

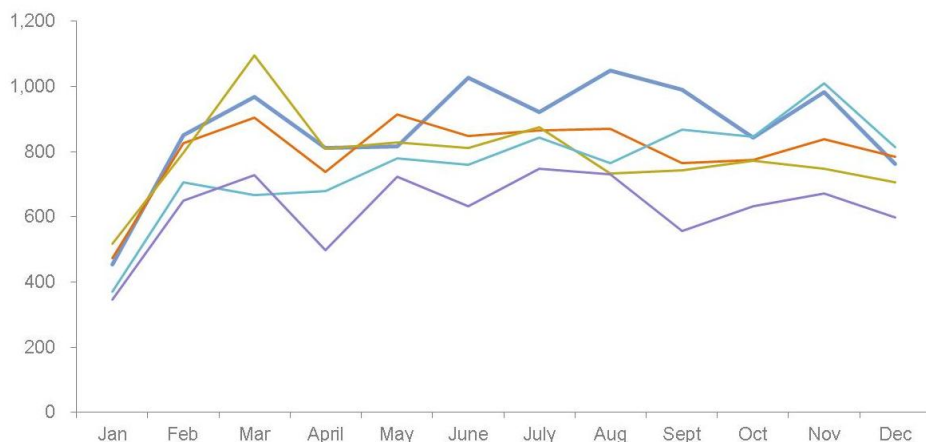
Insolvency Insights – December 2011

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

13 February 2012



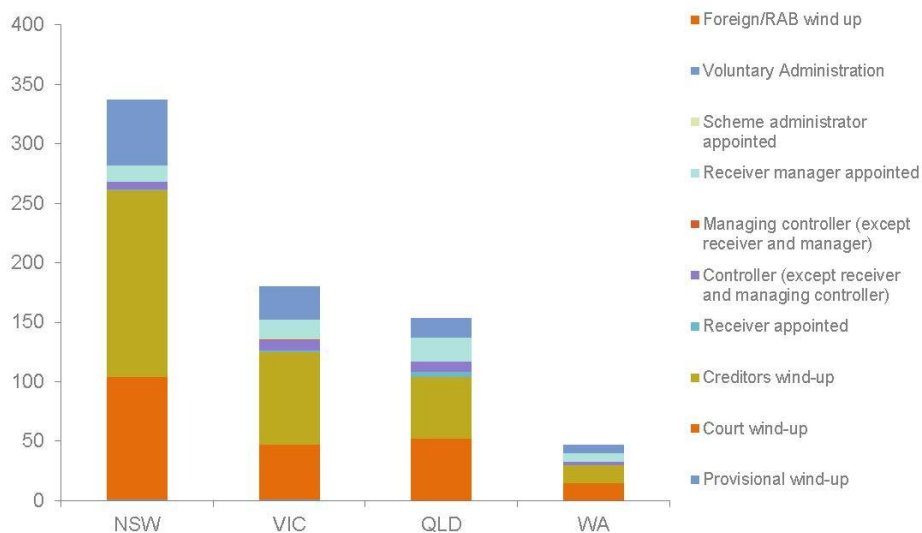
Companies Entering External Administration



Source: ASIC



Comparison of Appointments by State



Source: ASIC

The Figures

What these latest figures suggest

- The latest monthly insolvency figures show 2011 was the toughest year on record for Australian businesses with 10,481 companies collapsing – 52% higher than the historical average and 11% higher than 2009 at the height of the Global Financial Crisis (“GFC”) (see Special Focus below).
- Despite the full year result, total company collapses for December 2011 fell markedly, down 22.4% from 983 in November to 763 – consistent with December’s long term trend as it is a shorter trading month.
- Receiver Manager Appointments were up 8.9% for the month, increasing significantly in Victoria (14.2%) and Queensland (25%).
- All states and territories recorded a fall in company collapses in December with South Australia and Western Australia falling by 66.7% and 51.1% respectively.

Economic Influences

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

- December’s economic data showed businesses generally continued to struggle during the month, especially in the retail, construction and tourism industries.
- According to the Reserve Bank of Australia (“RBA”), mortgage lending fell to the lowest levels of annual growth since 1977 – increasing just 5.4% for the 2011 calendar year, compared to 7.2% in 2010.
- National Australia Bank’s Monthly Business Survey indicated business confidence strengthened slightly in December – increasing one index point to three points.
- Weak consumer confidence affected new home sales, with a report by the Housing Industry Association and JELD-WEN showing new home sales declined to 10-year lows – down 4.9% in December – following a 6.8% rise in November.
- Building conditions remained weak with the Australian Industry Group/Housing Industry Association Construction Index showing the construction sector contracted for the nineteenth consecutive month.

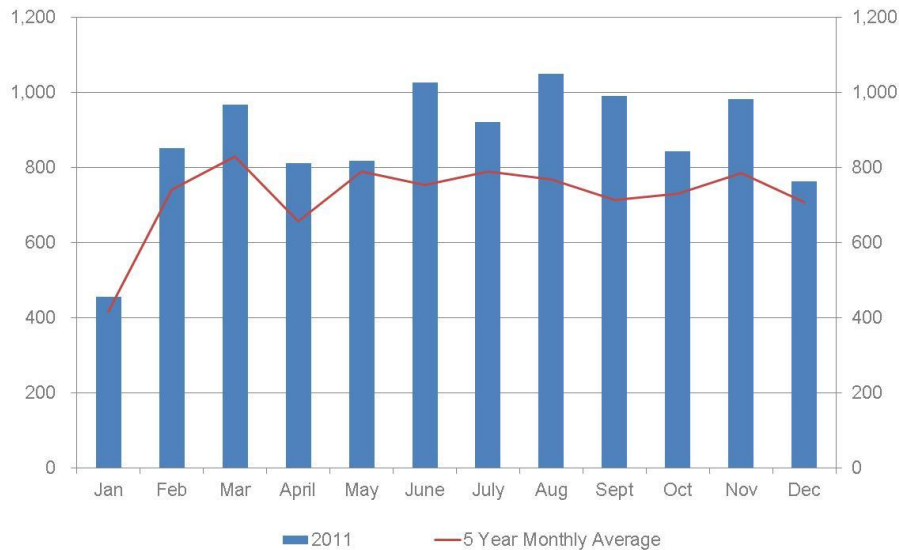
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2011 - A Year in Review Vs 5 Year Average



Source: ASIC

For More Information

Taylor Woodings is a national independent accounting firm specialising in the areas of restructuring, corporate recovery, advisory and transaction services and forensic services. For more information please contact:

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Special Focus

- Insolvencies in the 2011 calendar year increased to a record high, totalling 10,481. In June 2011, company collapses reached their second highest monthly figure on record with 1,027.
- Volatility in the Australian economy and global financial uncertainty continued to put pressure on Australian businesses in 2011.
- Businesses were also under pressure due to higher interest rates, increased enforcement actions by the Australian Tax Office, low consumer confidence, higher rates of saving and the historically high Australian dollar.
- Australian Bureau of Statistics (“ABS”) Building Approvals fell 24.5% for the year to December and ABS Retail Sales reported the weakest annual growth rate since 1984 – growing just 2.4%.

Outlook

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

- We predict 2012 will again see a historically high number of corporate collapses with the continued downturn likely to be felt throughout the economy. SMEs, where there are the greatest number of businesses and jobs, will be particularly affected.
- Interest rates will be a major factor in 2012. On one hand, many Australian sectors will start to experience some relief from the two consecutive official cash rate reductions by the RBA in late 2011. On the other, local banks have signalled a greater willingness to pass on the real impact of their funding costs to customers and businesses regardless of official RBA rate decisions.
- Many factors affecting Australian businesses in 2011, including consumer confidence, pressure from the debt crisis in Europe, economic uncertainty and the long-term strength of the Australian dollar, will continue to be felt in the local economy, particularly by the retail, building, manufacturing and tourism industries.
- However, January typically sees lower monthly insolvencies due to many people being on leave and limited access to the courts, so we expect next month's figures to be low, with a marked increase in company collapses in February or March 2012.
- To quote Ben Bernanke, Chairman of the US Federal Reserve, from the January Federal Open Market Committee meeting: “[O]ver the past few months, indicators of spending, production, and job-market activity have shown some signs of improvement. The outlook remains uncertain, however, and close monitoring of economic developments will remain necessary”.