



**ASIC**

Australian Securities &  
Investments Commission

**REPORT 596**

# **Insolvency statistics: External administrators' reports (July 2017 to June 2018)**

November 2018

## **About this report**

This report is for insolvency practitioners and other interested stakeholders.

It presents an overview of total lodgements of statutory reports lodged by liquidators, receivers and voluntary administrators (external administrators) from 1 July 2017 to 30 June 2018, as well as our statistical findings from external administrators' reports lodged electronically when a company enters external administration (EXAD) status (initial external administrators' reports).

### About ASIC regulatory documents

In administering legislation, ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Previous five reports

Report number	Report date	Financial year covered
<a href="#">REP 558</a>	December 2017	2016–17
<a href="#">REP 507</a>	December 2016	2015–16
<a href="#">REP 456</a>	November 2015	2014–15
<a href="#">REP 412</a>	September 2014	2013–14
<a href="#">REP 372</a>	October 2013	2012–13

Note: See the [external administrators reports webpage](#) on the ASIC website for a full list of previous reports.

### Disclaimer

This report has not been prepared for and should not be relied on for commercial use. In compiling the statistics in this report, ASIC has relied on the information in the external administrators' reports lodged electronically with ASIC.

Other than as discussed in Section B of this report, ASIC has not verified or sought to confirm the accuracy of any information in the external administrators' reports lodged electronically. Accordingly, the statistics in this report cannot be construed or relied on as representing a complete and accurate depiction or statement about the matters or events to which the statistics relate.

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## A Executive summary

### ASIC and company insolvency

- 1 One of ASIC's regulatory responsibilities is the administration of the insolvency-related provisions of the *Corporations Act 2001* (Corporations Act), including the Insolvency Practice Schedule (Corporations) in Sch 2 to the Corporations Act (Sch 2) and the Insolvency Practice Rules (Corporations) 2016. Table 1 reflects the breadth of this responsibility.

**Table 1: ASIC's activities in insolvency**

Stakeholder	ASIC activities
<b>Companies and company officers</b>	<ul style="list-style-type: none"> <li>Investigating possible misconduct associated with the collapse of a company reported to ASIC by external administrators (including suspected insolvent trading and possible breach of directors' duties) and, if appropriate, taking enforcement action</li> <li>Targeted surveillance of and action against directors with a history of failed companies where allegations of illegal phoenix activity exist</li> <li>Deregistering companies</li> <li>Disqualifying directors of failed companies</li> </ul>
<b>Insolvency practitioners</b>	<ul style="list-style-type: none"> <li>Registering liquidators, following a decision of a committee convened to consider liquidator registration applications</li> <li>Assisting external administrators in the conduct of external administrations, through our Liquidator Assistance Program, and prosecuting directors who do not provide books and records or reports to external administrators</li> <li>Administering the Assetless Administration Fund (AA Fund), which finances liquidators' preliminary investigations and reports into the failure of companies with few or no assets when it appears to ASIC that enforcement action may be warranted as a result of the investigations and reports</li> <li>Appointing liquidators to abandoned companies, which helps employees access their entitlements under the Fair Entitlements Guarantee (FEG)</li> <li>Assessing external administrators' reports lodged with ASIC as part of their statutory responsibilities to investigate company failure and report findings to ASIC</li> <li>Investigating possible misconduct by registered liquidators in their conduct of external administrations and, where appropriate, entering into court enforceable undertakings, or referring the conduct to the court or a committee convened under Subdiv E of Sch 2.</li> <li>Enforcing the law against registered liquidators who facilitate illegal phoenix activity and disrupting collusion between pre-insolvency advisers, directors and registered liquidators on illegal phoenix activity.</li> </ul>

Stakeholder	ASIC activities
All stakeholders	<ul style="list-style-type: none"> <li>• Developing ASIC policy and guidance on the insolvency-related provisions of the Corporations Act</li> <li>• Contributing to government policy development through formal submissions on potential legislative reform and its possible impact on the Australian corporate insolvency market</li> <li>• Publishing statistics on corporate insolvency about: <ul style="list-style-type: none"> <li>– companies entering external administration</li> <li>– insolvency appointments</li> <li>– findings from reports lodged by liquidators, receivers and voluntary administrators</li> </ul> </li> </ul>

## About this report

- 2 This statistical report provides a broad picture of corporate insolvencies in Australia for the information of the insolvency profession, creditors, academics, the Australian Government and other interested stakeholders. This report covers the financial year 2017–18.
- Note: In this report, spans of two years (e.g. 2017–18) always refer to financial years.
- 3 We compiled this report from the estimates and opinions contained in statutory reports lodged with ASIC by liquidators, receivers and voluntary administrators (external administrators' reports) in the format of Schedule B to [Regulatory Guide 16](#) *External administrators: Reporting and lodging* (RG 16) (Schedule B report).
- 4 Liquidators, receivers and voluntary administrators (external administrators) must lodge reports under the following sections of the Corporations Act:
- (a) s533 (by a liquidator);
  - (b) s422 (by a receiver); and
  - (c) s438D (by a voluntary administrator).
- 5 External administrators must lodge a report with ASIC as soon as practicable:
- (a) when they suspect an offence under an Australian law, or instances of negligence or misconduct relating to the company to which they are appointed; or
  - (b) in the case of a liquidation only, having concluded unsecured creditors are unlikely to receive more than 50 cents in the dollar dividend.
- 6 An external administrator must lodge a report as soon as practicable and, in any event, within six months after it appears to them that any of the conditions in the following sections apply:
- (a) s533(1)(a), (b) or (c) (for liquidators);
  - (b) s422(1)(a) or (b) (for receivers); and
  - (c) s438D(1)(a) or (b) (for voluntary administrators).

- 7 We also ask external administrators to submit financial and other data when they complete an external administrator report.
- 8 When interpreting the statistics in this report, certain conditions and limitations should be kept in mind: see Section B.
- 9 Section C of this report provides data on the total number of external administrators' reports lodged in 2017–18, as well as the proportion of these that comprised *initial* external administrators' reports (i.e. the first electronically lodged Schedule B report after a company has entered external administration). Section D of this report presents our statistical findings from these initial external administrators' reports for the period 2017–18.

### Percentages in this report

- 10 Percentages may not add up to 100% due to rounding. In this section, we have rounded the percentages to whole numbers. In Sections C and D, we have rounded to one decimal place.

## Summary of main statistical findings

- 11 The total number of external administrators' reports lodged in 2017–18 was 8,202. Initial external administrators' reports comprised almost 93% of this total (or 7,613 reports).
- 12 All 8,202 external administrators' reports were lodged electronically, except for three reports (i.e. 99.9% were lodged electronically).
- 13 Table 2 summarises the main findings relating to the initial external administrators' reports for 2017–18 (presented in Section D), and includes comparative data for the previous two reporting periods.

Note: For the data for previous reporting periods, see the [external administrator reports webpage](#) on the ASIC website.

**Table 2: Summary of findings—Initial external administrators' reports (2015–16 to 2017–18)**

Profile of companies	2017–18	2016–17	2015–16
<b>Number of employees affected</b>	78% of reports concerned companies with less than 20 employees	79% of reports concerned companies with less than 20 employees	79% of reports concerned companies with less than 20 employees

Profile of companies	2017–18	2016–17	2015–16
<b>Industries with most lodgements</b>	<ul style="list-style-type: none"> <li>Other (business and personal) services (2,150 reports or 28%)</li> <li>Construction (1,642 reports or 22%)</li> <li>Accommodation and food services (1,064 reports or 14%)</li> </ul>	<ul style="list-style-type: none"> <li>Other (business and personal) services (2,230 reports or 29%)</li> <li>Construction (1,611 reports or 21%)</li> <li>Accommodation and food services (884 reports or 11%)</li> </ul>	<ul style="list-style-type: none"> <li>Other (business and personal) services (2,889 reports or 31%)</li> <li>Construction (1,964 reports or 21%)</li> <li>Accommodation and food services (928 reports or 10%)</li> </ul>
<b>Assets and liabilities</b>	<ul style="list-style-type: none"> <li>84% of failed companies had estimated assets of \$100,000 or less</li> <li>39% of failed companies had estimated liabilities of \$250,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>84% of failed companies had estimated assets of \$100,000 or less</li> <li>43% of failed companies had estimated liabilities of \$250,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>86% of failed companies had estimated assets of \$100,000 or less</li> <li>46% of failed companies had estimated liabilities of \$250,000 or less</li> </ul>
<b>Deficiency</b>	62% of failed companies had an estimated deficiency of \$500,000 or less	64% of failed companies had an estimated deficiency of \$500,000 or less	68% of failed companies had an estimated deficiency of \$500,000 or less
<b>Top 3 nominated causes of failure</b>	<ul style="list-style-type: none"> <li>Inadequate cash flow or high cash use (3,743 or 49% of reports)</li> <li>Poor strategic management of business (3,484 or 46% of reports)</li> <li>Trading losses (2,994 or 39% of reports)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate cash flow or high cash use (3,626 or 47% of reports)</li> <li>Poor strategic management of business (3,542 or 46% of reports)</li> <li>Trading losses (2,753 or 35% of reports)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate cash flow or high cash use (4,318 or 46% of reports)</li> <li>Poor strategic management of business (4,315 or 46% of reports)</li> <li>Poor financial control, including lack of records (3,183 or 34% of reports)</li> </ul>
<b>Top 3 alleged possible misconduct</b>	<ul style="list-style-type: none"> <li>s588G(1)–(2) Insolvent trading (5,264 or 69% of reports)</li> <li>s180 Care and diligence—Directors' and officers' duties (4,097 or 54% of reports)</li> <li>s286 and 344(1) Obligation to keep financial records (3,329 or 44% of reports)</li> </ul>	<ul style="list-style-type: none"> <li>s588G(1)–(2) Insolvent trading (4,878 or 63% of reports)</li> <li>s180 Care and diligence—Directors' and officers' duties (3,818 or 49% of reports)</li> <li>s286 and 344(1) Obligation to keep financial records (3,335 or 43% of reports)</li> </ul>	<ul style="list-style-type: none"> <li>s588G(1)–(2) Insolvent trading (5,736 or 61% of reports)</li> <li>s286 and 344(1) Obligation to keep financial records (3,957 or 42% of reports)</li> <li>s180 Care and diligence—Directors' and officers' duties (3,636 or 38% of reports)</li> </ul>
<b>Dividends to unsecured creditors</b>	In 97% of cases, the dividend estimate was less than 11 cents in the dollar	In 96% of cases, the dividend estimate was less than 11 cents in the dollar	In 97% of cases, the dividend estimate was less than 11 cents in the dollar

Note 1: The term 'reports' in this table means 'initial external administrators' reports'.

Note 2: The figure given for alleged possible misconduct under s286 and 344(1) for 2015–16 has been corrected from the figure given in Table 2 of [REP 507](#).

Note 3: The third top nominated cause of failure in 2016-17 was trading losses, which has been corrected from the cause given in Table 2 of [REP 558](#).

## B Conditions and limitations on the statistics

### Key points

This section explains the conditions and limitations relating to the statistics in this report, including:

- the general conditions and limitations to the statistics in this report; and
- specific conditions and limitations relating to the statistical findings in Section D, which are based on initial external administrators' reports.

### General conditions and limitations

- 14 When interpreting the statistics in this report, the following conditions and limitations should be kept in mind:
- The statistics in this report do not directly correlate with the monthly statistics for 'Companies entering external administration' and 'Insolvency appointments' on ASIC's website due to the time difference in lodgement of external administrators' reports: see Table 6. External administrators are not required to lodge reports where the pre-conditions of s422, 438D or 533 of the Corporations Act are not met.
  - Some external administrators' reports are lodged for statistical purposes only, rather than under the Corporations Act. For example, a liquidator may choose to lodge a report for a company with no suspected misconduct and with an estimated dividend of more than 50 cents in the dollar. Therefore, this report includes financial and other data from these lodgements in the aggregated statistics.

### Conditions and limitations on statistics in Section D

- 15 To avoid double counting, all statistics in Section D are compiled only from the initial external administrator report lodged electronically when the company enters external administration (EXAD) status. This allows for the following situations:
- While a company is in EXAD status, it may be subject to more than one appointment type. Even though a report may be lodged for each appointment type, the statistics only include the first electronically lodged report for the company.
  - More than one report may also be lodged for each appointment type. Again, the statistics only include the first electronically lodged report.



- (c) A company may go in and out of EXAD status more than once. For each period in EXAD status, only the first electronically lodged report is included.
- 16 Financial information provided in an initial external administrator report reflects estimates and opinions of the external administrator at a point in time. The statistics do not reflect revised information from subsequent or updated reports.
- 17 Information about alleged civil and criminal misconduct by directors provided in an initial external administrator report reflect the opinions of the external administrator at a point in time, and not those of ASIC.
- 18 When completing the initial external administrator report, the external administrator selects from a predetermined set of options for qualitative questions, and ranges for quantitative questions. Limited testing carried out by ASIC while compiling these statistics identified a small number of reports with estimated employee entitlements inconsistent with other responses in those reports (e.g. very high unpaid employee entitlements but less than five employees; high unpaid employee entitlements that are significantly greater than estimated total liabilities). These reports have been eliminated from the employee entitlements statistics where the impact was material.
- 19 The top 12 industries by number of initial external administrators' reports lodged are shown for some statistics by industry, with remaining industries grouped under 'Other industries'.
- 20 Statistics presented by region use the latest registered address on ASIC's corporate database (ASCOT). When an external administrator from another region becomes the external administrator and changes the registered office address on ASCOT, the new address is used. The regional statistics do not include companies with an international registered address.

## C Lodgement of external administrators' reports

### Key points

This section provides statistics on the total lodgements of external administrators' reports, including statistics on:

- the method of lodgement (electronic and manual) compared with previous years; and
- the proportion of external administrators' reports that comprise initial external administrators' reports, as well as statistics on the timing of lodgement of these reports compared with the two previous reporting periods.

### Total lodgements of external administrators' reports

- 21 The total number of external administrators' reports lodged decreased from 8,425 in 2016–17 to 8,202 in 2017–18: see Table 3.
- 22 The percentage of electronically lodged reports for 2017–18 has increased to 99.9%, compared with 36.8% in 2002–03 (when electronic lodgement first became available). The number of reports lodged directly by external administrators through the registered liquidators' portal increased marginally from 98.3% in 2016–17 to 99.0% in 2017–18: see also Figure 1.

**Table 3: Total external administrators' reports by lodgement type (1 July 2015 to 30 June 2018)**

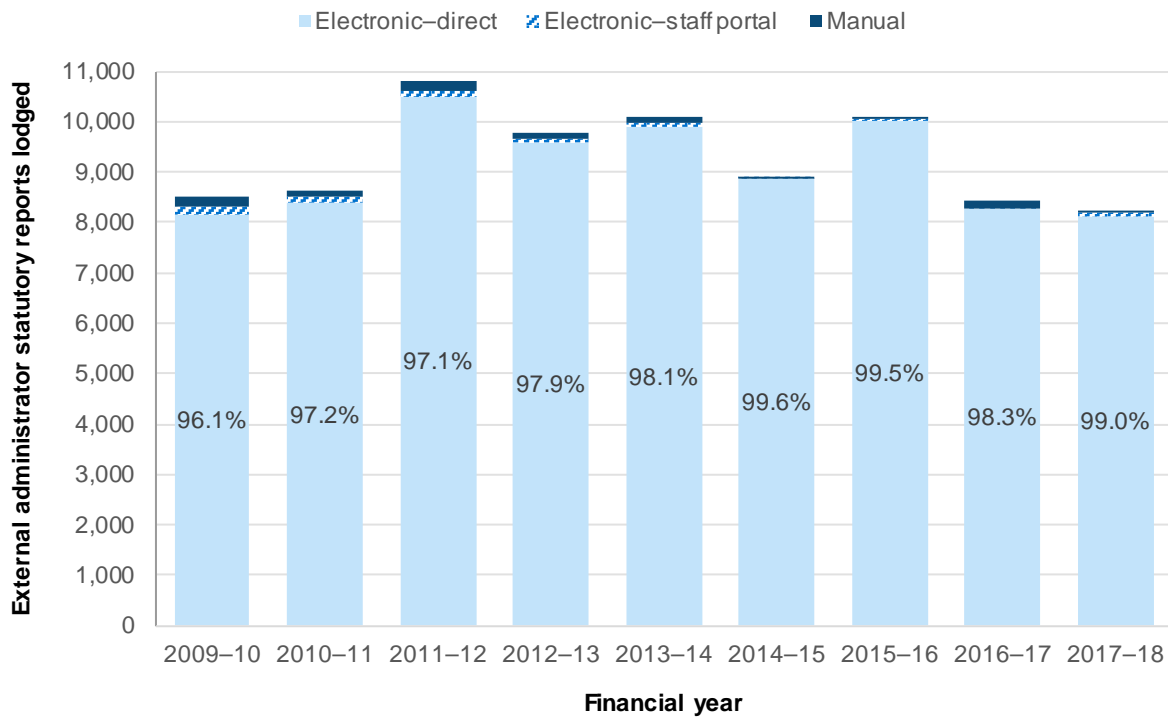
Lodgement type	2017–18		2016–17		2015–16	
	Number	Percentage	Number	Percentage	Number	Percentage
Electronic—direct	8,124	99.0%	8,283	98.3%	10,028	99.5%
Electronic—staff portal	75	0.9%	4	0.0%	33	0.3%
Manual	3	0.0%	138	1.6%	17	0.2%
<b>Total</b>	<b>8,202</b>	<b>100.0%</b>	<b>8,425</b>	<b>100.0%</b>	<b>10,078</b>	<b>100.0%</b>

Note 1: 'Electronic—direct' means Schedule B reports lodged directly by external administrators through the registered liquidators' portal.

Note 2: 'Electronic—staff portal' means Schedule B reports lodged on paper by external administrators in the Schedule B report format and subsequently entered by ASIC staff through the staff portal.

Note 3: 'Manual' means reports (not in the Schedule B report format) lodged on paper by external administrators. However, it excludes supplementary reports (Schedule C reports).

**Figure 1: Total external administrators' reports by lodgement type (1 July 2009 to 30 June 2018)**



Note 1: See Table 44 in the appendix for the complete data used in this figure (accessible version).

Note 2: 'Electronic—direct' means Schedule B reports lodged directly by external administrators through the registered liquidators' portal.

Note 3: 'Electronic—staff portal' means Schedule B reports lodged on paper by external administrators in the Schedule B report format and subsequently entered by ASIC staff through the staff portal.

Note 4: 'Manual' means reports (not in the Schedule B report format) lodged on paper by external administrators. However, it excludes supplementary reports (Schedule C reports).

## Lodgements of initial external administrators' reports

23 Table 4 shows the number of initial external administrators' reports lodged in 2017-18 and the previous two financial years.

**Table 4: Total initial external administrators' reports (1 July 2015 to 30 June 2018)**

2017-18	2016-17	2015-16
7,613	7,765	9,465

24 In 2017-18, initial external administrators' reports made up 92.8% (or 7,613 reports) of the total number of external administrators' reports lodged. This compares with 92.2% (or 7,765 reports) in 2016-17.

## Timing of lodgement

25 Table 5 shows the percentage of initial external administrators' reports lodged within six months of, and more than 12 months after, the appointment of the external administrator—compared with the previous two financial years.

**Table 5: Initial external administrators' reports by timing of lodgement after appointment (1 July 2015 to 30 June 2018)**

Financial year	Reports lodged within six months	Reports lodged after 12 months or more
2017-18	67.3%	11.5%
2016-17	56.5%	15.7%
2015-16	59.2%	14.6%

26 Section D sets out the statistics relating to the initial external administrators' reports lodged in 2017-18.

## D Statistical findings from initial external administrators' reports

### Key points

This section presents our detailed findings from initial external administrators' reports lodged electronically in 2017–18.

In paragraphs 56–71, details of alleged criminal and civil breaches of the insolvent trading provisions of the Corporations Act. Highlights include:

- External administrators had evidence for 4,505 reports of alleged civil insolvent trading. Of these, 3,572 (or 79.3%) estimated debts incurred while insolvent were below \$1 million and 3,929 (or 87.2%) had 50 or fewer unsecured creditors.
- When assessing a recovery action's merits, one other factor external administrators consider is the availability of assets to fund that action (absent creditor or third party funding). Most reports alleging a civil breach (3,680 or 81.7%) disclosed assets of less than \$100,000.
- External administrators had evidence for 79 reports of alleged criminal insolvent trading. Of these, 42 (or 53.2%) estimated debts incurred while insolvent were below \$1 million and 66 (or 83.5%) had 50 or fewer unsecured creditors.
- Only four reports (5.1%) alleging a criminal breach involved more than 200 creditors. Three of these reports estimated debts incurred while insolvent of \$1 million to \$5 million whilst one report estimated debts incurred while insolvent of over \$5 million.

As in our previous reports, highlighted here are figures that changed by three percentage points or more from the previous financial year (i.e. 2016–17):

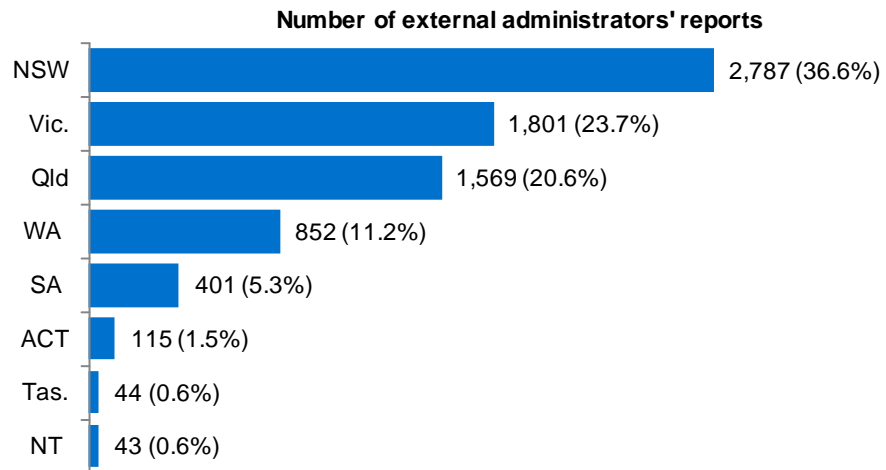
- Reports lodged more than 2 months and less than 6 months after appointment increased from 44.0% to 54.7% of reports lodged, while reports lodged more than 6 months but less than 12 months after appointment fell from 27.8% to 21.2%, and reports lodged more than 12 months after appointment fell from 15.7% to 11.5%.
- Reports citing trading losses as a cause of failure increased from 35.5% to 39.3%.
- Reports with estimated liabilities of less than \$250,000 fell from 42.7% to 39.1% of reports lodged.
- Reports with estimated liquidator's remuneration of zero fell from 25.9% to 23.1% of reports. Estimates of remuneration of between \$1 and less than \$50,000 increased from 60.2% to 63.9% of reports.
- Reports alleging a civil breach of insolvent trading increased by 6.3 percentage points to 69.1% of reports.
- There was an increase of more than 3 percentage points in reports alleging breaches of s180 (4.6 percentage points), s181 (3.6 percentage points) and s182 (3.1 percentage points).

Note: The term 'reports' in this section means 'initial external administrators' reports'.

## Lodgement by region

27 Most reports in 2017–18 related to companies registered in New South Wales (2,787 reports or 36.6%), followed by Victoria (1,801 reports or 23.7%) and Queensland (1,569 reports or 20.6%). The five remaining states and territories made up 19.1% of reports: see Figure 2.

**Figure 2: Initial external administrators' reports by region (1 July 2017 to 30 June 2018)**



Note 1: See Table 45 in the appendix for the complete data used in this figure (accessible version).

Note 2: One company with an international registered address is not included in regional statistics.

## Lodgement period

28 In 2017–18, 67.3% of reports were lodged within six months of the external administrator's appointment (this compares with 56.5% in 2016–17). Another 11.5% of reports were lodged more than 12 months after the appointment: see Table 6.

**Table 6: Initial external administrators' reports by lodgement period after appointment (1 July 2017 to 30 June 2018)**

Lodgement period after appointment	Number	Percentage
Less than 2 months	957	12.6%
2 months to less than 6 months	4,164	54.7%
6 months to less than 12 months	1,615	21.2%
12 months or more	877	11.5%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>

Note 1: A liquidator appointed after 31 December 2007 must lodge reports as soon as practicable, and in any event within six months after it appears to the liquidator that any of the conditions in s533(1)(a), (b) or (c) apply.

Note 2: The result does not reflect instances where the first electronically lodged report was not the first report lodged.

## Section lodged under

- 29 Most reports in 2017–18 (92.5%) were lodged by liquidators for the purpose of complying with s533 of the Corporations Act: see Table 7.

**Table 7: Initial external administrators' reports by section of the Corporations Act (1 July 2017 to 30 June 2018)**

Section of Corporations Act	Number	Percentage
Section 422 (reports by receiver)	24	0.3%
Section 438D (reports by administrator)	545	7.2%
Section 533 (reports by liquidator)	7,040	92.5%
Statistical purposes	4	0.1%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>

Note: Each report lodged for a statistical purpose reported no suspected misconduct and estimated a dividend of more than 50 cents in the dollar.

## Size of company

- 30 The number of employees or the number of full-time equivalent (FTE) employees is used as a measure of the size of the company. In 2017–18, 78.2% of reports related to companies with less than 20 employees: see Table 8.

**Table 8: Initial external administrators' reports—Size of company as measured by number of FTEs (1 July 2017 to 30 June 2018)**

Number of FTE employees	Number	Percentage
Less than 5	4,953	65.1%
5–19	999	13.1%
20–199	354	4.6%
200 or more	18	0.2%
Not known	1,289	16.9%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>

## Industry

- 31 In 2017–18, the three industries with the highest number of reports lodged were Other (business and personal) services (2,150 reports or 28.2%), Construction (1,642 reports or 21.6%) and Accommodation and food services (1,064 reports or 14%): see Table 9.
- 32 The top 12 industries have not changed from the previous year. The top six industries have not changed position from the previous year. Rankings 7 to 12 changed position: Information media and telecommunications, Professional, scientific and technical services, and Wholesale trade moved up to rankings of 7, 8 and 9 respectively. Mining, Electricity, gas, water and waste services, and Rental, hiring and real estate services moved down to rankings of 10, 11 and 12 respectively: see Section B.

**Table 9: Initial external administrators' reports by industry type (1 July 2017 to 30 June 2018)**

Ranking	Industry type	Number	Percentage
1	Other (business and personal) services	2,150	28.2%
2	Construction	1,642	21.6%
3	Accommodation and food services	1,064	14.0%
4	Retail trade	592	7.8%
5	Transport, postal and warehousing	379	5.0%
6	Manufacturing	293	3.8%
7	Information media and telecommunications	165	2.2%
8	Professional, scientific and technical services	162	2.1%
9	Wholesale trade	146	1.9%
10	Mining	140	1.8%
11	Electricity, gas, water and waste services	139	1.8%
12	Rental, hiring and real estate services	136	1.8%
13	Education and training	133	1.7%
14	Agriculture, forestry and fishing	124	1.6%
15	FIS—Other financial services	97	1.3%
16	Administrative and support services	66	0.9%
17	Health care and social assistance	66	0.9%



Ranking	Industry type	Number	Percentage
18	Arts and recreation services	59	0.8%
19	FIS—Managed investments	26	0.3%
20	FIS—Credit provider	14	0.2%
21	FIS—Insurance	12	0.2%
22	Public administration and safety	6	0.1%
23	FIS—Superannuation	2	0.0%
24	FIS—Deposit taking institutions	0	0.0%
<b>Total</b>		<b>7,613</b>	<b>100.0%</b>

## Nominated causes of failure

- 33 There is commonly more than one reason for a company's failure. External administrators nominated an average of between two and three causes of failure per report in 2017–18.
- 34 The top three nominated causes of failure for companies are the same as last year (see Table 10):
- (a) inadequate cash flow or high cash use (3,743 or 49.2% of reports);
  - (b) poor strategic management of business (3,484 or 45.8% of reports); and
  - (c) trading losses (2,994 or 39.3% of reports).
- 35 Of the top 12 industries, the three industries that most exceeded the average percentage across all industries of reports for these three causes of failure were as follows:
- (a) *Inadequate cash flow or high cash use*: Wholesale trade (56.8% of reports), Manufacturing (55.6% of reports) and Mining (52.9% of reports);
  - (b) *Poor strategic management of business*: Rental, hiring and real estate services (51.5% of reports), Wholesale trade (48.6% of reports) and Professional, scientific and technical services (48.1% of reports); and
  - (c) *Trading losses*: Accommodation and food services (52.6% of reports), Retail trade (50.3% of reports) and Manufacturing (49.5% of reports).
- 36 All regions, except New South Wales and Tasmania, shared the same top three causes: see Table 11.

**Table 10: Initial external administrators' reports—Nominated causes of failure by industry (1 July 2017 to 30 June 2018)**

Causes of failure	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total
Under-capitalisation	424	436	309	134	84	82	44	37	42	57	31	26	119	1,825
Poor financial control, including lack of records	930	645	358	189	165	93	45	41	40	28	52	36	152	2,774
Poor management of accounts receivable	242	326	33	38	50	44	21	20	27	10	25	10	55	901
Poor strategic management of business	1,013	759	499	272	174	131	78	78	71	46	65	70	228	3,484
Inadequate cash flow or high cash use	1,015	860	554	292	191	163	76	74	83	74	73	59	229	3,743
Poor economic conditions	180	189	188	127	45	57	7	20	19	49	22	30	65	998
Natural disaster	5	5	7	3	2	1	0	0	0	0	0	7	6	36
Fraud	40	10	11	3	11	8	3	13	2	0	1	4	19	125
Deed of company arrangement failed	4	4	1	3	1	1	0	1	1	1	0	1	2	20
Dispute among directors	53	40	31	10	6	12	6	18	4	5	3	12	21	221
Trading losses	720	591	560	298	136	145	72	58	65	51	59	36	203	2,994
Industry restructuring	20	11	4	20	7	8	6	8	10	23	4	1	48	170
Other	744	526	319	191	121	93	62	66	50	54	49	48	263	2,586
<b>Total</b>	<b>5,390</b>	<b>4,402</b>	<b>2,874</b>	<b>1,580</b>	<b>993</b>	<b>838</b>	<b>420</b>	<b>434</b>	<b>414</b>	<b>398</b>	<b>384</b>	<b>340</b>	<b>1,410</b>	<b>19,877</b>

Note: 'Other industries' include Administrative and support services, Agriculture, forestry and fishing, Arts and recreation services, Education and training, Health care and social assistance, Public administration and safety, and all FIS sub-categories.

**Table 11: Initial external administrators' reports—Nominated causes of failure by region (1 July 2017 to 30 June 2018)**

Causes of failure	ACT	NSW	NT	Qld	SA	Tas.	Vic.	WA	Total
Under-capitalisation	46	627	7	384	71	11	444	235	1,825
Poor financial control, including lack of records	38	1,258	10	430	106	13	611	308	2,774
Poor management of accounts receivable	10	317	5	208	33	11	203	114	901
Poor strategic management of business	54	1,229	18	798	198	17	757	413	3,484
Inadequate cash flow or high cash use	61	1,381	21	755	183	31	826	485	3,743
Poor economic conditions	8	190	11	296	79	7	143	264	998
Natural disaster	1	8	0	19	1	0	5	2	36
Fraud	2	49	2	14	9	1	36	12	125
Deed of company arrangement failed	1	4	0	6	0	0	5	4	20
Dispute among directors	8	71	1	46	8	0	53	34	221
Trading losses	58	999	26	605	179	26	652	448	2,993
Industry restructuring	0	31	0	67	5	3	57	7	170
Other	39	1,117	18	465	132	22	534	259	2,586
<b>Total</b>	<b>326</b>	<b>7,281</b>	<b>119</b>	<b>4,093</b>	<b>1,004</b>	<b>142</b>	<b>4,326</b>	<b>2,585</b>	<b>19,876</b>

Note: Causes of failure for companies with international registered addresses are not included in regional statistics.

## Possible misconduct

37 In 2017–18, external administrators alleged misconduct in 6,577 or 86.4% of reports. External administrators reported 20,015 possible breaches, at an average of three breaches per report, where possible misconduct was reported: see Table 12. See Table 14 for reports where external administrators had evidence and recommended further investigation.

**Table 12: Initial external administrators' reports—Possible misconduct (1 July 2017 to 30 June 2018)**

Reported misconduct	Number of reports	Percentage of reports	Number of breaches
No misconduct reported	1,036	13.6%	–
Possible misconduct reported	6,577	86.4%	20,015
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>	<b>20,015</b>

38 As a result of the reports lodged, we asked the external administrator to prepare a supplementary report under s422, 438D or 533 for 897 (13.6%) of the 6,577 reports for 2017–18 where they identified possible misconduct. The request for an additional report is a function of our assessment of risk and allows us to determine which matters to investigate further. Our risk assessment is based on a number of factors, including, but not limited to:

- (a) the nature of the possible misconduct reported;
- (b) the amount of liabilities;
- (c) the deficiency suffered;
- (d) the availability of evidence;
- (e) prior misconduct; and
- (f) the advice of the external administrator that the reported possible misconduct warrants further investigation.

39 Alleged criminal misconduct has been split between alleged misconduct occurring before the appointment of the external administrator (pre-appointment misconduct) and post-appointment misconduct related to directors' and officers' failure to assist the liquidator. In 2017–18, 10.6% of all reported misconduct related to post-appointment misconduct: see Table 13.

40 Alleged breaches of civil obligations are the most common breaches (16,748 or 83.7% of all reported misconduct). For a detailed analysis of civil breaches by section of the Corporations Act, industry and region, see Table 30 and Table 32.

**Table 13: Initial external administrators' reports—Categories of possible misconduct (1 July 2017 to 30 June 2018)**

Categories of possible misconduct	Number of breaches	Percentage of breaches
Alleged criminal misconduct under Corporations Act by officers or employees <i>before</i> appointment of external administrator	946	4.7%
Alleged criminal misconduct under Corporations Act by officers or employees <i>after</i> appointment of external administrator	2,123	10.6%
Alleged breaches of civil obligations	16,748	83.7%
Other criminal offences	64	0.3%
Other possible misconduct	134	0.7%
<b>Total</b>	<b>20,015</b>	<b>100.0%</b>

Note 1: 'Other criminal offences' include breaches by a member or contributory under the Corporations Act, or breaches under other Commonwealth statutes or state or territory laws.

Note 2: 'Other possible misconduct' relates to people who have taken part in the formation, promotion, administration, management or winding-up of the company and may have misapplied or retained, or become liable or accountable for, any money or property of the company; or been guilty of any negligence, default, breach of duty or trust in relation to the company.

## Documentary evidence and further inquiry

- 41 External administrators confirmed they had documentary evidence to support alleged pre-appointment misconduct for 5,618 reports (73.8%) for 2017–18: see Table 14. Of these, they considered that only 2,601 reports (34.2%) warranted ASIC's inquiry into the alleged misconduct, based on their assessment of the information and documentary evidence available.

**Table 14: Initial external administrators' reports—Possible pre-appointment misconduct reported (1 July 2017 to 30 June 2018)**

Documentary evidence	Yes/No	Number of reports	Percentage of reports	Number of breaches
Did the external administrator have documentary evidence to support the allegation?	Yes	5,618	73.8%	14,440
	No	847	11.1%	3,256
	<b>Total</b>	<b>6,465</b>	<b>84.9%</b>	<b>17,696</b>
Of those with documentary evidence, did the external administrator recommend further inquiry by ASIC?	Yes	2,601	34.2%	–
	No	3,017	39.6%	–
	<b>Total</b>	<b>5,618</b>	<b>73.8%</b>	–

Documentary evidence	Yes/No	Number of reports	Percentage of reports	Number of breaches
Was the external administrator aware of another person with documentary evidence?	Yes	491	6.4%	1,209
	No	5,974	78.5%	16,487
	<b>Total</b>	<b>6,465</b>	<b>84.9%</b>	<b>17,696</b>
Where the evidence was with another person, did the external administrator recommend further inquiry by ASIC?	Yes	270	3.5%	–
	No	221	2.9%	–
	<b>Total</b>	<b>491</b>	<b>6.4%</b>	<b>–</b>

Note: 'Pre-appointment misconduct' refers to pre-appointment criminal misconduct, alleged breaches of civil obligations, other criminal offences and other possible misconduct.

42 Documentary evidence in the possession of a third party was identified in 491 reports. Based on this and their assessment, the external administrator recommended we make further inquiry in 270 reports.

Note: For all of the 270 reports where evidence was identified as being with a third party, the external administrator also held evidence. Therefore, these 270 reports were also included in the 2,601 reports where the external administrator recommended further inquiry.

43 We requested supplementary reports (or Schedule C reports) for 604 (23.2%) of the 2,601 reports where external administrators alleged misconduct and advised that they held evidence and recommended further inquiry by ASIC. We requested a further 293 supplementary reports (897 in total for 2017–18) where external administrators had not recommended further inquiry but the matter met our risk assessment criteria: see paragraph 38.

44 One of the criteria we consider as part of our risk assessment is the size of the reported deficiency. Table 15 sets out an analysis of the size of the deficiency reported in external administrator reports (where misconduct is alleged, evidence is held by the liquidator and further inquiry by ASIC is recommended). We requested the preparation of 78 supplementary reports by external administrators where the reports related to deficiencies of \$5 million or more.

**Table 15: Initial external administrators' reports—Reports alleging misconduct (with evidence held and further inquiry recommended) by deficiency size (1 July 2017 to 30 June 2018)**

Deficiency	Schedule C report requested	Assessed and recorded	Total
\$0–\$50,000	36	157	193
\$50,001–\$250,000	137	586	723
\$250,001 to less than \$500,000	102	421	523
\$500,000 to less than \$1 million	89	313	402
\$1 million to less than \$5 million	162	364	526

Deficiency	Schedule C report requested	Assessed and recorded	Total
\$5 million to \$10 million	28	39	67
Over \$10 million	50	117	167
<b>Total</b>	<b>604</b>	<b>1,997</b>	<b>2,601</b>

Note: Of the 117 reports with a deficiency over \$10 million that were assessed and recorded, 71 were merged with other activities that may have included a request for a Schedule C report.

- 45 It is important to note that an external administrator's report of misconduct is an allegation and may not be substantiated by sufficient evidence to warrant action. We will not take action in every instance an external administrator reports alleged misconduct and we obtain a supplementary report. [Information Sheet 151](#) ASIC's approach to enforcement (INFO 151) sets out the matters we consider before taking further action after completing our assessment of a supplementary report.

## Alleged criminal misconduct

### Pre-appointment criminal misconduct

- 46 Statistics for alleged pre-appointment criminal misconduct, as identified and reported by external administrators, are shown by industry and region: see Table 29 and Table 31. These tables also show the number of reports where the external administrator is able to advise that evidence is available. Pre-appointment criminal misconduct predominantly relates to the conduct of an officer or director of the company before the appointment of the external administrator.
- 47 External administrators reported that they held evidence for 760 (80.3%) out of 946 possible criminal breaches reported in 2017–18.
- 48 The top three nominated criminal breaches for companies for 2017–18 were:
- Section 184 Good faith, use of position and use of information:* 341 breaches reported (4.5% of reports);
  - Sections 286 and 344(2) Obligations to keep financial records:* 199 breaches reported (2.6% of reports); and
  - Section 590 Offences by officers:* 141 breaches reported (1.9% of reports).
- 49 Insolvent trading was the fourth-most nominated criminal breach for 2017–18, having fallen out of the top three in 2016–17, for the first time since reporting commenced in the 2004–05 financial year.
- 50 Of the top 12 industries, the three industries that most exceeded the average percentage across all industries of reports for these three nominated criminal breaches were:
- Section 184 Good faith, use of position and use of information:* Professional, scientific and technical services (9.9% of reports), Other

(business and personal) services (6.6% of reports) and Rental, hiring and real estate services (5.1% of reports).

Note: Seven industries grouped in the 'Other industries' category exceeded the average 4.5% of reports for s184 Good faith, use of position and use of information. The three that most exceeded were FIS—Superannuation (50% of reports), Education and training (15% of reports) and FIS—Managed investments (11.5% of reports).

(b) *Sections 286 and 344(2) Obligations to keep financial records:*

Professional, scientific and technical services (9.3% of reports), Rental, hiring and real estate services (4.4% of reports) and Other (business and personal) services (3.6% of reports).

Note: Six industries grouped in the 'Other industries' category exceeded the average 2.6% of reports for s286 and 344(2) Obligations to keep financial records. The three industries that most exceeded this average were FIS—Insurance (8.3% reports), FIS—Managed investments (7.7% of reports) and FIS—Credit provider (7.1% of reports).

(c) *Section 590 Offences by officers:* Professional, scientific and technical services (6.8% of reports), Rental, hiring and real estate services (2.9% of reports) and Transport, postal and warehousing (2.9% of reports).

Note: Four industries grouped in the 'Other industries' category exceeded the average 1.9% of reports for s590 Offences by officers. The three industries that most exceeded this average were FIS—Insurance (8.3% of reports), FIS—Managed investments (7.7% of reports) and Agriculture, forestry and fishing (6.5% of reports).

### Post-appointment criminal misconduct

- 51 Alleged post-appointment criminal misconduct reported by external administrators relates to officers of the company failing to assist external administrators following the appointment of the external administrator. The 2,123 post-appointment breaches related to 1,144 reports (53.9%): see Table 16.

**Table 16: Initial external administrators' reports—Possible post-appointment criminal misconduct reported by section of Corporations Act (1 July 2017 to 30 June 2018)**

Section of the Corporations Act	Number of breaches
Sections 429, 438B, 446C and 475 Report as to company's affairs	742
Section 530A Officers to help liquidator	748
Section 530B Requirement to provide liquidator with company's books	633
<b>Total</b>	<b>2,123</b>

Note: The Schedule B report format does not require external administrators to advise whether or not evidence is available to support the post-appointment misconduct reported in Table 16.

- 52 We assist external administrators, through our Liquidator Assistance Program, in obtaining compliance by officers with their obligations to prepare a report as to the company's affairs, provide relevant books and records, and assist liquidators.

Note: See [Report 532 ASIC regulation of registered liquidators: January to December 2016 \(REP 532\)](#) at paragraphs 112–114 for commentary on how we assist registered liquidators.



This is the latest report, as a new report is currently being prepared for the period January 2017 to June 2018 to align the report with financial years rather than calendar years.

## Alleged breaches of civil obligations

53 Statistics for alleged breaches of civil obligations are available by industry and region: see Table 30 and Table 32. The tables also show the number of reports where the external administrator is able to advise that evidence is available. External administrators reported that they held evidence for 13,677 (81.7%) out of 16,748 possible breaches of civil obligations reported in 2017–18.

54 The top three nominated civil breaches for companies in 2016–17 were the same as in the previous four years:

- (a) *Section 588G(1)–(2) Insolvent trading*: 5,264 breaches reported (69.2% of reports);
- (b) *Section 180 Care and diligence—Directors' and officers' duties*: 4,097 breaches reported (53.8% of reports); and
- (c) *Sections 286 and 344(1) Obligation to keep financial records*: 3,329 breaches reported (43.7% of reports).

55 Of the top 12 industries, the three industries that most exceeded the average percentage across all industries of reports for these three nominated breaches of civil obligations were:

- (a) *Section 588G(1)–(2) Insolvent trading*: Accommodation and food services (74% of reports), Retail trade (71.5% of reports) and Transport, postal and warehousing (71.2 of reports);

Note: Two industries grouped in the 'Other industries' category exceeded the average 69.2% of reports for s588G(1)–(2) Insolvent trading. The two industries were Health care and social assistance (75.8% of reports) and FIS—Insurance (75% of reports).

- (b) *Section 180 Care and diligence—Directors' and officers' duties*: Other (Business and Personal) services (59.1% of reports), Education and training (57.9% of reports) and Transport, postal and warehousing (56.6% of reports); and

Note: One industry grouped in the 'Other industries' category exceeded the average 53.8% of reports for s180 Care and diligence—Directors' and officers' duties. The industry was FIS—Credit provider (57.1% of reports).

- (c) *Sections 286 and 344(1) Obligation to keep financial records*: Other (business and personal) services (51.2% of reports), Transport, postal and warehousing (50.7% of reports) and Construction (44.7% of reports).

Note: One industry grouped in the 'Other industries' category exceeded the average 43.7% of reports for s286 and 344(1) Obligation to keep financial records. The industry was Administrative and support services (47% of reports).

### Alleged insolvent trading

- 56 Of the 7,613 reports lodged, a total of 115 reports (1.5%) alleged a breach of s588G(3) (criminal breach), and 5,265 reports (69.2%) alleged a breach of s588G(1)–(2) (civil breach).
- 57 Not all reports containing allegations of insolvent trading advised there was evidence to support the allegation. Of the reports lodged, the external administrator advised there was evidence in support of:
- (a) 79 reports of an alleged criminal breach (or 68.7% of the 115 reports lodged alleging a criminal breach); and
  - (b) 4,505 reports of an alleged civil breach (or 85.6% of the 5,265 reports lodged alleging a civil breach): see Table 17.

**Table 17: Initial external administrators' reports—Reports alleging insolvent trading (1 July 2017 to 30 June 2018)**

Insolvent trading	Number of reports	Percentage of reports
Evidence of a criminal breach (under s588(3) with liquidator and/or others	79	1.0%
No evidence of a criminal breach	36	0.5%
<b>Total reports alleging criminal breaches</b>	<b>115</b>	<b>1.5%</b>
Evidence of a civil breach (under s588G(1)–(2)) with liquidator and/or others	4,505	59.2%
No evidence of a civil breach	760	10.0%
<b>Total reports alleging civil breaches</b>	<b>5,265</b>	<b>69.2</b>

### Debts incurred while insolvent

- 58 Where external administrators advised that evidence existed for an alleged civil breach, most of these reports (3,572 or 79.3%) estimated that the debt incurred when the company was insolvent was less than \$1 million. Only 1.8%, or 83 reports, estimated that the amount of debt incurred while the company was insolvent was over \$5 million: see Table 18.
- 59 Where external administrators advised that evidence existed for an alleged criminal breach, most of these reports (42 or 53.2%) estimated that the debt incurred when the company was insolvent was less than \$1 million. Only 7.6%, or six reports, estimated that the amount of debt incurred while the company was insolvent was over \$5 million: see Table 18. For all six of these reports, we requested that the external administrator prepare a supplementary report. We subsequently agreed to fund two from the AA Fund, two are currently under consideration and we rejected one application. No funding

application or supplementary report has been received in the remaining matter. No supplementary reports have yet been received.

- 60 Where the external administrator reported that evidence existed, 8.8% of reports that alleged a civil breach and 25.3% of reports that alleged a criminal breach indicated that the debt incurred while the company was insolvent could not be determined: see Table 18.

**Table 18: Initial external administrators' reports—Estimated debts incurred after date of insolvency (1 July 2017 to 30 June 2018)**

Estimate of debts incurred	Reports alleging criminal breach		Reports alleging civil breach	
	Number	Percentage	Number	Percentage
\$0–\$250,000	22	27.8%	2,269	50.4%
\$250,001 to less than \$1 million	20	25.3%	1,303	28.9%
\$1 million to \$5 million	11	13.9%	455	10.1%
Over \$5 million	6	7.6%	83	1.8%
Unable to determine	20	25.3%	395	8.8%
<b>Total</b>	<b>79</b>	<b>100.0%</b>	<b>4,505</b>	<b>100.0%</b>

Note: All reports in this table have evidence.

*Debts incurred while insolvent compared to available assets*

- 61 Table 19 sets out an analysis of the estimated assets available compared to the estimated size of the debts incurred by the company while insolvent, where a civil breach has been alleged and the external administrator has reported that evidence exists.

**Table 19: Initial external administrators' reports—Estimated debts incurred after date of insolvency compared to estimated assets in reports alleging a civil breach (1 July 2017 to 30 June 2018)**

Estimate of debts incurred	Less than \$1	Assets available						Total	Percentage of total
		\$1–\$10,000	\$10,001–\$50,000	\$50,001–\$100,000	\$100,001–\$250,000	\$250,001–\$5 million	Over \$5 million		
\$0–\$250,000	739	632	542	147	117	91	1	2,269	50.4%
\$250,001 to less than \$1 million	364	259	310	124	113	128	5	1,303	28.9%

Estimate of debts incurred	Assets available							Total	Percentage of total
	Less than \$1	\$1–\$10,000	\$10,001–\$50,000	\$50,001–\$100,000	\$100,001–\$250,000	\$250,001–\$5 million	Over \$5 million		
\$1 million to \$5 million	140	65	57	34	41	107	11	455	10.1%
Over \$5 million	28	4	7	4	4	23	13	83	1.8%
Unable to determine	92	45	62	25	42	125	4	395	8.8%
<b>Total</b>	<b>1,363</b>	<b>1,005</b>	<b>978</b>	<b>334</b>	<b>317</b>	<b>474</b>	<b>34</b>	<b>4,505</b>	<b>100.0%</b>

62 Table 20 sets out an analysis of the estimated assets available compared to the estimated size of the debts incurred by the company while insolvent, where a criminal breach has been alleged and the external administrator has reported that evidence exists.

**Table 20: Initial external administrators' reports—Estimated debts incurred after date of insolvency compared to estimated assets in reports alleging a criminal breach (1 July 2017 to 30 June 2018)**

Estimate of debts incurred	Assets available							Total	Percentage of total
	Less than \$1	\$1–\$10,000	\$10,001–\$50,000	\$50,001–\$100,000	\$100,001–\$250,000	\$250,001–\$5 million	Over \$5 million		
\$0–\$250,000	8	7	4	2	0	1	0	22	27.8%
\$250,001 to less than \$1 million	12	2	4	0	1	1	0	20	25.3%
\$1 million to \$5 million	7	0	0	0	2	2	0	11	13.9%
Over \$5 million	2	1	0	0	0	2	1	6	7.6%
Unable to determine	10	3	3	3	0	1	0	20	25.3%
<b>Total</b>	<b>39</b>	<b>13</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>79</b>	<b>100.0%</b>

*Debts incurred while insolvent compared to number of unsecured creditors*

63 The majority of reports (3,929 or 87.2%) alleging a civil breach had 50 or fewer unsecured creditors and, of these, 3,331 reports (or 73.9% of the total 4,505 reports) incurred debts of less than \$1 million. Only 3.0% (or 133 reports) were for a company with more than 200 unsecured creditors. Of these, only 48 incurred debts of \$1 million or more, and 30 incurred debt of over \$5 million: see Table 21.

**Table 21: Initial external administrators' reports—Estimated debts incurred after date of insolvency compared to number of unsecured creditors in reports alleging a civil breach (1 July 2017 to 30 June 2018)**

Estimate of debts incurred	Unsecured creditors					Total	Percentage of total
	Less than 25	25–50	51–200	More than 200	Unknown		
\$0–\$250,000	1,977	202	71	4	15	2,269	50.4%
\$250,001 to less than \$1 million	937	215	141	3	7	1,303	28.9%
\$1 million to \$5 million	240	62	133	18	2	455	10.1%
Over \$5 million	22	8	21	30	2	83	1.8%
Unable to determine	225	41	47	78	4	395	8.8%
<b>Total</b>	<b>3,401</b>	<b>528</b>	<b>413</b>	<b>133</b>	<b>30</b>	<b>4,505</b>	<b>100.0%</b>

64 The majority of reports (66 or 83.5%) alleging a criminal breach had 50 or less unsecured creditors and, of these, 39 reports (or 49.4% of the total 79 reports) estimated debts incurred of less than \$1 million. Only 5.1% (or four reports) were for a company with more than 200 unsecured creditors. All four reports estimated debts incurred of over \$1 million, including one report that estimated debts incurred of over \$5 million: see Table 22.

**Table 22: Initial external administrators' reports—Estimated debts incurred after date of insolvency compared to number of unsecured creditors in reports alleging a criminal breach (1 July 2017 to 30 June 2018)**

Estimate of debts incurred	Unsecured creditors					Total	Percentage of total
	Less than 25	25–50	51–200	More than 200	Unknown		
\$0–\$250,000	19	3	0	0	0	22	27.8%
\$250,001 to less than \$1 million	13	4	2	0	1	20	25.3%
\$1 million to \$5 million	6	0	2	3	0	11	13.9%
Over \$5 million	3	1	1	1	0	6	7.6%
Unable to determine	15	2	1	0	2	20	25.3%
<b>Total</b>	<b>56</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>79</b>	<b>100.0%</b>

**Period of alleged insolvency**

65 External administrators who advised that evidence existed for an alleged civil breach reported that, in 2,456 reports (or 54.5%), the company became insolvent more than 15 months before the appointment: see Table 23.

**Table 23: Initial external administrators' reports—Period in which company became insolvent (1 July 2017 to 30 June 2018)**

Period in which company became insolvent	Reports alleging criminal breach		Reports alleging civil breach	
	Number	Percentage	Number	Percentage
At appointment	1	1.3%	20	0.4%
1–3 months prior to appointment	4	5.1%	199	4.4%
4–9 months prior to appointment	18	22.8%	866	19.2%
10–15 months prior to appointment	20	25.3%	964	21.4%
16–24 months prior to appointment	18	22.8%	920	20.4%
Over 2 years prior to appointment	18	22.8%	1,536	34.1%
<b>Total</b>	<b>79</b>	<b>100.0%</b>	<b>4,505</b>	<b>100.0%</b>

Note: All reports in this table have evidence.

- 66 The external administrators' reports identified more than one basis to determine the date on which the company became insolvent. External administrators nominated an average of between one and two bases for determining the date of insolvency.
- 67 The following were nominated by external administrators as the top three bases used to determine the date of insolvency (see Table 24):
- (a) balance sheet analysis (3,150 or 69.9% of reports for alleged civil breaches, and 45 or 57.0% for alleged criminal breaches);
  - (b) trading history analysis (1,877 or 41.7% of reports for alleged civil breaches, and 35 or 44.3% for alleged criminal breaches); and
  - (c) cash flow analysis (890 or 19.8% of reports for alleged civil breaches, and 20 or 25.3% for alleged criminal breaches).

**Table 24: Initial external administrators' reports—Basis for determining when the company became insolvent (1 July 2017 to 30 June 2018)**

Basis for determining insolvency	Reports alleging criminal breach		Reports alleging civil breach	
	Number	Percentage	Number	Percentage
Cash flow analysis	20	25.3%	890	19.8%
Trading history analysis	35	44.3%	1,877	41.7%
Balance sheet analysis	45	57.0%	3,150	69.9%
Informed by director(s)	5	6.3%	335	7.4%
Other	44	55.7%	2,311	51.3%

Note: All reports in this table have evidence.

- 68 The answer 'Other' was selected as the basis for determining insolvency in 2,311 reports for a civil breach. This category allowed external administrators to provide free text answers. The three most common themes identified were:
- (a) the non-lodgement and/or non-payment of statutory liabilities (1,342 reports);
  - (b) creditor claims and correspondence (320 reports); and
  - (c) the presumption of insolvency under s588E (302 reports).

#### **Reasonable grounds to suspect insolvency**

- 69 External administrators identified more than one indicator of insolvency on which they based their belief that the director had reasonable grounds to suspect that the company was insolvent or would become insolvent by incurring the debt. External administrators nominated an average of between three and four indicators for civil breaches and criminal breaches.

- 70 The top three indicators (see Table 25) were:
- (a) non-payment of statutory debts (e.g. PAYGW, SGC, GST) (3,501 or 77.7% of reports for alleged civil breaches, and 64 or 81.0% for alleged criminal breaches);
  - (b) difficulties paying debts when they fell due (e.g. evidenced by letters of demand, recovery proceedings, increasing age of accounts payable) (2,266 or 50.3% of reports for alleged civil breaches, and 50 or 63.3% for alleged criminal breaches); and
  - (c) financial statements that disclose a history of serious shortage of working capital and unprofitable trading (2,408 or 53.5% of reports for alleged civil breaches, and 31 or 39.2% for alleged criminal breaches).

**Table 25: Initial external administrators' reports—Indicators that director had reasonable grounds to suspect company insolvency (1 July 2017 to 30 June 2018)**

Indicators of insolvency	Reports alleging criminal breach		Reports alleging civil breach	
	Number	Percentage	Number	Percentage
Financial statements that disclose a history of serious shortage of working capital, unprofitable trading	31	39.2%	2,408	53.5%
Poor or deteriorating cash flow or evidence of dishonoured payments	29	36.7%	992	22.0%
Difficulties paying debts when they fell due (e.g. evidenced by letters of demand, recovery proceedings, increasing age of accounts payable)	50	63.3%	2,266	50.3%
Non-payment of statutory debts (e.g. PAYGW, SGC, GST)	64	81.0%	3,501	77.7%
Poor or deteriorating working capital	18	22.8%	1,727	38.3%
Increasing difficulties collecting debts	8	10.1%	401	8.9%
Overdraft and/or other finance facilities at their limit	17	21.5%	431	9.6%
Evidence of creditors attempting to obtain payment of outstanding debts	31	39.2%	1,190	26.4%
Other	25	31.6%	578	12.8%

Note: All reports in this table have evidence.



### Evidence of alleged dishonesty

- 71 In 59 of the 79 reports alleging a criminal breach, external administrators indicated they had evidence showing that the director had an opportunity to prevent the company from incurring the debt and did not do so. Also, in 34 reports alleging a criminal breach, external administrators reported there was evidence showing that the failure was dishonest (i.e. the director incurred the debt with the knowledge that it would produce adverse consequences; the failure was intentional, wilful or deliberate; and it included an element of deceit or fraud).

### Other possible criminal offences

- 72 There were only 64 other possible criminal offences (0.3% of overall offences) by a member or contributory under the Corporations Act, other Commonwealth statute, or state or territory law. Of these, 54 were possible criminal offences other than under the Corporations Act: see Table 26.

**Table 26: Initial external administrators' reports—Other possible criminal offences (1 July 2017 to 30 June 2018)**

Offence	Number of breaches
Criminal offence under the Corporations Act (if a member or contributory)	10
Criminal offence under another Commonwealth statute	28
Criminal offence under a state or territory law	26
<b>Total</b>	<b>64</b>

### Other possible misconduct

- 73 'Other possible misconduct' relates to persons who took part in the formation, promotion, administration, management or winding-up of the company: see Table 27. A further 134 instances of other possible misconduct were reported in 2017–18 (0.7% of overall breaches).

**Table 27: Initial external administrators' reports—Other possible misconduct (1 July 2017 to 30 June 2018)**

Possible misconduct	Number of breaches
May have misapplied or retained, or may have become liable or accountable for, money or property of the company	65

Possible misconduct	Number of breaches
May have been guilty of negligence, default, breach of duty or breach of trust in relation to the company	69
<b>Total</b>	<b>134</b>

### Referred to other authorities

74 For reports in 2017–18 where external administrators reported possible misconduct, 211 indicated the external administrator had referred, or was intending to refer, the matter to another authority. The highest number of referrals to another authority was to the Australian Taxation Office (119 reports): see Table 28.

**Table 28: Initial external administrators' reports—Referred to other authorities (1 July 2017 to 30 June 2018)**

Authorities	Number
State or territory police	31
Australian Federal Police	5
Australian Crime Commission	0
Fair Trading / Consumer Affairs	9
Australian Taxation Office	119
Australian Consumer and Competition Commission	5
Other	42
<b>Total</b>	<b>211</b>

Note: In the 'Other' category, 42 reports indicated the external administrator had referred, or was intending to refer, the matter to creditors or other federal or state government departments or agencies. In 4 of the 42 reports, the external administrator had referred, or was intending to refer, the matter to state or territory police.

**Table 29: Initial external administrators' reports—Possible pre-appointment criminal misconduct by section of the Corporations Act and industry (1 July 2017 to 30 June 2018)**

Section of the Corporations Act	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total
Section 184 Good faith, use of position and use of information—Directors', officers' and employees' duties	141	49	34	7	13	13	2	16	4	5	5	7	45	341
Section 206A Disqualified persons not to manage corporations	13	6	4	1	1	0	0	1	2	0	0	3	7	38
Sections 286 and 344(2) Obligation to keep financial records	78	34	16	8	13	1	1	15	4	3	2	6	18	199
Section 471A Powers of other officers suspended during winding up	8	2	2	2	7	2	1	0	0	1	0	1	0	26
Section 588G(3) Insolvent trading	30	22	8	10	3	6	1	12	5	1	1	4	12	115
Section 590 Offences by officers or employees	39	30	10	7	11	7	3	11	1	2	2	4	14	141
Section 596AB Agreements to avoid employee entitlements	9	4	1	0	0	0	0	0	0	0	0	0	3	17
Other criminal offences under the Corporations Act	13	17	5	1	5	0	3	10	1	4	1	2	7	69
<b>Total for industry</b>	<b>331</b>	<b>164</b>	<b>80</b>	<b>36</b>	<b>53</b>	<b>29</b>	<b>11</b>	<b>65</b>	<b>17</b>	<b>16</b>	<b>11</b>	<b>27</b>	<b>106</b>	<b>946</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Table 30: Initial external administrators' reports—Possible breaches of civil obligations by section of the Corporations Act and industry (1 July 2017 to 30 June 2018)**

Section of the Corporations Act	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total
Section 180 Care and diligence—Directors' and officers' duties	1,270	897	558	286	214	152	75	84	70	57	74	66	294	4,097
Section 181 Good faith—Directors' and officers' duties	757	502	273	138	127	88	40	53	35	36	42	43	183	2,317
Section 182 Use of position—Directors', officers' and employees' duties	463	287	148	71	66	53	25	36	19	24	26	32	120	1,370
Section 183 Use of information—Directors', officers' and employees' duties	139	76	29	21	18	12	4	16	7	8	6	7	28	371
Sections 286 and 344(1) Obligation to keep financial records	1,101	734	419	247	192	117	63	50	59	38	55	51	203	3,329
Section 588G(1)–(2) Insolvent trading	1,523	1,159	787	423	270	198	106	92	98	65	97	79	367	5,264
<b>Total for industry</b>	<b>5,253</b>	<b>3,655</b>	<b>2,214</b>	<b>1,186</b>	<b>887</b>	<b>620</b>	<b>313</b>	<b>331</b>	<b>288</b>	<b>228</b>	<b>300</b>	<b>278</b>	<b>1,195</b>	<b>16,748</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Table 31: Initial external administrators' reports—Possible pre-appointment criminal misconduct by section of the Corporations Act and region (1 July 2017 to 30 June 2018)**

Section of the Corporations Act	ACT		NSW		NT		Qld		SA		Tas.		Vic.		WA		Total	
	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator
Section 184 Good faith, use of position and use of information—Directors', officers' and employees' duties	4	3	106	88	2	1	54	45	12	8	4	4	69	58	90	85	341	292
Section 206A Disqualified persons not to manage corporations	1	1	13	13	0	0	10	9	1	1	0	0	11	10	2	1	38	35
Sections 286 and 344(2) Obligation to keep financial records	5	3	89	70	1	0	46	27	6	3	1	0	35	29	16	13	199	145
Section 471A Powers of other officers suspended during winding up	0	0	12	11	0	0	3	3	1	1	0	0	9	8	1	1	26	24
Section 588G(3) Insolvent trading	3	2	35	24	2	0	26	15	8	6	1	1	32	24	8	5	115	77
Section 590 Offences by officers or employees	2	2	53	46	1	0	27	19	9	6	0	0	44	39	5	4	141	116
Section 596AB Agreements to avoid employee entitlements	0	0	3	2	0	0	2	1	4	2	0	0	7	3	1	0	17	8
Other criminal offences under the Corporations Act	1	0	33	33	0	0	7	6	5	4	0	0	16	15	7	5	69	63
<b>Total</b>	<b>16</b>	<b>11</b>	<b>344</b>	<b>287</b>	<b>6</b>	<b>1</b>	<b>175</b>	<b>125</b>	<b>46</b>	<b>31</b>	<b>6</b>	<b>5</b>	<b>223</b>	<b>186</b>	<b>130</b>	<b>114</b>	<b>946</b>	<b>760</b>

Note: Possible criminal misconduct for companies with international registered addresses are not included in regional statistics.

**Table 32: Initial external administrators' reports—Possible breaches of civil obligations by section of the Corporations Act and region (1 July 2017 to 30 June 2018)**

Section of the Corporations Act	ACT		NSW		NT		Qld		SA		Tas.		Vic.		WA		Total	
	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator	Number of breaches	Evidence with liquidator
Section 180 Care and diligence—Directors' and officers' duties	47	44	1,736	1,386	25	23	757	594	160	148	17	14	821	700	533	407	4,096	3,316
Section 181 Good faith—Directors' and officers' duties	37	33	929	756	12	10	402	334	75	68	9	9	486	410	366	257	2,316	1,877
Section 182 Use of position—Directors', officers' and employees' duties	23	23	517	452	7	4	214	196	49	45	9	9	323	274	227	174	1,369	1,177
Section 183 Use of information—Directors', officers' and employees' duties	10	10	152	132	1	0	43	36	6	5	3	3	88	72	68	61	371	319
Sections 286 and 344(1) Obligation to keep financial records	48	40	1,549	1,173	14	12	508	353	113	91	15	13	800	625	282	192	3,329	2,499
Section 588G(1)–(2) Insolvent trading	75	68	2,038	1,680	37	35	1,001	881	281	260	30	26	1,190	1,034	612	505	5,264	4,489
<b>Total</b>	<b>240</b>	<b>218</b>	<b>6,921</b>	<b>5,579</b>	<b>96</b>	<b>84</b>	<b>2,925</b>	<b>2,394</b>	<b>684</b>	<b>617</b>	<b>83</b>	<b>74</b>	<b>3,708</b>	<b>3,115</b>	<b>2,088</b>	<b>1,596</b>	<b>16,745</b>	<b>13,677</b>

Note: Civil breaches for companies with international registered addresses are not included in regional statistics.

## Books and records

- 75 External administrators indicated they obtained or inspected the company's books and records in 6,286 reports (82.6%) in 2017–18. Of these, 3,434 reports (45.1%) indicated that the company's books and records were considered adequate.

## Assetless Administration Fund

- 76 Of the 7,040 reports by a liquidator in 2017–18 (see Table 7), 804 reports indicated the liquidator had applied, or intended applying, for funding from the AA Fund.
- 77 The Australian Government established the AA Fund on 22 February 2006 and ASIC administers the fund. One of the matters financed by the fund are preliminary investigations and reports by liquidators into the failure of companies with few or no assets, where it appears to ASIC that enforcement action may result from the investigation and report. A particular focus of the AA Fund is the curbing of illegal phoenix activity. The fund also finances the appointment of a liquidator by ASIC to wind-up abandoned companies, to allow employees to access their entitlements under the FEG.

Note: See [REP 532](#) at paragraphs 115–120 for commentary on how we applied money from the AA Fund.

## Liabilities and assets

- 78 External administrators provide estimates of the assets, liabilities and overall financial deficiency of companies on which they report. Table 33 shows the assets and liabilities categories and Table 34 shows the deficiency for the top 12 industries by reports lodged (as noted in Table 9).

### Assets

- 79 In 58.6% of reports, companies had estimated assets of \$10,000 or less; 84.3% of reports indicated companies had estimated assets of \$100,000 or less.
- 80 Of the top 12 industries, those with the greatest percentage of reports estimating assets of \$10,000 or less were Other (business and personal) services (64.1%), Accommodation and food services (61.9%) and Transport, postal and warehousing (60.4%).
- 81 In 36.8% of reports, the external administrator reported the administration as assetless. Of the top 12 industries, those that most exceeded this percentage for assetless administrations (36.8%) were Other (business and personal) services (41.9%) and Rental, hiring and real estate (39.7%) and Transport, postal and warehousing (38.8%).

82 In 9.7% of reports, estimated assets were over \$250,000. Of the top 12 industries, those well above this percentage were Mining (25.7%), Rental, hiring and real estate services (23.5%), Manufacturing (16%), Wholesale trade (15.1%) and Electricity, gas, water and waste service (13.7%).

Note: Five industries in the 'Other industries' category exceeded this percentage (9.7%) but made up only 4.8% of all reports. The three industries that most exceeded this average were FIS—Managed investments (23.1%), Education and training (16.5%) and Agriculture, forestry and fishing (15.3%).

## Liabilities

83 In 39.1% of reports, the estimated liabilities of failed companies were \$250,000 or less, and 74.8% indicated estimated liabilities of less than \$1 million.

84 Of the top 12 industries, those with the greatest percentage of companies with estimated liabilities of \$250,000 or less were Other (business and personal) services (44%), Transport, postal and warehousing (43.8%) and Information media and telecommunications (41.8%).

85 Of the top 12 industries with estimated liabilities over \$10 million—Mining (20.7%), Rental, hiring and real estate services (5.9%) and Accommodation and food services (5.3%)—most exceeded the proportion of reports in that category across all industries (4.8%).

Note: In the 'Other industries' category, Education and training (20.3%), Agriculture, forestry and fishing (20.2%), FIS—Insurance (8.3%), FIS—Managed investments (7.7%), FIS—Credit providers (7.1%) and FIS—Other services (6.2%) each exceeded this percentage across all industries (4.8%) but comprised only 5.3% of all reports.

## Deficiency

86 Across all industries, 42.2% of reports estimated the shortfall between estimated assets and estimated liabilities of \$250,000 or less, while 62.5% of reports estimated a shortfall of \$500,000 or less. When comparing the deficiency estimates between the top 12 industries, the three industries with the highest percentage of estimates of \$250,000 or less were Other (business and personal) services (47.3%), Transport, postal and warehousing (46.2%) and Construction (44.7%).

87 Only 4.5% of all reports estimated a deficiency of over \$10 million. Of the top 12 industries, the three industries that most exceeded this percentage were Mining (19.3%), Rental, hiring and real estate services (5.9%) and Electricity, gas, water and waste services (5%).

Note: Six industries grouped in the 'Other industries' category exceeded this percentage across all industries (4.5%). The three industries that most exceeded this average were Agriculture, forestry and fishing (19.4%), Education and training (18.8%) and FIS—Insurance (8.3%). However, when combined, all six industries comprised only 5.3% of reports.



Table 33: Initial external administrators' reports—Amount of assets and liabilities by industry (1 July 2017 to 30 June 2018)

Assets and liabilities categories	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total	Percentage of total
Less than \$1 in assets	901	607	410	168	147	67	47	55	39	52	26	54	230	2,803	36.8%
\$1–\$10,000 in assets	477	349	249	137	82	58	37	41	30	16	33	20	133	1,662	21.8%
\$10,001–\$20,000 in assets	172	149	128	63	31	21	15	18	18	9	12	4	43	683	9.0%
\$20,001–\$30,000 in assets	94	68	72	47	19	12	9	7	7	3	12	6	22	378	5.0%
\$30,001–\$50,000 in assets	86	95	70	44	20	19	11	10	13	6	9	6	32	421	5.5%
\$50,001–\$100,000 in assets	124	112	48	37	25	42	12	10	6	4	13	6	32	471	6.2%
\$100,001–\$250,000 in assets	97	103	52	37	19	27	20	10	11	14	15	8	42	455	6.0%
\$250,001–\$5 million in assets	194	147	33	46	33	44	14	10	22	28	17	31	65	684	9.0%
Over \$5 million in assets	5	12	2	13	3	3	0	1	0	8	2	1	6	56	0.7%
<b>Total assets for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100%</b>
\$1–\$250,000 in liabilities	946	681	412	213	166	89	69	62	32	35	47	36	189	2,977	39.1%
\$250,001–less than \$1 million in liabilities	763	528	445	241	133	115	54	53	65	33	58	44	188	2,720	35.7%
\$1 million–less than \$5 million in liabilities	306	336	139	102	69	65	36	31	38	33	25	38	139	1,357	17.8%
\$5 million–\$10 million in liabilities	35	50	12	15	4	9	4	10	6	10	2	10	24	191	2.5%
Over \$10 million in liabilities	100	47	56	21	7	15	2	6	5	29	7	8	65	368	4.8%
<b>Total liabilities for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100%</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Table 34: Initial external administrators' reports—Amount of deficiency by industry (1 July 2017 to 30 June 2018)**

Deficiency categories	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total	Percentage of total
\$0–\$50,000	268	174	69	40	46	24	16	16	6	16	8	14	61	758	10.0%
\$50,001–\$250,000	748	560	372	186	129	77	57	50	31	24	45	32	145	2,456	32.3%
\$250,001–less than \$500,000	422	306	262	137	79	60	29	31	36	13	32	20	117	1,544	20.3%
\$500,000–less than \$1 million	300	210	168	102	51	46	25	19	27	22	21	21	66	1,078	14.2%
\$1 million–less than \$5 million	288	307	132	93	67	67	32	30	35	29	25	36	133	1,274	16.7%
\$5 million–\$10 million	28	44	9	14	1	7	4	10	6	9	1	5	21	159	2.1%
Over \$10 million	96	41	52	20	6	12	2	6	5	27	7	8	62	344	4.5%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100%</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

## Employee entitlements

88 In all categories of employee entitlements (i.e. wages, annual leave, pay in lieu of notice, redundancy, long service leave and superannuation), 'not applicable' was selected in the majority of reports: see Table 35 and Table 36. 'Not applicable' means that no amount of entitlement of that type remained unpaid to employee creditors as at the date of the appointment of the external administrator.

**Table 35: Initial external administrators' reports—Amounts owed in unpaid employee entitlements (1 July 2017 to 30 June 2018)**

Amount owed	Unpaid wages		Unpaid annual leave		Unpaid pay in lieu of notice		Unpaid redundancy		Unpaid long service leave	
	No.	%	No.	%	No.	%	No.	%	No.	%
\$1–\$1,000	170	2.2%	102	1.3%	79	1.0%	47	0.6%	60	0.8%
\$1,001–\$10,000	649	8.6%	671	8.8%	404	5.3%	115	1.5%	175	2.3%
\$10,001–\$50,000	391	5.2%	590	7.8%	368	4.8%	167	2.2%	263	3.5%
\$50,001–\$150,000	114	1.5%	191	2.5%	124	1.6%	116	1.5%	101	1.3%
\$150,001–\$250,000	33	0.4%	51	0.7%	24	0.3%	59	0.8%	28	0.4%
\$250,001–\$500,000	17	0.2%	27	0.4%	19	0.3%	34	0.4%	16	0.2%
\$500,001–less than \$1.5 million	10	0.1%	15	0.2%	11	0.1%	25	0.3%	4	0.1%
\$1.5 million–\$5 million	2	0.0%	3	0.0%	3	0.0%	7	0.1%	2	0.0%
Over \$5 million	4	0.1%	3	0.0%	3	0.0%	3	0.0%	3	0.0%
Not applicable	6,198	81.7%	5,935	78.2%	6,553	86.4%	7,015	92.4%	6,936	91.4%
<b>Total</b>	<b>7,588</b>	<b>100.0%</b>	<b>7,588</b>	<b>100.0%</b>	<b>7,588</b>	<b>100.0%</b>	<b>7,588</b>	<b>100.0%</b>	<b>7,588</b>	<b>100.0%</b>

Note: Twenty-five reports identified as being internally inconsistent were excluded from this table.

### Unpaid wages

89 Unpaid wages were 'not applicable' in 81.7% of reports. In 10.8% of reports, external administrators estimated unpaid wages at between \$1 and \$10,000. Categories from \$10,001 to over \$5 million comprised 7.5% of reports.

### Unpaid annual leave

90 In all, 78.2% of reports showed unpaid annual leave as 'not applicable'. In 10.2% of cases, employees were owed \$1 to \$10,000, and 18.0% of

companies owed \$50,000 or less. In 3.8% of reports, entitlements for unpaid annual leave were in the 'over \$50,000' category.

### Unpaid pay in lieu of notice

- 91 Unpaid pay in lieu of notice was 'not applicable' in most cases (86.4%). Only 2.4% of reports showed entitlements for unpaid pay in lieu of notice in the 'over \$50,000' category.

### Unpaid redundancy

- 92 Unpaid redundancy was 'not applicable' in 92.4% of reports. In all, 2.1% of reports showed employees were owed \$1 to \$10,000 in redundancy payments. Only 0.04% of reports showed unpaid redundancy of over \$5 million.

Note: Because of rounding, the percentage of reports with unpaid redundancy of over \$5 million is shown as 0.0% in Table 35.

### Unpaid long service leave

- 93 Employees were owed \$1 to \$10,000 in unpaid long service leave in 3.1% of reports, and unpaid long service leave of \$1.5 million or more was estimated in less than 0.1% of reports. The majority of reports (91.4%) indicated a long service leave debt was 'not applicable'.

### Unpaid superannuation

- 94 Due to the different value categories of superannuation entitlements, these figures are shown separately in Table 36. A majority (55%) of reports show unpaid superannuation as 'not applicable'.

**Table 36: Initial external administrators' reports—Amounts owed in unpaid superannuation entitlements (1 July 2016 to 30 June 2017)**

Amount owed	Number	Percentage
\$1–\$100,000	2,738	36.0%
\$100,001–\$250,000	497	6.5%
\$250,001–\$1 million	176	2.3%
Over \$1 million	18	0.2%
Not applicable	4,184	55.0%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>

Note: No reports were identified as being internally inconsistent.

## Secured creditors

95 Table 37 and Figure 3 show the amounts owed to secured creditors by industry. Most reports for 2017–18 (64.8%) indicated secured creditors were owed nothing or there were no secured creditors.

Note: The current Schedule B format does not allow external administrators to select 'not applicable' for this question.

96 A significant proportion (28.4%) of 2017–18 reports showed secured creditors were owed between \$1 and less than \$1 million.

97 A comparison of those industries where secured creditors were owed less than \$1 million reveals that the proportion of reports in that category across all industries (93.2%) was most exceeded by Information media and telecommunications (98.2%), Accommodation and food services (96.7%) and Other (business and personal) services (96.3%).

98 In 1.8% of reports, the company owed secured creditors more than \$10 million.

99 Of the top 12 industries, the three industries that most exceeded this percentage of reports across all industries with amounts owed to secured creditors over \$10 million (1.8%) were Mining (12.1%), Rental, hiring and real estate services (6.6%) and Retail trade (2.7%).

Note: Five industries grouped in the 'Other industries' category exceeded this percentage across all industries (1.8%). The three industries that most exceeded this average were Agriculture, forestry and fishing (16.9%), Education and training (15%) and FIS—Managed investments (7.7%).

## Unpaid taxes and charges

100 Most reports (77.1%) indicated that the amount of unpaid taxes and charges was \$250,000 or less: see Table 38.

101 Of the top 12 industries, the three that most exceeded this percentage of reports owing \$250,000 or less in unpaid taxes and charges (77.1%) were Retail trade (86.7%), Wholesale trade (84.9%) and Accommodation and food services (81.2%).

102 Of the top 12 industries, the three industries that exceeded the percentage of unpaid taxes and charges over \$1 million compared with the percentage across all industries (5.3%) were Professional, scientific and technical services (11.1%), Mining (8.6%) and Rental, hiring and real estate services (6.6%).

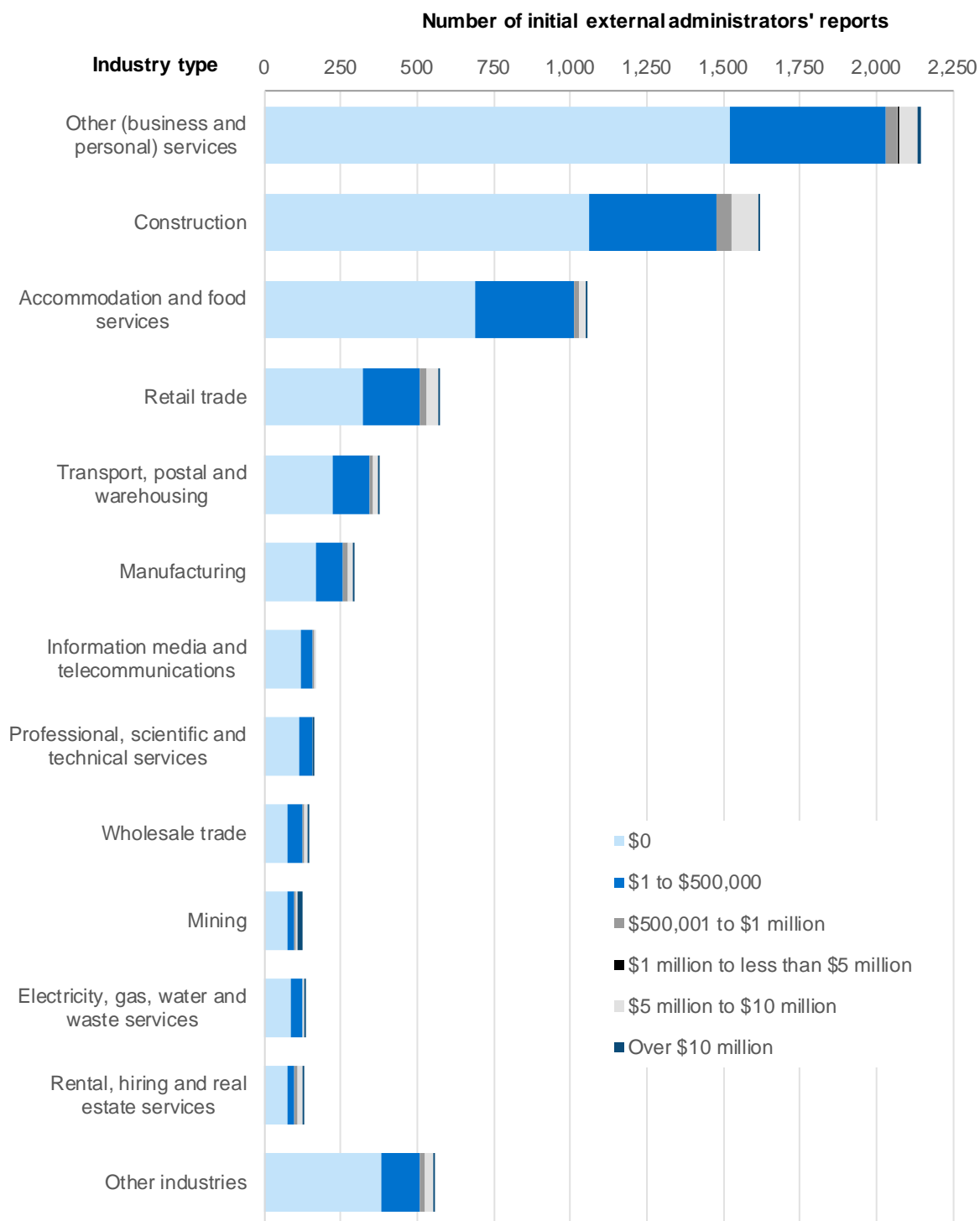
Note: In the 'Other industries' category, FIS—Superannuation (50%), Administrative and support services (19.7%) and Health care and social assistance (9.1%) exceeded this percentage across all industries (5.3%), but comprised only 1.8% of all reports.

**Table 37: Initial external administrators' reports—Amount owed to secured creditors by industry (1 July 2017 to 30 June 2018)**

Amount owed	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate	Other industries	Total	Percentage of total
\$0	1,519	1,064	690	322	226	171	122	114	78	76	88	78	384	4,932	64.8%
\$1–less than \$500,000	513	415	325	186	117	87	38	42	49	23	38	22	127	1,982	26.0%
\$500,000–less than \$1 million	39	48	14	24	14	13	2	0	5	3	0	8	12	182	2.4%
\$1 million–less than \$5 million	61	86	23	37	16	18	3	2	11	9	5	17	30	318	4.2%
\$5 million–\$10 million	10	8	4	7	3	2	0	3	2	12	5	2	3	61	0.8%
Over \$10 million	8	21	8	16	3	2	0	1	1	17	3	9	49	138	1.8%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100.0%</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Figure 3: Initial external administrators' reports—Amount owed to secured creditors by industry (1 July 2017 to 30 June 2018)**



Note 1: See Table 37 for the complete data used in this figure (accessible version).

Note 2: 'Other industries' include Agriculture, Forestry and Fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Table 38: Initial external administrators' reports—Amount owed in unpaid taxes and charges by industry (1 July 2017 to 30 June 2018)**

Amount owed	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate	Other industries	Total	Percentage of total
\$0	279	213	117	81	38	25	30	20	33	54	11	26	156	1,083	14.2%
\$1–\$250,000	1,339	1,019	747	432	241	198	97	90	91	56	86	73	318	4,787	62.9%
\$250,001–\$1 million	419	319	157	57	81	56	29	34	14	18	38	28	91	1,341	17.6%
Over \$1 million	113	91	43	22	19	14	9	18	8	12	4	9	40	402	5.3%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100.0%</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.



## Unsecured creditors

### Number of unsecured creditors

- 103 Most reports for 2017–18 (89.7%) indicated the company had 50 or fewer unsecured creditors. Of the top 12 industries, those that had the greatest percentages of 50 or fewer unsecured creditors were Information media and telecommunications (95.2%), Rental, hiring and real estate services (94.9%) and Accommodation and food services (92.8%): see Table 39.

Note: Eight industries grouped in the 'Other industries' category exceeded the average 89.7% across all industries. The top three industries were FIS—Superannuation (100.0%), Public administration and safety (100.0%) and Administration and support services (97%).

### Amount owed to unsecured creditors

- 104 The majority (61.7%) of companies owed less than \$250,000 to unsecured creditors. Of the top 12 industries, the three that had the greatest percentage of companies in this category were Transport, postal and warehousing (71.2%), Other (business and personal) services (69%) and Professional, scientific and technical services (65.4%).
- 105 Of the top 12 industries, the three industries with the highest number of reports where companies owed more than \$10 million to unsecured creditors were Other (business and personal) services (86 reports), Accommodation and food services (46 reports) and Construction (29 reports).

### Amounts owed to related parties

- 106 Of the total amount owed to unsecured creditors, 20.3% of reports showed that the failed company owed more than 50% of the debt to related parties. Of the top 12 industries, those with the greatest percentage of reports showing more than 50% owed to related parties were Mining (42.9%), Accommodation and food services (26.2%) and Wholesale trade (26%).

Note: Seven industries grouped in the 'Other industries' category exceeded the average 18.7%. The top three of these were FIS—Insurance (33.3%), FIS—Other financial services (28.9%) and Arts and recreation services (28.8%).

### Cents in the dollar dividend

- 107 The dividend estimated as payable to unsecured creditors was less than 11 cents in the dollar for most reports (96.8%). Of the top 12 industries, the top four with an estimated return of less than 11 cents in the dollar were Accommodation and food services (98.7%), Retail trade (98.3%), Information media and telecommunications (98.2%) and Other (business and personal) services (97.1%). 'Other industries' includes four industries where

100.0% estimated less than 11 cents in the dollar: Arts and recreation services (59 reports), FIS—Credit providers (14 reports), Public administration and safety (six reports) and FIS—Superannuation (two reports).

108 Of the top 12 industries, the three industries with the greatest percentage of estimated returns of more than 50 cents in the dollar to unsecured creditors were Rental, hiring and real estate services (1.5%), Wholesale trade (1.4%) and Electricity, gas, water and waste services (1.4%), compared with the proportion across all industries of 0.9%: see Table 40.

Note: In the 'Other industries' category, the following industries exceeded this percentage (0.9%): FIS—Insurance (33.3%), FIS—Managed investments (11.5%), Health care and social assistance (4.5%), Education and training (3.0%) and FIS—Other financial services (1.0%). However, when combined, these industries made up only 1.1% of all reports.

**Table 39: Initial external administrators' reports—Number of unsecured creditors, amount owed and reports where more than 50% is owed to related parties by industry (1 July 2017 to 30 June 2018)**

	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate services	Other industries	Total	Percentage of total
<b>Number of unsecured creditors</b>															
Less than 25	1,833	1,284	868	406	321	185	144	142	108	109	108	120	488	6,116	80.3%
25–50	123	159	119	103	25	51	13	8	21	16	12	9	52	711	9.3%
51–200	71	147	68	62	26	47	6	8	15	12	17	3	38	520	6.8%
More than 200	82	24	2	12	3	5	0	0	0	2	0	3	17	150	2.0%
Unknown	41	28	7	9	4	5	2	4	2	1	2	1	10	116	1.5%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100%</b>
<b>Amount owed to unsecured creditors</b>															
Less than \$250,000	1,484	1,001	642	330	270	145	107	106	66	57	78	75	339	4,700	61.7%
\$250,000–\$500,000	262	202	183	106	35	50	16	16	24	13	27	21	62	1,017	13.4%
\$500,001–less than \$1 million	154	163	112	67	35	34	19	19	25	19	13	16	71	747	9.8%
\$1 million–less than \$5 million	154	220	71	69	35	45	20	17	27	29	19	20	83	809	10.6%
\$5 million–\$10 million	10	27	10	6	0	9	3	2	2	6	0	4	16	95	1.2%
Over \$10 million	86	29	46	14	4	10	0	2	2	16	2	0	34	245	3.2%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100%</b>
<b>Amount owed to related parties</b>															
More than 50% owed to related parties	445	219	279	141	42	71	27	35	38	60	18	30	138	1,543	20.3%
Percentage of reports lodged for industry	20.7%	13.3%	26.2%	23.8%	11.1%	24.2%	16.4%	21.6%	26.0%	42.9%	12.9%	22.1%	22.8%	20.3%	N/A

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

**Table 40: Initial external administrators' reports—Amount payable to unsecured creditors—Cents in the dollar dividend by industry  
(1 July 2017 to 30 June 2018)**

Cents in the dollar dividend	Other (business and personal) services	Construction	Accommodation and food services	Retail trade	Transport, postal and warehousing	Manufacturing	Information media and telecommunications	Professional, scientific and technical services	Wholesale trade	Mining	Electricity, gas, water and waste services	Rental, hiring and real estate	Other industries	Total	Percentage of total
0 cents	2,004	1,497	1,007	560	349	262	147	143	129	117	126	121	541	7,003	92.0%
Greater than 0 but less than 11 cents	84	87	43	22	17	17	15	13	10	11	7	6	35	367	4.8%
11–20 cents	12	18	4	8	5	4	1	3	3	6	2	2	5	73	1.0%
21–50 cents	29	22	7	2	6	7	1	3	2	5	2	5	8	99	1.3%
51–100 cents	21	18	3	0	2	3	1	0	2	1	2	2	16	71	0.9%
<b>Total for industry</b>	<b>2,150</b>	<b>1,642</b>	<b>1,064</b>	<b>592</b>	<b>379</b>	<b>293</b>	<b>165</b>	<b>162</b>	<b>146</b>	<b>140</b>	<b>139</b>	<b>136</b>	<b>605</b>	<b>7,613</b>	<b>100.0%</b>

Note: 'Other industries' includes Agriculture, forestry and fishing, Health care and social assistance, Arts and recreation services, Education and training, Administrative and support services, Public administration and safety, and all FIS sub-categories.

## Expected completion of external administration

109 External administrators expected to complete their administration within six months of the date of lodging their report in 62.9% of cases.

**Table 41: Initial external administrators' reports—Expected time to complete the external administration (1 July 2017 to 30 June 2018)**

Expected time	Number	Percentage
0 months to less than 3 months	2,326	30.6%
3 months to less than 6 months	2,460	32.3%
6 months to 1 year	1,988	26.1%
Over 1 year	839	11.0%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>

## Proposed action

### Public examinations

110 In 375 reports (4.9%), the external administrator noted that they intended holding public examinations to question a company's officer or another person about the affairs of the company.

111 In 20 reports (0.3%), the external administrator noted that they already had held a public examination.

### Recovery proceedings

112 In 3,303 reports (43.4%), the external administrators had initiated, or they contemplated initiating, recovery proceedings for property or compensation for the benefit of creditors under Pt 5.7B of the Corporations Act.

**Table 42: Initial external administrators' reports—Expected type of recovery proceeding (1 July 2017 to 30 June 2018)**

Proceeding type	Number	Percentage
Insolvent trading	1,987	26.1%
Uncommercial transaction	900	11.8%
Unfair preferences	1,688	22.2%
Other	504	6.6%

## Company officers

- 113 External administrators advised in 739 reports (9.7%) that, in their opinion, there were shadow directors.

## External administrators' remuneration

- 114 Excluding the \$0 and 'not applicable' results, the most common category of an external administrator's estimated collectible fees was 'liquidator fees', with 5,646 reports. Of these, 4,867 reports (63.9%) estimated collectible liquidator fees between \$1 and \$50,000.
- 115 Of the reports answering the voluntary administration fees question, 558 estimated the collectible fees to be between \$1 and \$50,000: see Table 43.

**Table 43: Initial external administrators' reports—External administrators' remuneration (1 July 2017 to 30 June 2018)**

Remuneration	Voluntary administration fees		Deed of company arrangement fees		Liquidator fees		Receiver/controller fees	
	No.	%	No.	%	No.	%	No.	%
\$0	650	8.5%	652	8.6%	1,607	21.1%	660	8.7%
\$1–\$50,000	558	7.3%	101	1.3%	4,867	63.9%	22	0.3%
\$50,001–\$100,000	242	3.2%	21	0.3%	513	6.7%	7	0.1%
\$100,001–\$250,000	154	2.0%	8	0.1%	207	2.7%	3	0.0%
Over \$250,000	62	0.8%	9	0.1%	59	0.8%	13	0.2%
Not applicable	5,947	78.1%	6,822	89.6%	360	4.7%	6,908	90.7%
<b>Total</b>	<b>7,613</b>	<b>100.0%</b>	<b>7,613</b>	<b>100.0%</b>	<b>7,613</b>	<b>100.0%</b>	<b>7,613</b>	<b>100.0%</b>

Note: More than one fee type may be entered if the appointee has been, is or expects to be appointed to more than one type of role in relation to the company.

## Appendix: Accessible versions of figures

- 116 This appendix is for people with visual or other impairments. It provides accessible versions of the figures included in this report.
- 117 We show the underlying data for each figure, where appropriate, or we may include a text description of the figure's key messages.

**Table 44: Total external administrators' reports by lodgement type (1 July 2009 to 30 June 2018)**

Financial year	Electronic—direct	Electronic—Staff portal	Manual
2009–10	8,161 (96.1%)	151 (1.8%)	182 (2.1%)
2010–11	8,375 (97.2%)	149 (1.7%)	92 (1.1%)
2011–12	10,496 (97.1%)	130 (1.2%)	178 (1.6%)
2012–13	9,582 (97.9%)	85 (0.9%)	121 (1.1%)
2013–14	9,885 (98.1%)	77 (0.8%)	111 (0.2%)
2014–15	8,866 (99.6%)	16 (0.2%)	22 (0.2%)
2015–16	10,028 (99.5%)	33 (0.3%)	17 (0.2%)
2016–17	8,283 (98.3%)	4 (0.0%)	138 (1.6%)
2017–18	8,124 (99.0%)	75 (0.9%)	3 (0.0%)

Note: This is the data contained in Figure 1.

**Table 45: Initial external administrators' reports by region (1 July 2017 to 30 June 2018)**

Region	Number	Percentage
New South Wales	2,787	36.6%
Victoria	1,801	23.7%
Queensland	1,569	20.6%
Western Australia	852	11.2%
South Australia	401	5.3%
Australian Capital Territory	115	1.5%
Tasmania	44	0.6%
Northern Territory	43	0.6%

Note: This is the data contained in Figure 2.

## Key terms

Term	Meaning in this document
AA Fund	Assetless Administration Fund
ASCOT	ASIC's corporate database
ASIC	Australian Securities and Investments Commission
Ch 5 (for example)	A chapter of the Corporations Act (in this example numbered 5)
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
electronically lodged report	A Schedule B report lodged: <ul style="list-style-type: none"> <li>• directly by external administrators through the registered liquidators' portal on ASIC's website; or</li> <li>• on paper by external administrators in the Schedule B format, and subsequently entered by ASIC staff through the staff portal</li> </ul>
EXAD	External administration
external administration	The corporate insolvency that the external administrator has been appointed to administer <p>Note: The <i>Insolvency Law Reform Act 2016</i> amended the definition of 'external administration': see s5-15 of Sch 2 to the Corporations Act. For reporting purposes, we have continued to use the previous definition in this report.</p>
external administrator	A liquidator, receiver or voluntary administrator <p>Note: The <i>Insolvency Law Reform Act 2016</i> amended the definition of 'external administrator': see s5-20 of Sch 2 to the Corporations Act. For reporting purposes, we have continued to use the previous definition in this report.</p>
external administrator report	Means: <ul style="list-style-type: none"> <li>• a Schedule B report lodged by an external administrator: <ul style="list-style-type: none"> <li>– directly through the registered liquidators' portal on ASIC's website; or</li> <li>– on paper and subsequently entered by ASIC staff through the staff portal; and</li> </ul> </li> <li>• a manually lodged report, on paper, which is not in the Schedule B format</li> </ul>
FEG	Fair Entitlements Guarantee
FIS	Financial and insurance services
GST	Goods and services tax
initial external administrator report	The first electronically lodged Schedule B report after a company enters external administration



Term	Meaning in this document
insolvency practitioner	A generic term to describe registered liquidators regardless of whether they have been appointed to one or more specific types of external administration
insolvency	When a company becomes unable to pay all its debts as and when they become due and payable Note: See s95A of the Corporations Act.
insolvent trading	When a director allows their company to incur a debt and at the time of incurring the debt: <ul style="list-style-type: none"> <li>the company is insolvent or would become insolvent by incurring the debt; and</li> <li>there are reasonable grounds for suspecting the company is insolvent or would become insolvent by incurring the debt</li> </ul> Note: See s588G of the Corporations Act.
liquidator	An insolvency practitioner appointed under Ch 5 of the Corporations Act to wind up the affairs and distribute the property of a body corporate
PAYGW	Pay as You Go Withholding
Pt 5.7B (for example)	A part of the Corporations Act (in this example numbered 5.7B)
receiver	An insolvency practitioner appointed under an instrument or by the court to receive property of a body corporate
registered liquidator	A person registered by ASIC under s20-30 of Sch 2
remuneration	Estimated remuneration to be paid to the external administrator for services rendered in conducting an external administration
report	In Table 2 and Section D—means an initial external administrator report
RG 16	Regulatory Guide 16 <i>External administrators: Reporting and lodging</i> issued by ASIC on 1 July 2008 for external administrators on their reporting obligations to ASIC
s9 (for example)	A section of the Corporations Act (in this example numbered 9)
Sch 2	Schedule 2 to the Corporations Act, titled Insolvency Practice Schedule (Corporations)
Schedule B report	A report whose format is in accordance with Schedule B of RG 16 and lodged with ASIC under s533 (by a liquidator), s438D (by a voluntary administrator) or s422 (by a receiver)
secured creditor	A chargee as defined by s9

<b>Term</b>	<b>Meaning in this document</b>
SGC	Superannuation guarantee charge
voluntary administrator	An administrator of a company but not a deed of company arrangement

## Related information

### Regulatory guides

[RG 16](#) *External administrators: Reporting and lodging*

### Legislation

Corporations Act, Pts 5.2, 5.3A, 5.6, 5.7B; Sch 2

Insolvency Practice Rules (Corporations) 2016

### Information sheets

[INFO 151](#) *ASIC's approach to enforcement*

### Other

Statistics on companies entering external administration and insolvency appointments are available from [www.asic.gov.au/insolvency](http://www.asic.gov.au/insolvency).