

## EXPLANATORY NOTE

### Liquidation petition by shareholder/contributory

The liquidation petition is to be used in making an application for liquidation of company by a shareholder/contributory.

### Legal Basis

**Section 424 of the Insolvency Act, 2015** sets out the circumstances in which a company may be liquidated by court and includes where it is just and equitable. **Section 425** of on the other hand sets out the persons who can file an application for liquidation order and in this regard includes shareholders/contributories of a company.

### Legal Grounds/Threshold.

In order to succeed, the contributory is required to prove to court the subsisting circumstances are such that it would be just and equitable to liquidate the company. In most instances, the just and equitable ground is invoked where there is a deadlock or stalemate between the directors and/or contributories (shareholders) of the Company on who/how to conduct management and operations of the Company thus necessitating issuance of a liquidation order.

### Remedies/Relief Sought

The Orders to be sought in the petition are;

- (a) A declaration that it is just and equitable for the Company to be liquidated; and
- (b) That following liquidation, the net assets of the Company be distributed between the members in accordance with their respective shareholding; and
- (c) That the Company be liquidated by the court under the provisions of the Insolvency Act, Act No. 19 of 2015

### The Processes/Procedure involved

The petition is filed by uploading it in the E filing system and paying the requisite filing fees after which the petitioner is required to advertise it to notify the creditors of the same and invite them to participate in the hearing.