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INVESTOR IN PEOPLE

TO ALL MEMBERS AND CREDITORS

4 October 2013

Ref: ML7E/TH/MC/ARB

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Dear Sir or Madam

TXU Europe Group Plc (In Compulsory Liquidation and subject to a Company Voluntary Arrangement) ("the Company")

Roy Bailey and I were appointed as joint liquidators of the Company following a Court Order made on 6 August 2012. I now write to provide you with our report on the progress of the liquidation for the period from 6 August 2012 to 5 August 2013.

In accordance with the provisions of the Insolvency Rules 1986 we are required to provide certain information about the Company and the liquidators. The information can be found in Appendix A of this report. A copy of our receipts and payments account for the period from 6 August 2012 to 5 August 2013 is at Appendix B.

The receipts and payments account splits the movements during the period between the liquidation estate, the reserves held for potential future claims and funds transferred from the administration in relation to funds due to the Company's shareholder or to other subsidiaries of the Company. The funds held which are due to these parties are not funds readily available to the liquidation estate for payment of liquidation costs and hence this distinction is important.

A large portion of the funds taken over, totalling £122,180,174 plus interest, were due to the Company's shareholder, The Energy Group Limited (In Administration and subject to a Company Voluntary Arrangement) ("TEG"), following the payment of the sixth and seventh distributions. The remainder, amounting to £15,707,762 plus interest, relates to cash transferred to the Company from TXU UK Limited (In Administration and subject to a Company Voluntary Arrangement) ("TXU UK") and TXU Direct Sales Limited (In Creditors' Voluntary Liquidation and subject to a Company Voluntary Arrangement) ("Direct Sales"), as part of the sixth and seventh distribution. These funds have been ring fenced pending a resolution to the issues outstanding in TXU UK. Following the resolution, these funds, plus any accrued interest, will be paid to TEG or TXU UK and Direct Sales.

The comments in the receipts and payments sections relate to material movements in the liquidation estate and claims reserve accounts and not the funds held due to other parties.

Receipts

Administration funds

Funds received from the administration in respect of a reserve for potential future claims amounted to £10,000,000 plus interest and £4,888,680 was received in to the liquidation estate in respect of future liquidation expenses and fees.

Dividends received

The Company received dividends totalling £1,859,240 from the sixth distribution declared by three agreed claims against other TXU group companies.

Recovered VAT

VAT recovered on invoices paid during the administration amounted to £105,545. No further income is expected from this source.

Bank interest

Net bank interest of £57,008 has been received into the liquidation estate and reserve account. The funds held by the Company are done so in an Insolvency Services Account ("ISA") in accordance with insolvency regulations.

Payments

Professional costs

This item relates to fees paid to Herbert Smith Freehills in relation to legal advice provided to the former joint administrators and the joint liquidators. During the period amounts totalling £84,063 were paid in this regard.

Ad Valorem fees

These fees relate to amounts payable to the official receiver and the Secretary of State relating to the use of the ISA account. The amount paid in this respect amounted to £80,000.

Storage costs

The Company's records remain in storage and will do so until the dissolution of the Company. The storage costs paid during the period amounted to £24,570.

Creditors

At the date of liquidation the only creditors that remained were the members of the creditors' committee whose claims total £10. During the course of the administration and company voluntary arrangement, the creditors of the Company were paid 100p in the £1 of their agreed claims. The amounts that remain due to the members of the creditors' committee were voluntarily held back by the members in order that they could remain on the committee.

Creditors Committee

In accordance with Rule 4.174 of the Insolvency Rules 1986 a committee established for the purposes of the administration continues in being as the liquidation committee. A meeting of contributories was convened under Rule 4.175(2) of the Insolvency Rules 1986 for 13 September 2012 to appoint contributory members to the committee if they so wish. TEG confirmed that they did not wish to join the committee as a contributory member and, as such, would remain on the liquidation committee as a creditor.

Joint liquidators' remuneration

The statutory provisions relating to remuneration are set out in Rule 4.127 of the Insolvency Rules 1986. The charge out rates agreed for the administration are included at Appendix D, for your information. Further information is given in the Association of Business Recovery Professionals' publication "A Creditors' Guide to Liquidators' fees", a copy of which is available in hard copy upon written request to the Joint Liquidators or may be accessed from the website of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Technical' then 'Creditors' Guides to Fees').

The creditors' committee are yet to agree the basis for the joint liquidators remuneration and no fees have yet been agreed or paid. A fee pack updating the creditors committee on the time costs incurred by joint liquidators and their staff and to request resolutions are passed in relation to the joint liquidators' time costs is due to be sent shortly.

During the period to 31 August 2013, the Joint Liquidators' time costs amounted to £92,348. At Appendix D to this report there is an analysis of the time spent and a statement of our policy in relation to charging time.

Joint liquidators' statement of expenses incurred

During the period covered by this report, we have incurred category 2 disbursements totalling £54. The disbursements relate to payments made by the office holders' firm in relation to travel, courier and meeting costs. It is our policy, in line with Statement of Insolvency Practice No. 9, to seek approval for this category of disbursement before they are drawn.

Creditors' rights to further information about, and challenge, remuneration and expenses

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if members consider the costs to be excessive. Further information is provided in Appendix C.



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Other matters

The liquidation of the Company will continue until the wider issues affecting the closure of the Company's subsidiaries are resolved, the Company Voluntary Arrangement completed and the final distribution paid to creditors. These issues are detailed further in the Joint Administrators and Supervisors report dated 9 August 2013 which can be found at www.txuinfo.co.uk

Yours faithfully
for TXU Europe Group Plc

Alan Bloom
Joint Liquidator

The Association of Chartered Certified Accountants authorises Roy Bailey to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986. The Institute of Chartered Accountants in England and Wales authorises Alan Bloom to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

TXU Europe Group Plc (In Compulsory Liquidation and subject to a Company Voluntary Arrangement)

Information about the company and the liquidators

Registered office address of the company:	1 More London Place, London, SE1 2AF
Registered number:	03247622
Full names of the liquidators:	Alan Robert Bloom and Roy Bailey
Liquidators' address(es):	Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment of the joint liquidators:	6 August 2012
Details of any changes of liquidator:	None



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TXU Europe Group Plc (In Compulsory Liquidation and subject to a Company Voluntary Arrangement)

Joint liquidators' receipts and payments account for the period from 6 August 2012 to 5 August 2013

	Estate	Claims reserve	Due to other parties
	Realised to 05-Aug-2013	Realised to 05-Aug-2013	Realised to 05-Aug-2013
	£	£	£
Receipts			
Monies Due - ATL			143,255,462
Claims Reserve		10,000,000	
Claims Reserve Interest		4,265,685	
Funds Taken Over	4,888,680		
Dividends received	1,859,240		
Recovered VAT	105,545		
Petitioning Creditors Cost Refund	1,165		
Bank and ISA interest	14,550	42,458	93,103
Input VAT	20,547		
Total Receipts	6,889,726	14,308,143	143,348,566
Payments			
Official Receivers Costs	2,235		
Storage Costs	24,570		
Intercompany Loan	7,216		
Professional Costs	84,063		
Supervisors' Costs	10,903		
Tax on ISA interest	2,910	8,492	
Bank and ISA charges	97		30
Ad Valorem Fees	80,000		
Ordinary Shareholders			126,947,421
Input VAT	24,405		
Total Payments	236,398	8,492	126,947,451
Funds in hand	6,653,328	14,299,651	16,401,114

Notes

- Receipts and payments are stated net of VAT.
- The balance in hand is held in an Insolvency Services Account

Creditor's rights to request further information about remuneration or expenses or to challenge a liquidator's remuneration – Rules 4.49E and 4.131 of the Insolvency Rules 1986 (as amended)

4.49E Creditors' request for further information

- (1) If—
 - (a) within the period mentioned in paragraph (2)—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (iii)(b) with the permission of the court upon an application made within the period mentioned in paragraph (2)—
 - (i) any unsecured creditor, or
 - (ii) makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108.
- (2) The period referred to in paragraph (1)(a) and (b) is—
 - (a) 7 business days of receipt of the progress report where it is required by Rule 4.108, and
 - (b) 21 days of receipt of the report or draft report in any other case.
- (3) The liquidator complies with this paragraph by either—
 - (a) providing all of the information asked for, or
 - (b) so far as the liquidator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
 - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.
- (4) Any creditor, who need not be the same as the creditors who asked for the information, may apply to the court within 21 days of—
 - (a) the giving by the liquidator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),and the court may make such order as it thinks just.
- (5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks or, as the case may be, 4 weeks provided for in Rule 4.131(1B) or 4.148C(2) by such further period as the court thinks just.
- (6) This Rule does not apply where the liquidator is the official receiver.

4.131 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

- (1A) Application may be made on the grounds that—
- (a) the remuneration charged by the liquidator,
 - (b) the basis fixed for the liquidator's remuneration under Rule 4.127, or
 - (c) expenses incurred by the liquidator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 4.49E(5), be made no later than 8 weeks (or, in a case falling within Rule 4.108, 4 weeks) after receipt by the applicant of the progress report, or the draft report under Rule 4.49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the application; but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice but which is without notice to any other party.

If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
- (a) an order reducing the amount of remuneration which the liquidator was entitled to charge;
 - (b) an order fixing the basis of remuneration at a reduced rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation;
 - (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.

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TXU Europe Group Plc (In Compulsory Liquidation and subject to a Company Voluntary Arrangement)

Joint liquidators' time costs for the period from 6 August 2012 to 31 August 2013

Classification of work	Hours						Total Time (Hours)	Average Hourly Rate (£)	Total Time Costs (£)
	Partner	Director	Assistant Director	Senior Executive	Executive	Other			
Job Acceptance & Strategy	-	-	-	-	3.3	8.2	11.5	134.25	1,543.90
Immediate Tasks	-	-	-	11.1	8.2	0.4	19.7	253.25	4,989.00
Bank & Statutory Reporting	-	-	2.4	-	-	0.3	2.7	361.44	975.90
Creditors	8.0	2.3	-	34.9	-	1.7	46.9	340.90	15,988.40
Members	-	-	-	14.3	1.3	-	15.6	291.42	4,546.10
Accounting and Administration	1.0	-	3.8	5.4	6.6	74.9	91.7	147.08	13,487.50
Statutory Duties	14.0	-	4.8	2.1	6.1	28.4	55.4	266.78	14,779.70
VAT & Taxation	-	-	-	1.1	-	1.3	2.4	196.54	471.70
Out of scope	-	-	-	-	-	1.0	1.0	109.00	109.00
Unfunded Pension	-	27.0	46.5	1.1	0.2	7.3	82.1	431.74	35,446.10
Legal Issues	-	-	-	-	-	0.1	0.1	109.00	10.90
Total Time (Hours)	23.0	29.3	57.5	70.0	25.7	123.6	329.1	280.61	92,348.20
Average Hourly Rate (£)	541.00	437.00	464.17	300.00	197.00	116.09	280.61		
Total Time Costs	12,443.00	12,804.10	26,689.50	21,000.00	5,062.90	14,348.70			

Liquidators' charging policy for remuneration

The creditors have determined that the liquidators' remuneration should be fixed on the basis of time properly spent by the liquidators and their staff in attending to matters arising in the liquidation.

The liquidators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the liquidators.



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All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

Current charge out rates

Grade	Rank	TXU Bill Rate (Tax)	TXU Bill Rate (Restructuring)
Support	Other	61	61
Analyst	Other	142	109
Business Trainee 1 & 2	Other	142	109
Intern/BT	Other	142	109
Accounting & Treasury Exec	Other	197	165
Ass Executive 1 & 2	Other	197	165
Executive	Executive	317	197
Snr Exec/Manager	Senior Executives	350	300
Ass Director/Snr Manager	Assistant Director	481	393
Director	Director	437	437
Partner	Partner	650	541