

TO ALL MEMBERS AND CREDITORS

15 October 2015

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 third report on the conduct of the liquidation for the period 6 August 2014 to 5 August 2015

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 2014 to 5 August 2015 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 £16.68 million (including interest) as at 5 August 2015, 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.



Receipts

Bank interest

Net bank interest of £67k 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 £50k 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 £38k and £53k respectively. Further information in respect of fees can be found below in the section titled, 'Joint Liquidators' remuneration'.

Professional Costs

Payment of £16k was made in relation to the provision of IT services and data retention management.

Storage Costs

Costs incurred of £54k in storing the books and records of the Company and its subsidiaries.

Tax on ISA interest

Tax paid of £13k on the interest received on funds held was deducted by the ISA.

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')

During the period a resolution was passed by the Liquidation Committee to authorise an uplift in our fees. The current 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 31 March 2015 in the amount of totalling £129,934, 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 2014 to 5 August 2015, 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, £6 62 of Category 1 expenses have been incurred in relation to postage. 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.

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 2014 to 5 August 2015

| Description | Estate | Claims reserve | Due to other parties | Total | Movement | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------------|---|--|
| | Realised to 05-Aug-2015 | Realised to 05-Aug-2015 | Realised to 05-Aug-2015 | Realised to 05-Aug-2015 | Between 6 August 2014 and 5 August 2015 | Realised to 05-Aug-2014 (as reported previously) |
| | A | B | C | D = A+B+C | E | F |
| | £ | £ | £ | £ | £ | £ |
| Receipts | | | | | | |
| 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 | 234 642 | | 230 679 | 465,321 | 117,454 | 347,867 |
| Total Receipts | 8,628,189 | 14,271,247 | 219,281,707 | 242,181,144 | 117,454 | 242,063,690 |
| Payments | | | | | | |
| 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 | 110,092 | | | 110,092 | 54,296 | 55,796 |
| Intercompany Loan | 3 945 | | 3 271 | 7,216 | - | 7,216 |
| Professional Costs | 99 921 | | | 99,921 | 15 858 | 84,063 |
| Liquidators' fee | 129,934 | | | 129,934 | 37,586 | 92,348 |
| Supervisors' fees | 147,819 | | | 147,819 | 53,140 | 94,679 |
| Supervisors' expenses | 18 | | | 18 | - | 18 |
| Tax on ISA interest | 46 928 | | | 46,928 | 13 522 | 33,406 |
| Tax on pension payment | 347 226 | | | 347,226 | - | 347,226 |
| Bank and ISA charges | 310 | | 30 | 340 | 105 | 235 |
| Ad Valorem Fees | 80 000 | | | 80,000 | - | 80,000 |
| Ordinary Shareholders (The Energy Group) | | | 202,593,599 | 202,593,599 | - | 202,593,599 |
| Total Payments | 5,659,743 | 95,123 | 202,596,900 | 208,351,766 | 174,608 | 208,177,258 |
| Balance of Funds | 2,968,446 | 14,176,125 | 16,684,807 | 33,829,378 | | 33,886,432 |

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

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

Joint Liquidators' time costs for the period from 6 August 2014 to 5 August 2015

| Classification of work function | Hours | | | | Total hours | Average Hourly Rate (£) | Time Costs for period (£) |
|---------------------------------|----------|-----------|----------------------------|----------------------|-------------|-------------------------|---------------------------|
| | Partner | Manager | Other Senior Professionals | Assistants & Support | | | |
| Accounting and Administration | 10 | 151 | 104 | 483 | 748 | 236 69 | 17,704 50 |
| Bank & Statutory Reporting | | 20 | | 65 | 85 | 169 41 | 1,440 00 |
| Creditors (Mandatory) | 20 | 31 | | 34 | 85 | 341 18 | 2,900 00 |
| Employee Matters | | 02 | | | 02 | 420 00 | 84 00 |
| Other Matters | | 10 | | | 10 | 420 00 | 420 00 |
| Out of scope | | 38 | 45 | | 83 | 319 70 | 2,653 50 |
| Statutory Duties | | 218 | | 155 | 373 | 277 24 | 10,341 00 |
| VAT & Taxation | 10 | 08 | 04 | 12 | 34 | 351 76 | 1,196 00 |
| Hours engagement to date | 40 | 478 | 153 | 749 | 1420 | 258 73 | 36,739 00 |
| Average Hourly rates | 595 00 | 396 65 | 233 92 | 157 81 | | | |
| Total time costs | 2,380 00 | 18,960 00 | 3,579 00 | 11,820 00 | | | |

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

| 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 |

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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