

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company Tullis Russell Papermakers Limited	Company number SC006195
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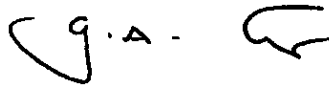
(a) Insert full name(s) and address(es) of administrators

I/We (a) Gerard Anthony Friar KPMG LLP 319 St Vincent Street Glasgow G2 5AS	Blair Carnegie Nimmo KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
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administrators of the above company attach a progress report for the period

from	to
(b) Insert date(s) (b) 27 April 2017	(b) 26 October 2017

Signed



Joint Administrator

Dated

6 December 2017

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the

Harry Williamson KPMG LLP 37 Albyn Place Aberdeen Grampian AB10 1JB	Tel +44 (0) 1224 591000
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FRIDAY



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COMPANIES HOUSE

When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
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KPMG

Joint
Administrators'
progress
report for the
period 27 April
2017 to 26
October 2017

Tullis Russell Papermakers
Limited - in Administration

30 November 2017

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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1 Executive summary

- This progress report covers the period from 27 April 2017 to 26 October 2017.
- As previously reported, TRP ceased to occupy the Mill Site with effect from 9 January 2017 and a payment of £450,000 (excl. VAT) was made to TRG as an expense of the administration, in full and final settlement of all existing and future claims TRG has against TRP. (Section 2.1 – Strategy and progress to date).
- The North and South Sites owned by TRP were sold to TRG during the period for £800,000, with the sales proceeds being distributed to the Pension Scheme under its standard securities. (Section 2.2 – Asset realisations).
- Debtor receipts totalling £114,143 were received in the period. (Section 2.2 – Asset realisations).
- A settlement was reached with Atradius, which resulted in a receipt of £300,000 and TRP retaining its right to pursue its unsecured claims in the insolvencies of various companies within the Paperlinx Group of companies. The quantum and timing of any further recoveries from the insolvencies remains uncertain at this stage and we are currently considering our options for dealing with TRP’s creditor rights in the insolvencies. (Section 2.2 – Asset realisations).
- Preferential claims totalling £602,174 have been paid. This represents a dividend of 100p in the £ (Section 3.2 – Preferential Claims).
- An equalising dividend was facilitated on 16 March 2017 to creditors who submitted a claim following the payment of the first interim dividend on 24 June 2016. A second interim dividend of 8p in the £ was also declared on 20 April 2017 for all creditors with an agreed claim. To date, the Administrators have paid dividends to unsecured creditors totalling £14,605,442 (28.1 pence in the £ on agreed claims totalling £52,138,791). (Section 3.3 – Unsecured creditors).
- We submitted a formal application to surrender TRP’s PPC permit in September 2017. SEPA have reviewed this application and have requested some further information. We are liaising with RSK to provide this information and have arranged a follow up meeting with SEPA in December 2017. (Section 4.2 – Other case specific matters).
- We are continuing to liaise with GVA in relation to a pre-appointment rates appeal. GVA are at an advanced stage in their discussions with Fife Council’s Rates Assessor and we hope to conclude this matter shortly. (Section 4.2 – Other case specific matters).
- The administration is currently due to end on 26 April 2018. We may seek an extension to the Administration if the remaining matters outlined in the report are not completed by this date. (Section 6.2 – Extension of the administration).

- Please note: you should read this progress report in conjunction with our previous progress reports and proposals. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.

G.A. [Signature]

Tony Friar
Joint Administrator

2 Progress to date

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

2.1 Strategy and progress to date

Strategy

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

This strategy is now largely complete other than the outstanding matters that are considered in detail later within this report.

Exit from Mill Site

As previously reported, TRP ceased to occupy the Mill Site for the benefit of the administration with effect from 9 January 2017. All site related costs (for example, security, rates etc.) ceased to be TRP's responsibility from 9 January 2017- the date the Mill Site was vacated.

During the period, a payment of £450,000 (excl. VAT) was made to TRG as an expense of the administration in full and final settlement of all existing and future claims TRG has against TRP. This payment was approved by the Creditors' Committee and details of the settlement with TRG were outlined in our previous progress report.

2.2 Asset realisations

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

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

Freehold property

As previously advised, TRP owned two areas of land known as the North and South sites. TRP had granted standard securities over the land to the Pension scheme.

During the period, we received an offer of £800,000 from TRG to purchase both sites. TRG's offer was lower than the valuation range provided by our property agents GVA, but GVA did note that the time it would take to achieve a sale was extremely uncertain.

As the Pension scheme would be the sole beneficiary of the sale we sought the views of the Pension scheme trustees on TRG's offer. The Pension scheme trustees informed us that they wished to accept TRG's offer. In order to proceed with the sale to TRG, we advised the Pension Scheme trustees that we would need to adjust the Pension Scheme's claim in order to ensure that the remaining unsecured creditors were not prejudiced as a result of selling the North and South sites below their market value.

After a period of negotiation it was agreed that the Pension Scheme's unsecured claim would be reduced by £1.1 million (rather than the purchase price), which is the approximate mid-point of GVA's valuation range.

Following completion of the sale of the North and South sites, we distributed £800,000 to the Pension Scheme under its standard securities. We have admitted the Pension Scheme to rank as an unsecured creditor for £18.846 million, being its headline claim of £19.946 million less £1.1 million.

Plant & Machinery

A final payment of £5,000 was received from Glenrothes Paper Limited in relation to the sale of a steam line.

Book debts

Debtor receipts totalling £114,143 were received during the period. This included £113,997 received in respect of a disputed debt with Shanghai Shengyao Trading Company Limited.

No further debtor receipts are anticipated other than from the Paperlinx Group of companies (which is discussed in the following section).

Insurance settlement

At the date of 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 £1.25 million. As advised in our previous reports, the Paperlinx Group (and certain other related companies) entered into administration on 1 April 2015, casting doubt over the recoverability of the debts they owed to TRP. The companies have subsequently been placed into liquidation.

TRP held credit insurance with Atradius in relation to sums owed by certain customers, including the Paperlinx Group. Prior to TRP's insolvency, Atradius had been notified by TRP's staff of a potential claim for the Paperlinx Group's debt under TRP's credit insurance policy. In the period following the administration, we engaged in extensive discussions with Atradius regarding TRP's claim and sought guidance from our lawyers, CMS, on this matter. Discussions with Atradius reached an impasse and, in conjunction with CMS, we appointed legal counsel and corresponded with the legal representatives of Atradius. Pre litigation action protocols were commenced and the basis of TRP's claim against Atradius was formally intimated.

Atradius requested further information in relation to the quantum of TRP's claim through their legal representative, which we provided to them. On 5 July 2017, we entered in to a mediation process with Atradius. We are pleased to report that a settlement was reached with Atradius at the mediation, resulting in a receipt of £300,000. This is a positive result with TRP retaining its claims in the liquidations. We will consider the available options, which could include selling TRP's creditor rights in the insolvency proceedings. This will depend on the likely quantum and timing of distributions to TRP from those insolvency proceedings.

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.

Agents' fees

Agent's fees totalling £24,142 have been paid in the period, with £16,828 relating to the work undertaken by RSK in relation to the application to surrender TRP's Pollution Prevention and Control ('PPC') permit. This work is still ongoing and is discussed further in Section 4.2.

Legal fees

Legal fees of £43,944 have been paid during the period. £2,209 of this balance relates to work in relation to the pension scheme. The remainder relates to general legal matters in the administration, such as: sale of land; assistance with creditor contractual claims; advice in relation to the recovery of the remaining debtor balances (including the mediation proceedings).

Costs of property related settlement

As outlined in section 2.1 (exit from mill site), a payment of £450,000 (excl. VAT) was made to TRG as an expense of the administration, in full and final settlement of all existing and future claims TRG has against TRP.

3 Dividend prospects and dividends paid

3.1 Secured creditors

As previously advised, TRP had granted standard securities in favour of the Pension scheme over two areas of freehold land known as the North and South sites. The amount secured is for all sums due to the Pension scheme up to a maximum of £13.5 million, which greatly exceeds the value of the North and South sites. As the Pension scheme's claim in the administration significantly exceeds the value of its security it was clear that the Pension scheme would be the only beneficiary from the sale of the North and South sites.

As noted at Section 2.2 above, the North and South sites were sold to TRG during the period for £800,000 and the sales proceeds were distributed to the Pension scheme under its standard securities.

3.2 Preferential creditors

Preferential creditors' claims totalling £601,700 have been paid. This represents a dividend of 100p in the £.

3.3 Unsecured creditors

Dividends paid

As previously reported, we obtained approval from the Creditors' Committee to pay a second interim dividend (8 pence in the £) to all unsecured creditors with an agreed claim. Approval was confirmed on 20 April 2017 and the second interim dividend was paid during the period.

In addition, equalising dividends were facilitated to those employees with unsecured claims admitted to rank following payment of the first two interim dividend payments.

Any tax and NI due from payment of dividends was also remitted to HM Revenue Customs during the period as shown in the attached receipts and payments account.

To date, we have paid dividends totalling £14,605,442. Dividend cheques totalling £45,557 have been stopped and will be reissued or consigned with the Accountant of Court as appropriate. Together, this totals £14,650,999 (28.1p in the £ on agreed claims totalling £52,138,791).

Since the period end, an equalising dividend of £14,050 has been paid in relation to a Court fine of £50,000 for a pre-administration Health and Safety breach which ranked as an unsecured claim.

We have been notified of an additional unsecured claim by Tullis Russell Deutschland of £1,736,393. We have also been notified of possible additional unsecured claims from former employees of Tullis Russell Iberia in connection with a Spanish Court action.

We are currently working to finalise the Insolvency Service's unsecured claim. To date, we have paid interim dividends totalling £1,416,944 in respect of the Insolvency Service's provisional claim of £5,042,507. The Insolvency Service has recently submitted a revised claim of £5,140,702 (£98,195 increase). The increase reflects additional protective award claims paid to former TRP employees.

These additional claims and revised claims will be taken into account when we calculate the third and final interim dividend.

Further dividend prospects

We continue to work towards finalising all matters in the administration to allow a third and final distribution to be facilitated to all unsecured creditors. The quantum and timing of the final dividend is wholly dependent upon final asset realisations and the future costs of the administration process.

4 Other matters

4.1 Creditors' Committee

As previously disclosed, a Creditors' Committee was elected at the meeting of creditors held on 3 May 2016.

Committee meetings

Details of the meetings held on 10 October 2016 and 24 March 2017 were included in previous reports.

During the period we provided the Committee with a further report and asked them to consider the following resolution:

- the Joint Administrators may draw remuneration of £30,000 (plus VAT) in relation to the period from 1 November 2017, taking the Joint Administrators' total remuneration up to £3,330,000 (plus VAT);

Whilst the Committee approved this resolution on 3 November 2017 the additional fee has not yet been drawn and is not reflected in the Joint Administrators' Receipts and Payments account at Appendix 2.

4.2 Other case specific matters

Health and Safety

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

As previously advised, TRP's former papermaking activities were subject to a Pollution Prevention and Control ('PPC') permit granted by the Scottish Environment Protection Agency ('SEPA'). This permit remains in force and requires to be formally surrendered to SEPA. We have engaged RSK to assist us with the surrender process and have continued to utilise KPMG's internal health & safety specialists. We have also retained TRP's former Operations Director on an ad-hoc consultancy basis to provide any input that may be needed.

In support of the legal requirements for permit surrender, RSK have prepared reports for submission to SEPA, with the aim of determining that no change in site condition has occurred over the lifetime of the permit.

A formal surrender application was submitted to SEPA in September 2017, together with a suite of supporting reports and analysis, which had been prepared by RSK. SEPA have recently reverted to the administrators seeking some additional information and points of clarity, which we are considering. A meeting has been arranged with SEPA in December 2017 to discuss matters and it remains uncertain whether there will be any further requirements to be completed by TRP before the permit can formally be surrendered. We will provide a further update to creditors in our next six monthly progress report.

Pre-administration rates appeal

As previously advised, GVA were appointed to lodge a non-domestic rates appeal in respect of pre-administration rates.

GVA have had extensive dialogue with Fife Council's Rates Assessor and are close to agreeing a final position, which could potentially result in a significant rates refund being payable to TRP.

We expect to be advised of the outcome shortly and will provide a further update to creditors in our next six monthly progress report.

5 Joint Administrators' remuneration, outlays and disbursements

5.1 Joint Administrators' remuneration, outlays and disbursements

Time costs

We have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 27 April 2017 to 26 October 2017. We have also attached our charging and disbursements policy.

From 27 April 2017 to 26 October 2017, we have incurred time costs of £194,275.25. These represent 494.45 hours at an average rate of £392.91 per hour.

Disbursements

During the period, we have incurred disbursements of £667.79. None of these have yet been paid.

Remuneration and outlays

During the period we have not drawn any remuneration or outlays, although the Creditors' Committee has approved remuneration of £30,000 (excl VAT), which we have not yet drawn (see Section 4.1 above).

6 Future strategy

6.1 Future conduct of the administration

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

- corresponding with the liquidators of the Paperlinx Group of companies to receive dividends in respect of TRP's unsecured claims;
- alternatively, consider selling TRP's creditor rights in the Paperlinx liquidations;
- continuing to liaise with SEPA with regard to TRP's application to surrender its PPC permit;
- finalising the pre-appointment rates appeal in conjunction with our agents GVA and obtaining a rates refund;
- settling all outstanding expenses of the administration;
- facilitating the payment of a third and final dividend to TRP's unsecured creditors;
- attending to all statutory and compliance matters; and

- taking steps to bring the administration to an end.

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 was previously extended for a period of 12 months to 26 April 2017 and a further 12 month extension was granted by the Court on 25 April 2017. The administration is currently due to end on 26 April 2018.

It is unlikely that the outstanding matters referred to above will be finalised by this date and we may, therefore, require a further extension to the period of the administration to allow them to be completed. If you object to such an extension please write to us at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom by no later than 14 December 2017. If we do not hear from creditors by this date, we will assume that there are no objections to the extension and will make an application to extend the administration if and when necessary.

6.3 Future reporting

A further progress report will be provided to creditors on the next six month period ending 26 April 2018 within six weeks of this date.

Appendix 1 Statutory information

Company information	
Company name	Tullis Russell Papermakers Limited
Date of incorporation	21 May 1906
Company registration number	SC006195
Present registered office	20 Castle Terrace, Edinburgh, EH1 2EG

Administration information	
Administration appointment	The administration appointment granted in Court of Session, P801 of 2015
Appointor	The Directors of the Company
Date of appointment	27 April 2015
Joint Administrators' details	Tony Friar and Blair Nimmo
Prescribed Part distribution	The Prescribed Part is not applicable as the floating chargeholder had no outstanding debt at the date of the Administration appointment.
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 2018

Appendix 2 Joint Administrators' receipts and payments account

Receipts and payments

Tullis Russell Papermakers Limited - in Administration			
Trading accounts			
		31/12/2016	31/12/2015
		£	£
	POST-APPOINTMENT SALES		
	Sales	NIL	11,973,800.52
	ROT settlement	NIL	165,393.91
	Miscellaneous income	NIL	5.00
			<hr/>
		NIL	12,139,199.43
	PURCHASES		
	Purchases	NIL	(59,371.86)
			<hr/>
		NIL	(59,371.86)
	OTHER DIRECT COSTS		
	Direct labour	351.51	(2,274,370.72)
			<hr/>
		351.51	(2,274,370.72)
	TRADING EXPENSES		
6,285,000.00	Stock	NIL	(3,392.92)
	Electricity & Steam	NIL	(426,186.80)
	Rates	NIL	(315,094.34)
	Water rates	NIL	(318,303.05)
	Heat & light	NIL	(20,691.06)
	Lien Payments	NIL	(1,269,668.06)
	Overseas import and sales taxes	NIL	(57,230.71)
	Telephone/Fax/IT	NIL	(93,097.18)
	Warehousing & distribution	NIL	(1,476,165.23)
	Professional fees	NIL	(1,151.00)
	HP/Leasing payments	NIL	(69,776.66)
	Hire of equipment	NIL	(11,564.43)
	Repairs and maintenance	NIL	(637,391.66)
	Sundry expenses	NIL	(356.80)
	Sales rebate	NIL	(133,373.08)
	Commission on sales	NIL	(66,981.50)
	Security costs	(217.50)	(293,614.41)

Tullis Russell Papermakers Limited - in Administration

Trading accounts

		2019/20	2018/19
		£	£
	Payroll processing costs	NIL	(15,654.10)
	Stationery & postage	NIL	(2,653.82)
		NIL	(5,212,564.32)
6,285,000.00	Trading surplus/(deficit)	134.01	4,592,892.53

Receipts and payments

Tullis Russell Papermakers Limited - in Administration

Abstract of receipts & payments

Statement of Receipts and Payments

For the period from 1st January 2014 to 31st March 2014

	FIXED CHARGE ASSETS	
	Freehold property - secured	800,000.00
		<u>800,000.00</u>
		800,000.00
	FIXED CHARGE COSTS	
	Agents'/Valuers' fees - secured land	(10,000.00)
		<u>(10,000.00)</u>
		(15,000.00)
	FIXED CHARGE CREDITORS	
	Fixed charge creditor	(800,000.00)
		<u>(800,000.00)</u>
		(800,000.00)
	ASSET REALISATIONS	
	Brands and intangibles	NIL
		92,500.00
6,000,000.00	Plant & machinery	5,000.00
		4,413,842.07
	Furniture & equipment	NIL
		4,250.00
200,000.00	Raw Materials & Other Stocks	NIL
		NIL
1,458,000.00	Stock - work in progress	NIL
		85,616.98
	Book debts	114,143.20
		13,661,679.10
	German VAT	NIL
		2,608.95
	Goodwill	NIL
		2.00
654,000.00	Cash at bank	NIL
		668,567.37
	Insurance Settlement	300,000.00
		<u>454,903.50</u>
		419,143.20
		19,383,970.26
	OTHER REALISATIONS	
	Bank interest, gross	2,052.72
		54,493.16
4,000.00	Petty Cash	NIL
		94.73
	Sundry refunds	NIL
		47,153.01
6,285,000.00	Trading surplus/(deficit)	134.01
		4,592,892.53
150,000.00	Carbon Credits	NIL
		251,198.08
26,000.00	Intercompany Loans	NIL
		NIL
	Other income	NIL
		51,154.23

Tullis Russell Papermakers Limited - in Administration

Abstract of receipts & payments

	2019 (Pounds Sterling)	2020 (Pounds Sterling)
	2019 to 2020	2020 to 2021
HMRC refund	NIL	84,523.72
	<u>2,186.73</u>	<u>5,081,509.45</u>
COST OF REALISATIONS		
Creditors Meeting	NIL	(416.66)
Distribution Bank Charges	30.00	30.00
Interest	NIL	(1,188.18)
Protective award	250.00	(3,500.00)
Canadian bond	NIL	(1,768.37)
Purchase of Canadian Dollars	NIL	(247.28)
Legal fees - property	NIL	(11,062.70)
Administrators' fees	NIL	(3,300,000.00)
Administrators' expenses	NIL	(29,363.21)
Irrecoverable VAT	NIL	(2,777.54)
German VAT	NIL	(32,985.65)
Agents'/Valuers' fees	(24,141.71)	(354,078.84)
Advisors' fees	NIL	(40,403.43)
Legal fees	(41,735.02)	(279,698.45)
Legal fees - pensions	(2,209.00)	(142,853.39)
Storage costs	NIL	(2,052.77)
Statutory advertising	NIL	(432.28)
Costs of property related settlement	(450,000.00)	(450,000.00)
Rates	NIL	NIL
Other property expenses	NIL	(2,825.00)
Insurance of assets	NIL	(204,248.57)
Bank charges	(220.00)	(191,712.70)
Security costs	NIL	(280,745.39)
	<u>(518,025.73)</u>	<u>(5,386,066.80)</u>
PREFERENTIAL CREDITORS		
PAYE income tax etc	NIL	(49,225.30)
Nat. ins. contributions	NIL	(11,538.29)
Employees' wage arrears	NIL	(289,929.08)
Employees' holiday pay	NIL	(28,398.91)

	Preferential Distribution	NIL	(222,608.61)
		NIL	(601,700.19)
	UNSECURED CREDITORS		
	Trade & expense	(4,737,237.72)	(14,519,267.79)
	Non-preferential PAYE	(21,427.70)	(76,364.28)
	Non-preferential NIC	(3,397.71)	(9,810.92)
		(4,762,063.13)	(14,605,442.99)
	14,777,000.00	(4,868,758.93)	3,911,006.12
	REPRESENTED BY		
	Cash at Bank		3,811,692.93
	Trade Creditors		(663.14)
	VAT Receivable		100,760.21
	Other		(1,053.88)
			3,911,006.12

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

If you are unable to access this guide and would like a copy, please contact Calum Pickett on 0131 5276615.

Hourly rates

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

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

Charge-out rates (£) for: Restructuring

Partner	625
Director	560
Senior Manager	510
Manager	425
Senior Administrator	295
Administrator	215
Support	131

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

Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories:

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

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

We have incurred the following disbursements (excluding VAT) during the period 27 April 2017 to 26 October 2017.

SIP 9 - Disbursements			
Disbursement	27 April 2017 to 31 March 2018	1 April 2018 to 26 October 2017	Totals (£)
Accommodation	229.60	NIL	229.60
External printing	59.22	NIL	59.22
Meals	50.40	NIL	50.40
Travel	328.57	NIL	328.57
Total	667.79	NIL	667.79

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

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 2017 or within 14 days of receiving this progress report.

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

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

Narrative of work carried out for the period 27 April 2017 to 26 October 2017

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ preparing statutory receipts and payments accounts; ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ allocating and managing staff/case resourcing and budgeting exercises and reviews; ■ liaising with legal advisors regarding the various instructions; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to creditors' committee	<ul style="list-style-type: none"> ■ providing written and oral updates to the Creditors' Committee regarding the progress of the administration and case strategy; ■ arranging and chairing meetings of the Creditors' Committee.
Cashiering	<ul style="list-style-type: none"> ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; ■ analysing VAT related transactions; ■ dealing with post appointment tax compliance.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9.
Trading	<ul style="list-style-type: none"> ■ attending to supplier queries and correspondence;
Asset realisations	<ul style="list-style-type: none"> ■ reviewing outstanding debtors and management of debt collection strategy; ■ communicating with debtors; ■ seeking legal advice in relation to book debt collections, including Paperlinx; ■ attending mediation with Paperlinx and negotiating a settlement.
Property matters	<ul style="list-style-type: none"> ■ liaising with the Pension Scheme trustees regarding the strategy for realising the freehold land over which it holds security; ■ completing sale to TRG and making a distribution to the pension scheme under its standard security.
Health and safety	<ul style="list-style-type: none"> ■ liaising with internal health and safety specialists in order to manage all health and safety and environmental issues, including ensuring that legal and licencing obligations are compiled with; ■ liaising with the Health and Safety Executive regarding the administration and ongoing

	<ul style="list-style-type: none"> health and safety compliance; ■ liaising with SEPA regarding the application to surrender the Company's PPC permit, including correspondence, meetings and phone calls.
Open cover insurance	<ul style="list-style-type: none"> ■ liaising with the post-appointment insurance brokers to withdraw insurance cover and agree the final level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from redundant employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including making statutory submissions to the relevant government departments; ■ administering payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the RPO; ■ managing claims from employees;
Creditors and claims	<ul style="list-style-type: none"> ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ agreeing preferential and unsecured claims; ■ agreeing the pension scheme's claim, including a review of the actuarial assumptions used to calculate it; ■ arranging equalising and further interim distributions to the preferential and unsecured creditors; ■ correspondence with our legal agent regarding claims from employees of Tullis Russell Iberia SL; ■ drafting our progress report.

SIP 9 – Time costs analysis (27/04/2017 to 26/10/2017)

Description	Time (units)				Total	Rate	Value
	Client	Other	Internal	Unallocated			
Payment of dividends	1.10	15.50	19.90		36.50	14,323.50	392.42
Secured creditors		0.40			0.40	204.00	510.00
Statutory reports	13.30	1.30	21.40		36.00	15,062.00	418.39
Employees							
Agreeing employee claims			6.10		6.10	1,799.50	295.00
Correspondence		0.60	29.40		30.00	8,971.00	299.03
DTI redundancy payments service			1.80		1.80	531.00	295.00
Pension funds		0.50			0.50	255.00	510.00
Pensions reviews			1.10		1.10	324.50	295.00
Investigation							
Investigations							
Mail redirection			0.40		0.40	86.00	215.00
Realisation of assets							
Asset Realisation							
Debtors	4.50	3.70	3.40		11.60	5,410.00	466.38
Freehold property	2.50	14.00	5.50		22.00	10,162.50	461.93
Health & safety		57.70	16.35		74.05	30,480.25	411.62
Leasehold property		9.90	0.40		10.30	5,167.00	501.65
Other assets		1.70	1.40		3.10	1,280.00	412.90
Plant and machinery		0.50			0.50	255.00	510.00
Trading code used outside trading period							
Trading							
Purchases and trading costs		2.40	11.70		14.10	4,675.50	331.60
Total in period	41.70	193.40	259.35	0.00	494.45	194,275.25	392.91

Brought forward time (appointment date to SIP 9 period start date)	11,419.95	4,166,509.50
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	494.45	194,275.25
Carry forward time (appointment date to SIP 9 period end date)	11,914.40	4,360,784.75

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

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

Appendix 4 Glossary

Atradius	Atradius NV, TRP's former credit insurers
CMS	CMS Cameron McKenna Nabarro Olswang LLP
Group, the / TRG	Tullis Russell Group Limited (TRP's parent company)
GVA	GVA Grimley Limited (property agents)
KPMG	KPMG LLP
Mill site	The papermill site in Markinch, Fife previously operated by TRP and formerly owned by TRG
Pension Scheme, the	The Tullis Russell pension scheme (in which TRP was the principal employer)
PPC permit	Pollution Prevention and Control permit
RSK	RSK Group Plc (environmental agents)
TRP / Company, the	Tullis Russell Papermakers Limited - in Administration
WIP	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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