

## Company liquidation



Company liquidation occurs after it has been established that a company is unable to pay its debts when they fall due.

A company can be placed into liquidation voluntarily or by court order.

Usually a private sector liquidator (such as a chartered accountant) will be appointed as liquidator. However, where the company is put into liquidation by court order the Official Assignee may be appointed liquidator.

The liquidator will investigate the company's financial affairs and find out what caused its failure. The liquidator will also investigate possible offences by company officers, such as directors and shareholders, and identify and sell assets for the benefit of creditors.

Officers of the company are required to assist the liquidator by providing information about the company and answering any questions that the liquidator may have. A failure to do so can lead to prosecution by the National Enforcement Unit.



### Further information

#### [What is company liquidation?](#)

Company liquidation occurs after it has been established that a company is unable to pay its debts when they fall due. A company can be placed into liquidation voluntarily or by court order.

#### [How does liquidation affect the business and employees?](#)

Once a company is in liquidation, the appointed liquidator may decide to continue trading to preserve its value for sale as a going concern. The liquidator may also cease trading and attempt to sell the company's assets separately. The closure of the business will have an effect on the company's employees.

#### [What is the effect of liquidation on company officers?](#)

It is important for directors to co-operate with the Official Assignee to enable the affairs of the company to be fairly and equitably resolved.

#### [Personal guarantees](#)

It is common practice for directors to guarantee the debts of their company when obtaining credit from suppliers. If you have guaranteed the debt of a company that has gone into liquidation, it is likely that the creditor will seek to recover what is owed from you.

#### [My company is in financial trouble... what are my options?](#)

If it is becoming increasingly difficult for a company to pay its debts as they fall due, then steps need to be taken to avoid the company getting into further financial difficulty. There are several options available to a company in this position.

#### [What is receivership?](#)

Receivership occurs where a receiver is appointed under the terms of a security, or by a Court, to realise assets or manage the business of a company for the benefit of the security holders.

## What is voluntary administration?

The Insolvency Law Reform Bill (the Bill) introduced a new insolvency regime and the process of 'voluntary administration' as a new business rehabilitation scheme for companies similar to that operating in Australia. The Bill came into force as the Companies Amendment Act 2006 on 1 November 2007 and made changes to the Companies Act 1993.