

PART 1 FORM D: ECONOMIC AND FINANCIAL STANDING

1.1 An assessment of a Potential Provider's financial standing forms part of the PQQ evaluation process. The Authority will assess the financial health of all Potential Providers. These are derived from the application of standard accounting measures to financial information that is provided by each Potential Provider or obtained from publicly available records.

1.2 Potential Providers must provide responses to questions 1.11.1-1.11.6 within the DPQQ (which relate to the economic and financial standing of each Potential Provider) and each part of question 1.11.7-1.11.11 (which relates to parent company guarantees).

1.3 The following definitions are used in this document:

Term	Definition
Authority	Means the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland, acting as part of the Crown. Where "we" is used in this DPQQ, this means the Authority.
Bid	Means an individual response to this DPQQ and any subsequent participation in this procurement
Clarification Question	Means a question submitted by a Potential Provider seeking additional information, further explanation or clarity from the Authority in relation to information contained in the DPQQ.
Consortium Member	Means one or more of the parties forming a Consortium.
Potential Provider	Means the business or company which is completing this DPQQ. Where "you" or "your" is used in this DPQQ, this means you, the Potential Provider.
Potential Provider Consortium	Means the group of entities which together form the Potential Provider.
Potential Provider Entity	Means the Potential Provider, each member of any Potential Provider Consortium and each entity in a Potential Provider Supply Chain where relied upon in responding to this DPQQ.
Potential Provider Supply Chain	Means all entities which will be subcontractors to the Potential Provider where relied upon in responding to this DPQQ and which are listed as such in your response to this DPQQ.
Pre-Qualification Questionnaire or DPQQ	Means this pre-qualification questionnaire.

Table 1 - Definitions

Questions relating to economic and financial standing

1.4 Each Potential Provider must provide responses to the following questions in order for the Authority to carry out its financial health assessment. If a Potential Provider fails to provide the requested information, the Authority shall exclude the Potential Provider from further participation in the Procurement.

Question number	Question	Response
1.11.1	<p>What was the Potential Provider's overall turnover in each of the last three (3) financial years?</p> <p>Please enter the information in the following format for each year required:</p> <p>£..... for year ended DD/MM/YYYY</p>	
1.11.2	<p>Where the Potential Provider is a consortium or association of economic operators, the financial information is required for each Potential Provider Entity that is a member of the consortium or association. Where the Potential Provider is a subsidiary of a group, the financial information is required for both the subsidiary and the parent company.</p> <p>An assessment of a Potential Provider's financial standing forms part of the DPQQ evaluation process. The Authority will assess the financial health of all Potential Provider Entities. These are derived from the application of standard accounting measures to financial information that is provided by each Potential Provider or obtained from publicly available records.</p>	

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Question number	Question	Response
	Potential Providers must provide responses to questions DPQQ_1.11.1 - DPQQ_1.11.6 (which relate to the economic and financial standing of each Potential Provider Entity) and each part of question DPQQ_1.11.7-1.11.11 (which relates to parent company guarantees).	
1.11.3	Please provide the following:	
1.11.4	<p>A copy of the Potential Provider Entity's audited accounts for the most recent three (3) years.</p> <p>OR</p> <p>If the Potential Provider Entity has been trading for fewer than three (3) years, for the period during which that Applicant Entity has been trading.</p>	
1.11.5	A statement of the Potential Provider Entity's turnover, profit and loss account, and cash flow for the most recent year of trading.	
1.11.6	If the Potential Provider Entity is unable to provide any of the items described in questions DPQQ_1.11.4 or DPQQ_1.11.5 above, please provide alternative means of demonstrating financial status (for example, and without limitation or guarantee that such items will be accepted as suitable, a forecast of turnover for the current year and a statement of funding provided by the	

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Question number	Question	Response
	Potential Provider Entity's owners or a registered bank).	

Table 2 – Financial Information

Evaluation of economic and financial standing

1.5 The Authority will use the information provided in the responses to questions DPQQ_1.11.1 - DPQQ_1.11.6 to assess the financial standing of each Potential Provider Entity in accordance with the qualification standards set out in Table 3 below. The resulting assessment will lead to a PASS/FAIL evaluation based on whether the Potential Provider Entity has demonstrated, through meeting the qualification standards, that it has sufficient economic and financial standing to provide services of the technical scope and scale of 708935453-Commanders Thermal Optics Subject to paragraphs 1.4, 1.5 and 2, the Authority reserves the right to exclude a Potential Provider Entity that does not meet the qualification standards set out in Table 3 below.

Assessment	Methodology	Qualification standard
All financial information	The Authority will review all financial information obtained from the response provided to questions 1.11.1-1.11.6 the Potential Provider Entity accounts and the Company Watch credit rating check in order to establish a holistic view of the state of the Potential Provider Entity's financial health.	Failure to provide the financial information requested in this DPQQ will result in the Potential Provider Entity failing to meet this qualification standard.
Turnover	The Authority will review each Potential Provider Entity's turnover for the three full financial years prior to the date of this DPQQ.	If the estimated annual contract value for this procurement exceeds fifty per cent. (50%) of a Potential Provider's annual turnover, the Potential Provider will not meet this qualification standard.

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Assessment	Methodology	Qualification standard
		Where the Potential Provider Entity intends to provide all or some of 708935453-Commanders Thermal Optics but via a joint-venture company, Consortium Member, or other special purpose vehicle, the Authority will apply the assessment equally to the Potential Provider Entity. Accordingly, where the value of a Potential Provider Entity's intended contractual obligations and financial liabilities exceeds 50% of its annual turnover, the Potential Provider Entity will not meet this qualification standard.
Liquidity ratios	A Potential Provider Entity's current assets are divided by current liabilities to establish if there are sufficient assets to cover all of the Potential Provider Entity's liabilities as they fall due over the course of one year.	The Authority requires a Potential Provider Entity to have: <ul style="list-style-type: none"> • a minimum current ratio of 1.0; and • a minimum acid test ratio of 0.8. If these ratios are not met, the Potential Provider Entity will not meet this qualification standard.
Company Watch	Company Watch "H-Score" (an overall measure of a business' financial health – for more information, see www.companywatch.net/analytcs-insight/h-score).	If a Potential Provider Entity does not have a score of 20 or above, the Potential Provider Entity will not meet this qualification standard.

Table 3: Economic and financial standing qualification standards

1.6 If a Potential Provider Entity meets all of the qualification standards set out in Table 3 above they will be awarded a PASS. Subject to paragraph 1.7 below, if a Potential Provider Entity does not meet one or more of the qualification standards set out in Table 3 above, the Authority may award a FAIL for this evaluation.

1.7 The Authority may choose not to award a FAIL despite a Potential Provider Entity not meeting a qualification standard if:

1.7.1 the Potential Provider Entity can provide a parent company guarantee that:

1.7.1.1 meets the requirements set out in paragraph 2 below; and

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1.7.1.2 in the Authority's opinion, gives the Authority sufficient comfort that the risks associated with the Potential Provider not meeting the qualification standard(s) will be effectively managed by the guarantee; and/or

1.7.2 the Authority considers that there are appropriate mitigating factors demonstrating that the reason(s) behind not meeting the qualification standard(s) are either:

1.7.2.1 unlikely to recur; or

1.7.2.2 unlikely to expose the Authority to a significant degree of risk if a contract were to be awarded to the Potential Provider at the end of the procurement.

2 Parent company guarantees and bank Guarantees

2.1 The Authority may also require a parent company guarantee from a Potential Provider Entity's ultimate parent company. The Authority may require this in a number of circumstances, including where:

2.1.1 There is a failure to meet one or more of the qualification standards described at paragraph 1.7 above;

2.1.2 The Potential Provider Entity that would contract with the Authority is a dormant or "shell" company for an intermediary company;

2.1.3 The contracting entity would be a joint venture company, Consortium Member, or other special purpose vehicle; or

2.1.4 The contracting entity otherwise:

2.1.4.1 Has no adequate financial track record that the Authority is able to assess; or

2.1.4.2 Lacks the financial capacity required to perform the services provided under 708935453-Commanders Thermal Optics but is otherwise, in the Authority's opinion, financially sound.

2.2 The financial standing of any such parent company will be assessed in the same way as if the parent company were a Potential Provider Entity.

2.3 Where a Potential Provider Entity does not have an ultimate parent company, the Authority may request a bank guarantee be obtained instead.

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