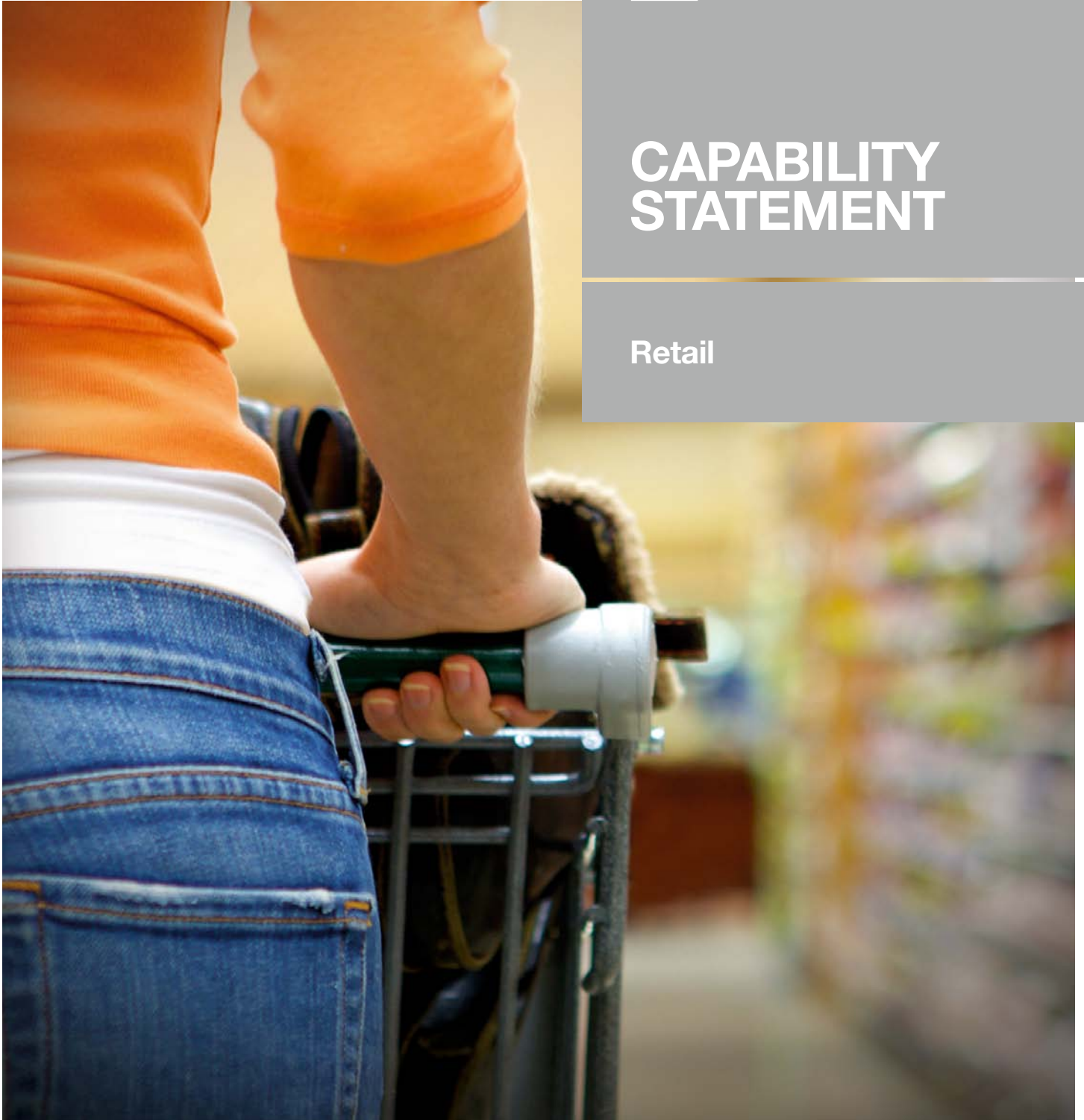


CAPABILITY STATEMENT

Retail



INDUSTRY SUMMARY

The Australian retail industry is very diverse and covers the sale of personal and household items such as, food, clothing, furniture, computer hardware and software, garden and pharmaceutical goods.



Continued growth in interest rates and the Australian dollar, coupled with a downturn in the domestic economy, following the collapse of global financial markets in 2008, have created challenging conditions for retailers and consumers. To boost spending and stave off the possibility of a recession, the Federal Government utilised consumer stimulus packages, which directly flowed into the retail industry. However, this stimulus has had no lasting impact on the industry.

With the outlook for interest rates rises, it is widely expected that retail spending levels will be hindered. However, poor retail trading conditions may be overcome by Australia's low unemployment rate, strong jobs growth and rising incomes.

OUR EXPERTISE

Through our experience, Taylor Woodings has developed an excellent understanding of Australia's retail industry. Our team offers a range of specific services including:

- **formal appointments**
- **strategic recovery advice**
- **workout and restructuring assistance**
- **pre-lending reviews**
- **investigating accountants reports**
- **advice in relation to retail related property development**

Taylor Woodings has been appointed to a variety of both formal and informal assignments in the retail industry, with particular focus on supermarkets and consumer goods retailers including, electrical, pleasure boat, corporate clothing apparel and furniture.

Through this experience, we understand the unique drivers and challenges faced by retailers including:

- changes in household disposable income due to unstable consumer sentiment and continued growth in interest rates, which will determine consumers' level of discretionary spending on essential and non-essential items
- competition from major department stores such as Myer and David Jones, major retailers such as Bunnings and Harvey Norman and franchises who offer competitive pricing, extensive product range and the ability to offer regular discounts and promotions
- the advances in technology including the rapid growth in the development and application of new technology to drive business opportunities
- the ability to control stock on-hand in order to reduce inventory costs
- the abundance of low cost options available globally through the internet
- the effect of seasonal trends for particular retailers
- the effect of the underlying health of the general economy

WHAT TAYLOR WOODINGS OFFERS

CASHFLOW FOCUS

Retail businesses are cashflow businesses. Therefore, in trading on distressed retail businesses, Taylor Woodings is focused on improving cashflow and quickly implements initiatives to improve revenue and control costs including, change of management, stock control, margin analysis and overhead cost structure. We regularly monitor and examine the effect of these on the cashflow of the retail business.

RISK MANAGEMENT

The annual cost to retailers of employee theft and fraud alone is an estimated \$3 billion. Our experience has helped us understand the importance of risk management, particularly in respect of cash and stock. We ensure that control procedures, such as conducting stock takes, security of assets, monitoring of stock movements and control of bank accounts, are implemented immediately upon our appointment to a retail business.

THE RIGHT RELATIONSHIPS

Taylor Woodings has developed strong relationships with a range of consultants, including landlords, legal advisors, industry specialists, stocktakers and valuers. These consultants are available to provide immediate and specific advice if required. Our network of consultants can also act in a management capacity, reviewing the financial position of a distressed retail business or selling the business. Taylor Woodings also has developed very strong relationships with franchisors.

Taylor Woodings appreciates the need for retailers to maintain good relationships with employees. We have experience and can appropriately handle all aspects of managing a retail workforce.

TRACK RECORD

We have an understanding of the complexities and challenges facing this diverse industry, and, as a result of our experience, we are able to quickly offer tailored advice to directors to overcome the issues confronting their business and to creditors to enhance their recovery.

Taylor Woodings has a proven track record in trading-on retail businesses and improving their business operating performance, and selling businesses, or its assets, to enhance the recovery for financiers and creditors.

CASE STUDIES

Supermarkets, Perth WA

01

Taylor Woodings was appointed to conduct an investigating accountants review of a group of companies that operated nine supermarkets in the south Perth metropolitan area, as well as providing administration services, warehousing and shop services.

During our appointment we provided monthly monitoring reports to the major financier, prepared three-way financial models to assess trading viability, reviewed the Group's financial accounts and made recommendations for the improved performance of the group which were adopted.

Due to the poor operating performance of some stores and high debt levels, the Group was required to sell a number of stores. Taylor Woodings monitored the sale process and the Group was successful in selling a number of stores. The proceeds of the sale fully repaid the financier's debt.

Auction House, Sydney NSW

02

Taylor Woodings was appointed by a national retail bank to provide an investigating accountants report in relation to an auction house in Sydney specialising in home improvement and renovation. While the business was historically focused on auctions, it also had a thriving "buy now" business, which allowed customers to buy consumer goods, such as home appliances and other items, prior to auction. As part of our assignment we:

- undertook a trading review with a focus on identifying weaknesses in the management and overall structure of the business
- undertook a security review and covenant analysis in respect of the Company's facility with the bank
- provided the bank with a going concern valuation of the business
- recommended a strategy in relation to improving the business to enable it to operate within the bank's covenants

The report provided the bank with timely and relevant information that allowed it to set benchmarks for the business which were ultimately met. The business continues to trade and the bank was not required to take further action.

Discount Warehouse Furniture Retailer, Perth WA

03

Taylor Woodings was appointed by a major financier to conduct an investigating accountants review of a discount warehouse furniture retailer that operated six stores in the Perth metropolitan area. Following the review, the major financier appointed Taylor Woodings as Receiver and Manager. During our appointment we:

- assessed the best method of realising the Company's stock, enhanced the opportunity of sale and traded-on the six store's assets
- advertised the business for sale and liaised with interested parties
- as we did not receive an offer for the purchase of the Company's assets, we conducted a series of auctions for the sale of the Company's stock

Taylor Woodings enhanced the maximum recovery to the major financier by undertaking an effective strategy for the sale of Company's stock. Following the sale of the Company's stock, the six stores were closed.

Hungry Jacks Store, Melbourne VIC

04

Taylor Woodings was appointed as Receiver and Manager by a national retail bank of a Hungry Jacks store in Melbourne. The appointment followed a dispute between the franchisor and franchisee over substantial outstanding franchise fees that led to the landlord serving default notices and entering the premises to take possession.

The bank's direct lending and bank guarantee were in jeopardy, and the initial hurdle was to overcome the competing interests of the secured creditor, franchisor and landlord. Taylor Woodings met with the landlord and franchisor and gained their support which enabled continued trading and a sale process. During the appointment we:

- traded-on the business for six months
- established trading controls
- commenced a business sale process
- prepared a detailed information memorandum for interested parties
- sold the business

OUR TEAM



Ian Francis

Partner in Charge, Perth – Team Leader
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Ian has significant experience in many aspects of the retail industry with an emphasis on providing assistance with workouts or trading and sale of businesses.

Ian has acted for financiers, borrowers and trade suppliers to retail businesses in advisory and formal insolvency roles. Ian has undertaken reviews on behalf of franchisors or franchisees operating as supermarket and electrical retailers and identified financial and operational improvements. Ian has sold a number of retail outlets as going concerns.



Ross Blakeley

Partner in Charge, Melbourne
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Ross has considerable experience acting in both a formal capacity and advisory roles across a number of retail and franchise businesses ranging from electronic goods stores, online retailers, shopping centres, fashion and department stores to petrol stations. Through direct experience managing and reviewing retail operations and the sale of retail businesses, Ross has developed a clear understanding of restructuring, managing sales and transitions to new owners, franchise agreements, legislation and leasing issues.



Stefan Dopking

Partner in Charge, Brisbane
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Stefan's experience includes working on Queensland receivership appointments including a chain of independent service stations, regional supermarket operators and liquor retailers. Through his experience, Stefan is well placed to act to protect the interests of lenders by assessing options for ongoing viability or, if necessary, taking control and implementing an efficient, cost-effective realisation strategy.



Quentin Olde

Partner in Charge, Sydney
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Quentin has acted as an Investigating Accountant and been appointed as Receiver and Manager or Voluntary Administrator to a number of related businesses in the industry including, restaurants, retailers, franchises, franchisors, fast food retailers, pharmacies, education facilities and related businesses. Importantly, Quentin has a detailed understanding of the key drivers and issues that impact this industry and a broad base of contacts and advisers he can draw on to manage and improve businesses and related retail property.



Brendan Copeland

Associate Director, Sydney
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Brendan has experience in many aspects of the retail industry in a formal and informal capacity focusing on restructuring, trading and the sale of businesses.

Over the last four years, Brendan has worked for a major financier providing advice on the restructuring of under-performing retailers. Through this experience, Brendan has been involved in restructuring debt, reducing cost in non-performing areas and the development of new markets.

ABOUT US

Taylor Woodings is an independent, national Chartered Accounting firm providing clients specialist services in Restructuring, Corporate Recovery, Advisory and Transaction Services and Forensic Accounting. With offices in Sydney, Perth, Melbourne and Brisbane, we offer our clients a truly national service.

Taylor Woodings is committed to delivering timely, relevant and innovative strategies to meet our individual clients' needs. With our *one-firm, one-focus* philosophy, we share resources, technical staff and specialist knowledge to ensure clients receive a full-service offering regardless of their geographic location.

Our experience extends across Australia's key industries of agriculture, manufacturing, health, mining and property. We work with all types of organisations within Australia and overseas, from small family businesses to publicly listed ASX and multinational companies, on both complex and straightforward assignments.

Taylor Woodings has established working relationships, essential to delivering successful outcomes for clients, with national and regional retail banks, investment banks, corporate advisory firms, law firms, accounting firms and specialist consultants.

Taylor Woodings is a national partnership that is supported by a dedicated and expert team of advisers. We maintain an efficient internal structure and allocate the most appropriate resource to assignments. This approach provides clients with direct access to senior, specialist advice and cost effective solutions that place our clients' objectives first.

We have an affiliation with TW Gerry Rea Partners, a specialist insolvency and litigation support firm in New Zealand. We also have a joint venture arrangement with Allen Capital, an independent corporate advisory and private equity investment firm. Taylor Woodings is a member of the international insolvency network, hww Insolvency Co-operation Partners, which is represented in 21 countries around the world.

RESTRUCTURING | CORPORATE RECOVERY | ADVISORY AND TRANSACTION SERVICES | FORENSIC ACCOUNTING

SYDNEY PERTH MELBOURNE BRISBANE

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