

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C, 1985, c. B-3,  
AS AMENDED**

**AND IN THE MATTER OF A PROCEEDING IN THE UNITED KINGDOM OF TULLIS  
RUSSELL PAPERMAKERS LIMITED (IN ADMINISTRATION)**

**APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR  
OF KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C., 1985, c. B-3, AS AMENDED.**

**SECOND REPORT OF KPMG INC. IN ITS CAPACITY AS  
INFORMATION OFFICER**

MARCH 22, 2016

**INTRODUCTION**

1. On April 23, 2015 (the “**Administration Date**”), the directors of Tullis Russell Papermakers Limited (“**TRP**” or the “**Foreign Debtor**”) resolved to place TRP in administration. On April 27, 2015, Mr. Gerard Friar and Blair Nimmo of KPMG LLP were appointed Joint Administrators (the “**Joint Administrators**”) in TRP’s administration proceeding commenced in the United Kingdom pursuant to *The Insolvency Act 1986* (c. 45) (the “**TRP Administration**”).
2. On July 14, 2015, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**Recognition Order**”), inter alia, recognizing the United Kingdom administration proceedings of the Foreign Debtor as “foreign main proceedings” (the “**Foreign Proceedings**”) for the purposes of section 268 of the *Bankruptcy and Insolvency Act*, R.S.C.

1985, c. B-3, as amended (the “**BIA**”) and recognizing the Joint Administrators as “foreign representatives” (in such capacity, the “**Foreign Representatives**”) as defined in Section 268.

3. Additionally, on July 14, 2015 the Court granted a supplemental order (the “**Supplemental Order**”) appointing KPMG Inc. (“**KPMG**”) as information officer (in such capacity, the “**Information Officer**”) to, among other things, assist the Joint Administrators in the performance of their duties and to report to the Court on the status of the Foreign Proceedings.

4. Pursuant to the Recognition Order, a copy of which is attached hereto as **Appendix A**, the Information Officer on behalf of the Foreign Representatives, caused to be published the notice attached thereto, on July 17, 2015 and July 23, 2015 in the National Post.

5. Pursuant to the endorsement of the Honourable Mr. Justice Wilton-Siegel (the “**Endorsement**”) dated July 14, 2015, on July 15, 2015 the Joint Administrators’ counsel served the Canada Revenue Agency (“**CRA**”) with copies of the Recognition Order, the Supplemental Order, the Endorsement and a copy of the application record.

6. On June 17, 2015, the Joint Administrators issued their report to the creditors of TRP (the “**Joint Administrators’ June 17 Report**”) outlining among other things, the background and events leading up to the TRP Administration, progress of the TRP Administration proceedings and the proposals to the creditors including, but not limited to maximizing realizations and making distributions where funds allow (the “**Proposals**”). A copy of the Joint Administrators’ June 17 Report is attached hereto as **Appendix B**.

7. On November 13, 2015, the Information Officer submitted its first report to the Court (the “**First Report**”) for the purpose of providing an update on the status of the Foreign

Proceedings, a copy of which, without appendices, is attached as **Appendix C**. The following is a summary of the update provided in the First Report:

- (a) The Joint Administrators were continuing to implement the Proposals as outlined in the Joint Administrators' June 17 Report, including continuing the wind-down strategy for TRP's worldwide operations and realization of its assets by collecting accounts receivable and selling inventory and fixed assets;
- (b) TRP's inventory stored at a third party warehouse in Windsor, Ontario totaling approximately \$1.86 million as at the Administration Date was sold to TRP's main customer in Canada;
- (c) The Joint Administrators collected or otherwise fully exhausted their collection efforts with respect to TRP's accounts receivable owing from Canadian domiciled customers;
- (d) In June 2015, the Joint Administrators commenced a claims process and requested that all creditors file their claims in the TRP Administration proceedings. The only known creditor in Canada is CRA, which is owed certain tax remittances that arose prior to the TRP Administration.

8. This constitutes the second report of the Information Officer to the Court (the "**Second Report**") for the purpose of providing a further update on the status of the Foreign Proceedings, which pursuant to the Supplemental Order are to be provided at least once every four months.

9. In preparing this report, the Information Officer has relied upon financial information obtained from the Foreign Representatives and discussions with the Foreign Representatives (the "**Information**"). The Information Officer has not audited, reviewed or otherwise attempted to

verify the accuracy or completeness of the Information and expresses no opinion or other form of assurance in respect of the Information.

## **Background**

10. A more detailed description of TRP's business and its operations can be found in the Joint Administrators' Report.

11. TRP, a producer of premium paper and board products for end customers operating in a wide range of sectors, including cosmetics, pharmaceuticals, food and beverages, audio visual and IT, was incorporated on May 21, 1906 and is a duly incorporated corporation under the laws of Scotland. Although incorporated in 1906, TRP has long standing roots in Scotland dating back to as early 1809.

12. Prior to the commencement of the TRP Administration, TRP operated from premises and were principally managed from its registered office in Markinch, Fife, Scotland wherefrom it carried out all corporate and strategic business decisions together with its human resources, accounting, marketing and other managerial functions. TRP did not have a place of business in Canada nor employees, but it did routinely solicit orders for delivery of goods to customers in Canada through its sales office in the United States or its head office in Scotland.

13. As a result of significant challenges adversely impacting the papermaking industry, weakening global demand and downward pressure on margins including volatile raw material prices and unfavourable currency exchange, TRP incurred substantial operating losses. Additionally, with the insolvency of its third largest customer in April 2015, TRP's directors concluded, acting in the best interests of the company's creditors, that it was appropriate to appoint administrators.

14. As outlined in the Joint Administrators' Report, despite exhaustive sales processes, both prior and subsequent to the TRP Administration, no expressions of interest to purchase TRP's business and assets on a going concern basis were received. Accordingly, the TRP Administration focused on implementing an orderly wind down plan and realization of TRP's assets, including the sale of a wide range of specialized papermaking plant and equipment and other assets.

### **Update on Foreign Proceedings**

15. On December 7, 2015 the Joint Administrators distributed to all known creditors, including CRA, a six month progress report on the Foreign Proceedings for the period April 27, 2015 to October 26, 2015 (the "**Progress Report**"). A copy of the Progress Report is attached hereto as **Appendix D** and was posted on the Information Officer's website.

16. The purpose of the Progress Report was to provide an update to the creditors on the status of the Foreign Proceedings including, among other things, asset realizations, costs, dividend prospects, the Joint Administrators' remuneration, outlays and disbursements and future strategy.

17. As outlined therein, the Joint Administrators are continuing with their efforts in respect of the Proposals as outlined in the Joint Administrators' June 17 Report, including continuing with the wind-down strategy for TRP's worldwide operations and realization of its assets by collecting accounts receivable and selling inventory. The Joint Administrators have advised the Information Officer that they have since completed a sale of TRP's plant and equipment.

18. As outlined in the Progress Report, with the exception of security granted in favour of the Pension Schemes as (defined therein) over two areas of freehold land, TRP had no other outstanding secured debt. In addition, the Joint Administrators advised that they expected the

preferential creditors (in respect of employees' claims for arrears of wages and accrued holiday pay) would be paid in full. Accordingly, the Joint Administrators anticipate that the unsecured creditors would receive a dividend, however, the amount and timing was unknown given that only a limited number of claims had been filed and since TRP asset realizations were ongoing.

19. The Joint Administrators have advised the Information Officer that they are hopeful that an interim distribution will be made by the end of June 2016 for which they will send a further notice and request for proof of claims. It is the Joint Administrators' intention to seek UK Court approval prior to making a distribution.

20. The Joint Administrators have advised they expect to be making a submission to the UK Court in the coming weeks seeking to extend the Foreign Proceedings for a further 12 month period.

21. The Joint Administrators expect to next report to creditors within six weeks of April 26, 2016, being the one year anniversary of the Foreign Proceedings.

#### **Notice to CRA**

22. The Joint Administrators have followed the statutory process for notifying creditors, including CRA the only known Canadian creditor, of the Foreign Proceedings and inviting submissions of claims.

23. The Joint Administrators advise that CRA was notified of and provided statutory updates on the Foreign Proceedings on various occasions including:

- (a) the Notice to all known creditors advising of the Foreign Proceedings and the appointment of the Joint Administrators mailed on May 1, 2015;

- (b) the Joint Administrators' June 17 Report and notice of creditors meeting and request to file claims mailed on June 17, 2015;
- (c) the Joint Administrators notice dated July 6, 2015 advising of the outcome of the meeting of creditors mailed on July 6, 2015; and
- (d) the Progress Report mailed on December 7, 2015.

24. Further, pursuant to the July 13, 2015 endorsement of the Court, on July 15, 2015 counsel for the Joint Administrators served CRA with a copy of the Recognition Order, the Supplemental Order, the Endorsement and a copy of the application record. In addition, on September 7, 2015, the Joint Administrators sent a notice directly to CRA to provide an update on the Foreign Proceedings including providing a copy of a proof of claim form, a copy of which is appended hereto as **Appendix E**.

25. On March 10, 2016, the Information Officer, on behalf of the Joint Administrators, contacted CRA's Nova Scotia Tax Services Office which has carriage of the TRP account, to confirm if CRA has received notice of the requirement to file a proof of claim and if CRA will be completing same. The CRA representative undertook to prepare and CRA would be submitting a proof of claim in the TRP proceedings, which it expected to do so by on or around March 22, 2016.

26. The Joint Administrators advise that to date, they have not received a proof of claim in the Foreign Proceedings from CRA.

27. The Joint Administrators expect to call a creditors meeting and make a further request for claims to be filed in the coming weeks in advance of a distribution currently contemplated to occur in and around June 2016. At the meeting, the Joint Administrators will seek agreement on

amendments to the Proposals, specifically to establish a committee of creditors and to agree on the basis for the Joint Administrators' remuneration.

28. The Information Officer will continue to provide updates to the Court as necessary and in accordance with paragraph 11 of the Supplemental Order.

All of which is respectfully submitted this 22<sup>nd</sup> day of March, 2016.

KPMG INC., in its capacity as  
Information Officer of  
Tullis Russell Papermakers Limited



Per: Nicholas Brearton  
*President*



## **Listing of Appendices**

- Appendix A - Recognition Order
- Appendix B - Joint Administrators' June 17 Report
- Appendix C - Information Officer's First Report
- Appendix D - Joint Administrators' December 7 Progress Report
- Appendix E - Joint Administrators' September 7, 2015 Notice to CRA

**TAB A**



Court File No.

CV-15-11036-00 CC

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)

THE HONOURABLE MR. )  
JUSTICE H.J. WILTON - Sidor ) TUESDAY, THE 14<sup>th</sup>  
DAY OF JULY, 2015

*Handwritten signature*

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C, 1985, c. B-3,  
AS AMENDED

AND IN THE MATTER OF A PROCEEDING IN THE UNITED KINGDOM OF TULLIS  
RUSSELL PAPERMAKERS LIMITED (IN ADMINISTRATION)

APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR  
OF KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C., 1985, c. B-3, AS AMENDED.

INITIAL RECOGNITION ORDER  
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by Blair Carnegie Nimmo and Gerard Anthony Friar of KPMG LLP in their respective capacity as the foreign representatives (the "**Foreign Representatives**") of Tullis Russell Papermakers Limited (In Administration) (the "**Debtor**") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of Mr. Blair Carnegie Nimmo sworn July 13<sup>th</sup>, 2015, filed, and upon being provided with copies of the documents required by s. 269 of the BIA,

AND UPON BEING ADVISED by counsel for the Foreign Representative that in addition to this Initial Recognition Order, a Supplemental Order (Foreign Main Proceeding) is being sought,

AND UPON HEARING the submissions of counsel for the Foreign Representative, and upon being advised that no other persons were served with the Notice of Application:

### **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **FOREIGN REPRESENTATIVE**

2. THIS COURT ORDERS AND DECLARES that the Foreign Representatives are each a "foreign representative" (as defined in section s. 268 of the BIA) of the Debtor in respect of the administration proceeding of the Debtor in the United Kingdom pursuant to *The Insolvency Act* 1986 (c. 45) (the "**Foreign Proceeding**").

### **CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDING**

3. THIS COURT DECLARES that the centre of its main interests for the Debtor is the United Kingdom, and that the Foreign Proceeding is hereby recognized as a "foreign main proceeding" as defined in section 268 of the BIA.

### **STAY OF PROCEEDINGS**

4. THIS COURT ORDERS that until otherwise ordered by this Court:
- (a) all proceedings taken or that might be taken against the Debtor under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;
  - (b) further proceedings in any action, suit or proceeding against the Debtor are restrained; and
  - (c) the commencement of any action, suit or proceeding against the Debtor is prohibited.

**NO SALE OF PROPERTY**

5. THIS COURT ORDERS that, except with leave of this Court, the Debtor is prohibited from selling or otherwise disposing of:

- (a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and
- (b) any of its other property in Canada.

**GENERAL**

6. THIS COURT ORDERS that without delay the Foreign Representatives shall cause to be published a notice substantially in the form attached to this Order as Schedule "A", once a week for two consecutive weeks, in the National Post.

7. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, to give effect to this Order and to assist the Debtor and the Foreign Representatives and their respective counsel and agents in carrying out the terms of this Order.

8. THIS COURT ORDERS AND DECLARES that this Order shall be effective as of the date of this Order.

9. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days notice to the Debtor and the Foreign Representatives and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such <sup>lesser</sup> ~~other~~ notice, if any, as this Court may order.

*Hand*

*W. Hon - d. J.*

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ENTREED IN / REGISTRE A 101  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUL 15 2015

*MB*

ENTREED IN / REGISTRE A 101  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUL 15 2015

## SCHEDULE "A"

### Tullis Russell Papermakers Limited

PLEASE TAKE NOTICE that on July 14<sup>th</sup>, 2015, the Ontario Superior Court of Justice (Commercial List) issued orders (the "**Recognition Orders**") recognizing the administration proceeding in respect of Tullis Russell Papermakers Limited (the "**Foreign Debtor**") in the United Kingdom for protection under *The Insolvency Act 1986* (c. 45) as a foreign main proceeding pursuant to section 269 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended.

Pursuant to a notice of appointment by its directors, Blair Carnegie Nimmo and Gerard Anthony Friar of KPMG LLP (the "**Foreign Representatives**") were appointed as Joint Administrators of the affairs, business and property of the Foreign Debtor. Pursuant to the supplemental recognition order, KPMG Inc. was appointed as Information Officer in Canada.

A copy of the Canadian court materials in relation to this matter may be viewed online at: [www.kpmg.com/ca/tullisrussellpapermakers](http://www.kpmg.com/ca/tullisrussellpapermakers)

For additional information you may contact the Information Officer by e-mailing Mike Schwartzenruber at [mikes@kpmg.ca](mailto:mikes@kpmg.ca) or by fax at 416-777-3364 or the Foreign Representatives at: [calum.pickett@kpmg.co.uk](mailto:calum.pickett@kpmg.co.uk) or by fax at +44 131 527 6666 (Attention: Calum Pickett); the Foreign Representatives' Canadian Counsel by email [jgage@mccarthy.ca](mailto:jgage@mccarthy.ca) or by fax at 416-868-0673 (Attention: James Gage).

Dated at the City of Toronto, this \_ day of July, 2015.

**APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR OF  
KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY ACT,  
R.S.C., 1985, c. B-3, AS AMENDED.**

Court File No:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL RECOGNITION ORDER**

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Lawyers for the Applicants

#14669981

**TAB B**





*cutting through complexity™*

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

Joint Administrators' proposals

17 June 2015



## Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 5).

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 statement of proposals is attached (Appendix 6).**





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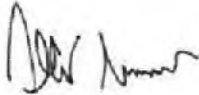
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# 1 Executive summary

- In recent years, TRP incurred substantial trading losses as a result of significant challenges adversely impacting the papermaking industry, weakening global demand and downward pressure on margins.
- TRP was also materially affected by a number of specific issues, including volatile raw material prices and unfavourable currency movements.
- Recognising the industry-wide decline and the need for consolidation, TRP's directors took steps to seek a buyer for the business, with a comprehensive sales process commenced in October 2014. This process continued until April 2015, but ultimately no buyer was found.
- As a consequence, and also due to projected challenging trading conditions and the insolvency of its third largest customer, Paperlinx UK, in April 2015, TRP's directors concluded that, acting in the best interests of the company's creditors, it was appropriate to appoint administrators. Accordingly, we - Blair Nimmo and Tony Friar of KPMG - were appointed Joint Administrators of TRP on 27 April 2015. (see Section 2 - Background and events leading to the administration)
- In light of the negative outlook for future trading, and as a recent comprehensive sales process had already been undertaken with no party expressing an interest in acquiring TRP, continued trading on a full scale basis was not considered to be in creditors' interests. Furthermore, manufacturing of paper had already ceased in the weeks immediately preceding TRP's administration.
- As a consequence, upon our appointment it was necessary to take immediate steps to reduce TRP's costs to a level commensurate with the reduced operational activity. Unfortunately, this resulted in 325 of TRP's employees being made immediately redundant.
- Our initial strategy focused on assisting those employees who were made redundant with completing their claims to the RPO and on maximising value for TRP's assets. This included: converting WIP to finished goods; selling remaining finished goods products; and securing all necessary records to commence the collection of TRP's book debts.
- In tandem, the sales process run prior to our appointment was reignited and extended to establish if any party had an interest in acquiring TRP on a business and assets basis. However, it became clear that achieving a going concern sale of all or significant parts of TRP's business and assets was unlikely.
- Accordingly, plant and machinery agents have now been appointed to sell TRP's tangible assets on a piecemeal basis. Separate sales processes for TRP's brands/intellectual property and its Electrical Crepe Paper business remain ongoing.
- At the date of our appointment, TRP had no outstanding secured debt. (see Section 4.1 – Secured creditors)
- We expect that TRP's preferential creditors will be paid in full. (see Section 4.2 – Preferential creditors)
- We anticipate that unsecured creditors will receive a dividend, however, the amount and timing of such a dividend is currently uncertain. (see Section 4.3 – Unsecured creditors)
- At this stage, we anticipate the most likely exit route from administration will be by conversion to a creditors' voluntary liquidation. (see Section 5 - Ending the administration)
- A meeting of TRP's creditors is scheduled on 2 July 2015 at 10am to consider our proposals. (see Section 6 - Creditors' meeting)

- We propose that our remuneration be drawn on the basis of time properly given by us and the various grades of our staff. We will seek approval for this from the Creditors' Committee should one be established, or alternatively from the preferential and unsecured creditors. (see Section 7 – Joint Administrators' remuneration, disbursements and pre-administration costs)
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Blair Nimmo  
Joint Administrator

## 2 Background and events leading to the administration

### 2.1 Background information

TRP was incorporated on 21 May 1906 however, the papermaking business has roots dating back to 1809. TRP produced premium paper and board products for end customers operating in a wide range of sectors, including cosmetics, pharmaceuticals, food and beverages, audio visual and IT.

TRP operated from premises owned by Group at Markinch, Fife and at the date of appointment employed a workforce of 474.

### 2.2 Funding and financial position

In the year to 31 March 2014, TRP recorded a turnover of £124.6 million, but suffered a pre-tax loss of £3.4 million. TRP has incurred cumulative losses of £18.5 million over the last five years, largely as a result of the structural decline in the UK papermaking industry, weakening global demand and pressure on its margins. In its audited accounts to 31 March 2014, TRP recorded net assets of £7.4 million.

TRP utilised a confidential invoice discounting facility with LBCF to manage working capital. At the date of our appointment, LBCF had no outstanding debt.

### 2.3 Events leading to the administration

#### Overview

TRP's market has been in long term decline as media, consumers and other outlets move from paper to digitally-based products, resulting in worldwide oversupply and price competition.

This decline was, in part, offset by steps taken by TRP to widen its product and customer base and improve the efficiency of its operations. In March 2014 a £200 million biomass plant was opened on site in partnership with RWE Npower with the aim to reduce TRP's energy costs. Despite these efforts, TRP remained significantly loss making, resulting in a degree of cash flow pressure.

TRP has also faced a number of specific challenges recently, including *inter alia*:

- A significant portion of sales are to Europe and the strengthening of Sterling against the Euro in early 2015 had an adverse impact on competitiveness;
- The cost of TRP's main raw material, wood pulp, has been trading at consistently higher levels than historically experienced; and
- TRP's third largest customer, the Paperlinx UK group of companies ('Paperlinx'), was placed into insolvency on 1 April 2015. This resulted in the immediate loss of over 15% of annualised turnover and cash flow issues with collecting Paperlinx' outstanding debtor balances.

Recognising the structural changes in the industry, the challenging outlook for TRP and the need for consolidation, the directors took steps in October 2014 to seek a buyer for the business. This process continued until April 2015, however, despite in excess of 60 parties being contacted, no offers or material interest in the business were generated.

With financial forecasts indicating that losses would continue, and having taken independent legal advice, the directors concluded that, acting in the best interests of TRP's creditors, it was appropriate and necessary to take steps to appoint administrators.

## 2.4 Pre-administration work

### Involvement prior to administration

In August 2014, KPMG was engaged by Tullis Russell Group Limited ("Group"), a company which owns 100% of the issued share capital of TRP, to perform the following tasks for Group and TRP:

- Assess the refinancing options available to Group, including TRP.
- Advise Group on the potential strategy for selling TRP, including:
  - assist Group with identifying potential purchasers of TRP;
  - provide input into the preparation of marketing collateral used to offer TRP for sale;
  - liaise with any potential interested parties during the course of the sales process; and
  - assist Group with the evaluation of any offers received for TRP.
- Provide Group with guidance on contingency options in the event that a sale of TRP was not achievable.
- Assist Group with understanding the implications for the pension scheme (in which TRP is the principal employer) under a sale or contingency scenario.
- Planning for an Administration of TRP in the event that this should arise.

### Work relating to preparation for administration

The following work was carried out prior to our appointment as part of the process of placing TRP into administration:

- KPMG advised the Directors in relation to the implications for the business and stakeholders of an administration appointment.
- KPMG assisted the Directors with the preparation of the appointment documents.
- CMS assisted with the preparation and lodging of the appointment documents.

This work was necessary in order to place the Company into administration.

KPMG's work was carried out under an engagement letter with Group and all costs relating to the period before TRP's administration are excluded from the analysis of time costs in Section 7.

We are satisfied that the work carried out by KPMG before our appointment, including the pre-administration work summarised below, has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

## 2.5 Appointment of Joint Administrators

The directors resolved on 24 April 2015 to place TRP into administration. A notice of appointment was lodged at the Court of Session on 27 April 2015 and we were duly appointed.



# 3 Strategy and progress of the administration to date

## 3.1 Strategy to date

### Strategy

TRP had ceased the manufacturing of paper prior to our appointment, with only finishing and conversion processes remaining operational. Given the very difficult trading conditions referred to above, the negative outlook for the business, significant anticipated funding requirements and that an extensive process to seek a buyer for TRP had not been successful, recommencing full manufacturing and trading was not considered beneficial.

Our overall strategy at the outset of the case was, therefore, to:

- Reduce TRP's costs to a level commensurate with the reduced operational activity;
- Assist redundant employees with making claims to the RPO for their entitlements;
- Run a focused sale of business process to establish if any party wished to acquire TRP as a going concern on a business and assets basis;
- Maximise value for 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;
- In the event that a going concern sale was not achievable, commence marketing and selling TRP's plant and machinery on a piecemeal basis;
- Run 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.

In the sub-sections below, we have set out additional detail on the key areas of focus during the administration to date.

### Employees

On our appointment, meetings were held with all staff and, as a consequence of the significantly reduced trading activity and the cessation of manufacturing, it was necessary to reduce costs and 325 of the workforce of 474 were immediately made redundant.

To assist staff in making claims to the RPO for redundancy, holiday pay, and pay lieu of notice, we set up a processing centre at a site near TRP's main premises. All employees were invited to attend the centre and were guided through the online application process by specialists from the KPMG Employment Rights team. Whilst this process involved a significant amount of our staff's time, as a result all claimants who attended the centre had their claims processed and submitted to the RPO within 5 days of their redundancy. A similar process was followed in relation to the redundancies made subsequent to those in the initial days of the administration.



There are currently 99 employees who have been retained to assist with asset realisation and the decommissioning process.

Until 2002 TRP participated in a multi-employer defined benefit pension scheme, at which time it was closed to defined benefit members. The pension deficit of £15.7 million shown in the Directors' Statement of Affairs is the most recent estimate of the buy-out or section 75 deficit from the funding update provided by the Scheme Actuary.

On our appointment we submitted the necessary s120 form to the scheme trustees, the Pensions Regulator ('tPR') and the Pension protection Fund ('PPF'), and the scheme then entered a PPF assessment period. We also confirmed to the trustees that tRP would no longer make payments under the current Schedule of Contributions. We were subsequently advised that the trustees and Group were considering a scheme rescue, whereby Group would become the principal employer of the scheme. We therefore took legal advice on the actions that would be required by the Joint Administrators as part of a scheme rescue, including the requirement by the Joint Administrators to confirm a scheme rescue could take place in a s122 form to be submitted to the PPF.

At the date of this report, we understand that the trustees and Group remain in discussion regarding a scheme rescue. In any event, we have been advised that the section 75 debt due to the scheme will likely rank as an unsecured creditor of TRP.

#### Sale of business

As noted in section 2.3, in October 2014, Group engaged KPMG Corporate Finance to sell TRP and various overseas entities (sales offices) which were subsidiaries of Group, together comprising Group's Premium Paper and Board division. During this process, KPMG Corporate Finance contacted 64 parties from across the world. Six of these parties signed Non-Disclosure Agreements and were provided with an Information Memorandum relating to the business, however, none of these parties pursued their interest.

Following our appointment, we re-contacted these parties to establish whether they would have an interest in acquiring TRP's business on an assets basis as opposed to the share sale, which Group had previously been pursuing. Unfortunately, the parties reconfirmed their position that they were not interested in acquiring TRP's business, notwithstanding that it had entered administration.

We also opened up the sales process to a wider audience and sent approximately 200 sales flyers to KPMG's network of distressed investor contacts, setting out the potential opportunity to acquire TRP's business and assets. This generated nine replies, from which seven parties signed Non-Disclosure Agreements and received an Information Memorandum. None of these parties conducted site visits or met with TRP's management team.

Due to TRP's long history and reputation, the administration attracted considerable media interest in both the local and national press. It was also well publicised within the paper industry. As a consequence, we were contacted by a further 14 parties who expressed an interest in acquiring the business and assets, six of whom signed Non-Disclosure Agreements and received an Information Memorandum. Two of these parties conducted site visits and met with TRP's management team.

Having advertised and marketed TRP's business and assets extensively, we set a closing date for indicative offers for 18 May 2015. Unfortunately, no offers were received at that time, which confirmed the lack of interest that had been expressed in the business prior to our appointment.

Having exhausted the sale of business process and determined at that stage that there were no parties wishing to acquire the business and assets as a going concern, we turned our attention to implementing an orderly wind down plan and piecemeal realisation of TRP's assets.



## 3.2 Asset realisations

Realisations from the date of our appointment to 12 June 2015 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant assets together with realisations to date are provided below.

### Freehold property

TRP owns freehold property consisting of two separate parcels of land situated to the north and south of the paper making facility in Markinch. As noted in Section 4.1, the land is secured to the Pension Scheme.

#### North Site

The North site has an area of 11.79 acres of undeveloped land which was valued by GVA in 2013 on the basis that it would be for residential use. Although the land was marketed for sale prior to our appointment, no purchaser with the ability to complete a transaction at the valuation level was identified. Whilst the outcome from the sale of business process remained pending, we took the decision not to seek a purchaser for the land. As this exercise is now complete, we intend to market the land for sale.

#### South Site

The South site is understood to have been a former operational area of 10.6 acres which was previously cleared of building structures. The site is immediately adjacent to the Queensgate Estate, which is mixed in character, providing a range of industrial and commercial occupiers including food and non-food retail accommodation.

On our appointment we met with GVA who had been advising TRP prior to administration in relation to the South Site and made us aware of the urgent need to progress the sale of this site, where terms of sale were well advanced with Ediston. We engaged with GVA who stated that their advice to us was to proceed towards completing a transaction with Ediston. Given that GVA are sector specialists, that a competitive and recent marketing process had been undertaken by them, and that Ediston's offer was in line with GVA's valuation and approved by the secured creditor, we agreed to the sale and a conditional missive was concluded with Ediston on 22 May 2015. The longstop for completion is November 2015. As the land sale has not yet concluded, the value of the sale at this stage is commercially sensitive and has not been disclosed.

### Leasehold property

The main operational premises in Markinch were previously owned by TRP. In March 2014, TRP sold the paper mill site plus an adjacent area of land to Group for £11.05 million. This sales price matched a valuation of the properties carried out by James Barr (now part of GVA) in August 2013.

Following the sale of the properties to Group, TRP continued to occupy and utilise the premises. No formal lease was put in place and no rent was paid by TRP to Group. This has remained the case following our appointment.

### Plant and machinery

TRP owns a wide range of specialist papermaking plant and equipment and other assets. Although a large proportion of the plant and equipment has been fully written-down in TRP's statutory accounts, it was nevertheless operational prior to our appointment and is believed to be of significant value.

TRP owns three twin wire paper machines producing coated and uncoated SBS board, heavyweight offsets and a range of other speciality grades. TRP also owns two off-line coaters which allowed the business to produce coated SBS and cast coated board to a broad range of specifications.

In addition, TRP owns a broad range of finishing and conversion equipment, including winders, an embosser, cutters, sheeters, wrapping and packaging lines.

As a purchaser for TRP's business and assets as a going concern has not been identified, we have engaged John Wilkie and GMG on a joint agency basis to market and sell TRP's plant and machinery. We have agreed a commission structure to incentivise the agents based on the level of asset realisations linked to the time taken to sell the plant and equipment and clear the site. Nevertheless, at this stage, the timing and quantum of realisations from sales of plant and machinery remain uncertain.

With the assistance of TRP's retained employees and our agents, we have implemented a decommissioning program to mothball and preserve the plant and equipment pending it being sold and to ingather all machine spares and other information such as engineering and electrical drawings and maintenance records so as to maximise value. Due to the nature of the plant and equipment and particularly the size of the paper machines and coating machines it could take a considerable length of time for it to be sold, dismantled and removed from site.

With input from TRP's health and safety team, we will ensure that all Health, Safety and Environmental matters are dealt with appropriately and the plant and machinery is dismantled and removed from site in a safe and controlled manner that complies with all relevant rules and regulations.

#### Book debts

At the date of our appointment, TRP's book debts (excluding intercompany debts) totalled £16.9 million, with over 300 individual customers. As noted above, TRP operated a confidential invoice discounting facility with LBCF who had an assignation over TRP's debtor balances. There were no outstanding amounts due to LBCF under this facility at the date of our appointment.

Immediately following our appointment we liaised with retained staff in TRP's finance department and undertook a comprehensive review of book debts to ascertain their collectability. A high proportion of TRP's customers are located overseas, with a significant number of customers being entitled to contractual discounts agreed in the normal course of business prior to our appointment. To assist with collection of debtors, certain TRP staff who have extensive knowledge and experience of TRP's customers were retained to assist us in securing maximum recovery from book debts.

Whilst TRP's debtor balances have arisen through the supply of goods and are not contractual in nature, the inability to complete certain customer orders as a consequence of the administration has made the collection of debts more challenging. Since the administration, we have had extensive dialogue and negotiations with a number of TRP's main customers to discuss their outstanding debtor balances. For any customers who have purchased stock following the administration, we have made it a pre-requisite of accepting their order that all outstanding debtor balances be settled in full and on time.

Where customers have made claims for deductions from their balance (for example, for discounts, quality issues or volume rebates), together with TRP's staff, we have assessed each claim to determine its legitimacy.

To date, debtor realisations total approximately £8.2 million representing 48% of the opening gross ledger. Given the early stage of the Administration it is not currently possible to accurately determine future debtor recoveries, however, we will continue to pursue all remaining debts, via the legal process if necessary, and whilst it remains cost effective to do so.



### Paperlinx

Included within the opening book debts balance noted above is £1.2 million owed by Paperlinx. Paperlinx, together with a number of its sister and subsidiary entities, entered into insolvency proceedings on 1 April 2015, casting doubt over the recoverability of the debt. Prior to our appointment, TRP's staff had:

- placed Atradius (who provided TRP with credit insurance in relation to sums owed by certain customers) on notice of a potential claim under the insurance policy in force; and
- contacted Deloitte LLP, who were dealing with the Paperlinx administration in the UK, to make them aware of TRP's Retention of Title claim over stocks supplied, estimated at 570 tonnes, which had not yet been paid for by Paperlinx.

Following our appointment, we have established contact with Atradius to discuss matters and have instructed CMS to consider the claim under the credit insurance policy. We have also progressed TRP's Retention of Title claim with Deloitte LLP/Paperlinx. Matters remain ongoing and we will work with all parties to ensure that recoveries are maximised under both the Retention of Title claim and the credit insurance claim.

### Inter-company debtors

At the date of our appointment, there were three inter-company debtor balances due to TRP:

- Group - £106,822.97
- Tullis Russell Coaters - £44,608.50
- Tullis Russell Coaters (Korea)- £344,887.92

Due to sums owed by TRP to other entities, TRP is in a net inter company creditor position. We are in the process of determining whether any amounts for debtor balances will be recoverable in the administration.

### Stock

#### WIP and finished goods

Upon our appointment, TRP had approximately 11,500 tonnes of finished goods stock and 3,000 tonnes of WIP which could be converted into finished goods, representing significant assets to realise in the administration. To assist with the conversion of WIP and the paper finishing process, we retained a number of TRP's operatives and technical staff. Similarly, staff from TRP's sales, logistics and invoicing teams were retained to support the sale of stock to customers and manage its distribution.

Prior to our appointment, TRP utilised the services of a number of third party warehousing providers both in the UK and overseas. TRP's main warehousing and haulage provider, DSV, had approximately 6,500 tonnes of TRP's finished goods stock in its possession at its UK warehouses on the date of our appointment. DSV also had an outstanding balance due to it by TRP in excess of £2.5 million.

Upon being notified of TRP's insolvency, DSV intimidated that it wished to enforce a lien claim over TRP's stock. Our lawyers, CMS, confirmed that DSV was legally entitled to take this action and had a valid lien. Without access to the stock held and the distribution support provided by DSV, our ability to achieve maximum value for TRP's stocks would have been greatly reduced. Furthermore, it would have been extremely challenging to transport and warehouse the WIP, being completed at TRP's premises in Markinch, without continued service from DSV.

Consequently, and after a period of negotiation with DSV, we reached a settlement agreement to allow TRP's stock to be released. The terms of this agreement, the specifics of which are



confidential, will result in DSV being paid for a portion of the balance owed by TRP while also being paid for ongoing warehousing and distribution while stocks continue to be stored and transported.

Similar agreements have been reached with TRP's other warehousing providers in Holland, Canada and the USA, albeit the stock held by these parties and the level of their debts is substantially lower than DSV.

Since reaching agreement to release TRP's stock, we have continued to sell and despatch items to TRP's customers who have agreed to our terms of supply. In a number of cases, this has involved extensive discussion, correspondence and negotiation with customers who are not familiar with transacting with a UK company in administration.

The ultimate level of recoveries from stock sales is unknown at present, however, sales of finished goods up to 12 June 2015 totalled £6.6 million (with the cash collection process ongoing under agreed credit terms) and we will continue to sell stock to TRP's customers in the normal manner whilst it remains cost effective to do so.

#### Raw materials and Retention of Title ("ROT")

TRP sourced raw materials such as wood pulp, chemicals, packaging products, machinery and spare parts from all over the world. A significant number of TRP's suppliers (over 60) have claimed ROT over goods supplied prior to our appointment and not paid for by TRP.

The process for resolving ROT claims involves organising site visits to inventory materials and liaising with suppliers to ingather documentation relating to their claims. Each claim has to be evaluated to determine validity.

To date, 17 ROT claims have been agreed and we will continue to work through the remainder. At present, we do not anticipate any material recoveries from the sale of raw materials.

#### Cash at bank

At the date of our appointment, TRP had cash balances in its bank accounts totalling approximately £0.6 million. We have arranged for these amounts to be transferred to the administration bank accounts.

#### Other assets

##### Brand names/intellectual property

TRP owns several brand names, which are protected by a number of registered trademarks in the countries in which the business operated. In addition, these brands are supported by intellectual property such as finished and production know-how.

*Trucard* was TRP's most prominent brand accounting for approximately 60% of revenues and representing the broadest range of solid bleached sulphate carton-board on the market, with a comprehensive range of surfaces, finishes and weights. *Trucard* commands a premium position in the market, with upper end pricing. *Trucard* had applications in luxury packaging such as cosmetics and spirits and TRP enjoyed strong relationships with a number of blue chip customers.

Other key brand names include *Advocate*, *Naturalis* and *Mellotex*, which were used for graphical papers with applications such as corporate stationery, annual reports, brochures and presentation materials.

We prepared a sales flyer on TRP's brand names and issued this to approximately 80 parties. Nine parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on each brand.



We set a closing date of Monday, 8 June 2015 for offers for the brand names on and received four offers for individual brand names. We are currently in the process of negotiating a sale of the *Naturalis* brand and associated stock. Due to the level of the offers received for the brands being lower than our expectations, these have not been progressed and consequently, we have engaged Metis Partners to assist with realising TRP's remaining brand names and intellectual property and to maximise value.

#### Electrical Crepe Paper business

TRP operated an Electrical Crepe Paper business, which converted externally sourced base paper into reels and coils of high specification creped material used as an insulator for high voltage electrical cables and transformers. The business was a separate standalone division within TRP and sold approximately 300 tonnes of Electrical Crepe Paper per annum and consistently generated turnover in excess of £1.0 million per annum and achieved double digit gross margin.

Recognising that it was profitable and generating cash, and that it was autonomous from TRP's wider business, we have continued to trade the Electrical Crepe Paper business whilst seeking a buyer for the business and assets as going concern.

In offering the business for sale, we prepared and issued a sales flyer with highlights of the Electrical Crepe Paper business to eight parties. Five parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on the business and three parties conducted site visits to view the operation and meet with staff.

We set a closing date of Monday, 8 June 2015 for offers for the Electrical Crepe Paper business. Three offers were received and we are currently reviewing these with a view to appointing a preferred bidder. The terms of the offers are confidential and cannot be disclosed at this time, but further details will be provided in future creditor reports where possible.

Other matters

#### Health and Safety

We notified the Scottish Environment Protection Agency ("SEPA"), the Health & Safety Executive ("HSE") and the local council of our appointment.

We have retained a number of key staff members who have the experience, qualifications and knowledge to ensure that standards under certain licences and permits are maintained during the administration process. KPMG Sustainability Services ("KSS"), specialists in health and safety and environmental matters, are also providing ongoing support and advice.

Collectively, we are working to ensure that the orderly wind down of the site is managed safely and in accordance with guidelines as set down by SEPA, HSE and the local council.

#### VAT and sales taxes

TRP had VAT/sales and import tax registrations in Germany, Canada and the Netherlands, as well as the UK. We have engaged the following advisors in these countries to assist with reviewing the VAT positions, notifying the relevant authorities and to assist with future returns:

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)

## Investigations

We are reviewing the affairs of TRP to establish if there are any actions which should be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Calum Pickett at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

### 3.3 Costs

Payments made from the date of our appointment to 12 June 2015 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made to date are provided below. This summary does not include costs which have been accrued and not yet paid.

#### Employees

As previously noted, we initially retained 149 of TRP's employees (with staff numbers presently at 99) following the administration to assist us with the sale of business process and realising TRP's assets. The costs associated with paying employees are shown under the 'Direct labour' caption in Appendix 2 and total £771,299.43.

#### Warehouses and distribution

As noted above, in order to continue ongoing supply to customers and to realise TRP's stock, we reached various agreements with warehouses and hauliers in the UK, the Netherlands, Canada and the United States. The costs incurred to date are shown under the 'Warehousing and distribution' caption in Appendix 2 and amount to (£801,780.95)

#### Other trading costs

We have purchased £26,099.00 of base paper from Tervakoski OY, for use in production in the Electrical Crepe Pape Pape business, which has continued to trade while we market the business for sale.

We have paid £2,799.16 in relation to the hire of vehicles and IT equipment and £1,300.00 to Concept Group and Pollock (Scotrans) Limited for the hire of equipment.

We have paid £1,653.82 to Neopost Limited in relation to stationery and postage, and £320.09 to Scottish Power for heat and light.

We are accruing certain ongoing costs and will make payments to settle these as they fall due.

## 4 Dividend prospects

### 4.1 Secured creditors

TRP granted standard securities in favour of the Pension Scheme over two areas of freehold land (referred to in section 3.2 above). The amount secured is for all sums due to the Pension Scheme up to a maximum of £13.5 million. As stated in section 3.1, the estimated amount owed to the Pension Scheme 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.

TRP granted an assignation of its trade debtors to LBCF in August 2012. LBCF had no outstanding debt at the date of our appointment.

TRP granted a floating charge over certain of its assets to BoS. BoS had no outstanding debt due by TRP, hence its floating charge has not crystallised and no amounts are due to BoS.

## 4.2 Preferential creditors

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially.

We estimate the amount of preferential claims at the date of our appointment to be £733,000.

Based on current estimates, we anticipate that preferential creditors will be paid in full.

## 4.3 Unsecured creditors

Based on current estimates, we anticipate that a dividend will be available to unsecured creditors. It is not currently possible to estimate the level of this dividend as this will depend on *inter alia*:

- The level of stock and debtor realisations achieved;
- The value obtained from sales of TRP's plant and machinery;
- The costs of the administration process; and
- The level of creditor claims received.

Where possible, future reports to creditors will outline the potential quantum and timing of any dividend to unsecured creditors. If achievable, we may seek to make an interim dividend payment to creditors pending finalisation of realisations and costs.

# 5 Ending the administration

## 5.1 Exit route from administration

We currently consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be through conversion of the administration to a creditors' voluntary liquidation.

## 5.2 Discharge from liability

We propose to seek approval from the creditors committee (or in the event that a committee is not formed, the preferential and unsecured creditors) that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.



Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

See Section 6 for details regarding the meeting of creditors.

## **6 Approval of proposals and creditors' meeting**

### **6.1 Creditors' meeting**

Notice of a meeting of creditors to be held on 2 July 2015 at 10am at the Doubletree by Hilton, 34 Bread Street, Edinburgh, EH3 9AF is attached to the covering letter. We are convening it in order to present our statement of proposals.

Creditors' Committee

A Creditors' Committee will be formed if sufficient creditors are willing to act. The minimum number of Committee members is three and the maximum is five.

Function of the Creditors' Committee

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.

If a Creditors' Committee is formed it is for that body to approve, for instance:

- 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.

### **6.2 Resolutions**

Creditors will be asked to vote on the following matters at the initial meeting of creditors:

- our proposals;
- the formation of a Creditors' Committee.

If a Creditors' Committee is not formed the resolutions in Section 7.1 which would have been considered by the Creditors' Committee will be voted on by the creditors.

# 7 Joint Administrators' remuneration and outlays, disbursements and pre-administration costs

## 7.1 Approval of the basis of remuneration and disbursements

Agreement to the basis and amount of our remuneration and outlays and the drawing of Category 2 disbursements is subject to specific approval. They are not agreed as part of our proposals.

Should a Creditors' Committee be formed at the creditors' meeting, we will seek to obtain approval from the Creditors' Committee that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3.

If a Creditors' Committee is not formed, the creditors represented at the meeting in person or by proxy will be asked to vote on the resolutions with regards to our remuneration and drawing of Category 2 disbursements.

### Time costs

From the date of our appointment to 12 June 2015, we have incurred time costs of £1,071,080.25. These represent 2,970.30 hours at an average rate of £360.60 per hour.

### Disbursements

We have incurred disbursements of £12,937.38 during the period. 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 disbursements paid directly by KPMG for the period from our appointment to 12 June 2015. We have also attached our charging and disbursements recovery policy.

# 8 Summary of proposals

As there were no parties wishing to acquire the business and assets as a going concern rescuing TRP in accordance with Paragraph 3(1)(a) is therefore not achievable.

Therefore our primary objective is to achieve a better result for TRP's creditors as a whole than would be likely if TRP were wound up, in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:



#### General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of TRP in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims TRP may have;
- to seek an extension to the administration period via creditor approval or the Court if we consider it necessary.

#### Distributions

- to make distributions to the preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

#### Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of TRP to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of TRP's creditors, shareholders or the Court for approval as appropriate;
- place TRP into creditors' voluntary liquidation. In these circumstances we propose that we, Blair Nimmo and Tony Friar, be appointed as Joint Liquidators of TRP without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing TRP into liquidation and to consider, if deemed appropriate, appointing us, Blair Nimmo and Tony Friar, as Joint Liquidators of TRP without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. TRP will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

#### Joint Administrators' remuneration

We propose that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3



Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.



## Appendix 1 Statutory information

Company information	
Company and Trading 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 Frderick 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, P415 of 2015
Appointor	The Directors of the Company.
Date of appointment	27 April 2015
Joint Administrators	Blair Nimmo and Tony Friar
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).
Current administration expiry date	26 April 2016
Prescribed Part	The Prescribed Part is not applicable on this case as the floating chargeholder has no outstanding debt at the date of our 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.

## Appendix 2 Joint Administrators' receipts and payments account

### Trading accounts

Tullis Russell Papermakers Limited - in Administration		
Joint Administrators' trading accounts		
Statement of Affairs (£)	From 27/04/2015 To 12/06/2015 (£)	From 27/04/2015 To 12/06/2015 (£)
<b>TRADING INCOME</b>		
Sales	2,472,035.55	2,472,035.55
<b>TRADING EXPENSES</b>		
Direct Labour	(771,299.43)	(771,299.43)
Warehousing & distribution	(801,780.95)	(801,780.95)
Materials	(26,099.00)	(26,099.00)
Heat & light	(320.09)	(320.09)
Telephone/Fax/IT	(30.00)	(30.00)
Stationery & postage	(1,653.82)	(1,653.82)
HP/Leasing payments	(3,825.43)	(3,825.43)
Hire of equipment	(1,826.26)	(1,826.26)
Repairs and maintenance	(9,618.69)	(9,618.69)
Sundry expenses	(100.00)	(100.00)
Bank charges	(10,370.73)	(10,370.73)
	(1,626,924.39)	(1,626,924.39)
<b>Trading surplus/(deficit)</b>	<b>845,111.16</b>	<b>845,111.16</b>

## Receipts and payments

### Tullis Russell Papermakers Limited - in Administration

#### Joint Administrators' abstract of receipts & payments

Statement of affairs (£)	From 27/04/2015 To 12/06/2015 (£)	From 27/04/2015 To 12/06/2015 (£)
<b>ASSET REALISATIONS</b>		
Cash at bank	592,944.62	592,944.62
Book debts	8,237,973.28	8,237,973.28
	<u>8,830,917.91</u>	<u>8,830,917.91</u>
<b>OTHER REALISATIONS</b>		
Sundry refunds	26,719.96	26,719.96
Employee health insurance	11,335.68	11,335.68
Miscellaneous income	5.00	5.00
Trading surplus/(deficit)	845,111.16	845,111.16
	<u>883,171.80</u>	<u>883,171.80</u>
	<b><u>9,714,089.71</u></b>	<b><u>9,714,089.71</u></b>
<b>REPRESENTED BY</b>		
Floating charge VAT	36,309.90	36,309.90
Floating charge current	9,780,381.82	9,780,381.82
Other trading payroll deductions	(29,982.22)	(29,982.22)
	<u>9,714,089.71</u>	<u>9,714,089.71</u>

The Joint Administrators are operating bank accounts in three currencies – GBP, EUR & USD. For the purposes of this consolidated receipts and payments accounts, figures for the Euro and Dollar accounts were translated into Sterling at the spot rate prevailing on 12 June 2015 - the date of the receipts and payments account.

It is the intention of the Joint Administrators to continue operating the currency accounts until all remaining stocks have been realised. No foreign exchange gain or loss has been recognised to date. Any foreign exchange gain or loss will be recognised in full when the final figures are translated.

## 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 (£)	
Grade	From 1 Oct 2014 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Assistant Manager	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 during the period 27 April 2015 to 12 June 2015.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	5,035.47		NIL		<b>5,035.47</b>
Meals	2,272.41		NIL		<b>2,272.41</b>
Mileage	NIL		4,555.16		<b>4,555.16</b>
Sundry	50.22		NIL		<b>50.22</b>
Travel	1,024.12		NIL		<b>1,024.12</b>
<b>Total</b>	<b>8,382.22</b>		<b>4,555.16</b>		<b>12,937.38</b>

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

Category 2 disbursements are to be approved in the same manner as our remuneration.

Narrative of work carried out for the period 27 April 2015 to 12 June 2015

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>■ providing initial statutory notifications of our appointment to the Registrar of Companies, The Registrar of Inhibitions and Adjudications, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page;</li> <li>■ arranging bonding and complying with statutory requirements;</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 the decision to trade and 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>■ setting up administration bank accounts and 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>■ gathering initial information from TRP's records in relation to the taxation position of the company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing TRP's pre-appointment corporation tax and VAT position;</li> <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>■ working initially on tax returns relating to the periods affected by the administration;</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>■ providing notification of our appointment;</li> <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 trading;</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>■ communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions;</li> <li>■ monitoring stock and stock reconciliations;</li> <li>■ dealing with hauliers and warehousing providers to ensure ongoing services;</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> </ul>

	<ul style="list-style-type: none"> <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 over which it holds security.</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of TRP's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> </ul>
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>■ arranging ongoing insurance cover for TRP's business and assets;</li> <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 Redundancy Payments Office;</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> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ convening and preparing for the meeting of creditors;</li> <li>■ creating and updating the list of unsecured creditors;</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>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing company and directorship searches and advising the directors of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ reviewing the questionnaires submitted by the Directors of TRP;</li> <li>■ reviewing pre-appointment transactions;</li> <li>■ Carrying out investigative work including reviewing TRP's books and records in preparation for submission of a report to the Insolvency Service.</li> </ul>



Time costs

## SIP 9 - Time costs analysis

SIP 9 - Time costs analysis (27/04/2015 to 12/06/2015)							
	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
<b>Administration &amp; planning</b>							
Cashiering							
General (Cashiering)			20.80		<b>20.80</b>	5,801.50	278.92
General							
Books and records			16.90		<b>16.90</b>	4,177.00	247.16
Fees and WIP			0.50		<b>0.50</b>	140.00	280.00
Statutory and compliance							
Appointment and related formalities	91.40	34.20	48.30	20.00	<b>193.90</b>	82,480.50	425.38
Checklist & reviews			2.20		<b>2.20</b>	616.00	280.00
Strategy documents	13.80	22.70	1.90		<b>38.40</b>	18,924.50	492.83
Tax							
Initial reviews - CT and VAT		2.50	14.20		<b>16.70</b>	4,988.50	298.71
Post appointment corporation tax		1.00			<b>1.00</b>	405.00	405.00
Post appointment overseas tax			2.00		<b>2.00</b>	560.00	280.00
Post appointment VAT		97.20	20.60		<b>117.80</b>	45,328.00	384.79
<b>Creditors</b>							
Creditors and claims							
Agreement of unsecured claims			1.80		<b>1.80</b>	369.00	205.00
General correspondence	8.60	17.50	69.65	11.90	<b>107.65</b>	30,660.50	284.82
Legal claims			1.80		<b>1.80</b>	504.00	280.00
Notification of appointment			13.00		<b>13.00</b>	3,640.00	280.00
Pre-appointment overseas tax			1.60		<b>1.60</b>	448.00	280.00
Pre-appointment VAT / PAYE / CT			1.60		<b>1.60</b>	448.00	280.00
ROT Claims		77.10	120.00		<b>197.10</b>	65,069.00	330.13
Statutory reports	0.60	8.65	5.80	2.00	<b>17.05</b>	6,315.25	370.40
Employees							
Correspondence	8.55	255.50	624.30		<b>888.35</b>	294,600.75	331.63
DTI redundancy payments service			1.90		<b>1.90</b>	532.00	280.00



**SIP 9 - Time costs analysis (27/04/2015 to 12/06/2015)**

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Pension funds	27.00	8.60			<b>35.60</b>	18,616.00	522.92
Pensions reviews	2.10	4.60	16.40		<b>23.10</b>	7,689.50	332.88
<b>Investigation</b>							
Directors							
Correspondence with directors	1.10	5.95			<b>7.05</b>	3,098.25	439.47
Statement of affairs		3.30	2.20		<b>5.50</b>	2,216.50	403.00
<b>Realisation of assets</b>							
Asset Realisation							
Cash and investments			5.90		<b>5.90</b>	1,652.00	280.00
Debtors		52.70	22.80		<b>75.50</b>	31,568.50	418.13
Freehold property	7.50	19.50			<b>27.00</b>	13,470.00	498.89
Goodwill		32.30			<b>32.30</b>	15,665.50	485.00
Health & safety	1.10	42.70	20.50		<b>64.30</b>	23,862.00	371.10
Leasehold property	0.90	15.80	2.90		<b>19.60</b>	7,924.50	404.31
Office equipment, fixtures & fittings		0.10			<b>0.10</b>	40.50	405.00
Open cover insurance		0.70	15.10		<b>15.80</b>	4,511.50	285.54
Other assets	2.10				<b>2.10</b>	1,123.50	535.00
Plant and machinery	2.80	55.10	6.10		<b>64.00</b>	29,247.50	456.99
Sale of business	74.60	109.50	164.40		<b>348.50</b>	137,333.00	394.07
Stock and WIP	13.30	128.25	225.70		<b>367.25</b>	124,859.25	339.98
Vehicles		4.90			<b>4.90</b>	1,984.50	405.00
Trading							
Cash & profit projections & strategy	0.30	2.75			<b>3.05</b>	1,494.25	489.92
Purchases and trading costs	9.70	99.30	97.20		<b>206.20</b>	74,103.50	359.38
Sales		1.60	18.90		<b>20.50</b>	4,612.50	225.00
<b>Total in period</b>	<b>265.45</b>	<b>1,104.00</b>	<b>1,566.95</b>	<b>33.90</b>	<b>2,970.30</b>	<b>1,071,080.25</b>	<b>360.60</b>

Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	2,970.30	1,071,080.25
Carry forward time (appointment date to SIP 9 period end date)	2,970.30	1,071,080.25



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 Statement of Affairs

The Directors have provided a Statement of Affairs for TRP as at the date of our appointment, a copy of which is set out in the following pages.

We have not carried out anything in the nature of an audit on the information provided.

The figures provided in the statement of affairs do not take into account the costs of the administration process, such as employee costs, site holding costs, insurance and administration fees.





# Statement of Affairs

Pursuant to paragraph 47 of Schedule B1 to the Insolvency Act 1986 and Rule 2.21(1) of the Insolvency (Scotland) Rules 1986

Insert name of the company

Statement as to the affairs of

Tullis Russell Papermakers Limited

as at the 27<sup>th</sup> April 2015, the date that the company entered administration.

### Statutory Declaration

I solemnly and sincerely declare that the information provided in this statement and the lists A to G annexed and signed as relative hereto is, to the best of my knowledge and belief, true and complete,

AND I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at MARKIRUCH

Signed [Signature]

This 12<sup>TH</sup> day of JUNE 2015

Before me [Signature]

A Notary Public or Justice of the Peace or Solicitor

IAN DAVID HAYWOOD  
SOLICITOR  
[Signature]

STATEMENT as to the affairs of the Company on the \_\_\_\_\_

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Please complete legibly, preferably in black type, or bold block lettering

		Estimated Realisable Values £'000
<b>ASSETS</b>		
Assets not specifically secured (as per List "A") _____		25,147
Assets specifically secured (as per List "B")		
Estimated realisable value	4,500	
Less: Amount due to secured creditors	<u>-15,700</u>	
Estimated Surplus _____	-11,200	
Estimated Total Assets available for preferential creditors, holders of floating charges and unsecured creditors _____		25,147
<b>LIABILITIES</b>		
Preferential creditors (as per List "C") _____		-1,033
Estimated balance of assets available for holders of floating charges and unsecured creditors _____		24,114
Estimated prescribed part of net property where applicable (to carry forward) _____		0
Holders of floating charges (as per List "D") _____		0
Estimated surplus/deficiency as regards holders of floating charges _____		0
Estimated prescribed part of net property where applicable (brought down) _____		0
Unsecured Creditors		
Trade accounts (as per List "E") _____	-42,439	
Bills payable (as per List "F") _____	0	
Contingent or other liabilities (as per List "G") _____	-8,000	
Total unsecured creditors (excluding any shortfall to floating charge holders) _____	-----	
		-50,439
Estimated Surplus/Deficiency as regards creditors unsecured - creditors (excluding any shortfall to floating charge holders)		-26,325
Estimated deficiency after floating charge where applicable (brought down)		-11,200
Estimated Surplus/Deficiency as regards creditors		-37,525
Issued and Called-up Capital _____		-5,449
Estimated Surplus/Deficiency as regards members		-42,974

These figures must be read subject to the following:-

\*delete as appropriate

\*[(a) There is no unpaid capital liable to be called up]

\*[(b) The nominal amount of unpaid capital liable to be called up is £ \_\_\_\_\_ estimated to produce £ \_\_\_\_\_ which is/is not charged in favour of the holder of the floating charge(s)]-

The estimates are subject to the expenses of the liquidation and to any surplus or deficiency on trading pending realisation of the Assets

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**Statement of affairs LIST 'A'**  
Assets not specifically secured

Particulars of assets	Book value £'000	Estimated to produce £'000
Balance at bank .....	654	654
Cash in hand .....	4	4
Marketable securities (as per Schedule I) .....	150	150
Bills receivable (as per Schedule II) .....	0	0
Trade debtors (as per Schedule III) .....	14,788	10,270
Loans and advances (as per Schedule IV) .....	26	26
Unpaid calls (as per Schedule V) .....	0	0
Stock in trade .....	7,856	6,285
Work in progress .....	1,823	1,458
Raw Mats and other stocks .....	618	200
Heritable property .....	0	0
Leasehold property .....	0	0
Plant, machinery and vehicles .....	7,340	6,000
Furniture and fittings, etc .....	0	0
Patents, trade marks, etc .....	0	100
Investments other than marketable securities .....	0	0
Other property .....	0	0
<b>Total</b>	<b>33,259</b>	<b>25,147</b>

Signed



Date 12 JUNE 2015

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**SCHEDULE I TO LIST 'A'**  
**Statement of affairs**  
**Marketable Securities**

Names to be arranged in alphabetical order and numbered consecutively

No	Name of organisation in which securities are held	Details of securities held	Book value £	Estimated to produce £'000
	EEC	Carbon Credits	0	150

Signed



Date 12 JUNE 2015

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## SCHEDULE II TO LIST 'A'

### Statement of affairs


#### Bills of exchange, promissory notes, etc. available as assets

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of acceptor of bill or note	Amount of bill or note £	Date when due	Estimated to produce £	Particulars of any property held as security for payment of bill or note
	N/A	N/A		N/A	N/A

Signed



Date 12 June 2015

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### SCHEDULE III TO LIST 'A'

### Statement of affairs

### Trade debtors

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of debtor	Particulars of any securities held for debt	Book value £000	Estimated to produce £000
	See Separate List		14,788	10,270

Signed



Date 12 JUNE 2015

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### SCHEDULE IV TO LIST 'A'

### Statement of affairs

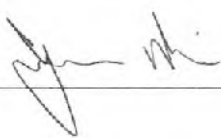
### Loans and Advances

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of debtor	Particulars of any securities held for debt	Book value £000	Estimated to produce £000
	See separate list		26	26

Signed



Date 12 June 2015

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### SCHEDULE V TO LIST 'A'

## Statement of affairs

### Loans and Advances

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	No in share register	Name and address of shareholder	No of shares held	Amount of call per share unpaid £	Total amount due £	Estimated to produce £
	N/A	N/A	N/A	N/A	N/A	N/A

Signed



Date 12 June 2015



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LIST 'B' (consisting of 1 pages)

**Statement of affairs**

**Assets specifically secured and creditors fully or partly secured (see note below) (not including debenture holders secured by a floating charge)**

No	Particulars of assets specifically secured and nature of security	Date when security granted	Name of creditor	Address and occupation
	Specific plots of land	23/3/2013	Trustees of Tullis Russell Pension Scheme	Markinch Glenrothes Fife KY76PB

**Note:** For this purpose treat as a creditor but identify separately

- (a) an owner of goods in the company's possession under a hire-purchase agreement or an agreement for the hire of goods for more than 3 months, or
- (b) a seller of goods to the company claiming a retention of title or a seller under a conditional sale agreement.

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**LIST 'C' (consisting of 1page)'**  
**Statement of affairs**  
**Preferential creditors for salaries, wages and otherwise**

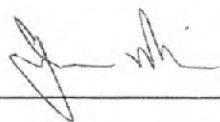
Names to be arranged in alphabetical order and numbered consecutively

No	Name of creditor	Address
	Employees of Tullis Russell Papermakers Limited See Separate List	

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Please complete legibly, preferably in black type, or bold block lettering

Nature of claim	Total amount of claim £000	Amount ranking as preferential £000	Balance not preferential carried to List 'E' £000
Wage arrears, holiday pay etc.	1,033	1,033	0

Signed



Date 12 June 2015

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

**LIST 'D'**

**Statement of affairs**

**List of holders of debentures secured by a floating charge**

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of Holder	Amount £	Description of assets over which security extends
	N/A	N/A	N/A

Signed



Date 12 JUNE 2015

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Please complete legibly, preferable in black type, or bold block lettering

LIST 'E' (consisting of 1 pages)

**Statement of affairs**

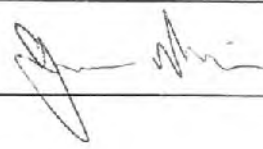
**Unsecured creditors – trade accounts.**

**Identify separately on this list customers claiming amounts paid in advance of the supply of goods and services**

Names to be arranged in alphabetical order and numbered consecutively

No	Name of and address of creditor	Amount of the debt £000
	Various Trade Creditors – See Separate List	18,543
	HMRC	1,437
	Tullis Russell Papermakers Employees	18,403
	Canadian Revenue Agency	420
	German Revenue Agency	25
	Business Stream	74
	Fife Council	81
	Inter Company Loans -	2,956
	Other	500
		42,439

Signed



Date 12 JUNE 2015

Please do not write in this margin

**LIST 'F'**

**Statement of affairs**

**Unsecured creditors – Bills payable, promissory notes, etc**

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

**\*Note**  
The particulars of any bills of exchange and promissory notes held by a holder should be inserted immediately below the name and address of such creditor.

No	Name and address of acceptor of bill or note	Name and address of holder*	Date when due	Amount of claim £
	N/A	N/A	N/A	N/A

Signed



Date 12 JUNE 2015

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

**LIST 'G'**  
**Statement of affairs**  
**Unsecured creditors – contingent liabilities**

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of creditor	Nature of liability	Amount of claim £000
	Various	Site Clearance, contract penalties etc - Estimate	8,000

Signed



Date 12 JUNE 2015

## LIST "E" TRADE CREDITORS

Creditor Name	Creditor Value
3M UNITED KINGDOM PLC	4,651.78C
3V SIGMA SPA	163,639.51C
ABB AUTOMATION LTD	31,812.74C
ABB LIMITED	5,952.60C
AC CABS	648.40C
ADFLEX LTD	12.00C
ADVANCED FIBER TECHNOLOGIES	3,551.00C
AES SEALTEC LIMITED	3,286.90C
AIRFOR ENGINEERING LIMITED	617.76C
ALLIANZ CORNHILL ENGINEERING	4,865.14C
ALLSTAR BUSINESS SOLUTIONS LTD	445.57C
ANGLIA FORWARDING	132.38C
ANGUS SMART & SON	1,510.74C
ANTALIS AG INDUSTRIESTRASSE	1,397.72C
ANTALIS GMBH	23,538.64C
ANTALIS LIMITED	12,394.35C
ANTALIS NV	25,589.78C
ANTALIS SNC	3,266.79C
AON LIMITED PREMIUM ACCOUNTS	722,581.06C
APPLIED SOFTWARE CONTROL LTD	10,800.00C
ARCHROMA DISTRIBUTION & MANAGEMENT	25,894.08C
ASA RECRUITMENT	4,752.00C
ASHTREAD ENGINEERING CO LTD	990.00C
ATRADIUS	58,089.49C
AVEBE BA	115,042.93C
AZELIS UK LTD	40,168.80C
BALBIRNIE HOUSE	85.00C
BARR PRINTERS LTD	4,676.26C
BASF PLC	341,891.21C
BELL GROUP U.K.	456.00C
BIELOMATIK JAGENBERG GmbH & Co	5,437.48C
BISSETT PRINTERS LTD	4,360.52C
BM TRADA CERTIFICATION LTD	502.92C
BOC LIMITED	440.40C
BONETTI ACCIA SPA	1,194.04C
BOOTS OPTICIANS	205.00C
BRECHIN TINDAL OATTS SOLICITORS	1,232.82C
BRENNTAG COLOURS LIMITED	3,312.00C
BRENNTAG UK LIMITED	999.86C
BRIGGS EQUIPMENT UK LIMITED	40,146.40C
BRIGHTSOLID LTD	36.00C
BRITISH BUNG MANUFACT COM LTD	6,515.94C
BRITISH STANDARDS INSTITUTION	5,495.62C
BRITISH TELECOM	120.60C
BUTTERWORTH LABORATORIES LTD	4,453.20C
BYK-GARDNER GMBH	631.10C
CALEDONIA FIRE AND SECURITY LIMITED	96.00C



CAMLAB LIMITED	134.63C
CARGILL PLC	736,229.80C
CELULOSE BEIRA IND (CELBI) SA	2,092,310.47C
CHAMELEON COLOUR SERVICES (UK) LTD	1,919.87C
CHRISTIAN DIOR (EUR INVOICE)	314.54C
CHUBB ELECTRONIC SECURITY LTD	368.29C
CLARA NET LTD	102.32C
CLEAR-VIEW	237.00C
CMS CAMERON MCKENNA LLP	1,800.00C
COMPANIES HOUSE	4.00C
COMPANY BARCLAYCARD	8,525.63C
COMPUTER LINKS LTD	594.00C
CONCEPT GROUP LIMITED	64.80C
CORDSTRAP LTD	12,268.80C
CORMACKS CAFÉ	185.00C
COVERIS FLEXIBLES (WINSFORD) UK LTD	51,691.19C
CRAIG RECRUITMENT SOLUTIONS	5,280.00C
DALRYMPLE CONSTRUCTION LTD	2,146.98C
DATASERVE UK	328.92C
DELILICIOUS CATERING LTD	1,127.07C
DELOITTE BELASTINGADVISEURS B.V	1,268.81C
DEMAG CRANES & COMPONENTS LTD	23,635.81C
DENHOLM WILHELMSSEN LTD	8,477.95C
DP SALES LTD	214.61C
DP SERVICES (SCOTLAND) LTD	25,008.90C
DP SYSTEMS (SCOTLAND) LTD	15,460.80C
DSV AIR & SEA LIMITED	2,464.20C
DSV ROAD LTD	2,684,469.45C
DUNSIRE ASSOC.(ELECT.) LTD	1,350.00C
EDEN SPRINGS UK LIMITED	0
EKMAN AG	556,512.34C
ELP ARBUTHNOTT MCCLANACHAN	420.00C
EOLAS TECHNOLOGY	1,468.80C
ERIKS INDUSTRIAL SERVICES	397,701.07C
ERIKS INDUSTRIAL SERVICES	43,593.81C
ERIKS INDUSTRIAL SERVICES LTD	4,842.07C
EUROFILMS EXTRUSION LTD	34,698.38C
EUROPEAN CARTON MAKERS ASSOCIATION	2,178.81C
EUROPEAN GAS CONSULTANCY LTD	7,778.52C
EUROPEAN SAFETY SYSTEMS LTD	130.37C
EXCEL ENGINEERING SERV LTD	2,425.20C
EXCEL ENVIRONMENTAL SERVICES	670.00C
FASTNET INTERNATIONAL LIMITED	108.00C
FCE HYDRAULIC POWER SERV LTD	17,158.28C
FCE MATERIALS HANDLING LTD	6,666.96C
FERALCO (UK) LTD	24,484.45C
FIBRE SOURCE NORTH AMERICA CORP.	747,393.69C
FIFE CHAMBER OF COMMERCE & ENTERPRIS	842.40C
FIFE CHAMBER OF COMMERCE & ENTERPRISE	949.00C
FIFE FORKLIFTS	15,591.41C

FISHERS SERVICES (CUPAR) LTD	168.00C
FMW INDUSTRIEANLAGENBAU GMBH	476.43C
FORKLIFT TRAINING SCOTLAND LTD	720.00C
FORTH PORTS PLC	3,630.00C
FORTH VIBRATION SERVICES	10,560.95C
FRASER COYLE	3,825.00C
FRY HEATH AND SPENCE LLP	1,466.51C
FUCHS LUBRICANTS (UK) PLC	7,351.31C
FUGLESANGS GLASGOW	28,644.00C
GAZPROM ENERGY	47,370.59C
GB LPG LTD	11,446.91C
GEA HEAT EXCHANGERS LTD	2,644.68C
GEODIS WILSON LTD	273.79C
GF SMITH	1,669.44C
GLENROTHES LOCKSMITHS	142.84C
GP PLANTSCAPE LTD	1,528.00C
H.B. FULLER UK LIMITED	2,304.96C
HAAG LOGISTIC GROUP	1,263.56C
HAMPTON KNIGHT LIMITED	4,284.00C
HAZCO ENVIRONMENTAL LIMITED	624.00C
HERTZ LEASE	643.69C
HONEYWELL CONTROL SYSTEMS LTD	18,132.50C
HUTCHINSON NETWORKS LTD	2,591.20C
IMERYS MINERAUX BELGIQUE SA	57,248.59C
INITIAL WASHROOM SOLUTIONS	297.48C
INSIGHT DIRECT (UK) LTD	3,827.40C
INSPIREPAC LTD	3,421.08C
INTERNATIONAL FOREST PRODUCTS	39,880.74C
INVISTA LIMITED	5,983.20C
ISEGA	101.40C
ITOCHU FIBRE LIMITED	2,880,566.88C
JAMES CROPPER CONVERTING LTD	11,580.50C
JAMES MCCAIG T/A JAMES MCCAIG FARMS	20,865.24C
JAMES REIDY ENGINEERING	2,840.00C
JOHN SHORT	8,716.00C
JOHN WHITE & SONS LTD	3,498.24C
JUBILEE ELECTRONICS LTD	295.00C
JUD AG PAPIERMASCHINEN	3,369.12C
KADANT UK LTD	8,516.42C
KALAMAZOO SECURE SOLUTIONS LTD	930.06C
KD DOORS	9,741.13C
KERR COMPRESSOR ENGINEERS (EK)	25,944.00C
KONECRANES SERVICE LIMITED	2,880.00C
LA COMPAGNIE GREENFIELD S.A.	138,770.32C
LAMOND & MURRAY	4,224.00C
LANDFALL SCAFFOLDING LIMITED	8,147.99C
LANGSTANE PRESS	6,129.37C
LEX AUTOLEASE LIMITED	180.30C
LIGHTHOUSE (UK) LTD	54.54C
LOCOFOCO LTD	9,777.60C

LOTHIAN VULCANISING	4,529.96C
MACDONALD RUSACKS HOTEL	99.00C
MAGMA FABRICATIONS (GLENROTHES	1,058.40C
MALCOLM ROSS & SONS LTD	307.20C
MANCHESTER INDUSTRIES INC	25,318.24C
MANOR CARS	1,323.42C
MARK INFORMATION UK LTD	1,524.79C
MARSHALL CONSTRUCTION LTD	5,441.90C
MCQUEEN'S DAIRIES LTD	200.00C
MESSAGELABS LTD	7,560.00C
METHILHAVEN SURGERY	55.00C
METPRO GROUP	67,006.49C
MINES RESCUE SERVICE LIMITED	768.00C
MITIE CLEANING & ENVIRONMENTAL	16,606.58C
MODUS (SCOTLAND) LIMITED	462.00C
MSK COVERTECH-GROUP	26.89C
MULTI PACKAGING SOLUTIONS GMBH	688.98C
MULTIPRINT (SCOTLAND) LIMITED	716.40C
MUNDHENKE & PARTNER GMBH	113.14C
MYRTLE COFFEE SERVICES LTD	187.20C
NATHS LTD T/A NATIONAL HEIGHT SPECIA	48,385.20C
NCC SERVICES LTD	1,482.00C
NEOPOST LIMITED	2,924.56C
NETWORK WASTE	3,187.95
NIFES CONSULTING GROUP	10,625.28C
NOPCO PAPER TECHNOLOGY GMBH	20,826.58C
NORDSON (U.K) LTD	1,951.20C
NORKEM LIMITED	8,610.00C
NORMAND & THOMSON (HILLEND)	18,776.40C
NUGENSIS LTD	933.94C
O KAY ENGIN. SERVICES LTD	2,347.20C
O2 (UK) LIMITED	4,208.05C
OGILVIE FLEET LTD	288.00C
OMNIA-CHEM LIMITED	193,025.76C
OMNIA-CHEM LTD	24,319.68C
OMYA UK LTD	761,173.39C
OPEX SOLUTIONS LIMITED	12,647.83C
OPTIMA CONTROL SOLUTIONS LTD	120.00C
PAFRA ADHESIVES LTD	20,406.00C
PAPELTEC OVERSEAS INC	4,400.00C
PAPERLINX CONVERSION CO.	2,637.81C
PARK GATE & CO LIMITED	19,287.60C
PITREAVIE GROUP	30,620.34C
POLLOCK (SCOTRANS) LTD	158,434.76C
POLYTHENE UK LTD	8,485.51C
POOLE PROJECTS LTD	5,877.60C
PORTUCEL	2,062,842.92C
PREMIER ENGRAVING & SIGNS LTD	247.18C
PREMIER PAPER GROUP LTD	7,200.00C
PROCTER MACHINE GUARDING	1,127.62C

PRUFBAU (EUR INVOICE)	959.68C
PUK WATER FILTRATION LTD	588.67C
PUMP SUPPLY & REPAIR GROUP LTD	3,768.30C
PYROLL WINSCHOTEN BV	73,533.09C
QUALITY ASBESTOS SERVICES LTD	8,434.52C
R&B SWITCHGEAR (NORTHERN) LTD	288.00C
R.H. ENGINEERING SERVICES	3,288.00C
R.LINDSAY & CO LTD	47,536.60C
REGAL RUBBER COMPANY	1,524.00C
RIMOR CONVERTING	1,056.00C
RING-A-ROSES	345.96C
RIX SHIPPING (SCOTLAND) LIMITED	9,358.27C
RMS LTD	7,962.00C
ROBERT SUMMERS TRANSPORT	432.00C
ROLPEX LIMITED	5,038.67C
RWE INNOGY MARKINCH LTD	1,567,912.34C
SAFETYKLEEN UK LTD	2,241.00C
SAFIC-ALCAN UK LIMITED	74,880.00C
SAGE (UK) LTD	9,217.12C
SAMPSON NEWSAGENTS	721.35C
SCOT ENVIRON PROTECTN AGEN	11,583.51C
SCOTT TIMBER LTD	611,927.86C
SCOTTISH COAL CO. LTD	104,847.28C
SCOTTISH HYDRO-ELECTRIC	4,147.45C
SCOTTISH SECURITY & FIRE SYSTEMS	620.88C
SCOTTISH WATER	60.48C
SDC INDUSTRIES LTD	366.00C
SERVOTECH LTD	1,344.00C
SIMGE ANTALIS	1,188.78C
SMARTS	3,927.12C
SMEATON ENGINEERING LIMITED	7,258.92C
SOLENIS UK LTD	300,863.62C
SONOCO ALCORE	130,013.85C
STANLEY SECURITY SOLUTIONS LTD	1,365.01C
STRATHALLAN SAFETY LLP	79.20C
STRATHCLYDE TYRE SERVICES LIMITED	3,822.00C
SULZER DOWDING & MILLS	1,508.40C
SULZER DRIVES & CONTROLS	2,616.00C
T.R.E.E. LIMITED	528.00C
TAN INTERNATIONAL SCOTLAND	3,885.84C
TAUPO CONSULTING LIMITED	2,421.00C
TERVAKOSKI DIELECTRICS LTD	94,866.83C
TESA UK LIMITED	32,428.51C
THE DANWOOD GROUP LIMITED	51,885.96C
THE OLD MANOR HOTEL	770.40C
THE WHITE SEA & BALTIC CO LTD	14,784.00C
THERMATIC MAINTENANCE Ltd	1,061.72C
THOMAS MENZIES (BUILDERS) LTD	12,229.20C
TILLY MASTERSON A FUND	2,475.12C
TOWN END (LEEDS) PLC	966.00C

TRANCEL SYSTEMS AB	4,063.10C
TULLIS RUSSELL GROUP LTD	290,268.17C
TULLIS RUSSELL INC	48,396.38C
U.P.S. LIMITED	5,946.16C
UNION PAPELERA	4,273.82C
UNISOURCE WORLDWIDE, INC (USD INVOICE)	1,952.29C
UNITED RADIO CABS	82.90C
UPM S.A.	1,280,474.85C
UPM-KYMMENE CORPORATION	43,252.83C
UPS SCS (UK) LTD	1,302.49C
VALMET LIMITED	1,613.02C
VALMET LTD	4,566.00C
VOITH PAPER AUTOMATION GMBH	3,205.00C
VOITH PAPER FABRIC & ROLL SYSTEM GMB	120,739.16C
VOITH PAPER GMBH & CO KG	5,596.26C
VOITH PAPER GMBH & CO KG	42,017.52C
VOITH PAPER LIMITED	70,038.40C
W A MCGARRIE & SON LTD	41,451.95C
WALKI EKOPAK S.A.	45,628.79C
WATER COOLERS (SCOTLAND) LTD	1,800.90C
WELDING ENGINEERS (GLASGOW) LTD	1,725.03C
WESTGATES COMPUTING LIMITED	1,213.69C
WEYFRINGE BARCODE & LABELLING SYSTEM	391.20C
WOLVERINE FREIGHT SYSTEM	8,758.13C
WOLVERINE WAREHOUSING & DIST. LTD	20,677.97C
YOUATWORK LIMITED	544.84C
	21,480,994.29C
ROT	3,000,000.00
	<u>-18,480,994.29</u>

## Appendix 5 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</b>	Tullis Russell Group Limited
<b>GVA</b>	GVA Grimely Limited, property agents
<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 defined benefit pension scheme in which TRP is the principal employer
<b>RPO, the</b>	The Redundancy Payments Office
<b>TRP</b>	Tullis Russell Papermakers Limited - in Administration
<b>WIP</b>	Work in progress

Any references in these proposals 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 6 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Blair Nimmo and Tony Friar, the Joint Administrators of Tullis Russell Papermakers Limited – in Administration ('TRP'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes 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.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in TRP.

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

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their 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 these proposals.

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

The Joint Administrators act as agents for TRP 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 these proposals or the conduct of the administration.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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**TAB C**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C, 1985, c. B-3,  
AS AMENDED**

**AND IN THE MATTER OF A PROCEEDING IN THE UNITED KINGDOM OF TULLIS  
RUSSELL PAPERMAKERS LIMITED (IN ADMINISTRATION)**

**APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR  
OF KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C., 1985, c. B-3, AS AMENDED.**

**FIRST REPORT OF KPMG INC. IN ITS CAPACITY AS  
INFORMATION OFFICER**

(NOVEMBER 13, 2015)

**INTRODUCTION**

1. On April 23, 2015, the directors of Tullis Russell Papermakers Limited (“**TRP**” or the “**Foreign Debtor**”) resolved to place TRP in administration. On April 27, 2015, Mr. Gerard Friar and Blair Nimmo of KPMG LLP were appointed Joint Administrators (the “**Joint Administrators**”) in TRP’s administration proceeding commenced in the United Kingdom pursuant to *The Insolvency Act 1986* (c. 45) (the “**TRP Administration**”).

2. On July 14, 2015, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**Recognition Order**”), inter alia, recognizing the United Kingdom administration proceedings of the Foreign Debtor as “foreign main proceedings” (the “**Foreign Proceedings**”) for the purposes of section 268 of the *Bankruptcy and Insolvency Act*, R.S.C.

1985, c. B-3, as amended (the “**BIA**”) and recognizing the Joint Administrators as “foreign representatives” (in such capacity, the “**Foreign Representatives**”) as defined in Section 268.

3. Additionally, on July 14, 2015 the Court granted a supplemental order (the “**Supplemental Order**”) appointing KPMG Inc. (“**KPMG**”) as information officer (in such capacity, the “**Information Officer**”), to among other things, assist the Joint Administrators in the performance of their duties and to report to the Court on the status of the Foreign Proceedings.

4. Pursuant to the Recognition Order, a copy of which is attached hereto as **Appendix A**, the Information Officer on behalf of the Foreign Representatives, caused to be published the notice attached thereto, on July 17, 2015 and July 23, 2015 in the National Post.

5. Pursuant to the endorsement of his Honour Justice Wilton-Siegel (the “**Endorsement**”), on July 15, 2015 the Joint Administrators’ counsel served the Canada Revenue Agency (“**CRA**”) with copies of the Recognition Order, the Supplemental Order, the Endorsement and a copy of the application record.

6. On June 17, 2015, the Joint Administrators issued their report to the creditors of TRP (the “**Joint Administrators’ Report**”) outlining among other things, the background and events leading up to the TRP Administration, progress on the TRP Administration proceedings and the proposals to the creditors including, but not limited to, maximizing realizations and making of distributions where funds allow (the “**Proposals**”). A copy of the Joint Administrators’ Report is attached hereto as **Appendix B**.

7. This constitutes the first report of the Information Officer to the Court (the “**First Report**”) for the purpose of providing an update on the status of the Foreign Proceedings, which pursuant to the Supplemental Order are to be provided at least once every four months.

8. In preparing this report, the Information Officer has relied upon financial information obtained from the Foreign Representatives and discussions with the Foreign Representatives (the “**Information**”). The Information Officer has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information and expresses no opinion or other form of assurance in respect of the Information.

## **Background**

9. A more detailed description of TRP’s business and its operations can be found in the Joint Administrators’ Report.

10. TRP, a producer of premium paper and board products for end customers operating in a wide range of sectors, including cosmetics, pharmaceuticals, food and beverages, audio visual and IT, was incorporated on May 21, 1906 and is a duly incorporated corporation under the laws of Scotland. Although incorporated in 1906, TRP has long standing roots in Scotland dating back to as early 1809.

11. Prior to the commencement of the TRP Administration, TRP operated from premises and were principally managed from its registered office in Markinich, Fife, Scotland wherefrom it carried out all corporate and strategic business decisions together with its human resources, accounting, marketing and other managerial functions. TRP did not have a place of business in Canada nor employees, but it did routinely solicit orders for delivery of goods to customers in Canada through its sales office in the United States or its head office in Scotland.

12. As a result of significant challenges adversely impacting the papermaking industry, weakening global demand and downward pressure on margins including volatile raw material prices and unfavourable currency exchange, TRP incurred substantial operating losses. Additionally, with the insolvency of its third largest customer in April 2015, TRP's directors concluded, acting in the best interests of the company's creditors, that it was appropriate to appoint administrators.

13. As outlined in the Joint Administrators' Report, despite exhaustive sales processes, both prior and subsequent to the TRP Administration, no expressions of interest to purchase TRP's business and assets on a going concern basis were received. Accordingly, the TRP Administration focused on implementing an orderly wind down plan and realization of TRP's assets, including the sale of a wide range of specialized papermaking plant and equipment and other assets.

### **Update on Foreign Proceedings**

14. At this time, the Joint Administrators are continuing with the Proposals as outlined in the Joint Administrators' Report, including continuing with the wind-down strategy for TRP's worldwide operations and realization of its assets by collecting accounts receivable and selling inventory and fixed assets.

15. As at the date of issuing the Recognition Order, TRP inventory stored at a third party warehouse in Windsor, Ontario totaled approximately \$1.86 million. All of this remaining inventory has now been sold to TRP's main customer in Canada.

16. The only other assets of TRP located in Canada were account receivables owing by certain customers. The Joint Administrators have advised that as at the date of this First Report, they have collected or otherwise fully exhausted their collection efforts on these accounts receivable.

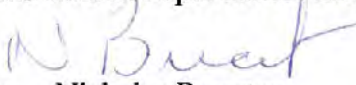
17. In June 2015, the Joint Administrators commenced a claim process requesting creditors to file their claims in the TRP Administration proceedings. The only known creditor in Canada is the CRA which is owed certain tax remittances that arose prior to the TRP Administration. As at the date of this First Report, the Joint Administrators advise that CRA has not yet filed a proof of claim in these proceedings. The Joint Administrators claims process is ongoing.

18. The Joint Administrators will be issuing to all known creditors, including CRA, its six month progress report on the Foreign Proceedings on or around December 7, 2015 (the "**Progress Report**"). The Information Officer understands that further information relating to proposed next steps in these proceedings will be included in the Progress Report. The Information Officer will post the Progress Report on its website and the Joint Administrators' counsel will also forward a copy to CRA.

19. The Information Officer will continue to provide updates to the Court as necessary and in accordance with paragraph 11 of the Supplemental Order.

All of which is respectfully submitted this 13<sup>th</sup> day of November, 2015.

KPMG INC., in its capacity as  
Information Officer of  
Tullis Russell Papermakers Limited

  
Per: Nicholas Brearton  
President

# APPENDIX A



Court File No.

CV-15-11036-00 CC

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)

THE HONOURABLE MR. ) TUESDAY, THE 14<sup>th</sup>  
JUSTICE H.J. WILTON - Sidor ) DAY OF JULY, 2015

*Handwritten signature*

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C, 1985, c. B-3,  
AS AMENDED

AND IN THE MATTER OF A PROCEEDING IN THE UNITED KINGDOM OF TULLIS  
RUSSELL PAPERMAKERS LIMITED (IN ADMINISTRATION)

APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR  
OF KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C., 1985, c. B-3, AS AMENDED.

INITIAL RECOGNITION ORDER  
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by Blair Carnegie Nimmo and Gerard Anthony Friar of KPMG LLP in their respective capacity as the foreign representatives (the "**Foreign Representatives**") of Tullis Russell Papermakers Limited (In Administration) (the "**Debtor**") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of Mr. Blair Carnegie Nimmo sworn July 13<sup>th</sup>, 2015, filed, and upon being provided with copies of the documents required by s. 269 of the BIA,



AND UPON BEING ADVISED by counsel for the Foreign Representative that in addition to this Initial Recognition Order, a Supplemental Order (Foreign Main Proceeding) is being sought,

AND UPON HEARING the submissions of counsel for the Foreign Representative, and upon being advised that no other persons were served with the Notice of Application:

### **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **FOREIGN REPRESENTATIVE**

2. THIS COURT ORDERS AND DECLARES that the Foreign Representatives are each a "foreign representative" (as defined in section s. 268 of the BIA) of the Debtor in respect of the administration proceeding of the Debtor in the United Kingdom pursuant to *The Insolvency Act* 1986 (c. 45) (the "**Foreign Proceeding**").

### **CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDING**

3. THIS COURT DECLARES that the centre of its main interests for the Debtor is the United Kingdom, and that the Foreign Proceeding is hereby recognized as a "foreign main proceeding" as defined in section 268 of the BIA.

### **STAY OF PROCEEDINGS**

4. THIS COURT ORDERS that until otherwise ordered by this Court:
- (a) all proceedings taken or that might be taken against the Debtor under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;
  - (b) further proceedings in any action, suit or proceeding against the Debtor are restrained; and
  - (c) the commencement of any action, suit or proceeding against the Debtor is prohibited.

**NO SALE OF PROPERTY**

5. THIS COURT ORDERS that, except with leave of this Court, the Debtor is prohibited from selling or otherwise disposing of:

- (a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and
- (b) any of its other property in Canada.

**GENERAL**

6. THIS COURT ORDERS that without delay the Foreign Representatives shall cause to be published a notice substantially in the form attached to this Order as Schedule "A", once a week for two consecutive weeks, in the National Post.

7. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, to give effect to this Order and to assist the Debtor and the Foreign Representatives and their respective counsel and agents in carrying out the terms of this Order.

8. THIS COURT ORDERS AND DECLARES that this Order shall be effective as of the date of this Order.

9. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days notice to the Debtor and the Foreign Representatives and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such <sup>lesser</sup> ~~other~~ notice, if any, as this Court may order.

*Hand*

*W. Hon - d. J.*

\_\_\_\_\_

ENTREED IN / REGISTRE A 101  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUL 15 2015

*MB*

ENTREED IN / REGISTRE A 101  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUL 15 2015

## SCHEDULE "A"

### Tullis Russell Papermakers Limited

PLEASE TAKE NOTICE that on July 14<sup>th</sup>, 2015, the Ontario Superior Court of Justice (Commercial List) issued orders (the "**Recognition Orders**") recognizing the administration proceeding in respect of Tullis Russell Papermakers Limited (the "**Foreign Debtor**") in the United Kingdom for protection under *The Insolvency Act 1986* (c. 45) as a foreign main proceeding pursuant to section 269 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended.

Pursuant to a notice of appointment by its directors, Blair Carnegie Nimmo and Gerard Anthony Friar of KPMG LLP (the "**Foreign Representatives**") were appointed as Joint Administrators of the affairs, business and property of the Foreign Debtor. Pursuant to the supplemental recognition order, KPMG Inc. was appointed as Information Officer in Canada.

A copy of the Canadian court materials in relation to this matter may be viewed online at: [www.kpmg.com/ca/tullisrussellpapermakers](http://www.kpmg.com/ca/tullisrussellpapermakers)

For additional information you may contact the Information Officer by e-mailing Mike Schwartzenruber at [mikes@kpmg.ca](mailto:mikes@kpmg.ca) or by fax at 416-777-3364 or the Foreign Representatives at: [calum.pickett@kpmg.co.uk](mailto:calum.pickett@kpmg.co.uk) or by fax at +44 131 527 6666 (Attention: Calum Pickett); the Foreign Representatives' Canadian Counsel by email [jgage@mccarthy.ca](mailto:jgage@mccarthy.ca) or by fax at 416-868-0673 (Attention: James Gage).

Dated at the City of Toronto, this \_ day of July, 2015.

**APPLICATION OF BLAIR CARNEGIE NIMMO AND GERARD ANTHONY FRIAR OF  
KPMG LLP UNDER SECTION 269 OF THE BANKRUPTCY AND INSOLVENCY ACT,  
R.S.C., 1985, c. B-3, AS AMENDED.**

Court File No:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL RECOGNITION ORDER**

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Lawyers for the Applicants

#14669981

## **APPENDIX B**



*cutting through complexity™*

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

Joint Administrators' proposals

17 June 2015



## Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 5).

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 statement of proposals is attached (Appendix 6).**





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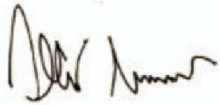




# 1 Executive summary

- In recent years, TRP incurred substantial trading losses as a result of significant challenges adversely impacting the papermaking industry, weakening global demand and downward pressure on margins.
- TRP was also materially affected by a number of specific issues, including volatile raw material prices and unfavourable currency movements.
- Recognising the industry-wide decline and the need for consolidation, TRP's directors took steps to seek a buyer for the business, with a comprehensive sales process commenced in October 2014. This process continued until April 2015, but ultimately no buyer was found.
- As a consequence, and also due to projected challenging trading conditions and the insolvency of its third largest customer, Paperlinx UK, in April 2015, TRP's directors concluded that, acting in the best interests of the company's creditors, it was appropriate to appoint administrators. Accordingly, we - Blair Nimmo and Tony Friar of KPMG - were appointed Joint Administrators of TRP on 27 April 2015. (see Section 2 - Background and events leading to the administration)
- In light of the negative outlook for future trading, and as a recent comprehensive sales process had already been undertaken with no party expressing an interest in acquiring TRP, continued trading on a full scale basis was not considered to be in creditors' interests. Furthermore, manufacturing of paper had already ceased in the weeks immediately preceding TRP's administration.
- As a consequence, upon our appointment it was necessary to take immediate steps to reduce TRP's costs to a level commensurate with the reduced operational activity. Unfortunately, this resulted in 325 of TRP's employees being made immediately redundant.
- Our initial strategy focused on assisting those employees who were made redundant with completing their claims to the RPO and on maximising value for TRP's assets. This included: converting WIP to finished goods; selling remaining finished goods products; and securing all necessary records to commence the collection of TRP's book debts.
- In tandem, the sales process run prior to our appointment was reignited and extended to establish if any party had an interest in acquiring TRP on a business and assets basis. However, it became clear that achieving a going concern sale of all or significant parts of TRP's business and assets was unlikely.
- Accordingly, plant and machinery agents have now been appointed to sell TRP's tangible assets on a piecemeal basis. Separate sales processes for TRP's brands/intellectual property and its Electrical Crepe Paper business remain ongoing.
- At the date of our appointment, TRP had no outstanding secured debt. (see Section 4.1 – Secured creditors)
- We expect that TRP's preferential creditors will be paid in full. (see Section 4.2 – Preferential creditors)
- We anticipate that unsecured creditors will receive a dividend, however, the amount and timing of such a dividend is currently uncertain. (see Section 4.3 – Unsecured creditors)
- At this stage, we anticipate the most likely exit route from administration will be by conversion to a creditors' voluntary liquidation. (see Section 5 - Ending the administration)
- A meeting of TRP's creditors is scheduled on 2 July 2015 at 10am to consider our proposals. (see Section 6 - Creditors' meeting)

- We propose that our remuneration be drawn on the basis of time properly given by us and the various grades of our staff. We will seek approval for this from the Creditors' Committee should one be established, or alternatively from the preferential and unsecured creditors. (see Section 7 – Joint Administrators' remuneration, disbursements and pre-administration costs)
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Blair Nimmo  
Joint Administrator

## 2 Background and events leading to the administration

### 2.1 Background information

TRP was incorporated on 21 May 1906 however, the papermaking business has roots dating back to 1809. TRP produced premium paper and board products for end customers operating in a wide range of sectors, including cosmetics, pharmaceuticals, food and beverages, audio visual and IT.

TRP operated from premises owned by Group at Markinch, Fife and at the date of appointment employed a workforce of 474.

### 2.2 Funding and financial position

In the year to 31 March 2014, TRP recorded a turnover of £124.6 million, but suffered a pre-tax loss of £3.4 million. TRP has incurred cumulative losses of £18.5 million over the last five years, largely as a result of the structural decline in the UK papermaking industry, weakening global demand and pressure on its margins. In its audited accounts to 31 March 2014, TRP recorded net assets of £7.4 million.

TRP utilised a confidential invoice discounting facility with LBCF to manage working capital. At the date of our appointment, LBCF had no outstanding debt.

### 2.3 Events leading to the administration

#### Overview

TRP's market has been in long term decline as media, consumers and other outlets move from paper to digitally-based products, resulting in worldwide oversupply and price competition.

This decline was, in part, offset by steps taken by TRP to widen its product and customer base and improve the efficiency of its operations. In March 2014 a £200 million biomass plant was opened on site in partnership with RWE Npower with the aim to reduce TRP's energy costs. Despite these efforts, TRP remained significantly loss making, resulting in a degree of cash flow pressure.

TRP has also faced a number of specific challenges recently, including *inter alia*:

- A significant portion of sales are to Europe and the strengthening of Sterling against the Euro in early 2015 had an adverse impact on competitiveness;
- The cost of TRP's main raw material, wood pulp, has been trading at consistently higher levels than historically experienced; and
- TRP's third largest customer, the Paperlinx UK group of companies ('Paperlinx'), was placed into insolvency on 1 April 2015. This resulted in the immediate loss of over 15% of annualised turnover and cash flow issues with collecting Paperlinx' outstanding debtor balances.

Recognising the structural changes in the industry, the challenging outlook for TRP and the need for consolidation, the directors took steps in October 2014 to seek a buyer for the business. This process continued until April 2015, however, despite in excess of 60 parties being contacted, no offers or material interest in the business were generated.

With financial forecasts indicating that losses would continue, and having taken independent legal advice, the directors concluded that, acting in the best interests of TRP's creditors, it was appropriate and necessary to take steps to appoint administrators.

## 2.4 Pre-administration work

### Involvement prior to administration

In August 2014, KPMG was engaged by Tullis Russell Group Limited ("Group"), a company which owns 100% of the issued share capital of TRP, to perform the following tasks for Group and TRP:

- Assess the refinancing options available to Group, including TRP.
- Advise Group on the potential strategy for selling TRP, including:
  - assist Group with identifying potential purchasers of TRP;
  - provide input into the preparation of marketing collateral used to offer TRP for sale;
  - liaise with any potential interested parties during the course of the sales process; and
  - assist Group with the evaluation of any offers received for TRP.
- Provide Group with guidance on contingency options in the event that a sale of TRP was not achievable.
- Assist Group with understanding the implications for the pension scheme (in which TRP is the principal employer) under a sale or contingency scenario.
- Planning for an Administration of TRP in the event that this should arise.

### Work relating to preparation for administration

The following work was carried out prior to our appointment as part of the process of placing TRP into administration:

- KPMG advised the Directors in relation to the implications for the business and stakeholders of an administration appointment.
- KPMG assisted the Directors with the preparation of the appointment documents.
- CMS assisted with the preparation and lodging of the appointment documents.

This work was necessary in order to place the Company into administration.

KPMG's work was carried out under an engagement letter with Group and all costs relating to the period before TRP's administration are excluded from the analysis of time costs in Section 7.

We are satisfied that the work carried out by KPMG before our appointment, including the pre-administration work summarised below, has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

## 2.5 Appointment of Joint Administrators

The directors resolved on 24 April 2015 to place TRP into administration. A notice of appointment was lodged at the Court of Session on 27 April 2015 and we were duly appointed.

# 3 Strategy and progress of the administration to date

## 3.1 Strategy to date

### Strategy

TRP had ceased the manufacturing of paper prior to our appointment, with only finishing and conversion processes remaining operational. Given the very difficult trading conditions referred to above, the negative outlook for the business, significant anticipated funding requirements and that an extensive process to seek a buyer for TRP had not been successful, recommencing full manufacturing and trading was not considered beneficial.

Our overall strategy at the outset of the case was, therefore, to:

- Reduce TRP's costs to a level commensurate with the reduced operational activity;
- Assist redundant employees with making claims to the RPO for their entitlements;
- Run a focused sale of business process to establish if any party wished to acquire TRP as a going concern on a business and assets basis;
- Maximise value for 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;
- In the event that a going concern sale was not achievable, commence marketing and selling TRP's plant and machinery on a piecemeal basis;
- Run 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.

In the sub-sections below, we have set out additional detail on the key areas of focus during the administration to date.

### Employees

On our appointment, meetings were held with all staff and, as a consequence of the significantly reduced trading activity and the cessation of manufacturing, it was necessary to reduce costs and 325 of the workforce of 474 were immediately made redundant.

To assist staff in making claims to the RPO for redundancy, holiday pay, and pay lieu of notice, we set up a processing centre at a site near TRP's main premises. All employees were invited to attend the centre and were guided through the online application process by specialists from the KPMG Employment Rights team. Whilst this process involved a significant amount of our staff's time, as a result all claimants who attended the centre had their claims processed and submitted to the RPO within 5 days of their redundancy. A similar process was followed in relation to the redundancies made subsequent to those in the initial days of the administration.

There are currently 99 employees who have been retained to assist with asset realisation and the decommissioning process.

Until 2002 TRP participated in a multi-employer defined benefit pension scheme, at which time it was closed to defined benefit members. The pension deficit of £15.7 million shown in the Directors' Statement of Affairs is the most recent estimate of the buy-out or section 75 deficit from the funding update provided by the Scheme Actuary.

On our appointment we submitted the necessary s120 form to the scheme trustees, the Pensions Regulator ('tPR') and the Pension protection Fund ('PPF'), and the scheme then entered a PPF assessment period. We also confirmed to the trustees that tRP would no longer make payments under the current Schedule of Contributions. We were subsequently advised that the trustees and Group were considering a scheme rescue, whereby Group would become the principal employer of the scheme. We therefore took legal advice on the actions that would be required by the Joint Administrators as part of a scheme rescue, including the requirement by the Joint Administrators to confirm a scheme rescue could take place in a s122 form to be submitted to the PPF.

At the date of this report, we understand that the trustees and Group remain in discussion regarding a scheme rescue. In any event, we have been advised that the section 75 debt due to the scheme will likely rank as an unsecured creditor of TRP.

### Sale of business

As noted in section 2.3, in October 2014, Group engaged KPMG Corporate Finance to sell TRP and various overseas entities (sales offices) which were subsidiaries of Group, together comprising Group's Premium Paper and Board division. During this process, KPMG Corporate Finance contacted 64 parties from across the world. Six of these parties signed Non-Disclosure Agreements and were provided with an Information Memorandum relating to the business, however, none of these parties pursued their interest.

Following our appointment, we re-contacted these parties to establish whether they would have an interest in acquiring TRP's business on an assets basis as opposed to the share sale, which Group had previously been pursuing. Unfortunately, the parties reconfirmed their position that they were not interested in acquiring TRP's business, notwithstanding that it had entered administration.

We also opened up the sales process to a wider audience and sent approximately 200 sales flyers to KPMG's network of distressed investor contacts, setting out the potential opportunity to acquire TRP's business and assets. This generated nine replies, from which seven parties signed Non-Disclosure Agreements and received an Information Memorandum. None of these parties conducted site visits or met with TRP's management team.

Due to TRP's long history and reputation, the administration attracted considerable media interest in both the local and national press. It was also well publicised within the paper industry. As a consequence, we were contacted by a further 14 parties who expressed an interest in acquiring the business and assets, six of whom signed Non-Disclosure Agreements and received an Information Memorandum. Two of these parties conducted site visits and met with TRP's management team.

Having advertised and marketed TRP's business and assets extensively, we set a closing date for indicative offers for 18 May 2015. Unfortunately, no offers were received at that time, which confirmed the lack of interest that had been expressed in the business prior to our appointment.

Having exhausted the sale of business process and determined at that stage that there were no parties wishing to acquire the business and assets as a going concern, we turned our attention to implementing an orderly wind down plan and piecemeal realisation of TRP's assets.

## 3.2 Asset realisations

Realisations from the date of our appointment to 12 June 2015 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant assets together with realisations to date are provided below.

### Freehold property

TRP owns freehold property consisting of two separate parcels of land situated to the north and south of the paper making facility in Markinch. As noted in Section 4.1, the land is secured to the Pension Scheme.

#### North Site

The North site has an area of 11.79 acres of undeveloped land which was valued by GVA in 2013 on the basis that it would be for residential use. Although the land was marketed for sale prior to our appointment, no purchaser with the ability to complete a transaction at the valuation level was identified. Whilst the outcome from the sale of business process remained pending, we took the decision not to seek a purchaser for the land. As this exercise is now complete, we intend to market the land for sale.

#### South Site

The South site is understood to have been a former operational area of 10.6 acres which was previously cleared of building structures. The site is immediately adjacent to the Queensgate Estate, which is mixed in character, providing a range of industrial and commercial occupiers including food and non-food retail accommodation.

On our appointment we met with GVA who had been advising TRP prior to administration in relation to the South Site and made us aware of the urgent need to progress the sale of this site, where terms of sale were well advanced with Ediston. We engaged with GVA who stated that their advice to us was to proceed towards completing a transaction with Ediston. Given that GVA are sector specialists, that a competitive and recent marketing process had been undertaken by then, and that Ediston's offer was in line with GVA's valuation and approved by the secured creditor, we agreed to the sale and a conditional missive was concluded with Ediston on 22 May 2015. The longstop for completion is November 2015. As the land sale has not yet concluded, the value of the sale at this stage is commercially sensitive and has not been disclosed.

### Leasehold property

The main operational premises in Markinch were previously owned by TRP. In March 2014, TRP sold the paper mill site plus an adjacent area of land to Group for £11.05 million. This sales price matched a valuation of the properties carried out by James Barr (now part of GVA) in August 2013.

Following the sale of the properties to Group, TRP continued to occupy and utilise the premises. No formal lease was put in place and no rent was paid by TRP to Group. This has remained the case following our appointment.

### Plant and machinery

TRP owns a wide range of specialist papermaking plant and equipment and other assets. Although a large proportion of the plant and equipment has been fully written-down in TRP's statutory accounts, it was nevertheless operational prior to our appointment and is believed to be of significant value.

TRP owns three twin wire paper machines producing coated and uncoated SBS board, heavyweight offsets and a range of other speciality grades. TRP also owns two off-line coaters which allowed the business to produce coated SBS and cast coated board to a broad range of specifications.

In addition, TRP owns a broad range of finishing and conversion equipment, including winders, an embosser, cutters, sheeters, wrapping and packaging lines.

As a purchaser for TRP's business and assets as a going concern has not been identified, we have engaged John Wilkie and GMG on a joint agency basis to market and sell TRP's plant and machinery. We have agreed a commission structure to incentivise the agents based on the level of asset realisations linked to the time taken to sell the plant and equipment and clear the site. Nevertheless, at this stage, the timing and quantum of realisations from sales of plant and machinery remain uncertain.

With the assistance of TRP's retained employees and our agents, we have implemented a decommissioning program to mothball and preserve the plant and equipment pending it being sold and to ingather all machine spares and other information such as engineering and electrical drawings and maintenance records so as to maximise value. Due to the nature of the plant and equipment and particularly the size of the paper machines and coating machines it could take a considerable length of time for it to be sold, dismantled and removed from site.

With input from TRP's health and safety team, we will ensure that all Health, Safety and Environmental matters are dealt with appropriately and the plant and machinery is dismantled and removed from site in a safe and controlled manner that complies with all relevant rules and regulations.

#### Book debts

At the date of our appointment, TRP's book debts (excluding intercompany debts) totalled £16.9 million, with over 300 individual customers. As noted above, TRP operated a confidential invoice discounting facility with LBCF who had an assignation over TRP's debtor balances. There were no outstanding amounts due to LBCF under this facility at the date of our appointment.

Immediately following our appointment we liaised with retained staff in TRP's finance department and undertook a comprehensive review of book debts to ascertain their collectability. A high proportion of TRP's customers are located overseas, with a significant number of customers being entitled to contractual discounts agreed in the normal course of business prior to our appointment. To assist with collection of debtors, certain TRP staff who have extensive knowledge and experience of TRP's customers were retained to assist us in securing maximum recovery from book debts.

Whilst TRP's debtor balances have arisen through the supply of goods and are not contractual in nature, the inability to complete certain customer orders as a consequence of the administration has made the collection of debts more challenging. Since the administration, we have had extensive dialogue and negotiations with a number of TRP's main customers to discuss their outstanding debtor balances. For any customers who have purchased stock following the administration, we have made it a pre-requisite of accepting their order that all outstanding debtor balances be settled in full and on time.

Where customers have made claims for deductions from their balance (for example, for discounts, quality issues or volume rebates), together with TRP's staff, we have assessed each claim to determine its legitimacy.

To date, debtor realisations total approximately £8.2 million representing 48% of the opening gross ledger. Given the early stage of the Administration it is not currently possible to accurately determine future debtor recoveries, however, we will continue to pursue all remaining debts, via the legal process if necessary, and whilst it remains cost effective to do so.



## Paperlinx

Included within the opening book debts balance noted above is £1.2 million owed by Paperlinx. Paperlinx, together with a number of its sister and subsidiary entities, entered into insolvency proceedings on 1 April 2015, casting doubt over the recoverability of the debt. Prior to our appointment, TRP's staff had:

- placed Atradius (who provided TRP with credit insurance in relation to sums owed by certain customers) on notice of a potential claim under the insurance policy in force; and
- contacted Deloitte LLP, who were dealing with the Paperlinx administration in the UK, to make them aware of TRP's Retention of Title claim over stocks supplied, estimated at 570 tonnes, which had not yet been paid for by Paperlinx.

Following our appointment, we have established contact with Atradius to discuss matters and have instructed CMS to consider the claim under the credit insurance policy. We have also progressed TRP's Retention of Title claim with Deloitte LLP/Paperlinx. Matters remain ongoing and we will work with all parties to ensure that recoveries are maximised under both the Retention of Title claim and the credit insurance claim.

## Inter-company debtors

At the date of our appointment, there were three inter-company debtor balances due to TRP:

- Group - £106,822.97
- Tullis Russell Coaters - £44,608.50
- Tullis Russell Coaters (Korea)- £344,887.92

Due to sums owed by TRP to other entities, TRP is in a net inter-company creditor position. We are in the process of determining whether any amounts for debtor balances will be recoverable in the administration.

## Stock

### WIP and finished goods

Upon our appointment, TRP had approximately 11,500 tonnes of finished goods stock and 3,000 tonnes of WIP which could be converted into finished goods, representing significant assets to realise in the administration. To assist with the conversion of WIP and the paper finishing process, we retained a number of TRP's operatives and technical staff. Similarly, staff from TRP's sales, logistics and invoicing teams were retained to support the sale of stock to customers and manage its distribution.

Prior to our appointment, TRP utilised the services of a number of third party warehousing providers both in the UK and overseas. TRP's main warehousing and haulage provider, DSV, had approximately 6,500 tonnes of TRP's finished goods stock in its possession at its UK warehouses on the date of our appointment. DSV also had an outstanding balance due to it by TRP in excess of £2.5 million.

Upon being notified of TRP's insolvency, DSV intimidated that it wished to enforce a lien claim over TRP's stock. Our lawyers, CMS, confirmed that DSV was legally entitled to take this action and had a valid lien. Without access to the stock held and the distribution support provided by DSV, our ability to achieve maximum value for TRP's stocks would have been greatly reduced. Furthermore, it would have been extremely challenging to transport and warehouse the WIP, being completed at TRP's premises in Markinch, without continued service from DSV.

Consequently, and after a period of negotiation with DSV, we reached a settlement agreement to allow TRP's stock to be released. The terms of this agreement, the specifics of which are



confidential, will result in DSV being paid for a portion of the balance owed by TRP while also being paid for ongoing warehousing and distribution while stocks continue to be stored and transported.

Similar agreements have been reached with TRP's other warehousing providers in Holland, Canada and the USA, albeit the stock held by these parties and the level of their debts is substantially lower than DSV.

Since reaching agreement to release TRP's stock, we have continued to sell and despatch items to TRP's customers who have agreed to our terms of supply. In a number of cases, this has involved extensive discussion, correspondence and negotiation with customers who are not familiar with transacting with a UK company in administration.

The ultimate level of recoveries from stock sales is unknown at present, however, sales of finished goods up to 12 June 2015 totalled £6.6 million (with the cash collection process ongoing under agreed credit terms) and we will continue to sell stock to TRP's customers in the normal manner whilst it remains cost effective to do so.

#### Raw materials and Retention of Title ("ROT")

TRP sourced raw materials such as wood pulp, chemicals, packaging products, machinery and spare parts from all over the world. A significant number of TRP's suppliers (over 60) have claimed ROT over goods supplied prior to our appointment and not paid for by TRP.

The process for resolving ROT claims involves organising site visits to inventory materials and liaising with suppliers to ingather documentation relating to their claims. Each claim has to be evaluated to determine validity.

To date, 17 ROT claims have been agreed and we will continue to work through the remainder. At present, we do not anticipate any material recoveries from the sale of raw materials.

#### Cash at bank

At the date of our appointment, TRP had cash balances in its bank accounts totalling approximately £0.6 million. We have arranged for these amounts to be transferred to the administration bank accounts.

#### Other assets

##### Brand names/intellectual property

TRP owns several brand names, which are protected by a number of registered trademarks in the countries in which the business operated. In addition, these brands are supported by intellectual property such as finished and production know-how.

*Trucard* was TRP's most prominent brand accounting for approximately 60% of revenues and representing the broadest range of solid bleached sulphate carton-board on the market, with a comprehensive range of surfaces, finishes and weights. *Trucard* commands a premium position in the market, with upper end pricing. *Trucard* had applications in luxury packaging such as cosmetics and spirits and TRP enjoyed strong relationships with a number of blue chip customers.

Other key brand names include *Advocate*, *Naturalis* and *Mellotex*, which were used for graphical papers with applications such as corporate stationery, annual reports, brochures and presentation materials.

We prepared a sales flyer on TRP's brand names and issued this to approximately 80 parties. Nine parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on each brand.



We set a closing date of Monday, 8 June 2015 for offers for the brand names on and received four offers for individual brand names. We are currently in the process of negotiating a sale of the *Naturalis* brand and associated stock. Due to the level of the offers received for the brands being lower than our expectations, these have not been progressed and consequently, we have engaged Metis Partners to assist with realising TRP's remaining brand names and intellectual property and to maximise value.

#### Electrical Crepe Paper business

TRP operated an Electrical Crepe Paper business, which converted externally sourced base paper into reels and coils of high specification creped material used as an insulator for high voltage electrical cables and transformers. The business was a separate standalone division within TRP and sold approximately 300 tonnes of Electrical Crepe Paper per annum and consistently generated turnover in excess of £1.0 million per annum and achieved double digit gross margin.

Recognising that it was profitable and generating cash, and that it was autonomous from TRP's wider business, we have continued to trade the Electrical Crepe Paper business whilst seeking a buyer for the business and assets as going concern.

In offering the business for sale, we prepared and issued a sales flyer with highlights of the Electrical Crepe Paper business to eight parties. Five parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on the business and three parties conducted site visits to view the operation and meet with staff.

We set a closing date of Monday, 8 June 2015 for offers for the Electrical Crepe Paper business. Three offers were received and we are currently reviewing these with a view to appointing a preferred bidder. The terms of the offers are confidential and cannot be disclosed at this time, but further details will be provided in future creditor reports where possible.

#### Other matters

##### Health and Safety

We notified the Scottish Environment Protection Agency ("SEPA"), the Health & Safety Executive ("HSE") and the local council of our appointment.

We have retained a number of key staff members who have the experience, qualifications and knowledge to ensure that standards under certain licences and permits are maintained during the administration process. KPMG Sustainability Services ("KSS"), specialists in health and safety and environmental matters, are also providing ongoing support and advice.

Collectively, we are working to ensure that the orderly wind down of the site is managed safely and in accordance with guidelines as set down by SEPA, HSE and the local council.

##### VAT and sales taxes

TRP had VAT/sales and import tax registrations in Germany, Canada and the Netherlands, as well as the UK. We have engaged the following advisors in these countries to assist with reviewing the VAT positions, notifying the relevant authorities and to assist with future returns:

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)

## Investigations

We are reviewing the affairs of TRP to establish if there are any actions which should be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Calum Pickett at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

## 3.3 Costs

Payments made from the date of our appointment to 12 June 2015 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made to date are provided below. This summary does not include costs which have been accrued and not yet paid.

### Employees

As previously noted, we initially retained 149 of TRP's employees (with staff numbers presently at 99) following the administration to assist us with the sale of business process and realising TRP's assets. The costs associated with paying employees are shown under the 'Direct labour' caption in Appendix 2 and total £771,299.43.

### Warehouses and distribution

As noted above, in order to continue ongoing supply to customers and to realise TRP's stock, we reached various agreements with warehouses and hauliers in the UK, the Netherlands, Canada and the United States. The costs incurred to date are shown under the 'Warehousing and distribution' caption in Appendix 2 and amount to (£801,780.95)

### Other trading costs

We have purchased £26,099.00 of base paper from Tervakoski OY, for use in production in the Electrical Crepe Pape Pape business, which has continued to trade while we market the business for sale.

We have paid £2,799.16 in relation to the hire of vehicles and IT equipment and £1,300.00 to Concept Group and Pollock (Scotrans) Limited for the hire of equipment.

We have paid £1,653.82 to Neopost Limited in relation to stationery and postage, and £320.09 to Scottish Power for heat and light.

We are accruing certain ongoing costs and will make payments to settle these as they fall due.

# 4 Dividend prospects

## 4.1 Secured creditors

TRP granted standard securities in favour of the Pension Scheme over two areas of freehold land (referred to in section 3.2 above). The amount secured is for all sums due to the Pension Scheme up to a maximum of £13.5 million. As stated in section 3.1, the estimated amount owed to the Pension Scheme 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.

TRP granted an assignation of its trade debtors to LBCF in August 2012. LBCF had no outstanding debt at the date of our appointment.

TRP granted a floating charge over certain of its assets to BoS. BoS had no outstanding debt due by TRP, hence its floating charge has not crystallised and no amounts are due to BoS.

## 4.2 Preferential creditors

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially.

We estimate the amount of preferential claims at the date of our appointment to be £733,000.

Based on current estimates, we anticipate that preferential creditors will be paid in full.

## 4.3 Unsecured creditors

Based on current estimates, we anticipate that a dividend will be available to unsecured creditors. It is not currently possible to estimate the level of this dividend as this will depend on *inter alia*:

- The level of stock and debtor realisations achieved;
- The value obtained from sales of TRP's plant and machinery;
- The costs of the administration process; and
- The level of creditor claims received.

Where possible, future reports to creditors will outline the potential quantum and timing of any dividend to unsecured creditors. If achievable, we may seek to make an interim dividend payment to creditors pending finalisation of realisations and costs.

# 5 Ending the administration

## 5.1 Exit route from administration

We currently consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be through conversion of the administration to a creditors' voluntary liquidation.

## 5.2 Discharge from liability

We propose to seek approval from the creditors committee (or in the event that a committee is not formed, the preferential and unsecured creditors) that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

See Section 6 for details regarding the meeting of creditors.

## 6 Approval of proposals and creditors' meeting

### 6.1 Creditors' meeting

Notice of a meeting of creditors to be held on 2 July 2015 at 10am at the Doubletree by Hilton, 34 Bread Street, Edinburgh, EH3 9AF is attached to the covering letter. We are convening it in order to present our statement of proposals.

#### Creditors' Committee

A Creditors' Committee will be formed if sufficient creditors are willing to act. The minimum number of Committee members is three and the maximum is five.

#### Function of the Creditors' Committee

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.

If a Creditors' Committee is formed it is for that body to approve, for instance:

- 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.

### 6.2 Resolutions

Creditors will be asked to vote on the following matters at the initial meeting of creditors:

- our proposals;
- the formation of a Creditors' Committee.

If a Creditors' Committee is not formed the resolutions in Section 7.1 which would have been considered by the Creditors' Committee will be voted on by the creditors.

# 7 Joint Administrators' remuneration and outlays, disbursements and pre-administration costs

## 7.1 Approval of the basis of remuneration and disbursements

Agreement to the basis and amount of our remuneration and outlays and the drawing of Category 2 disbursements is subject to specific approval. They are not agreed as part of our proposals.

Should a Creditors' Committee be formed at the creditors' meeting, we will seek to obtain approval from the Creditors' Committee that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3.

If a Creditors' Committee is not formed, the creditors represented at the meeting in person or by proxy will be asked to vote on the resolutions with regards to our remuneration and drawing of Category 2 disbursements.

### Time costs

From the date of our appointment to 12 June 2015, we have incurred time costs of £1,071,080.25. These represent 2,970.30 hours at an average rate of £360.60 per hour.

### Disbursements

We have incurred disbursements of £12,937.38 during the period. 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 disbursements paid directly by KPMG for the period from our appointment to 12 June 2015. We have also attached our charging and disbursements recovery policy.

# 8 Summary of proposals

As there were no parties wishing to acquire the business and assets as a going concern rescuing TRP in accordance with Paragraph 3(1)(a) is therefore not achievable.

Therefore our primary objective is to achieve a better result for TRP's creditors as a whole than would be likely if TRP were wound up, in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:



## General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of TRP in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims TRP may have;
- to seek an extension to the administration period via creditor approval or the Court if we consider it necessary.

## Distributions

- to make distributions to the preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

## Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of TRP to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of TRP's creditors, shareholders or the Court for approval as appropriate;
- place TRP into creditors' voluntary liquidation. In these circumstances we propose that we, Blair Nimmo and Tony Friar, be appointed as Joint Liquidators of TRP without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing TRP into liquidation and to consider, if deemed appropriate, appointing us, Blair Nimmo and Tony Friar, as Joint Liquidators of TRP without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. TRP will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

## Joint Administrators' remuneration

We propose that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 3



### Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

## Appendix 1 Statutory information

### Company information

Company and Trading 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 Frderick 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, P415 of 2015
Appointor	The Directors of the Company.
Date of appointment	27 April 2015
Joint Administrators	Blair Nimmo and Tony Friar
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).
Current administration expiry date	26 April 2016
Prescribed Part	The Prescribed Part is not applicable on this case as the floating chargeholder has no outstanding debt at the date of our 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.

## Appendix 2 Joint Administrators' receipts and payments account

### Trading accounts

Tullis Russell Papermakers Limited - in Administration		
Joint Administrators' trading accounts		
Statement of Affairs (£)	From 27/04/2015 To 12/06/2015 (£)	From 27/04/2015 To 12/06/2015 (£)
TRADING INCOME		
Sales	2,472,035.55	2,472,035.55
TRADING EXPENSES		
Direct Labour	(771,299.43)	(771,299.43)
Warehousing & distribution	(801,780.95)	(801,780.95)
Materials	(26,099.00)	(26,099.00)
Heat & light	(320.09)	(320.09)
Telephone/Fax/IT	(30.00)	(30.00)
Stationery & postage	(1,653.82)	(1,653.82)
HP/Leasing payments	(3,825.43)	(3,825.43)
Hire of equipment	(1,826.26)	(1,826.26)
Repairs and maintenance	(9,618.69)	(9,618.69)
Sundry expenses	(100.00)	(100.00)
Bank charges	(10,370.73)	(10,370.73)
	<u>(1,626,924.39)</u>	<u>(1,626,924.39)</u>
<b>Trading surplus/(deficit)</b>	<b>845,111.16</b>	<b>845,111.16</b>

## Receipts and payments

Tullis Russell Papermakers Limited - in Administration		
Joint Administrators' abstract of receipts & payments		
Statement of affairs (£)	From 27/04/2015 To 12/06/2015 (£)	From 27/04/2015 To 12/06/2015 (£)
ASSET REALISATIONS		
Cash at bank	592,944.62	592,944.62
Book debts	8,237,973.28	8,237,973.28
	<b>8,830,917.91</b>	<b>8,830,917.91</b>
OTHER REALISATIONS		
Sundry refunds	26,719.96	26,719.96
Employee health insurance	11,335.68	11,335.68
Miscellaneous income	5.00	5.00
Trading surplus/(deficit)	845,111.16	845,111.16
	<b>883,171.80</b>	<b>883,171.80</b>
	<b>9,714,089.71</b>	<b>9,714,089.71</b>
REPRESENTED BY		
Floating charge VAT	36,309.90	36,309.90
Floating charge current	9,780,381.82	9,780,381.82
Other trading payroll deductions	(29,982.22)	(29,982.22)
	<b>9,714,089.71</b>	<b>9,714,089.71</b>

The Joint Administrators are operating bank accounts in three currencies – GBP, EUR & USD. For the purposes of this consolidated receipts and payments accounts, figures for the Euro and Dollar accounts were translated into Sterling at the spot rate prevailing on 12 June 2015 - the date of the receipts and payments account.

It is the intention of the Joint Administrators to continue operating the currency accounts until all remaining stocks have been realised. No foreign exchange gain or loss has been recognised to date. Any foreign exchange gain or loss will be recognised in full when the final figures are translated.

## 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 (£)	
Grade	From 1 Oct 2014 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Assistant Manager	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 during the period 27 April 2015 to 12 June 2015.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	5,035.47		NIL		<b>5,035.47</b>
Meals	2,272.41		NIL		<b>2,272.41</b>
Mileage	NIL		4,555.16		<b>4,555.16</b>
Sundry	50.22		NIL		<b>50.22</b>
Travel	1,024.12		NIL		<b>1,024.12</b>
<b>Total</b>	<b>8,382.22</b>		<b>4,555.16</b>		<b>12,937.38</b>

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

Category 2 disbursements are to be approved in the same manner as our remuneration.

## Narrative of work carried out for the period 27 April 2015 to 12 June 2015

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>■ providing initial statutory notifications of our appointment to the Registrar of Companies, The Registrar of Inhibitions and Adjudications, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page;</li> <li>■ arranging bonding and complying with statutory requirements;</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 the decision to trade and 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>■ setting up administration bank accounts and 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>■ gathering initial information from TRP's records in relation to the taxation position of the company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing TRP's pre-appointment corporation tax and VAT position;</li> <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>■ working initially on tax returns relating to the periods affected by the administration;</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>■ providing notification of our appointment;</li> <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 trading;</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>■ communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions;</li> <li>■ monitoring stock and stock reconciliations;</li> <li>■ dealing with hauliers and warehousing providers to ensure ongoing services;</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> </ul>

	<ul style="list-style-type: none"> <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 over which it holds security.</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of TRP's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> </ul>
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>■ arranging ongoing insurance cover for TRP's business and assets;</li> <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 Redundancy Payments Office;</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> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ convening and preparing for the meeting of creditors;</li> <li>■ creating and updating the list of unsecured creditors;</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>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing company and directorship searches and advising the directors of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ reviewing the questionnaires submitted by the Directors of TRP;</li> <li>■ reviewing pre-appointment transactions;</li> <li>■ Carrying out investigative work including reviewing TRP's books and records in preparation for submission of a report to the Insolvency Service.</li> </ul>





## Time costs

### SIP 9 - Time costs analysis

SIP 9 - Time costs analysis (27/04/2015 to 12/06/2015)							
	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
<b>Administration &amp; planning</b>							
<b>Cashiering</b>							
General (Cashiering)			20.80		<b>20.80</b>	5,801.50	278.92
<b>General</b>							
Books and records			16.90		<b>16.90</b>	4,177.00	247.16
Fees and WIP			0.50		<b>0.50</b>	140.00	280.00
<b>Statutory and compliance</b>							
Appointment and related formalities	91.40	34.20	48.30	20.00	<b>193.90</b>	82,480.50	425.38
Checklist & reviews			2.20		<b>2.20</b>	616.00	280.00
Strategy documents	13.80	22.70	1.90		<b>38.40</b>	18,924.50	492.83
<b>Tax</b>							
Initial reviews - CT and VAT		2.50	14.20		<b>16.70</b>	4,988.50	298.71
Post appointment corporation tax		1.00			<b>1.00</b>	405.00	405.00
Post appointment overseas tax			2.00		<b>2.00</b>	560.00	280.00
Post appointment VAT		97.20	20.60		<b>117.80</b>	45,328.00	384.79
<b>Creditors</b>							
<b>Creditors and claims</b>							
Agreement of unsecured claims			1.80		<b>1.80</b>	369.00	205.00
General correspondence	8.60	17.50	69.65	11.90	<b>107.65</b>	30,660.50	284.82
Legal claims			1.80		<b>1.80</b>	504.00	280.00
Notification of appointment			13.00		<b>13.00</b>	3,640.00	280.00
Pre-appointment overseas tax			1.60		<b>1.60</b>	448.00	280.00
Pre-appointment VAT / PAYE / CT			1.60		<b>1.60</b>	448.00	280.00
ROT Claims		77.10	120.00		<b>197.10</b>	65,069.00	330.13
Statutory reports	0.60	8.65	5.80	2.00	<b>17.05</b>	6,315.25	370.40
<b>Employees</b>							
Correspondence	8.55	255.50	624.30		<b>888.35</b>	294,600.75	331.63
DTI redundancy payments service			1.90		<b>1.90</b>	532.00	280.00

**SIP 9 - Time costs analysis (27/04/2015 to 12/06/2015)**

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Pension funds	27.00	8.60			<b>35.60</b>	18,616.00	522.92
Pensions reviews	2.10	4.60	16.40		<b>23.10</b>	7,689.50	332.88
<b>Investigation</b>							
<b>Directors</b>							
Correspondence with directors	1.10	5.95			<b>7.05</b>	3,098.25	439.47
Statement of affairs		3.30	2.20		<b>5.50</b>	2,216.50	403.00
<b>Realisation of assets</b>							
<b>Asset Realisation</b>							
Cash and investments			5.90		<b>5.90</b>	1,652.00	280.00
Debtors		52.70	22.80		<b>75.50</b>	31,568.50	418.13
Freehold property	7.50	19.50			<b>27.00</b>	13,470.00	498.89
Goodwill		32.30			<b>32.30</b>	15,665.50	485.00
Health & safety	1.10	42.70	20.50		<b>64.30</b>	23,862.00	371.10
Leasehold property	0.90	15.80	2.90		<b>19.60</b>	7,924.50	404.31
Office equipment, fixtures & fittings		0.10			<b>0.10</b>	40.50	405.00
Open cover insurance		0.70	15.10		<b>15.80</b>	4,511.50	285.54
Other assets	2.10				<b>2.10</b>	1,123.50	535.00
Plant and machinery	2.80	55.10	6.10		<b>64.00</b>	29,247.50	456.99
Sale of business	74.60	109.50	164.40		<b>348.50</b>	137,333.00	394.07
Stock and WIP	13.30	128.25	225.70		<b>367.25</b>	124,859.25	339.98
Vehicles		4.90			<b>4.90</b>	1,984.50	405.00
<b>Trading</b>							
Cash & profit projections & strategy	0.30	2.75			<b>3.05</b>	1,494.25	489.92
Purchases and trading costs	9.70	99.30	97.20		<b>206.20</b>	74,103.50	359.38
Sales		1.60	18.90		<b>20.50</b>	4,612.50	225.00
<b>Total in period</b>	<b>265.45</b>	<b>1,104.00</b>	<b>1,566.95</b>	<b>33.90</b>	<b>2,970.30</b>	<b>1,071,080.25</b>	<b>360.60</b>

Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	2,970.30	1,071,080.25
Carry forward time (appointment date to SIP 9 period end date)	2,970.30	1,071,080.25

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 Statement of Affairs

The Directors have provided a Statement of Affairs for TRP as at the date of our appointment, a copy of which is set out in the following pages.

We have not carried out anything in the nature of an audit on the information provided.

The figures provided in the statement of affairs do not take into account the costs of the administration process, such as employee costs, site holding costs, insurance and administration fees.

# Statement of Affairs

Pursuant to paragraph 47 of Schedule B1 to the Insolvency Act 1986 and Rule 2.21(1) of the Insolvency (Scotland) Rules 1986

Insert name of the company

Statement as to the affairs of

Tullis Russell Papermakers Limited

as at the 27<sup>th</sup> April 2015, the date that the company entered administration.

### Statutory Declaration

I solemnly and sincerely declare that the information provided in this statement and the lists A to G annexed and signed as relative hereto is, to the best of my knowledge and belief, true and complete,

AND I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at MARKINCH

Signed [Signature]

This 12<sup>TH</sup> day of JUNE 2015

Before me [Signature]

A Notary Public or Justice of the Peace or Solicitor

IAIN DAVID HAYMON  
SOLICITOR  
[Signature]

STATEMENT as to the affairs of the Company on the \_\_\_\_\_

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Please complete legibly, preferably in black type, or bold block lettering

		Estimated Realisable Values £'000
<b>ASSETS</b>		
Assets not specifically secured (as per List "A") _____		25,147
Assets specifically secured (as per List "B")	4,500	
Estimated realisable value		
<b>Less: Amount due to secured creditors</b>	<b>-15,700</b>	
Estimated Surplus _____	-11,200	
Estimated Total Assets available for preferential creditors, holders of floating charges and unsecured creditors _____		25,147
<b>LIABILITIES</b>		
Preferential creditors (as per List "C") _____		-1,033
Estimated balance of assets available for holders of floating charges and unsecured creditors _____		24,114
Estimated prescribed part of net property where applicable (to carry forward) _____		0
Holders of floating charges (as per List "D") _____		0
Estimated surplus/deficiency as regards holders of floating charges _____		0
Estimated prescribed part of net property where applicable (brought down) _____		0
Unsecured Creditors		
Trade accounts (as per List "E") _____	-42,439	
Bills payable (as per List "F") _____	0	
Contingent or other liabilities (as per List "G") _____	-8,000	
Total unsecured creditors (excluding any shortfall to floating charge holders) _____	-----	
		-50,439
Estimated Surplus/Deficiency as regards creditors unsecured - creditors (excluding any shortfall to floating charge holders)		-26,325
Estimated deficiency after floating charge where applicable (brought down)		-11,200
Estimated Surplus/Deficiency as regards creditors		-37,525
Issued and Called-up Capital _____		-5,449
Estimated Surplus/Deficiency as regards members		-42,974

These figures must be read subject to the following:-

\*delete as appropriate

\*[(a) There is no unpaid capital liable to be called up]

\*[(b) The nominal amount of unpaid capital liable to be called up is £ \_\_\_\_\_ estimated to produce £ \_\_\_\_\_ which is/is not charged in favour of the holder of the floating charge(s)]-

The estimates are subject to the expenses of the liquidation and to any surplus or deficiency on trading pending realisation of the Assets.

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Please complete legibly, preferably in black type, or bold block lettering

**Statement of affairs LIST 'A'**  
Assets not specifically secured

Particulars of assets	Book value £'000	Estimated to produce £'000
Balance at bank .....	654	654
Cash in hand .....	4	4
Marketable securities (as per Schedule I) .....	150	150
Bills receivable (as per Schedule II) .....	0	0
Trade debtors (as per Schedule III) .....	14,788	10,270
Loans and advances (as per Schedule IV) .....	26	26
Unpaid calls (as per Schedule V) .....	0	0
Stock in trade _____	7,856	6,285
Work in progress _____	1,823	1,458
Raw Mats and other stocks	618	200
Heritable property .....	0	0
Leasehold property .....	0	0
Plant, machinery and vehicles .....	7,340	6,000
Furniture and fittings, etc .....	0	0
Patents, trade marks, etc .....	0	100
Investments other than marketable securities .....	0	0
Other property .....	0	0
Total	33,259	25,147

Signed



Date 12 JUNE 2015



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**SCHEDULE I TO LIST 'A'**  
**Statement of affairs**  
**Marketable Securities**

Please complete legibly,  
preferable in black type,  
or bold block lettering

Names to be arranged in alphabetical order and numbered  
consecutively

No	Name of organisation in which securities are held	Details of securities held	Book value £	Estimated to produce £'000
	EEC	Carbon Credits	0	150

Signed



Date 12 June 2015

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Please complete legibly, preferably in black type, or bold block lettering

### SCHEDULE II TO LIST 'A'

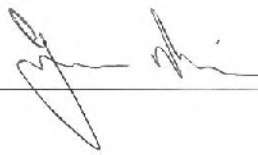
### Statement of affairs

### Bills of exchange, promissory notes, etc. available as assets

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of acceptor of bill or note	Amount of bill or note £	Date when due	Estimated to produce £	Particulars of any property held as security for payment of bill or note
	N/A	N/A		N/A	N/A

Signed



Date 12 JUNE 2015

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### SCHEDULE III TO LIST 'A'

### Statement of affairs

### Trade debtors

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of debtor	Particulars of any securities held for debt	Book value £000	Estimated to produce £000
	See Separate List		14,788	10,270

Signed



Date 12 JUNE 2015

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**SCHEDULE IV TO LIST 'A'**  
**Statement of affairs**  
**Loans and Advances**

Please complete legibly,  
preferably in black type,  
or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of debtor	Particulars of any securities held for debt	Book value £000	Estimated to produce £000
	See separate list		26	26

Signed



Date 12 June 2015

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## SCHEDULE V TO LIST 'A'

### Statement of affairs

#### Loans and Advances

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

No	No in share register	Name and address of shareholder	No of shares held	Amount of call per share unpaid £	Total amount due £	Estimated to produce £
	N/A	N/A	N/A	N/A	N/A	N/A

Signed



Date 12 June 2015

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LIST 'B' (consisting of 1 pages)

**Statement of affairs**

**Assets specifically secured and creditors fully or partly secured (see note below) (not including debenture holders secured by a floating charge)**

No	Particulars of assets specifically secured and nature of security	Date when security granted	Name of creditor	Address and occupation
	Specific plots of land	23/3/2013	Trustees of Tullis Russell Pension Scheme	Markinch Glenrothes Fife KY76PB

**Note:** For this purpose treat as a creditor but identify separately

- (a) an owner of goods in the company's possession under a hire-purchase agreement or an agreement for the hire of goods for more than 3 months, or
- (b) a seller of goods to the company claiming a retention of title or a seller under a conditional sale agreement.

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**LIST 'C' (consisting of 1page)**  
**Statement of affairs**  
**Preferential creditors for salaries, wages and otherwise**

Names to be arranged in alphabetical order and numbered consecutively

No	Name of creditor	Address
	Employees of Tullis Russell Papermakers Limited See Separate List	

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Please complete legibly, preferably in black type, or bold block lettering

Nature of claim	Total amount of claim £000	Amount ranking as preferential £000	Balance not preferential carried to List 'E' £000
Wage arrears, holiday pay etc.	1,033	1,033	0

Signed



Date 12 JUNE 2015



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Please complete legibly, preferably in black type, or bold block lettering

**LIST 'D'**


**Statement of affairs**

**List of holders of debentures secured by a floating charge**

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of Holder	Amount £	Description of assets over which security extends
	N/A	N/A	N/A

Signed



Date 12 JUNE 2015

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Please complete legibly, preferable in black type, or bold block lettering

LIST 'E' (consisting of 1 pages)

### Statement of affairs

Unsecured creditors – trade accounts.

Identify separately on this list customers claiming amounts paid in advance of the supply of goods and services

Names to be arranged in alphabetical order and numbered consecutively

No	Name of and address of creditor	Amount of the debt
		£000
	Various Trade Creditors – See Separate List	18,543
	HMRC	1,437
	Tullis Russell Papermakers Employees	18,403
	Canadian Revenue Agency	420
	German Revenue Agency	25
	Business Stream	74
	Fife Council	81
	Inter Company Loans -	2,956
	Other	500
		42,439

Signed



Date 12 JUNE 2015

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**LIST 'F'**

**Statement of affairs**

**Unsecured creditors – Bills payable, promissory notes, etc**

Please complete legibly, preferably in black type, or bold block lettering

Names to be arranged in alphabetical order and numbered consecutively

**\*Note**

The particulars of any bills of exchange and promissory notes held by a holder should be inserted immediately below the name and address of such creditor.

No	Name and address of acceptor of bill or note	Name and address of holder*	Date when due	Amount of claim £
	N/A	N/A	N/A	N/A

Signed



Date 12 JUNE 2015

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Please complete legibly, preferably in black type, or bold block lettering

**LIST 'G'**  
**Statement of affairs**  
**Unsecured creditors – contingent liabilities**

Names to be arranged in alphabetical order and numbered consecutively

No	Name and address of creditor	Nature of liability	Amount of claim £000
	Various	Site Clearance, contract penalties etc - Estimate	8,000

Signed



Date

12 JUNE 2015

## LIST "E" TRADE CREDITORS

Creditor Name	Creditor Value
3M UNITED KINGDOM PLC	4,651.78C
3V SIGMA SPA	163,639.51C
ABB AUTOMATION LTD	31,812.74C
ABB LIMITED	5,952.60C
AC CABS	648.40C
ADFLEX LTD	12.00C
ADVANCED FIBER TECHNOLOGIES	3,551.00C
AES SEALTEC LIMITED	3,286.90C
AIRFOR ENGINEERING LIMITED	617.76C
ALLIANZ CORNHILL ENGINEERING	4,865.14C
ALLSTAR BUSINESS SOLUTIONS LTD	445.57C
ANGLIA FORWARDING	132.38C
ANGUS SMART & SON	1,510.74C
ANTALIS AG INDUSTRIESTRASSE	1,397.72C
ANTALIS GMBH	23,538.64C
ANTALIS LIMITED	12,394.35C
ANTALIS NV	25,589.78C
ANTALIS SNC	3,266.79C
AON LIMITED PREMIUM ACCOUNTS	722,581.06C
APPLIED SOFTWARE CONTROL LTD	10,800.00C
ARCHROMA DISTRIBUTION & MANAGEMENT	25,894.08C
ASA RECRUITMENT	4,752.00C
ASHTREAD ENGINEERING CO LTD	990.00C
ATRADIUS	58,089.49C
AVEBE BA	115,042.93C
AZELIS UK LTD	40,168.80C
BALBIRNIE HOUSE	85.00C
BARR PRINTERS LTD	4,676.26C
BASF PLC	341,891.21C
BELL GROUP U.K.	456.00C
BIELOMATIK JAGENBERG GmbH & Co	5,437.48C
BISSETT PRINTERS LTD	4,360.52C
BM TRADA CERTIFICATION LTD	502.92C
BOC LIMITED	440.40C
BONETTI ACCIA SPA	1,194.04C
BOOTS OPTICIANS	205.00C
BRECHIN TINDAL OATTS SOLICITORS	1,232.82C
BRENNTAG COLOURS LIMITED	3,312.00C
BRENNTAG UK LIMITED	999.86C
BRIGGS EQUIPMENT UK LIMITED	40,146.40C
BRIGHTSOLID LTD	36.00C
BRITISH BUNG MANUFACT COM LTD	6,515.94C
BRITISH STANDARDS INSTITUTION	5,495.62C
BRITISH TELECOM	120.60C
BUTTERWORTH LABORATORIES LTD	4,453.20C
BYK-GARDNER GMBH	631.10C
CALEDONIA FIRE AND SECURITY LIMITED	96.00C

CAMLAB LIMITED	134.63C
CARGILL PLC	736,229.80C
CELULOSE BEIRA IND (CELBI) SA	2,092,310.47C
CHAMELEON COLOUR SERVICES (UK) LTD	1,919.87C
CHRISTIAN DIOR (EUR INVOICE)	314.54C
CHUBB ELECTRONIC SECURITY LTD	368.29C
CLARA NET LTD	102.32C
CLEAR-VIEW	237.00C
CMS CAMERON MCKENNA LLP	1,800.00C
COMPANIES HOUSE	4.00C
COMPANY BARCLAYCARD	8,525.63C
COMPUTER LINKS LTD	594.00C
CONCEPT GROUP LIMITED	64.80C
CORDSTRAP LTD	12,268.80C
CORMACKS CAFÉ	185.00C
COVERIS FLEXIBLES (WINSFORD) UK LTD	51,691.19C
CRAIG RECRUITMENT SOLUTIONS	5,280.00C
DALRYMPLE CONSTRUCTION LTD	2,146.98C
DATASERVE UK	328.92C
DELICIOUS CATERING LTD	1,127.07C
DELOITTE BELASTINGADVISEURS B.V	1,268.81C
DEMAG CRANES & COMPONENTS LTD	23,635.81C
DENHOLM WILHELMESEN LTD	8,477.95C
DP SALES LTD	214.61C
DP SERVICES (SCOTLAND) LTD	25,008.90C
DP SYSTEMS (SCOTLAND) LTD	15,460.80C
DSV AIR & SEA LIMITED	2,464.20C
DSV ROAD LTD	2,684,469.45C
DUNSIRE ASSOC.(ELECT.) LTD	1,350.00C
EDEN SPRINGS UK LIMITED	0
EKMAN AG	556,512.34C
ELP ARBUTHNOTT MCCLANACHAN	420.00C
EOLAS TECHNOLOGY	1,468.80C
ERIKS INDUSTRIAL SERVICES	397,701.07C
ERIKS INDUSTRIAL SERVICES	43,593.81C
ERIKS INDUSTRIAL SERVICES LTD	4,842.07C
EUROFILMS EXTRUSION LTD	34,698.38C
EUROPEAN CARTON MAKERS ASSOCIATION	2,178.81C
EUROPEAN GAS CONSULTANCY LTD	7,778.52C
EUROPEAN SAFETY SYSTEMS LTD	130.37C
EXCEL ENGINEERING SERV LTD	2,425.20C
EXCEL ENVIRONMENTAL SERVICES	670.00C
FASTNET INTERNATIONAL LIMITED	108.00C
FCE HYDRAULIC POWER SERV LTD	17,158.28C
FCE MATERIALS HANDLING LTD	6,666.96C
FERALCO (UK) LTD	24,484.45C
FIBRE SOURCE NORTH AMERICA CORP.	747,393.69C
FIFE CHAMBER OF COMMERCE & ENTERPRIS	842.40C
FIFE CHAMBER OF COMMERCE & ENTERPRISE	949.00C
FIFE FORKLIFTS	15,591.41C

FISHERS SERVICES (CUPAR) LTD	168.00C
FMW INDUSTRIEANLAGENBAU GMBH	476.43C
FORKLIFT TRAINING SCOTLAND LTD	720.00C
FORTH PORTS PLC	3,630.00C
FORTH VIBRATION SERVICES	10,560.95C
FRASER COYLE	3,825.00C
FRY HEATH AND SPENCE LLP	1,466.51C
FUCHS LUBRICANTS (UK) PLC	7,351.31C
FUGLESANGS GLASGOW	28,644.00C
GAZPROM ENERGY	47,370.59C
GB LPG LTD	11,446.91C
GEA HEAT EXCHANGERS LTD	2,644.68C
GEODIS WILSON LTD	273.79C
GF SMITH	1,669.44C
GLENROTHES LOCKSMITHS	142.84C
GP PLANTSCAPE LTD	1,528.00C
H.B. FULLER UK LIMITED	2,304.96C
HAAG LOGISTIC GROUP	1,263.56C
HAMPTON KNIGHT LIMITED	4,284.00C
HAZCO ENVIRONMENTAL LIMITED	624.00C
HERTZ LEASE	643.69C
HONEYWELL CONTROL SYSTEMS LTD	18,132.50C
HUTCHINSON NETWORKS LTD	2,591.20C
IMERYS MINERAUX BELGIQUE SA	57,248.59C
INITIAL WASHROOM SOLUTIONS	297.48C
INSIGHT DIRECT (UK) LTD	3,827.40C
INSPIREPAC LTD	3,421.08C
INTERNATIONAL FOREST PRODUCTS	39,880.74C
INVISTA LIMITED	5,983.20C
ISEGA	101.40C
ITOCHU FIBRE LIMITED	2,880,566.88C
JAMES CROPPER CONVERTING LTD	11,580.50C
JAMES MCCAIG T/A JAMES MCCAIG FARMS	20,865.24C
JAMES REIDY ENGINEERING	2,840.00C
JOHN SHORT	8,716.00C
JOHN WHITE & SONS LTD	3,498.24C
JUBILEE ELECTRONICS LTD	295.00C
JUD AG PAPIERMASCHINEN	3,369.12C
KADANT UK LTD	8,516.42C
KALAMAZOO SECURE SOLUTIONS LTD	930.06C
KD DOORS	9,741.13C
KERR COMPRESSOR ENGINEERS (EK)	25,944.00C
KONECRANES SERVICE LIMITED	2,880.00C
LA COMPAGNIE GREENFIELD S.A.	138,770.32C
LAMOND & MURRAY	4,224.00C
LANDFALL SCAFFOLDING LIMITED	8,147.99C
LANGSTANE PRESS	6,129.37C
LEX AUTOLEASE LIMITED	180.30C
LIGHTHOUSE (UK) LTD	54.54C
LOCOFOCO LTD	9,777.60C

LOTHIAN VULCANISING	4,529.96C
MACDONALD RUSACKS HOTEL	99.00C
MAGMA FABRICATIONS (GLENROTHES	1,058.40C
MALCOLM ROSS & SONS LTD	307.20C
MANCHESTER INDUSTRIES INC	25,318.24C
MANOR CARS	1,323.42C
MARK INFORMATION UK LTD	1,524.79C
MARSHALL CONSTRUCTION LTD	5,441.90C
MCQUEEN'S DAIRIES LTD	200.00C
MESSAGELABS LTD	7,560.00C
METHILHAVEN SURGERY	55.00C
METPRO GROUP	67,006.49C
MINES RESCUE SERVICE LIMITED	768.00C
MITIE CLEANING & ENVIRONMENTAL	16,606.58C
MODUS (SCOTLAND) LIMITED	462.00C
MSK COVERTECH-GROUP	26.89C
MULTI PACKAGING SOLUTIONS GMBH	688.98C
MULTIPRINT (SCOTLAND) LIMITED	716.40C
MUNDHENKE & PARTNER GMBH	113.14C
MYRTLE COFFEE SERVICES LTD	187.20C
NATHS LTD T/A NATIONAL HEIGHT SPECIA	48,385.20C
NCC SERVICES LTD	1,482.00C
NEOPOST LIMITED	2,924.56C
NETWORK WASTE	3,187.95
NIFES CONSULTING GROUP	10,625.28C
NOPCO PAPER TECHNOLOGY GMBH	20,826.58C
NORDSON (U.K) LTD	1,951.20C
NORKEM LIMITED	8,610.00C
NORMAND & THOMSON (HILLEND)	18,776.40C
NUGENSIS LTD	933.94C
O KAY ENGIN. SERVICES LTD	2,347.20C
O2 (UK) LIMITED	4,208.05C
OGILVIE FLEET LTD	288.00C
OMNIA-CHEM LIMITED	193,025.76C
OMNIA-CHEM LTD	24,319.68C
OMYA UK LTD	761,173.39C
OPEX SOLUTIONS LIMITED	12,647.83C
OPTIMA CONTROL SOLUTIONS LTD	120.00C
PAFRA ADHESIVES LTD	20,406.00C
PAPELTEC OVERSEAS INC	4,400.00C
PAPERLINX CONVERSION CO.	2,637.81C
PARK GATE & CO LIMITED	19,287.60C
PITREAVIE GROUP	30,620.34C
POLLOCK (SCOTRANS) LTD	158,434.76C
POLYTHENE UK LTD	8,485.51C
POOLE PROJECTS LTD	5,877.60C
PORTUCEL	2,062,842.92C
PREMIER ENGRAVING & SIGNS LTD	247.18C
PREMIER PAPER GROUP LTD	7,200.00C
PROCTER MACHINE GUARDING	1,127.62C



PRUFBAU (EUR INVOICE)	959.68C
PUK WATER FILTRATION LTD	588.67C
PUMP SUPPLY & REPAIR GROUP LTD	3,768.30C
PYROLL WINSCHOTEN BV	73,533.09C
QUALITY ASBESTOS SERVICES LTD	8,434.52C
R&B SWITCHGEAR (NORTHERN) LTD	288.00C
R.H. ENGINEERING SERVICES	3,288.00C
R.LINDSAY & CO LTD	47,536.60C
REGAL RUBBER COMPANY	1,524.00C
RIMOR CONVERTING	1,056.00C
RING-A-ROSES	345.96C
RIX SHIPPING (SCOTLAND) LIMITED	9,358.27C
RMS LTD	7,962.00C
ROBERT SUMMERS TRANSPORT	432.00C
ROLPEX LIMITED	5,038.67C
RWE INNOGY MARKINCH LTD	1,567,912.34C
SAFETYKLEEN UK LTD	2,241.00C
SAFIC-ALCAN UK LIMITED	74,880.00C
SAGE (UK) LTD	9,217.12C
SAMPSON NEWSAGENTS	721.35C
SCOT ENVIRON PROTECTN AGEN	11,583.51C
SCOTT TIMBER LTD	611,927.86C
SCOTTISH COAL CO. LTD	104,847.28C
SCOTTISH HYDRO-ELECTRIC	4,147.45C
SCOTTISH SECURITY & FIRE SYSTEMS	620.88C
SCOTTISH WATER	60.48C
SDC INDUSTRIES LTD	366.00C
SERVOTECH LTD	1,344.00C
SIMGE ANTALIS	1,188.78C
SMARTS	3,927.12C
SMEATON ENGINEERING LIMITED	7,258.92C
SOLENIS UK LTD	300,863.62C
SONOCO ALCORE	130,013.85C
STANLEY SECURITY SOLUTIONS LTD	1,365.01C
STRATHALLAN SAFETY LLP	79.20C
STRATHCLYDE TYRE SERVICES LIMITED	3,822.00C
SULZER DOWDING & MILLS	1,508.40C
SULZER DRIVES & CONTROLS	2,616.00C
T.R.E.E. LIMITED	528.00C
TAN INTERNATIONAL SCOTLAND	3,885.84C
TAUPO CONSULTING LIMITED	2,421.00C
TERVAKOSKI DIELECTRICS LTD	94,866.83C
TESA UK LIMITED	32,428.51C
THE DANWOOD GROUP LIMITED	51,885.96C
THE OLD MANOR HOTEL	770.40C
THE WHITE SEA & BALTIC CO LTD	14,784.00C
THERMATIC MAINTENANCE Ltd	1,061.72C
THOMAS MENZIES (BUILDERS) LTD	12,229.20C
TILLY MASTERSON A FUND	2,475.12C
TOWN END (LEEDS) PLC	966.00C

TRANCEL SYSTEMS AB	4,063.10C
TULLIS RUSSELL GROUP LTD	290,268.17C
TULLIS RUSSELL INC	48,396.38C
U.P.S. LIMITED	5,946.16C
UNION PAPELERA	4,273.82C
UNISOURCE WORLDWIDE, INC (USD INVOICE)	1,952.29C
UNITED RADIO CABS	82.90C
UPM S.A.	1,280,474.85C
UPM-KYMMENE CORPORATION	43,252.83C
UPS SCS (UK) LTD	1,302.49C
VALMET LIMITED	1,613.02C
VALMET LTD	4,566.00C
VOITH PAPER AUTOMATION GMBH	3,205.00C
VOITH PAPER FABRIC & ROLL SYSTEM GMB	120,739.16C
VOITH PAPER GMBH & CO KG	5,596.26C
VOITH PAPER GMBH & CO KG	42,017.52C
VOITH PAPER LIMITED	70,038.40C
W A MCGARRIE & SON LTD	41,451.95C
WALKI EKOPAK S.A.	45,628.79C
WATER COOLERS (SCOTLAND) LTD	1,800.90C
WELDING ENGINEERS (GLASGOW) LTD	1,725.03C
WESTGATES COMPUTING LIMITED	1,213.69C
WEYFRINGE BARCODE & LABELLING SYSTEM	391.20C
WOLVERINE FREIGHT SYSTEM	8,758.13C
WOLVERINE WAREHOUSING & DIST. LTD	20,677.97C
YOUATWORK LIMITED	544.84C
	21,480,994.29C
ROT	3,000,000.00
	<u>-18,480,994.29</u>

## Appendix 5      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</b>	Tullis Russell Group Limited
<b>GVA</b>	GVA Grimely Limited, property agents
<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 defined benefit pension scheme in which TRP is the principal employer
<b>RPO, the</b>	The Redundancy Payments Office
<b>TRP</b>	Tullis Russell Papermakers Limited - in Administration
<b>WIP</b>	Work in progress

Any references in these proposals 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 6 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Blair Nimmo and Tony Friar, the Joint Administrators of Tullis Russell Papermakers Limited – in Administration ('TRP'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes 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.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in TRP.

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

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their 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 these proposals.

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

The Joint Administrators act as agents for TRP 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 these proposals or the conduct of the administration.

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**TAB D**



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

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

7 December 2015

# 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).**





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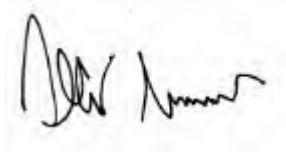
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# 1 Executive summary

- TRP's Directors resolved on 24 April 2015 to appoint Gerard Anthony Friar and I as Joint Administrators. The notice of appointment was lodged at Court of Session on 27 April 2015 and we were duly appointed.
- The background and events leading to the Administration were outlined in our Statement of Proposals ('proposals'), sent to all known creditors on 17 June 2015. A meeting of creditors was convened on 2 July 2015 to consider our proposals, at which the proposals were approved by the creditors with modification. This progress report covers the period from the date of our appointment to 26 October 2015.
- As previously reported, despite an extensive marketing exercise both pre and post administration, a sale of substantial parts of the business as a going concern was not achieved. A separate sales process for TRP's electrical crepe paper business was undertaken, resulting in a going concern sale of this operation. The sale completed on 24 September 2015 and the total consideration received was £0.4 million. (Section 2.2 – Asset Realisations).
- Plant and machinery agents were appointed to sell all of TRP's tangible assets. Funds of £1.0 million have been received in the period. (Section 2.2 – Asset Realisations)
- A sales agent was appointed to sell the TRP Brands and intangible assets. Three of the brands have now been sold, achieving realisations of £0.1 million. (Section 2.2 – Asset Realisations)
- All stock, which was not subject to retention of title claims, has now been sold. To date, £9.8 million has been received, representing a considerable cash inflow for the administration and a result in excess of initial expectations (Section 2.2 – Asset Realisation)
- Book debts totalling £13.5 million have been recovered to date, which after accounting for customer entitlements to certain discounts and rebates, and excluding insolvent customers, represents a recovery of over 90% of the opening ledger. (Section 2.2 – Asset Realisation)
- As previously reported, TRP provided standard securities over two areas of freehold land in favour of the Pension Scheme up to a maximum of £13.5 million. TRP had no other outstanding secured debt. (see Section 3.1 – Secured creditors)
- We expect that TRP's preferential creditors will be paid in full. (see Section 3.2 – Preferential creditors)
- We anticipate that unsecured creditors will receive a dividend, however, the amount and timing of such a dividend is currently uncertain, albeit we hope to facilitate an interim dividend by mid 2016. (see Section 3.3 – Unsecured creditors)
- The administration is currently due to end on 26 April 2016. However, in light of the significant number of outstanding matters, this progress report accompanies a request to all creditors to consider a 12 month extension to 26 April 2017 (Section 6.3 – Future strategy).

- Please note: you should read this progress report in conjunction with our 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.



Blair Nimmo  
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 proposals.

### 2.1 Strategy and progress to date

#### Strategy

Prior to the administration, TRP's directors had attempted to identify a buyer for the Company, however were unsuccessful in doing so. As a result, TRP had ceased the manufacturing of paper prior to our appointment, with only finishing and conversion processes remaining operational.

As detailed in the proposals, although the directors had already marketed TRP for sale, we undertook a further exercise in the initial days and weeks of the administration to ascertain whether a going concern sale of all or significant parts of TRP's business and assets could be achieved. It was hoped that the prospect of a business and assets sale, as opposed to a share sale, may generate new (or renewed) interest in TRP.

We set a closing date for indicative offers for 18 May 2015. Unfortunately, however, no party submitted an offer, which reaffirmed the lack of interest in the business experienced prior to our appointment.

As reported in our proposals, with no prospect of a going concern sale, our strategy and focus in the administration turned to implementing an orderly wind down and piecemeal realisation of TRP's assets. Specifically, our overall strategy, which is consistent with that set out in the proposals, has been to:

- Reduce TRP's cost base to a level commensurate with the reduced operational activity;
- Assist redundant employees with making 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 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 progress made in relation to the most significant asset classes, including amounts realised, 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 4.1, both areas of land are secured to the Pension Scheme. Maximising realisations from the disposal of these assets 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

The North site is an area of 11.79 acres of undeveloped land, which was valued by GVA in 2013 on the basis that it would be suitable for residential property development. The land was marketed for sale prior to our appointment, however, no purchaser with the ability to complete a transaction at the valuation level was identified.

Since the administration, our work in relation to this land has focused on identifying and understanding the options for the site, including liaising with GVA who have been retained as property agents. We are working with GVA and planners to undertake a site feasibility study, with the aim of identifying the best way of dealing with matters such as site access and local transport, thereby improving the prospects of the site obtaining planning permission for residential development and, in turn, maximising asset value. Once this exercise is complete, a sales and marketing exercise will commence. In order to ensure commercial negotiations are not prejudiced, at this stage we are unable to provide an indication of the North site's potential value.

### South Site

The South site is understood to have been a former operational area comprising 10.6 acres which was previously cleared of building structures. The site is immediately adjacent to the Queensgate Estate, which is mixed in character, providing a range of industrial and commercial occupiers including food and non-food retail accommodation.

GVA had been advising TRP prior to administration in relation to the South Site and made us aware of the urgent need to progress the sale of this site, where terms of sale were well advanced with Ediston. We engaged with GVA who stated that their advice was to proceed towards completing a transaction with Ediston. Given GVA's sector experience, that a competitive and recent marketing process had been undertaken by then, and that Ediston's offer was in line with GVA's valuation and approved by the secured creditor, we agreed to the sale and a conditional missive was concluded with Ediston on 22 May 2015.

The longstop for completion was 30 November 2015, however due to a delay in securing a variation to the existing site planning consent, Ediston were unable to purify the missives by this longstop date. We are pleased to advise that following discussions and representations to Fife Council's planning committee, the change in planning consent was granted on 18 November 2015, this has removed an obstacle that had prevented Ediston taking steps to purify the missives.

We are currently negotiating an extension to the timetable for completion of the missives with Ediston. 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

The main operational premises in Markinch were previously owned by TRP. In March 2014, TRP sold the paper mill site plus an adjacent area of land to Group for £11.05 million. This sales price matched a valuation of the properties carried out by James Barr (now part of GVA) in August 2013.



Given the proximity of the transaction to the administration, the fact it was to a connected party, and following a number of enquiries at the creditors meeting on 2 July 2015, we instructed independent solicitors Gateley (Scotland) LLP ('HBJ') to review the sale. HBJ have provided confirmation that, based upon all available information, they do not consider there to be grounds for challenging the transaction and they did not identify any other concerns relating to the transaction.

Following the sale of the properties to Group, TRP has continued to occupy and utilise the premises. No formal lease was put in place and no rent was paid by TRP to Group. This has remained the case post our appointment.

### Plant and machinery

As previously reported, TRP owns a wide range of specialist papermaking plant and equipment, and other tangible fixed assets. As a purchaser for TRP's business and assets as a going concern was not identified, we engaged John Wilkie and GMG via a joint agency agreement to market and sell TRP's plant and machinery on a piecemeal basis. With the assistance of TRP's retained employees and our agents, a decommissioning programme has been implemented to mothball and preserve the plant and equipment pending it being sold.

A large aspect of ensuring maximum value is achieved from the plant and machinery assets has been the collation of all relevant documentation, history, machine specifications etc. in order for this to be made available to interested parties. Many of TRP's machines are highly specialised and bespoke, therefore ensuring the retention of the relevant employee expertise has been a key factor in preparing plant and machinery for sale.

Due to the complexity, size and disparate nature of the plant and machinery, ensuring all Health, Safety and Environmental ('HSE') procedures have been adhered to during the administration has been crucial, particularly as numerous third party site visits have occurred as interested parties have viewed TRP's assets.

At the outset of the administration, KPMG's Global Sustainability Services team, with the assistance of TRP's retained staff, reviewed TRP's HSE documentation and implemented processes and procedures regarding the dismantling and removal of items of plant and equipment from site. We are pleased to report that these have been fully complied with and that no HSE issues have arisen during the period covered by this report.

### Realisations to date

Plant and equipment realisations to date total £1.0 million, as shown in Figure 1 below.

<b>Figure 1: Plant &amp; machinery realisations</b>	
£000	From 27 Apr 2015 To 26 Oct 2015
Sales by private treaty	472
Online auction sales	205
Sales relating to Electrical Crepe Paper business	325
	<b>1,002</b>

Source: Joint Administrators' records

Realisations from the sale of plant and equipment associated with the Electrical Crepe Paper Business are discussed in further detail below. We would, however, note that the price achieved for this plant and machinery was 8% higher than the upper range of our agents' original valuation.

Private treaty sales of finishing and conversion equipment have realised £0.3 million. The main items that have been sold include a Beilomatic Folio Ream Wrapper, MSK Pallet Shrink Wrap Line, Henderson Embosser and Marquip Sheeter. With the exception of the Beilomatic Folio Ream Wrapper, these items have now all been dismantled and removed from site by purchasers' contractors in a safe and controlled manner, overseen by TRP's retained staff. We are awaiting a removal date for the Beilomatic Folio Ream Wrapper. In aggregate, the realisations of finishing and conversion equipment are more than 50% above our agents' original lower range valuation of these items and only 1% below the original higher range valuation, representing a very positive outcome.

During the work undertaken to marshal assets and prepare for the online auction, a large quantity of small ancillary items were identified across the mill site, which had not been included in our agents' original inventories and valuations, but which nevertheless had value. These included items such as laboratory and testing equipment as well as a quantity of electrical motors and spare parts. Private treaty sales of these items have realised a further £0.2 million for the administration estate.

### *On-line auction*

In addition to the large items of plant and machinery, TRP also had a large quantity of other smaller moveable assets, including the contents of engineering workshops and stores. In conjunction with our agents, we decided that the best strategy for realising these items would be by way of an on-line auction, which was held in September 2015.

Over 2,100 parties viewed the auction website (hosted by our agents) and approximately 250 parties visited the site at Markinch during the three viewing days. A total of 226 parties registered for the online auction and over 5,000 bids were received. The online auction realised net proceeds of £0.2 million, which is in excess of our agent's initial ex-situ valuation of these items. All sold lots have now been removed from site.

The strategy for selling TRP's remaining plant and machinery is considered in Section 6.

### 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. As previously advised, TRP operated a confidential invoice discounting facility with LBCF who had an assignment over TRP's debtor balances. There were no outstanding amounts due to LBCF under this facility at the date of our appointment.

In the early stages of the administration, a substantial amount of time and effort was invested in ensuring all documentation relating to customer debts was available to us, as in any insolvency situation this is key to maximising recoveries.

Given the importance of debtor recoveries to the overall financial outcome of the administration, we retained key TRP staff (customer account managers, credit controller, key members of the finance team, quality control etc.) to assist us. This ensured a degree of continuity for customers, with systems knowledge, technical expertise and language cover (for overseas customers) retained. These actions maximised efficiencies and reduced costs by using TRP staff to undertake the more labour intensive aspects of credit control.

Although TRP's debtor balances related to the sale of goods and were not contractual in nature, the collection of debtors has, nonetheless, been extremely challenging. Specific issues which have had to be considered and resolved include:

- Ascertaining whether customer claims for deductions (for example, rebates, volume discounts, marketing contributions etc.) were legitimate;

- Extensive discussions with customers regarding their concerns over how future quality issues with stock already purchased would be dealt with;
- Various issues relating to the treatment of international sales taxes and import duties;
- Negotiating with customers who had debtor balances but who also had outstanding orders that, as a result of the administration, could no longer be fulfilled;

To assist with collections, we made it a pre-requisite, of any post appointment stock sales made to customers during the administration (see the "Stock" section below), that before accepting new orders customers had to commit to settling their outstanding debtor balance in full and on time. This involved negotiating and implementing written agreements with many of TRP's customers.

Additionally, for those customers who did not acquire stock post appointment, we issued numerous stages of written correspondence in pursuit of their debts, combined with extensive email and phone dialogue with customers via TRP's retained staff and also directly with the administration team. For certain customers where we have been unable to recover balances which we consider to be legitimately due, we are now working with specialist debt recovery agents to pursue payment.

As at 26 October 2015, debtor realisations totalling approximately £13.5 million have been achieved. Taking into account customer rebate entitlements which were not reflected in the opening ledger (these were included as corresponding creditor balances), this represents realisations in excess of 90% of debtor balances. Whilst the debtor collection exercise remains ongoing, the level of recoveries achieved to date exceeds what was anticipated at the outset of the case. This is an extremely positive outcome for the administration, as debtor recoveries in any insolvency can be highly uncertain.

We will continue to pursue all remaining debts, via the legal process if necessary, whilst it remains cost effective to do so.

### *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 the proposals, 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 been in discussions with Atradius regarding TRP's claim and have also sought guidance from our lawyers CMS on this matter. Discussions with Atradius to progress the claim remain ongoing.

Following TRP's administration, we also made contact with Deloitte LLP, who are dealing with the Paperlinx Group administration cases in the UK, to make them aware of TRP's Retention of Title ('RoT') claim over stocks supplied. Through the successful enforcement of TRP's RoT claim, over approximately 570 tonnes of stock, the debt owed by the Paperlinx Group has been partially mitigated via stock sales, resulting in the recovery (and corresponding reduction the Paperlinx Group debt) of £0.2 million.

### WIP and finished goods

Upon our appointment, TRP had approximately 11,500 tonnes of finished goods stock and 3,000 tonnes of WIP, which could potentially be converted into finished goods. A number of TRP's operatives and technical staff were retained to assist with finishing, converting and packing process in order to maximise the potential value of WIP. Similarly, staff from TRP's sales, logistics and invoicing teams were retained to support the sale of stock to customers and manage its distribution.





### *Lien claims*

As previously advised in our proposals, prior to our appointment, TRP utilised the services of a number of third party warehousing providers both in the UK and overseas. TRP's main warehousing and haulage provider, DSV Road Limited ('DSV'), had approximately 6,500 tonnes of TRP's finished goods stock in its possession and a *prima facie* purchase ledger debt of approximately £2.5 million.

Following notification of TRP's insolvency, DSV intimidated that it wished to enforce a lien claim over the TRP stock in its possession. Our lawyers, CMS, confirmed that DSV was entitled to take this action and had a legally valid lien. Without access to the stock held and the extensive distribution support provided by DSV, our ability to achieve maximum value for TRP's stocks would have been greatly reduced.

Consequently, and after a period of negotiation with DSV, we reached a settlement agreement to allow TRP's stock to be released. Similar agreements were also reached with TRP's other warehousing providers in Holland, Canada and the USA, albeit the stock held by these parties and the level of their debts was substantially lower than DSV.

As shown in our receipts and payments account at Appendix 2 (included with "Warehousing & Distribution"), payments in settlement of lien claims totalled £1.3 million. The level of realisations from sales of the stock that settling lien claims has allowed has been considerably in excess of the payments made to warehousing providers.

### *Stock sales*

At the outset of the administration, our strategy in relation to selling paper stocks was to avoid wholesale discounts unless absolutely necessary, and, as much as possible, to utilise TRP's existing sales infrastructure and network of customers to sell stock in the ordinary course of business.

This involved extensive discussions and negotiations with TRP's customers regarding pricing and terms, particularly as many of the larger customers (for whom TRP produced bespoke products) had sought alternative suppliers upon learning of the administration. Selling the stock to its intended recipient (as opposed to selling for broke/recycling) had a substantial financial upside, hence significant efforts were expended pursuing sales.

Key areas which have contributed to the outcome from sales of stock include:

- Regular meetings with TRP's retained sales and logistics staff;
- Utilising TRP's existing network of third party sales agents;
- Maximising the potential for stock sales by distributing lists of available stock extensively, both in the UK and internationally;
- Numerous customer conference calls/meetings to negotiate terms of sale;
- Seeking legal advice regarding the sale of branded products;
- Obtaining agreements with customers to secure the sale of certain substantial holdings of bespoke stock items;
- Where stock sales through existing channels were not achievable, obtaining the best possible price through "broke" paper merchants.

Following the conversion of WIP to finished goods, all stock on hand at the commencement of our appointment has now been sold and to date, cash totalling £9.9 million has been received in respect of completed sales. We continue to ingather the debts due from a small number of customers in respect of post appointment stock sales.

## 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.

The process for resolving RoT claims involved organising site visits to inventory materials and liaising with suppliers to ingather (and assess) documentation relating to their claims. Each claim had to be evaluated to determine validity before the claim was accepted or rejected. This process has now been completed and we do not anticipate any further RoT claims.

In total, 28 RoT claims were accepted in full and in these cases we allowed the suppliers to uplift their goods from site. The remaining 37 were either rejected on the basis of insufficient documentation or lack of identification, or were ultimately not pursued by the supplier.

For those instances where RoT claims have been accepted, we have insisted that the appropriate credit notes be provided by the supplier and that their claim lodged in the administration be adjusted appropriately. Credit notes in respect of 25 of the agreed claims have been received, agreed and processed. The remaining three are being progressed.

In addition to the above, a number of suppliers had consignment stock agreements with TRPL. These were reviewed and where appropriate the supplier was permitted to uplift their goods.

## Cash at bank

At the date of our appointment, TRP had cash balances in its bank accounts totalling approximately £0.6 million. We arranged for these amounts to be transferred to the administration bank accounts.

## Other assets

### *Brand names/intellectual property*

As noted in the proposals, TRP owned several brand names, which were protected by a number of registered trademarks in the countries the business operated in across the world. In addition, certain brand names were supported by intellectual property such as furnishes and production know-how.

*Trucard* was TRP's most prominent brand name, accounting for approximately 60% of revenues and representing the broadest range of SBS carton board on the market. Other key brand names included *Advocate*, *Naturalis* and *Mellotex*, which were used for graphical papers with applications such as corporate stationery, annual reports, brochures and presentation materials.

Following our appointment, in conjunction with TRP staff, an inventory of brand names and intangible assets was prepared, together with a list of potential interested parties to contact. We then produced a sales flyer outlining the TRP brand names available for sale and issued this to approximately 80 parties. Nine parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on each brand such as sales histories and volumes, etc.

A closing date for offer of 8 June 2015 was set, and four offers for individual brand names were received. We subsequently concluded a sale of the *Naturalis* brand name and associated paper stock.

Disappointingly, the overall level of offers received for the brand names at the initial closing date was lower than hoped, primarily as the majority of TRP's customers, including merchants, distributors and end users, had quickly entered into alternative supply arrangements when TRP entered administration. TRP's products were not unique and there were competing paper brand names available from other suppliers in the market with similar technical specifications and properties to TRP's products.

In an attempt to drive additional value from TRP's remaining brands and intangible assets, we engaged Metis Partners to assist with the process. Metis created a database of over 170 potentially interested parties via thorough market research. Their database included UK and international paper and board manufacturers as well as businesses involved in packaging.

Metis also contacted members and associates of various relevant trade bodies including the European Association of Cartonboard Manufacturers, the Paper and Board Association, and the Confederation of Paper Industries. A shortened marketing brief was also sent to the Metis database of over 2,000 contacts, IP brokers and intermediaries (e.g. accountants and lawyers), with the aim of establishing whether any of these contacts in turn had clients who may have wished to receive the sales correspondence. Metis advertised the opportunity extensively, carrying out social media marketing activities and website placement, and also drafted and distributed a press release, which helped to publicise the opportunity in the national and trade press.

As a result, a sale of three further brand names was successfully achieved.

**Figure 2: Brands and intangible asset realisations**

	From 27 Apr 2015 To 26 Oct 2015
£000	
<b>Brand</b>	
Naturalis	65
Advocate	18
Gemini and Trucard	10
	<b>93</b>

Source: Joint Administrators' records

In addition to the consideration attributed to the brand name, the sale of the *Naturalis and Advocate* brands secured the sale of all remaining *Naturalis* and *Advocate* paper stocks (approximately 137 tonnes), wrappers, packaging, furnishes (paper recipes/specifications) and sample books. This resulted in additional stock realisations of £0.2 million, which without the brand sales may not have been achieved.

#### *Electrical crepe paper business*

TRP operated an electrical crepe paper business, which converted externally sourced base paper into reels and coils of high specification creped material used as an insulator for high voltage electrical cables and transformers. Whilst not a separate legal entity, for all other intents and purposes the business, referred to as IPAC, was operated as a standalone division within TRP. IPAC sold approximately 300 tonnes of electrical crepe paper per annum, generating turnover in excess of £1.0 million per annum and double digit gross margin.

As IPAC was recognised as being cash generative and was largely autonomous from TRP's wider business, we continued trade the business whilst seeking a buyer for the business and assets as a going concern.

In an effort to identify a purchaser for IPAC and generative competitive tension to maximise asset realisations, we prepared a sales flyer with highlights of the business and issued this to eight parties who operated in this niche market. Five of these parties signed Non-Disclosure Agreements and received an Information Memorandum containing further information on the business with three of these parties conducting site visits to view the operation and meet the staff.

We set a closing date of Monday, 8 June 2015 for offers for the business, at which point three offers of varying value and form were received. Following a period of review, we sought to clarify certain

aspects of the offers with interested parties, primarily around conditionality, timescales for completion of a transaction, and source/proof of funding.

On 13 July 2015, following the payment of an exclusivity deposit of £65,000, we appointed Munksjo Paper AB ("Munksjo") as preferred bidder for the business (Munksjo were a direct competitor of TRP's electrical crepe paper business). Munksjo's offer was based on an assets only sale and it was their intention to relocate the assets (and production) to their paper mill at Jönköping in Sweden, with the remaining IPAC employees being made redundant once the assets had been transferred.

Munksjo commenced a period of detailed due diligence, including visiting the site to meet with IPAC employees and certain of TRP's sales and administrative staff who were involved with this business. On 29 July 2015, Munksjo advised that they wished to significantly reduce their offer price. This reduction in price and reasons stated were unacceptable to us and we therefore terminated discussions with Munksjo at the expiry of the exclusivity period on 31 July 2015. The exclusivity deposit of £65,000 was retained, which was more than sufficient to cover the costs incurred while negotiating the sale with Munksjo.

Whilst the situation with Munksjo was disappointing, with other offers having been received at the original closing date, we reverted to the under-bidder, Glenrothes Paper Limited ('GPL'), to confirm whether they remained interested in acquiring the business and assets.

GPL is a consortium of (prior to completion of the sale) current and former TRP employees, together with external investors. GPL submitted a revised offer on 10 August 2015. After a period of further negotiation, Heads of Terms were agreed and GPL paid a non-refundable deposit of £25,000 on 24 August 2015. GPL was formally appointed as preferred bidder at this time.

Discussions were then able to continue with GPL with a view to agreeing the Sale and Purchase Agreement. Concurrently, GPL sought the required funding to purchase the business and assets, and to provide sufficient working capital for the new business. GPL also required to negotiate a lease with Group, setting out the basis on which they would continue to occupy part of the site post-completion.

This resulted in additional delays and, in order to provide a degree of protection over the costs being incurred, we requested a second non-refundable deposit from GPL. A further £25,000 was received on 11 September 2015, which allowed us to commit to purchasing more raw materials and keep the IPAC business trading.

A sale to GPL was eventually completed on 24 September 2015 for a total consideration of £0.35 million. The transaction helped to preserve the jobs of the eight remaining employees involved in the IPAC business, who transferred to GPL under TUPE regulations. The transfer of these employees also helped to mitigate any claims for redundancy and pay in lieu of notice that these employees may have had which, given their long length of service with TRP, could have been significant.

Including the exclusivity deposit paid by Munksjo, the total consideration received for the electrical crepe paper business was £0.41 million. The price paid for the plant and equipment was greater than our agent's break-up value of the assets, with GPL also paying full cost price for all stock and work in progress based on a full physical stock count undertaken at completion. A summary of the consideration allocation is shown below in order that this can be compared to our receipts and payments account at Appendix 2.

### Figure 3: Sale of the electrical crepe paper business

£000	From 27 Apr 2015 To 26 Oct 2015
Munjsko deposit	65
Plant and machinery	259
Finished goods stock	39
WIP	44
Sundry stocks/consumables	3
Office furniture and equipment	4
	<b>414</b>

Following completion of the sale, steps have been taken to deal with all accounting and cut-off issues, including the segregation of accounting and IT systems.

#### Other Matters

##### *Health and Safety*

As reported in the proposals, we notified the Scottish Environment Protection Agency ('SEPA'), the Health & Safety Executive and the local council of our appointment. Key staff members with the relevant experience, qualifications and knowledge were retained by us to ensure that standards under certain licences and permits are maintained during the administration process.

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 has 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.

At the commencement of the administration, a specific issue in relation to TRP's trading in Canada was identified. Under Canadian Law, the insolvency of a UK company is not automatically recognised and, as such, a Canadian creditor could still take enforcement action in that country (i.e. the protections of a UK administration would not apply). In practical terms, for the administration of TRP, this could have resulted in a creditor seeking to take possession of TRP stock located in Canada and/or obtaining an order for debtor receipts from Canadian customers to be diverted to the creditor.

TRP had substantial stock holdings in Canada (in excess of 2,000 tonnes) and significant debtor sums due. In order to protect TRP's assets for the benefit of all TRP's creditors, it was therefore essential that the ability for a Canadian creditor to take enforcement action be mitigated.

KPMG Inc who, as noted above, were assisting with the submission of returns to the Canadian Revenue Authority, advised that in similar scenarios they had experienced in the past, applying to the Canadian Court to have a foreign insolvency recognised would be the primary means to prevent such action by a creditor. Accordingly, we engaged Canadian lawyers (McCarthy Tétrault LLP ('McCarthy')) to assist us.

McCarthy advised that an application should be made to the Canadian Court under provisions contained in the Canadian Bankruptcy and Insolvency Act, which would effectively result in the UK administration of TRP (and the protections this provides) extending to Canada. Accordingly, various submissions were made to the Ontario Superior Court of Justice ('OSJC') and on 14 July 2015, the OSJC issued orders formally recognising the UK administration of TRP. Under the terms of the order granted, we (through our Canadian advisors) are required to provide regular updates to the OSJC on the status of the administration. Whilst all of TRP's assets which were situated in Canada have now been realised, this reporting mechanism to the OSJC will remain in place for the duration of the administration.

### Investigations

We continue to review the affairs of TRP to ascertain if there are any actions which can be taken against third parties to increase recoveries for creditors, albeit no such actions have been identified to date.

We have complied with the relevant statutory requirements to provide information on the conduct of the Company's directors and any shadow directors to the Department for Business, Innovation and Skills. The contents of our submission are confidential.

## 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. This summary does not include costs which have been accrued and not yet paid.

### Employees

As previously advised, on our appointment we met with all staff and, as a consequence of the reduced trading activity, 325 of the workforce were immediately made redundant. Initially, 149 staff were retained to assist us with *inter alia* the following matters:

- the conversion of WIP and the paper finishing processes;
- sales, invoicing and logistics associated with the selling of paper stocks;
- onsite security;
- maintaining the onsite water treatment facility;
- site clearance and chemical removal;
- environmental considerations;
- payroll and Human Resources;
- finance and credit control;
- 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. As at 7 December 2015, there are currently 17 remaining employees.

The costs associated with paying employees are shown under the 'Direct labour' caption in Appendix 2 and total £1,462,463.

To assist staff who were made redundant at the start of the administration in making claims to the RPO for redundancy, holiday pay, and pay lieu of notice, we initially set up a processing centre at a site near TRP's main premises. All employees were invited to attend the centre and were guided through the online application process by specialists from the KPMG Employment Rights team. Whilst this process involved a significant amount of our staff's time, as a result all claimants who attended the centre had their claims processed and submitted to the RPO within five days of their redundancy.

We have continued this process throughout the administration to assist all staff who have subsequently been made redundant.

## Rates

The property occupied by TRP has a current rateable value of £2.0 million, which attracts a rates liability of approximately £1.0 million per annum. In order to minimise the costs of the administration, we have applied for Empty Property Relief for the first 12 months of the administration in respect of any unoccupied areas of the site. We have engaged GVA to assist in the negotiations with Fife Council and advise us on the best way to minimise the on-going liability. We have also taken steps to rationalise the occupation of the various site properties.

The expense of £346,164 shown in the receipts and payments account reflects the liability for the initial post appointment period and it is hoped that a significant reduction can be obtained going forward.

## Repairs, maintenance, HSE and site clearance

Costs of £0.4 million have been incurred primarily in relation to the following activities:

- Disposal of chemicals/radioactive sources

Due to the nature of TRP's manufacturing processes, there was a significant volume of regulated chemicals and numerous radioactive sources onsite. With the termination of papermaking, these regulated materials were required to be disposed of in a safe and controlled manner. We appointed specialist contractors to undertake the removal and disposal process. Where possible materials have been sold to reduce the disposal cost.

- Asbestos removal

The original onsite power station ceased operation in August 2013. The building is in poor condition and due to the existence of asbestos it presents a potential health and safety hazard to the site. Access to the power station has been restricted to properly trained personnel.

An area asbestos condition audit had been commissioned by TRP prior to our appointment, and we arranged for work highlighted in the report to be completed. In addition, to ensure the safety of all those entering the site, we commissioned monthly air quality inspections, all of which have to date proved satisfactory.

Due to water ingress, there is a danger that the asbestos in the power station will degrade over time and regular inspections are being undertaken. Where further work has been identified specialist contractors have been commissioned to undertake the necessary remedial work.

### Warehouses and distribution

Costs of £1,428,040 were incurred in relation to the warehousing and distribution of TRP's stock. This expense represents a direct cost of selling the substantial levels of stock and WIP referred to above. As all paper stocks have now been sold, we do not anticipate any further significant costs in relation to warehousing and distribution.

### Agents' fees

John Wilkie and GMG were engaged on a joint agency basis to market and sell TRP's plant and machinery. Our agents initially advised us that they were confident that the plant and equipment would be sold and removed from site by September 2016. We agreed a commission structure to incentivise John Wilkie and GMG based on the level of asset realisations linked to the time taken to sell the plant and equipment and clear the site, with the commission percentage reducing if the process extends beyond September 2016. To date, interim commission payments totalling £18,640 have been paid to our agents.

### Solicitors' fees

Legal fees of £0.2 million have been incurred during the period. This is split:

- £0.1 million relating to general legal matters in the administration, such as: advice on lien claims; drafting of sales contracts; recognition of the administration in Canada; assistance with creditor contractual claims.
- £0.1 million relating to specific advice required in relation to the Pension Scheme certain TRP employees were members of (refer to Section 4 for details).

### Other notable costs

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

- £0.1 million for insurance of TRP's assets and liability cover etc. As assets are sold, the value insured reduces, which results in a reduction in the insurance premium.
- £0.3 million for power and steam costs. These costs primarily relate to the period of operating machinery to convert and finish WIP, and in the period the electrical crepe paper business traded under our control. Going forward, monthly usage should reduce significantly.
- £0.2 million for overseas sales taxes (primarily Canada). As noted above, TRP sold over 2,000 tonnes of paper stock in Canada, which incurred local taxes.

## 3 Dividend prospects

### 3.1 Secured creditor

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 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.



TRP granted an assignation of its trade debtors to LBCF in August 2012. LBCF had no outstanding debt at the date of our appointment.

TRP granted a floating charge over certain of its assets to BoS. BoS had no outstanding debt due by TRP, hence its floating charge has not crystallised and no amounts are due to BoS.

## 3.2 Preferential creditors

We estimate the amount of preferential claims to be £0.8 million of which £0.3 million has been settled to date. Preferential creditors comprise employees' claims for arrears of wages and accrued holiday pay. Based on current estimates, we anticipate that preferential creditors will be paid in full.

## 3.3 Unsecured creditors

### Dividend prospects

Based on current estimates, we anticipate that unsecured creditors will receive a dividend. The quantum and timing of any dividend will be dependent upon the final level of agreed creditors' claims and final asset relations, most notably from the sale of plant and machinery. Nevertheless, it is our intention to declare a partial interim dividend by mid 2016.

Creditors who have not yet submitted a claim should do so as soon as possible. A Statement of Claim form (Form 4.7 (Scot)) can be found at <https://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html>. Please note that in order for your claim to be admitted to rank for dividend purposes, Form 4.7 (Scot) must be completed and documentary evidence, to substantiate the amount of claim, attached. Should you require a hard copy, please contact Kylie Burgess on +44 (0) 131 451 7753. All claims can be submitted to the address noted at the top of our letter head or to [kylie.burgess2@kpmg.co.uk](mailto:kylie.burgess2@kpmg.co.uk).

### Adjudication process

We have commenced the process of adjudicating creditors' claims received. We will write to all creditors under separate cover regarding the level at which your claim has been agreed or otherwise.

Whilst the majority of claims have been verified to TRP's books and records, certain claims that do not simply correspond to purchase ledger balances require additional verification, including (where applicable) the input of our solicitors.

The current position in relation to unsecured creditors' claims is set out below in Figure 4. It should be noted that this is based on TRP's books and records and claims received to date. As a significant number of claims remain outstanding, the below table could change materially. In addition, Unite, who is recognised by TRP for collective bargaining purposes and who represent a significant proportion of the workforce, has 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. This claim, which is being defended, has yet to go before the Tribunal and has not been admitted. It is, therefore, currently not possible to accurately estimate what impact this could have on the level of unsecured creditor claims.

**Figure 4: Unsecured creditor claims**

	Number	Claim (£000)	Agreed (£000)	Rejected (£000)
Agreed in full (including nil claims)	99	1,730	1,730	-
Partly agreed	6	92	53	39
Rejected in full	1	<1	-	<1
Held	63	32,487	-	-
Outstanding proofs	188	-	-	-
	<b>357</b>	<b>34,309</b>	<b>39</b>	<b>39</b>

Source: Joint Administrators' records

## 4 Other matters

### Pension Scheme

As advised within the proposals, at the time of the first statutory meeting of creditors on 2 July 2015, the Pension Scheme Trustees ('the Trustees') and Group were engaged in initial discussions regarding a potential rescue of the TRP portion of the Pension Scheme.

During July 2015, the Trustees and Group confirmed to us that an agreement in principle had been reached to work towards achieving a rescue of the Pension Scheme. Accordingly, we engaged specialist pensions lawyers to provide legal advice on the implication of a scheme rescue upon TRP and the general body of creditors. It was identified that, with appropriate safeguards in place, the rescue would have a neutral impact upon the general body of creditors and would potentially benefit individual creditors (specifically employees who were also Pension Scheme members). As such Group, the Trustees and the Joint Administrators committed to work together to facilitate the scheme rescue.

Since that time, the stakeholders have identified various challenges in facilitating the Pension Scheme rescue including, *inter alia*:

- considering whether Group/the Pension Scheme would be entitled to rank as a creditor following a rescue of the Pension Scheme and the point at which this entitlement would trigger;
- the implications for the Pension Scheme if TRP no longer had any employees who are members of the Pension Scheme; and
- the basis under which the Pension Scheme deficit would be calculated for the purposes of establishing the claim which Group/the Pension Scheme would have following a rescue.

Whilst we are very hopeful that all of these challenges will be overcome, it is taking considerable time and effort to deal with these complicating factors and to agree the underlying mechanics and legal paperwork to facilitate the rescue. Throughout this process, we have provided periodic updates to the Pension Protection Fund ('PPF'), as the PPF assessment period remains in force until such time as the rescue is formally confirmed.

In mid-November 2015, a series of legal documents were prepared, which we hope will be approved by the Trustees, Group and ourselves to formalise the mechanics of the Pension Scheme rescue. We are hopeful that the Pension Scheme rescue will be formally confirmed in the first quarter of 2016.

## 5 Joint Administrators' remuneration and outlays and disbursements

### 5.1 Joint Administrators' remuneration, outlays and disbursements

#### Time costs

From the date of our appointment to 26 October 2015, we have incurred time costs of £2,374,373.00. This represents 6,459.30 hours at an average rate of £ 367.59 per hour. As reported following the meeting of TRP's creditors on 2 July 2015, our basis of remuneration has not yet been agreed.

#### Disbursements

During the period, we have incurred disbursements of £26,631.30. 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 our appointment to 26 October 2015. 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 and property of TRP in order to achieve the purpose of the administration. Specific areas which will require significant ongoing focus are noted below.

#### Plant and machinery

In October 2015, our agent, John Wilkie, advised us that he had reassessed the realisable values of the remaining items of plant and machinery and had significantly reduced his estimates compared to his initial valuation, which was prepared in May 2015. We were advised that the availability of second hand papermaking equipment has increased significantly in recent months as a result of several other paper mill closures worldwide, resulting in lower achievable values.

These closures include Innovio Papers and Meerson Paper in the Netherlands, Sappi in South Africa, Stora Enso in France, Biberist in Switzerland and Burgo in Italy. Several of these mills had plant and equipment that was comparable to TRP with some of it being more modern and of a higher specification.

Furthermore, a large quantity of finishing and conversion equipment remains available for sale. Due to the ongoing steps that are being taken to realise value from the remaining items of plant and

equipment our agents' valuations are commercially sensitive and therefore cannot be disclosed at this time.

We continue to have regular meetings with our agents to monitor progress. John Wilkie has circulated details of TRP's plant and equipment to his worldwide network of more than 4,500 contacts. To date, 24 parties have visited the site to inspect the plant and equipment, with several of the parties conducting multiple site visits. Details of the plant and machinery are also included on our agents' respective websites.

We have received offers for all of the remaining plant and machinery. We have also been approached by various scrap metal dealers and demolition contractors who have expressed an interest in acquiring all of the remaining assets, however, the level of their offers has been much lower than even the revised plant and machinery valuation as such offers are based only on the scrap value of the remaining items.

Due to the nature of TRP's plant and equipment and particularly the large size of the paper making machines and coating machines it could take a considerable length of time for these assets to be sold, dismantled and removed from site. Holding costs will continue to accrue during this time. The main ongoing holding costs are labour costs for the retained TRP staff, insuring and securing costs as well as rates and utility costs. We are continuing to constantly monitor and review ongoing holding costs and where possible take steps to reduce them. Furthermore, we will regularly reassess the benefit to unsecured creditors of continuing to hold these assets versus a clearance sale, and will provide updates on this in our future reports.

We are presently involved in advanced discussions with interested parties regarding the sale of remaining plant and equipment. However, due to the commercially sensitive nature of the negotiations, further information cannot be disclosed at this time, although further details will be included in our future reports to creditors.

### Other matters

Other outstanding matters which we will work to address over the coming weeks and months include, inter alia:

- ingathering remaining sums due from customers in relation to post appointment sales;
- completion of sale of South site;
- marketing the disposal of the North site;
- finalising the rescue of the Pension Scheme;
- adjudicating upon preferential and unsecured creditor claims; 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 administration is currently due to end on 26 April 2016.

However, this progress report accompanies a request to all unsecured creditors to consider a 12 month extension to 26 April 2017 to provide further time to realise the remaining assets and attend to outstanding matters.



Our request for an extension is attached to the covering letter. Please complete the voting form and return it to Calum Pickett at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

### **6.3 Future reporting**

We will provide a further progress report within six weeks of 26 April 2016 or earlier if the administration has been completed prior to that time or if we are seeking to amend the proposals.

## 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, P415 of 2015
Appointor	The Directors of the Company.
Date of appointment	27 April 2015
Joint Administrators	Blair Nimmo and Tony Friar
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).
Current administration expiry date	26 April 2016
Prescribed Part	The Prescribed Part is not applicable on this case as the floating chargeholder has no outstanding debt at the date of our 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.

## Appendix 2 Joint Administrators' receipts and payments account

### Tullis Russell Papermakers Limited - in Administration

Statement of Affairs (£)	From 27/04/2015 To 26/10/2015 (£)	From 27/04/2015 To 26/10/2015 (£)
POST-APPOINTMENT SALES		
6,285,000.00		
Sales	9,858,684.38	9,858,684.38
ROT settlement	117,726.05	117,726.05
Miscellaneous income	5.00	5.00
	9,976,415.43	9,976,415.43
PURCHASES		
Purchases	(58,310.30)	(58,310.30)
	(58,310.30)	(58,310.30)
OTHER DIRECT COSTS		
Direct labour	(1,420,462.67)	(1,420,462.67)
	(1,420,462.67)	(1,420,462.67)
TRADING EXPENSES		
Stock	(3,485.36)	(3,485.36)
Electricity & Steam	(252,676.04)	(252,676.04)
Rates	(346,164.53)	(346,164.53)
Water rates	(22,636.26)	(22,636.26)
Heat & light	(12,181.66)	(12,181.66)
Overseas import and sales taxes	(35,067.58)	(35,067.58)
Telephone/Fax/IT	(42,905.46)	(42,905.46)
Warehousing & distribution	(1,428,039.90)	(1,428,039.90)
Professional fees	(1,151.00)	(1,151.00)
HP/Leasing payments	(61,627.04)	(61,627.04)
Hire of equipment	(7,729.82)	(7,729.82)
Repairs and maintenance	(358,402.67)	(358,402.67)
Sundry expenses	(7,344.38)	(7,344.38)
Commission on sales	(15,731.03)	(15,731.03)
Security costs	(18,472.70)	(18,472.70)
Payroll processing costs	(5,292.70)	(5,292.70)
Stationery & postage	(2,653.82)	(2,653.82)
	(2,621,561.94)	(2,621,561.94)
<b>6,285,000.00</b>	<b>Trading surplus/(deficit)</b>	<b>5,876,080.52</b>
		<b>5,876,080.52</b>

## Tullis Russell Papermakers Limited - in Administration

Statement of affairs (£)	From 27/04/2015 To 26/10/2015 (£)	From 27/04/2015 To 26/10/2015 (£)
<b>ASSET REALISATIONS</b>		
	92,500.00	92,500.00
6,000,000.00	1,002,033.63	1,002,033.63
	3,750.00	3,750.00
200,000.00	NIL	NIL
1,458,000.00	72,500.00	72,500.00
	13,489,165.16	13,489,165.16
	2.00	2.00
600,000.00	594,832.26	594,832.26
	146,759.00	146,759.00
	<u>15,401,542.06</u>	<u>15,401,542.06</u>
<b>OTHER REALISATIONS</b>		
	12,999.37	12,999.37
4,000.00	NIL	NIL
	47,153.01	47,153.01
	5,876,080.52	5,876,080.52
	(250,000.00)	(250,000.00)
150,000.00	116,542.00	116,542.00
26,000.00	NIL	NIL
	6,176.00	6,176.00
	84,523.72	84,523.72
	<u>5,893,474.62</u>	<u>5,893,474.62</u>
<b>COST OF REALISATIONS</b>		
	(416.66)	(416.66)
	(10,142.70)	(10,142.70)
	(2,028.54)	(2,028.54)
	(32,276.28)	(32,276.28)
	(53,697.32)	(53,697.32)
	(98,028.49)	(98,028.49)
	(90,650.87)	(90,650.87)
	(365.28)	(365.28)
	(129,719.41)	(129,719.41)
	(15,439.16)	(15,439.16)
	(208,034.20)	(208,034.20)
	(51,303.49)	(51,303.49)



## Tullis Russell Papermakers Limited - in Administration

Statement of affairs (£)	From 27/04/2015 To 26/10/2015 (£)	From 27/04/2015 To 26/10/2015 (£)
	(692,102.41)	(692,102.41)
PREFERENTIAL CREDITORS		
Employees' wage arrears	(284,712.58)	(284,712.58)
Employees' holiday pay	(28,398.91)	(28,398.91)
	<u>(313,111.49)</u>	<u>(313,111.49)</u>
UNSECURED CREDITORS		
Employees Wage Arrears	(38,310.98)	(38,310.98)
Lien payments	(1,269,668.06)	(1,269,668.06)
	<u>(1,307,979.04)</u>	<u>(1,307,979.04)</u>
	<b>18,981,823.74</b>	<b>18,981,823.74</b>
REPRESENTED BY		
Floating ch. VAT rec'able		633,212.38
IB Current account		7,763,712.23
32 day notice account		11,781,013.89
Floating ch. VAT payable		(934,639.93)
PAYE/NIC		40,165.02
Pension		(60,781.16)
Other trading payroll deductions		(3,679.06)
Due to/from TRG		(237,093.23)
Due to/from TREE		(86.40)
		<u><b>18,981,823.74</b></u>

## 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 Joint 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 (£)		
Grade	From 01 Oct 2014 £/hr	From 01 Oct 2015 £/hr
Partner	595	595
Director	535	535
Senior Manager	485	485
Manager	405	405
Senior Administrator	280	280
Administrator	205	205
Support	125	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 from the date of our appointment to 26 October 2015.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation		7,696.28		NIL	<b>7,696.28</b>
Meals		4,298.51		NIL	<b>4,298.51</b>
Mileage		NIL		11,953.99	<b>11,953.99</b>
Sundry		74.17		NIL	<b>74.17</b>
Travel		2,608.35		NIL	<b>2,608.35</b>
<b>Total</b>		<b>14,677.31</b>		<b>11,953.99</b>	<b>26,631.30</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 21 December 2015 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 April 2015 to 26 October 2015](#)

The key areas of work undertaken are set out in the following pages.

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>■ providing initial statutory notifications of our appointment to the Registrar of Companies, The Registrar of Inhibitions and Adjudications, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page;</li> <li>■ arranging bonding and complying with statutory requirements;</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 the decision to trade and 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>■ setting up administration bank accounts and 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>■ gathering initial information from TRP's records in relation to the taxation position of the company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing TRP's pre-appointment corporation tax and VAT position;</li> <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>■ working initially on tax returns relating to the periods affected by the administration;</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>■ providing notification of our appointment;</li> <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 trading;</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>■ communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions;</li> <li>■ monitoring stock and stock reconciliations;</li> <li>■ dealing with hauliers and warehousing providers to ensure ongoing services;</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 over which it holds security.</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of TRP's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> <li>■ running a separate sale of business process for the electrical crepe paper operation, and negotiating the terms of its sale.</li> </ul>
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>■ arranging ongoing insurance cover for TRP's business and assets;</li> <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 Redundancy Payments Office;</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> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ convening and preparing for the meeting of creditors;</li> <li>■ creating and updating the list of unsecured creditors;</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>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing company and directorship searches and advising the directors of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ reviewing the questionnaires submitted by the Directors of TRP;</li> <li>■ reviewing pre-appointment transactions;</li> <li>■ Carrying out investigative work including reviewing TRP's books and records in preparation for submission of a report to the Insolvency Service.</li> </ul>

## SIP 9 – Time costs analysis

### Time costs

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

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
<b>Administration &amp; planning</b>							
<b>Cashiering</b>							
Fund management		1.30			<b>1.30</b>	630.50	485.00
General (Cashiering)		1.10	113.60		<b>114.70</b>	32,019.00	279.15
Reconciliations (& IPS accounting reviews)		3.70	14.40		<b>18.10</b>	5,166.50	285.44
<b>General</b>							
Books and records		18.40	28.90		<b>47.30</b>	14,872.00	314.42
Fees and WIP	2.30		0.50		<b>2.80</b>	1,370.50	489.46
<b>Statutory and compliance</b>							
Appointment and related formalities	44.30	36.90	50.80	31.30	<b>163.30</b>	57,300.50	350.89
Checklist & reviews	2.70	4.45	9.50	0.50	<b>17.15</b>	6,487.25	378.27
Pre-administration checks			1.00		<b>1.00</b>	205.00	205.00
Statutory advertising			1.20		<b>1.20</b>	336.00	280.00
Statutory receipts and payments accounts			7.00		<b>7.00</b>	1,960.00	280.00
Strategy documents	64.10	47.10	3.00		<b>114.20</b>	59,717.00	522.92
<b>Tax</b>							
Initial reviews - CT and VAT		3.00	15.70		<b>18.70</b>	5,611.00	300.05
Post appointment corporation tax		5.00	6.00		<b>11.00</b>	3,480.00	316.36
Post appointment overseas tax		7.35	10.80		<b>18.15</b>	6,428.25	354.17
Post appointment VAT	5.30	197.10	87.90	4.00	<b>294.30</b>	108,911.50	370.07
<b>Creditors</b>							
<b>Committees</b>							
Formation			0.60		<b>0.60</b>	123.00	205.00
Meetings	5.50	4.30			<b>9.80</b>	5,358.00	546.73
<b>Creditors and claims</b>							
Agreement of claims			0.40		<b>0.40</b>	82.00	205.00
Agreement of preferential claims		17.90			<b>17.90</b>	8,681.50	485.00
Agreement of unsecured claims		8.70	51.20		<b>59.90</b>	14,715.50	245.67
General correspondence	30.20	43.25	214.10	14.80	<b>302.35</b>	91,699.75	303.29

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

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
Legal claims		2.95	3.60		<b>6.55</b>	2,363.75	360.88
Notification of appointment			13.00		<b>13.00</b>	3,640.00	280.00
Pre-appointment overseas tax	3.40	10.45	1.60		<b>15.45</b>	7,379.25	477.62
Pre-appointment VAT / PAYE / CT		0.40	2.60		<b>3.00</b>	922.00	307.33
ROT Claims	1.30	186.20	240.80		<b>428.30</b>	147,460.00	344.29
Secured creditors	1.60				<b>1.60</b>	856.00	535.00
Statutory reports	64.50	24.75	37.20	3.40	<b>129.85</b>	57,044.75	439.31
<b>Employees</b>							
Agreeing employee claims	2.70	6.30	3.60		<b>12.60</b>	5,670.00	450.00
Correspondence	11.25	332.00	1,120.00		<b>1,463.25</b>	471,298.75	322.09
DTI redundancy payments service			9.00		<b>9.00</b>	2,520.00	280.00
Pension funds	123.75	10.85	13.55		<b>148.15</b>	76,222.50	514.50
Pensions reviews	2.10	4.60	20.60		<b>27.30</b>	8,865.50	324.74
<b>Investigation</b>							
<b>Directors</b>							
Correspondence with directors	10.90	9.95			<b>20.85</b>	10,549.25	505.96
D form drafting and submission		4.40	6.90		<b>11.30</b>	4,066.00	359.82
Directors' questionnaire / checklist	1.20				<b>1.20</b>	714.00	595.00
Statement of affairs	2.50	3.30	3.40		<b>9.20</b>	4,040.00	439.13
<b>Realisation of assets</b>							
<b>Asset Realisation</b>							
Cash and investments		1.50	46.20		<b>47.70</b>	13,663.50	286.45
Debtors	49.40	167.05	159.50		<b>375.95</b>	150,242.25	399.63
Freehold property	21.00	155.55	5.90		<b>182.45</b>	83,980.75	460.29
Goodwill	26.00	44.90			<b>70.90</b>	36,718.50	517.89
Health & safety	1.10	90.70	30.55		<b>122.35</b>	46,118.50	376.94
Office equipment, fixtures & fittings		1.90	2.60		<b>4.50</b>	1,641.50	364.78
Open cover insurance	0.60	3.90	20.10		<b>24.60</b>	7,732.50	314.33
Other assets	2.10	8.90	6.10		<b>17.10</b>	7,148.00	418.01
Plant and machinery	100.40	146.60	18.90		<b>265.90</b>	128,329.00	482.62
Sale of business	124.00	171.00	189.90		<b>484.90</b>	198,608.50	409.59



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

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Stock and WIP	61.00	193.80	300.30		<b>555.10</b>	200,662.50	361.49
Vehicles		7.70	2.40		<b>10.10</b>	3,830.50	379.26
<b>Trading</b>							
Trading							
Cash & profit projections & strategy	3.40	8.85			<b>12.25</b>	6,297.25	514.06
Purchases and trading costs	71.60	224.30	431.45		<b>727.35</b>	252,397.25	347.01
Sales		2.90	33.50		<b>36.40</b>	8,236.00	226.26
<b>Total in period</b>	<b>840.20</b>	<b>2,225.25</b>	<b>3,339.85</b>	<b>54.00</b>	<b>6,459.30</b>	<b>2,374,373.00</b>	<b>367.59</b>

Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	6,459.30	2,374,373.00
Carry forward time (appointment date to SIP 9 period end date)	6,459.30	2,374,373.00

## 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>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>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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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Toronto ON M5X 1K6

Our ref 6.9C.1

Contact Gavin Park  
0131 451 7731



7 September 2015

*Cc: Amanda Nasrullah*

Dear Sirs/Mesdames

**Application of Blair Carnegie Nimmo and Gerard Anthony Friar (the “Joint Administrators”) for recognition of a foreign proceeding in respect of the administration proceeding of Tullis Russell Papermakers Limited, CV-15-11036-00CL**

We are the Joint Administrators in the above-noted matter.

We write further to the letter sent on our behalf by our Canadian counsel, McCarthy Tétrault LLP dated July 15, 2015. As previously stated in our earlier correspondence, on July 14, 2015, the Ontario Superior Court of Justice (Commercial List) issued orders (the “**Initial Recognition Order**” and “**Supplemental Order**”) recognizing the administration proceeding in respect of Tullis Russell Papermakers Limited (“**TRP**”) in the United Kingdom for protection under *The Insolvency Act 1986* (c. 45) (the “**UK Administration Proceeding**”) as a “foreign main proceeding” pursuant to section 269 of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended.

Prior to the UK Administration Proceeding, TRP delivered and sold various types of paper products to a small number of customers in Canada, with a majority of sales made to one customer based in Ontario, Canada.

Based on the information available to us, CRA appears to be the principal creditor of TRP in Canada as a result of certain unpaid sales tax remittances. As such, we wish to provide you with an update of the status of the UK Administration Proceeding.

Presently, we are focused on implementing an orderly wind down plan and piecemeal realization of TRP’s assets. This includes selling the remainder of the inventory stored at a warehouse in Canada to its main customer in Ontario, which we currently estimate to be completed by the end of September, 2015.

As you may be aware, we have already sent a claims form to all creditors of TRP, including CRA, in order for each creditor to submit a proof of claim against the company. A copy of the



**KPMG LLP**

*Application of Blair Carnegie Nimmo and Gerard Anthony Friar (the “Joint Administrators”) for recognition of a foreign proceeding in respect of the administration proceeding of Tullis Russell Papermakers Limited, CV-15-11036-00CL  
Cc: Amanda Nasrullah*

claims form is enclosed with this letter. More information relating to the UK Administration Proceeding is available on the Joint Administrators’ website at <https://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html>

Following the collection of the proof of claims forms, adjudication of claims and realization of all TRP’s assets, it is our intention to seek approval from the UK court of an order (the “**UK Distribution Order**”) authorizing the Joint Administrators to make a distribution of funds to TRP’s creditors in accordance with UK law (should funds on hand allow it), following which recognition of the UK Distribution Order may be sought in Canada.

Please let us know if you wish to receive notice of the motion seeking the UK Distribution Order and/or the recognition motion in Canada, if the latter is brought.

If you have any questions regarding the above, please feel free to contact me.

Yours faithfully  
For Tullis Russell Papermakers Limited – in Administration

pp Blair Nimmo  
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators

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

*Enclosures:* Statement of Claim by Creditor Form

Statement of Claim by Creditor

Pursuant to Rule 4.15(2)(a) of the Insolvency (Scotland) Rules 1986

<p><b>WARNING</b> It is a criminal offence</p> <ul style="list-style-type: none"> <li>For a creditor to produce a statement of claim, account, voucher, or other evidence which is false, unless he shows that he neither knew nor had reason to believe that it was false; or</li> </ul>	<ul style="list-style-type: none"> <li>For a director or other officer of the company who knows or becomes aware that it is false to fail to report it to the liquidator within one month of acquiring such knowledge.</li> </ul> <p>On conviction either the creditor or such director or other officer of the company may be liable to a fine and/or imprisonment</p>
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Notes

(a) *Insert name of company*

(a)

(b) *Insert name and address of creditor*

(b) \_\_\_\_\_  
\_\_\_\_\_

(c) *Insert name and address, if applicable, of authorised person acting on behalf of the creditor*

(c) \_\_\_\_\_  
\_\_\_\_\_

(d) *Insert total amount as at the due date (see note (e) below) claimed in respect of all the debts, the particulars of which are set out overleaf*

I submit a claim of (d)£\_\_\_\_\_ in the liquidation of the above company and certify that the particulars of the debt or debts making up that claim, which are set out overleaf, are true complete and accurate to the best of my knowledge and belief.

(e) *The date due in the case of the company*

- (i). *which is subject to a voluntary arrangement*
- (ii). *Which is in administration is the date on which the company entered administration;*
- (iii). *Which is in receivership is the date of appointment of the receiver; and*
- (iv). *Which is in liquidation is the commencement of the winding up.*

Signed \_\_\_\_\_  
Creditor/person acting on behalf of creditor

Date \_\_\_\_\_

*The date of the commencement of the winding up is*

- (i). *In a voluntary winding up the date of resolution by the company for winding up (section 86 or 98); and*
- (ii). *In a winding up by the court the date of the presentation of the petition for winding up unless it is preceded by a resolution for voluntary winding up (section 129)*



**PARTICULARS OF EACH DEBT**

Notes

A separate set of particulars should be made out in respect of each debt.

1. Describe briefly the debt, giving details of its nature, the date when it was secured and when payment became due.

Attach any documentary evidence of the debt, if available.

2. Insert total amount of the debt, showing separately the amount of principal and any interest which is due on the debt as at the due date (see note (e)). Interest may only be claimed if the creditor is entitled to it. Show separately the VAT on the debt and indicate whether the VAT is being claimed back from HM Customs and Excise.

3. Insert the nature and amount of any preference under Schedule 6 to the Act claimed in respect of the debt.

4. Specify and give details of the nature of any security held in respect of the debt including-

(a) the subjects covered and the date when it was given.

(b) the value of the security.

Security is defined in section 248(b) of the Insolvency Act 1986 as meaning "any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off)." For claims in administration procedure security also includes a hire purchase agreement for the hire of goods for more than three months and a conditional sale agreement (see Rule 2.33).

In liquidation only the creditor should state whether he is surrendering or undertakes to surrender his security; the liquidator may at any time after 12 weeks from the date of the commencement of the winding up note (e) require a creditor to discharge a security or to convey or assign it to him on payment of the value specified by the creditor.

1. Particulars of debt

2. Amount of debt

3. Preference claimed for debt

4. Security for debt