

A focus on statistics



ASIC UPDATE

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Thanks to those of you who have lodged electronic external administrator statutory (Schedule B) reports, we all have the benefit now of meaningful profiles of corporate insolvencies. Despite a few limitations, which are described later, the following information gives you an overall picture of insolvencies in Australia.

These statistics are compiled from initial Schedule B reports lodged by external administrators in 2006-07, with comparative data for the previous two years.

Profile of companies	2006-07	05-06	04-05
No of employees affected	82% of reports were about companies with less than 20 employees	84%	83%
No of unsecured creditors	88% of reports were about companies with fewer than 50 unsecured creditors	87%	85%
Industries with most lodgements	<ul style="list-style-type: none"> ■ Construction (1,396 reports or 20%) ■ Services to business (897 reports or 13%) ■ Retail trade (860 reports or 13%) 	20%	20%
Assets and liabilities	<ul style="list-style-type: none"> ■ 87% of failed companies had estimated assets of \$100,000 or less, ■ 56% of failed companies had estimated liabilities of \$250,000 or less 	86%	84%
Deficiency	76% of failed companies had an estimated deficiency of \$500,000 or less	75%	75%
Causes of company failure			
Top 3 nominated causes of failure	<ul style="list-style-type: none"> ■ Poor strategic management of business (2,944 or 43% of reports) ■ Inadequate cashflow or high cash use (2,719 or 40% of reports) ■ Trading losses (2,352 or 34% of reports) 	44%	43%
Estimated dividends			
Dividends to unsecured creditors	In 96% of cases, the dividend estimated to be payable to unsecured creditors was 10 cents in the dollar or less	96%	95%

For more detailed information about these statistics and other information such as employee entitlements, creditors, and unpaid taxes read our full report *External administrators: Schedule B statistics 1 July 2004-30 June 2007*, Report 132, available at www.asic.gov.au/reports.

The number and percentage of Schedule B reports now lodged electronically is large enough to publish meaningful statistics, with 92 percent of external administrator statutory reports (excluding supplementary reports) lodged directly by practitioners in 2006-07. We encourage you to keep lodging these reports electronically.

As you know, the financial information in a Schedule B report reflects estimates and opinions of the external administrator at a point in time. It is not an account prepared at the end of an external administration. This and other limitations of the statistics are explained in Report 132. Provided these limitations are understood, the statistics are a useful guide to the overall picture of corporate insolvencies in Australia for ASIC, the insolvency profession, academics, government and other interested stakeholders.


Companies entering external administration

In the six months ended 30 June 2008, 3,967 companies entered external administration for the first time. This compares to 3,581 for the corresponding period in 2007. As anticipated, easier and quicker entry into a creditors' voluntary winding up (CVL) as a result of the insolvency reforms that took effect on 31 December 2007, has seen:

- an increase in companies entering external administration by CVL; and
- a decrease in companies entering external administration by voluntary administration.

	January to June 2008	January to June 2007
Creditors voluntary winding up		
Number	1,525	966
Percentage of companies entering external administration	38%	27%
Voluntary administration		
Number	879	1164
Percentage of companies entering external administration	22%	33%

TIP: Register of Banned and Disqualified Persons

If you are considering whether to apply for funding from the Assetless Administration Fund relating to a possible director banning under s 206F of the Corporations Act, remember that you can search our Register of Banned and Disqualified Persons, at no cost, to see whether the person has already been disqualified from managing corporations. Access to the register is available from the homepage of our website: <http://www.asic.gov.au> under 'Search ASIC Registers'. 

Quality advice. Practical solutions

Kemp Strang is a Sydney based commercial law firm and home to one of the largest and most respected insolvency practices in Australia.

Our team of insolvency specialists are innovators, adept at identifying market trends and pioneering the legal solutions for those developments.

Our clients feel confident in knowing that they can rely on us to provide practical and commercially driven advice that gets results.

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