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TO ALL MEMBERS AND CREDITORS

6 October 2016

Ref ML5W/AED/AS/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")**

Further to the appointment of Roy Bailey and myself as Joint Liquidators of the Company following a Court Order made on 6 August 2012, I present my report on the conduct of the liquidation for the period 6 August 2015 to 5 August 2016, which should be read in conjunction with my previous reports

In accordance with the provisions of the Insolvency Rules 1986 we are required to provide certain information about the Company and the Joint 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 2015 to 5 August 2016 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

As reported previously, a large portion of the funds taken over since commencement of liquidation were due to the Company's shareholder, The Energy Group Limited (In Administration and subject to a Company Voluntary Arrangement) ("TEG"). To date, the Joint Liquidators of the Company have made payments to TEG totalling £202.59 million

The remaining funds balance, amounting to £16.74 million (including interest) as at 5 August 2016, relates to cash previously 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, seventh and eighth 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 below relate to material movements in the liquidation estate and not the funds held in the claims reserve accounts and claims due to other parties

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## Receipts

### *Bank interest*

Bank interest of £83k has been received in the period on funds held in relation to the liquidation estate and claims reserve. All funds held by the Company are done so in an Insolvency Services Account ("ISA") in accordance with insolvency regulations and interest has not been allocated between the estate and claims reserve in the receipts and payments.

Interest of £75k was also received on funds held which are due to other parties.

## Payments

### *Liquidators' and Supervisors' Fees*

Amounts paid during the period in relation to costs incurred by the Joint Liquidators, Joint Supervisors and their staff in progressing and dealing with matters during the Liquidation and CVA of the Company, amount to £110k and £93k respectively. Further information in respect of fees can be found below in the section titled, 'Joint Liquidators' remuneration'.

Process	Amount £	Amount £	Total £
CVA	75% draw down Period 1 April 2014 to 1 April 2016	25% draw down Period 1 July 2014 to 1 April 2016	
	62,455	30,347	92,802
Liquidation	75% draw down Period 1 April 2014 to 1 April 2016	25% draw down Period 1 July 2014 to 1 April 2016	
	77,601	32,976	110,577

### *Storage Costs*

Costs incurred of £32 in storing the books and records of the Company and its subsidiaries.

### *Tax on ISA interest*

Tax was paid of £17k and £15k on the interest received on estate and other party funds held respectively was deducted by the ISA.

### *Re-issue of cheque previously drawn in CVA*

During the year a cheque in the amount of £5.8k was re-issued in respect of the second dividend.

## **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**

As reported previously, 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. 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 current Liquidation Committee agreed rates, which are lower than Ernst & Young LLP standard rates, are set out in Appendix C, for your information.

As you will note from the receipts and payments account presented in Appendix B, the Joint Liquidators have drawn fees to 5 August 2016 in the amount of totalling £240,511, following a resolution passed by the Liquidation Committee.

In accordance with Statement of Insolvency Practice 9, I have attached as Appendix C, summary of the time spent in the Liquidation for the period from 6 August 2015 to 5 August 2016, as well as a statement of our policy in relation to charging time.

## **Joint Liquidators' statement of expenses incurred**

During the period covered by this report, £14.04 of Category 1 expenses have been incurred in relation to storage, £7.36 and £6.68 for subsistence on working late. It is our policy, in line with Statement of Insolvency Practice No. 9, to seek approval for Category 2 disbursements before they are drawn and none have been incurred during the period.

## **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 D.



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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

Yours faithfully  
for TXU Europe Group Plc

Alan Bloom  
Joint Liquidator

Alan Robert Bloom is licensed in the United Kingdom to act as an Insolvency Practitioner by the Institute of Chartered Accountants of England and Wales and Roy Bailey is licensed in the United Kingdom to act as an Insolvency Practitioner by the Association of Chartered Certified Accountants. The affairs, business and property of the Company are being managed by the Joint Liquidators and Joint Supervisors. The Joint Liquidators and Joint Supervisors contract only as agents of the Company and without personal liability.

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
Court name and case number	High Court of Justice, Chancery division, Companies Court – No 6216 of 2012
Details of any changes of liquidator	None

**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 2016**

Description	Estate	Claims reserve	Due to other parties	Total	Movement	Total
	Realised to 05-Aug-2016	Realised to 05-Aug-2016	Realised to 05-Aug-2016	Realised to 05-Aug-2016	Between 6 August 2015 and 5 August 2016	Realised to 05-Aug-2015 (as reported previously)
	A	B	C	D = A+B+C	E	F
	£	£	£	£	£	£
<b>Receipts</b>						
Monies Due - ATL		5,563	143,255,462	143,261,025	-	143,261,025
Claims Reserve		10,000,000	79,900	10,079,900	-	10,079,900
Claims Reserve Interest		4,265,685	15,223	4,280,908	-	4,280,908
Funds Taken Over	4,888,680			4,888,680	-	4,888,680
Funds transfer from Estate Account for distribution			4,685,752	4,685,752	-	4,685,752
Dividends received	2,405,114		71,010,638	73,415,752	-	73,415,752
Overseas Recoveries	993,044			993,044	-	993,044
Group relief			4,053	4,053	-	4,053
Recovered VAT	105,545			105,545	-	105,545
Petitioning Creditors Cost Refund	1,165			1,165	-	1,165
Bank and ISA Interest	317,422		305,483	622,905	157,584	465,321
<b>Total Receipts</b>	<b>8,710,970</b>	<b>14,271,247</b>	<b>219,356,511</b>	<b>242,338,728</b>	<b>157,584</b>	<b>242,181,144</b>
<b>Payments</b>						
Payments to Claims Reserve Account	5,563			5,563	-	5,563
Funds transfer to other bank account for distribution	4,685,752			4,685,752	-	4,685,752
Transfer to CVA Supervisors' for unsecured creditors	5,771	95,123		100,894	5,771	95,123
Official Receivers Costs	2,235			2,235	-	2,235
Storage Costs	142,089			142,089	31,997	110,092
Intercompany Loan	3,945		3,271	7,216	-	7,216
Professional Costs	99,921			99,921	0	99,921
Liquidators' fee	240,511			240,511	110,577	129,934
Supervisors' fees	240,621			240,621	92,802	147,819
Supervisors' expenses	18			18	-	18
Tax on ISA interest	63,484		14,961	78,445	31,517	46,928
Tax on pension payment	347,228			347,228	-	347,228
Bank and ISA charges	404		31	435	95	340
Ad Valorem Fees	80,000			80,000	-	80,000
Ordinary Shareholders (The Energy Group)			202,593,599	202,593,599	-	202,593,599
<b>Total Payments</b>	<b>5,917,541</b>	<b>95,123</b>	<b>202,611,862</b>	<b>208,624,526</b>	<b>272,759</b>	<b>208,351,766</b>
<b>Balance of Funds</b>	<b>2,793,429</b>	<b>14,176,124</b>	<b>16,744,649</b>	<b>33,714,202</b>		<b>33,829,378</b>

**Notes**

- 1 Receipts and payments are stated net of VAT
- 2 The balance of funds in the Estate are held in an Insolvency Services Account
- 3 Bank and ISA Interest received into the liquidation

**Current charge out rates approved by the Liquidation Committee**

Classification	Grade	Old Rates (pre 01/07/14)		New rates (effective 01/07/14)	
		Corporate Restructuring £/Hour	Tax £/Hour	Corporate Restructuring £/Hour	Tax £/Hour
Partner	Partner	541	670	595	670
Manager	Director	437	495	495	495
	Assistant Director	393	495	420	495
Other Senior Professionals	Senior Executive	300	361	330	361
	Executive	197	327	235	327
Assistants & Support	Assistant Executive	165	N/A	180	N/A
	Business Trainee	109	202	120	202
	Accounting Treasury Executives	160	N/A	180	N/A

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

### Joint Liquidators' time costs for the period from 6 August 2015 to 5 August 2016

Classification of Work	Hours					Total hours	Total time costs £	Average hourly rate £
	Partner/Director	Manager	Other senior professionals	Assistants and support				
Bank and statutory Reporting	-	-	-	0.6	0.6	108.00	180.00	
General	7.0	40.5	-	-	47.5	17,530.00	369.05	
Legal issues	-	73.0	-	-	73.0	30,660.00	420.00	
Members	-	1.0	-	-	1.0	420.00	420.00	
Statutory Duties	1.0	3.8	8.5	0.6	13.9	3,729.00	268.27	
VAT and taxation	-	2.1	-	-	2.1	882.00	420.00	
Accounting and administration	13.0	27.6	9.4	45.4	95.4	27,318.00	286.35	
Creditors	29.5	6.7	0.3	1.3	37.8	17,614.50	465.99	
Total	50.5	154.7	18.2	47.9	271.3	98,261.50	362.19	
Total fees claimed £	25,697.50	61,167.00	3,705.00	7,692.00				
Average hourly rate £	508.86	395.39	203.57	160.58	362.19			

### 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.

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.



**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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