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# **Tullis Russell Papermakers Limited - in Administration**

Joint Administrators' progress report for the  
period 27 October 2015 to 26 April 2016

8 June 2016

# Notice to creditors

This progress report provides an update on the administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 4).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html>. We hope this is helpful to you.

**Please also note that an important legal notice about this progress report is attached (Appendix 5).**



# Contents

<b>1</b>	<b>Executive summary</b>	<b>1</b>
<b>2</b>	<b>Progress to date</b>	<b>2</b>
<b>3</b>	<b>Dividend prospects</b>	<b>6</b>
<b>4</b>	<b>Other matters</b>	<b>8</b>
<b>5</b>	<b>Joint Administrators' remuneration, outlays and disbursements</b>	<b>8</b>
<b>6</b>	<b>Future strategy</b>	<b>9</b>
<b>Appendix 1</b>	<b>Statutory information</b>	<b>10</b>
<b>Appendix 2</b>	<b>Joint Administrators' receipts and payments account</b>	<b>11</b>
<b>Appendix 3</b>	<b>Joint Administrators' charging and disbursements policy</b>	<b>14</b>
<b>Appendix 4</b>	<b>Glossary</b>	<b>20</b>
<b>Appendix 5</b>	<b>Notice: About this report</b>	<b>21</b>



# 1 Executive summary

- This progress report covers the period from 27 October 2015 to 26 April 2016.
- During the period, a sale was agreed for the remainder of TRP's plant and machinery, resulting in receipts of £3.2million (Section 2.2 – Asset Realisations)
- All stock, which was not subject to retention of title claims, was sold in the prior period, with £0.5 million of payments relating to these sales received in the period. (Section 2.2 – Asset realisations)
- Book debts totalling £0.3 million have been collected in the period. Where cost effective to do so, legal action is being taken to recover remaining balances. (Section 2.2 – Asset realisations)
- On 5 February 2016, Group assumed TRP's responsibilities in relation to the Pension Scheme. This action has avoided the need to wind up a section of the Pension Scheme and also means that the PPF no longer has any active involvement in the administration. (Section 4 – Other matters)
- The Pension Scheme holds standard securities over two areas of freehold land, with this security up to a maximum of £13.5 million. The sites have not yet been sold. TRP had no other outstanding secured debt. (Section 3.1 – Secured creditors)
- We expect TRP's preferential creditors to be paid in full. (Section 3.2 – Preferential creditors)
- The final outcome for unsecured creditors will depend on a number of factors. However (subject to Court approval), we intend to facilitate the payment of an interim dividend to unsecured creditors of at least 15 pence per pound in the next month. (Section 3.3 – Unsecured creditors)
- During the period, the Court, granted a 12 month extension to the period of the administration to 26 April 2017.
- Please note: you should read this progress report in conjunction with our previous progress report and proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



pp Tony Friar  
Joint Administrator

## 2 Progress to date

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in our previous progress report and proposals.

### 2.1 Strategy and progress to date

#### Strategy

As previously advised, following unsuccessful attempts to identify a party willing to purchase TRP's business and assets as a going concern, our strategy and focus in the administration has been to implement an orderly wind down and piecemeal disposal of TRP's assets in order to maximise realisations. Key elements of this strategy are:

- Reduce TRP's cost base to a level commensurate with the reduced operational activity;
- Assist redundant employees to make claims to the RPO for their entitlements;
- Maximise value for TRP's WIP by completing and converting items into finished goods;
- Liaise with TRP's customers in order to sell finished goods stock through normal sales channels;
- Collect TRP's pre-administration book debts and ensure timely payment for sales made post-administration;
- Market and sell TRP's plant and machinery on a piecemeal basis;
- Run a separate sales process to identify any interest in TRP's brands/intellectual property and its Electrical Crepe Paper business;
- Liaise with TRP's creditors as effectively and efficiently as possible; and
- Adhere to all statutory and other legal requirements of the administration process.

The discrete areas referred to above (to the extent that they relate to the period in question) are considered in detail within this report.

### 2.2 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant assets and realisations during the period are provided below.

#### Freehold property

TRP owns two areas of freehold land situated to the North and South of the paper making facility in Markinch. As noted in Section 3, both areas of land are secured to the Pension Scheme. Maximising realisations from the disposal of these sites will reduce the Pension Scheme's residual unsecured claim in the administration, which will be of benefit to the general body of unsecured creditors.

#### *North Site*

During the period, our work has focused on identifying and understanding the options for the site, including liaising with GVA who have been retained as property agents. In February 2016, we appointed JMP Consultants Limited to prepare an access appraisal which will identify the best route(s) and likely costs for creating a new access road into the site – a key aspect of understanding the value and potential future use of the site. The report from JMP has now been received, and in

conjunction with the Pension Scheme trustees, we are considering this and the strategy for realising the site.

In order to ensure commercial negotiations are not prejudiced, we are unable to provide an indication of the North site's potential value at this stage.

#### *South Site*

The longstop date for completing the sale of this site was 30 November 2015, with this date set to allow for two suspensive conditions of the missives to be satisfied, namely:

1. Change in planning consent; and
2. Purchaser to secure pre-lets for a minimum of 40,000 square feet.

Following extensive discussions and representations to Fife Council's planning committee, the change in planning consent was eventually granted on 18 November 2015.

Given the delay in securing the required change in planning consent, the long stop date for completion of a sale has been extended to 30 June 2016 to allow the purchaser additional time to secure sufficient pre-lets.

As the land sale has not yet concluded, the value of the South Site at this stage is commercially sensitive and has not been disclosed.

#### *Leasehold property*

TRP has continued to occupy and utilise the premises owned by Group throughout the period. No formal lease has been put in place and no rent has been paid by TRP to Group.

#### *Plant and machinery*

Plant and machinery realisations to date total £4.2 million, with £3.2 million of realisations being achieved during the period. This was primarily the result of agreeing a sale in January 2016 for the majority of TRP's plant and machinery to a single party (details below).

#### *Sale to Nexus*

In October 2015, in an effort to find a purchaser for TRP's papermaking equipment (the majority of which, at the time, remained unsold) our agent set a closing date for offers of 12 November 2015 for TRP's remaining assets. This closing date was communicated throughout our agent's network of approximately 4,500 contacts, as well as to other parties who had contacted us directly expressing an interest in the assets. At the closing date, two offers for TRP's assets were received.

After evaluating the offers and considering the recommendations of our agents, we awarded Nexus 5 SAS ("Nexus") preferred bidder status and issued Heads of Terms on 11 December 2015. Following a period of negotiation, a sale to Nexus was concluded in January 2016 for £3.0 million. To date, £2.9 million of this consideration has been received with the final instalment due by 31 July 2016.

In conjunction with KPMG's Global Sustainability Services team and with the assistance of TRP's retained staff, we have worked closely with Nexus and their specialist contractors to implement processes and procedures regarding the safe and orderly dismantling and removal of the remaining items of plant and equipment from site. The backstop date for completion of this process is 31 October 2016. In the meantime, Nexus have agreed to pay a monthly contribution towards the ongoing site holding costs of £15,000 per month. Three instalments totalling £45,000 have been received to date.

## Book debts

At the date of our appointment, TRP's gross book debts (excluding intercompany debts which were eliminated by valid contra claims) totalled £16.9 million, spread across 300 individual customers.

Throughout the administration, where customers have made claims for deductions from their balance (discounts, volume rebates etc.) we assessed their claims with the assistance of TRP staff to determine legitimacy. In total, debts of approximately £2.0 million have been written off due to valid claims to discount/contra, exchange rate differences and genuine disputes.

During the period, debtor receipts totalling £0.3 million were received, bringing total debtor realisations to £13.3 million.

A payment of £0.2m is reflected in the Receipts and Payments account (Appendix 2). This is the net impact of: the above cash receipts; an adjustment to re-categorise certain book debt receipts to post-appointment sales; and exchange rate differences for debtor receipts in the prior period which were held in currency accounts but were translated to Sterling during the current period.

Where it is considered cost effective to do so, we have commenced legal action against the remaining customers with debtor balances of approximately £1.6m. This includes international customers (£0.6 million) and £1.0 million owed by the Paperlinx Group which is discussed further below.

### *Paperlinx*

At the date of our appointment, TRP had outstanding debtor balances owed by The Paper Company Limited, Howard Smith Paper Group Limited and the Robert Horne Group Limited (referred to together as the 'Paperlinx Group') totalling approximately £1.1 million. As advised in our previous reports, the Paperlinx Group (and certain other related companies) entered into insolvency proceedings on 1 April 2015, casting doubt over the recoverability of the debts they owed to TRP.

TRP held credit insurance with Atradius N.V. ('Atradius') in relation to sums owed by certain customers including the Paperlinx Group. Prior to TRP's insolvency, Atradius has been notified by TRP's staff of a potential claim for the Paperlinx Group's debt under the insurance policy. In the period since the administration, we have engaged in extensive discussions with Atradius regarding TRP's claim and have also sought guidance from our lawyers CMS on this matter. Discussions with Atradius are now at an impasse, and in conjunction with CMS and appointed legal counsel, we are now considering our next steps to maximise realisations from this debt.

## WIP and finished goods

At appointment, TRP had approximately 11,500 tonnes of finished goods stock and 3,000 tonnes of WIP, which was subsequently converted to finished goods.

The Receipts and Payments account (Appendix 2) indicates sales of £2.3 million during the period, albeit actual receipts in the period total £0.5 million. As with book debts, this difference reflects various adjustments made to re-categorise certain receipts, exchange rate differences, an over-provision for VAT, and a final reconciliation of funds received into TRP's pre-administration account.

Total sales during the administration amount to £12.1 million, which is an extremely positive outcome. The outstanding sales ledger for sales made post administration has significantly reduced over the period with a balance of only £15,000 now remaining. Consistent with our approach to collecting pre-appointment debtor balances, legal action is now being taken to collect the residual amounts due.

## Raw Materials and RoT

TRPL sourced raw materials such as wood pulp, chemicals, packaging products, machinery and spare parts from all over the world. Following notification of the administration, 65 suppliers submitted RoT claims over goods supplied prior to our appointment but not paid for by TRP.

All outstanding RoT claims have now been concluded and no further work is anticipated in this regard.

## Bank interest

£15,573 bank interest has been received in the period bringing the total to £28,572.

## 2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made during the period are provided below.

### Employees

A number of staff were retained during the period to assist us with *inter alia* the following matters:

- onsite security;
- maintaining the onsite water treatment facility;
- site clearance and chemical removal;
- environmental considerations;
- the decommissioning of plant and machinery;
- preparing plant and machinery and other assets for sale; and
- assisting with technical queries from interested parties.

As the administration process has progressed and the level of assets to realise has reduced, further redundancies have been made. We have continued to assist redundant staff with submitting their claims to the RPO. As at 26 April 2016, there are eight remaining employees.

The costs associated with paying employees are shown under the 'Direct labour' caption in Appendix 2 and total £525,709 for the period.

### Repairs, maintenance, HSE and site clearance

Costs of £89,699 were incurred in the period, primarily in for the disposal of chemicals/ radioactive sources, and safety inspections/monitoring relating to onsite asbestos

### Agents'/valuers' fees

Under the terms of the commission structure agreed with John Wilkie and GMG, payments totalling £149,059 were paid in the period. The remaining fees incurred in the period include commission on the sale of ROT stock, VAT advisors fees and advice received regarding the properties.



## Solicitors' fees

Legal fees of £118,811 have been incurred during the period. This is split:

- £48,280 relating to general legal matters in the administration, such as: drafting of sales contracts; assistance with creditor contractual claims; advice in relation to the recovery of certain debtor balances.
- £63,531 relating to specific advice on the Pension Scheme (refer to Section 4 for details).

## Other notable costs

The following additional costs have also been incurred during the period:

- Utility costs, primarily being £106,962 for power and steam costs.
- £145,928 in relation to site security (higher than previous periods as a result of fewer remaining TRP staff meaning additional third party security measures were required).
- £94,874 in overseas sales taxes (primarily Canada - £72,711) – TRP sold over 2,000 tonnes of paper stock in Canada, which incurred local taxes.
- £133,037 in relation to a customer rebate entitlement for post appointment sales (note: this was deducted by the customer from receipts in a prior period, but reflected in the current period's accounts for TRP).

# 3 Dividend prospects

## 3.1 Secured creditors

As noted above, TRP granted standard securities in favour of the Pension Scheme over two areas of freehold land. The amount secured is for all sums due to the Pension Scheme up to a maximum of £13.5 million. The estimated amount owed to the Pension Scheme significantly exceeds the value of its security. It is highly unlikely that realisations from the sale of the two areas of land will exceed the £13.5 million the Pension Scheme is entitled to, therefore there will be no surplus funds available to TRP's other creditors.

## 3.2 Preferential creditors

We estimate the amount of preferential claims to be £0.6 million of which £0.3 million has been settled to date. Preferential creditors comprise employees' claims for arrears of wages and accrued holiday pay.

The remaining preferential creditors are expected to be paid imminently.

## 3.3 Unsecured creditors

### Dividend prospects

It remains the case that we anticipate a dividend will become available to unsecured creditors with an agreed claim. The final quantum and timing of the dividend is dependent upon final asset realisations and the costs of the administration process. However, we intend to declare an interim dividend of least 15 pence in the pound by 30 June 2016, subject to obtaining consent of the Court to do so.

## Adjudication process

The adjudication process is nearing completion and we will shortly be writing to all creditors under separate cover to advise the level at which their claim has been agreed. The table below sets out the current unsecured claims position. This table is not yet final and will continue to change leading to the upcoming interim distribution.

Unsecured creditor claims				
	Number	Claim (£000)	Agreed (£000)	Rejected (£000)
Agreed in full (including nil claims)	173	11,001	11,001	-
Partly agreed	19	5,291	4,831	460
Rejected in full	4	27	-	27
Held	14	12,807	1,548	-
Outstanding proofs	151	-	-	-
	<b>361</b>	<b>29,126</b>	<b>17,380</b>	<b>487</b>

Source: Joint Administrators' records

Further, Unite (the Trade Union), who is recognised by TRP for collective bargaining purposes and who represent a significant proportion of the workforce, raised a claim for failure to consult with the union and workforce prior to redundancy as is required under s188 of the Trade Unions and Labour Relations (Consolidation) Act 1992. The claim has now been agreed and the Employment Tribunal Judgement received. Each of the employees concerned received an award of 56 days' pay which will constitute an unsecured claim in the administration. We are yet to receive final details of the quantum of this claim.

## 4 Other matters

### 4.1 Creditors' Committee

A Creditors' Committee was elected at the meeting of creditors held on 3 May 2016.

The Creditors' Committee represents the interests of the creditors as a whole, rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Administrators.

The Creditors' Committee may approve certain aspects of the administration such as:

- the basis and amount of our remuneration and outlays
- the amount and drawing of Category 2 disbursements
- our discharge from liability in respect of any actions as Joint Administrators

Members of the Creditors' Committee are not remunerated for their time. Other than receiving travel expenses, they will receive no payment from TRP.

## 4.2 Other case specific matters

### *Health and Safety*

All relevant HSE legislation and standards have been adhered to during the administration to date, and we have maintained regular dialogue with the various regulatory bodies.

### *VAT and sales taxes*

TRP had VAT/sales and import tax registrations in Germany, Canada and the Netherlands, as well as the UK. To assist with submissions and reports to relevant overseas authorities we engaged the following agents:

Germany – Mundhenke & Partner

Canada – KPMG Inc (a member of the KPMG network of independent firms)

Netherlands – Meijburg & Co (a member of the KPMG network of independent firms)

Since the commencement of the administration we have complied with all local filing and (where applicable) payment requirements in relation to sales taxes.

The VAT registration in the Netherlands has now been deregistered. We expect to be in a position to deregister the Canadian and German VAT registrations in the coming months.

Under the terms of the order granted by the Ontario Superior Court of Justice ('OSCJ'), we (through our Canadian advisors) continue to provide regular updates to the OSJC on the status of the administration.

### *Pension Scheme*

As outlined in the Proposals and the previous Progress Report, upon appointment, the Trustees and Group contacted the Joint Administrators to propose a rescue of the section of the Pension Scheme relating to TRP. Working closely with the Trustees, Group and respective legal advisors, legal documents were agreed during the period that set out the terms of the rescue. On 5 February 2016, these legal documents became effective and an Employment Cessation Event occurred which transferred the responsibility for the TRP section of the Pension Scheme to Group.

This action has avoided the need for the TRP section of the Pension Scheme to be wound up and has resulted in the Pension Scheme having a claim in the administration that is no greater than if a rescue did not occur.

## 5 Joint Administrators' remuneration, outlays and disbursements

### *Time costs*

From 27 October 2015 to 26 April 2016, we have incurred time costs of £895,486.25. These represent 2,436.55 hours at an average rate of £367.52 per hour.

A detailed analysis of the time spent is provided at Appendix 3.

### *Remuneration and outlays*

During the period we have not drawn any remuneration or outlays.



## Disbursements

During the period, 27 October 2015 to 26 April 2016, we have incurred disbursements of £1,374.99. None of these have yet been paid.

## Additional information

We have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 27 October 2015 to 26 April 2016. We have also attached our charging and disbursements policy.

# 6 Future strategy

## 6.1 Future conduct of the administration

We will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- marketing the North site for sale;
- completing the sale of the South site;
- assisting with the removal of Plant & Machinery and ensuring that remaining funds are received under the agreement with Nexus;
- ingathering remaining sums due from pre appointment debtors;
- ingathering remaining sums due from customers in relation to post appointment sales;
- pursue the recovery of TRP's other remaining assets;
- adjudicating upon preferential and unsecured creditor claims and subsequent payment of dividends; and
- attending to all statutory and compliance matters.

## 6.2 Extension of the administration

The duration of an administration is restricted to 12 months from the date of commencement unless it is extended with the permission of creditors or the Court.

The Court granted a 12 month extension to the period of the administration.

The administration is currently due to end on 26 April 2017.

## 6.3 Future reporting

We will provide a further progress report within six weeks of 26 October 2016 or earlier if the administration has been completed prior to that time.

## Appendix 1 Statutory information

### Company information

Company name	Tullis Russell Papermakers Limited
Date of incorporation	21 May 1906
Company registration number	SC006195
Trading address	Auchmuty & Crocker, Paper Mills, Glenrothes, Fife, KY7 6PB
Previous registered office	Rothsfield, Markinch, Fife, KY7 6PB
Present registered office	20 Castle Terrace, Edinburgh, EH1 2EG
Company Directors	Niall Gille Anndrais MacDonald Frederick Alexander William Bowden Mark Thomas Steadman Geoffrey Douglas Miller Nicholas Shepherd Malcolm Mainland Sinclair Christopher Alick George Parr
Company Secretary	Geoffrey Douglas Miller

### Administration information

Administration appointment	The administration appointment granted in Court of Session, P801 of 2015
Appointor	The Directors of the Company.
Date of appointment	27 April 2015
Joint Administrators' details	Tony Friar and Blair Nimmo
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Prescribed Part	The Prescribed Part is not applicable as the floating chargeholder has no outstanding debt at the date of the Administration appointment.
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.
Current administration expiry date	26 April 2017

## Appendix 2 Joint Administrators' receipts and payments account

<b>Tullis Russell Papermakers Limited - in Administration</b>			
<b>Trading accounts</b>			
Statement of Affairs (£)		From 27/10/2015 To 26/04/2016 (£)	From 27/04/2015 To 26/04/2016 (£)
	POST-APPOINTMENT SALES		
	Sales	2,305,697.88	12,164,382.26
	ROT settlement	47,667.86	165,393.91
	Miscellaneous income	NIL	5.00
		<u>2,353,365.74</u>	<u>12,329,781.17</u>
	PURCHASES		
	Purchases	(883.76)	(59,194.06)
		<u>(883.76)</u>	<u>(59,194.06)</u>
	OTHER DIRECT COSTS		
	Direct labour	(525,708.76)	(1,946,171.43)
		<u>(525,708.76)</u>	<u>(1,946,171.43)</u>
	TRADING EXPENSES		
6,285,000.00	Stock	(63.77)	(3,549.13)
	Electricity & Steam	(106,962.46)	(359,638.50)
	Rates	NIL	(346,164.53)
	Water rates	(18,479.34)	(41,115.60)
	Heat & light	(7,180.44)	(19,362.10)
	Overseas import and sales taxes	(22,163.13)	(57,230.71)
	Telephone/Fax/IT	(37,400.12)	(80,305.58)
	Warehousing & distribution	(47,562.54)	(1,475,602.44)
	Sales rebate	(133,036.90)	(133,036.90)
	Professional fees	NIL	(1,151.00)
	HP/Leasing payments	(6,369.02)	(67,996.06)
	Hire of equipment	(3,241.08)	(10,970.90)
	Repairs and maintenance	(89,699.05)	(448,101.72)
	Sundry expenses	6,987.58	(356.80)
	Commission on sales	(4,154.74)	(19,885.77)
	Security costs	(145,927.72)	(164,400.42)
	Payroll processing costs	(7,656.00)	(12,948.70)
	Stationery & postage	NIL	(2,653.82)
		<u>(622,908.72)</u>	<u>(3,244,470.67)</u>
<b>6,285,000.00</b>	<b>Trading surplus/(deficit)</b>	<b>1,203,864.50</b>	<b>7,079,945.01</b>

## Tullis Russell Papermakers Limited - in Administration

### Abstract of receipts & payments

Statement of affairs (£)	From 27/10/2015 To 26/04/2016 (£)	From 27/04/2015 To 26/04/2016 (£)
<b>FIXED CHARGE COSTS</b>		
Agents'/Valuers' fees - secured land	(5,000.00)	(5,000.00)
	<u>(5,000.00)</u>	<u>(5,000.00)</u>
<b>ASSET REALISATIONS</b>		
Brands and intangibles	NIL	92,500.00
6,000.00 Plant & machinery	3,246,808.44	4,248,842.07
Furniture & equipment	500.00	4,250.00
200,000.00 Raw Materials & Other Stocks	NIL	NIL
1,458,000.00 Stock - work in progress	13,116.98	85,616.98
Book debts	(189,249.59)	13,299,915.57
Goodwill	NIL	2.00
654,000.00 Cash at bank	(9,237.85)*	585,594.41
Insurance Settlement	NIL	146,759.00
	<u>3,061,937.98</u>	<u>18,463,480.03</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	15,572.66	28,572.03
4,000.00 Petty Cash	NIL	NIL
Sundry refunds	NIL	47,153.01
6,285,000.00 Trading surplus/(deficit)	1,203,864.49	7,079,945.01
DSV deposit	NIL	(250,000.00)
150,000.00 EEC - Carbon Credits	NIL	116,542.00
26,000.00 Intercompany Loans	NIL	NIL
Other income	26,218.85	32,394.85
HMRC refund	NIL	84,523.72
	<u>1,245,656.00</u>	<u>7,139,130.62</u>
<b>COST OF REALISATIONS</b>		
Creditors Meeting	NIL	(416.66)
Protective award	(3,750.00)	(3,750.00)
Canadian bond	(1,768.37)	(1,768.37)
Purchase of Canadian Dollars	(247.28)	(247.28)
Legal fees - property	NIL	(10,142.70)
Irrecoverable VAT	NIL	(2,028.54)
German VAT	(590.56)	(32,866.84)
Agents'/Valuers' fees	(206,721.34)	(260,418.66)

## Tullis Russell Papermakers Limited - in Administration

### Abstract of receipts & payments

Statement of affairs (£)	From 27/10/2015 To 26/04/2016 (£)	From 27/04/2015 To 26/04/2016 (£)
Legal fees	(48,280.06)	(146,308.55)
Legal fees - pensions	(63,530.52)	(154,181.39)
Storage costs	(758.88)	(758.88)
Statutory advertising	(67.00)	(432.28)
Insurance of assets	NIL	(129,719.41)
Bank charges	(123,569.57)	(190,312.22)
Canadian GST/HST	(72,710.89)	(280,745.09)
	<u>(521,994.46)</u>	<u>(1,214,096.86)</u>
PREFERENTIAL CREDITORS		
Employees' wage arrears	NIL	(284,712.58)
Employees' holiday pay	NIL	(28,398.91)
	<u>NIL</u>	<u>(313,111.49)</u>
UNSECURED CREDITORS		
Employees Wage Arrears	34,981.19	(3,329.79)
Lien payments	NIL	(1,269,668.06)
	<u>34,981.19</u>	<u>(1,272,997.85)</u>
<b>8,783,000.00</b>	<b>3,815,580.71</b>	<b>22,797,404.45</b>
REPRESENTED BY		
(10,270.00) Trade debtors		NIL
Floating ch. VAT rec'able		42,500.99
IB Current account		3,345,429.22
32 day notice account		19,281,013.89
Floating ch. VAT control		129,749.57
PAYE/NIC		(108.13)
Pension		(77.26)
Other trading payroll deductions		(1,017.44)
Due to/from TREE		(86.40)
		<u><b>22,797,404.45</b></u>

\* Difference upon translation of foreign currency balances



## Appendix 3 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Administrators' Remuneration Scotland" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

[https://www.r3.org.uk/media/documents/technical\\_library/SIPS/Creditors' Guide to Administrators' Remuneration Scotland.pdf](https://www.r3.org.uk/media/documents/technical_library/SIPS/Creditors'_Guide_to_Administrators'_Remuneration_Scotland.pdf)

If you are unable to access this guide and would like a copy, please contact Calum Pickett on 0131 527 6615.

### Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Tullis Russell Papermakers Limited – in Administration	
Grade	From 01 Oct 2015 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Senior Administrator	280
Administrator	205
Support	125

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

## Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

**Category 1 disbursements:** These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

**Category 2 disbursements:** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements (excluding VAT) during the period 27 October 2015 to 26 April 2016.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	100.23		NIL		<b>100.23</b>
Meals	129.78		NIL		<b>129.78</b>
Mileage	NIL		865.60		<b>865.60</b>
Travel	279.38		NIL		<b>279.38</b>
<b>Total</b>	<b>509.39</b>		<b>865.60</b>		<b>1,374.99</b>

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

The Category 2 disbursements have not been approved.

## Creditors' right to challenge our remuneration and outlays

If you wish to challenge the basis of our remuneration, the remuneration approved, or the outlays approved during the period covered by this progress report, you must do so by making an application to Court within eight weeks of the accounting period and no later than Tuesday 21 June 2016 or within 14 days of receiving this progress report.

Applications by any creditor must be made with concurrence of at least 25% in value of unsecured creditors (including the creditor making the challenge).

The full text of the relevant rules can be provided on request by writing to Calum Pickett at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

### Narrative of work carried out for the period 27 October 2015 to 26 April 2016

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> <li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to licences and permits;</li> <li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li> </ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> <li>■ formulating, monitoring and reviewing the administration strategy, including meetings with internal and external parties to agree the same;</li> <li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li> <li>■ regular case management and reviewing of progress, including regular team update meetings and calls;</li> <li>■ meeting with management to review and update strategy and monitor progress;</li> <li>■ reviewing and authorising junior staff correspondence and other work;</li> <li>■ dealing with queries arising during the appointment;</li> <li>■ reviewing matters affecting the outcome of the administration;</li> <li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li> <li>■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ dealing with TRP's pre-appointment Sterling and foreign currency accounts;</li> <li>■ preparing and processing vouchers for the payment of post-appointment invoices;</li> <li>■ creating remittances and sending payments to settle post-appointment invoices;</li> <li>■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks;</li> <li>■ reviewing and processing employee expense requests;</li> <li>■ reconciling post-appointment bank accounts to internal systems;</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations;</li> <li>■ analysing VAT related transactions;</li> <li>■ reviewing TRP's duty position to ensure compliance with duty requirements;</li> <li>■ dealing with post appointment tax compliance.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ responding to enquiries from shareholders regarding the administration.</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9.</li> </ul>
Trading	<ul style="list-style-type: none"> <li>■ preparing cash flow statements to monitor the cash position;</li> <li>■ attending to supplier and customer queries and correspondence;</li> <li>■ raising, approving and monitoring purchase orders and setting up control systems for costs incurred;</li> <li>■ negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support;</li> <li>■ securing petty cash on site and monitoring spend;</li> <li>■ dealing with issues in relation to stock and other assets required for trading;</li> <li>■ ensuring ongoing provision of emergency and other essential services to site.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from TRP's records regarding the assets;</li> <li>■ liaising with finance companies in respect of assets subject to finance agreements;</li> <li>■ liaising with agents regarding the sale of assets;</li> <li>■ dealing with issues associated with the sale of stock;</li> <li>■ reviewing outstanding debtors and management of debt collection strategy;</li> <li>■ liaising with TRP credit control staff and communicating with debtors;</li> <li>■ seeking legal advice in relation to book debt collections, including Paperlinx.</li> </ul>
Property matters	<ul style="list-style-type: none"> <li>■ assess the position as regards TRP's freehold land;</li> <li>■ liaise with Pension Scheme trustees regarding the strategy for realising the freehold land</li> </ul>

	over which it holds security.
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with;</li> <li>■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.</li> </ul>
Open cover insurance	<ul style="list-style-type: none"> <li>■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place;</li> <li>■ assessing and managing the level of insurance premiums.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with employee redundancies;</li> <li>■ dealing with queries from retained and redundant employees regarding various matters relating to the administration and their employment;</li> <li>■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;</li> <li>■ holding employee briefing meetings to update employees on progress in the administration and our strategy;</li> <li>■ administering payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns;</li> <li>■ communicating and corresponding with HM Revenue and Customs;</li> <li>■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the RPO;</li> <li>■ managing claims from employees;</li> <li>■ ensuring security of assets held by employees.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ collating information and reviewing TRP's pension schemes;</li> <li>■ calculating employee pension contributions and review of pre-appointment unpaid contributions;</li> <li>■ ensuring compliance with our duties to issue statutory notices;</li> <li>■ liaising with the trustees of the defined benefit pension scheme, the Pensions Regulator and the Pensions Protection Fund concerning the changes caused to the pension scheme as a result of our appointment;</li> <li>■ ensuring death-in-service cover for employees remains in place;</li> <li>■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries;</li> <li>■ seeking extensive legal advice regarding the proposed rescue of the Pension Scheme;</li> <li>■ agreeing the legal documentation to facilitate the rescue of the Pension Scheme.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ updating the list of unsecured creditors and adjudicating upon claims received;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims;</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records;</li> <li>■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits.</li> </ul>
Committees	<ul style="list-style-type: none"> <li>■ dealing with the formation of the Creditor's Committee, arranging and chairing meetings of the Creditors' Committee and providing regular reports.</li> </ul>

## Time costs

SIP 9 – Time costs analysis (27/10/2015 to 26/04/2016)							
	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
<b>Administration &amp; planning</b>							
<b>Cashiering</b>							
Fund management		2.90			<b>2.90</b>	1,406.50	485.00
General (Cashiering)		0.40	36.60		<b>37.00</b>	9,234.50	249.58
Reconciliations (& IPS accounting reviews)		58.50	57.70		<b>116.20</b>	43,831.00	377.20
<b>General</b>							
Books and records			25.50		<b>25.50</b>	6,300.00	247.06
<b>Statutory and compliance</b>							
Appointment and related formalities				0.50	<b>0.50</b>	62.50	125.00
Checklist & reviews		7.65	14.90		<b>22.55</b>	7,546.25	334.65
Reports to debenture holders		0.70			<b>0.70</b>	339.50	485.00
Statutory advertising	6.30				<b>6.30</b>	3,748.50	595.00
Statutory receipts and payments accounts			2.00		<b>2.00</b>	560.00	280.00
Strategy documents	28.70	26.80			<b>55.50</b>	28,412.50	511.94
<b>Tax</b>							
Post appointment corporation tax		0.80	2.10		<b>2.90</b>	912.00	314.48
Post appointment overseas tax		0.80	1.30		<b>2.10</b>	752.00	358.10
Post appointment VAT		43.40	45.80		<b>89.20</b>	30,360.00	340.36
<b>Creditors</b>							
<b>Creditors and claims</b>							
Agreement of preferential claims			7.70		<b>7.70</b>	2,156.00	280.00
Agreement of unsecured claims		15.70	48.75		<b>64.45</b>	18,200.75	282.40
General correspondence	2.00	7.50	63.40		<b>72.90</b>	21,585.75	296.10
Legal claims	1.50	1.30	1.40		<b>4.20</b>	1,915.00	455.95
Payment of dividends		1.10			<b>1.10</b>	533.50	485.00
Pre-appointment overseas tax		4.50			<b>4.50</b>	2,182.50	485.00
ROT Claims			10.90		<b>10.90</b>	2,482.00	227.71

**SIP 9 – Time costs analysis (27/10/2015 to 26/04/2016)**

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
Statutory reports	41.10	85.90	43.50	0.50	<b>171.00</b>	76,414.50	446.87
<b>Employees</b>							
Agreeing employee claims		11.60	6.50		<b>18.10</b>	7,446.00	411.38
Correspondence		56.00	440.30		<b>496.30</b>	142,509.00	287.14
DTI redundancy payments service			2.70		<b>2.70</b>	756.00	280.00
Pension funds	104.10	59.20	5.50		<b>168.80</b>	85,945.50	509.16
Pensions reviews	2.00	21.25	123.50		<b>146.75</b>	46,068.75	313.93
<b>Realisation of assets</b>							
<b>Asset Realisation</b>							
Cash and investments			16.60		<b>16.60</b>	4,648.00	280.00
Debtors	13.90	23.30	60.40		<b>97.60</b>	35,859.00	367.41
Freehold property	10.90	60.45			<b>71.35</b>	31,937.75	447.62
Goodwill	0.70	1.20			<b>1.90</b>	998.50	525.53
Health & safety		11.40	35.35		<b>46.75</b>	15,154.00	324.15
Leasehold property	3.40	125.80	0.50		<b>129.70</b>	62,852.00	484.60
Open cover insurance		1.00	3.70		<b>4.70</b>	1,521.00	323.62
Other assets		10.80	6.50		<b>17.30</b>	6,923.00	400.17
Plant and machinery	80.10	78.70	9.60		<b>168.40</b>	83,669.00	496.85
Sale of business	3.00	5.40			<b>8.40</b>	4,404.00	524.29
Stock and WIP	1.20	2.30			<b>3.50</b>	1,613.50	461.00
Vehicles			0.80		<b>0.80</b>	224.00	280.00
Cash & profit projections & strategy	0.60	6.00			<b>6.60</b>	3,231.00	489.55
Purchases and trading costs	18.20	25.30	286.70		<b>330.20</b>	100,791.00	305.24
<b>Total in period</b>	<b>317.70</b>	<b>757.65</b>	<b>1,360.20</b>	<b>1.00</b>	<b>2,436.55</b>	<b>895,486.25</b>	<b>367.52</b>

Brought forward time (appointment date to SIP 9 period start date)	6,462.55	2,375,283.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	2,436.55	895,486.25
Carry forward time (appointment date to SIP 9 period end date)	8,899.10	3,270,769.25

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.



## Appendix 4      Glossary

<b>BoS</b>	Bank of Scotland, part of Lloyds Banking Group plc
<b>CMS</b>	CMS Cameron McKenna
<b>GMG</b>	GMG Asset Management UK Limited
<b>Group, the</b>	Tullis Russell Group Limited
<b>GVA</b>	GVA Grimely Limited, property agents
<b>HBJ</b>	Gateley (Scotland) LLP
<b>John Wilkie</b>	John Wilkie Specialist Papermill Services Limited
<b>Joint Administrators/we/our/us</b>	Blair Nimmo and Tony Friar
<b>KPMG</b>	KPMG LLP
<b>LBCF</b>	Lloyds Bank Commercial Finance
<b>Pension Scheme, the</b>	The Tullis Russell pension scheme (in which TRP is the principal employer)
<b>PPF, the</b>	The Pension Protection Fund
<b>RPO, the</b>	The Redundancy Payments Office
<b>TRP / Company, the</b>	Tullis Russell Papermakers Limited - in Administration
<b>WIP</b>	Work in progress

Any references in this progress report to sections, paragraphs or rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Scotland) Rules 1986 respectively.

## Appendix 5 Notice: About this report

This report has been prepared by Tony Friar and Blair Nimmo, the Joint Administrators of Tullis Russell Papermakers Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency (Scotland) Rules 1986 on the progress of the administration, 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 the Company or any other company in the 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 the Insolvency (Scotland) Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

Gerard Anthony Friar and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.





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