

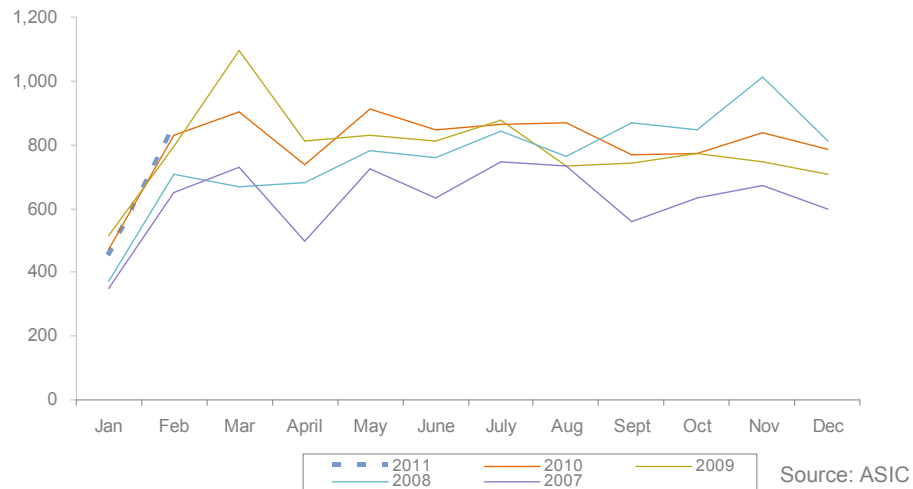
Insolvency Insights – February 2011

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

8 April 2011



Companies Entering External Administration



The Figures

What these latest figures suggest

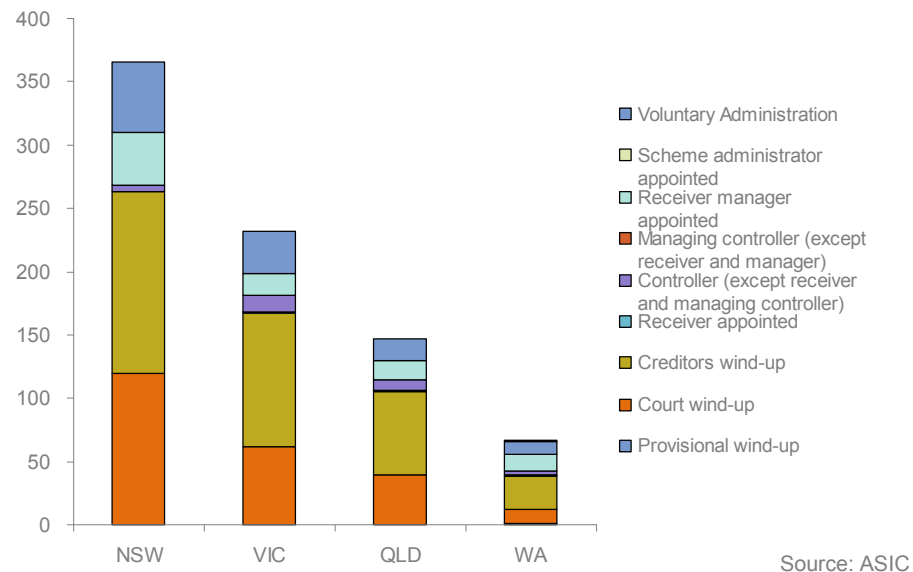
- Following the traditional lull in insolvencies over January due to people returning from holidays, February company failures rose sharply back to the high levels of the past three years.
- The number of failures in February (852) is at a 10 year high for the month and is up 7% on February 2009 at the height of the Global Financial Crisis (GFC).
- Court-ordered wind-ups are 12% higher than February 2010.
- These early trends do not augur well for rates of company failures for the year ahead.

Economic Influences

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

- The Westpac-Melbourne Institute's Consumer Sentiment Index revealed confidence grew by a modest 1.9% in February, although still 8.9% below February 2010 levels.
- According to the NAB Monthly Business Survey, business conditions rose by 4 points, although overall still remained in the negative at -2 points.
- The RBA left official interest rates unchanged at 4.75% in February, citing the unknown effect of the floods in Queensland and Victoria as the main reason for the decision.
- Despite the biggest monthly loss of part-time positions in more than three years, unemployment remained steady at 5% in February for the third month in a row and, according to the ANZ Job Ads Survey, jobs advertised online and in newspapers rose by 1.2% due to the clean-up efforts following the Queensland floods.
- Building approvals fell by 1.3% and the AiG/HIA's Performance of Construction Index showed activity in the construction industry contracted for the ninth consecutive month, amid tight credit conditions, weaker demand and higher interest rates.
- The Australian dollar averaged over 100c to the US Dollar and global oil prices continued to rise throughout February.

Comparison of Appointments by State



Insolvency Insights – February 2011

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

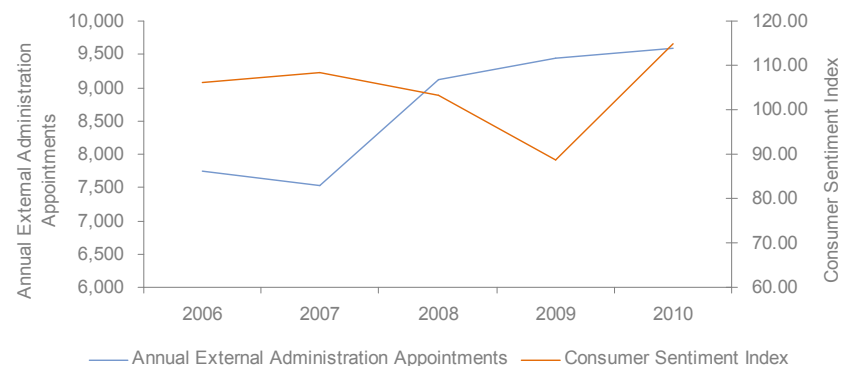
8 April 2011



Comparative Analysis

- The IBISWorld Consumer Sentiment Index (CSI), based on the Westpac-Melbourne Institute Survey of Consumer Sentiment, tracks the yearly average level of consumer sentiment. When the index is at 100, an equal number of consumers feel optimistic as pessimistic about the economic outlook.
- A comparative analysis of Australia's total annual external administration appointments against CSI shows that, as might be expected, company failures increased as consumer sentiment decreased.
- With the onset of the GFC, consumer confidence fell sharply and company failures increased significantly. While this trend may seem predictable, our analysis shows that since the GFC, company failures have not fallen in response to the rebound in consumer confidence.
- This could be a result of one of two things: Either Australia has experienced a significant and structural change where rates of company collapses will remain at these high levels out of step with consumer confidence, or; the more likely explanation is, these figures are the strongest indication yet that the effects of the global economic crisis are still 'washing through' the Australian economy.

External Administration Appointments vs Consumer Sentiment



Source: ASIC & IBIS World

Outlook

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

- Based on historical figures, we expect March insolvency figures to increase significantly as business returns to normal after the quieter months of January and February.
- In Western Australia, where the Chamber of Commerce and Industry (CCIWA) has declared the State to be in a technical recession, insolvencies are likely to rise markedly.
- Anecdotally, SME's are finding debtors very slow to pay, leading to cash flow problems which commonly cause businesses to fail.
- The impact of a high Australian dollar, low consumer confidence and high oil prices will continue to adversely impact some of Australia's major industries.
- Overall, we forecast insolvency figures will remain high over coming months as the full effect of Australian and global natural disasters are realised.

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:

SYDNEY

Quentin Olde
Partner in Charge, Sydney
+61 2 8247 8000
quentin.olde@twcs.com.au

PERTH

Michael Ryan
Managing Partner
+61 8 9321 8533
michael.ryan@twcs.com.au

MELBOURNE

Andrew Schwarz
Partner
+61 3 9604 0600
andrew.schwarz@twcs.com.au

BRISBANE

Stefan Dopking
Partner in Charge, Brisbane
+61 7 3041 2900
stefan.dopking@twcs.com.au