

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Smith Electric Vehicles Europe Limited	Company number 07472318
In the High Court of Justice, Newcastle upon Tyne District Registry (full name of court)	Court case number 0307 of 2016

(a) Insert full name(s) and address(es) of administrator(s)

I/We (a)
 Ian William Kings
 KRE (North East) Limited
 The Axis Building
 Maingate
 Team Valley Trading Estate
 Gateshead
 NE11 0NQ

Paul William Ellison
 KRE Corporate Recovery LLP
 1st Floor Hedrich House
 14-16 Cross Street
 Reading
 RG1 1SN

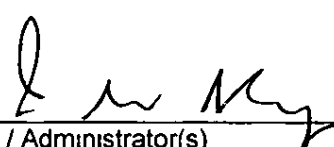
*Delete as applicable

attach a copy of ~~*my~~/our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) 26 September 2016

Signed


 Joint / Administrator(s)

Dated

26 September 2016

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form

The contact information that you give will be visible to researchers of the

Ian William Kings
 KRE (North East) Limited
 The Axis Building
 Maingate
 Team Valley Trading Estate
 Gateshead
 NE11 0NQ

DX Number

0191 404 6836
 DX Exchange

When you have completed and signed this form, please send it to the Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

TUESDAY



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COMPANIES HOUSE

**Administrator's Proposals relating to
Smith Electric Vehicles Europe Limited ("the Company") – In
Administration**

Issued on: 26 September 2016

Paul William Ellison and I are the Joint Administrators of the Company and these are our statutory proposals relating to the Company

1. STATUTORY INFORMATION

Statutory information relating to the Company is attached at Appendix 1

2. CIRCUMSTANCES LEADING TO THE APPOINTMENT OF THE ADMINISTRATOR(S)

The Company began trading in January 2011 as a supplier of electric vehicles and as a provider of service and maintenance of both electric vehicles and light diesel commercial vehicles

A summary of the Company's recent trading performance is shown below

	Statutory Accts 01 January 2012 to 31 January 2013 £'000	Statutory Accts 01 January 2011 to 31 January 2012 £'000
Turnover	5,562	9,985
Cost of Sales	<u>(5,720)</u>	<u>(10,436)</u>
Gross Profit	(158)	(451)
Gross Profit %	-	-
Overheads	<u>(4,938)</u>	<u>(7,710)</u>
Net Profit/Loss after tax	<u>(5,096)</u>	<u>(8,161)</u>

It should be noted that no statutory accounts or management information have been received since the last statutory accounts were filed. No statutory accounts have been filed since these accounts. We have seen no management accounts, and no statement of affairs has been lodged by the directors.

The Company has been loss making since it began trading and was heavily funded by the parent company to continue its ongoing research and development of electric vehicles.

In 2014 another company called Smith Technologies Limited ("Technologies") was set up and all employees were subsequently transferred from the Company into Technologies. Technologies continued to trade until it was placed into Compulsory Liquidation on 25 July 2016.

Unfortunately no vehicles were produced for over 3 years and with amounts owing to the parent company exceeding £30 million, steps were taken to place the Company into administration.

Prior to the commencement of the Administration KRE (North East) Limited acted as advisors to the qualifying floating charge holder, sole shareholder and major creditor of the Company, Smith Electric Vehicles Corp ("Smith US"). No advice was given to the individual directors regarding the impact of the insolvency of the company on their personal financial affairs. Whilst not formally in office at that time, KRE (North East) Limited was still required to act in its dealings with the Company in accordance with the Insolvency Code of Ethics.

As required by the Insolvency Code of Ethics, Paul William Ellison and I considered the various threats to our objectivity arising from this prior involvement. We concluded that those threats

were at an acceptable level such that we could still act objectively and hence could be appointed Administrators of the Company

On 26 July, 2016, Paul William Ellison and I were appointed by the Qualifying Floating Charge Holder as Joint Administrators of the Company and took over from the Board responsibility for the management of the affairs, business and property of the Company. The appointment permitted the Joint Administrators to take any actions required either jointly or alone, and I have been the Administrator primarily involved in dealing with the Company's affairs

3 OBJECTIVES OF THE ADMINISTRATION AND THE ADMINISTRATORS' STRATEGY FOR ACHIEVING THEM

As Administrator of the Company I am an officer of the Court, and I must perform my duties in the interests of the creditors as a whole in order to achieve the purpose of the Administration, which is to achieve one of the three objectives set out in the insolvency legislation, namely to -

- (a) rescue the Company as a going concern, or
- (b) achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
- (c) realise property in order to make a distribution to one or more secured or preferential creditors

Objective (a) could not be achieved as no purchaser could be found for the shares of the Company and the nature of the Company's trading and its financial circumstances meant that a Company Voluntary Arrangement was not appropriate

The second objective could not be achieved as the amount due to the Company's chargeholders compared to the value of its assets means that there are only sufficient assets to make a distribution to the chargeholders and any preferential creditors. As a result, I am seeking to achieve objective (c) for the Company, and will do this by taking control of the Company's assets and realising them accordingly

The insolvency legislation has set a 12 month maximum duration for Administrations, unless the duration is extended by the Court or the creditors. If I am unable to complete the Administration of the Company within 12 months then I will either apply to the Court, or hold a meeting of creditors, in order to seek approval to extending the duration of the Administration

4 ACTIONS OF THE ADMINISTRATORS FOLLOWING APPOINTMENT

The lease for the premises is in the name of Technologies and I understand that the rent is significantly in arrears. Until recently the landlord has denied us access. However, after discussions/negotiations, the landlord has now allowed us access. To date I have been unable to deal with the assets and I have been unable to access the books and records. I had to undertake this work either as part of my routine administrative functions, or in order to protect and realise the assets of the Company. In addition, I have undertaken routine statutory and compliance work, such as filed notice of our appointment at Companies House and prepared a gazette notice. These are tasks that are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, and whilst they do not produce any direct benefit for creditors, they still have to be carried out

The Company had already ceased trading prior to my appointment. The Company had no employees

Role of the Insolvency Practitioner

I was introduced to Smith US by John Dixon, the recently appointed CEO of Smith US, at the end of April 2016. I first spoke with the Board of Smith US at the beginning of May to discuss the financial affairs of the Company. Prior to the commencement of the Administration I advised Smith US about the Company's financial difficulties and provided advice about the options available to the Company to help determine an appropriate course of action to take. Whilst not formally in office at that time, I was still required to act in my dealings with the Company in accordance with the Insolvency Code of Ethics.

Ultimately the Company was placed into Administration and I was appointed Administrator. As Administrator I am an officer of the Court and I have taken over the management of the Company from the Board. As indicated above, the purpose of this Administration is achieve objective (c).

In order to help me achieve the objective I have a wide range of powers, as set out in the insolvency legislation, and I must perform my functions as quickly and efficiently as is reasonably practicable. I must also act in the interests of the creditors of the Company as a whole other than where objective (c) is being pursued I need only ensure that I do not unnecessarily harm the interests of the creditors of the Company as a whole.

5. FINANCIAL POSITION OF THE COMPANY

I have asked the directors to prepare a summary of the Company's estimated financial position as at 26 July 2016, which is known as a Statement of Affairs, but they have not yet prepared it. I am unaware of any reason for the delay.

In the absence of a Statement of Affairs I have prepared an estimate of the financial position of the Company as at 26 July 2016 from the records of the Company, and that is attached at Appendix 2, together with a list of names and addresses of all known creditors, and the amounts of their debts.

Comments on the Administrators' estimate of the financial position of the Company

5.1. Plant and machinery

We anticipate to find plant and machinery owned by the Company at their former trading premises in Sunderland however we are still negotiating access and to that extent we are unable to accurately value this.

5.2 Intangible assets

An amount of intangible data and IP is stored on a hard drive and it is also hoped that this can be sold. The value placed on this again is unknown at this point.

5.3. Prescribed part

There are provisions of the insolvency legislation that require an Administrator to set aside a percentage of a Company's assets for the benefit of the unsecured creditors in cases where the Company gave a "floating charge" over its assets to a lender on or after 15 September 2003. This is known as the "prescribed part of the net property". A Company's net property is that left after paying the preferential creditors, but before paying the lender who holds a floating charge. An Administrator has to set aside

- 50% of the first £10,000 of the net property, and
- 20% of the remaining net property,

up to a maximum of £600,000

The Company gave a floating charge to Smith Electric Vehicle Corp on 09 January 2014 and the prescribed part provisions will apply. As there has been no statement of affairs produced and there is insufficient information to be able to make an estimate of the financial position of the Company there is no quantum of the net property of the Company. However, any estimates do not take into account the costs of the Administration which will reduce the amount of the Company's net property. Even if the net property is greater than £10,000 after taking into account the costs of the Administration, it is likely that I will apply to Court for an order disapplying the prescribed part provisions on the basis that the costs of distributing the prescribed part to the unsecured creditors would be disproportionate to the benefits to the unsecured creditors given the number of creditors of the Company and the extent of the Company's debts.

6 ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

I attach a summary of the receipts and payments relating to the Company for the period from when it entered Administration, 26 July 2016, to the date of these proposals, at Appendix 3.

7. PROPOSED FUTURE ACTIONS OF THE ADMINISTRATORS TO ACHIEVE THE OBJECTIVE OF THE ADMINISTRATION

In order to achieve the objective of the Administration of the Company I propose to recover, market and sell any assets belonging to the Company.

The Company's financial position means there are insufficient assets to enable me to pay a dividend to non-preferential unsecured creditors.

8. ADMINISTRATORS' REMUNERATION AND EXPENSES

I attach at Appendix 4 a copy of my practice fee recovery policy. In this case I am seeking to fix the basis of my remuneration on a time cost basis as detailed below.

Time costs

I propose to seek approval on a time cost basis i.e. by reference to time properly spent by me and members of staff of the practice at our standard charge out rates. When I seek approval for my fees on a time cost basis I have to provide a fees estimate. That estimate acts as a cap on my time costs so that I cannot draw fees of more than the total estimated time costs without further approval from those who approved the fees. I attach a "Fees estimate summary" at Appendix 6 that sets out the work that I intend to undertake, the hourly rates I intend to charge for each part of the work, and the time that I think each part of the work will take. It includes a summary of that information in an average or "blended" rate for all of the work being carried out within the estimate.

The following explains about the areas of work for which I am seeking approval on a time cost basis, whilst full information about the work that I will undertake on a time cost basis is contained in Appendix 5.

Administration This represents the work that is involved in the routine administrative functions of the case by the office holder and their staff, together with the control and supervision of the work done on the case by the office holder. It does not give direct financial benefit to the creditors, but has to be undertaken by the office holder to meet their requirements under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that office holders must follow.

Investigations The insolvency legislation gives the office holder powers to take recovery action in respect of what are known as antecedent transactions, where assets have been disposed of

prior to the commencement of the insolvency procedure and also in respect of matters such as misfeasance and wrongful trading. The office holder is required by the Statements of Insolvency Practice to undertake an initial investigation in all cases to determine whether there are potential recovery actions for the benefit of creditors and the time costs recorded represent the costs of undertaking such an initial investigation. If potential recoveries or matters for further investigation are identified then the office holder will need to incur additional time costs to investigate them in detail and to bring recovery actions where necessary, and further information will be provided to creditors and approval for an increase in fees will be made as necessary. Such recovery actions will be for the benefit of the creditors and the office holder will provide an estimate of that benefit if an increase in fees is necessary.

The office holder is also required by legislation to report to the Department for Business, Innovation and Skills on the conduct of the directors and the work to enable them to comply with this statutory obligation is of no direct benefit to the creditors, although it may identify potential recovery actions.

Realisation of Assets This is the work that needs to be undertaken to protect and then realise the known assets in the case.

Creditors Claims of creditors - the office holder needs maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holder will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The office holder is required to undertake this work as part of his statutory functions.

More details of the tasks included in these categories are included in the fees estimate. I estimate that the total time costs that I will incur in undertaking these tasks in this case will be £30,870.00 at a "blended" rate of £227.32 per hour.

This estimate has been provided to creditors at a relatively early stage in the administration of the case and before the office holder has full knowledge of the case. Whilst all possible steps have been taken to make this estimate as accurate as possible, it is based on the office holder's current knowledge of the case and their knowledge and experience of acting as office holder in respect of cases of a similar size and apparent complexity. As a result, the estimate does not take into account any currently unknown complexities or difficulties that may arise during the administration of the case. If the time costs incurred on the case by the office holder exceed the estimate, or is likely to exceed the estimate, the office holder will provide an explanation as to why that is the case in the next progress report sent to creditors. Since the office holder cannot draw remuneration in excess of this estimate without first obtaining approval to do so, then where the office holder considers it appropriate in the context of the case, they will seek a resolution to increase the fee estimate so that they will then be able to draw additional remuneration over and above this estimate.

I anticipate needing to seek approval to exceed the estimate if this work leads to further areas of investigation, potential further asset recoveries and any associated action, such as arbitration or legal proceedings.

I also propose I am permitted to charge and recover what are known as category 2 expenses. Information about category 2 expenses is set out in our practice fee recovery policy at Appendix 4.

To date no category 2 disbursements have been incurred.

A meeting of creditors is not being held as the purpose of the Administration of the Company is to achieve objective (c), that is to realise property in order to make a distribution to one or more secured or preferential creditors of the Company.

As a result, I will both be convening a general meeting of creditors with a view to obtaining a resolution approving my remuneration, and also separately seeking the approval of the chargeholder

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 <http://www.krecr.co.uk/creditors/>. There are different versions of these Guidance Notes, and in this case please refer to the October 2015 version. Please note that we have also provided further details in the practice fee recovery sheet

I have incurred total expenses of £5,234.60 since my appointment as Administrator. I have been able to draw £5,000 in this matter.

I have incurred the following expenses since my appointment as Administrator

Type of expense	Amount incurred/accrued since appointment	Amount still to be paid
Mr R Cooney	£5,000	Nil
Specific bond	£150.00	£150.00
Statutory advertising	£84.60	£84.60

I have used the following agents or professional advisors since my appointment as Administrator

Professional Advisor	Nature of Work	Basis of Fees
Mr R Cooney	Agent	Fixed fee
Bond Dickinson LLP	Solicitors	Time cost basis

The choice of professionals was based on my perception of their experience and ability to perform this type of work and the complexity and nature of the assignment. I also considered that the basis on which they will charge their fees represented value for money.

Mr Cooney has assisted us in connection with collating and storing the Company's IP which will be sold at a later date.

Bond Dickinson have assisted with placing the Company into Administration.

In addition to the expenses already incurred, I anticipate that the following expenses totalling £2,500 will arise in these proceedings:

Legal fees - £2,000
Valuation of assets - £500

Expenses do not have to be approved, but when reporting to the committee and creditors during the course of the Administration the actual expenses incurred will be compared with the original estimate provided and I will explain any material differences (e.g. where legal costs rise due to escalated recovery action).

9. PRE-APPOINTMENT FEES AND EXPENSES

The Qualifying Floating Charge Holder instructed me to assist them in placing the Company in Administration on 26 July 2016. They agreed that I should be paid my pre-appointment fees and expenses as a fixed fee totalling £7,148.

The following work was undertaken: Discussions with Smith US regarding placing the Company into administration.

The following statement sets out my pre-appointment fees and expenses incurred. The statement also shows those fees and expenses that were paid prior to the Administration and those where approval is being sought to pay them from Administration funds.

Description	Paid pre-appointment £	To be paid £
Administrator's remuneration	Nil	7,148
Total	Nil	7,148

As I have already indicated, a meeting of creditors is not being convened. As a result I will both be convening a general meeting of creditors with a view to obtaining a resolution approving pre-appointment fees and expenses, and also separately seeking the approval of the chargeholder.

10. ADMINISTRATORS' INVESTIGATIONS

I have a duty to consider the conduct of those who have been directors of the Company at any time in the three years preceding the Administration. I am also required to investigate the affairs of the Company in general in order to consider whether any civil proceedings should be taken on its behalf. I should be pleased to receive from you any information you have that you consider will assist me in this duty. I would stress that this request for information forms part of my normal investigation procedure.

11. EC REGULATION ON INSOLVENCY PROCEEDINGS

I consider that the EC regulation on insolvency proceedings apply to the Administration of the Company. I also consider that they are "main" proceedings since the Company's registered office and its trading address are in the United Kingdom.

12. ADMINISTRATORS' PROPOSALS

In order to achieve the objective set out at section 3 above, Paul William Ellison and I formally propose to creditors that:

- (a) We continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration. In particular that we:
 - (i) continue to try to gain access to the Company's former trading premises in order to secure any assets belonging to the Company,
 - (ii) sell the Company's assets at such time(s) on such terms as we consider appropriate,
 - (iii) investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or Company whether in contract or otherwise, including

any officer or former officer of the Company or any person, firm or Company which supplies or has supplied goods or services to the Company, and

- (iv) do all such things and generally exercise all their powers as Administrators as we consider desirable or expedient at our discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals
- (b) the Administration of the Company will end by filing notice of dissolution with the Registrar of Companies. The Company will then automatically be dissolved by the registrar of companies three months after the notice is registered
- (c) the Administration of the Company will end by giving notice to the Court, creditors and Registrar of Companies that the objective of the Administration has been achieved

13. APPROVAL OF PROPOSALS

Since the purpose of the Administration is to achieve objective (c), that is to realise property in order to make a distribution to one or more secured or preferential creditors of the Company, I am prohibited by the insolvency legislation from holding a meeting of creditors to consider these proposals

However, creditors whose debts amount to at least 10% of the total debts of the Company can require me to convene a meeting of creditors to consider the proposals. Such a request must be made on Form 2 21B within 8 business days from the date of these proposals. If creditors do not require me to convene a meeting of creditors within that time period, then these proposals will be deemed to have been approved

14 FURTHER INFORMATION

To comply with the Provision of Services Regulations, some general information about KRE (North East) Limited, including about our complaints policy and Professional Indemnity Insurance, can be found in the attached summary sheet

If creditors have any queries regarding these proposals or the conduct of the Administration in general, or if they want hard copies of any of the documents made available on-line, they should contact Paul Kings on the above telephone number, or by email at paul.kings@krecre.co.uk



Ian W Kings
Joint Administrator
KRE (North East) Limited

Licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales

Directors and staff acting as Administrative Receivers and Administrators act as agents of the company over which they are appointed and contract without personal liability

Appendix 1. Statutory information

Company Information

Company name	Smith Electric Vehicles Europe Limited
Previous name	Not Applicable
Trading name	Not Applicable
Company number	07472318
Date of incorporation	16 December 2010
Trading address	The Future Technology Centre, Barmston Court, Nissan Way, Sunderland, SR5 3NY
Current registered office	The Axis Building, Maingate, Team Valley Trading Estate, Gateshead, NE11 0NQ
Former registered office	The Future Technology Centre, Barmston Court, Nissan Way, Sunderland, SR5 3NY
Principal trading activity	Electric motor vehicles

Appointment Details

Administrators	Ian William Kings and Paul William Ellison	
Administrators' address	The Axis Building, Maingate, Gateshead, NE11 0NQ	1 st Floor Hedrich House, 14-16 Cross Street, Reading, RG1 1SN
Date of appointment	26 July 2016	
Court name and reference	High Court of Justice, Newcastle upon Tyne District Registry 0307 of 2016	
Appointment made by	Qualifying Floating Charge Holder	
Actions of Administrators	Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone	

Officers of the Company

Directors	Name	Shareholding
	None	

Company secretary

Share capital

Authorised	Allotted, called up and fully paid
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1,000,000 ordinary shares £1 each	1 ordinary share of £1
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Charges

Smith Electric Vehicles Corp holds a debenture, dated 09 January 2014, granting fixed and floating charges over certain of the Company's assets

STATEMENT OF AFFAIRS

Name of Company

Smith Electric Vehicles Europe Limited

Company Number

07472318

In the

High Court of Justice, Newcastle upon Tyne District Registry

Court case number

0307 / 2016

Statement as to the affairs of

Smith Electric Vehicles Europe Limited

The Axis Building

Maingate

Team Valley Trading Estate

Gateshead

on the 26 July 2016, the date that the company entered administration

Statement of Truth

I believe the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at 26 July 2016 the date that the company entered administration

Full Name

Signed

Dated

Smith Electric Vehicles Europe Limited
Statement Of Affairs as at 26 July 2016

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Assets subject to floating charge.		
Uncharged assets:		
Plant & Machinery		Uncertain
Book Debts	630,000 00	1 00
Intellectual Property		Uncertain
Estimated total assets available for preferential creditors		1 00

Signature _____ Date _____

Smith Electric Vehicles Europe Limited
Statement Of Affairs as at 26 July 2016

A1 - Summary of Liabilities

		Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from Page A)		1 00
Liabilities		
Preferential Creditors -		NIL
Estimated deficiency/surplus as regards preferential creditors		1 00
Debts secured by floating charge pre 15 September 2003		
Other Pre 15 September 2003 Floating Charge Creditors		
Smith Electric Vehicles Corp	30,000,000 00	30,000,000 00
		(29,999,999 00)
Estimated prescribed part of net property where applicable (to carry forward)		NIL
Estimated total assets available for floating charge holders		(29,999,999 00)
Debts secured by floating charges post 15 September 2003		
		NIL
Estimated deficiency/surplus of assets after floating charges		(29,999,999 00)
Estimated prescribed part of net property where applicable (brought down)		NIL
Total assets available to unsecured creditors		(29,999,999 00)
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Trade & Expense Creditors	500,000 00	500,000 00
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)		(30,499,999 00)
Estimated deficiency/surplus as regards creditors		(30,499,999 00)
Issued and called up capital		
Ordinary Shareholders	1 00	1 00
Estimated total deficiency/surplus as regards members		(30,500,000 00)

Signature _____ Date _____

KRE (North East) Limited
Smith Electric Vehicles Europe Limited
B - Company Creditors

Key	Name	Address	£
CS00	Smith Electric Vehicle Corp	9200 N W 112th Street, Building #2, Kansas City, Missouri 64153, USA	30,000,000.00
CT00	TNT Express B V	P O Box 13000, 1100 KG Amsterdam, THE NETHERLANDS	500,000.00
2 Entries Totalling			30,500,000.00

Signature _____

**Smith Electric Vehicles Europe Limited
(In Administration)**

**Joint Administrators' Summary of Receipts and Payments
To 26 September 2016**

RECEIPTS	Statement of Affairs (£)	Total (£)
Plant & Machinery	Uncertain	0 00
Book Debts	1 00	0 00
Intellectual Property	Uncertain	0 00
Contribution to costs		7,515 00
		<hr/>
		7,515 00
		<hr/>
PAYMENTS		
Agents/Valuers Fees (1)		5,000 00
Smith Electric Vehicles Corp	(30,000,000 00)	0 00
Trade & Expense Creditors	(500,000 00)	0 00
Ordinary Shareholders	(1 00)	0 00
		<hr/>
		5,000 00
		<hr/>
Net Receipts/(Payments)		2,515 00
		<hr/>

MADE UP AS FOLLOWS

Bank 1 Current	2,515 00
	<hr/>
	2,515 00
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Note - VAT is not recoverable

PRACTICE FEE RECOVERY POLICY FOR KRE (NORTH EAST) LIMITED

Introduction

The insolvency legislation was changed in October 2015, with one or two exceptions, for insolvency appointments made from that time. This sheet explains how we intend to apply the alternative fee bases allowed by the 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.

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) and can be accessed at <http://www.krecr.co.uk/creditors>. Alternatively, a hard copy may be requested from KRE (North East) Limited of The Axis Building, Maingate, Team Valley Trading Estate, Gateshead, NE11 0NQ. Please note that we have provided further details in this policy document.

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 drawn. If approval has been obtained for remuneration on a time costs basis, i.e. by reference to time properly spent by members of staff of the practice at our standard charge out rates, the time incurred will also be disclosed, whether drawn or not, together with the average, or "blended" rates of such costs. Under the legislation, any such report must disclose how creditors can seek further information and challenge the basis on which the fees are calculated and the level of fees drawn in the period of the report. Once the time to challenge the office holder's remuneration for the period reported on has elapsed, then that remuneration cannot subsequently be challenged.

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.

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.

Chargeout Rates

Grade of staff	Current charge-out rate per hour, effective from 01 August 2015 £
Director – appointment taker	290
Manager/Assistant Manager	150
Case Administrator/Support Staff	50

These charge-out rates charged are reviewed on 01 January each year and are adjusted to take account of inflation and the firm's overheads.

Time spent 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. The work is generally recorded under the following categories:

- Administration and Planning
- Investigations
- Realisation of Assets
- Creditors
- Trading
- Case specific matters

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 on new appointments we now only seek time costs for the following categories

- Administration and Planning
- Investigations
- Realisation of Assets
- Creditors
- Trading
- Case specific matters

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. 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.

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 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. 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 percentage basis more often. A report accompanying any fee request will set out the potential assets in the case, the remuneration percentage proposed for any realisations 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 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.

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 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. 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 fixed fee 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.

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 fee basis, often as a fixed fee. 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 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.

Agent's Costs

Charged at cost based upon the charge made by the Agent instructed, the term Agent includes

- Solicitors/Legal Advisors

- Auctioneers/Valuers
- Accountants
- Quantity Surveyors
- Estate Agents
- Other Specialist Advisors

In new appointments made after 1 October 2015, the office holder 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.

Disbursements

In accordance with SIP 9 the basis of disbursement allocation in respect of disbursements incurred by the Office Holder in connection with the administration of the estate must be fully disclosed to creditors. Disbursements are categorised as either Category 1 or Category 2.

Category 1 expenses are directly referable to an invoice from a third party, which is either in the name of the estate or KRE (North East) Limited, in the case of the latter, the invoice makes reference to, and therefore can be directly attributed to, the estate. These disbursements are recoverable in full from the estate without the prior approval of creditors either by a direct payment from the estate or, where the firm has made payment on behalf of the estate, by a recharge of the amount invoiced by the third party. Examples of category 1 disbursements are statutory advertising, external meeting room hire, external storage, specific bond insurance and Company search fees.

Category 2 expenses are incurred by the firm and recharged to the estate, they are not attributed to the estate by a third party invoice and/or they may include a profit element. These disbursements are recoverable in full from the estate, subject to the basis of the disbursement charge being approved by creditors in advance. Examples of category 2 disbursements are photocopying, internal room hire, internal storage and mileage.

It is proposed that the following Category 2 disbursements are recovered:

Mileage	45p per mile
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Appendix 5: Details of work to be undertaken in the Administration

A. Work for which the Liquidator is seeking to be remunerated on a time basis

Administration

Case planning - devising an appropriate strategy for dealing with the case and giving instructions to the staff to undertake the work on the case
Setting up physical/electronic case files (as applicable)
Setting up the case on the practice's electronic case management system and entering data
Issuing the statutory notifications to creditors and other required on appointment as office holder, including gazetting the office holder's appointment (as applicable)
Obtaining a specific penalty bond (this is insurance required by statute that every insolvency office holder has to obtain for the protection of each estate)
Preparing, reviewing and issuing proposals to the creditors and members
Filing the proposals at Companies House
Dealing with all routine correspondence and emails relating to the case
Opening, maintaining and managing the office holder's estate bank account
Creating, maintaining and managing the office holder's cashbook
Undertaking regular reconciliations of the bank account containing estate funds
Reviewing the adequacy of the specific penalty bond on a quarterly basis
Undertaking periodic reviews of the progress of the case
Overseeing and controlling the work done on the case by case administrators
Preparing, reviewing and issuing 6 month progress reports to creditors and members
Filing progress reports at Companies House
Preparing and filing VAT returns
Preparing and filing Corporation Tax returns
Seeking closure clearance from HMRC and other relevant parties
Preparing, reviewing and issuing final reports to creditors and members
Filing final reports at Companies House

Realisation of assets

Arranging suitable insurance over assets
Regularly monitoring the suitability and appropriateness of the insurance cover in place
Liaising with the bank regarding the closure of the account
Instructing agents to value known assets
Liaising with agents to realise known assets
Instructing solicitors to assist in the realisation of assets
Liaising with the secured creditors over the realisation of the assets subject to a mortgagee or other charge

Creditors

Dealing with creditor correspondence, emails and telephone conversations regarding their claims
Maintaining up to date creditor information on the case management system

Investigations

Recovering the books and records for the case
Listing the books and records recovered
Preparing a report or return on the conduct of the directors as required by the Company Directors Disqualification Act
Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants, solicitors, etc
Reviewing books and records to identify any transactions or actions the office holder may take against a third party in order to recover funds for the benefit of creditors

FEES ESTIMATE SUMMARY			
Smith Electric Vehicles Europe Limited - In Administration			
<p>The office holder is seeking to be remunerated on a time cost basis. We use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform, recording time spent in 6 minute units. Narrative is recorded to explain the work undertaken and the time spent is analysed into different categories of work. This document provides an estimate as to how much time the office holder and his staff will spend undertaking specific tasks within broad categories of work, and the time costs of undertaking such work, which will depend upon the grade, or grades of staff undertaking the work and the number of hours spent undertaking the work by each grade of staff. The estimated time that will be spent undertaking the work in each category of work has been multiplied by the applicable charge out rate for each member of staff that it is anticipated will undertake work in that category to arrive at the estimated total time costs attributable to that category of work on the case. We have then divided that estimated total by the estimated number of hours to arrive at what is known as a blended hourly charge out rate for that category of work. The sum of all the estimates for the different categories of work is the total estimated time costs to undertake all the necessary work on the case. Again we have then divided that estimated total by the estimated number of hours to arrive at a blended hourly charge out rate for the case as a whole.</p>			
The hourly charge out rates that will be used on this case are	£		
Partner – appointment taker	290 00		
Assistant Manager and Case Administrator	150 00		
Cashier and Support Staff	50 00		
ADMINISTRATION AND PLANNING (Note 2)			
Description of the tasks to be undertaken in this category of work	Estimated time to be taken to undertake the work	Estimated value of the time costs to undertake the work £	Blended charge out rate to undertake the work £
Case planning - devising an appropriate strategy for dealing with the case and giving instructions to the staff to undertake the work on the case	1 00	290 00	
Setting up physical/electronic case files (as applicable)	1 00	150 00	
Setting up the case on the practice's electronic case management system and entering data	0 20	30 00	
Issuing the statutory notifications to creditors and other required on appointment as office holder, including gazetting the office holder's appointment (as applicable)	1 00	150 00	
Obtaining a specific penalty bond	0 20	30 00	
Convening and holding general meetings of creditors and members (as applicable)	-	-	
Dealing with all routine correspondence and emails relating to the case	4 00	880 00	
Opening, maintaining and managing the office holder's estate bank account (delete if not applicable)	4 00	600 00	
Creating, maintaining and managing the office holder's cashbook	1 00	150 00	
Undertaking regular bank reconciliations of the bank account containing estate funds	1 00	150 00	
Reviewing the adequacy of the specific penalty bond on a quarterly basis	0 40	60 00	
Undertaking periodic reviews of the progress of the case	7 00	1,330 00	
Overseeing and controlling the work done on the case by case administrators	1 00	290 00	
Preparing, reviewing and issuing reports to creditors and members (as applicable)	6 00	1,040 00	
Filing returns at Companies House and/or Court (as applicable)	0 50	75 00	
Preparing and filing VAT returns (delete if not applicable)	1 00	150 00	
Preparing and filing Corporation Tax returns (delete if not applicable)	0 50	75 00	
Seeking closure clearance from HMRC and other relevant parties	1 00	150 00	
Preparing, reviewing and issuing final reports to creditors and members (as applicable)	5 00	890 00	
Convening and holding final meeting meetings of creditors and members (as applicable) (delete in Administrations)	-	-	
Filing final returns at Companies House and/or Court (as applicable)	1 00	150 00	
Total	36 80	£6,640 00	£180 43
Staff are chosen depending on the appropriate level of experience required for the activity they are required to undertake			
INVESTIGATIONS (Note 3)			
Description of the tasks to be undertaken in this category of work	Estimated time to be taken to undertake the work	Estimated value of the time costs to undertake the work £	Blended charge out rate to undertake the work £
Recovering the books and records for the case	3 00	450 00	
Listing the books and records recovered	1 00	150 00	

Preparing a report or return on the conduct of the directors as required by the Company Directors Disqualification Act (delete if not applicable)	30 00	6,600 00	
Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank accountants, solicitors etc	-	-	
Reviewing books and records to identify any transactions or actions the office holder may take against a third party in order to recover funds for the benefit of creditors	-	-	
Total	34 00	£7,200 00	£211 76
Staff are chosen depending on the appropriate level of experience required for the activity they are required to undertake			
REALISATION OF ASSETS (Note 4)			
Description of the tasks to be undertaken in this category of work	Estimated time to be taken to undertake the work	Estimated value of the time costs to undertake the work £	Blended charge out rate to undertake the work £
Arranging suitable insurance over assets	1 00	150 00	
Regularly monitoring the suitability and appropriateness of the insurance cover in place	1 00	150 00	
Corresponding with debtors and attempting to collect outstanding book debts	-	-	
Liaising with the bank regarding the closure of the account	1 00	150 00	
Instructing agents to value known assets	2 00	580 00	
Liaising with agents to realise known assets	51 00	14 650 00	
Instructing solicitors to assist in the realisation of assets	-	-	
Registering a caution in respect of freehold property owned by the debtor/company (where applicable)	-	-	
Obtaining details from mortgagees about debts secured over the debtor's/company's freehold/leasehold property (where applicable)	-	-	
Determining the joint owner's/spouse's interest in the freehold/leasehold matrimonial home (delete if not applicable)	-	-	
Instructing solicitors to assist in the realisation of the freehold/leasehold property (where applicable)	-	-	
Liaising with the secured creditors over the realisation of the assets subject to a mortgagee or other charge	2 00	300 00	
Total	58 00	£15 980 00	£275 52
Staff are chosen depending on the appropriate level of experience required for the activity they are required to undertake			
CREDITORS (Note 5)			
Description of the tasks to be undertaken in this category of work	Estimated time to be taken to undertake the work	Estimated value of the time costs to undertake the work £	Blended charge out rate to undertake the work £
Obtaining information from the case records about employee claims	-	-	
Completing documentation for submission to the Redundancy Payments Office	-	-	
Corresponding with employees regarding their claims	-	-	
Liaising with the Redundancy Payments Office regarding employee claims	-	-	
Dealing with creditor correspondence emails and telephone conversations regarding their claims	4 00	600 00	
Maintaining up to date creditor information on the case management system	3 00	450 00	
Issuing a notice of intended dividend and placing an appropriate gazette notice	-	-	
Reviewing proofs of debt received from creditors adjudicating on them and formally admitting them for the payment of a dividend	-	-	
Requesting additional information from creditors in support of their proofs of debt in order to adjudicate on their claims	-	-	
Calculating and paying a dividend to creditors and issuing the notice of declaration of dividend	-	-	
Paying tax deducted from the dividends paid to employees	-	-	
Total	7 00	£1,050 00	£150 00
Staff are chosen depending on the appropriate level of experience required for the activity they are required to undertake			
GRAND TOTAL FOR ALL CATEGORIES OF WORK	135 80	£30,870 00	£227 32

	<p>Explanatory Note This estimate has been provided to creditors at an early stage in the administration of the case and before the office holder has full knowledge of the case. Whilst all possible steps have been taken to make this estimate as accurate as possible, it is based on the office holder's current knowledge of the case and their knowledge and experience of acting as office holder in respect of cases of a similar size and apparent complexity. As a result, the estimate does not take into account any currently unknown complexities or difficulties that may arise during the administration of the case. If the time costs incurred on the case by the office holder exceed the estimate or is likely to exceed the estimate, the office holder will provide an explanation as to why that is the case in the next progress report sent to creditors. Since the office holder cannot draw remuneration in excess of this estimate without first obtaining approval to do so, then where the office holder considers it appropriate in the context of the case, they will seek a resolution to increase the fee estimate so that they will then be able to draw additional remuneration over and above this estimate.</p>
	<p>Note 2 Administration and planning - This represents the work that is involved in the routine administrative functions of the case by the office holder and their staff, together with the control and supervision of the work done on the case by the office holder (and their managers). It does not give direct financial benefit to the creditors, but has to be undertaken by the office holder to meet their requirements under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that office holders must follow.</p>
	<p>Note 3 Investigations - The insolvency legislation gives the office holder powers to take recovery action in respect of what are known as antecedent transactions, where assets have been disposed of prior to the commencement of the insolvency procedure (and also in respect of matters such as misfeasance and wrongful trading). The office holder is required by the Statements of Insolvency Practice to undertake an initial investigation in all cases to determine whether there are potential recovery actions for the benefit of creditors and the time costs recorded represent the costs of undertaking such an initial investigation. If potential recoveries or matters for further investigation are identified then the office holder will need to incur additional time costs to investigate them in detail and to bring recovery actions where necessary, and further information will be provided to creditors and approval for an increase in fees will be made as necessary. Such recovery actions will be for the benefit of the creditors and the office holder will provide an estimate of that benefit if an increase in fees is necessary. The office holder is also required by legislation to report to the Department for Business Innovation and Skills on the conduct of the directors and the work to enable them to comply with this statutory obligation is of no direct benefit to the creditors, although it may identify potential recovery actions.)</p>
	<p>Note 4 Realisation of Assets - This is the work that needs to be undertaken to realise the known assets in the case. If this work is undertaken, the office holder anticipates that the assets will realise the estimated to realise amounts provided to creditors.</p>
	<p>Note 5 Creditors Claims of creditors - the office holder needs maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holder will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The office holder is required to undertake this work as part of his statutory functions.</p>