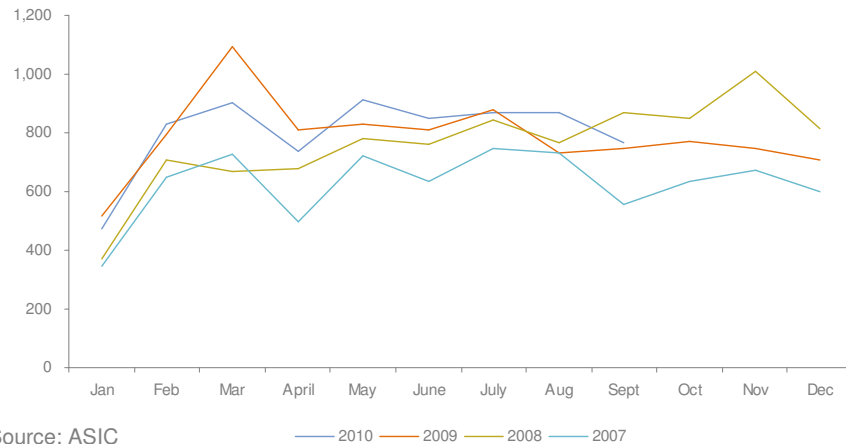


Insolvency Insights – September 2010

Taylor Woodings' analysis of ASIC's latest external administration appointments statistics

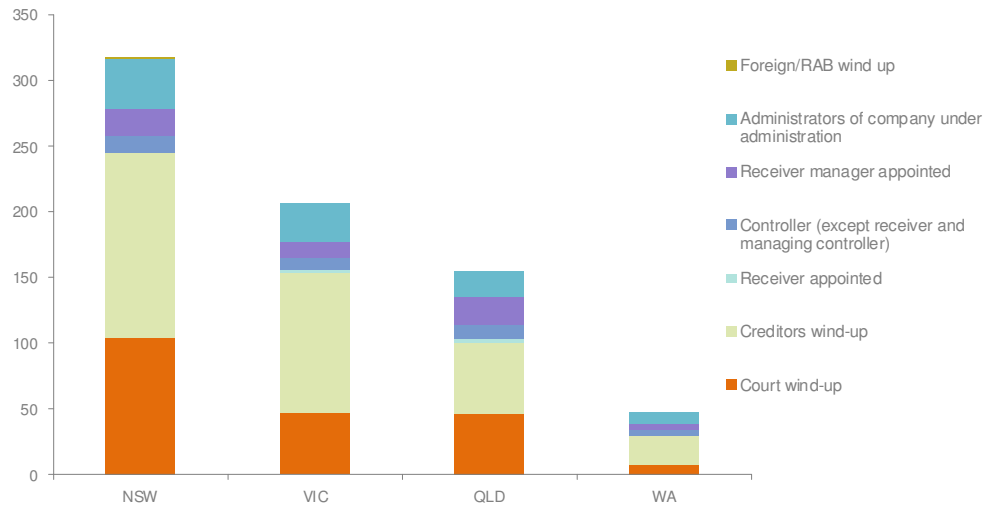


Companies Entering External Administration



Source: ASIC

Comparison of Appointments by State



Source: ASIC

The Figures

What these latest figures suggest

- External administrations are down almost 11.96% from last month, from 870 to 766.
- September company collapses recorded a seven-year high in 2008 reaching 867. September 2010 figures are 11.65% lower, indicating improved economic conditions. Despite this, September 2010 company collapses are 3% higher than September 2009, suggesting the recovery is still moving slowly.
- This theme is repeated when reviewing the year-to-date figures. So far, 2010 has seen 7,205 companies enter external administration, only seven less than 2009 at 7,212.
- This month's result is in keeping with our outlook for September in the August issue of Insolvency Insights. There, we examined the relationship between interest rates and insolvencies, with the analysis suggesting that figures for September 2010 would trend above 2009.

Economic Influences

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

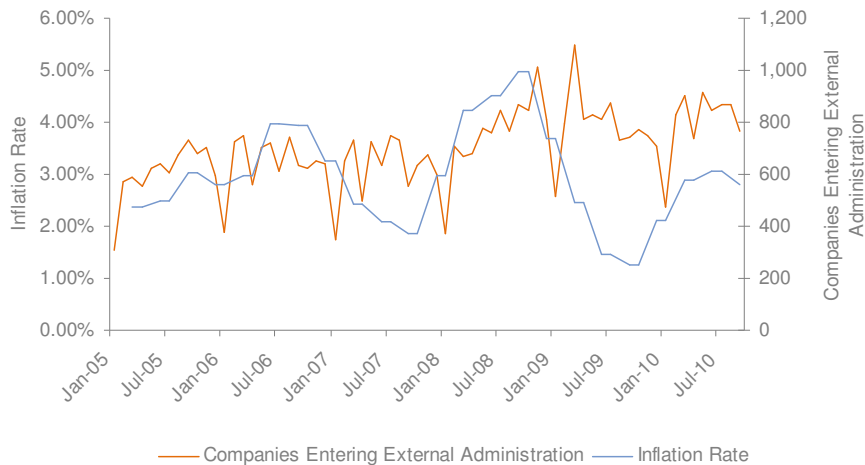
- ABS figures revealed official inflation unexpectedly slowed to 2.8% during the September quarter.
- The job market continued to improve, with the ANZ Job Advertisement Series showing an increase in job ads for the fifth straight month by 0.7%.
- Conversely, activity in the service sector slowed for the fifth straight month, according to The Australian Industry Group/Commonwealth Bank Australian Performance of Services Index.
- The Australian Industry Group - PricewaterhouseCoopers Performance of Manufacturing Index fell to a nine month low of 47.3. Any reading below 50 indicates the sector is contracting.

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Inflation Rates vs Companies Entering External Administration



Source: ASIC and the RBA

For More Information

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

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Interest Rate Rise Impact

- The RBA's decision to increase interest rates by 0.25 per cent to 4.75 this week caught many commentators by surprise and indicates the RBA's belief that there is sufficient momentum behind the economy.
- However, the rate hike comes at a time when the Australian dollar is at historic highs when compared to the US dollar and consumer demand remains weak.
- In the last seven days three major retail brands (Krispy Kreme, Baskin Robins and Cookie Man) have appointed Voluntary Administrators, thus highlighting the challenges facing franchisees in Australia's very tight retail environment.
- The RBA has chosen to tackle the inflationary pressures it sees building as a result of the renewed resources boom and the generally improving world economy. We consider this move may cause some short term pain in the key sectors of retail and residential housing construction.

Outlook

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

- Despite the RBA's general view that the recovery is strong enough to withstand the Melbourne Cup Day rate hike, anecdotal evidence indicates some industries are still facing pressure, including retail, manufacturing, property development, residential building, exports (other than commodity based) and rural in WA.
- Looking ahead, these sectors are likely to continue to feel pressure from rising interest rates, the high Australian dollar, high input costs and ongoing consumer uncertainty and for rural WA the ongoing dry conditions.
- An additional pressure facing SME's is the ATO's current aggressive approach to tax debt recovery.
- Overall, the economic outlook is stronger than a year ago. Some areas are undoubtedly still under pressure but subject to the impact of the latest interest rate hike improving conditions indicate a drop-off in company collapses over the coming months.