

Notice of Receiver's Report

Pursuant to Section 67(1) of the
Insolvency Act 1986

S67(1)

(a) Insert name of the person
to whom notice is to be given
under section 67(1)To (a) the Registrar of Companies
the Accountant in Bankruptcy

For official use

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Company Number

SC126333

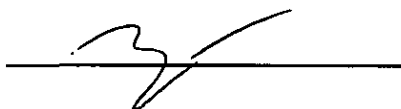
Name of Company

Insert name of company

Inveresk plc

Insert name(s) and
address(es) of receiver(s)I / We Andrew James Davison, Colin Peter Dempster and Chris Marsden
of Ten George Street, Edinburgh, EH2 2DZReceiver(s) of the company attach a copy of my / our report to creditors and a summary of
the statement of affairs of the company.

Signed



Date

14/12/09

Presenter's name,
address and reference
(if any):C P Dempster
Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

cpd/ajd/cr/at

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Liquidation Section

Post Room

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COMPANIES HOUSE

Inveresk plc (In Receivership)

Joint Receivers' Report

**Pursuant to Section 67
of The Insolvency Act 1986**

Inveresk plc (In Receivership)

RECEIVERS' REPORT PURSUANT TO SECTION 67 OF THE INSOLVENCY ACT 1986

This document is the report being laid before the meeting convened by the Joint Receivers pursuant to s67(2) of the Insolvency Act 1986.

Date of meeting	7 January 2011 at 12 noon
Location	Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1 6BX
Joint Receivers	A J Davison, C P Dempster and C Marsden
Dividend Prospects	On the basis of the current information available, the Joint Receivers are of the opinion that there will be insufficient funds available to pay the floating charge creditors in full. Consequently, the Joint Receivers do not believe that there will be funds available to make a distribution to the ordinary unsecured creditors.

Inveresk plc (In Receivership)

1. INTRODUCTION

Andrew James Davison and Colin Peter Dempster, both of Ernst & Young LLP, Ten George Street, Edinburgh, EH2 2DZ and Chris Marsden of Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1 6BX were appointed Joint Receivers of Inveresk plc ("the Company") on 8 October 2010 under the terms of a Bond and Floating Charge dated 7 April 2003 and registered on 16 April 2003 in favour of The Governor and Company of the Bank of Scotland ("the Bank").

2. STATUTORY INFORMATION

Year of incorporation: 1990

Company number: SC126333

Registered office: Formerly: Steuart Road
Bridge of Allan
Stirlingshire
United Kingdom
FK9 4JX
Currently: Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Trading Address: St Cuthberts Paper Mill
Haybridge
Wells
United Kingdom
BA5 1AG

Directors: Alan Walker
Jan Bernander

Company Secretary: David Pett

Share Capital:

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary shares	143,804,750	1,438,047	143,804,750	1,438,047

Inveresk plc (In Receivership)

3. FINANCIAL INFORMATION

	Unaudited Accounts to 31 December 2008	Audited Accounts to 31 December 2007
	£'000	£'000
Net profit/(loss)	(4,788)	2,853
Fixed assets/investments	13,616	13,997
Current assets	10,013	12,757
Creditors & Provisions	(17,805)	(16,142)
Net assets	5,824	10,612

No financial information has been received from the Company for the period from 31 December 2008 to date.

4. BACKGROUND TO THE COMPANY AND THE EVENTS LEADING TO OUR APPOINTMENT

The principal activity of the Company was the manufacture of specialist papers. The Company operated a number of paper mills in the UK but a reduction in the profitability in this sector and the Company's historic indebtedness resulted in the Company selling or closing all except one of its paper mills.

At the date of our appointment, St Cuthberts Mill, located in Wells, Somerset ("the St Cuthberts Mill"), was the Company's only remaining operational mill which manufactured and sold paper under the Somerset, Bockingford and Saunders Waterford brands. The Company also owned a property at Inverkeithing, Fife, being the site of one of its former paper mills which closed some time ago.

On 1 October 2010 BASF SE, a creditor of the Company, issued a petition for an order to wind up the Company for non-payment of a long outstanding debt. The directors had intended to settle this liability from proceeds from the proposed sale of a redundant paper making machine. However, this sale was only partially concluded at the time of the BASF SE petition and we understand that BASF SE were unwilling to wait until the sale completed. Accordingly, the directors concluded that the Company could not continue to operate out with a formal insolvency process and requested the Bank to appoint Receivers. On 8 October 2010, Andrew James Davison, Colin Peter Dempster and Chris Marsden were appointed as Joint Receivers of the Company.

5. CONDUCT OF THE RECEIVERSHIP

St Cuthberts Mill

Immediately following our appointment, we received various notes of interests from parties expressing an interest to purchase the business and assets at the St Cuthberts Mill as a going concern or to acquire certain of the assets of the Company at the St Cuthberts Mill.

Inveresk plc (In Receivership)

Following an initial review of the business and discussions with the directors together with management at St Cuthberts Mill, the Receivers continued to trade the business for a short period with a view to seeking a sale of the business and assets.

The Receivers initial cash flow forecast indicated that the business could continue to trade for a short period. The Company had sufficient access to stock and work in progress which meant stock purchases would be minimal. A period of trading also allowed the Receivers to convert the stock and work in progress into sales which would achieve a greater realisable value than would have been obtained should the stock and work in progress have been sold on a break-up basis.

We instructed Go Dove-Bid Industries Limited to provide valuation services in relation to the Company's plant, machinery and equipment. Their initial valuation for the plant, machinery and equipment suggested that there would be a significant uplift in value to be achieved for the plant, machinery and equipment in a sale as a going concern compared to the value that would be achieved on a break up basis.

We were also of the view that continuing to trade the business could result in greater recoveries of the Company's book debts as we considered that the continuity of supply to customers would help maximise the recovery of these debts.

We placed an advertisement in The Times on 15 October 2010 to market the business and assets at St Cuthberts Mill for sale and we also contacted all the parties who had expressed an interest in the business and/or assets of the Company. A deadline for all offers was set at 12 noon on 22 October 2010 as it was essential that a sale of the business and assets at the St Cuthberts Mill was achieved in a relatively short period of time in order to preserve the goodwill and the value of this business.

A number of offers were received, and after careful consideration, the Joint Receivers entered into a period of exclusivity with St Cuthberts Mill Limited ("the Purchaser") to negotiate the sale of the business and certain assets at St Cuthberts Mill. On 2 November 2010 the Joint Receivers completed a sale of the business and certain assets at St Cuthberts Mill to the Purchaser for a total consideration of £700,000. This offer maximised the recovery from the assets sold to the Purchaser.

The sale agreement did not include the sale of the properties and land of the Company but it did grant the Purchaser a ten year lease of the St Cuthberts property which was required to operate the business at the St Cuthberts Mill.

All employees of the Company were transferred to the employment of St Cuthberts Mill Limited under the Transfer of Undertakings (Protection of Employment) ('TUPE') Regulations 2006. Consequently, there have been no redundancies.

Other Assets

On 24 November 2010, the Joint Receivers concluded the sale of the Company's surplus paper machine to Global Packaging Solutions Inc for £510,000. This sale was at the same level as the original price agreed by the Company prior to our appointment and was in line with our valuers expectations.

At the date of our appointment, the Company had book debts of circa £780,000 in respect of products that had been provided to customers. Recoveries to date have amounted to circa £441,500. We are continuing to pursue the remaining book debts.

A sum of circa £121,000 was also recovered from one of the Company's bank accounts.

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Prior to our appointment, the Company was pursuing a legal action against Tullis Russell Papermaker Limited ("Tullis Russell") for additional consideration of circa £900,000 that the Company claimed was due by Tullis Russell following the sale to Tullis Russell of the Company's Gemini brand. Tullis Russell were pursuing a connected damages action against the Company.

Subsequent to our appointment, the Court of Session issued its decision in respect of the damages action brought by Tullis Russell against the Company and awarded damages of c.£5.3m plus interest in favour of Tullis Russell. Although the Court determined that the Company can currently offset the additional consideration amount that the Company is seeking in its pending action against Tullis Russell. The net result at this stage is that the Company is due damages to Tullis Russell of circa £4.4m. The award of damages ranks as an ordinary unsecured claim against the Company. The Receivers are currently considering whether there is any merit in continuing with the action against Tullis Russell and whether to appeal the Court's decision to award damages to Tullis Russell.

With regard to the Company's properties and land at St Cuthberts Mill, Wookey Hole and Spring Water, Wells, Somerset (together "the Somerset Properties") together with the property and land at the Company's former Caldwell Mill at Inverkeithing, Fife, we have appointed GVA Grimley as our agents to advise us on these properties and we will explore the options available to maximise the value from these assets. However, due to the current state of the property market, it is anticipated that it will take some time to realise these assets.

6. AMOUNTS DUE TO THE FLOATING CHARGE HOLDER

The debts due (principal and interest) under the Bank's Standard Security and Fixed and Floating Charges at the date of our appointment was £8.1m.

The Company also had debts due to Cavedrive Limited under second ranking Fixed Charges over the Somerset Properties and a second ranking Floating Charge. According to the Directors' Statement of Affairs, the debt due to Cavedrive Limited at the date of our appointment was £2.8m.

The recovery to creditors will be mainly dependent upon the property realisations. Due to the current property market, we estimate that the Bank, as the first ranking floating charge holder, will not be repaid in full. Consequently, we believe that there will be insufficient funds available for a distribution to Cavedrive Limited, as the second ranking floating charge holder, nor will there be any funds available to allow for a dividend to ordinary unsecured creditors.

7. PREFERENTIAL CREDITORS

The sale of the business and assets of the St Cuthberts Mill to the Purchaser allowed for all employees of the Company to transfer to St Cuthberts Mill under the terms of the Transfer of Undertakings (Protection of Employment) ('TUPE') Regulations 2006. We therefore do not expect there to be any preferential creditors.

8. ORDINARY UNSECURED CREDITORS

Given the level of secured and floating charge creditors and the likely asset recoveries, there is no prospect of a surplus being available for the ordinary unsecured creditors.

Creditors should note that they may recover VAT on supplies made providing that the debt is over six months old and has been fully written off in their accounts. Full details of the process to effect such a reclaim are available from H M Revenue & Customs on request.

Inveresk plc (In Receivership)

9. DIRECTORS' STATEMENTS OF AFFAIRS

In accordance with Section 66 of the Insolvency Act 1986, the Directors were requested to provide us with a Statement of Affairs of the Company ("the Statement") in the prescribed form. This was received and a summary of the Statement is shown at Appendix I to this report.

Overall, whilst we would disagree with certain aspects of the Directors' Statement of Affairs (see notes to Appendix 1), we would agree that there is no prospect of a dividend to ordinary unsecured creditors of the Company.

10. DIRECTORS' CONDUCT

In terms of the Company Directors Disqualification Act 1986, the Joint Receivers are required to prepare a report on those individuals who have been Directors or Shadow Directors of the Company in the three year period prior to our appointment. If any creditor is aware of any matter which they believe should be brought to our attention, then they should write to us giving appropriate details.

11. CONCLUSION

I trust that you have found this report to be informative. Should you have any queries regarding this report, please do not hesitate to contact Alice Thomson of this office in the first instance.

Yours faithfully

A J Davison
Joint Receiver

The Joint Receivers contract only as agents of the Company and without personal liability.

Andrew James Davison and Colin Peter Dempster are licensed in the United Kingdom to act as Insolvency Practitioners by The Institute of Chartered Accountants of Scotland.

Chris Marsden is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales.

Inveresk plc (In Receivership)**APPENDIX 1****Summary of Directors' Statement of Affairs as at 8 October 2010**

	<u>Notes</u>	<u>Directors' Estimated To Realise £</u>
<u>Assets Specifically Secured</u>	1	
Properties		6,575,000
Plant and machinery	2	500,000
Business and assets of St Cuthberts Mill	2	700,000
Trade Debtors	2	796,377
Cash at bank	2	121,144
Less: amounts due to secured creditors	3	(10,927,408)
Deficit to secured creditors		<u>(2,234,887)</u>
 <u>Preferential Creditors</u>		
Directors' and management expenses	4	(7,241)
Employment Tribunal claim	5	(33,338)
Total		<u>(40,579)</u>
 Deficit to Unsecured Creditors		(2,275,466)
 <u>Ordinary Creditors</u>		
Ordinary Creditors		(2,212,823)
Contingent liabilities	6	(4,370,271)
Total		<u>(6,583,094)</u>
 Deficiency as regards Creditors		(8,858,560)
 Issued and Called-up Capital	8	<u>(1,438,000)</u>
 Estimated Surplus/(Deficiency) as regards Members		<u>(10,296,560)</u>

Joint Receivers Comments:

1. The Directors' Statement of Affairs is shown prior to costs of realisation and receivership.
2. Certain of the assets should be shown as floating charge assets rather than fixed charge assets. However, given that we are not aware of any valid preferential claims in the Receivership and that there is likely to be a shortfall to the floating charge holders, the presentation by the directors above does not affect the outcome to ordinary creditors.
3. Debt due to Bank of Scotland plc of £8.1m is secured by standard security, fixed and floating charges. Debt due to Cavedrive Limited of £2.8m is secured by second ranking fixed charges and a second ranking floating charge.
4. Consists of expenses claims of the directors and management of the Company. We do not believe that these represent preferential claims against the Company.
5. Redundancy claim awarded against the Company by an Employment Tribunal to a former employee who brought a claim against the Company before the appointment of the Joint Receivers. We do not believe that this represents a preferential claim against the Company.
6. This comprises:
 - (a) damages claim awarded to Tullis Russell by the Court of Session net of the amount claimed by the Company to be due by Tullis Russell as detailed in our report, amounting to circa £4.m.
 - (b) award against the Company by a court in the Netherlands in respect of an action taken against the subsidiary entity, Inveresk BV, whereby the court determined that the award against the subsidiary could also be held against the Company. This award totalled circa £370,000.