

Summary Winding Up of a Jersey Company

As originally appeared in Finance – Jersey Summer 2009

Mark Estella, July 2009

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A Jersey company may be subject to a summary winding up under Part 21 of the **Companies (Jersey) Law 1991**, as amended (the “Law”) where the company is solvent. The procedure is simple and quick and may be completed within a couple of days if the company has no liabilities and readily distributable assets. It is available to a solvent company that:

- (a) has no liabilities; or
- (b) has liabilities that have already fallen due or that fall due within six months after the commencement of the winding up, that it will be able to discharge in full within six months of the commencement of the winding up; or
- (c) has liabilities that will arise more than six months after the commencement of the winding up that it will be able to discharge in full as they fall due; or
- (d) has a combination of the liabilities mentioned in (b) and (c) above; and
- (e) and in respect of which no declaration has been made under the **Bankruptcy (Désastre) (Jersey) Law 1990** (unless such declaration has been recalled).

COMMENCEMENT OF A SUMMARY WINDING UP AND THE INITIAL STATEMENT OF SOLVENCY

For a company to be wound up summarily all of the directors of the company must sign a statement of solvency in relation to the company stating that, having made full enquiry into the company's affairs, each director is satisfied that:

- (a) the company has no assets and no liabilities; or
- (b) the company has assets and no liabilities; or
- (c) the company will be able to discharge its liabilities in full within the six months after the commencement of the winding up; or
- (d) the company has liabilities that will fall due more than six months after the

commencement of the winding up that it will be able to discharge in full as they fall due; or

- (e) both (c) and (d) apply to the company.

The shareholders must then pass, within 28 days of the statement of solvency being signed, a special resolution that the company be wound up summarily. A copy of the special resolution and the statement of solvency must be delivered to the Jersey registrar of companies within 21 days after the special resolution has been passed.

In practice, a meeting of the directors of the company is held to consider the proposed dissolution, determine the assets and liabilities of the company, recommend to the members that they pass a special resolution stating that the company be wound up and agree, having considered the financial position of the company carefully, that all of the directors shall sign the statement of solvency.

EFFECT OF COMMENCEMENT

The summary winding up of a company commences on the passing of the special resolution stating that the company be wound up summarily. From that moment, the directors (or the liquidator if appointed) may only exercise the company's powers to (a) realise its assets, (b) to discharge its liabilities, and (c) to distribute its assets in accordance with the Law.

APPOINTMENT OF LIQUIDATOR

Although it is not a requirement of the Law the members of a company may appoint a liquidator to carry out the summary winding up by way of special resolution on or after the commencement of its summary winding up. The appointment of a liquidator must be recorded in a register of the company and once appointed the directors cease to be authorised to exercise their powers in respect of the company and those powers are exercised by the liquidator. The liquidator will take possession of all company books, records and assets.

Subject to the terms of his appointment and the Law the liquidator will have the sole control and

responsibility for the winding up of the company. If a liquidator is not appointed, the directors will conduct the winding up.

REALISATION OF ASSETS, DISCHARGE OF LIABILITIES AND DISTRIBUTION OF ASSETS

Where the company:

- (a) has assets and no liabilities the company must, on the registration of the statement of solvency by the Jersey registrar of companies, distribute its assets among its members according to their rights; or
- (b) has liabilities, the company, after the registration of the statement of solvency by the Jersey registrar of companies must satisfy those liabilities as they become due or within six months of commencement. If the directors of the company reasonably believe that the company is able to pay any remaining liabilities as they fall due, they may then distribute its remaining assets among its members according to their rights.

In practice the directors (or the appointed liquidator) would notify all possible creditors and parties involved in transactions with the company of the commencement of the liquidation process. The directors (or liquidator) would then settle any claims made against the company, recover any assets due to the company, ensure that all obligations under the various agreements entered into by the company have been fulfilled, terminate agreements as required and prepare final accounts for the company.

FINAL SOLVENCY STATEMENT

As soon as the company has settled all its liabilities and distributed its assets, it must deliver to the Jersey registrar of companies a statement signed by each of the directors (or appointed liquidator) stating that each director (or the liquidator) having made full enquiry into the company's affairs, is satisfied that the company has no assets and no liabilities.

Upon the registration of the statement that the company has no assets and no liabilities the company is dissolved.

Should you have any questions or requests for further information, please contact:

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July 2009
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