

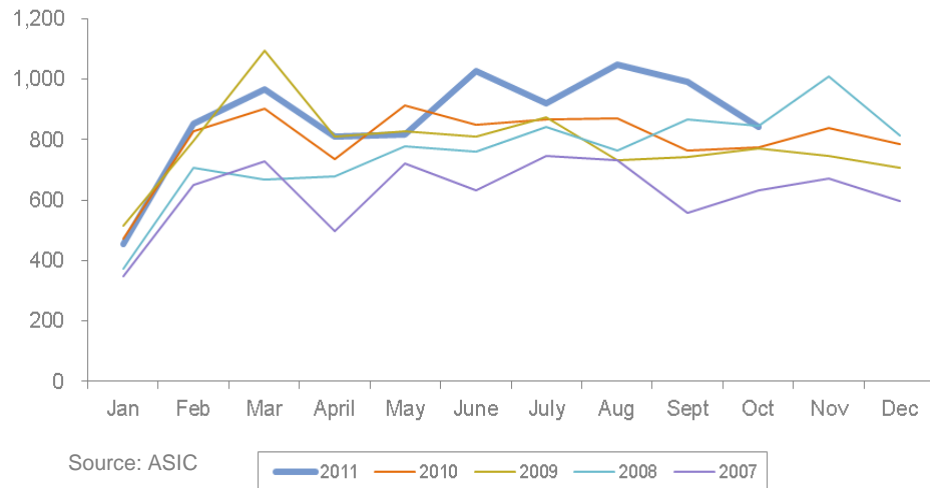
Insolvency Insights – October 2011

Taylor Woodings' Analysis of ASIC's Latest External Administration Appointments Statistics

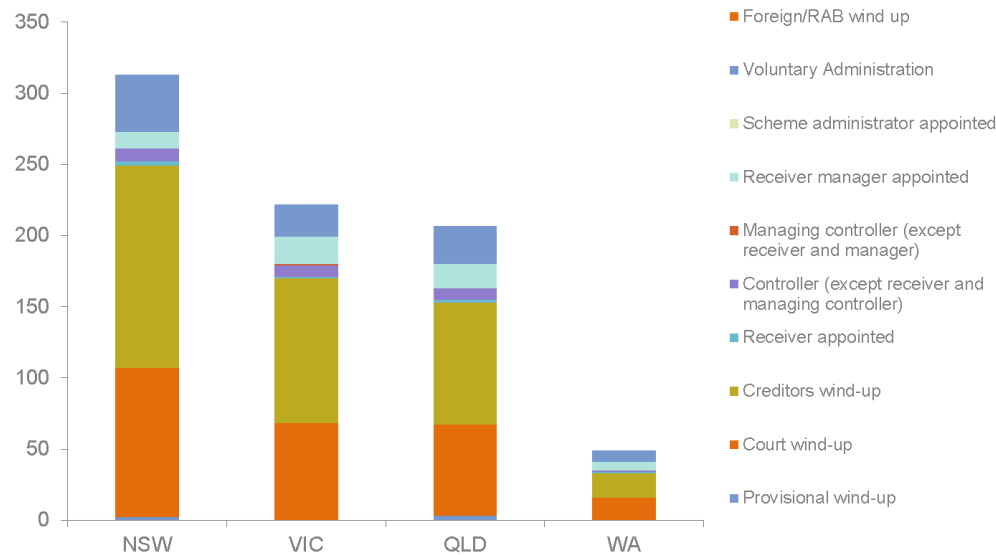
8 December 2011



Companies Entering External Administration



Comparison of Appointments by State



The Figures

What these latest figures suggest

- In October, Australian businesses received some relief, with total external administrations for the month falling for the second month in a row – decreasing 17.5% from 991 in September to 843.
- Company collapses fell significantly in New South Wales (29%) and Western Australia (27%), although the figures remained high in Queensland – increasing slightly from 202 to 207, the second highest monthly figure on record for the state.
- Notably, the number of external administrations for the financial year to date totals 3,804 – up 16% on the same period last year and 22% on the same period during the Global Financial Crisis in 2009.
- Court wind-ups in Queensland increased 10% to 64 – the highest monthly total for the state.

Economic Influences

What's happening in the broader market with particular attention to macro influences on insolvency?

- October's economic data was mixed, showing business conditions remained challenging.
- NAB's Monthly Business Survey indicated business conditions declined in October, falling three index points from 2 to -1 – seven points below the Index average.
- The Westpac Melbourne Institute Index of Consumer Sentiment rose 0.4% from 96.9 in September to 97.2 in October, although remains 6.8% below the average for the first half of 2011.
- A lack of consumer confidence led building approvals to fall to the lowest levels since March 2009 and increases the concern for Australia's building industry. According to the Housing Industry Association, building approvals decreased 10.7% in October.
- The ANZ Job Advertisements Survey fell for the fourth month in a row, down 0.7% in October.
- New car sales in October hit a four year high for the month – up 5.3 per cent on September.

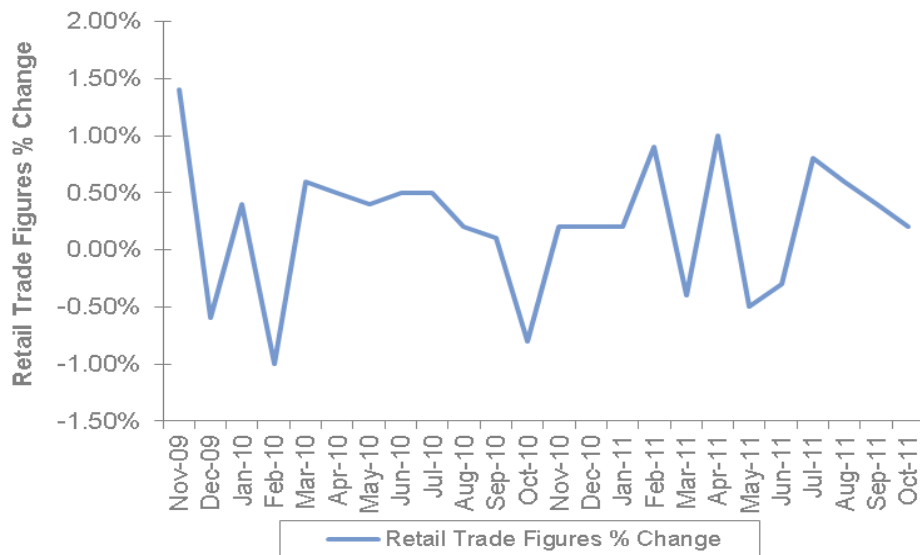
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Monthly Percentage Change - Retail Trade
1 November 2009 to 31 October 2011



Source: ABS

For More Information

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Special Focus

- This month we focus on the retail sector as it readies itself for the vital Christmas trading period.
- The Australian retail sector has had a difficult 12 months due to flat economic conditions, weak trading conditions and the effects of online retailing on sales and gross margins.
- Many retailers have already brought forward the New Year sales to November and December this year in an attempt to increase consumer spending.
- A recent survey by The Australian Retailers Association predicts a difficult period for retailers this Christmas, with the survey forecasting sales would be only a moderate 2.2% higher than year.
- Leading retailers are also not overly optimistic for the Christmas season, with Harvey Norman's Chief Executive Gerry Harvey recently saying: "There's no sign out there in the community that we're going to have this wonderful Christmas".
- We predict many retailers will find this Christmas season challenging from a cash flow perspective and the results will be seen in the first quarter of 2012.

Outlook

What we predict for the future and what inferences we can draw

- Due to the high Australian dollar and economic uncertainty, many Australian industries will remain under extreme pressure over the next couple of months and into the New Year, including retail, tourism and the residential building industry.
- Global economic uncertainty has pushed soft commodity prices down significantly on last year. However, good seasonal conditions mean the quantity of agricultural output is expected to be significantly higher than last year, resulting in an overall positive year for agriculture.
- We predict the global economic conditions will be tough for sometime and will continue to have a dampening effect on the local economy and consumer confidence as we head into 2012.
- Treasurer Wayne Swan said in the 2011-2012 Mid-Year and Fiscal Outlook: "Global developments have impacted on our share market, on trade outside of the mining sector and on confidence, with consumers becoming more cautious and businesses more reluctant to expand their workforce in the current uncertain global environment".