

The Insolvency Act 1986

Administrators' progress report

Name of Company Aylesford Newsprint Limited	Company number 02825694
In the High Court of Justice [full name of court]	Court case number 1379 of 2015

(a) Insert full name(s)
and address(es) of
administrator(s)

/We (a)

Allan Watson Graham
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Robert Andrew Croxen
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

from

to

(b) 2 January 2016

(b) 1 July 2016

Signed



Joint Administrator

Dated

22 July 2016

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 public record.

Mok Miah
KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Tel 020 7694 6477

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Aylesford Newsprint Limited - in Administration

Joint Administrators' progress report
for the period 2 January 2016 to 1
July 2016

22 July 2016

Notice to creditors

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

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

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

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

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+AF223A1449.html>. We hope this is helpful to you

Please also note that an important legal notice about this progress report is attached (Appendix 6).



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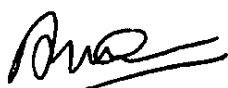
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1 Executive summary

- This progress report covers the period from 2 January 2016 to 1 July 2016
- We have collected the deferred consideration of £2.9 million from the purchaser of the plant and machinery
- We are on schedule to submit an outline planning application for the freehold land at Aylesford by late summer 2016 (Section 2 – Progress to date)
- We remain in discussions with interested parties in respect of the sale of ANL's water abstraction licences (Section 2 – Progress to date)
- The secured creditor has been repaid in full (Section 3 - Dividend prospects and dividends paid)
- The preferential creditors will be paid in full (Section 3 - Dividend prospects and dividends paid)
- There will be a distribution to the unsecured creditors, but the quantum and timing is largely dependent on the sale of the Company's freehold land (Section 3 - Dividend prospects and dividends paid)
- Following discussions with the largest creditor we propose an amendment to the basis of our remuneration for this administration (Section 5 – Joint Administrators' remuneration and disbursements). Accordingly we are convening a meeting by correspondence (Section 4 – Creditors' meeting)
- During the period, the creditors granted a 12-month extension to the period of the administration
- The administration is currently due to end on 23 February 2017. However, we anticipate applying to the Court for a further extension of the administration to allow the remaining assets to be realised (Section 6 – Future strategy)
- Please note you should read this progress report in conjunction with our previous progress reports and proposals issued to the Company's creditors which can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+AF223A1449.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



pp Allan Graham
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

Freehold land

Our in-house property team, REAS, continue to work closely with LSH (Planning and Development Advisors), Pell Frischmann (Technical/Master Planning Specialists) and Weber Shandwick (PR Advisors) to progress our submission of an outline planning application for the site.

In light of the scale and strategic importance of the site to the local area, Weber Shandwick have been in regular dialogue with the planning department at Tonbridge and Malling Borough Council (TMBC) throughout the process.

In this period, we have worked extensively with TMBC and other local planning authorities to develop a master plan that would enable us to deliver best value for creditors, whilst also meeting the needs of the local area. To support the future planning designation of the site, Pell Frischmann have led a programme of environmental, traffic and ecological studies.

We intend to present our final plan for the site in a further public consultation, having narrowed the options down from five outline plans to one comprehensive design.

We anticipate submitting an outline planning application by late summer 2016 and expect to receive a decision early in the first quarter of 2017.

Whilst the site is not being actively marketed, we have received numerous enquiries and have had discussions with a number of interested parties. We are currently finalising the marketing strategy with LSH and anticipate that the full marketing campaign will begin shortly after the planning application has been made.

Plant and machinery

As previously reported, we concluded the sale of the majority of the heavy plant and machinery in September 2015.

The uplift of the plant and machinery is progressing well. To give creditors an idea of the scale of the uplift, there are approximately 150 contractors on site on a daily basis. The site continues to operate under CDM regulations.

The retained employees are working closely with the purchaser providing technical site knowledge, ensuring that it is carried out in an efficient and in a safe manner.

The purchaser is on schedule to complete the plant and machinery uplift by autumn this year and the site demolition by summer 2017.

As part of the transaction, we had secured a performance bond (for the demolition phase) from the purchaser of £2.0 million, which is due to be paid into an escrow account in the near term.



Combined Heat and Powerstation (CHP)

As a result of a wider group transaction, which included a share sale of ANSL by ANHL (Section 2.3 – Other Issues), the CHP plant was transferred to ANL from Npower. The CHP is being marketed by our agents.

Water abstraction licences

We remain in discussions with a number of interested parties and set a date of the end of June 2016 for offers to be submitted, those discussions are continuing.

For commercial reasons we are unable to provide any further information at this time.

Permit surrenders

We continue to work closely with our specialist environmental consultants and retained employees to seek low risk permit surrenders with the EA, this is for both the paper making and CHP permits. We are hopeful that the paper making permit will be surrendered shortly, demolition on site cannot begin until this has been secured. This has involved extensive documentation and site visits.

Employees

We continue to retain eight employees. Going forward we anticipate that these employees will be retained on a reduced basis until the uplift of the machinery and demolition process is complete.

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.

Plant and machinery

As previously reported we had sold the heavy plant and machinery for £7.9 million. We received £5.0 million immediately upon completion with the balance due in January 2016. In this period we have collected the deferred consideration of £2.9 million.

We have also sold some further loose plant for £3,685 that was not included in the main sale.

Supply of electricity to third parties

During this period we have realised £478,472 for providing electricity to third parties connected to the Company's electricity distribution system.

A number of these third parties have installed independent connections to the national grid and have been disconnected. However, some third parties have requested extensions to the supply of electricity to allow the installation of an independent supply to be completed.

Having considered the plant and machinery uplift and demolition timetable the Company has agreed to an extension, subject to a final termination date at the end of this year.

Recharge of costs

As mentioned in our previous report, the purchaser of the plant and machinery agreed to pay a proportion of the site running costs (until demolition is complete) as a condition of the sale.

In this period we have received £231,647 in this respect.



Other assets

Further realisations are detailed in the attached receipts and payments account at Appendix 2 and include amongst others, sundry debtors/receivables, rent, and interest accrued on funds held in the administration estate

2.3 Other issues

Water main works

In this period, the water main works have largely been completed and together with our agents we are finalising legal matters with South East Water

Legal proceedings

As previously mentioned, we remain engaged with the Company's incumbent solicitors but there has been no significant developments in this period

ANHL/ANSL share sale

The affairs of the Group are inextricably linked

ANHL (ANL and ANSL's parent company) was placed into administration on 24 February 2015. ANSL was not placed into administration. ANSL's directors are common to the group

ANSL's main activities were to provide power and steam to ANL (via a CHP plant) and to own, operate and maintain a landfill site known as Margetts Pit

Upon the administration of ANL, ANSL's power distribution ceased and its only activity was the operation of Margetts Pit, albeit the pit was not active and was in the process of being put into aftercare

ANSL's environmental consultants who were managing the pit estimated the long term aftercare liability could total in excess of £10 million and last for up to 60 years

ANSL's directors considered the options for the company, mainly whether to continue trading or for the company to be sold in order that the aftercare could be funded

The directors of ANSL concluded that if the company continued to trade it would not be able to avoid insolvency in the future given the estimated long term liabilities

A small number of interested parties were approached by the directors and after discussions with key stakeholders (interested parties, directors, shareholders, the EA and advisers), a share sale of ANSL by ANHL was agreed and completed in April 2016. This sale formed part of a wider group transaction which also included

- A waiver of the intercompany debt by ANSL owed from ANL (estimated reduction of £7 million in creditor claims against ANL),
- Transfer of a CHP and associated environmental permit to ANL, and,
- ANL to settle administration costs and creditor claims of ANHL as a condition of ANHL agreeing to sell the shares in ANSL

2.4 Costs

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



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

Utilities

We have paid £853,925 during the period for utilities required for the decommissioning process. This includes payments for third party electricity usage, which we receive from the third parties in advance.

Agents' fees

We have paid agents' fees of £504,457 for costs in relation to dealing with the property, in particular planning and associated matters and the disposal of the Company's plant and machinery.

Operations and Decommissioning

In the period we have made payments of £436,625 for site operating costs, specialist environmental contractors which were necessary for the plant and machinery and the decommissioning process.

Salaries and PAYE & NIC

During the period we have made payments totalling £325,546 towards salaries, which includes £89,641 in respect of PAYE & NIC.

Environmental / Licence fee

Payments of £170,454 have been made to the EA mainly in respect of water abstraction licence fees during the period.

Legal fees

During the period covered by this report we have paid our solicitors, Gateley LLP, £24,167 for their assistance on various matters, including the sale of plant and machinery, advice regarding property, preparing the freehold site for sale, and ad-hoc legal matters.

In addition to the above, we have also paid Dentons UKMEA LLP £77,128 in relation to defending a claim disputed by the Company.

Other costs

Further costs are detailed in the attached receipts and payments account at Appendix 2 and include amongst others, consultant's fees, bank charges and telephone costs.

2.5 Schedule of expenses

We have detailed the costs incurred during the period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3).

3 Dividend prospects and dividends paid

3.1 Secured creditors

During the period, we have distributed £1.54 million to SFL - all of which relates to floating charge realisations.

The secured creditor has been repaid in full.



3.2 Preferential creditors

We estimate the amount of preferential claims to be £84,685

Based on current estimates, we anticipate that preferential creditors will receive a dividend of 100p in the £. The timing and amount of any dividend are dependent upon the realisations and associated costs of the administration

3.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend. We have yet to determine the amount of this, but we will do so when we have completed the realisation of assets and payment of associated costs

The quantum and timing of any dividend will be largely dependent upon the outcome on realisations from the freehold land

4 Creditors' meeting

Conducting the business of a meeting by correspondence

In order to minimise costs, we propose to conduct the business of a meeting of creditors by correspondence. Formal notice is attached to the covering letter

The purpose of conducting the business of a meeting by correspondence is to seek approval for

- a change of the basis of our remuneration (Section 5 - Joint Administrators' remuneration and disbursements)

Creditors' right to request a meeting

We will summon such a meeting (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company, and (2) if the procedures set out below are followed

Requests for a creditors' meeting must be made within five business days of us sending the formal notice of conducting the business of a meeting by correspondence. They must include

- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration,
- written confirmation of their concurrence from each concurring creditor, and
- a statement of the purpose of the proposed meeting

In addition, the expenses of summoning and holding a meeting at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us

If you wish to request a creditors' meeting, please contact Mok Miah on 020 76946477 to obtain the requisite forms



5 Joint Administrators' remuneration and disbursements

5.1 Previously agreed fee basis

During the administration the unsecured creditors previously provided approval that

- our remuneration will be drawn on the basis of time properly given by them and the various grades of their staff in attending to matters arising in the administration at their normal hourly rates of charging. This will include work undertaken in respect of, but not limited to, tax, VAT, employee, pensions and Health & Safety advice from KPMG LLP in-house specialists
- 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 4

5.2 Proposed fee basis from 1 August 2015

However, due to the complexities of the administration, the assets we are realising and the likely duration of the administration, the PPF as the largest creditor (approximately 64% in value of the total creditor claims) invited the administrators to submit an alternative fee proposal (to the agreed time costs basis). The intention of this was to link our future fees to the realisations achieved rather than on a time cost basis.

After the provision of certain information and discussions with the PPF, we have informally agreed a hybrid fee basis, effective from 1 August 2015, to be calculated as follows:

Percentage of realisations

- Property realisations – subject to percentage of realisations as set out in the table below,

Proposed fee basis for property realisations	
Realisation bands	% of realisation
Up to £50,000,000	2.25%
next £7,500,000	3.00%
next £7,500,000	4.00%
next £7,500,000	5.00%
next £7,500,000	6.00%
> £80,000,001	7.00%

- Other asset realisations – 5% of realisations received into the estate from 1 August 2015,

Time costs

- Statutory and compliance work – time costs at prevailing charge out rates subject to 15% discount and cap of £362,100 up to 31 July 2019, and,
- All other administration matters – time costs at prevailing charge out rates subject to 15% discount



Time costs

From 2 January 2016 to 1 July 2016, we have incurred time costs of £759,159. These represent 1,796 hours at an average rate of £423 per hour.

Remuneration

During the period, we have not drawn any remuneration from the administration estate.

Remuneration drawn in previous periods, on the basis to time costs, cover time costs incurred to 31 July 2015.

We are now seeking to amend the basis of our remuneration covering the period from 1 August 2015 to 31 July 2019 as proposed in Section 5.2.

We advise that SFL have paid us £165,489 for our fees in relation to assisting them directly with the recovery of fixed charge debtors. Accordingly this payment does not show on the receipts and payments in Appendix 2.

Disbursements

During the period, we have incurred disbursements of £6,594. None of these have yet been paid.

Additional information

We have attached (Appendix 4) 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 2 January 2016 to 1 July 2016. We have also attached our charging and disbursements policy.

Following a change in legislation, the basis of remuneration which has been approved for the administration will no longer carry forward to any subsequent creditors' voluntary liquidation. Where we are appointed as liquidators, we will send a separate fees estimate and seek approval for the liquidators' remuneration following our appointment.

6 Future strategy

6.1 Future conduct of the administration

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

The sale of remaining assets, most significantly the freehold site at Aylesford, the water abstraction licences and CHP.

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 creditors granted a 12-month extension to the period of the administration.

The administration is currently due to end on 23 February 2017. We anticipate applying to the Court for a further extension of the administration to allow the remaining assets to be realised.



6.3 Future reporting

We will provide a further progress report within one month of 1 January 2017 or earlier if (1) a further extension request is necessary or (2) the administration has been completed prior to that time



Appendix 1 Statutory information

Company information	
Company name	Aylesford Newsprint Limited
Date of incorporation	10 June 1993
Company registration number	02825694
Present registered office	15 Canada Square, Canary Wharf, London, E14 5GL

Administration information	
Administration appointment	The administration appointment granted in High Court of Justice, 1379 of 2015
Appointor	Directors
Date of appointment	24 February 2015
Joint Administrators' details	Allan Graham and Rob Croxen
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is £25,000,000. The Prescribed Part is capped at the statutory maximum of £600,000. The Prescribed Part has been taken into account when determining the dividend prospects for unsecured creditors (Section 3.3)
Prescribed Part distribution	The Joint Administrators do not intend to apply to Court to obtain an order that the Prescribed Part shall not apply. Accordingly, the Joint Administrators intend to make a distribution to the unsecured creditors.
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	23 February 2017



Appendix 2 Joint Administrators' receipts and payments account

Aylesford Newsprint Limited - in Administration			
Abstract of receipts & payments			
Statement of affairs (£)		From 02/01/2016 To 01/07/2016 (£)	From 24/02/2015 To 01/07/2016 (£)
FIXED CHARGE ASSETS			
564,169 00	Carbon credits	NIL	NIL
30,000,000 00	Land	NIL	NIL
7,330,000 00	Receivables/debtors	NIL	NIL
		NIL	NIL
FIXED CHARGE CREDITORS			
(12,022,740 00)	Fixed charge creditor	NIL	NIL
		NIL	NIL
ASSET REALISATIONS			
5,300,000 00	Plant & machinery	2,903,685 00	8,757,681 54
	Furniture & equipment	NIL	1,062 50
7,650,000 00	Paper stock	NIL	8,269,606 92
	Abstraction Licences	NIL	65,000 00
955,105 00	VAT refunds (pre-app'ent)	NIL	NIL
11,754 00	Cash at bank	NIL	9,363 33
	Rent	24,544 10	62,622 08
		2,928,229 10	17,165,336 37
OTHER REALISATIONS			
	Bank interest, gross	7,520 58	20,694 35
34,000 00	Sundry debtors/receivables	28,796 25	158,953 90
	Sundry refunds	(38 88)	422,783 45
	Recharge of costs	231,646 80	368,796 88
	Funds received on behalf of ANSL	NIL	123,913 57
129,308 00	Recycled fibre stocks	NIL	NIL
350,000 00	Sundry Stocks	NIL	NIL
	3rd party electricity supply	478,471 50	1,139,280 27
		746,396 25	2,234,422 42
COST OF REALISATIONS			
	Subcontractor	(43,353 23)	(50,046 79)
	Operations and Decommissioning Costs	(436,624 49)	(1,561,855 98)
	Administrators' fees	NIL	(1,681,619 05)
	Room hire	NIL	(833 33)
	Agents'/Valuers' fees	(504,456 88)	(991,039 55)



Aylesford Newsprint Limited - in Administration
Abstract of receipts & payments

Statement of affairs (£)	From 02/01/2016 To 01/07/2016 (£)	From 24/02/2015 To 01/07/2016 (£)
Agents Fees - Water Abstraction Licences	(12,000 00)	(24,500 00)
Legal fees	(101,295 11)	(414,127 00)
Funds returned to ANSL	NIL	(62,916 04)
Telephone/Telex/Fax	(13,700 43)	(20,275 82)
Stationery & postage	(8 64)	(621 10)
Utilities	(853,924 85)	(2,339,264 48)
Storage costs	NIL	(32,715 57)
Statutory advertising	NIL	(253 80)
Insurance	(3,180 00)	(22,525 00)
Wages & salaries	(235,905 36)	(1,344,368 12)
PAYE & NIC	(89,640 49)	(598,192 63)
Bank charges	(450 00)	(81,251 05)
Licences	(158,454 11)	(524,484 32)
	(2,452,993 59)	(9,750,889 63)
FLOATING CHARGE CREDITORS		
Floating charge	(1,539,385 92)	(4,539,385 92)
	(1,539,385 92)	(4,539,385 92)
40,301,596 00	(317,754 16)	5,109,483 24
REPRESENTED BY		
Floating ch VAT rec'able		1,410,503 78
Current account		4,747,389 49
Floating ch VAT payable		(3,653,366 36)
Floating ch VAT control		2,604,956 33
		5,109,483 24



Appendix 3 Schedule of expenses

Schedule of expenses (02/01/2016 to 01/07/2016)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Cost of realisations			
Subcontractor	43,353 23	0 00	43,353 23
Operations and Decommissioning Costs	337,717 32	0 00	337,717 32
Joint Administrators' remuneration	0 00	759,159 00	759,159 00
Joint Administrators' expenses	0 00	6,593 77	6,593 77
Agents'/Valuers' fees	404,065 98	0 00	404,065 98
Agents Fees - Water Abstraction Licences	12,000 00	0 00	12,000 00
Legal fees	101,295 11	0 00	101,295 11
Telephone/Telex/Fax	13,700 43	0 00	13,700 43
Stationery & postage	8 64	0 00	8 64
Utilities	853,349 47	0 00	853,349 47
Insurance	3,180 00	0 00	3,180 00
Wages & salaries	235,820 11	0 00	235,820 11
PAYE & NIC	89,640 49	0 00	89,640 49
Bank charges	450 00	0 00	450 00
Licences	158,454 11	0 00	158,454 11
TOTAL	2,253,034 89	765,752 77	3,018,787 66

Please note that there is a difference between the payments made during the period of £2.5 million (per the receipts and payments account) and the expenses incurred and paid in the period of £2.3 million (per the schedule of expenses)

This is due to the fact that some of the payments made in the period relate to expenses incurred in a prior period

Requests for further information and right to challenge our remuneration and expenses

Creditors' requests for further information

If you would like to request more information about our remuneration and expenses disclosed in this progress report, you must do so in writing within 21 days of receiving this progress report

Requests from unsecured creditors must be made with the concurrence of at least 5% in value of unsecured creditors (including, the unsecured creditor making the request) or with the permission of the Court



Creditors' right to challenge our remuneration and expenses

If you wish to challenge the basis of our remuneration, the remuneration charged, or the expenses incurred during the period covered by this progress report, you must do so by making an application to Court within eight weeks of receiving this progress report

Applications by unsecured creditors must be made with concurrence of at least 10% 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 Mok Miah at 15 Canada Square, Canary Wharf, London, E14 5GL



Appendix 4 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 Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact Mok Miah on 020 76946477.

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	
Grade	From 01 Oct 2015 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Senior Administrator	280
Administrator	205
Support	125

Table of charge-out rates

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 2 January 2016 to 1 July 2016

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Meals	563 02		NIL		563 02
Mileage	NIL		4,894 40		4,894 40
Postage	450 74		NIL		450 74
Travel	685 61		NIL		685 61
Total	1,699 37		4,894 40		6,593 77

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

Narrative of work carried out for the period 2 January 2016 to 1 July 2016

The key areas of work have been

Statutory and compliance	<ul style="list-style-type: none"> ■ collating information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences, ■ posting information on a dedicated web page, ■ preparing statutory receipts and payments accounts, ■ arranging bonding and complying with statutory requirements, ■ obtaining approval from the creditors of a 12-month extension of the administration, ■ ensuring compliance with all statutory obligations within the relevant timescales
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ monitoring and reviewing the administration strategy, including meetings with internal and external parties, ■ 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, ■ meeting with management to review and update strategy and monitor progress, ■ reviewing and authorising junior staff correspondence and other work, ■ dealing with queries arising during the appointment,



	<ul style="list-style-type: none"> ■ 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, including agreeing content of engagement letters, ■ complying with internal filing and information recording practices, including documenting strategy decisions
Reports to debenture holders	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of SFL regarding the progress of the administration 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, ■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks, ■ 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 on tax returns relating to the periods affected by the administration, ■ analysing VAT related transactions, ■ dealing with post appointment tax compliance
Shareholders	<ul style="list-style-type: none"> ■ responding to enquiries from shareholders regarding the administration, ■ 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 the Company's books and records
Wind down	<ul style="list-style-type: none"> ■ preparing cash flow statements to monitor the cash position, ■ attending to supplier and customer queries and correspondence, ■ raising, approving and monitoring purchase orders and setting up control systems for trading, ■ 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, ■ securing petty cash on site and monitoring spend, ■ dealing with issues in relation to stock and other assets, ■ ensuring ongoing provision of emergency and other essential services to site
Asset realisations	<ul style="list-style-type: none"> ■ liaising with agents regarding the sale of assets, ■ reviewing outstanding debtors and management of debt collection strategy, ■ preparing and processing vouchers for the receipt of post-appointment invoices ■ liaising with Company credit control staff and communicating with debtors, ■ reviewing the inter-company debtor position between the Company and other group companies
Property matters	<ul style="list-style-type: none"> ■ reviewing the Company's leasehold properties, including review of leases, ■ communicating with tenants regarding rent, property occupation and other issues
Health and safety	<ul style="list-style-type: none"> ■ 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, ■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets, ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place, ■ assessing the level of insurance premiums
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment, ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments, ■ holding employee briefing meetings to update employees on progress in the administration and our strategy, ■ administering the Company's 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 Redundancy Payments Office, ■ managing claims from employees, ■ ensuring security of assets held by employees
Creditors and claims	<ul style="list-style-type: none"> ■ convening and preparing for the meeting of creditors by correspondence, ■ monitoring 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,
- dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits,
- arranging distributions to the secured creditors,
- drafting our progress report

Time costs

Where we have incurred a significant proportion of time in this period, we have provided further details in the report, however, areas we have concentrated on include

- Progressing our realisation strategy in relation to the freehold property,
- Dealing with other assets, in particular the realisation of water abstraction licences and supply of electricity to third parties connected to the Company's electricity distribution system,
- Complying with statutory environmental obligations in decommission the site from hazardous waste and chemicals and pursuing a low risk surrender of permits with the EA,
- Purchases and administration costs,
- Overseeing the uplift of the plant and machinery and demolition
- Preparing statutory reports to creditors and reporting to and corresponding with the secured and major unsecured creditor,
- Processing payments for supplies and accounting for receipts and ensuring administration accounts are up to date, and,
- Complying with statutory requirements in submitting regular VAT returns

SIP 9 – Time costs analysis (02/01/2016 to 01/07/2016)

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total		
Administration & planning							
Cashiering							
General (Cashiering)		31 70	88 60		120 30	37,646 50	312 94
Reconciliations (& IPS accounting reviews)			4 20		4 20	1,161 00	276 43
General							
Fees and WIP		10 50	0 30		10 80	4,496 50	416 34
Statutory and compliance							
Appointment and related formalities		4 20			4 20	1,717 00	408 81
Checklist & reviews		2 30	9 00		11 30	3,451 50	305 44
Strategy documents	2 70	7 70	0 10		10 50	4,753 00	452 67
Tax							
Post appointment corporation tax	10 50	65 00	2 50		78 00	32,666 50	418 80
Post appointment VAT		8 00	59 80		67 80	18,156 50	267 79
Creditors							



SIP 9 – Time costs analysis (02/01/2016 to 01/07/2016)

	Hours					Time Cost (£)	Average Hourly Rate (£)	
	Partner / Director	Manager	Administrator	Support	Total			
Creditors and claims								
General correspondence		12 00		46 30	58 30	17,824 00	305 73	
Legal claims		4 00			4 00	1,940 00	485 00	
Pre-appointment VAT / PAYE / CT		1 00			1 00	485 00	485 00	
ROT Claims		14 50			14 50	5,872 50	405 00	
Secured creditors		2 50			2 50	1,012 50	405 00	
Statutory reports	9 00	91 70		52 10	152 80	58,329 50	381 74	
Employees								
Correspondence		7 00		39 90	46 90	14,567 00	310 60	
DTI redundancy payments service				2 20	2 20	616 00	280 00	
General analysis								
Asset Realisations								
Fixed charge debtors		0 80			0 80	388 00	485 00	
Realisation of assets								
Asset Realisation								
Debtors				1 10	1 10	308 00	280 00	
Freehold property	71 10	461 20			532 30	247,306 50	464 60	
Health & safety		174 50		13 00	187 50	87,172 50	464 92	
Open cover insurance		3 70			3 70	1,498 50	405 00	
Other assets	1 70	258 50		0 30	260 50	121,148 00	465 06	
Plant and machinery		91 00			91 00	44,055 00	484 12	
Trading code used outside trading period								
Trading								
Cash & profit projections & strategy		22 00			22 00	8,910 00	405 00	
Purchases and trading costs		107 50		0 50	108 00	43,677 50	404 42	
Total in period	95 00	1,381 30		319 90	0 00	1,796 20	759,159 00	422 65

Brought forward time (appointment date to SIP 9 period start date) 6,088 52 2,347,877 60

SIP 9 period time (SIP 9 period start date to SIP 9 period end date) 1,796 20 759,159 00

Carry forward time (appointment date to SIP 9 period end date) 7,884 72 3,107,036 60

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



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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 5 Glossary

ANHL	Aylesford Newsprint Holdings Limited - in Administration
ANL/Company	Aylesford Newsprint Limited - in Administration
ANSL	Aylesford Newsprint Services Limited
CDM	Construction Design and Management
CHP	Combined heat and power station
EA	Environment Agency
Group	ANL together with, ANHL ANSL
Joint Administrators/we/our/us	Allan Graham and Rob Croxen
KPMG	KPMG LLP
LSH	Lambert Smith Hampton
PPF	Pension Protection Fund
REAS	Real Estate Advisory Services
SFL/Secured creditor	Sitara Finance Limited
TMBC	Tonbridge and Malling Borough Council
VAT	Value Added Tax

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 Rules 1986 respectively



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Appendix 6 Notice About this report

This report has been prepared by Allan Graham and Rob Croxen, the Joint Administrators of Aylesford Newsprint Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency 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.

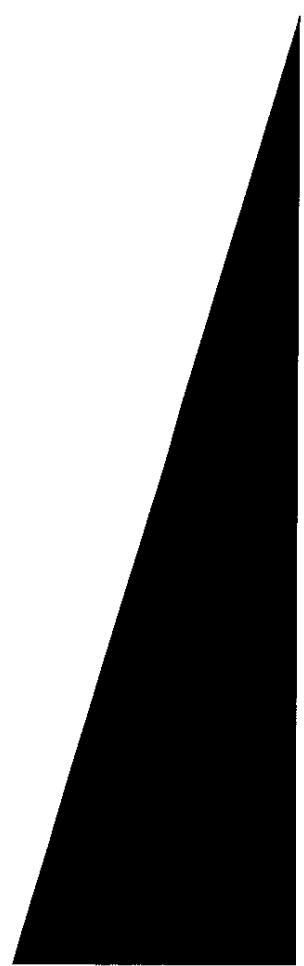
Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

Allan Watson Graham and Robert Andrew Croxen are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

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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