

**KENNWAY FRANCIS**  
**FEES, DISBURSEMENTS AND EXPENSES POLICY**

**INTRODUCTION**

Kennway Francis Ltd is a specialist firm of licensed Insolvency Practitioners.

As a result, we have very specific and specialist billing structures. This schedule sets out our terms and conditions of billing to clarify the position.

**GENERAL PHILOSOPHY**

It is important to stress that the general philosophy of the firm's billing structure is as follows

1. To provide
  - The highest possible quality in terms of
    - a) Technical excellence
    - b) Delivery of service
  - The highest possible level of integrity and professionalism
  - A personal service
2. To provide value for money and to reflect the need for a reasonable profit and return in providing our services.

Given this, it is important to set a basic and reasonable pricing and billing structure to maximise the combined interests of our clients, third parties (such as banks and creditors) and the firm.

**VARIATION FROM OUR BILLING STRUCTURE**

The billing structure has been created to reflect the economic substance of providing the quality of service that we give.

To charge lower or different fees would be unprofitable for the firm. We will therefore only allow variations from our billing structure in extreme circumstances. Any such variation must be approved by either one of the managing or finance directors.

**DEFINITIONS**

**FEES**

Fees are the time charges that reflect the time spent on a case by partner, director or staff member of the firm. Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment.

The legislation allows corporate recovery and insolvency cases fees to be charged on a time cost basis, a set fee basis, on a percentage of the assets realised and distributed or a mixture of the above. In cases where we were appointed prior to 1 October 2015, most of our fees were recovered on a time costs basis and appropriate authority was obtained from the creditors or the committee as set down in the legislation.

The legislation changed on 1 October 2015 and we now seek remuneration on a mixed basis more often. A report accompanying any fee request will set out the set fee that we proposed to charge, and the work covered by that remuneration, as well as the expenses that will be, or are likely to be, incurred. Expenses can be incurred without approval but must be disclosed to help put the remuneration request into context.

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.

### **Time cost basis**

The time charges that reflect the time spent on a case by a partner, director or staff member of the firm. When charging fees on a time costs basis we use charge out rates appropriate to the skill 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.

Time spend on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time.

When we seek the 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 the average or "blended" rate for all of the work being carried out within the estimate. 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.

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 say whether we anticipate needing further approval and, if so, why we think it may be necessary to seek further approval.

### **Percentage basis**

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.

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.

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.

### **Members' voluntary liquidations and Voluntary Arrangements**

The legislation changes that took effect from 1 October 2015 did not apply to Members' Voluntary Liquidations (MVL), Company Voluntary Arrangements (CVA) or Individual Voluntary Arrangements (IVA). In MVLs, the company's members set the fees basis, often as a fixed fee. In CVAs and IVAs, the fees basis is set out in the proposals and creditors approve the fee basis when they approve the arrangement.

### **All bases**

With the exception of Individual Voluntary Arrangements and Company Voluntary Arrangements which are VAT exempt, the officeholder's remuneration invoiced to the insolvent estate will be subject to VAT at the prevailing rate.

A schedule of Charge Out Rates applies to each grade of staff and is available for inspection at any time.

## **EXPENSES**

In new appointments made after 1 October 2015, we will provide details of expenses to be incurred, or likely to be incurred, when seeking fee approval. 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.

## **PROFESSIONAL ADVISORS**

We use professional advisors on some of our assignments. The basis of our fee arrangements with advisors, which is subject to review on a regular basis, is generally on an hourly rate basis plus disbursements. Fixed fee arrangements will be disclosed where applicable. Our choice of professional advisors is based on our perception of their experience and ability to perform the type of work required, the complexity and nature of the assignment and the basis of our fee arrangement with them.

## **DISBURSEMENTS AND EXPENSES**

For the purposes of compliance with the Statement of Insolvency Practice 9 (SIP 9) and R3's best practice guidelines, disbursements and expenses are split into two categories.

### **Category 1 Disbursements**

Generally, comprise those external supplies of incidental services specifically identifiable to the case. Where expenses are incurred and then recharged to the case, approval from creditors is not required. Examples of Category 1 disbursements include statutory advertising, specific bond insurance, document storage, postage, company search fees, and properly reimbursed expenses incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot be practically provided internally, such as printing, and room hire.

### **Category 2 Disbursements**

Include elements of shared or allocated costs where supplied internally. Category 2 disbursements are recoverable in full, subject to the basis of the disbursement charge being approved by creditors in advance. These costs generally, comprise of costs, which whilst being in the nature of expenses or disbursements, include elements of share or allocated costs.

Kennway Francis Limited does not charge Category 2 disbursements.

## **KENWAY FRANCIS LIMITED - CHARGE OUT RATES from 1 October 2018**

Partners	375
Managers	275
Administrators	185
Cashier	100
Support Staff	0 – 75

Note: Work undertaken on cases is recorded in 6 minute units utilising

Time properly incurred on insolvency cases is charged at the hourly rate of the grade of staff undertaking the work that applies at the time the work is done. Kennway Francis Limited charge-out rates change from time to time.