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TO ALL MEMBERS AND CREDITORS

3 October 2014

Ref ML7E/IV/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")**

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 second report on the conduct of the liquidation for the period to 5 August 2014

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 2013 to 5 August 2014 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 remainder funds balance, amounting to £16.63 million (including interest) as at 5 August 2014, 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, 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.



## **Receipts**

### *Dividends received*

The Company received further dividends of £0.6 million from the distribution declared by three agreed claims against other TXU group companies.

### *Overseas recoveries*

The Company has on 28 May 2014 received a distribution of £0.99 million from TXU Europe Energy Trading BV in Netherlands as a final repayment/settlement of intra-group balances between the companies.

### *Bank interest*

Net bank interest of £0.11 million has been received into the liquidation estate and reserve account during the period. The funds held by the Company are done so in an Insolvency Services Account ("ISA") in accordance with insolvency regulations.

## **Payments**

### *Funds transfer to other bank accounts for distribution*

As you will be aware from previous correspondences, the Company entered into a Company Voluntary Arrangement ('CVA') on 28 January 2005 with a CVA modification being implemented through Court in May 2012.

For the avoidance of doubt, the Joint Liquidators have not sought to repeat any of the terms of the CVA Proposals which apply to the Company in this report. Further information in respect of the CVA of the Company and the conduct of the CVA Supervisors can be located on the website [www.txuinfo.com](http://www.txuinfo.com).

The Joint Liquidators paid an eighth distribution in respect of the allowed CVA claims, in the CVA of the Company and its subsidiaries, on 15 August 2014. This funds transfer of £4.68 million was performed to facilitate the distribution to other TXU group of companies.

### *Tax on pension payment*

This relates to the settlement of the historical HMRC's claim to recover any unpaid PAYE arising from historical payments made to certain former employees of the Company in respect of unfunded pension commitments.

The final tax liabilities and tax penalties totalling £0.35m pursuant to HMRC's direction in Regulations 72E to G of the Income Tax Act (Pay As You Earn) Regulations 2003 were settled in April and July 2014 respectively.

## **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 Liquidation Committee have since January 2014 agreed the basis for the Joint Liquidators' remuneration. The current rates agreed, 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 incurred from commencement of Liquidation to 31 August 2013 in the amount of £92,348 following a resolution passed by the Liquidation Committee in February 2014.

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 2013 to 5 August 2014, 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, no expenses have been incurred. It is our policy, in line with Statement of Insolvency Practice No. 9, to seek approval for Category 2 disbursements 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 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. These issues are detailed further in the Joint Administrators and Supervisors report dated 11 August 2014 which can be found at [www.txuinfo.co.uk](http://www.txuinfo.co.uk)

Yours faithfully  
for TXU Europe Group Plc

A handwritten signature in black ink, appearing to be 'Alan Bloom', written over a horizontal line.

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

# 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 2014**

Description	Estate	Claims reserve	Due to other parties	Total	Movement	Total
	Realised to 05-Aug-2014	Realised to 05-Aug-2014	Realised to 05-Aug-2014	Realised to 05-Aug-2014	Between 6 August 2013 and 5 August 2014	Realised to 05-Aug 2013 (as reported previously)
	A	B	C	D = A+B+C	E	F
	£	£	£	£	£	£
<b>Receipts</b>						
Morves Due - ATL		5 563	143,255,462	143,261,025	5 563	143,255,462
Claims Reserve		10 000,000	79 900	10,079,900	79,900	10,000,000
Claims Reserve Interest		4,265,685	15,223	4,280,908	15 223	4,265,685
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	71,556,512	1,859,240
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	167 028		180,839	347,867	197,756	150,111
Input VAT/VAT Control Account	65 677			65,677	45,130	20,547
<b>Total Receipts</b>	<b>8,626,252</b>	<b>14,271,247</b>	<b>219,231,867</b>	<b>242,129,367</b>	<b>77,582,932</b>	<b>164,546,435</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		95,123		95,123	95 123	-
Official Receivers Costs	2 235			2,235	-	2,235
Storage Costs	55 796			55,796	31,226	24,570
Intercompany Loan	3 945		3,271	7,216	-	7,216
Professional Costs	84 063			84,063	-	84,063
Liquidators' fee	92,348			92,348	92,348	-
Supervisors' fees	94,679			94,679	83,776	10,903
Supervisors' expenses	18			18	18	-
Tax on ISA interest	33,406			33,406	22 004	11,402
Tax on pension payment	347,226			347,226	347,226	-
Bank and ISA charges	205		30	235	108	127
Ad Valorem Fees	80,000			80,000	-	80,000
Ordinary Shareholders (The Energy Group)			202,593,599	202,593,599	75 646,178	126,947,421
Input VAT	65,883			65,883	41 478	24,405
<b>Total Payments</b>	<b>5,551,118</b>	<b>95,123</b>	<b>202,596,900</b>	<b>208,243,141</b>	<b>81,050,798</b>	<b>127,192,342</b>
<b>Balance of Funds</b>	<b>3,075,135</b>	<b>14,176,125</b>	<b>16,634,967</b>	<b>33,886,226</b>		<b>37,354,092</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

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

### Joint Liquidators' time costs for the period from 6 August 2013 to 5 August 2014

Classification of work	Partner / Director	Manager	Assistants & Support	Total time (Hours)	Average Hourly Rate (£)	Total Time Costs (£)
Bank & Statutory Reporting	-	-	30	30	109 00	327 00
General	20 7	15 7	10	37 4	562 56	21,039 70
Members	-	1 2	-	1 2	350 00	420 00
Statutory Duties	30	9 1	5 8	17 9	303 92	5,440 20
VAT & Taxation	-	4 0	2 0	6 0	286 47	1,718 80
Accounting and Administration	2 6	7 9	69 5	80 0	190 10	15,207 90
Creditors (Mandatory)	-	20 4	0 9	21 3	339 82	7,238 10
<b>Grand Total</b>	<b>26.3</b>	<b>58.3</b>	<b>82.2</b>	<b>166.8</b>	<b>308.10</b>	<b>51,391 70</b>
<b>Average Hourly rate</b>	<b>622 65</b>	<b>385 28</b>	<b>152.73</b>			
<b>Time costs for reporting period</b>	<b>16,375.60</b>	<b>22,461 70</b>	<b>12,554.40</b>			

### 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.

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

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



**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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