

CREDITORS VOLUNTARY LIQUIDATION

Creditors Voluntary Liquidation (commonly known as CVL) is the most commonly used type of Liquidation appointment. It is easy, low cost and initiated by the directors and shareholders. It starts with the directors and shareholders resolving that the company is insolvent, or likely to become insolvent and can no longer satisfy its debts. A Creditors' Voluntary Liquidation allows for the winding up of a company's affairs without the need for Court intervention. This type of insolvency provides for an orderly realisation and distribution of a company's assets among its creditors and investigations as to why the company failed.

What causes a Creditors voluntary Liquidation?

- ⦿ When an insolvent company's shareholders agree to liquidate the company and appoint a liquidator by special resolution
- ⦿ Recovery actions by the ATO and Directors' Penalty Notices (DPNs) or winding up petitions cause pressure on company directors
- ⦿ Directors become at risk of insolvent trading
- ⦿ Can occur at the end of a Voluntary Administration if creditors vote for a company to be liquidated or a Deed of Company Arrangement (DOCA) has been terminated

What are the expected outcomes of a Creditors Voluntary Liquidation

- ⦿ Once all assets have been realised, investigations are completed and distributions to creditors are made, the liquidator will apply to ASIC to deregister the company
- ⦿ Creditors no longer have any claim against the company

How can Helm Advisory Help?

If you are a director and you think you might need to liquidate your company, then you need to establish if the company is solvent or insolvent. If it is insolvent, then you will need a Creditors Voluntary Liquidation and if it is solvent you will need a Members Voluntary Liquidation.

In our view, directors should be seeking external advice from a restructuring advisor well before they contemplate the need for the appointment of an external administrator. If handled properly, early intervention by a qualified restructuring advisor may completely avoid the need to appoint an external administrator in future.

If you need any guidance or assistance with a corporate restructuring, or insolvency matter, please contact one of the Helm Advisory Specialists on 02 9194 4000.