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**PROPERTY SERVICES COMPANIES WITH “CRITICAL PROBLEMS” INCREASE
600 PER CENT IN THIRD QUARTER 2008**

- **Begbies Traynor’s Red Flag Alert Statistics show UK business feeling effects of ongoing economic turmoil**
 - *Continuing difficult economic climate resulting in over seven times as many property companies experiencing “Critical Problems” in 2008 compared to last year*
 - *Economic situation in 2008 worsening with Q3 showing a 67 per cent increase in property companies with “Critical Problems” over Q2*
 - *Property, construction, IT, manufacturing and hire and rental services sectors showing highest increases*

The number of distressed UK businesses has more than doubled since the start of the year, according to Begbies Traynor, the UK’s leading business rescue, recovery and restructuring specialist. A staggering 4566 companies faced ‘critical’ problems (those with CCJs totalling over £5,000 or Winding-Up Petition related actions) in the third quarter of 2008 compared with only 791 in the same period last year. Additionally, the number of companies with ‘significant’ problems (those with a court action and/or average, poor, very poor or insolvent or out dated accounts) has nearly doubled from January to the end of September 2008, to 58,564.

In both cases, the September figures for companies in trouble are at their highest this year. Companies on the ‘critical problems’ list increased from 736 in January to 1798 in September – a rise of nearly 250 per cent.

One of the worst affected industry sectors was the property services sector, where Q3 2008 has seen a 600 per cent increase in companies with the most severe difficulties over the same period last year, and a 67 per cent increase over the second quarter of the year (see tables below).

The property services and construction sectors continue to suffer badly, as the housing market downturn affects many businesses beyond builders. Decreasing funding ability has brought the completions market to a standstill across much of the UK.

The Q3 2008 Red Flag Alert Statistics show substantial year on year increases in ‘critical problems’ across all sectors, but hire and rental services (up 643 per cent on Q3 2007), IT (up 627 per cent) and manufacturing (up 622 per cent) are among other areas worst hit.

Breakdown of Sectors with Critical Problems – Q3 2007 vs Q3 2008

Sector	Companies with Critical Problems in Q3 2007	Companies with Critical Problems in Q3 2008	Change %
IT	22	160	627%
Construction	163	1055	547%
Hire & rental services	7	52	643%
Manufacturing	41	296	622%
Retail	48	323	573%
Print & Packaging	14	96	586%
Financial Services	16	109	581%
Transport & Comms	53	239	351%
Engineering	22	97	341%
Automotive	19	110	479%
Wholesale	42	213	407%

Breakdown of Sectors with Critical Problems – Q2 2008 vs Q3 2008

Sector	Companies with Critical Problems in Q2 2008	Companies with Critical Problems in Q3 2008	Change %
IT	113	160	42%
Construction	639	1055	65%
Hire & rental services	28	52	86%
Manufacturing	165	296	79%
Retail	200	323	62%
Print & Packaging	61	96	57%
Financial Services	64	109	70%
Transport & Comms	167	239	43%
Engineering	65	97	49%
Automotive	68	110	62%
Wholesale	116	213	84%

Nick Hood, Partner, Begbies Traynor Group commented, “In the current climate, you’d expect the construction, property and retail sectors to suffer – and our research certainly corroborates that. However, the statistics also show the contagion has spread across many other industries.

“As further economic uncertainty lies ahead, we would encourage all businesses to protect themselves from the downturn by managing their exposure to risk, investing in customer retention strategies, controlling their costs and cash flows, and improving their internal business processes where possible. While this may seem to be stating the obvious, we often find that businesses fail to focus on these basic principles early enough or, in some cases, at all. Today, more than ever, cash is vital, so cash generation and conservation should be top priorities.

“In difficult times, it is important to keep onside all those who have an interest in the business continuing successfully, including banks, customers, creditors, employees and professional



advisors. Businesses should keep everyone regularly informed rather than saving up bad news, which can cause panic and irrational action.”

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Red Flag Alert measures corporate distress signals within factual legal and financial data drawn from a wide range of relevant sources, for incorporated companies that have been trading for over a year, with assets in excess of £10,000.