

TO ALL KNOWN CREDITORS

8 January 2020

Ref: FLT/SEC/LJ/D16.1
Direct line: 0141 226 9332
Laura Jones
Email: scarragher@uk.ey.com

Dear Sirs

Land Engineering (Scotland) Limited (In Administration) ('the Company')

Court of Session

I write, in accordance with Rule 3.93 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018, to provide creditors with a report on the progress of the Administration. This report covers the period from 30 May 2019 to 29 November 2019 and should be read in conjunction with the Joint Administrators' statement of proposals ('the proposals') dated 5 June 2017 and subsequent reports dated 13 December 2017, 19 June 2018, 9 January 2019 and 25 June 2019. Statutory information about the Company, the Administration and the office holders is given at Appendix 1.

Summary of progress

Overview

As set out in detail within the proposals, a sale of part of the Company's business and assets to idverde Limited ('idv') was completed on 30 May 2017 and the Company's remaining business ceased to trade on this date.

Progress with realising the Company's assets is discussed in further detail below. We are, however, pleased to report current gross asset realisations to date of £4.87m which compares favourably with the figure of £4.22m included in the Statement of Affairs submitted by the Company's Directors following the appointment.

Debtors and Retentions

As previously advised, the sale to idv did not include the book debts and retention sums owing to the Company in relation to the business transferred at the date of appointment and idv were appointed to act as our agents to collect these amounts on our behalf. Total realisations of £2.013m have been achieved to date. We continue to work closely with idv and our agents, G A Johnston Associates ('GAJ'), to complete this exercise.

In relation to the remainder of the Company's business not sold to idv, GAJ were appointed as our agents to collect the WIP/debtors/retention balances due to the Company. I am pleased to advise that a further £289k has been collected since our last report resulting in total realisations of £545k to date. GAJ continues to liaise with a number of customers to agree the remaining final accounts following expiry of the retention periods. A further update will be provided in our next report.

Third Party Loans

As you may recall, the Company had provided loans to a number of third parties prior to the appointment amounting to £297k. Recoveries to date amount to £32k and we are continuing to correspond with the relevant parties with a view to recovering the remaining loans outstanding. Creditors should however note that certain elements of these loans are not yet due for repayment with maturity dates of between 2020 and 2025.

Intercompany Loans

Prior to the appointment, the Company had provided an unsecured loan of £1.068m to Green Engineering (Scotland) Limited ('GES'), a related company which subsequently went into Liquidation on 31 October 2017. The recovery of the loan was ultimately dependent on the sale of a bio-gas plant in the Lake District and the onward distribution of the resulting sale proceeds via dividends/loan repayments through a number of related companies.

The company operating the plant went into Administration on 21 January 2019 and, according to the Administrators' latest progress report, they are exploring the possibility of a disposal or, alternatively, a recapitalisation of the plant, which would take it out of Administration and provide for a programme of capital investment. The Administrators have however indicated that there is unlikely to be a dividend available for the unsecured creditors (other than via the Prescribed Part) and the shares will have no value. As a result, the Company will not recover any of the loan monies provided to GES.

Extension of Administration

As creditors may recall, following no creditors objecting to the application, consent for a 12 months extension was received from the Court of Session on 22 March 2019 and the period of the Administration was extended to 29 May 2020.

We currently anticipate that we will require to apply to the Court of Session to further extend the period of the Administration by 12 months to 29 May 2021 to allow time to realise the remaining assets, adjudicate on creditor claims and make distributions to the non-preferential creditors.

Should any creditors have an objection to this application, they should provide details of their objection to the Administrators by writing to Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY by no later than 11 February 2020.

Receipts and payments account

A summary of our receipts and payments for the period from 30 May 2019 to 29 November 2019 is attached at Appendix 2. It does not reflect estimated future realisations or costs.

Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rules 3.95 to 3.101 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018 ('the 2018 Rules').

In certain circumstances, creditors are entitled to request further information about our remuneration or outlays, or to apply to court if they consider the costs to be excessive (Rule 3.100, the 2018 Rules). Further information is given in 'A Creditors' Guide to Administrators' Fees', a copy of which may be

accessed from the web site of the Institute of Chartered Accountants of Scotland at <https://www.icas.com/technical-resources/creditor-guides-to-office-holder-remuneration> or is available in hard copy upon written request to the Joint Administrators.

In accordance with the proposals deemed approved by the creditors on 16 June 2017, the Administrators' remuneration was fixed on a time-cost basis by resolutions of the secured and preferential creditors. During the period covered by this report, the Administrators have incurred time costs of £181,518 as follows:

	£
Period from 30 May 2019 to 27 September 2019	132,416
Period from 28 September 2019 to 29 November 2019	<u>49,102</u>
	<u>181,518</u>

A detailed analysis and narrative explanation of the time incurred and work completed is attached at Appendix 3 to this report. Together with the time incurred previously of £1,340,454 this results in total time incurred to 29 November 2019 of £1,521,972.

Since our last report, further interim fees of £140,596 have been approved as follows:

Assets subject to Standard Security (Fenwick property)

- £627 for the period from 30 November 2018 to 29 May 2019

Assets subject to Floating Charge (all other assets)

- £139,969 for the period from 30 November 2018 to 29 May 2019

At Appendix 3 there is a statement of the Administrators' policy in relation to charging time.

Following the Bank being repaid its debt in full during the current period (as discussed below), a request for approval to draw further interim fees of £132,416 incurred in the period from 30 May 2019 to 27 September 2019, the date of repayment, will be made to the secured creditor shortly. Rules 3.96(6) and 5.11 of the 2018 Rules provide that there is no longer a requirement to seek the approval of the preferential creditors to our fees as their debts have been paid in full.

Proposed revision to proposals

In view of the above, the Administrators are now seeking an amendment to the original proposals to have all fees incurred after 27 September 2019 fixed by the unsecured creditors (or a creditors' committee if one is established).

I intend to seek a decision on this matter by correspondence. Accordingly, formal notice of the decision procedure and a voting form and notice of claim form have been sent to you under separate cover. A statement of the proposed revision to the proposals in accordance with Rule 3.42 of the 2018 Rules is included in the voting form to be considered by creditors. In addition, the voting form includes a request for approval of the fees of £49,102 incurred in the period following the secured creditor being repaid in full (28 September 2019 to 29 November 2019).

Creditors' committee

In terms of Rule 3.39(4) of the 2018 Rules, where a decision is sought from creditors, they must also be invited to establish a creditors' committee, if, as in this case, a committee is not already in existence. A formal invitation and nomination form to establish a creditors' committee have been sent under separate cover.

Joint Administrators' outlays

During the period covered by this report, Category 1 disbursements of £37 have been incurred. Together with the disbursements incurred previously of £10,960, this results in total disbursements incurred to 29 November 2019 of £10,997. An analysis of the disbursements is attached at Appendix 4.

Since our last report, disbursements have been approved as follows:

- Category 2 disbursements of £1,421 for the period from 30 November 2018 to 29 May 2019

At Appendix 4 there is a statement of the Administrators' policy in relation to charging disbursements.

Distributions to creditors

Secured creditors

Bank of Scotland plc ('the Bank'), the Company's secured lender, had total indebtedness at 30 May 2017 of c£2.15m (before accruing interest and costs) and held both a standard security over the Company's freehold property at Fenwick and a floating charge over the Company's other assets.

In addition, the Bank had a contingent claim of £351k in respect of performance bonds potentially being called on certain of the Company's customer contracts. I am pleased to advise that none of the performance bonds outstanding at the date of appointment were ultimately called and our agents, GAJ, were successful in securing release of the remaining outstanding bonds from Argyll & Bute Council (£167k) and South Lanarkshire Council (£87k) during the current period.

As a result of the realisations achieved to date and the release of the aforementioned performance bonds, the sum of £2,154,304 owed to the Bank was repaid in full on 27 September 2019.

Preferential creditors

As previously advised, a distribution of 100p in the £, equating to a total dividend of £101k, was paid to the preferential creditors in respect of employees' salaries, holiday pay and pension contributions.

Non-preferential creditors

The Administrators continue to receive claims from non-preferential unsecured creditors of the Company. It is estimated that unsecured non-preferential claims will be in the region of £7.6m.

The Administrators are of the opinion that a distribution to the non-preferential unsecured creditors will be made in due course, however, the quantum and timing will be dependent on the extent of additional floating charge asset realisations achieved. We have commenced the adjudication of non-preferential unsecured claims and a further update will be provided in our next report.

Remaining work

We will continue to deal with the Administration in line with the stated objectives outlined in the proposals. Future tasks will include, but may not be limited to, the following:

- seeking to realise value from all remaining assets including collecting outstanding book debts, retentions and non-trade balances;
- dealing with unsecured creditor enquiries;
- adjudicating on non-preferential claims and paying a dividend to non-preferential creditors;
- finalising the Administration including the payment of all Administration period liabilities;
- preparing and filing post appointment corporation tax and VAT returns;
- completion of statutory and reporting requirements of the Administration;
- any such actions the Joint Administrators consider, in their reasonable opinion, are necessary and/or expedient to fulfil the purpose of the Administration; and
- bringing the Administration to a conclusion.

Next report

We will report to you again in six months' time.

In the meantime, if you have any queries regarding the content of this report, please contact my colleague, Laura Jones, on 0141 226 9332.

Yours faithfully
for Land Engineering (Scotland) Limited (In Administration)



F L Taylor
Joint Administrator

F L Taylor is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales and C P Dempster is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, F L Taylor and C P Dempster, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Information about the proceedings, the Company and the office holders, as required by Rule 3.94 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018

Name of court:	Court of Session
Registered name of the Company:	Land Engineering (Scotland) Limited (In Administration)
Registered office address of the Company:	c/o Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Registered number:	SC070682
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	30 May 2017
Details of any changes of Administrator:	Andrew James Davison replaced as office holder by Fiona Livingstone Taylor on 14 December 2017
Full names of the Administrators:	Colin Peter Dempster and Fiona Livingstone Taylor
Office holder numbers:	8908 and 8787
Administrators' addresses:	Ernst & Young LLP Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Telephone number:	0141 226 9332
Name of alternative person to contact with enquiries about the case:	Laura Jones

Appendix 2

Land Engineering (Scotland) Limited (In Administration)

Joint Administrators' Summary of Receipts and Payments from 30 May 2019 to 29 November 2019

Estimated to Realise per Directors' Statement of Affairs	Receipts	Cumulative to 29 May 2019 (£)	Transactions since 30 May 2019 (£)	Cumulative to 29 November 2019 (£)
800,000	Property	1,020,020	0	1,020,020
1,500,000)	IDV - Pre Appointment Debtor Receipts	1,933,710	0	1,933,710
)	IDV - Retentions	79,114	0	79,114
)	Pre Appointment Debtor Receipts	256,396	288,801	545,197
640,000	IDV - Work in Progress	348,583	0	348,583
640,000)	IDV - Plant & Equipment	565,796	0	565,796
)	Plant & Equipment/Motor Vehicles/Fixtures	223,398	0	223,398
	Rental Income - Fenwick	68,839	(1,548)	67,291
25,000	IDV - Stock	25,000	0	25,000
	Prepayments	21,752	0	21,752
	Bank Interest	3,048	496	3,544
615,500	Loans and Advances	32,038	0	32,038
	Petty Cash/Sundry Income	333	0	333
4,220,500		4,578,027	287,749	4,865,776
	Payments			
	Distribution to Floating Charge Holder	1,500,000	14,304	1,514,304
	Wage Arrears	36,625	0	36,625
	Gross Wages	55,085	0	55,085
	Rates & Utilities - Skypark	28,314	0	28,314
	Insurance	14,876	0	14,876
	Costs to be recharged - Fenwick	29,082	(1,548)	27,533
	Property Agents' Fees	28,650	0	28,650
	Legal Fees & Disbursements	71,909	9,379	81,288
	Agents' Fees - Debt Collection	30,470	5,142	35,612
	Agents' Disbursements	1,350	0	1,350
	Administrators' Fees	704,895	194,998	899,893
	Administrators' Expenses	5,422	2,855	8,277
	IDV - Debt Collection Commission	85,300	0	85,300
	Auctioneers' Commission & Other Costs	36,779	0	36,779
	Other Professional Fees	0	3,444	3,444
	Bank Charges & Interest	522	63	585
	Public Notices	694	0	694
	Corporation Tax	0	610	610
	IT Support	72	0	72
	Motor Expenses	382	0	382
	Postage	928	0	928
	Storage Charges	1,673	352	2,025
	Retention of Title Payments	1,775	0	1,775
	Distribution to Secured Creditor	640,000	0	640,000
	Distribution to Preferential Creditors	101,433	0	101,433
	Specific Bond	968	0	968
		3,377,203	229,599	3,606,802
				1,258,974
	Represented by:			
	Current Account - BOS			62,786
	Fixed Term Deposit Account - BOS			900,000
	Current Account - RBS			284,044
	Construction Industry Scheme			26,752
	VAT			(14,608)
				1,258,974
	Notes			
	1. Receipts and payments are stated net of VAT.			

Appendix 3

Land Engineering (Scotland) Limited (In Administration)

Joint Administrators' time costs incurred from 30 May 2019 to 29 November 2019

(a) Time charging policy

The Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established for the case. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used.

(b) Analysis of time costs

30 May 2019 to 29 November 2019

Classification of work function	Hours					Total Time Cost £	Average Hourly Rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Accounting & Administration	18.6	13.0	19.3	37.5	88.4	44,807	507
Bank and Statutory Reporting	6.7	16.9	20.2	10.7	54.5	25,502	468
Creditors	0.0	6.4	8.8	38.6	53.8	12,824	238
Debtors	0.7	23.9	16.3	11.0	51.9	22,986	443
Employee Matters	0.0	0.0	0.2	0.2	0.4	162	405
Legal Issues	0.5	7.1	4.9	0.0	12.5	6,290	503
Other Assets	0.2	25.4	9.5	0.0	35.1	19,348	551
Other Matters	0.0	1.2	4.9	0.0	6.1	2,576	422
Property	0.2	3.6	5.7	0.0	9.5	4,221	444
Retention of Title	0.0	0.0	1.0	0.0	1.0	325	325
Statutory Duties	0.0	17.6	33.9	0.0	51.5	21,289	413
VAT & Taxation	0.0	21.1	11.2	17.5	49.8	21,189	425
Total hours	26.9	136.2	135.9	115.5	414.5	181,518	
Total time costs (£)	23,422	83,921	48,196	25,979		181,518	
Average hourly rate (£)	871	616	355	225			

Current charge out rates		1 July 2019	1 November 2018
		to 30 June 2020	to 30 June 2019
		£	£
Partner	Partner	900	855
	Associate Partner	805	765
	Director	690	655
Manager	Assistant Director	610	580
	Senior Executive	475	450
Other Senior Professionals	Executive	340-375	325-355
	Assistant Executive	270	255
Assistants & Support Staff	Analyst	190-270	180-255
	Accounting and Treasury Executive	150-200	145-200

30 May 2019 to 27 September 2019

Classification of work function	Hours					Total Time Cost £	Average Hourly Rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Accounting & Administration	12.0	10.0	17.3	17.4	56.7	28,186	497
Bank and Statutory Reporting	2.7	9.6	14.4	4.2	30.9	14,467	468
Creditors	0.0	4.3	5.7	5.6	15.6	5,564	357
Debtors	0.7	16.9	13.8	0.0	31.4	15,776	502
Employee Matters	0.0	0.0	0.2	0.2	0.4	162	405
Legal Issues	0.5	6.8	4.9	0.0	12.2	6,107	501
Other Assets	0.2	23.2	9.4	0.0	32.8	17,972	548
Other Matters	0.0	1.2	4.9	0.0	6.1	2,576	422
Property	0.2	3.3	0.0	0.0	3.5	2,100	600
Retention of Title	0.0	0.0	1.0	0.0	1.0	325	325
Statutory Duties	0.0	17.3	31.7	0.0	49.0	20,358	415
VAT & Taxation	0.0	18.0	10.4	16.1	44.5	18,823	423
Total hours	16.3	110.6	113.7	43.5	284.1	132,416	
Total time costs (£)	13,998	68,305	40,648	9,465		132,416	
Average hourly rate (£)	859	618	358	218			

Current charge out rates		1 July 2019	1 November 2018
		to 30 June 2020	to 30 June 2019
		£	£
Partner	Partner	900	855
	Associate Partner	805	765
	Director	690	655
Manager	Assistant Director	610	580
	Senior Executive	475	450
	Executive	340-375	325-355
Other Senior Professionals	Assistant Executive	270	255
	Analyst	190-270	180-255
Assistants & Support Staff	Accounting and Treasury Executive	150-200	145-200

28 September 2019 to 29 November 2019

Classification of work function	Hours					Total Time Cost £	Average Hourly Rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Accounting & Administration	6.6	3.0	2.0	20.1	31.7	16,621	524
Bank and Statutory Reporting	4.0	7.3	5.8	6.5	23.6	11,035	468
Creditors	0.0	2.1	3.1	33.0	38.2	7,260	190
Debtors	0.0	7.0	2.5	11.0	20.5	7,210	352
Legal Issues	0.0	0.3	0.0	0.0	0.3	183	610
Other Assets	0.0	2.2	0.1	0.0	2.3	1,376	598
Property	0.0	0.3	5.7	0.0	6.0	2,121	354
Statutory Duties	0.0	0.3	2.2	0.0	2.5	931	372
VAT & Taxation	0.0	3.1	0.8	1.4	5.3	2,366	446
Total hours	10.6	25.6	22.2	72.0	130.4	49,102	
Total time costs (£)	9,424	15,616	7,548	16,514		49,102	
Average hourly rate (£)	889	610	340	229			

Current charge out rates		1 July 2019
		to 30 June 2020
		£
Partner	Partner	900
	Associate Partner	805
	Director	690
Manager	Assistant Director	610
	Senior Executive	475
	Executive	340-375
Other Senior Professionals	Assistant Executive	270
	Analyst	190-270
Assistants & Support Staff	Accounting and Treasury Executive	150-200

(c) Narrative explanation of time incurred

Category of work	Description of work completed
Accounting & Administration	<ul style="list-style-type: none"> ▶ Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting.
Bank & Statutory Reporting	<ul style="list-style-type: none"> ▶ Preparing and issuing six monthly progress reports to all known creditors and regular reporting to the secured creditor.
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to creditors (as applicable)
Debtors	<ul style="list-style-type: none"> ▶ Working with idv and GAJ to realise value from book debts/WIP and retentions. ▶ Correspondence with debtors regarding outstanding debts. ▶ Discussions with customers regarding timing for the release of outstanding performance bonds.
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding TUPE related matters. ▶ Dealing with employee enquiries.
Legal Issues	<ul style="list-style-type: none"> ▶ Dealing with ad hoc legal issues. ▶ Liaising with HSE and legal advisors with regard to the fatal accident enquiry.
Other Assets	<ul style="list-style-type: none"> ▶ Realising value from the Company's residual assets including third party and intercompany loans. ▶ Liaison with the Liquidator of GES regarding the prospects of recovering the loan monies via the sale of the bio-gas plant.
Other Matters	<ul style="list-style-type: none"> ▶ Assessing the status of the Company's physical books and records and electronic records.
Property	<ul style="list-style-type: none"> ▶ Liaising with idv regarding issues arising from the short-term licence granted to occupy the property at Fenwick. ▶ Dealing with issues relating to the settlement of liabilities for the Administration period. ▶ Responding to ad hoc issues arising in relation to the Company's freehold property at Fenwick and leasehold property at Skypark.
Retention of Title	<ul style="list-style-type: none"> ▶ Assessment and settlement of claims for retention of title from the Company's suppliers.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the Administration, including notifications to creditors and the Registrar of Companies regarding progress reports issued. ▶ Seeking approval of remuneration and outlays from the secured creditor and the preferential creditors. ▶ Seeking extension of the Administration from the Court. ▶ Seeking permission from the Court to pay non-preferential unsecured creditors.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists. ▶ Issuing supporting documentation for a VAT inspection by HMRC. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration.

(d) Payments to other professionals

The Administrators engaged the following professionals during the current period to provide assistance. They were chosen on the basis of their experience in similar assignments.

Name of firm	Nature of services	How contracted to be paid	Paid during the period excl VAT (£)
Brodies LLP	Legal advisors	Time costs basis	9,379
G A Johnston Associates	Quantity surveyor services/debt collection	Time costs basis	5,142
Thomson Cooper Accountants Limited	Restructuring advisors	Time costs basis for advising on the options available for realising value from the Lake District bio-gas investment	3,444
Total			17,965

Land Engineering (Scotland) Limited (In Administration)

Summary of Joint Administrators' outlays incurred from 30 May 2019 to 29 November 2019

Type of Outlay	Paid as at 29 May 2019	Paid in period to 29 November 2019	Outstanding	Total
	£	£	£	£
Category 1 disbursements (see Note 1)				
Specific penalty bond	967.50	-	-	967.50
Ground transportation	1,264.37	100.00	88.00	1,452.37
Meals & subsistence	36.92	-	-	36.92
Category 2 disbursements (see Note 1)				
Mileage	53.65	-	-	53.65
Internal bulk copying, printing and postage	5,901.86	1,064.00	1,417.05	8,382.91
Meals & subsistence	99.60	-	3.90	103.50
Totals	8,323.90	1,164.00	1,508.95	10,996.85

Notes

Statement of Insolvency Practice 9 (Scotland) ('SIP 9') defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.

- Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
- Category 2 disbursements are expenses which are directly referable to the appointment but are not payments to independent third parties. They may include shared and allocated costs.

It is our policy, in accordance with SIP 9, to disclose Category 1 and Category 2 disbursements but only to seek approval for Category 2 disbursements before they are drawn.