Form 1 3

Rule 1 26/
1 54

The Insolvency Act 1986

Notice to Registrar of Companies of Supervisor's Abstract of Receipts and Payments

Pursuant to Rule 1 26(2)(b) or Rule 1 54 of the Insolvency Rules 1986

R.1.26(2)(b)/ R.1.54

For Official Use

To the Registrar of Companies

Company Number

03257256

Name of Company

Energy Holdings (No 3) Limited

I / We

Jeremy Simon Spratt
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

James Robert Tucker

supervisor(s) of a voluntary arrangement taking effect on

31 March 2005

present overleaf my/our abstract of receipts and payments for the period from

31 March 2006

to

30 March 2007

Number of contination sheets (if any) attached

Signed

Date 25/5/07

KPMG LLP
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Ref U04948E/ARH/YID

Insolvenc

SATURDAY

ANM86QG3

A51 16/06/2007 650
COMPANIES HOUSE

WEDN

A01 30/05/2007 266
COMPANIES HOUSE

Software Supplied by Turnkey Computer Technology Limited Glasgow

RECEIPTS	£
Brought forward from previous Abstract (if any)	219,929,007 98
Unclaimed dividends	3,986 43
Bank interest, gross	692 06
Transfer from/to Liquidator	68,529,100 41
Carried forward to * continuation sheet / next abstract	288,462,786 88

* Delete as appropriate

PAYMENTS	£
Brought forward from previous Abstract (if any)	219,916,207 36
PAYE on pension claims	136,912 16
3rd distribution	39 643 120 15
Connected companies	28,749,055 58
Net interest paid	13 56
Distbns from unclmd div a/c	47 97
Carried forward to * continuation sheet / next abstract	288,445 356 78

* Delete as appropriate

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the supervisor since he was appointed

KPMG

Energy Holdings (No 3) Limited (in creditors' voluntary liquidation and subject to a Company Voluntary Arrangement)

Liquidators' report to members and creditors for the year to 30 December 2006 pursuant to Section 105 of the Insolvency Act 1986 and Supervisors' report pursuant to Rule 1.26(2) of the Insolvency Rules 1986 for the year to 31 March 2007

29 May 2007

ADVISORY

AUDIT ▪ TAX ▪ ADVISORY

Contents

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Contents

Glossary of terms

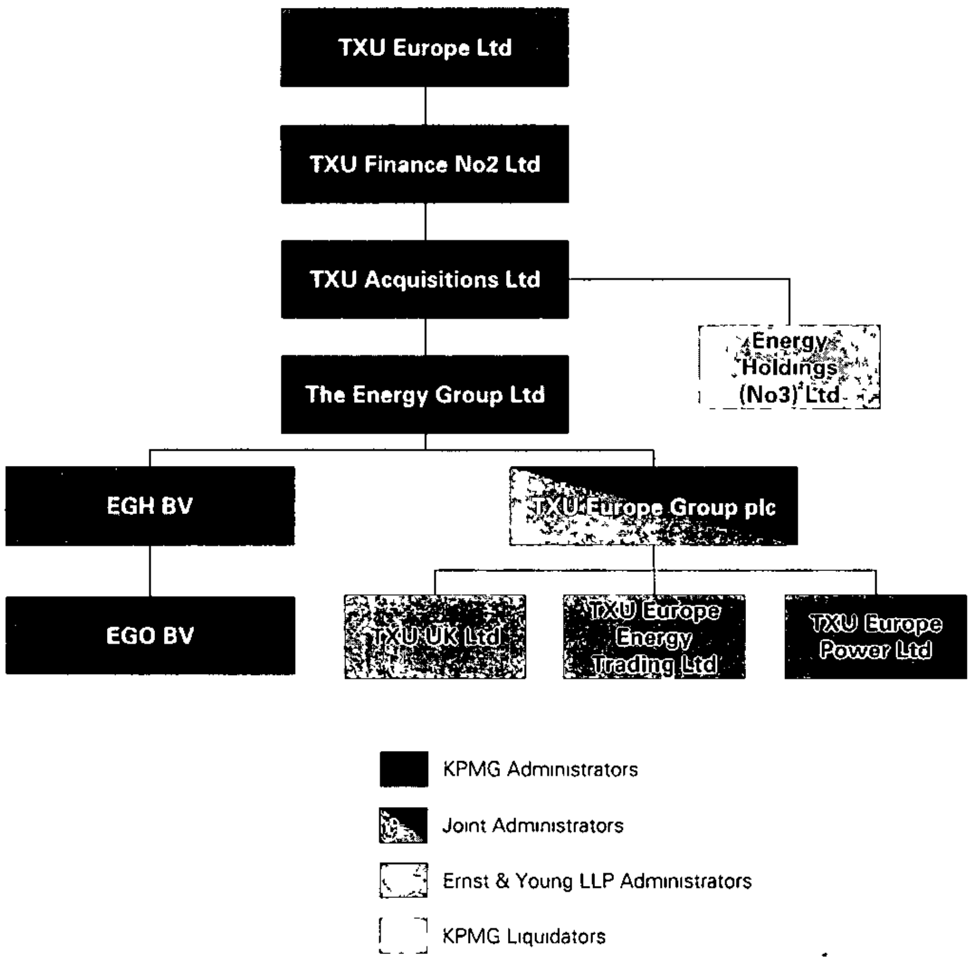
	Glossary
ACT	Advance Corporation Tax
Conduit Companies	TXUAC, TEG, TEG HO and EH3
CVA	Company Voluntary Arrangement
EGO BV	Energy Group Overseas BV
EH2	Energy Holdings (No2) Limited
EH3	Energy Holdings (No3) Limited
EH4	Energy Holdings (No4) Limited
GEF LLC	Global Energy Finance LLC
HMRC	HM Revenue & Customs
Holding Companies	TXUEL and its subsidiaries, excluding Operating companies
KPMG	KPMG LLP
Operating Companies	TXUEG and its subsidiaries
PPA	Power Purchase Agreements
TEG	The Energy Group Limited
TEG HO	TEG Head Office Limited
TXUAC	TXU Acquisitions Limited
TXUEG	TXU Europe Group Plc
TXUEL	TXU Europe Limited
TXUEL Group	TXU Europe Limited and its subsidiaries, being the Holding Companies and Operating Companies

Basis of preparation

- This Report has been prepared by Jeremy Spratt and Jim Tucker, the Joint Liquidators and Supervisors of EH3, solely to comply with their statutory duty to report to members and creditors under Section 105 of the Insolvency Act 1986 and Rule 1 26(2) of the Insolvency Rules 1986, and to provide an account of their acts and dealings and of the conduct of the liquidation and the CVA, 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 Report 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 EH3 or other companies in the TXUEL Group
- Any estimated outcomes for creditors included in this Report 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 Report for any purpose or in any context other than under Section 105 of the Insolvency Act 1986 and/or Rule 1 26(2) of the Insolvency Rules 1986 does so at its own risk To the fullest extent permitted by law, the Liquidators and Supervisors do not assume any responsibility and will not accept any liability in respect of this Report to any such person
- Jeremy Spratt and Jim Tucker are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales
- The appointments of the Joint Liquidators and Supervisors are personal to them and, to the fullest extent permitted by law, KPMG does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the liquidation or the CVA

Introduction and background

Simplified group structure



Introduction

- This report is prepared pursuant to Section 105 of the Insolvency Act 1986 and Rule 1 26(2) of the Insolvency Rules 1986 Its purpose is to provide the members and creditors of EH3 with an account of their acts and dealings and the conduct of the liquidation for the period to 30 December 2006, to update them on material events which have taken place subsequently and to provide an update on the CVA for the year to 31 March 2007

Background

- The High Court appointed KPMG partners as Administrators of TXUEL, TXUAC and TEG and (jointly with partners in Ernst & Young) TXUEG on 19 November 2002 Partners in KPMG have subsequently been appointed administrators/liquidators to other subsidiaries of TXUEL The shareholders of EH3 placed it into voluntary liquidation on 30 December 2002 At the creditors' meeting held on 8 January 2003, Jeremy Spratt and Jim Tucker of KPMG were appointed as Liquidators of EH3
- The Administrators of TXUEG and certain of its subsidiaries proposed CVAs on 10 January 2005 These were approved by creditors and members on 28 January 2005 The Joint Administrators/Liquidators of TXUEL and certain of its subsidiaries, including EH3, proposed interlocking CVAs on 11 March 2005 These proposals were approved at meetings of creditors and members held on 31 March 2005
- The Insolvency Act allows for a period of 28 days, following the filing of the Chairman's report of the meeting of creditors, for a creditor to petition the Court for a CVA to be set aside on the grounds of unfair prejudice and/or material irregularity at or in relation to the meeting of creditors Such applications were made, within the requisite period, to Court by two creditors of EH3 and EGO BV The applicants also sought the removal of the Liquidators as liquidators of EH3 and of the Administrators of EGO BV These applications were heard in August 2005 and were dismissed in their entirety
- A copy of the information available to creditors and members of EH3 is available at www txuinfo co uk That information includes a report by the Administrators of TXUEL and certain subsidiaries dated 22 January 2007 and the CVA proposals issued by EH3, TXUEL and other subsidiaries of TXUEL

Progress during the year and recent developments

Progress during the year and recent developments

- During the year to 30 December 2006 EH3 received further dividends totalling £55 million (31 pence in the £) from TXUEG in respect of its claim of £176 5 million Another dividend of £13 4 million (7 61 pence in the £) was received in April 2007 Together, these bring the total received to £156 1 million (88 46 pence in the £) The Administrators of TXUEG anticipate that the next TXUEG distribution will be made in October 2007
- *EH3 also received a total of £43 1 million of dividends on its claims against other group companies and distributions from investments in subsidiaries*
- The Supervisors of the EH3 CVA made second and third distributions of £34 million and £39 7 million respectively to external (ie non group) creditors of EH3 in January 2006 and July 2006 A fourth distribution of £17 8 million was paid in April 2007 This brings the total amount distributed to external creditors of EH3 as at the date of this report to £183 9 million
- It is currently estimated that external creditors will receive further distributions of between 7 5 to 11 8 pence in the £ on a "realistic" basis as defined in the CVA
- On the basis that a further distribution is received from the TXUEG CVA in October 2007 we anticipate the next EH3 distribution will be in November 2007
- The legal costs of EH3 and EGO BV in relation to the unfair prejudice applications were approximately £9 4 million The proceedings to recover the balance of the costs have been settled and we have received £5 7m against these costs We are liaising with the Creditors' Committees to finalise the allocation of costs that were not recovered between the estates of the Holding Companies' that proposed CVAs , together with the liquidators'/administrators' costs of dealing with the action
- During the year the liquidators have continued to deal with dissenting shareholders' funds of £2 million and £500k has been paid to those shareholders who have claimed their entitlements The dissenting shareholder' funds are trust monies and the corresponding costs have been charged against such funds

Realisations, assets and creditor claims

Realisations and assets

- EH3 has received further dividends from TXUEG on its claim of £176 5 million Dividends of £25 3 million and £29 7 million were received in January 2006 and July 2006 respectively Another dividend of £13 4 million was received in April 2007 and it is currently estimated that the final return to creditors of TXUEG will be 92 pence in the £ on a 'pessimistic' basis and 100 pence in the £ on a 'realistic' basis A final dividend from TXUEG is expected to be received in October 2007
- EH3 also has claims against EH4, EGO BV, GEF LLC and EH2 totalling £274 4 million and during the year it received dividends on these claims and distributions in respect of its investments in subsidiaries totalling £43 1 million Further dividends from these sources of £15 4 million were received in April 2007
- Tax equalisation receipts totalling £6 4 million were also received in the period These relate to amounts due to EH3, as a Conduit Company, pursuant to paragraph H9 of the Holding Company CVA EH3 will receive no further funds from this source
- EH3 also received £2 9 million in consideration of the sale of surplus ACT The balance due of £260k is expected to be received towards the end of the year
- A further £2 6 million was received in consideration for the sale of capital losses An additional £300k is expected to be received from this source following completion of an ongoing HMRC enquiry
- Other significant receipts in the period include gross bank interest of £1 million, EH3's final entitlements in respect of the TXU Corp Settlement and the PPA creditor payment of £659k and £411k respectively and a tax refund of £304k in respect of tax paid in the year ended December 2005

Creditor claims

- The following claims have been received These have been valued as at 19 November 2002 and 7 January 2005 as required for the purposes of the CVA

Received claims	19 November 2002 £m	7 January 2005 £m
Guarantee creditors in relation to EGO BV bonds	329 8	335 1
Swap transaction	19 4	21 6
Intercompany creditors	270 0	267 1
Pensions claims	5 2	6 0
Total	**624 4**	**629 8**

- All claims against EH3 have been agreed pursuant to the CVA

Advance Corporation Tax

In the year ended 30 December 2006 EH3 received £2 9 million in respect of the sale of surplus ACT to TXU Europe Merchant Properties Ltd and TXU Europe Energy Trading Ltd We expect to receive the balance due of £260k towards the end of the year

Capital losses

EH3 was the beneficial owner of a considerable amount of unrealised capital losses arising from its ownership of EH4 By implementing an internal reorganisation it became possible to crystallise the losses and sell them Although the quantum of the loss has yet to be agreed to by HMRC a proportion of the losses were sold unconditionally to third parties £2 6 million consideration was received in the year and a further £300k is expected

Tax compliance

HMRC have confirmed that they do not propose to open an enquiry into any of the returns up to and including the return for the year ended 30 December 2005 even where they are in time to do so

HMRC are no longer entitled to raise an enquiry into the corporation tax returns for periods to 30 December 2004 and these periods are therefore effectively agreed

The return and computation for the year ended 30 December 2006 has been submitted HMRC has until 30 December 2008 to raise enquiries into this return

A further tax refund of £200k has recently been received in respect of the year ended 30 December 2006 This results from the utilisation of tax losses brought forward and group relief claims against taxable profits arising in the period

Group relief payments

Payments totalling £464k were made to other group companies in the year ended 30 December 2006 in consideration for the surrender of losses used to eliminate the tax payable for the years ended 31 December 2000 and 2001

Liquidators' remuneration

Time costs for the period 31 December 2005 to 30 December 2006	Partner/Director Hours	Senior Manager/Manager Hours	Assistant Hours	Total Hours	Total costs £
Project management and statutory matters	17	91	28	136	38 993
Creditors reporting and liaison	9	13		22	8 023
Tax	9	46	11	66	22,049
Third party creditors overseas assets and subsidiaries	8			8	3,210
CVA including unfair prejudice action	34	19		53	23,135
Total	**78**	**169**	**39**	**285**	**95,410**
Time costs previously reported (period 31 December 2002 to 30 December 2005)	-	-	-	-	2 473 221
Less fees already paid	-	-	-	-	2,532,540
Time costs outstanding	-	-	-	-	**36,091**

Source Liquidators records

- To date, remuneration has been drawn, with the authorisation of the EH3 Liquidation Committee, in the sum of £2,532,540 plus VAT
- In addition, a fee of £1,070,000 sanctioned by the Liquidation Committee has been paid to KPMG Tax in respect of the sale of the capital losses

Receipts and payments account

£	Liquidation 30 December 2005 to 30 December 2006	Liquidation 30 December 2002 to 30 December 2006	CVA 1 April 2006 to 31 March 2007	CVA 31 March 2005 to 31 March 2007
Receipts				
Distributions from TXUEG CVA	54 958 562	142,727 221		
Tax equalisation receipts	6 441 731	11 900 511		
Surrender of ACT	2 910 637	5 690 766		
Bank interest gross	1 072 269	3 161 568		
Capital loss sale	2 600 000	6 400 000		
Intercompany receivables	43,099 456	123,858 740		
Proceeds of settlement with TXU Corp	659,015	7,657,171		
Interim funding provided	1 471,485	1,471 485		
PPA contribution	410,970	2 363 078		
Corporation tax refunds	303 807	303 807		
Other receipts	119,313	324,360		
Transfer from liquidator			68 529,100	288,458,108
	114,047,245	**305,858,707**	**68,529,100**	**288,458,108**
Payments				
Transfer to supervisor	129 850 723	288,458,108		
Group relief	463,865	1,115,120		
Tax on interest deducted at source	196,728	514 486		
Office holders' fees	1 467,272	2 532,540		
Consultants' fees		210 110		
Legal fees[a]		230 504		
Other costs	10 523	134 550		
VAT	114,532	258 575		
Tax fees	20,000	1,070 000		
Distribution to external creditors			39 780,032	166,055,215
Distribution to connected companies			28 749,055	122,402 880
Net interest on disputed claims			13	13
	132,123,643	**294,523,993**	**68,529,100**	288,458,108
Balance in hand	**(18,076,398)**	**11,334,714**	**NIL**	**NIL**

Note (a) Excludes the legal costs associated with the unfair prejudice action which have to date, been met by TXUEL and TEG EH3 will be required to bear part of any costs not recovered from the applicants

Source Liquidators record