



Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

Tel: + 44 141 226 9040
Fax: + 44 141 226 9001
ey.com

TO ALL KNOWN CREDITORS

9 January 2019

Ref: FLT/SEC/CL/LES/PF16.3

Direct line: 0131 777 2440
Catriona Lynch
Email: scarragher@uk.ey.com

Dear Sirs

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

Registered office address: Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

Registered number: SC070682

I write, in accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986, to provide creditors with a report on the progress of the Administration. This report covers the period from 30 May 2018 to 29 November 2018 and should be read in conjunction with the Joint Administrators' statement of proposals ('the proposals') dated 5 June 2017 and subsequent progress reports dated 13 December 2017 and 19 June 2018.

As creditors will recall from previous correspondence, the Company entered Administration on 30 May 2017 and A J Davison and C P Dempster of Ernst & Young LLP ('EY'), Atria One, 144 Morrison Street, Edinburgh, EH3 8EX were appointed to act as Joint Administrators. The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. Due to A J Davison's retirement from EY, Fiona Livingstone Taylor of EY was appointed as a substitute office holder by the Court of Session on 14 December 2017.

Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them. Certain statutory information relating to the Company and the appointment of the Administrators is provided at Appendix 1.

Summary of progress in the Administration

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 £4.56m 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. We are pleased to advise that debtor and retention collections to date amount to c£2m, representing over 90% of the book value at the date of appointment. We are working closely with idv and our agents, G A Johnston Associates ('GAJ'), to complete this exercise with a particular focus on the outstanding retention sums which are now due. We will update creditors further in our next progress report.

In relation to the remainder of the Company's business not sold to idv, GAJ continue to act as the Administrators' agents to collect the WIP/debtors/retention balances due to the Company and secure release of outstanding performance bonds where possible. Due to the majority of contracts being terminable on insolvency and various disputes, contra and set off issues arising following the cessation of trading, the process is complicated and recoveries are not surprisingly significantly slower and below those achieved with the pre-pack sale. Debtor collections currently amount to £256k, an improvement of £56k since we last reported. GAJ are liaising with a number of customers to agree the final accounts on some of the larger contracts and we are hopeful that additional recoveries will be achieved in the next couple of months. A further update will be provided in our next report.

Fixtures and Fittings

Net realisations of c£5k from the sale of sundry fixtures and fittings located at the Company's former trading sites are expected to be received shortly from our agents.

Third Party Loans

As you may recall, the Company had provided loans to a number of third parties prior to the appointment. These were in respect of the Company's previous involvement in wind farm project development (£173k), properties to accommodate foreign employees working on Company contracts (£119k) and loans advanced to Company employees (£5k). I am pleased to advise that we have recently received £30k as a partial repayment of the properties loan and we are in correspondence 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 our appointment, the Company had provided an unsecured loan of £1.068m to Green Engineering (Scotland) Limited ('GES'), a related company. The recovery of the loan is 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. Richard Gardiner of Thomson Cooper was appointed Interim Liquidator of GES on 31 October 2017 followed by his appointment on 12 December 2017. We continue to liaise with him as regards the options available to maximise recoveries from this loan. We are however aware that the plant has experienced a number of operational problems in recent months and consequently we do not expect a sale of the plant to be achieved for at least another 12 to 24 months.

Joint Administrators' receipts and payments

I enclose a receipts and payments account for the period from 30 May 2018 to 29 November 2018. This does not reflect estimated future realisations or costs.

Joint Administrators' remuneration and disbursements

The statutory provisions relating to remuneration are set out in Rule 2.39 of the Insolvency (Scotland) Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees' then 'Guides for Scotland', then 'Administration'), or is available in hard copy upon written request to the Joint Administrators.

The Administrators' remuneration was fixed on a time-cost basis by resolutions of the floating charge holder and preferential creditors. During the period covered by this report, the Administrators have incurred time costs of £135,832 and an analysis of the time incurred is attached at Appendix 3 to this report. Together with the time incurred previously of £1,064,026, this results in total time incurred to 29 November 2018 of £1,199,858.

Since our last report, further interim fees of £97,750 have been approved as follows:

Assets subject to Standard Security (Fenwick property)

- £4,626 for the period from 27 January 2018 to 29 May 2018

Assets subject to Floating Charge (all other assets):

- £93,124 for the period from 27 January 2018 to 29 May 2018

During the period covered by this report, Category 1 disbursements of £100 and Category 2 disbursements of £1,064 have been incurred and an analysis of the disbursements is attached at Appendix 3. Together with the disbursements incurred previously of £8,324, this results in total disbursements incurred to 29 November 2018 of £9,488.

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

- Category 1 disbursements of £698 for the period from 27 January 2018 to 29 May 2018; and
- Category 2 disbursements of £1,692 for the period from 27 January 2018 to 29 May 2018

At Appendix 4 there is a statement of the Administrators' policy in relation to charging time and disbursements. A request for approval to draw further interim fees and disbursements will be made to the secured creditor and preferential creditors shortly.

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. To date, distributions of £2.14m have been made to the Bank.

The aforementioned figure of £2.15m excludes any claims which the Bank may require to make as a result of performance bonds being called on certain of the Company's customer contracts. The contingent liability in this regard amounts to £251k. Our agents, GAJ, are continuing to seek return of the remaining outstanding performance bonds, however we are hopeful that these will not ultimately be called.

Preferential creditors

As previously advised, a distribution of 100p in £, equating to a total dividend of £101k, has been 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 £7.5m.

The Administrators are of the opinion that it is possible a distribution to the non-preferential unsecured creditors may be made in due course, however, this will be dependent on the extent of additional floating charge asset realisations achieved and whether or the aforementioned performance bonds on customer contracts are ultimately called. A further update will be provided in our next report.

The prescribed part

The Administrators are of the opinion that a distribution to non-preferential unsecured creditors by virtue of the prescribed part may be made in due course.

Distributions to creditors

Distributions have been made to date in the Administration to the secured and preferential creditors and it is proposed that distributions may also be made to the non-preferential unsecured creditors (by virtue of the prescribed part) of the Company. In addition, a distribution to the non-preferential unsecured creditors of the Company may ultimately be possible depending on recoveries achieved from the remaining assets.

Extension of Administration

As creditors may recall, following creditors' consent being obtained in terms of Section 76(2)(b) of Schedule B1 of the Insolvency Act 1986, the period of the Administration was extended by 12 months to 29 May 2019.

As there will be a number of key outstanding issues to resolve in the Administration at that time, including the recovery of debtors, adjudication of claims and payment of dividends to creditors, we will require to apply to the Court of Session to extend the Administration by a further 12 months to 29 May 2020 pursuant to Section 76(2)(a) of Schedule B1 of the Insolvency Act 1986.

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 31 January 2019.

Conclusion

I trust this report has been informative and we will report to you again in six months' time. In the meantime, should you have any queries, please do not hesitate to contact my colleague, Catriona Lynch on 0131 777 2440.

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 Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy

Company Statutory Information

Company Information

Company Name: Land Engineering (Scotland) Limited (In Administration)
Registered Office Address: c/o Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
Registered Number: SC070682
Trading Name: Land Engineering (Scotland) Limited
Trading Addresses: Gardrum House, Stewarton Road, Fenwick, KA3 6AS
Suite 4A, Skypark 5, 45 Finnieston Street, Glasgow, G3 8JU

Details of the Administrators and of their appointment

Administrators: A J Davison of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
C P Dempster of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
F L Taylor of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

Date of Appointment: A J Davison 30 May 2017 – replaced as office holder on 14 December 2017
C P Dempster 30 May 2017
F L Taylor 14 December 2017

By Whom Appointed: The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.
The appointment of F L Taylor was made by the Court of Session, under the provisions of paragraph 91 of Schedule B1 to the Insolvency Act 1986.

Court Reference: Court of Session

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Appendix 2

Land Engineering (Scotland) Limited (in Administration)
Joint Administrators' Abstract of Receipts and Payments from 30 May 2018 to 29 November 2018

Estimated to Realise per Directors' Statement of Affairs	Receipts	Cumulative to 29 May 2018 (£)	Transactions since 30 May 2018 (£)	Cumulative to 29 November 2018 (£)
800,000	Property	1,020,020	0	1,020,020
1,500,000	IDV - Pre Appointment Debtor Receipts	1,887,634	31,976	1,919,610
	IDV - Retentions	79,114	0	79,114
	Pre Appointment Debtor Receipts	200,407	55,989	256,396
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	68,676	0	68,676
25,000	IDV - Stock	25,000	0	25,000
	Prepayments	21,752	0	21,752
	Bank Interest	1,617	631	2,248
615,500	Loans and Advances	2,038	30,000	32,038
	Petty Cash	108	0	108
4,220,500		4,444,144	118,596	4,562,739
	Payments			
	Distribution to Floating Charge Holder	1,500,000	0	1,500,000
	Wage Arrears	15,894	20,731	36,625
	Gross Wages	54,737	348	55,085
	Rates & Utilities - Skypark	28,314	0	28,314
	Insurance	15,013	0	15,013
	Fenwick costs	17,840	11,242	29,082
	Property Agents' Fees	26,150	2,500	28,650
	Legal Fees & Disbursements	45,050	12,406	57,456
	Agents' Fees - Debt Collection	20,051	5,588	25,639
	Agents' Disbursements	1,350	0	1,350
	Administrators' Fees	700,269	4,626	704,895
	Administrators' Expenses	5,336	86	5,422
	IDV - Debt Collection Commission	83,678	1,622	85,300
	Auctioneers' Commission & Other Costs	36,779	0	36,779
	Bank Charges & Interest	394	92	486
	Public Notices	694	0	694
	IT Support	72	0	72
	Motor Expenses	382	0	382
	Postage	928	0	928
	Storage Charges	1,037	372	1,409
	Retention of Title Payments	1,775	0	1,775
	Distribution to Secured Creditor	640,000	0	640,000
	Distribution to Preferential Creditors	37,771	63,662	101,433
	Specific Bond	355	613	968
		3,233,869	123,887	3,357,757
				1,204,983
	Represented by:			
	Interest Bearing Current Account			307,470
	Fixed Term Deposit Account			900,000
	Non-Interest Bearing Current Account			2,610
	VAT			(5,097)
				1,204,983
	Notes			
	1. Receipts and payments are stated net of VAT			

Appendix 3

Land Engineering (Scotland) Limited (In Administration)

Summary of Joint Administrators' time-costs and disbursements from 30 May 2018 to 29 November 2018

Classification of work function	Partner / Director	Assistant Director / Manager	Other Senior Professionals	Assistants & Support	Total hours	Average hourly rate (£)	Time cost (£)
Bank & Statutory Reporting	7.5	5.3		6.1	18.9	516	9,749
Creditors	1.5	8.0	2.5	8.4	20.4	381	7,777
Debtors		21.7	10.5	1.8	34.0	454	15,445
Employee Matters	1.0	1.8	10.5	0.2	13.5	364	4,920
Legal Issues		5.5	1.0		6.5	499	3,243
Other Assets	17.0	21.1		3.0	41.1	600	24,676
Other Matters	0.5	3.5		2.5	6.5	425	2,765
Property	0.5	4.7		0.2	5.4	555	2,997
Statutory Duties		25.4	14.0	30.8	70.2	332	23,303
VAT & Taxation		13.0	2.8	3.3	19.1	464	8,855
Accounting & Admin	13.2	8.6	33.3	11.6	66.7	471	31,385
Investigation / CDDA		1.3			1.3	550	715
Total hours	41.2	119.9	74.6	67.9	303.6	447	135,832
Time costs	30,864	67,003	25,588	12,377	135,832		
Average hourly rate	749	559	343	182	447		

Charge out rates		Period from 17	Period from 3
		March 2018 to 2	November 2018 to 29
		November 2018	November 2018
		£	£
Partner		780	855
Associate Partner		730	765
Director		625	655
Assistant Director		550	580
Manager		430	455
Other senior professionals	Executive	310 - 340	325 - 355
	Assistant Executive	245	255
Assistants and support	Analyst	170 - 245	180 - 255
	Accounting and Treasury		
	Executive	140 - 145	145 - 150

Category 1 disbursements

Ground transportation 100

Category 2 disbursements

Printing & postage 1,064

Total 1,164

Appendix 4

Land Engineering (Scotland) Limited (In Administration)

Office Holders' Charging Policy for Fees

The Company's floating charge holder and preferential creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration.

The Administrators have engaged a manager and other staff to work on the case. 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 issues. 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 separate time code established for each case. 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 in Appendix 3, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ('SIP 9') published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Company's creditors. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Company's creditors require to support the disbursements drawn.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the Company's creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursements before they are drawn.