



Joint
Liquidators'
progress
report for the
period 26 April
2019 to 25
April 2020

Tullis Russell Papermakers
Limited - in Liquidation

5 June 2020

Notice to creditors

This report provides an update on the liquidation of the Company.

We have included (Appendix 2) an account of all amounts received and payments made during the period 26 April 2019 to 25 April 2020, including the cumulative receipts and payments since the date of our appointment.

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

You will find other important information in this 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+TI42394603.html> (Liquidation) and <http://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html> (prior Administration). We hope this is helpful to you.

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

Contents

1	Executive summary	4
2	Progress to date	5
3	Liquidation Committee	7
4	Scheme of Division	8
5	Joint Liquidators' costs	9
6	Future Strategy	10
Appendix 1	Statutory information	11
Appendix 2	Joint Liquidators' receipts and payment account	12
Appendix 3	Joint Liquidators' charging and disbursements policy	13
Appendix 4	Glossary	18
Appendix 5	Notice: About this report	19

1 Executive summary

- This progress report covers the period from 26 April 2019 to 25 April 2020.
- We have concluded the surrender of PPC permits by paying the owners of the Mill site £560,000 to take on full liability for the permits.
- We continue to liaise with the Canadian Revenue Authorities and the Bank of Nova Scotia in regard to release of funds held under the Company's surety bond.
- Later this month we intend to pay an additional dividend of 6.71p/£ to unsecured creditors, taking total dividends to unsecured creditors to 34.81p/£.
- There are a number of minor matters remaining in this case and once those are resolved we will declare a final dividend to unsecured creditors and close the case.
- Please note: you should read this report in conjunction with all previous correspondence issued to the Company's creditors for the Administration at the following link:
<http://www.insolvency-kpmg.co.uk/case+KPMG+TF427D5259.html>
- All future correspondence relating to the Creditors' Voluntary Liquidation will be uploaded at the following link:
<http://www.insolvency-kpmg.co.uk/case+KPMG+TI42394603.html>
- Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.



Alistair McAlinden
Joint Liquidator

2 Progress to date

2.1 Case Update

The Company entered administration on 27 April 2015 and subsequently entered liquidation on 26 April 2018. This report has been prepared by the Liquidators and covers the period from 26 April 2019 to 25 April 2020, however, please refer to previous reports where background information has previously been disclosed.

The liquidation is at an advanced stage, and I am pleased to report that the main outstanding issue, comprising the Company's outstanding Pollution & Prevention Control permits over the Mill site has been resolved. In Q4 2019 responsibility for these permits and full liability thereunder was transferred to Advance Construction Limited ("ACL"), the new owners of the former Mill site. A payment of £560,000 was made to ACL in exchange for this. In order to facilitate the transfer, a significant amount of time was spent with SEPA to ensure the regulatory requirements for the transfer could be met.

This is a significant step in the liquidation process as it caps the Company's potential liability. All ongoing costs relating to the permits and the operation of the Mill site have now been settled.

We have completed our adjudication of almost all of the unsecured creditors' claims which we have received, and expect to make a distribution to unsecured creditors later this month. There are a small number of claims that have been received 'late' which are yet to be adjudicated upon, and we will account for such claims in the final dividend, which will be made immediately prior to closing the liquidation case.

2.2 Receipts and Payments

I attach a copy of our receipts & payments account for the period 26 April 2019 to 25 April 2020 at Appendix 2.

Other than the above-mentioned payment to ACL, there have only been minimal costs paid for agents and solicitors fees, and storage costs. Bank interest of £27,561.14 has been received.

We also became aware of an unsecured creditor whose claim had reduced as a result of a third party paying the creditor in part. We wrote to the creditor and requested part-repayment of previous dividends paid and received the full balance of £77,954.83 sought.

The balance of funds on hand as at 25 April 2020 was £4,386,411.12.

2.3 Outstanding Matters

The following matters are still ongoing in the liquidation:

- The Bank of Nova Scotia ("BONS") hold cash collateral of approximately CA\$137,000 (approximately £81,000) in relation to a potential liability of the Company to the Canadian Tax Revenue Authorities. In conjunction with Lloyds Banking Group ("LBG" - the Company's pre-administration bank) we have written to BONS to request the release of these funds following the contractual notice trigger date in January 2020. The bond period elapses in July 2020 and we will pursue further for payment at that time.

- An interim dividend to creditors has been declared and will be made later this month.
- In agreeing certain employee claims, additional employee claims arose, in relation to unpaid bonus sums. We are working through those claims, and in particular are considering the proper ranking either as an expense of the administration or as unsecured claims.
- We have received two personal injury claims from former employees. Whilst the pre-administration insurers are liable for any valid claim, the insurance policy excess ranks as an unsecured claim. These claims arrived “late” and, if agreed, will form part of the composition calculation for the final dividend.
- We continue to submit Corporation Tax and VAT returns.
- Final liquidation costs remain to be paid.
- The final balance of funds will be paid to unsecured creditors by means of a final distribution. We will then close the liquidation.

3 Liquidation Committee

A liquidation committee has been formed in this case. During the period the liquidation committee have provided approval for:

- The Joint Liquidators Receipts and Payments account for the period 26 April 2019 to 25 April 2020 (appendix 2); and
- The Joint Liquidators' Scheme of Division as at 25 April 2020 (see below).

4 Scheme of Division

We propose to make an immediate distribution of £4,244,685.39 to unsecured creditors. We are retaining the balance of funds as a provision for future costs and claims. The Scheme of Division for the period is therefore:

Balance held	£4,386,411.12
VAT recoverable	£546.48
Dividend for period ending 25 April 2020	(£4,244,685.39)
Balance c/f as provision for future costs/ claims	£142,272.21

We have agreed 1,057 creditors' claims with aggregate value £54,060,998.60 and have rejected (or agreed as £nil) 178 claims totalling £7,430,629.21.

The proposed dividend equates to 6.71p/£ which brings the total paid to unsecured creditors (across the administration and liquidation) to 34.81p/£.

This compares favourably to the estimated total of 32.6p/£ which was provided to you in our report issued on 23 April 2018.

5 Joint Liquidators' costs

Time costs

During the period from 26 April 2019 to 25 April 2020, we have incurred time costs of £111,095.00. These represent 292.00 hours at an average rate of £380.46 per hour.

Our total costs for the liquidation stood at £191,746.50 as at 25 April 2020.

Remuneration

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

Disbursements

During the period, we have not incurred any disbursements and no disbursements have 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 26 April 2019 to 25 April 2020. We have also attached our charging and disbursements policy.

6 Future Strategy

6.1 Future conduct of the Liquidation

The following matters are still ongoing in the Liquidation:

- Seek release of residual funds due to the Company from the surety bond
- Complete adjudication on outstanding unsecured creditors' claims
- Facilitate interim and final distribution to unsecured creditors
- Continue to submit VAT and Corporation Tax returns and seek formal clearance from the tax authorities to close the liquidation
- Attend to all statutory matters as and when they fall due

5.2 Future reporting

We will report again on the progress of this liquidation within 6 weeks of 25 April 2021 or in the final report if matters have been concluded earlier.

Appendix 1 Statutory information

Company information

Company name	Tullis Russell Papermakers Limited
Date of incorporation	21 May 1906
Company registration number	SC006195
Previous registered office	Rothesfield, Markinch, Fife, KY7 6PB
Present registered office	c/o KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
Trading address	Auchmuty & Crocker, Paper Mills, Glenrothes, Fife, KY7 6PB
Nature of business	Papermaking

Liquidation information

Appointed by	Creditors pursuant to Paragraph 83 of Schedule B1 of the Act
Date of appointment	26 April 2018
Joint Liquidators' details	Alistair McAlinden and Blair Nimmo
Joint Liquidators' address	KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG
Change of office holder	Alistair McAlinden replaced Tony Friar as Joint Liquidator with effect from 27 September 2018
Prescribed Part distribution	The Prescribed Part is not applicable to the floating charge holder had no outstanding debt at the date of the Administration appointment
Functions	The functions of the Joint Liquidators are being exercised by them individually or together in accordance with Section 231(2) of the Insolvency Act 1986
EU Regulations	EU Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EU regulations.

Appendix 2 Joint Liquidators' receipts and payment account

Tullis Russell Papermakers Limited - in Liquidation			
Abstract of receipts & payments			
Statement of affairs (£)		From 26/04/2019 To 25/04/2020 (£)	From 26/04/2018 To 25/04/2020 (£)
ASSET REALISATIONS			
	Transfer from Administration	NIL	4,904,524.44
6,000,000.00	Plant & machinery	NIL	NIL
200,000.00	Stock	NIL	NIL
1,458,000.00	Stock - work in progress	NIL	NIL
654,000.00	Cash at bank	NIL	NIL
		NIL	4,904,524.44
OTHER REALISATIONS			
	Bank interest, gross	27,561.14	49,118.60
4,000.00	Petty cash	NIL	NIL
6,285,000.00	Trading surplus/(deficit)	NIL	NIL
150,000.00	Carbon credits	NIL	NIL
26,000.00	Intercompany loans	NIL	NIL
		27,561.14	49,118.60
COST OF REALISATIONS			
	Settlement fee to transfer PPC permit	(560,000.00)	(560,000.00)
	Agents'/Valuers' fees	(3,121.95)	(13,030.77)
	Legal fees	(6,597.61)	(18,974.70)
	Storage costs	(1,244.02)	(2,589.52)
	Statutory advertising	NIL	(71.00)
	Insurance of assets	NIL	(1,005.59)
	Wages & salaries	NIL	(34,391.91)
	Other Staff Costs	NIL	(13,052.68)
	Bank charges	(1,453.10)	(1,524.10)
		(572,416.68)	(644,640.27)
UNSECURED CREDITORS			
	Trade & expense	77,954.83	77,954.83
		77,954.83	77,954.83
14,777,000.00		(466,900.71)	4,386,957.60
REPRESENTED BY			
	VAT receivable		546.48
	Current account		4,386,411.12
			4,386,957.60

Appendix 3 Joint Liquidators' charging and disbursements policy

Joint Liquidators' charging policy

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

Our policy is to delegate tasks in the liquidation 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 Liquidators' 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/technical-library/scotland/technical-guidance/fees/more/29162/page/1/creditors-guide-to-liquidators-remuneration-scotland/>

If you are unable to access this guide and would like a copy, please contact Kristian Bell on 0131 527 6878.

Hourly rates

Set out below are the relevant charge-out rates per hour worked for the grades of our staff actually or likely to be involved on this liquidation. Time is charged by reference to actual work carried out on the liquidation.

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

Charge-out rates (£) for Tullis Russell Papermakers Limited – in Liquidation				
Grade	From 01 Jan 2019	£/hr	From 01 Jan 2020	£/hr
Partner	655		690	
Director	590		620	
Senior Manager	535		560	
Manager	445		467	
Senior Administrator	310		325	
Administrator	225		236	
Support	140		147	

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the liquidation. 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 not incurred any disbursements during the period.

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 have been approved in the same manner as our remuneration.

Creditors' right to challenge our remuneration and outlays

If you wish to challenge the basis of our remuneration, the remuneration charged, or the outlays incurred during the period covered by this report, you must do so by making an application to Court within 14 days of receipt of this report.

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

The full text of the relevant Rules can be provided on request by writing to Kristian Bell at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, E1 2EG.

Narrative of work carried out for the period 26 April 2019 to 25 April 2020

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements; ■ 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 liquidation strategy; ■ briefing of our staff on the liquidation 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 liquidation; ■ 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 the Liquidation Committee	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of the Liquidation Committee regarding the progress of the liquidation and case strategy.
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"> ■ working initially on tax returns relating to the periods affected by the liquidation; ■ analysing VAT related transactions; ■ reviewing the Company's duty position to ensure compliance with duty requirements; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ providing copies of statutory reports to the shareholders.
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; ■ dealing with the ongoing storage of Company books and records.
Asset realisations	<ul style="list-style-type: none"> ■ liaising with Canadian Revenue Authorities regarding surety bond held by the Bank of Nova Scotia.
Health and safety	<ul style="list-style-type: none"> ■ liaising with 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; ■ liaising with SEPA and Advance Construction regarding PPC permits; ■ liaising with the Health and Safety Executive regarding the liquidation and ongoing health and safety compliance.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the liquidation and their employment; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee injury claims; ■ managing claims from employees.
Creditors and claims	<ul style="list-style-type: none"> ■ updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the liquidation and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ agreeing unsecured claims; ■ arranging distributions to the unsecured creditors; ■ drafting our report.

Time costs

SIP 9 – Time costs analysis (26/04/2019 to 25/04/2020)							
	Hours				Time Cost (£)	Average Hourly Rate (£)	
	Partner / Director	Manager	Administrator	Support			Total
Administration & planning							
Cashiering							
General (Cashiering)		0.20	1.90		2.10	685.50	326.43
Reconciliations (& IPS accounting reviews)		0.50	4.50		5.00	1,632.50	326.50
General							
Books and records			0.20		0.20	45.00	225.00
Mail redirection			3.80		3.80	873.70	229.92
Statutory and compliance							
Appointment and related formalities	1.00				1.00	690.00	690.00
Budgets & Estimated outcome statements		0.10			0.10	44.50	445.00
Checklist & reviews		3.40	15.40		18.80	6,354.50	338.01
Closure and related formalities		0.60			0.60	321.00	535.00
Pre-liquidation checks		1.00			1.00	445.00	445.00
Statutory receipts and payments accounts		0.40	0.30		0.70	271.00	387.14
Strategy documents	1.30	0.50			1.80	1,047.00	581.67
Tax							
Post appointment corporation tax		1.20	1.20		2.40	1,062.00	442.50
Post appointment VAT		0.90	5.50		6.40	2,135.50	333.67
Creditors							
Committees							
Reports		4.10	0.90		5.00	2,328.50	465.70
Creditors and claims							
Agreement of claims		0.90			0.90	400.50	445.00
Agreement of unsecured claims	0.90	11.80	34.30		47.00	17,649.50	375.52
General correspondence		2.60	68.30		70.90	23,080.60	325.54
Payment of dividends		28.40	29.50	0.40	58.30	25,341.10	434.67
Secured creditors		1.10			1.10	489.50	445.00
Statutory reports	3.40	3.50	8.70		15.60	6,298.60	403.76
Employees							

SIP 9 – Time costs analysis (26/04/2019 to 25/04/2020)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Correspondence			8.40		8.40	2,697.00	321.07
Realisation of assets							
Debtors		1.50			1.50	725.00	483.33
Freehold property		2.20			2.20	1,177.00	535.00
Health & safety	3.40	19.40	0.90		23.70	11,048.00	466.16
Insurance			1.50		1.50	465.00	310.00
Intellectual Property		0.30	11.70		12.00	3,787.50	315.62
Total in period	10.00	84.60	197.00	0.40	292.00	111,095.00	380.46

Brought forward time (appointment date to SIP 9 period start date)	205.90	80,651.50
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	292.00	111,095.00
Carry forward time (appointment date to SIP 9 period end date)	497.90	191,746.50

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

BONS	Bank of Nova Scotia
CVL	Creditors Voluntary Liquidation
Group / TRG	Tullis Russell Group Limited (TRP's parent company)
KPMG	KPMG LLP
Mill site	the papermill site in Markinch, Fife previously operated by TRP and formerly owned by TRG
Pension Scheme	The Tullis Russell pension scheme (in which TRP was the principal employer)
RSK	RSK Group Plc (environmental agents)
TRP / Company	Tullis Russell Papermakers Limited – in Liquidation (formerly in Administration)

Any references in this report to Sections, Paragraphs and Rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, and the Insolvency (Scotland) (Receivership and Winding up) Rules 2018 respectively.

Appendix 5 Notice: About this report

This progress report has been prepared by Alistair McAlinden and Blair Carnegie Nimmo, the Joint Liquidators of Tullis Russell Papermakers Limited (the 'Company'), solely to comply with their statutory duty under the Insolvency (Scotland) (Receivership and Winding up) Rules 2018 to provide members and creditors with an update on the progress of the liquidation of the estate, and for no other purpose.

This report is not suitable to be relied upon by any other person, or for any other purpose or in any other context including any decision in relation to the debt of or any financial interest in the Company or any other company in the Group. Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency (Scotland) (Receivership and Winding up) Rules 2018 does so at their own risk. 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 individual creditors.

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

The appointments of the Joint Liquidators 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 liquidation.

www.kpmg.com

© 2020 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

For full details of our professional regulation please refer to 'Regulatory Information' at www.kpmg.com/uk

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.

The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative.