

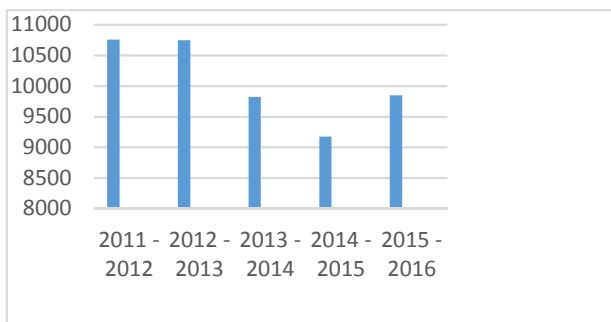
# Insolvency Newsletter

Vince & Associates

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## Corporate Insolvency Statistics

ASIC have just released their insolvency statistics for the 2015/2016 year which disclosed that external administration appointments had increased from 9,177 to 9,848 or by 7.3% since the 2014/2015 year. A summary of the five-year trend is as follows:



Creditor's Voluntary Liquidations contributed to the highest number of appointments for the year ending June 2016, which was followed by Court Liquidations and Voluntary Administrations. A summary of the external administration appointments for the previous year is as follows:

### Appointments



- Court Liquidation - 3,425
- Creditors' Voluntary Liquidation - 4,240
- Voluntary Administration - 1,435
- Receivership - 41
- Other - 369

The major difference between the 2014/2015 to 2015/2016 year was a decline of Court Liquidations by 16.7%. This may be attributable to the fact that the ATO, which represent a significant portion of Court winding up proceedings, had slowed down their recovery proceedings as a result of the Federal Election.

A review of the external administration appointments by industry in the 2015/2016 year disclosed the construction, accommodation & food services, retail trade, transport, postal & warehousing and mining industries were at the top of the list.

The retail industry has seen many collapses of well known brands in recent time including the Liquidation of Man to Man which employed approximately 130 employees across its 24 retail stores across Australia.

Vince & Associates were engaged in the winding up of Man to Man in May 2016 which involved the strategic closure, and the realisation of the company's assets.

Early warning signs of financial difficulties may be identified within a company's financial statements. Some of these indicators include the following:

#### Balance Sheet

- Weakening cash position
- Insufficient working capital
- Overinvestment in receivables or inventories
- Overinvestment in fixed assets
- Increasing bank loans and other current liabilities
- Excessive debt
- Overcapitalisation

#### Profit & Loss

- Declining sales/profit
- Increasing expenses
- Excessive interest/fixed costs
- Excessive dividends and drawings
- More sales with reduced mark-ups
- Declining net profits

# Assets in a Bankruptcy – Did you know?

Under the Bankruptcy Act, a bankrupt is entitled to retain the following assets:

- Most ordinary household items;
- Tools used to earn an income up to a combined value of \$3,750;
- Vehicles (eg cars or motorbikes) where the total value of the vehicles minus the sum owing under finance is no more than \$7,700;
- Most balances in regulated superannuation funds and payments from regulated superannuation funds received on or after your date of bankruptcy;
- Life insurance policies, and the proceeds from these policies received after your bankruptcy;
- Compensation for a personal injury, such as an injury from a car accident or workers' compensation (whether received before or after the date of bankruptcy), and assets bought wholly or substantially with such compensation;
- Assets held in trust for another person (for example, a child's bank account); and
- If creditors agree, awards of a sporting, cultural, military or academic nature made to you, such as medals or trophies, and claimed as having sentimental value.



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Vince & Associates specialise in the following areas:

## Corporate Insolvency:

- Creditors' Voluntary Liquidation
- Members' Voluntary Liquidation
- Voluntary Administration
- Official Liquidation

## Personal Insolvency:

- Bankruptcy
- Personal Insolvency Agreements

## Consulting Matters:

- Investigative Accountant's Reporting
- Business Valuations
- Forensic Accounting & Litigation Support

To find out more about the information covered in this newsletter or to discuss any issues pertaining to insolvency or consulting matters, please telephone the directors on 03 9793 5588 or via email to the following:

**Peter Vince**

[pvince@vinceassociates.com.au](mailto:pvince@vinceassociates.com.au)

**Danielle Roche**

[droche@vinceassociates.com.au](mailto:droche@vinceassociates.com.au)

**Paul Langdon**

[plangdon@vinceassociates.com.au](mailto:plangdon@vinceassociates.com.au)