



SMITH HANCOCK

FACT SHEET: Privately appointed receivers of property of corporations

What is a Receivership?

A Receivership is a form of external administration whereby a creditor that is the holder of security (eg a registered fixed and floating charge) seeks to enforce their security. The secured creditor may appoint a Receiver who proceeds to realise property subject to the security for the benefit of the secured creditor.

Who can be a Receiver?

The Receiver must be a person registered with the Australian Securities & Investments Commission ("ASIC") as a liquidator. The Act provides for a number of further disqualifications including where the person is an auditor, mortgagee or officer of the corporation.

What are the effects of a Receivership?

Once the Receiver is appointed:

- the Receiver has a wide range of powers including the power to enter into possession and take control of property (in accordance with the terms of the instrument of appointment), carry on the business of the corporation and dispose of property of the corporation

- the Receiver is personally liable for services rendered to the corporation, goods purchased by him or her, or property hired, leased, used or occupied by the corporation
- the Receiver will generally be appointed as agent for the company and will remain an agent until the termination of the Receivership or the appointment of a liquidator
- the Receiver must prepare specific reports for ASIC
- The Receiver is generally granted extensive management powers to the exclusion of the directors
- Creditors are not prevented from beginning or proceeding with a proceeding in a court

When does a Receivership end?

A Receivership will most commonly terminate when the Receiver has realised the property subject to the security and distributed that property in accordance with the provisions of the Corporations Act and instrument of appointment.

Our Contact Details: Smith Hancock, Chartered Accountants ABN 60 116 945 437

Address: Level 4, 88 Phillip St
Parramatta
NSW 2150

PO Box 3905
Parramatta
NSW 2124

DX 8289 Parramatta

Telephone: (02) 9689 2266

Facsimile: (02) 9689 2888

Email
General: shs@smithhancock.com.au

Partners: mikes@smithhancock.com.au
peterh@smithhancock.com.au

Web: www.smithhancock.com.au



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