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
David John Pike
15 Canada Square
Canary Wharf
London
E14 5GL

James Robert Tucker
15 Canada Square
Canary Wharf
London
E14 5GL

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 2020

to

30 March 2021

Number of continuation sheets (if any) attached

Signed ______________________ Date 13 April 2021

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Ref: U04948E/JEM/PJL/SS

For Official Use

Insolvency Section	Post Room

RECEIPTS	**£**
Brought forward from previous Abstract (if any)	474,414,487.77
Carried forward to * continuation sheet / next abstract	474,414,487.77

* Delete as appropriate

PAYMENTS	**£**
Brought forward from previous Abstract (if any)	474,414,487.77
Carried forward to * continuation sheet / next abstract	474,414,487.77

* 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.

TXU Europe Limited and certain subsidiaries – in administration/liquidation and/or under voluntary arrangements

Supervisors Progress Report to Creditors – see the Notice on page 4

Prepared for the period 31 March 2020 to 30 March 2021

Glossary

CVA	Company Voluntary Arrangement
EGO BV	Energy Group Overseas BV
EH3	Energy Holdings (No.3) Limited
EY	Ernst & Young
Holding Companies	TXUEL and those subsidiaries for which CVAs were approved on 31 March 2005
KPMG	KPMG LLP
Operating Companies	TXUEG and its subsidiaries
The Companies	The companies listed in Appendix 1
TEG	The Energy Group Limited
TXUEG	TXU Europe Group plc
TXUEL	TXU Europe Limited
TXU UK	TXU (UK) Limited
Direct Sales	TXU Direct Sales Limited
BTL CVA	TXUEG and its subsidiaries
TXUEL Group	TXUEL and its subsidiaries
BTL Companies	TXUEG and its subsidiaries
BTL administrators	EY
ATL Companies	TXUEL and its subsidiaries

Contents

Notice: about this report

This report has been prepared by the Supervisors of TXUEL and the subsidiaries listed in Appendix 1 (together “the Companies”), solely to comply with their statutory duties to report to creditors under Rule 1.26(2) of the Insolvency Rules 1986. Its purpose is to provide creditors with an update on the progress of the CVAs for the period 31 March 2020 to 30 March 2021, 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 TXUEL or any other company in the TXUEL Group.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance to the actual outcomes for creditors

Any person who chooses to rely on this Report for any purpose or in any context other than under Rule 1.26(2) of the Insolvency Rules 1986 does so at their own risk. To the fullest extent permitted by law, the Supervisors assume no responsibility and accept no liability in respect of this Report to any such person.

The appointments of the Supervisors are personal to them and, to the fullest extent permitted by law, KPMG LLP assumes no responsibility and accepts no liability to any person in respect of this Report or the conduct of the CVAs.

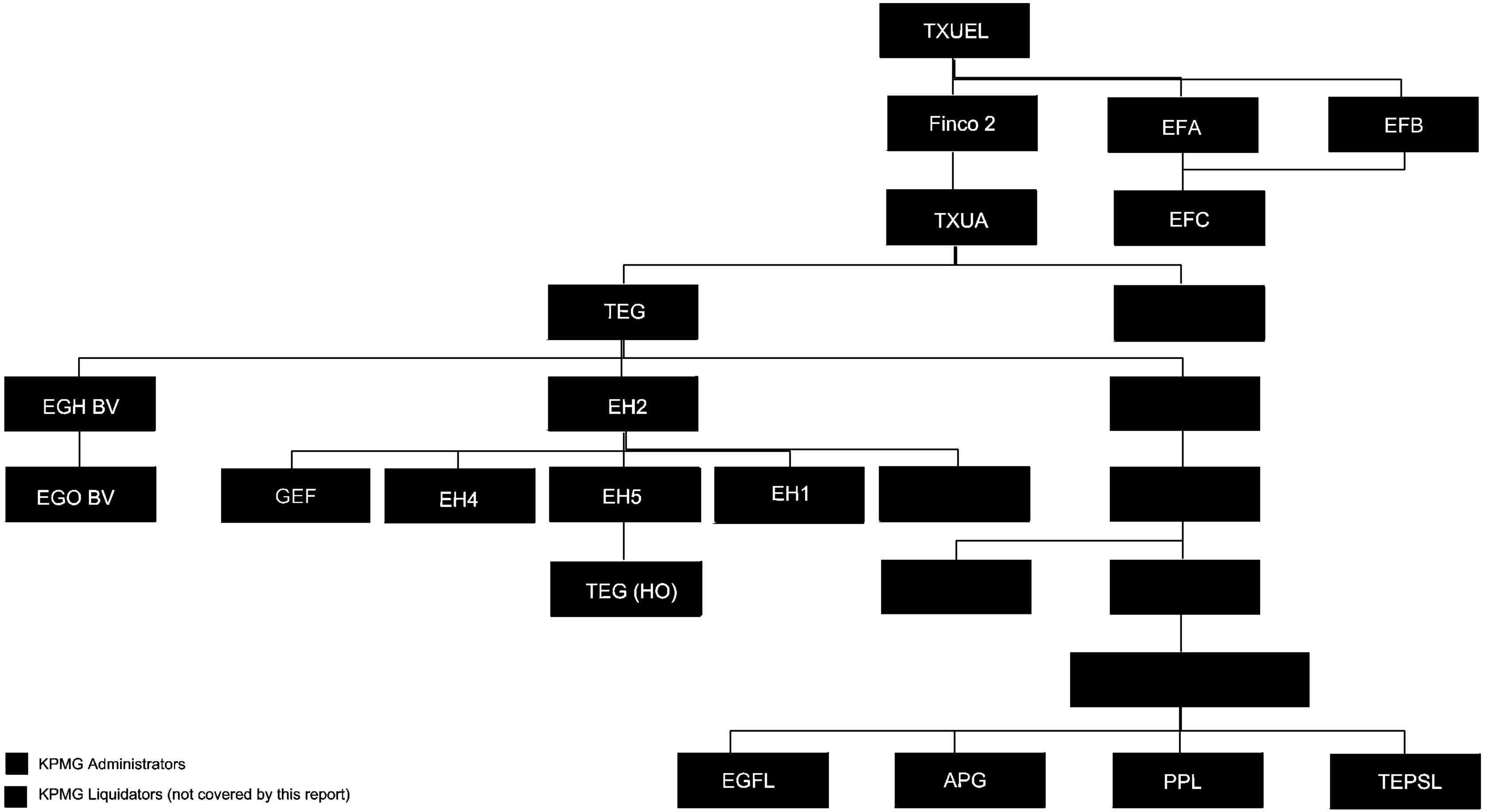
David John Pike and James Robert Tucker are authorised to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales

We are bound by the Insolvency Code of Ethics

The officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html

Group structure

Simplified group structure for the companies covered by this report



- KPMG Administrators
- KPMG Liquidators (not covered by this report)
- EY Appointments (not covered by this report)
- KPMG Supervisors
- Not subject to any insolvency proceedings

KPMG

Introduction and summary update

Introduction and summary update

Background

- This report covers the progress made in the CVAs for the period 31 March 2020 to 30 March 2021.

Outstanding matters and recent developments

- Realisations by Holding Companies are now derived from distributions made by TXUEG, principally to TEG. The last distribution declared and paid by the BTL Companies including TXUEG was in August 2013 when TEG received £75.6 million.
- We are advised that a final distribution will be made by the BTL Companies including TXUEG following the resolution of the remaining issues in the BTL CVAs. Those issues comprise:
  - Finalising the treatment of potential contingent asbestos claims in TXU UK a “below the line” company which is a subsidiary of TXUEG and controlled by the BTL administrators; and
  - Agreeing the position regarding £16.7 million currently ring-fenced at TXUEG relating to distributions received from TXU UK and Direct Sales.
- The history of the TXU UK officeholders estimate of future potential uninsured asbestos liabilities and the claims experience to date are outlined in our previous reports to creditors. These claims relate to industrial injuries suffered by former employees of Eastern Electricity. The TXU UK officeholder’s latest estimate obtained in April 2020 of uninsured potential future claims has reduced to below the previously advised estimates of between £5 million and £20 million, with a current range of £4 million to £15 million. The reduction results from the relatively low number of claims received since the previous actuarial review in December 2017. The Insurance Industry working group estimate future asbestos claims could potentially continue to be received until 2050.
- In the seventeen years the TXU UK officeholders have been in office TXU UK has been called upon to pay a total of approximately £426,000 in respect of the uninsured element of the 16 agreed and paid claims and expect to pay a further sum of around £350,000 on existing claims in progress.
- In addition, and as previously reported, in January 2018 the TXU UK officeholders received notice of potential claims from a group of former Eastern Electricity employees who are members of the Electricity Supply Pension Scheme following the formal insolvency of their then current employer. The TXU UK officeholders subsequently received claims in respect of pension benefits from in excess of 270 individuals. The former Eastern Electricity employees have protected persons status entitling them to look to certain successor companies (arguably including TXU UK) to fund their pension benefits.
- Eastern Power Networks has accepted that it is a successor company under the Protected Persons Regulations and it has taken over responsibility for the TXU members who have transferred to the UK Power Networks Electricity Supply Pension Scheme.
- Following this development the TXU UK officeholders took steps to ascertain any residual pensions obligations to the former Eastern Electricity employees. A small number of residual pension related claims were withdrawn, following this there are no known remaining pension related obligations.

Introduction and summary update (cont.)

Outstanding matters and recent developments (cont)

- The TXU UK officeholders have been considering their next steps for dealing with the remaining issues, to enable the conclusion of the "below the line" proceedings and allow the distribution of surplus funds by TXUEG to TEG.
- The TXU UK officeholders have made an application to Court for an order for directions to be given in relation to the following matters:
  - pursuant to the terms of the CVA the TXU UK officeholders are not obliged to reserve for potential claims which could be brought against TXU UK in the future ("Future claims") prior to making a final Distribution;
  - the TXU UK officeholders have taken sufficient steps to ensure that all potential creditors have been given an opportunity to submit a CVA claim;
  - the TXU UK officeholders are not obliged to propose a modification to the CVA to include a reserving mechanism for Future claims; and
  - for such other directions as the court sees fit.
- The application will be heard in early March 2021.
- The funds held in the BTL estates total approximately £71.5 million (subject to costs and expenses) and we have continued to press the BTL officeholders to make a payment on account of the free funds they hold. They have resisted this on the grounds that the terms of the BTL CVA state that the Supervisors have an obligation to make a distribution once £50m or more is available for distribution. It seems clear now that is the case and in the event there is any further delay in the payment of funds following the outcome of the March hearing we will again press for an interim distribution.
- In the event that the TXU UK officeholders do not obtain the order from the Court which has been applied for or the Court orders otherwise we will liaise with the BTL officeholders regarding the issues and will explore further the original proposed sale of TXU UK as an alternative solution.
- On 23 December 2020 an order was made in the High Court appointing David Pike as Joint Administrator and Supervisor of the Companies in place of John Milsom, following Mr Milsom's retirement from KPMG LLP. In accordance with the order, creditors and members were given notice of the order by advertisement in the London Gazette.

Realisations and distributions to creditors

- The Holding Companies have to date received £470 million from TXUEG.
- TEG will be due further funds from the final TXUEG liquidation distribution subject to the resolution of the issues mentioned above, the agreement of the BTL officeholders' costs and tax clearance. The total funds held by the BTL Companies amount to approximately £71.5 million. It is unclear at present when the final TXUEG distribution will take place, although, given the progress made, outlined above, and in the event the "below the line" steps are completed as envisaged it is anticipated this could be within the next 12 months.
- The total amount distributed by the Supervisors of the Holding Companies to external (non-group) creditors is £883.4 million. In the CVA proposal the estimated total distribution to external (non-group) creditors was £569 million and further distributions of significant value are still to be made.

Introduction and summary update (cont.)

Realisations and distributions to creditors (cont)

- Details of the distributions paid to date and future estimated distributions assuming TEG receives the surplus funds from TXUEG, are shown on page 11 of this report.
- New tax rules were introduced in April 2017 which limit tax relief on interest for any UK tax Group of Companies. These changes have the potential to impact future ATL distributions due principally to the complex matrix of intercompany indebtedness and circularity of intercompany payments in the ATL companies which causes interest to arise on certain intercompany positions each time a distribution is paid by certain ATL companies in arriving at the distribution paid to the external creditors. Our tax specialists are exploring options to mitigate the impact of the changes in the tax law whilst maintaining the existing flow of funds to external creditors.

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Creditors and Distributions

Creditors and Distributions

Creditors and Distributions

- Claims received and agreed or rejected pursuant to the CVA, their values as at 19 November 2002 and 7 January 2005 and the amounts distributed in respect of such claims are set out in the table below. The differences in the values of claims as at 19 November 2002 and 7 January 2005 relate to movements in foreign currency exchange rates and capitalised interest. Some claims are set at 19 November 2002 values because of their particular nature.

Distributions, estimated future distributions and estimated outcome range

£m	Claims 19 November 2002	Claims 7 January 2005	Distributions paid to date	Range of Estimated future distributions		Range of Estimated total outcome	
				Best	Worst	Best	Worst
Agreed claims							
EGO BV Bonds	329.8	335.1	329.8	-	-	329.8	329.8
EFC Bonds	1,376.9	1,487.4	324.8	27.1	14.5	351.9	339.3
Revolving Credit Facility	693.5	825.6	169.3	14.4	7.9	183.7	177.2
Holders of TXU Acquisition Loan Notes	19.1	20.5	4.2	0.4	0.2	4.6	4.4
Barcap Claim	19.4	21.6	19.4	-	-	19.4	19.4
TXU Europe Ltd other creditors	111.2	120.6	25.8	2.2	1.2	28.0	27.0
TXU Eastern Funding Company	3.3	3.3	-	-	-	-	-
TXU Acquisitions Ltd other creditors	3.3	3.3	0.7	0.1	-	0.8	0.7
The Energy Group Ltd other creditors	3.3	3.3	0.5	0.1	-	0.6	0.5
Energy Group Overseas BV other creditors	3.3	3.3	0.4	0.1	-	0.5	0.4
Energy Holdings (No2) Ltd other creditors	6.7	6.7	3.4	0.4	0.2	3.8	3.6
Energy Holdings (No3) Ltd other creditors	5.3	6.1	2.7	-	-	2.7	2.7
Energy Holdings (No5) Ltd	6.6	6.6	2.4	0.3	0.2	2.7	2.6
Total	**2,581.7**	**2,843.4**	**883.4**	**45.1**	**24.2**	**928.5**	**907.6**

We make the following observations in relation to the table above:

- There remains considerable uncertainty regarding the level of future realisations from the BTL companies due to the impact of the contingent asbestos claims and pension claims in TXU UK on the funds available for distribution to TEG. We have therefore calculated the future distributions on a best and worst case scenario. In the worst case, which is considered to be unlikely, there will be no further funds to be distributed.
- The above estimated outcome is illustrative only and should not be relied upon as guidance as to the actual outcomes for creditors. The EGO BV bonds have received a total of 100p in the £ as a result of their claims at EGO BV, TXUEL and EH3. Similarly the Barcap Claim has received a total of 100p in the £ on its claim as a result of its claims at EH3 and TXUEL.
- It is likely that there will be at least two further payments to creditors; when funds are received by the Holding Companies from the Operating Companies and when the issues which remain to be dealt with within the TXUEL Group have been resolved.
- The final distribution will be contingent upon receipt of tax clearance from HM Revenue & Customs.
- Due to the complex matrix of intercompany indebtedness distributions are made with the assistance of the model which reflects the terms regarding distributions set out in the CVAs. The gross intercompany distributions calculated by the model are considerably inflated due to its iterative nature. The figures shown represent the output from the model for external third party creditors.

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