTING PTY LTD		30-Jun-11	30-Jun-10
Statement of Financial Performance			
	Sales Revenue	\$2,910,763	\$4,107,540
	Cost of Goods Sold	\$2,137,534	\$2,750,999
	Gross Profit	\$773,229	\$1,356,541
	Depreciation & Amortisation	\$20,287	\$23,128
	Finance Costs	\$25,483	\$18,451
	Profit before Tax	\$-49,547	\$226,425
	Profit after Tax	\$-49,547	\$160,892
Statement of Financial Position			
Assets	Trade Debtors	\$315,462	\$617,927
	Inventories	\$81,251	\$325,412
	Total Current Assets	\$1,006,182	\$1,391,042
	Non-Current Tangible Assets	\$286,433	\$260,993
	Intangibles	\$100,000	\$100,000
	Total Assets	\$1,392,615	\$1,752,035
Liabilities	Trade Creditors	\$394,571	\$316,254
	Total Current Liabilities	\$987,741	\$1,139,539
	Total Non-Current Liabilities	\$185,686	\$243,761
	Total Liabilities	\$1,173,427	\$1,383,300
Equity	Retained Earnings	\$219,183	\$368,730
	Total Equity	\$219,188	\$368,735

Key Ratios

WILLIAMS CIVIL CONTRACTING PTY LTD	30-Jun-11	30-Jun-10
Balance Sheet		
Net Tangible Worth	\$119,188	\$268,735
Working Capital	\$18,441	\$251,503
Working Capital to Sales	0.63%	6.12%
Reinvestment	15.74%	21.05%
Profitability Ratios		
Gross Profit Margin	26.56%	33.03%
Net Profit Margin	-1.70%	5.51%
Return on Assets	-1.73%	13.98%
Return on Equity	-22.60%	43.63%
Liquidity Ratios		
Current Ratio (Times)	1.02	1.22
Quick Ratio (Times)	0.94	0.94
Debtors Turnover (Days)	39.56	54.91
Creditors Turnover (Days)	67.38	41.96
Debt Ratios		
Gearing	84.26%	78.95%
Debt to Equity	535.35%	375.15%
Leverage (Times)	-310.68	5.16
Interest Coverage (Times)	-0.94	13.27
Financial Capacity		
Contract Value	\$1,500,000	\$1,500,000
Annualised Contract Value	\$1,500,000	\$1,500,000
Sales Revenue to Annualised Contract Value (Times)	1.94	2.74
Working Capital to Annualised Contract Value	1.23%	16.77%
Net Tangible Worth to Annualised Contract Value	7.95%	17.92%

Note: Where year to date financials have been used, ratios that have been derived using figures from the Profit & Loss Account may not provide an accurate representation of the subject. In these cases, reference should be made to the prior year ratios, which are based on full year figures.

Financial Trend Charts



Work in Progress and Completed Contracts

Current Contracts

Client	Description	Value	Start Date	Completion Date	% Complete
Windview Estate Pty Ltd	Windview Estate subdivision	\$1,505,900	Sep 2011	Jun 2012	1%
Newcastle City Council	Hunter Street upgrade	\$840,000	May 2011	Jan 2012	30%
Parramatta City Council	George Street roundabout & associated works	\$550,000	Apr 2011	Nov 2011	70%

Completed Contracts

Client	Description	Value	Start Date	Completion Date
Parramatta City Council	Pitt Street Upgrade	\$1,850,000	Sep 2009	Nov 2010
Penrith Leagues Club	Car park upgrade	\$365,000	Jun 2010	Dec 2010
RTA	Roundabout	\$250,950	Oct 2010	Apr 2011
RM Richards Holdings Pty Ltd	Lakeview subdivision	\$2,500,000	Jan 2010	Feb 2011

Payments to Key Suppliers and Subcontractors

Key Suppliers

Purchases (per month)	Item Type	Credit Limit	Terms (days)	Pays (days)	Since	Comment
\$5,000 to \$20,000	Construction materials	\$75,000	30	45	May 2006	Satisfactory
\$10,000 to \$50,000	Asphalt	\$100,000	30	50 to 60	Feb 2007	Requires chasing
\$10,000	Labour hire	\$20,000	30	45 to 50	2009	Slow at times

Subcontractors

Average Amount	Service	Terms (days)	Pays (days)	Since	Comment
\$15,000	Earthmoving contractor	30	45	Sep 2005	Acceptable
\$7,000	Civil contractor	30	45 to 50	2007	Slow at times
\$15,000	Drainage contractor	30	40	over 4 years	Satisfactory

Registered Charges and Securities

Current Charges

ASIC Charge Number	Date Registered	Date Created	Status	Type	Chargee/Trustee
423456	19 Aug 2009	15 Jul 2009	Registered	Both Fixed & Floating	NATIONAL AUSTRALIAN BANK LIMITED
596245	28 May 2010	17 Apr 2010	Registered	Fixed	NATIONAL AUSTRALIAN BANK LIMITED
602759	26 Nov 2010	08 Oct 2010	Registered	Fixed	NATIONAL AUSTRALIAN BANK LIMITED

Satisfied Charges

ASIC Charge Number	Date Registered	Date Created	Status	Type	Chargee/Trustee
154123	26 Oct 2005	20 Sep 2005	Satisfied	Both Fixed & Floating	WESTPAC BANKING CORPORATION

Adverse Check

Action Date	Action Type	Amount	Creditor	Plaint Number	Court Type	Status
19 May 2010	Default judgement	\$454	TELSTRA	127856	Magistrates Court	Paid: 26 Jun 2010
15 Jun 2011	Court Writ	\$608	TEAMWORKS PTY LTD	387421	District Court	Paid: 18 Jul 2011

The above actions arose due to misplaced invoices and have since been paid in full. Due to the small amounts, they are not considered to have a material impact on this assessment.

Key Ratios Notes

The following is a guide to the ratios that may be included in this report. Note: Financial ratios are indicators of an entity's performance and financial position and will provide useful information, especially when comparing entities in the same industry. It must however be pointed out that ratios can be influenced by, but not limited to, point-in-time adjustments, decisions taken by management, use of different accounting policies and whether the entity is part of a larger group.

Ratio	Calculation	Definition
Balance Sheet Ratios		
Working Capital	Current Assets - Current Liabilities	Measure of an entity's ability to meet short term liabilities. The higher the figure the better however, must understand the types of current assets the entity has and how quickly they can be converted into cash to meet current liabilities. A negative figure can indicate cash flow/liquidity issues.
Net Tangible Worth	Shareholders Equity - Intangibles	Measure of an entity's physical worth minus any value derived from intangible assets such as goodwill, patents, intellectual property, etc. The higher the figure the better.
Working Capital to Sales	(Working Capital / Sales Revenue) x 100	Measures how effectively an entity is using its working capital to generate sales. If the figure is too high, it can indicate the entity is not efficiently using its balance sheet while a low figure may indicate overtrading.
Reinvestment	(Retained Profits / Total Assets) x 100	Measures the accumulated level of profit reinvested into an entity over time to fund its future growth. The higher the figure the better. A negative figure can indicate the need for external funding to support operations.
Profitability Ratios		
Gross Profit Margin	(Gross Profit / Sales Revenue) x 100	Measure used to assess an entity's ability to turn a dollar of revenue into profit after cost of goods sold has been accounted for. The higher the figure the better. A negative figure can indicate poor costing procedures.
Net Profit Margin	(Profit before Tax / Sales Revenue) x 100	Measure of how much out of every dollar of revenue an entity retains in earnings. A higher figure indicates a more profitable entity that has better control over its costs compared to its competitors.
Return on Assets	(Profit before Interest & Tax / Total Assets) x 100	Measure of how profitable an entity is relative to its total assets. Provides a useful guide as to how efficient the entity is at using its assets to generate a profit.
Return on Equity	(Profit after Tax / Shareholders Equity) x 100	Measure used to assess an entity's efficiency in generating additional profit from every unit of shareholders equity. The higher the figure the better.
Liquidity Ratios		
Current Ratio	Current Assets / Current Liabilities	Measures whether an entity has sufficient resources to pay its debts over the next 12 months. If the ratio is too high, it may indicate the entity may not be efficiently using its current assets. A low value (ie less than 1) may indicate the entity could have difficulty meeting its short term obligations. A low value however may not indicate a critical problem if the entity has good long-term prospects or assets as it may be able to raise funds to meet current obligations.
Quick Ratio	(Current Assets - Inventories) / Current Liabilities	Measure of an entity's ability to use its near cash or quick assets to meet short term liabilities. This ratio is more conservative than the current ratio as it excludes inventories, which are considered the least liquid current asset. The quick ratio therefore measures a worst case scenario ability to meet obligations.
Debtors Turnover	(Trade Debtors / Sales Revenue) x 365	Measures the number of days on average that it takes an entity to receive payment for what it sells. The lower the number the better. An especially high number can be a sign of inefficiency/collection problems and place pressure on cash flow.
Creditors Turnover	(Trade Creditors / Cost of Goods Sold) x 365	Measures the number of days on average that it takes an entity to pay its creditors. A low figure signifies that creditors are being paid promptly, which enhances the credit worthiness of the entity. An entity that is slow to pay its bills (over 90 days) may indicate cash flow problems or is trying to finance its operations with its suppliers funds.

Ratio	Calculation	Definition
Debt Ratios		
Gearing	$(\text{Total Liabilities} / \text{Total Assets}) \times 100$	Measures the proportion of total debt outstanding relative to an entity's total assets. Used to indicate an entity's longer term stability, in particular its ability to meet debts from its asset base. The lower the percentage, the better is the ability to cover debt from assets. A high gearing is generally considered speculative.
Debt to Equity	$(\text{Total Liabilities} / \text{Shareholders Equity}) \times 100$	Measures the proportion of capital invested by the entity's owners to the funds provided by external lenders/creditors. A high ratio generally means that the entity has been aggressive in financing its growth with debt.
Leverage	$\text{Total Liabilities} / (\text{Profit before Interest, Tax \& Depreciation})$	Measures an entity's proportion of operating profit that is used to pay its liabilities. Entities that are highly leveraged may be at risk of failure and may also be unable to find new lenders.
Interest Coverage	$(\text{Profit before Tax} + \text{Interest Expense}) / \text{Interest Expense}$	Measures an entity's level of profits that are available to meet its interest expense. Very important from a lender's point of view as it indicates the number of times interest is covered by profit. A high ratio provides greater assurance of regular interest payments. A low ratio could create problems to the entity in raising funds.