

Report card: from the RBA

Financial Stability Review

Twice a year the Reserve Bank of Australia (RBA) reviews and reports on the current resilience of Australia's financial system and potential risks to financial stability.

In its most recent review, April 2025, one of the RBA's focus topics was *The Recent Increase in Company Insolvencies and its Implications for Financial Stability*. The RBA's review was one of the most comprehensive analyses of insolvency data since the Productivity Commission Business Set-up, Transfer and Closure Inquiry in 2015.

The review noted that:

- The number of companies entering insolvency has risen sharply over the past couple of years to be at the top of the range seen in the 2010s.
- Insolvency affects only a very small share of businesses in a typical year: in the 15 years prior to the pandemic, on average only 0.1% of companies entered insolvency each quarter while roughly 10 times as many companies exited by ceasing to trade without actually entering insolvency.
- Pandemic support measures reduced the risk of widespread financial stress and economic damage; measures such as income support policies, changes to the insolvency framework (small business restructurings (SBRs)) and flexibility in tax payments and lodgements.
- Insolvencies have increased as pandemic support was removed and economic conditions became challenging;
 - Pandemic policies delayed the failure of some businesses (on average, more older businesses were failing in 2023 and 2024).
 - Insolvencies were highest in the construction and hospitality sectors.
- Risks to the financial system remain contained as most insolvent companies are small and carry relatively little debt;
 - 75% of recent insolvencies have been small businesses (i.e. less than 20 employees).
 - An increasing share of insolvencies are now SBRs, currently around 20%.
 - Banks currently have limited exposure to insolvencies; banks' non-performing loan rates remain low.
 - Job losses at insolvent companies have been limited, and most affected employees have quickly secured new employment.

The RBA concluded that the Australian economy has entered a phase of recalibration following the pandemic, and that the Australian financial system is well positioned to manage uncertainties in the global economy.

rba.gov.au/publications/fsr/2025/apr

In Liquidators ASIC trusts

From 11 April 2025, ASIC ceased issuing automated requests for a supplementary statutory report (SSR) following system-based assessments of a liquidator's initial statutory report (ISR).

Following feedback from registered liquidators that there should be a greater role for liquidators to use their professional judgement in determining whether it is desirable to submit an SSR in a particular case, ASIC has changed its processes regarding liquidators' reporting.

The change is part of a broader ASIC review of how it receives, assesses and where appropriate, acts on intelligence received from liquidators.

The appropriateness of the submission of an SSR has now been left to the discretion of the liquidator using their professional judgement.



FOREWORD

"Most of the successful people I've known are the ones who do more listening than talking."
Bernard Baruch

"One of the most sincere forms of respect is actually listening to what another has to say."
Bryant H. McGill

"There is a difference between listening and waiting for your turn to speak."
Simon Sinek

"I'm a very strong believer in listening and learning from others."
Ruth Bader Ginsburg

"Listening is being able to be changed by the other person."
Alan Alda



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SBRs – The Cat’s Pajamas

As the RBA review reports, currently around 20% of company insolvencies are small business restructurings (SBRs).

Businesses entering into an SBR have a relatively low level of outstanding liabilities (a necessary qualifying criteria) and a high recovery rate, with more than 90% resuming trade within three months of the insolvency appointment.

Currently the ATO appears more willing to renegotiate ATO debt during an SBR than through other means (e.g. negotiation/payment plans).

Contact us for free and confidential advice.

Our Solutions

FINANCIAL DIFFICULTIES & INSOLVENCY

We provide help and support for companies and individuals under financial strain.

We are specialists in corporate and personal insolvency services, financial and strategic advice and support, and turnaround and restructuring advice.

Recent work:

- Voluntary administration or liquidation of:
 - A patio installer.
 - A hospitality/pub operator.
 - A logistics & storage service provider.
- New personal insolvency administrations including a property developer, road freight transporter and a construction & mining labourer.

LITIGATION SUPPORT

Litigation support and forensic services can take many forms, and we tailor our approach to the individual requirements of each assignment.

Recent work:

- Desktop valuation of a minority interest in a hospitality & tourism products & services supplier.
- Quantification of a property developer’s loss for Supreme Court of WA proceedings.
- Expert report for Supreme Court of WA proceedings involving the financial analysis of 27 years of a farming business’ trading.
- Back of the envelope valuation of a bakery.
- Assistance with the review of a single expert valuation for a family law matter.
- Assistance with the quantification of the parties’ assets & liabilities for a family law matter.



EDITORIAL

Houston, we have a problem!

Do you always listen when you’re being told things are going wrong, or are just not right?

“If it’s not safe, say so!” was the poster slogan for the NASA Safety Reporting System (NSRS) established by NASA in 1987 after the Challenger Shuttle disaster in 1986, when it was discovered that there were serious culture issues at NASA that led to engineers feeling pressured not to raise their concerns regarding the safety of the shuttle.

The NSRS was to be an anonymous, voluntary and responsive reporting channel to notify NASA’s upper management of employees’ concerns about hazards.

However, it seems that by the time of the Columbia Shuttle disaster in 2003, many bad habits had crept back in. In particular, engineers again did not feel they could approach NASA management about concerns they had regarding the shuttle because of the lift-off timetable that NASA had set (or that had been set for NASA).

Obviously space travel is inherently extremely risky and dangerous, with errors and miscalculations potentially leading to catastrophic results. Very few of us would accept even a free ticket for a space ride!

But what about failure to see things going wrong in our earth-bound lives; in the organisations we work in and in our personal lives?

We all know what it’s like to not see the obvious, or at least not until after the fact or it’s too late. Sometimes we may be intentionally or deliberately ignoring or not focussing on an issue (intentional amnesia, directed or motivated forgetting) but sometimes the failure can be unintentional.

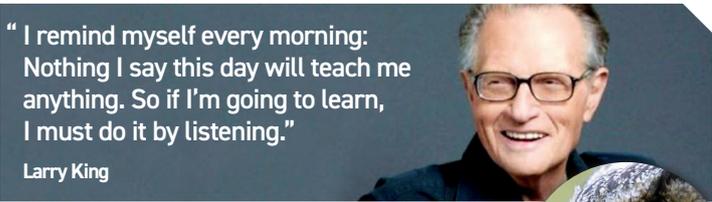
The phrase “failure to see things going wrong” often refers to inattentional blindness, where people fail to notice a clearly visible, unexpected stimulus due to the lack of attention, rather than a visual impairment. It can happen when someone is focussed on a primary task or stimulus, causing them to miss other details in their environment (the “invisible gorilla test”).

Plus there can be other limiting conditions, such as change blindness (failure to see a change in a visual scene).

The point is; we are probably not going to see all issues arising in our lives every time and in every place. We need people around us, friends, family and colleagues, to help us with the things we fail to see.

We need to let people speak up, and for us to listen and consider, undefensively. In organisations, this means creating a culture, and if necessary, infrastructure, for open communication.

The last recorded crew comment from the Challenger Shuttle, which broke apart 73 seconds into its flight, was an “Uh oh” uttered by pilot Mike Smith. Don’t listen too late.



“I remind myself every morning: Nothing I say this day will teach me anything. So if I’m going to learn, I must do it by listening.”

Larry King



DID YOU KNOW?

Owls don’t have eyeballs

They have elongated, tube-shaped eyes, supported by bony sclerotic rings within the skull, which prevent the eyes from moving in the sockets.

To compensate for having fixed eyes, owls have evolved the ability to rotate their heads nearly 270 degrees (three quarters of a full circle) in either direction, plus 90 degrees up and down.

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