In accordance with Rule 3.35 of the Insolvency (England & Wales) Rules 2016 & Paragraph 49(4) of Schedule B1 to the Insolvency Act 1986

AM03
Notice of administrator's proposals

Companies House

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

1 Company details

Company number	0 9 5 2 3 0 6 6
Company name in full	Green Network Energy Ltd

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

2 Administrator's name

Full forename(s)	Matthew James
Surname	Cowlishaw

3 Administrator's address

Building name/number	Four Brindleyplace
Street	Birmingham
Post town	B1 2HZ
County/Region	
Postcode	
Country	

4 Administrator's name ❶

Full forename(s)	Ian Colin
Surname	Wormleighton

❶ **Other administrator**
Use this section to tell us about another administrator.

5 Administrator's address ❷

Building name/number	1 New Street Square
Street	London
Post town	EC4A 3HQ
County/Region	
Postcode	
Country	

❷ **Other administrator**
Use this section to tell us about another administrator.

AM03
Notice of Administrator's Proposals

6 Statement of proposals

☑ I attach a copy of the statement of proposals

7 Sign and date

Administrator's Signature	Signature ✕ ✕
Signature date	d 3 d 0 m 0 m 3 y 2 y 0 y 2 y 1

AM03
Notice of Administrator's Proposals

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: Narinder Aheer

Company name: Deloitte LLP

Address: Four Brindleyplace
Birmingham

Post town: B1 2HZ

County/Region:

Postcode:

Country:

DX:

Telephone: +44 121 632 6000

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 and dated 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

Deloitte

Green Network Energy Limited (in administration)

("the Company" "GNE")

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 (AS AMENDED) ("the Act").

Court Case No. 31 of 2021
High Court of Justice Business and Property Courts in Birmingham
Company Number: 09523066

Registered Office:
c/o Deloitte LLP
4 Brindleyplace
Birmingham
B1 2HZ

Matthew James Cowlishaw and Ian Colin Wormleighton ("the Joint Administrators") were appointed Joint Administrators of Green Network Energy Limited on 2 February 2021 by SmartestEnergy Limited ("SEL") of The Columbus Building, 7 Westferry Circus, London, E14 4HD. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability. All licensed Insolvency Practitioners of Deloitte LLP ("Deloitte") are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

For the purposes of paragraph 100(2) of Schedule B1 of the Act, the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

30 March 2021

Deloitte

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ
UK
Tel: +44 (0) 121 632 6000
Fax:+44 (0) 121 695 5678
www.deloitte.co.uk

Green Network Energy Limited (in administration)

This Statement of Joint Administrators' Proposals ("the Proposals" or "our Proposals") has been prepared pursuant to paragraph 49 of Schedule B1 of the Act, which requires that we, as the Joint Administrators, provide creditors with details of our Proposals to achieve the purpose of the administration.

It appears that the Company may have sufficient property to enable a distribution to be made to unsecured creditors. As such we are required in accordance with paragraph 51 of Schedule B1 of the Insolvency Act 1986 to seek creditors' approval of our Proposals. In this instance, we propose to seek approval of our Proposals by deemed consent, Notice of which has been posted to the website on Form ADM_F03. The proposed decision to approve our Proposals will be treated as having been made by creditors unless objected to, using the appropriate procedure as set out in the Notice, by 10% or more in value of creditors. Should that happen, the decision on approval will not be made and a further decision procedure will be held. Unless you object to our Proposals, no action is required from you. Please refer to the website for further details including forms and guidance.

Please refer to the Frequently Asked Questions section on the case website for more information about decision procedures in insolvency proceedings.

Please also note that hard copies of any of these documents will be provided free of charge on request.

We have also included the following information in this report:

- background of the Company;
- the circumstances giving rise to the appointment of the Joint Administrators;
- the progress of the administration to date; and,
- the Joint Administrators' Proposals for achieving the objective of the administration (Appendix D).

Yours faithfully
For and on behalf of the Company

Joint Administrators

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

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Key messages

Key messages

Joint Administrators of the Company

Matthew James Cowlishaw

Ian Colin Wormleighton

Deloitte LLP

4 Brindleyplace

Birmingham

B1 2HZ

Contact details

Email:

GNEadministration@deloitte.co.uk

Website: **www.ips-docs.com**

Tel: 0121 696 8573

Date Proposals delivered to creditors: 30 March 2021

	Commentary
Purpose of the administration	• The purpose of the administration is to achieve a better result for the Company's creditors as a whole than a liquidation.
Joint Administrators' strategy	• On 27 January 2021 the energy regulator Office of Gas and Electric Markets ("Ofgem") initiated the Supplier Of Last Resort ("SoLR") process resulting in the transfer of all of GNE customers to EDF Energy Limited ("EDF") on 31 January 2021. The Company subsequently went in to Administration on 2 February 2021. • The Joint Administrators will conduct an orderly wind down of the business and realisations of assets. The strategy is to work with EDF to ensure a smooth transition of customer contracts, resolve billing disputes and undertake final billing across all customer accounts together with a sale of the debtor book to EDF. • To fulfil this strategy the Joint Administrators have retained a number of employees. • Fixed charge proceeds of £28.5m have been received and duly paid to the secured creditor, see page 15 for further details. • Floating charge realisations achieved in the period total £8.3m, this is comprised of book debt receipts, cash at bank, pre-appointment VAT refund and a contribution from EDF Energy under a transitional service agreement ("TSA"). • Total payments made in relation to the TSA are £1.3m. • Please refer to page 11 for further details.
Approval of the Proposals	• As we anticipate that sufficient funds will be available for distribution to unsecured creditors we are required to seek a decision from unsecured creditors on approval of our Proposals. We intend to take the decision by deemed consent, notice of which has been posted to the case website together with guidance on what action if any is required.
Estimated Timescale	• On current information the duration of the administration is not likely to exceed 12 months following which it is anticipated that the Company will move to creditors' voluntary liquidation in order to pay a dividend to unsecured creditors as detailed at page 15.
Estimated Costs and Estimate of work required to be done	• We propose to charge our fees on a time cost basis. • We have provided a Fees Estimate showing a breakdown of our anticipated time costs and actual costs to date for the Company in Appendix C. • We anticipate that disbursements of approximately £3.8k will be incurred over the duration of the appointment as detailed at Appendix C1. • We anticipate that third party costs in relation to legal fees will be in the region of £129,131 over the duration of the appointment as detailed on page 20.
Estimated Outcomes	On current information, we anticipate the following outcome for each category of creditor: – Secured creditors – The secured creditors will be repaid in full. – Preferential creditors – There will be sufficient floating charge realisations to enable payment in full of preferential claims. – Unsecured creditors – It is likely that there will be a distribution for unsecured creditors
Proposals	• Our Proposals for managing the business and affairs of the Company can be found on page 14.

Background

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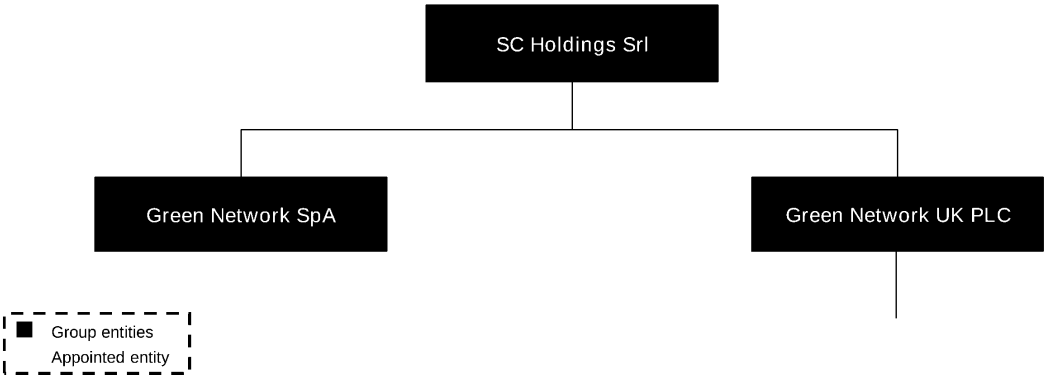
Background
The Company/Group



Green Network Energy Limited is a renewable energy supplier, established in 2016, supplying c.360,000 domestic and non-domestic customers across the UK.

The Company is a UK-registered company which forms part of a group with an Italian ultimate controlling party.

GNE's key assets include its customer debtor book, cash balances, pre-appointment VAT debtor and various office fixtures and fittings.

GNE is headquartered in Croydon, with 218 employees as at the date of appointment.

The Company's records show two secured creditors:

- SmartestEnergy Limited – first ranking secured creditor who provide the Company access to the wholesale market; and
- Santander UK PLC – second ranking secured creditor who provide merchant service and banking facilities to the Company.

SC Holdings Srl is the ultimate parent company of the Group and was incorporated in Italy. It has two immediate subsidiaries:

- Green Network SpA (registered in Italy); and
- Green Network UK PLC (registered in the UK).

Green Network SpA acts as the main trading company for Italian energy supply, for the Group. It has c.350k customers in Italy with 59% of electricity supply and 74% of gas supply going to large companies.

Green Network UK PLC is the sole shareholder of GNE and provided a revolving credit facility to GNE. At the date of Administration, GNE owed Green Network UK PLC c.£26.9m.

As at the date of the Joint Administrators' appointment, the directors of the Company were Sabrina Corbo, Antonio Noia, Pietra Di Maria and Mauro Contini.

There was no company secretary as at appointment date.

It is only GNE that is in administration.

Background
Summary financials

GNE Summary profit and loss account

£'000	Management Accounts for 9 months to 31-Jan-21	Management Accounts for 14 months to 30-Apr-20	Statutory Accounts for 12 months to 31-Dec-18	Statutory Accounts for 12 months to 31-Dec-17
Turnover	286,901	433,744	142,398	34,028
Cost of Sales	(294,469)	(386,145)	(142,500)	(32,311)
Gross Profit	(7,568)	47,599	(101)	1,717
Gross Margin %	(3%)	11%	(0%)	5%
Other Expenses	(30,315)	(47,105)	(19,955)	(8,011)
(L)/EBIT	(37,883)	494	(20,057)	(6,294)

GNE Summary balance sheet

£'000	Management Accounts as at 31-Jan-21	Management Accounts as at 30-Apr-20	Statutory Accounts as at 31-Dec-18	Statutory Accounts for 12 months to 31-Dec-17
Tangible assets	985	1,355	1,286	63
Intangible assets	7,015	4,634	7,644	2,661
Fixed assets	8,000	5,989	8,930	2,724
Debtors	39,808	48,764	33,962	16,959
Other	14,937	5,950	3,445	509
Current Assets	54,745	54,714	37,407	17,468
Trade creditors	(129,518)	(88,134)	(75,247)	(29,032)
Total Liabilities	(129,518)	(88,134)	(75,247)	(29,032)
Net Assets	(66,772)	(27,431)	(28,910)	(8,840)

Overview of financial information

Extracts from the audited Company accounts for the 12 months to 31 December 2017 and 12 months to 31 December 2018, and management accounts for the 14 months to 30 April 2020 and 9 months to 31 January 2021 are shown opposite.

Please note that this information has not been verified by the Joint Administrators or by Deloitte LLP ("Deloitte").

Profit and loss commentary

Since the Company was established in 2016, the Company has sought to increase customer numbers resulting in increased revenue since FY17 through a competitive pricing strategy.

The Company reported Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") losses in the latest statutory accounts to 31 December 2018 and 31 December 2017 of £20.1m and £6.2m respectively.

The Company extended its accounting period in FY20. The Company's FY20 Management accounts report £0.4m Earnings Before Interest and Taxation ("EBIT" , largely as a result of an improved gross profit margin.

During FY21 YTD (9 months to January 2021), the Company reported a gross loss of £7.6m (largely as a result of unfavourable wholesale gas and electricity prices) and EBIT loss £37.9m.

Balance sheet commentary

Tangible assets principally comprise leasehold improvements, fixtures and fittings and computers and equipment.

Intangible assets largely comprise computer systems used by the Company.

The main assets of the Company relate to cash at bank and amounts due from customers.

Background

Joint Administrators' appointment

Reasons for failure & financial distress

During the winter of 2020/21, the market experienced adverse movements in wholesale gas and power alongside an increase in volume demand from customers. This led to increased losses and cash flow pressures which ultimately led to a default on the Company's trading credit facility with the secured creditor SmartestEnergy Limited ("the Secured Creditor" / "SEL").

Steps taken to remedy/turnaround and involvement of Deloitte pre-appointment

Due to the challenges to profitability in the UK energy market the directors were exploring the options for GNE during 2020.

By October 2020 GNE was progressing a possible equity sale of the company with a big 6 energy supplier.

In order to buy time to support these discussions GNE had secured some additional parent company funding in January 2021.

Following the significant rise in wholesale energy prices the equity transaction fell away. An alternative asset transaction structure was explored with the big 6 energy supplier but this too was aborted at the end of January 2021.

Following further requests by GNE, no further funding was available from the existing lenders to enable other options to be explored.

The Company appointed a firm of restructuring advisors (not Deloitte LLP) on 20 January 2021 to explore rescue options and also prepare contingency / wind down plans in the event of a Supplier of Last Report ("SoLR") process.

On 22 January 2021, a demand for payment was served on the Company by SmartestEnergy as a result of the default event on the trading agreement and a termination notice on the trading facility.

As a result, on 25 January 2021, the Directors notified Ofgem it was their intention to invoke the Supplier of Last Resort ("SoLR") process which Ofgem subsequently commenced on 27 January 2021.

Following a competitive tender process, on 31 January 2021, EDF Energy was announced as the SoLR with all domestic and non-domestic customers transferring from GNE to EDF Energy.

This process will allow EDF Energy to continue to supply customers without disruption and honour any outstanding credit balances for domestic and non domestic customers.

Involvement of Deloitte pre-appointment

Deloitte were engaged by SmartestEnergy Limited in their capacity as the Company's secured creditor in January 2021 to support contingency planning in the event of GNE failing.

Deloitte had no prior relationship with GNE ahead of taking the Administration appointment.

When decision to appoint was made

Following the SoLR announcement and once it became clear that the Company would be unable to pay its debts as they fell due, the Directors filed a Notice of Intention ("NOI") to appoint the Company's restructuring advisors as Administrators on 29 January 2021.

Under the terms of their qualifying floating charge and prior to the expiration of the NOI, SEL elected to appoint the Joint Administrators from Deloitte as Administrators of GNE on 2 February 2021.

Post-appointment

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Post-appointment
Purpose

Matthew James Cowlishaw and Ian Colin Wormleighton, of Deloitte LLP ("Deloitte") were appointed Joint Administrators of the Company by SmartestEnergy Limited of The Columbus Building, 7 Westferry Circus, London, E14 4HD in their capacity as the Secured Creditor on 2 February 2021, following the filing of a Notice of Appointment of Joint Administrators by QFCH ("Qualifying Floating Charge Holder").

The rescue of GNE was not possible given the level of unsecured debt, the SoLR process and the transfer of all customers to EDF.

Accordingly, the purpose of the administration is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company.

This will be achieved by the wind down strategy, as detailed on the following pages, which will maximise the realisation of assets through the sale of the debtor book to EDF and the successful liaison with EDF in the post-sale period to ensure the final billing process is completed. This will ultimately improve the dividend returns to secured and unsecured creditors of the Company.

Post-appointment
Joint Administrators' strategy

Given the SoLR process and transfer of the customers to EDF it was not possible to trade the business as a going concern.

As such, the Joint Administrators have implemented a wind down strategy in order to maximise the value of the assets which primarily consist of the customer book debts.

The key elements of this wind down strategy comprise:

1. **Securing a sale of the customer book debts to EDF** which the Joint Administrators believe will maximise value for creditors compared to the alternative of collecting out the book debts themselves. Please see page 12 for further information.
2. **Entering a Transitional Services Arrangement ("TSA") with EDF** to support the change of supply process and smooth transition of customers and undertake the final billing process. This includes a cost share mechanism.
3. **Retaining employees to support the TSA.** The Company had 210 employees at appointment of which 174 were initially retained to assist with the wind down along with one IT contractor.
4. **Liaising with key suppliers** to maintain operations and billing functionality.
5. **Agreeing a customer communications strategy with EDF**
6. It is currently anticipated that the change of supply and final billing process for the majority of customers will be complete by the end of May 2021, with all final billing completed by September 2021.

Receipts and Payment account

A receipts and payments account, detailing asset realisations achieved, and costs paid up to 25 march 2021 is provided at appendix B.

Post-appointment
Joint Administrators' strategy

Book debts

As at the date of SoLR (shortly prior to our appointment), GNE's sales ledger included estimated billed and unbilled customer debts of:

- Domestic customers: £62.4m; and
- Non-Domestic customers: £1.4m

This includes a total of £9.7m of older "term" debt from customers who had left GNE prior to 31 January 2021.

Following extensive negotiations, on 19 March 2021, the Joint Administrators agreed to sell all customer book debts to EDF.

The consideration will be calculated based on:

- the customers final account balance at the date of SoLR based off an industry generated deemed meter reading; and
- a pence in pound consideration based on the classification of a customer (e.g. active vs term) at the date the customer is transferred to EDF under the change of supply process.

Based on the current estimated customer debt position as at 31 January 2021 and customer classification, the estimated consideration for the book debt is in excess of £30m.

The final consideration will be confirmed once a final bill is produced for each customer and, should there be variance in the final bill value to the current estimated position, an adjustment to the consideration payable by EDF will be made.

The Joint Administrators are currently working with the GNE team and EDF to produce the final bills for all customers which is expected to be finalised by the end of September 2021.

An initial consideration amount was received on completion of the sale. The remaining consideration will be paid at milestone dates throughout the final billing process before a final payment being made 12 weeks following the last final customer bill being raised.

We will provide an update on the final billing process and any adjustments to consideration value as part of our progress report which will cover the first six months of the administration.

Cash at Bank

At the date of our appointment, the Company held cash totalling £18,925k across 7 bank accounts. This is split between fixed and floating charge bank accounts as outlined below:

- £17,041k - Cash held in Santander fixed charge bank account and subject to Smartest's fixed charge security, of which £4,255k was received post SoLR and therefore has formed part of the reconciliation with EDF as part of the sale of the book debts;
- £54k – Cash held in Santander floating charge bank accounts; and
- £1,830k - Cash held in Barclays floating charge bank accounts.

These funds have been transferred to the administration interest-bearing bank accounts following our appointment. See Appendix B for further details.

Credit Cover deposits

The Company had lodged £4.5m of credit cover deposits with key suppliers.

The Administrators are in the process of corresponding with these suppliers in order to recover any equity from these funds.

Given the terms and conditions of the agreements, the suppliers are likely to set-off the security deposits owing to them, albeit there may be some balances to be released back to the Administration estate once final industry reconciliations have been undertaken.

Post-appointment
Joint Administrators' strategy

Pre-appointment VAT return

Prior to our appointment the Company submitted VAT returns to HM Revenue and Custom ("HMRC") for the period of 1 November 2020 – 30 November 2020 and 1 December 2020 – 31 December 2020.

These returns have generated a refund for the Company totalling £3,863k. These funds have been received into the administration bank account.

A final pre-appointment VAT return is being prepared and submitted for the period 1 January 2021 – 1 February 2021.

Leasehold property

The Company operates from a leasehold property based in Croydon, with the lease held by the parent company Green Network UK PLC ("GNUP").

The Administrators are liaising with GNUP to assess the feasibility of retaining the premises in order to support the final billing process as critical IT infrastructure is held at the premises.

Pre-appointment Group Recharge

£4.5k has been received in the period in relation to an intercompany recharge.

Chattel assets

As at the date of appointment, GNE owned a quantity of tangible assets including employee laptops, desks, chairs, office equipment, fixtures and fittings across its trading premises.

On completion of the final billing process, the Joint Administrators plan to appoint agents to value and dispose of the assets.

Post-appointment
Joint Administrators' Proposals

Our Proposals for the administration include:

- continuing to manage the affairs and any remaining assets of the Company and the settlement of all administration expenses; and
- assessing the affairs of the Company and reviewing and reporting on the conduct of its directors and, where required, providing assistance to any regulatory authorities with any investigation into the affairs of the Company or its management; and
- agreement of the claims of any secured, preferential and unsecured creditors against the Company unless we conclude, in our reasonable opinion, that the Company will have no assets available for distribution; and
- distributing funds to any secured and preferential creditors and, where applicable, to unsecured creditors under the Prescribed Part as and when their claims are agreed and funds permit, and to make distributions to unsecured creditors, other than out of the Prescribed Part if the court gives permission following an appropriate application; and
- that, following the realisation of assets and resolution of all matters in the administration, and as quickly and efficiently as is reasonably practicable, we will implement the most appropriate exit route to formally conclude the administration; and
- that, if the Company is to be placed into Creditors' Voluntary Liquidation ("CVL"), we (or any person appointed as a replacement office holder) propose to be appointed Joint Liquidators and for the purposes of section 231 of the Act the Joint Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

Once our Proposals have been approved we will then seek specific approval from the unsecured creditors to fix the basis of and the ability to draw our remuneration and expenses, including pre administration costs and expenses, and to agree the time of our discharge on conclusion of the administration.

Please refer to Appendix D for further details.

Post-appointment
Outcome for creditors

Secured creditors

The Company's records show SmartestEnergy Limited and Santander UK PLC as the Company's secured creditors ("the Secured Creditors").

At the date of our appointment, the following amounts were owed to them:

- SmartestEnergy Limited ("Smartest") – £28.5m
- Santander UK PLC – Currently uncertain in value

The value of the debt owed to Santander is contingent as it is dependent on the value of chargeback claims received. It is not yet possible to ascribe a value to the amounts owed.

Both creditors are secured by way of fixed and floating charges granted by the Company on 29 September 2020 and 30 November 2020, respectively.

A deed of priority between the Secured Creditors confirms that Santander's security interests rank behind that of Smartest's.

Smartest have been paid in full from fixed charge realisations in the period.

SmartestEnergy Limited

The debenture granted to Smartest includes a fixed charge over cash held in a specific account in addition to certain debtors. Legal advice obtained from Eversheds LLP has confirmed the validity of this charge.

Following the sale of the debt book, there were sufficient fixed charged realisations to pay Smartest Energy in full under their fixed charge security.

£28.5m has been paid to Smartest on 22 March 2021.

Santander UK PLC

Santander's security provides cover in respect of chargeback risk on the merchant service facility provided. This risk will reduce as the customer Direct Debit ("DD") mandates are transferred to EDF as part of the change of supply process.

Preferential creditors

Preferential claims consist of amounts owed to employees and HMRC for arrears of wages, holiday pay, pension contributions and payroll taxes.

The directors' statement of affairs estimated preferential claims totalling c.£756.9k. However, we as Joint Administrators have not reviewed this figure and would anticipate that this number will be lower once claims have been received and agreed later in the administration.

On present information we anticipate that sufficient funds will become available to enable these claims to be paid in full.

Unsecured creditors

The director' statement of affairs shows 153 unsecured creditors with estimated non-preferential claims totalling £115.9m.

There has been a significant volume of contact from both suppliers in relation to amounts due as at the date of administration and customers in relation to the final billing process and the associated queries. We have worked closely with the call centre staff in order to deal with these queries efficiently.

As detailed above, it is likely that sufficient funds will be realised to enable a distribution to be made to unsecured creditors in addition to the value that would have been available under the Prescribed Part.

The Company's largest unsecured creditors relate to regulatory liabilities, customer credit balances and its immediate parent, Green Network UK PLC.

Prescribed Part

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act. It applies only where the charge was created on or after 15 September 2003.

The Prescribed Part is calculated as a % of the net property and is subject to a statutory maximum of £800,000 per company.

It is anticipated that the Secured Creditor will be paid in full and unsecured creditors will therefore receive a dividend over and above the value of the distribution that would have been available under the Prescribed Part.

Post-appointment

Outcome for creditors

We anticipate that a dividend is likely to made to unsecured creditors. We invite creditors to claim, following the guidance in the paragraphs below.

Creditors with debts of £1,000 or less

You do not need to prove your debt for dividend purposes if the amount you are owed, according to the Company's statement of affairs is £1,000 or less. Instead, we will notify you if funds become available for dividend purposes and provide you with details of the amount at which your claim has been admitted. If you disagree with that amount, you will be provided with an opportunity to notify us of the correct amount.

Please note that should you wish to vote in a decision procedure, you will then need to submit a proof of claim to us.

Creditors with debts of more than £1,000

Unsecured creditors with claims of more than £1,000 are invited to submit their claims to us either directly via the case website at www.ips-docs.com or by downloading and completing a proof of debt form from the case website and which should be sent to the address on the cover page. Alternatively, a hard copy proof of debt form will be provided free of charge on request.

Post-appointment

Extensions & exit routes

In accordance with the provisions of the Act, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors.

There are several possible exit routes from administration. Based on current information, we consider the following exit routes may be appropriate:

- *Dissolution* – If there is no further property which might permit a distribution to the Company's creditors, we may file notice to that effect with the Registrar of Companies and the Company will be dissolved three months later.
- *Compulsory Liquidation ("WUC")* – where there is a possibility, but no certainty, of recoveries being made or matters such as property to disclaim or further enquiry, it may be appropriate to ask the court to end the administration and to make an order to wind up the Company.
- *Creditors' Voluntary Liquidation ("CVL")* - Where a distribution to unsecured creditors will be made, other than by virtue of the Prescribed Part, we may file a notice to that effect with the Registrar of Companies. The administration will cease on the date that notice is registered and the Company will be wound up.

Please note that if the Company is placed into CVL, the Joint Administrators (or any person appointed as a replacement office holder) propose to be appointed as Joint Liquidators. The creditors may nominate a different person to be liquidator(s) provided the nomination is made before the Proposals are approved by creditors i.e. by 13 April 2021.

- Any creditors' committee appointed in the administration will become a liquidation committee and the basis of the Joint Administrators' remuneration fixed during the administration will apply in the liquidation.
- For the purposes of section 231 of the Act the liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

Pursuant to paragraph 98 of Schedule B1 of the Act, the Joint Administrators' discharge of liability in respect of their actions as administrators takes effect at the specific time appointed by either the court, the creditors (either via the creditors' committee or by decision of the creditors) or, in specific circumstances, by the secured (and preferential) creditors.

In this case, we will request approval from the creditors for us to be discharged from liability as at the date the Registrar of Companies registers the Joint Administrators' final progress report.

Remuneration and expenses

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Remuneration and expenses

Creditors' Guide to Administrators' Remuneration

A Creditors' Guide to Administrators' Remuneration" is appended to SIP 9 and is provided on the administration website and also available for download at www.deloitte.com/uk/sip-9-england-and-wales

Should you require a paper copy, please send your request to GNEAdministration@deloitte.co.uk and this will be provided to you at no cost.

Pursuant to Rule 18.16 of the Insolvency Rules 2016 ("the Rules"), the basis of the Joint Administrators' remuneration may be fixed:

- as a percentage of the value of the property with which the Joint Administrators have to deal;
- by reference to time properly given by the insolvency practitioners and their staff in attending to matters arising in the administration;
- as a set amount;
- or, any combination of the above.

We intend to invite the creditors, or the creditors' committee should one be formed, to formally approve that the basis of our remuneration be fixed by reference to our time costs incurred in attending to matters arising in the administration. In advance of seeking that approval we have set out in more detail what our anticipated time costs will be in our Fee Estimate a Appendix C.

We will seek this approval through a further decision procedure once the outcome of the decision on approval of our proposals is known.

This further decision procedure will be held by correspondence. We will give formal Notice of this together with the resolutions being requested in respect of our remuneration and expenses, voting forms and general guidance via the website at www.ips-docs.com and which we anticipate doing within 1-2 weeks of the proposals being approved. We will also provide hard copies of any of these documents to you on request to GNEAdministration@deloitte.co.uk.

Please note that in the event that a creditors' committee is formed, the resolutions tabled in this decision procedure will be determined by that committee.

Remuneration and expenses

Creditors' Guide to Administrators' Remuneration

A Fees Estimate is provided at Appendix C in which we have tried to provide you with as accurate an estimate as we can of our likely time costs for the duration of the appointment. We have based this estimate on experience in other similar matters and the cost of work done to date, and estimate that our time costs will be circa £2.4m.

We anticipate that we will incur the following disbursements during the appointment:

- Statutory Advertising - we are required to give notice by advert in the London Gazette of the following matters: our appointment; proposed distributions to preferential and unsecured creditors. We estimate the advertising costs in this regard will be £95.

Expenses - Professional costs

- We have instructed Eversheds Sunderland LLP ("Eversheds"), a firm of lawyers with the appropriate expertise and experience in dealing with these types of administrations, to advise on the following legal matters and to prepare required legal documentation in relation to:
  - Validity of Appointment review in respect of our appointment as Administrators of the Company;
  - Prepare / review bulk change deed to support the transfer of customer direct debit mandates to EDF;
  - Prepare / review data sharing arrangement;
  - Prepare / review the Transitional Services Agreement between the Company and EDF;
  - Prepare / review the sale and purchase agreement for the customer book debts;
  - Initial advice in relation to continued occupation of the Croydon Property.

  To date their estimated costs have amounted to £109,131 (plus VAT) and they have estimated that their further fees will be in the region of £20,000 (plus VAT).

  Note the Company's legal and restructuring advisors prior to the Administration were paid by the Company prior to the Administration date.

  All professional costs are reviewed by us and analysed in detail before payment is approved or made.

Remuneration and expenses

Pre-administration costs

In the following paragraphs we have provided an explanation of the work carried out by us and by Eversheds in the period prior to the administration and which was carried out with the intention of helping to achieve the objective of the administration, being a better result for creditors as a whole than would be obtained through an immediate liquidation of the Companies.

Joint Administrators' pre-appt costs

Please note that this work was primarily performed by senior, experienced staff due to the complex nature of the engagement not least the regulatory requirements in relation to the Supplier of Last Resort process.

- Liaising with lawyers in relation to preparation and signing of appointment documents;
- Developing employee strategy;
- Liaising with Company side advisors to develop Administration strategy post appointment;
- Collating company data, financial information and stakeholder records in preparation for the administration appointment;
- Analysis and advice from a tax perspective on immediate tax actions required by the administrators on appointment;
- Liaising with the Secured Creditors and investor.

This work was required to be completed pre-appointment primarily in order to ensure a smooth transition of customers in the SoLR process and thereby preserving the value of customer accounts.

In relation to this work, our time costs are £20,969 plus VAT.

We have not had any payment against these time costs.

Eversheds' pre-appt costs

During planning for the administrations, we were provided with legal assistance by Eversheds, who were instructed by us to validate the security position in respect of SmartestEnergy for a QFC appointment, draft appointment documents, obtain FCA consent for the administration, make various applications to Ofgem, and liaise with the Court.

£4,852 is being sought for approval in this regard.

Approval of unpaid pre-administration costs

As set out above, we have unpaid pre administration costs and expenses of £20,969 for the Joint Administrators and £4,852 for Eversheds. The payment of these unpaid costs as an expense of the administration is subject to approval under Rule 3.52. In this regard we will invite creditors to decide whether and to what extent the unpaid pre-administration costs should be approved for payment.

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Additional information

Case specific matters and Investigations

As stated in the administration appointment documents, Council Regulation (EU) No 2015/848 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

Should you believe that you own or have a claim regarding items that may have been present at the Company's premises at the date of our appointment please contact us as soon as possible.

As part of our duties, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors. This initial assessment includes enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Company.

In addition, we are required to consider the conduct of the directors and any person we consider to have acted as a shadow or de facto director in relation to their management of the affairs of the Company and the causes of failure and we will submit a confidential report to the Insolvency Service, a division of the Department for Business, Energy and Industrial Strategy. Creditors who wish to draw any matters to our attention should contact us using the contact details opposite as soon as possible.

In order to facilitate communication, all statutory reports, documents and notices will be posted on to the case website which has been set up specifically for the Company. The web address is www.ips-docs.com.

All documents will be retained on the website which will remain live until two months after the conclusion of the proceedings. Please contact us using the details below if you would like to be provided, free of charge, with a hard copy of documents posted, either now or in the future, to the website:

- **Phone** - +44 121 696 8573
- **Email** - GNEAdministration@deloitte.co.uk
- **Postal address** – Four Brindleyplace, Birmingham, B1 2HZ

Please note that, other than notice of intended dividend, no further notice will be given to you when documents are uploaded to the website. It is thus important that you review the website regularly to check for updates, such as notices of decision procedures or our six monthly reports on progress.

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Appendices

Appendix A

Directors' summary Statement of Affairs

Assets subject to fixed charge		
Cash (Charged Account)	12,798,237	12,798,237
Less: Amounts due to fixed charge holders	(28,476,600)	(28,476,600)
Estimated surplus/(deficiency) to fixed charge holders	(15,678,363)	(15,678,363)
Assets subject to floating charge		
Cash (Non Charged Accounts)	2,139,012	2,139,012
Computer Systems	7,168,225	-
Leashold Improvements	832,011	-
Customer Debtors	65,881,123	38,017,779
VAT Receivable	6,921,166	6,921,166
Other Receivables	551,284	551,284
Prepaid Commission	4,538,677	-
Tax Credit	271,349	-
Prepayments	658,054	-
Estimated total assets available for preferential creditors	88,960,901	47,629,241
Preferential creditors		(756,901)
Estimated deficiency / surplus to preferential creditors		46,872,340
Estimated prescribed part of net property		(800,000)
Estimated total assets available for floating charge holders		46,072,340
Debt secured by floating charges		(15,678,363)
Estimated deficiency / surplus after floating charges		30,393,977
Estimated prescribed part of net property (brought down)		800,000
Total assets available to unsecured creditors		31,193,977
Unsecured non-preferential claims		(115,992,588)
Estimated deficiency / surplus to creditors		(84,798,611)
Called up share capital		1
Estimate deficiency / surplus to members		(84,798,612)

The Directors' statement of affairs is available on the case website at www.ips-docs.com, and which includes a schedule of the names and addresses of all known creditors. We are legally required to provide names/address/and amounts of all* creditors ("Creditor Details"), (including those of employees and consumer creditors), so as to enable creditors to communicate with one another in order to exercise their rights as creditors.

The website is password protected and can only be accessed by other creditors each using their unique access code. Please note that we are required by law to exclude Creditor Details relating to employees and consumer creditors from any documents required to be filed at companies house or otherwise put in the public domain. Any person who seeks to make such information publicly available will be committing an offence under the General Data Protection Regulations (GDPR).

** Subject to protections for any persons deemed to be at risk of personal violence*

In accordance with the standard format of the statement of affairs, no provision has been made for the costs of the administration (including wind down costs agents', legal and other professionals' fees).

Appendices

Appendix B

Joint Administrators' receipts and payments account
02 February 2021 to 25 March 2021

ASSETS SUBJECT TO FIXED CHARGE			
Receipts			
Cash at Bank (Fixed, at SoLR)	*12,798,237*	*A*	12,766,406
Book debts (Fixed)		*D*	15,787,122
Total receipts	*12,798,237*		**28,553,527**
Payments			
Distribution to SmartestEnergy Limited - Secured creditor			28,553,527
Total payments			**28,553,527**
Surplus to Fixed Chargeholder			**-**
ASSETS SUBJECT TO FLOATING CHARGE			
Receipts			
Book Debts	*38,017,779*	*D*	1,212,878
Customer receipts held on behalf of EDF		*E*	20,582,815
EDF TSA Contribution	-		1,300,000
Cash at Bank	*2,139,012*	*A*	1,883,999
VAT refund	*6,921,166*		3,863,426
Pre-appointment group recharge	-		4,503
Other Receivables	*551,284*		-
Funds Received in Error	-		800
Total receipts	*47,629,241*		**28,848,421**
Payments			
Payment of customer receipts held on behalf of EDF		*E*	20,582,815
Wages & Salaries		*F*	1,040,271
Contractor Costs		*F*	9,340
Other payroll costs		*F*	42
Call Centre Costs		*F*	120,793
IT Costs		*F*	159,750
Information Request Costs		*F*	647
Ransom Creditors		*G*	16,786
Payment of funds received in error			800
Statutory Advertising			99
Fx costs			149
Bank Charges			30
Total payments			**21,931,522**
Balance			**6,916,898**
Made up of:			
VAT Receivable		*B*	55,839
Floating Charge Deposit Account		*A*	7,030,275
Trade Creditors		*C*	(169,215)
Balance in hand			**6,916,898**

A receipts and payments account is provided opposite, detailing the transactions since our appointment on 2 February 2021.

Notes to receipts and payments account

A - Bank interest

All funds were held in an interest bearing account. The associated corporation tax on interest received will be accounted for to HM Revenue & Customs.

B - VAT

All sums shown opposite are shown net of VAT, which is recoverable and will be accounted for to HM Revenue & Customs in due course.

C - Accruals

Invoices received are logged, recorded and posted to the cash book on an accruals basis, the balance noted represents invoices received and posted to the cash book but not yet paid from the bank accounts.

D – Book debts

Book debts of £17m represent the initial consideration paid by EDF as part of the book debt sale. Given the nature of Smartest's security, these were fixed charge realisations to the extent to which required to settle Smartest's debt (with the surplus reported within floating charge).

E – Customer receipts held on behalf of EDF

Amounts collected from customers post appointment on behalf of EDF. Monies have subsequently been transferred to EDF following the debt book sale.

F – Trading costs

A number of ongoing trading costs have been incurred as part of the delivery of the TSA for EDF.

G – Ransom creditors

£16.7k has been paid in respect of two critical suppliers - £14.6k to the Company's IT contractor, and £2.2k to an industry supplier.

Rounding note

In preparing this report, figures have been rounded (for presentational purposes only). There may therefore appear to be rounding errors.

Appendices
Appendix C

Fees Estimate

For purposes of the Fees Estimate, the average rate per hour shown for each work activity is based on a blended rate calculated as a factor of the estimated time that each grade of staff will spend on that activity and their specific charge - out rate .

Time Costs to date

These are shown as the average rate per hour for each activity based on the actual time spent by each grade of staff at their specific charge - out rate.

Joint Administrators' Fees Estimate

Our Fees Estimate detailing the work that we anticipate will need to be undertaken on this case for the duration of the appointment together with estimates of the likely cost and amount of time that each part of that work will take to complete, is provided on the next page.

The work anticipated to be undertaken has been categorised by activity which we hope is self explanatory. Please also refer to our Post Appointment Strategy on page 11 where we have talked in more detail about specific tasks on this case.

We have also separately identified and grouped those work activities that are primarily administrative in nature (including tasks required for statutory, regulatory or compliance purposes) from activities which can be seen to directly add value to the case, such as asset realisation or dealing with claims.

Time costs incurred to date

As indicated at page 16 above, we intend to invite creditors to fix our fees in relation to work carried out in the administrations on a time costs basis. An analysis showing our time costs for this work to 29 March 2021 and the average hourly charge for each category of work undertaken to date is also provided in the Fees Estimate on the next page.

Please note that all partners and technical staff (including cashiers) assigned to the case record their time spent working on the case on a computerised time recording system. Time spent by secretarial staff working on the assignment is not recorded or recovered. The appropriate staff will be assigned to work on each aspect of the case based upon their seniority and experience, and having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed. Time is recorded in six minute units.

Time is charged in six minute increments

Appendices

Appendix C

Fees Estimate

Activity		Anticipated Time and Costs per Fees Estimate			Actual Time and Costs for Report Period		
		Anticipated hours	Avg Rate £/h	Anticipated fees (£)	Hours incurred in period	Avg Rate £/h	Time costs incurred in period (£)
Administrative activities	Cashiering	64.3	630	40,528	48.4	643	31,134
	Case supervision	162.7	725	118,028	106.1	815	86,479
	Case reviews	10.5	570	5,982	-	-	-
	Case closure matters	26.5	668	17,715	-	-	-
Statutory & compliance	Compliance & IPS diary	28.4	514	14,604	17.4	636	11,070
	Insurance	18.5	583	10,785	-	-	-
	General reporting	110.4	599	66,104	58.3	527	30,713
	Regulatory & other legislation	14.0	723	10,092	-	-	-
Initial actions	Appointment matters	15.6	892	13,917	14.6	811	11,842
	Securing assets	5.0	786	3,930	2.5	1,025	2,563
	Notifications	55.5	556	30,880	47.6	611	29,044
Investigations	CDDA reporting	39.4	518	20,413	6.6	338	2,231
	Investigations	38.7	780	30,180	-	-	-
Total of above categories		589.5	650	383,157	301.5	680	205,073
Taxation	Tax	41.8	591	24,690	1.8	612	1,077
	VAT	69.3	643	44,540	7.4	1,144	8,467
Asset realisations	Book debts	416.9	674	281,189	149.0	1,027	153,037
	Chattel assets	83.1	672	55,851	-	-	-
	Other assets	72.4	701	50,734	18.3	1,014	18,562
	Property	41.0	753	30,890	3.5	1,025	3,588
	Sale of business	182.2	824	150,121	60.0	1,025	61,500
Trading	Day 1 control of trading	68.0	750	51,030	59.3	805	47,719
	Ongoing trading	954.1	682	650,520	702.7	678	476,598
	Monitoring trading	293.3	693	203,314	68.7	992	68,075
	Closure of trade	136.5	664	90,613	-	-	-
Employees	Consultation	32.0	546	17,478	-	-	-
	Correspondence	166.5	495	82,418	64.7	651	42,147
	Pensions	2.0	495	990	1.5	370	555
Correspondence	Creditors	188.3	482	90,826	96.3	522	50,242
	Shareholders	12.5	900	11,245	10.3	1,046	10,774
	Customers	169.7	532	90,215	43.6	656	28,587
Distributions	Secured creditors	20.0	771	15,415	5.0	986	4,928
	Preferential creditors	80.0	453	36,270	-	-	-
	Unsecured creditors	17.0	421	7,150	-	-	-
Total fees estimate		3,636.1	651	2,368,652	1,594.6	741	1,181,390

Appendices
Appendix C1

Disbursements

Disbursements

These are costs and expenses initially paid by us and for which we will seek reimbursement as and when funds permit.

We estimate that the following disbursements are likely to be incurred in relation to the administration.

Category 1 disbursements

These are payments made by us direct to third parties and for which no approval is required.

Our estimate of Category 1 disbursements is given below, all figures are shown excluding VAT.

Category 1 disbursements

£ (net)	Estimated per Proposals	Incurred in report period	Unpaid
Travel	750	-	-
Postage/Couriers	2,000	1,143	1,143
Specific Penalty Bond	230	230	230
IT Expense	300	157	157
Total disbursements	3,280	1,529	1,529

Category 2 disbursements

These are costs and expenses which are not generally made to a third party, for example, reimbursement to staff engaged on the case for their mileage costs. These may also include shared or allocated costs. Specific approval is required before these costs and expenses can to be drawn from the administration estate.

Our estimate of Category 2 disbursements is given below, all figures are shown exclusive of VAT.

Category 2 disbursements

£ (net)	Estimated per Proposals	Incurred in report period	Unpaid
Mileage	500	-	-
Total disbursements	500	-	-

Mileage is calculated by reference to the mileage properly incurred by the Joint Administrators and their staff, at the prevailing standard mileage rate used by Deloitte at the time when the mileage is incurred (currently up to 45p per mile).

Appendices

Appendix D

We are required in accordance with paragraph 51 of Schedule B1 of the Insolvency Act 1986 to seek a decision from creditors on the following matters:

1. Approval of our Proposals;
2. Whether a creditors' committee should be established.

We intend to seek approval of our Proposals using the deemed consent procedure. This means that unless you wish to object to our Proposals you do not need to take any action. If you do wish to object, you must notify us of your objection before 23.59 hours on 13 April 2021. For further details, please refer to the Notice of Decision to be held by Deemed Consent which has been uploaded to the case website at www.ips-docs.com for viewing and download.

As indicated on page 19 we will also be inviting creditors to decide on other matters, including to fix the way in which our fees will be paid, and as set out below:

1. Approval that the basis of the Joint Administrators' remuneration shall be fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the administration, plus VAT.
2. Approval that the Joint Administrators' category 1 disbursements and expenses and category 2 disbursements in respect of mileage (as detailed on page 29) be approved and the Joint Administrators be authorised to draw both category 1 and category 2 expenses, (plus VAT where applicable) from the administration estate.
3. Approval that the Joint Administrators' pre administration fees and expenses, including legal, of £20,969 and £4,852 respectively as detailed on page 21 of the Joint Administrators' Proposals be approved and that the Joint Administrators be authorised to draw their pre-administration fees and expenses, plus VAT, from the administration estate.
4. Approval that the Joint Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Joint Administrators' final progress report by the Registrar of Companies.

We are required to take these decisions using a creditors' decision procedure, that is, a procedure which enables creditors to vote for or against the matters under consideration. We propose to do this by correspondence further details of which will be uploaded to the website **within 1-2 weeks of our proposals being approved per page 14**.

As we will be asking creditors to fix the basis on which our fees and expenses are to be paid, a Fees Estimate together with details of the expenses that have been or are likely to be incurred has been included within our Proposals for your information. A copy of "A Creditors' Guide to Administrator's Fees" has also been placed on the website together with Frequently Asked Questions about decision procedures in insolvency proceedings.

Please note that in the event that a creditors' committee is formed, specific approval for resolutions 1,2, 3 and 4 above will be requested from the creditors' committee.

Appendices
Important notice

Important Notice

This document has been prepared by the Joint Administrators solely to comply with their statutory duty under paragraph 49 of Schedule B1 of the Act to lay before creditors a statement of their Proposals for achieving the purpose of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this document are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this document for any purpose or in any context other than under paragraph 49 of Schedule B1 of the Act does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these Proposals.

The Joint Administrators act as agents of the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Deloitte LLP does not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the administration.

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