

LIQ03

Notice of progress report in voluntary winding up



Companies House

For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1	Company details	
Company number	0 5 3 2 5 0 5 6	→ Filling in this form Please complete in typescript or in bold black capitals.
Company name in full	KNOWLEDGE MANAGEMENT & TRANSFER LTD	
2	Liquidator's name	
Full forename(s)	GARY STEVEN	
Surname	PETTIT	
3	Liquidator's address	
Building name/number	9/10	
Street	SCIROCCO CLOSE	
	MOULTON PARK	
Post town	NORTHAMPTON	
County/Region		
Postcode	N N 3 6 A P	
Country		
4	Liquidator's name ①	
Full forename(s)		① Other liquidator Use this section to tell us about another liquidator.
Surname		
5	Liquidator's address ②	
Building name/number		② Other liquidator Use this section to tell us about another liquidator.
Street		
Post town		
County/Region		
Postcode		
Country		

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6 Period of progress report

From date	d	2	d	2	m	1	m	0	y	2	y	0	y	2	y	1
To date	d	2	d	1	m	1	m	0	y	2	y	0	y	2	y	2

7 Progress report

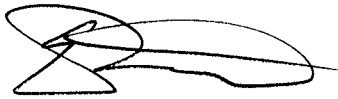
☒ The progress report is attached

8 Sign and date

Liquidator's signature

Signature

X



X

Signature date

d	2	d	4	m	1	m	1	y	2	y	0	y	2	y	2
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LIQ03

Notice of progress report in voluntary winding up

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name

PBC BUSINESS RECOVERY

& INSOLVENCY LIMITED

Address

9/10 SCIROCCO CLOSE

MOULTON PARK

Post town

NORTHAMPTON

County/Region

Postcode

N

N

3

6

A

P

Country

DX

Telephone

01604 212150

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.

**Important information**

All information on this form will appear on the public record.

**Where to send**

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

**Further information**

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

KNOWLEDGE MANAGEMENT & TRANSFER LIMITED – IN CREDITORS' VOLUNTARY LIQUIDATION

LIQUIDATOR'S PROGRESS REPORT TO CREDITORS AND MEMBERS FOR THE PERIOD ENDING 21 OCTOBER 2022

1 Introduction

- 1.1 This is my report to members and creditors following the 4th anniversary of my appointment as liquidator. This report should be read in conjunction with my previous reports.

2 Statutory Information

- 2.1 The table below details key information regarding the company and the liquidation.

Company name:	Knowledge Management & Transfer Ltd – In Liquidation
Trading Name:	KM&T
Registered office:	9/10 Scirocco Close, Moulton Park, Northampton, NN3 6AP
Former registered office:	The Techno Centre, Puma Way, Coventry, CV1 2TT
Registered number:	05325056
Date of winding up resolution:	19 October 2018
Liquidator's name:	Gary S Pettit
Liquidator's address:	PBC Business Recovery & Insolvency Ltd ("PBC"), 9/10 Scirocco Close, Moulton Park, Northampton, NN3 6AP
Liquidator's date of appointment:	22 October 2018
Former Liquidators:	The company was placed into creditors' voluntary liquidation on 19 October 2018 and Kieran Bourne of Cromwell and Co Insolvency Practitioners was appointed liquidator. I was appointed joint liquidator at a physical meeting of creditors on 22 October 2018 together with Gavin Bates. Mr Bates left PBC in December 2018 and has now resigned as liquidator. His resignation became effective on 10 January 2019.

3 Liquidator's Actions Since Last Report

4 Liquidator's Actions Since Last Report

4.1 Since the last report to creditors, the liquidator has undertaken the following actions:

- i. Dealt with all routine correspondence and emails relating to the case.
- ii. Maintained and managed (including regular bank reconciliations) the office holder's estate bank account and cashbook.
- iii. Reviewed the adequacy of the specific penalty bond (this is insurance required by statute that every insolvency office holder has to obtain for the protection of each estate).
- iv. Undertaken periodic reviews of the progress of the case.
- v. Prepared, reviewed and issued annual progress reports to creditors and members.
- vi. Filed returns at Companies House.
- vii. Prepared and filed VAT returns.
- viii. Dealt with creditor correspondence, emails and telephone conversations regarding their claims.
- ix. Maintained up to date creditor information on the case management system.
- x. Investigations into the group of companies as a whole.

5 Receipts and Payments

5.1 My receipts & payments account for the period from 22 October 2021 to 21 October 2022 is attached. I confirm this has been reconciled for the purposes of this report. All amounts are shown net of VAT.

5.2 The balance of funds is held in an interest bearing estate bank account.

6 Assets

6.1 The following table details the current asset position.

Asset Type	Estimated to realise (£)	Realisations to date (£)
Intercompany Loan – Book Value £4,473,531.00	Nil	Nil
Cash at bank	Nil	1,831.75
Investments	Nil	18,554.24
Sundry refund	Nil	44.25
Bank interest	NI	1.73
Total	Nil	20,431.97

6.2 Other than a small amount of bank interest of three pence there have been no asset realisations in the period and creditors should refer to my previous reports.

7 Investigation into the affairs of the company

- 7.1 Creditors will recall I am investigating various matters in relation to the group of companies as a whole. I have instructed solicitors in this regard and liaisons between the solicitors acting for both parties are ongoing.

8 Liabilities

- 8.1 **Secured Creditors:** An examination of the company's mortgage register held by the Registrar of Companies showed the following charges over the company's assets:

Name of Chargeholder:	Gareth Malcolm Harris
Date Charge Registered:	8 July 2017
Type of Security	Fixed and floating charge
Claim on statement of affairs	£2,300,000
Claim received to date:	£1,861,261.60 – Loan notes held by G Harris £407,242.20 – Loan notes held by C Harris

Name of Chargeholder:	Ultimate Invoice Finance Ltd
Date Charge Registered:	11 March 2015
Type of Security	Fixed and floating charge
Claim on statement of affairs	Nil
Claim received to date:	Nil

- 8.2 **Preferential creditors** – The statement of affairs did not include any preferential creditors. I have received a preferential claim from the redundancy payments office of £163.45.
- 8.3 At the time of writing, I have not investigated the reasons for the difference in the level of claims received.
- 8.4 **Crown Creditors** - Readers may be aware of a change in legislation where HMRC have become secondary preferential creditors for certain specified debts, such as VAT, PAYE, employee National Insurance Contributions, student loan deductions and Construction Industry Scheme deductions. However, this change does not apply here as the case commenced prior to the change in legislation on 1 December 2020.
- 8.5 The statement of affairs included £15,863.77 owed to HMRC for corporation tax and £14,221.19 for PAYE/NIC. I have received a combined claim from HMRC for £68,531.35.

8.6 **Non-preferential unsecured Creditors:** In addition to HMRC the statement of affairs included 10 non-preferential unsecured creditors with an estimated total liability of £1,589,602.20. This included four intercompany creditors totalling £1,572,223.30. I have received a claim from one creditor, with an associated director for £3,333.32. I have not received claims from five creditors with original estimated claims in the statement of affairs of £14,045.73.

8.7 In addition to the statement of affairs creditors, I have also received a claim from the redundancy payments office of £16,824.52.

9 Pre-Appointment Remuneration

9.1 As previously reported the statement of affairs fee of £5,000 was paid to Cromwell and Co Insolvency Practitioners out of first realisations of the estate.

10 Liquidator's Remuneration

10.1 My remuneration was previously authorised on a mixture of a fixed fee, a scale rate on realisations and on a time cost basis.

10.2 **Fixed Fee:** I was authorised to draw a fixed fee of £11,000 for my work in respect of administration and planning and creditors.

10.3 I have drawn £11,000 to 21 October 2022 none of which was drawn in the period of this report.

10.4 **Percentage of Realisations:** I was authorised to draw a percentage of realisations for my work in respect of the realisation of assets on the following scale:

- 15% of realisations

10.5 Based on realisations I have achieved to date I am entitled to remuneration of £3,064.79.

10.6 I have not been able to draw any remuneration in respect of work done for which my fees were approved as a percentage of realisations.

10.7 **Time Costs:** I was authorised to draw time costs for my work in respect of investigations, case specific matters and investigations. This approval was based on my fees estimate of £11,750. The fees estimate acts as a cap and I cannot draw remuneration in excess of that estimate without first seeking approval from the creditors.

10.8 My total time costs for such work to 21 October 2022 amount to £5,155.50, at an average charge out rate of £200.60 per hour, none of which was charged in the period of this report.

10.9 I have drawn £1,181.57 to 21 October 2022, none of which was drawn in this period.

10.10 A detailed schedule of my time costs incurred to date on the above categories and since 21 October 2022 compared with my original fees estimate is attached.

- 10.11 As at the date of reporting, I do not anticipate that the total time costs I will incur in this matter in respect of the categories of work for which I am being remunerated on a time cost basis will exceed the total estimated remuneration I set out in my fees estimate when my remuneration was authorised.

11 Liquidator's Expenses

- 11.1 Creditors authorised that I could draw category 2 disbursements on 5 December 2018. However, creditors should note the definition of category 2 disbursements changed on 1 April 2021 and this resolution is no longer relevant, although disbursements drawn under the resolution remain valid.
- 11.2 I have not sought authority from creditors to draw category 2 expenses and I do not propose to do so at this stage. However, category 1 expenses do not require authority from creditors before they are paid from the estate.
- 11.3 A schedule of the expenses is included with the analysis of time costs. I have drawn £286.04 to date none of which was drawn in this reporting period..

12 Estimated Outcome

- 12.1 At present it appears unlikely there will be a dividend to any class of creditor.
- 12.2 The legislation requires that if the company has created a floating charge after 15 September 2003, a prescribed part of the company's net property (i.e. the money that would otherwise be available to the charge holder) should be ring-fenced for distribution to unsecured creditors.
- 12.3 As previously advised, the company gave a floating charge to Gareth Harris on 8 July 2017 and the prescribed part provisions will apply. On the basis of realisations to date, together with estimated future realisations, and after taking into account the costs of the liquidation to date, the net property of the company is £0, and I estimate that the prescribed part of the net property for unsecured creditors is £0. However, these estimates do not take into account the future costs of the liquidation, which will reduce the amount of the company's net property.
- 12.4 Since the company's net property is less than £10,000, the insolvency legislation does not require me to distribute the prescribed part of the net property to creditors if I think that the costs of distributing the prescribed part would be disproportionate to the benefits to creditors. I am of the view that the costs of distribution would be disproportionate and so will not be making a distribution of the prescribed part of the net property to non-preferential unsecured creditors.

13 Creditors' Rights

- 13.1 An unsecured creditor may, with the permission of the court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question), request further details of the liquidator's remuneration and expenses within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.
- 13.2 An unsecured creditor may, with the permission of the court or with the concurrence of 10% in value of the creditors (including the creditor in question), apply to court to challenge the amount

and/or basis of the liquidator's fees and the amount of any proposed expenses or expenses already incurred within 8 weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

- 13.3 Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holder's fees may be approved for each case type are available in a series of guidance notes issued with Statement of Insolvency Practice 9, and they can be accessed at <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29114/page/1/guide-to-liquidators-fees/> and <https://www.r3.org.uk/technical-library/england-wales/sips/more/29125/page/1/sip-9-payments-to-insolvency-office-holders-and-their-associates/>. There are different versions of these guidance notes, and in this case please refer to the latest versions the links guide you to. Please note that I have also provided further details in the practice fee recovery sheet.

14 Provision of Services Regulations

- 14.1 To comply with the Provision of Services Regulations, some general information about PBC can be found at <https://www.pbcbusinessrecovery.co.uk/provisions-of-services-regulations/>

15 Summary

- 15.1 The liquidation will remain open until the following matters have been fully resolved:
- Investigations into the group company as a whole have been finalised.
- 15.2 I am unable to estimate how long this is likely to take at present.
- 15.3 If creditors have any queries regarding the conduct of the liquidation, or if they want hard copies of any of the documents made available on-line, they should contact Claire Goodacre by email at clairegoodacre@pbcbusinessrecovery.co.uk.



GARY S PETTIT
Liquidator

**Knowledge Management & Transfer Ltd - In Creditors Voluntary Liquidation
Liquidator's Abstract of Receipts & Payments**

From 22 October 2021 To 21 October 2022

S of A £		As Previously Reported	22/10/21 to 21/10/22	Total £
RECEIPTS				
NIL	Investments	18,554.24	NIL	18,554.24
NIL	Cash at Bank	1,831.75	NIL	1,831.75
NIL	Bank Interest Gross	1.70	0.03	1.73
NIL	Sundry Refund	44.25	NIL	44.25
NIL		20,431.94	0.03	20,431.97
PAYMENTS				
NIL	Liquidators' Fees - Time Costs	(1,181.57)	NIL	(1,181.57)
NIL	Statement of Affairs Fee	(5,000.00)	NIL	(5,000.00)
NIL	Legal Fees	(2,870.00)	NIL	(2,870.00)
NIL	Liquidators' Expenses	(286.04)	NIL	(286.04)
NIL	Liquidators' Fees - Fixed Fee	(11,000.00)	NIL	(11,000.00)
0		(20,337.61)	NIL	(20,337.61)
0	CASH IN HAND	94.33	0.03	94.36

Remuneration Schedule for: Knowledge Management & Transfer Ltd

Between 22/10/2021 and 21/10/2022

TIME COSTS

Classification of work function	Partner/ Director	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost	Average Hourly Rate	Time costs as detailed in Fee Estimate
Administration & Planning	-	-	-	-	-	-	-	-
Investigations	-	-	-	-	-	-	-	-
Realisations	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-
Creditors	-	-	-	-	-	-	-	-
Case Specific Matters	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-
Total hours	-	-	-	-	-	-	-	-
Time costs	-	-	-	-	-	-	-	-
Average hourly rate	-	-	-	-	-	-	-	-

Total Time Cost Fees charged to 21/10/2022 £1,181.57

EXPENSES

Description	Total Incurred £	Total Recovered £
	-	-

Remuneration Schedule for: Knowledge Management & Transfer Ltd

Between 22/10/2018 and 21/10/2022

TIME COSTS

Classification of work function	Partner/ Director	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost	Average Hourly Rate	Time costs as detailed in Fee Estimate
Administration & Planning	-	-	-	-	-	-	-	-
Investigations	2.70	1.10	17.20	0.50	21.50	4,318.50	200.86	4,100.00
Realisations	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-
Creditors	-	-	-	-	-	-	-	-
Case Specific Matters	0.50	-	3.70	-	4.20	837.00	199.29	2,600.00
Distributions	-	-	-	-	-	-	-	-
Total hours	3.20	1.10	20.90	0.50	25.70			
Time costs	1,215.00	144.00	3,774.00	22.50		5,155.50		6,700.00
Average hourly rate	379.69	130.91	180.57	45.00			200.60	

Total Time Cost Fees charged to 21/10/2022 £1,181.57

EXPENSES

Description	Total Incurred £	Total Recovered £
Advertising	71.00	71.00
Postage/stamps/copying	35.04	35.04
Bordereau	70.00	70.00
Insolv	110.00	110.00
Totals	286.04	286.04

PRACTICE FEE RECOVERY POLICY FOR PBC BUSINESS RECOVERY & INSOLVENCY LIMITED

Introduction

This sheet explains the alternative fee bases allowed by the insolvency legislation when acting as office holder in insolvency appointments. The legislation allows different fee bases to be used for different tasks within the same appointment. The fee basis, or combination of bases, set for a particular appointment is/are subject to approval, generally by a committee if one is appointed by the creditors, failing which the creditors in general meeting, or the Court. The report accompanying the request to fix the basis of remuneration will indicate the basis, or bases, being requested in that particular case and will make it clear what work is to be undertaken in respect of each basis.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holder's fees may be approved for each case type are available in a series of guides issued with Statement of Insolvency Practice 9 (SIP 9) "Payments to Insolvency Office Holders and their Associates from an Estate" and can be accessed at <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/page/1> and <https://www.r3.org.uk/technical-library/england-wales/sips/more/29125/page/1/sip-9-payments-to-insolvency-office-holders-and-their-associates/>. Alternatively, a hard copy may be requested from PBC Business Recovery & Insolvency Ltd, 9/10 Scirocco Close, Moulton Park, Northampton, NN3 6AP. Please note that we have provided further details in this policy document.

SIP 9 also contains various requirements that the office holder has to comply with in connection with their remuneration, both when seeking approval and when reporting to creditors and other interested parties after approval. One of the matters that an office holder has to comply with is that they must also seek approval for any payments that could reasonably be perceived as representing a threat to the office holder's objectivity or independence by virtue of a professional or personal relationship, including to an associate. Where it is anticipated that such payments will be made in a case they will be separately identified when seeking approval for the basis of the office holder's remuneration.

Other than in respect of Voluntary Arrangements an office holder is required to record the time spent on casework in all cases, even if they are being remunerated for that work on a basis other than time costs. Time is recorded directly to the relevant case and the nature of the work undertaken is recorded at that time. The work is generally recorded under the following categories:

- Administration & Planning (including statutory reporting).
- Realisation of Assets.

- Investigations.
- Creditors
- Distributions.
- Trading
- Case specific matters.

Time cost basis

When charging fees on a time costs basis we use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform. This is combined with the amount of time that they work on each case, recorded in 6 minute units with supporting narrative to explain the work undertaken.

Charge out Rates

Grade of staff	Current charge-out rate per hour, effective from 31 March 2021 (£)	Previous charge-out rate per hour, effective from 31 March 2019 (£)
Partner (Appointment takers)	400	400
Manager	320	290
Associate/Insolvency Manager	250	240
Case/Operations Manager	220	190
Other Senior Professionals	150	125
Senior Case Administrator	60	45
Case Administrator		
Assistants & Support Staff		

These charge-out rates charged are reviewed on 31 March each year and are adjusted to take account of inflation and the firm's overheads.

When we seek time costs approval, we have to set out a fees estimate. That estimate acts as a cap on our time costs so that we cannot draw fees of more than the estimated time costs without further approval from those who approved our fees. When seeking approval for our fees, we will disclose the work that we intend to undertake, the hourly rates we intend to charge for each part of the work, and the time that we think each part of the work will take. We will summarise that information in an average or "blended" rate for all of the work being carried out within the estimate, and by reference to each separate category of work. The blended rate is calculated as the prospective average cost per hour, based upon the estimated time to be expended by each grade of staff at their

specific charge out rate. We will also say whether we anticipate needing to seek approval to exceed the estimate and, if so, the reasons that we think that may be necessary. A report accompanying the request to fix the basis of remuneration will include the fees estimate, as well as details of the expenses that will be, or are likely to be, incurred. Further information about expenses is given in a separate section below.

The disclosure that we make should include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal.

If we subsequently need to seek authority to draw fees in excess of the estimate, we will say why we have exceeded, or are likely to exceed the estimate; any additional work undertaken, or proposed to be undertaken; the hourly rates proposed for each part of the work; and the time that the additional work is expected to take. As with the original estimate, we will summarise that information in an average or “blended” rate for all of the work being carried out within the estimate, and by reference to each separate category of work, and will also say whether we anticipate needing further approval and, if so, why we think it may be necessary to seek further approval.

Percentage basis

The legislation allows fees to be charged on a percentage of the value of the property with which the office holder has to deal (realisations and/or distributions). Different percentages can be used for different assets or types of assets. A report accompanying the request to fix the basis of remuneration will set out the potential assets in the case, the remuneration percentage proposed in respect of any realisations and the work covered by that remuneration, which may solely relate to work undertaken in connection with the realisation of the assets, but might also include other categories of work as listed above. The report will also include details of the expenses that will be, or are likely to be, incurred. Further information about expenses is given in a separate section below.

The percentage approved in respect of realisations will be charged against the assets realised, and where approval is obtained on a mixture of bases, any fixed fee and time costs will then be charged against the funds remaining in the liquidation after the realisation percentage has been deducted.

A percentage of distributions made to unsecured creditors may also be requested, in order to cover the work associated with the agreement of claims and making the distribution.

The disclosure that we make will include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has

carried out their functions, and the value and nature of the property with which the office holder has to deal. In order to meet the requirements of SIP 9 it will also explain why the basis requested is expected to produce a fair and reasonable reflection of the work that we anticipate will be undertaken on the case.

If the basis of remuneration has been approved on a percentage basis then an increase in the amount of the percentage applied can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the percentage applied. If there has not been a material and substantial change in the circumstances, then an increase can only be approved by the Court.

Fixed fee

The legislation allows fees to be charged at a set amount. Different set amounts can be used for different tasks. A report accompanying the request to fix the basis of remuneration will set out the set fee that we proposed to charge and the work covered by that remuneration, as well as details of the expenses that will be, or are likely to be, incurred. Further information about expenses is given in a separate section below.

The disclosure that we make will include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal. In order to meet the requirements of SIP 9 we will also explain why the basis requested is expected to produce a fair and reasonable reflection of the work that we anticipate will be undertaken on the case.

If the basis of remuneration has been approved on a fixed fee basis then an increase in the amount of the fixed fee can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the fixed fee. If there has not been a material and substantial change in the circumstances, then an increase can only be approved by the Court.

Direct Costs

Where we seek approval on a percentage and/or fixed fee basis, in order to meet the requirements of SIP 9 we also have to disclose the direct costs that are included within the remuneration that will be charged on those bases in respect of the work undertaken. The direct costs that will be included in respect of work undertaken are the staff costs of this firm.

Mixed basis

If remuneration is to be sought on a mixed basis, we will make it clear in the report accompanying the request to fix the basis of remuneration which basis will be charged for each category of work that is to be undertaken on the case.

Members' voluntary liquidations and Voluntary Arrangements

The legislation is different for members' voluntary liquidations (MVL), Company Voluntary Arrangements (CVA) and Individual Voluntary Arrangements (IVA). In MVLs, the company's members set the fee basis, often as a fixed fee, and SIP 9 does not apply unless the members specifically request it. In CVAs and IVAs, the fee basis is set out in the proposals and creditors approve the fee basis when they approve the arrangement.

All fee bases

With the exception of IVAs and CVAs, which are usually VAT exempt, the office holder's remuneration invoiced to the insolvent estate will be subject to VAT at the prevailing rate.

Expenses

As already indicated, a report will accompany the request to fix the basis of remuneration and that will include details of expenses to be incurred, or likely to be incurred. When reporting to the committee and creditors during the course of the insolvency appointment the actual expenses incurred will be compared with the original estimate provided.

Expenses are any payments from the insolvent estate that are neither an office holder's remuneration nor a distribution to a creditor, or a member. Expenses also include disbursements. Disbursements are payments that are first paid by the office holder and then reimbursed from the insolvent estate. Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do (Category 2).

Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder. They can be paid by the office holder without obtaining prior approval. . Examples of costs that may amount to Category 1 expenses are professional advisors (who are not associates), statutory advertising, external meeting room hire (where the room is only hired for that meeting), external storage, specific penalty bond insurance, insolvency case management software fees charged on a per case basis, postage costs and Company search fees.

Category 2 expenses are either payments to associates, or payments in respect of expenses that have an element of shared costs, such as mileage. Category 2 expenses require approval in the same manner as an office holder's remuneration before they can be paid. The practice intends to seek approval to recover the following Category 2 expenses:

Mileage	45p per mile plus 5p per mile per passenger
Shared Costs	On a case by case basis
Payments to Associates	On a case by case basis

Professional advisors may be instructed to assist the office holder on the case where they consider that such assistance is necessary to enable them to appropriately administer the case. The fees charged by any professional advisors used will be recharged at cost to the case. Where the professional advisor is not an associate of the office holder it will be for the office holder to agree the basis of their fees. Where the professional advisor is an associate of the office holder it will be for those responsible for fixing the basis of the office holder's remuneration to approve payments to them. The fees of any professional advisors are subject to the rights of creditors to seek further information about them or challenge them as summarised below. Professional advisors that may be instructed on a case include:

- Solicitors/Legal Advisors;
- Auctioneers/Valuers;
- Accountants;
- Quantity Surveyors;
- Estate Agents;
- Pension specialists*;
- Employment Claims specialists*;
- and
- GDPR/Cyber Security specialists.

* Note: where such professional advisors are instructed on a case, the office holder will not charge any remuneration to the case in respect of such work, other than in respect of supervising and monitoring their work.

Reporting and rights to challenge

Once the basis of the office holder's remuneration has been approved, a periodic report will be provided to any committee and also to each creditor. The report will provide a breakdown of the remuneration charged by the office holder in the period covered by the report, i.e., the amount that the office holder is entitled to draw, together with the amount of remuneration actually drawn. If approval has been obtained for remuneration on a time costs basis, the time costs incurred will also be disclosed, whether drawn or not, together with the "blended" rates of such costs. The report will also compare the actual time costs incurred with those included in the fees estimate prepared when fixing the basis of the remuneration, and indicate whether the fees estimate is likely to be exceeded. If the fees estimate has been exceeded, or is likely to be exceeded, the report will explain why that is the case.

The report will also provide information about expenses incurred in the period covered by the report, together with those actually paid, together with a comparison with the estimated expenses. If the expenses incurred, or anticipated to be incurred, have exceeded the estimate provided the report will explain why that is the case.

Under the insolvency legislation the report must also include a statement of the legislative rights of creditors to request further information about the remuneration charged and expenses incurred in the period covered by the report, or to challenge them on the grounds that they are excessive. Extracts of the relevant insolvency rules dealing with these rights are set out below. Once the time period to seek further information about the office holder's remuneration and/or expenses for the period covered by the report has elapsed, then a Court Order is required to compel the office holder to provide further information about the remuneration and expenses. A Court order is required to challenge the office holder's remuneration and/or expenses for the period covered by the report. Once that period has elapsed, then a separate Court Order is required to allow an application out of time.

Under rule 18.9 of the Insolvency (England and Wales) Rules 2006, an unsecured creditor may, with the permission of the court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question) request further details of the office holder's remuneration and expenses, within 21 days of receipt of any report for the period. Any secured creditor may request the same details in the same time limit.

Under rule 18.34, an unsecured creditor may, with the permission of the court or with the concurrence of 10% in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the office holder's fees and the amount of any proposed expenses or expenses already incurred, within 8 weeks of receipt of any report for the period. Any secured creditor may make a similar application to court within the same time limit.

Under some old legislation, which still applies for insolvency appointments commenced before 6 April 2010, there is no equivalent mechanism for fees to be challenged.