

TO ALL KNOWN CREDITORS

13 December 2017

Ref: AJD/SEC/LJ/DT/LES/PF16.3

Direct line: 0141 226 9332  
Direct Fax: 0141 226 9001  
Laura Jones

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 2017 to 29 November 2017 and should be read in conjunction with the Joint Administrators’ statement of proposals (“the proposals”) dated 5 June 2017.

The Company entered Administration on 30 May 2017 and A J Davison and C P Dempster of Ernst & Young LLP, 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. 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.

Due to my retiral from EY, an application has recently been submitted to the Court of Session for an order to replace me as Administrator and appoint Fiona Livingstone Taylor of Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY as a substitute office holder. Consent has been given by Bank of Scotland plc (“the Bank”), the qualifying floating charge holder and we anticipate that the Court’s order will be issued shortly.

### **Summary of progress in the Administration**

#### **Overview**

As set out in detail within the proposals, on 30 May 2017 we completed a sale of part of the Company’s business and assets to idverde Limited (“idv”). The business, plant, equipment, work in progress and stock assets sold to idv related to the design, management, construction and maintenance services carried on under the Company’s services, responsive and winter divisions together with projects at Grangemouth, Craighouse and Quartermile. 251 employees of the Company transferred to idv as part of the sale.

It was not appropriate to trade the Company's remaining business and offer it for sale as a going concern following the Administration appointment. Trading accordingly ceased on 30 May 2017 resulting in the immediate redundancy of 133 employees. 10 employees were initially retained by the Administrators for a short period to assist with fulfilling the Administrators' statutory duties at the Company's leasehold premises at Skypark, Glasgow. All employees were made redundant by 28 July 2017 at which point the premises were vacated.

Progress with realising the Company's assets is discussed in further detail below. We are however pleased to report that gross asset realisations to date of £3.39m compare favourably with the figure of £3.42m included in the Statement of Affairs submitted by the Company's Directors following the appointment.

### ***Debtors, Retentions and Work in Progress ("WIP")***

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. Given that idv took over responsibility for completion of the associated contracts, the Joint Administrators appointed them to act as our agents to collect these amounts on our behalf. We are pleased to advise that this exercise has gone extremely well as a result of the seamless completion of works and minimal interruption to customer contracts following the successful pre-pack sale to idv. This has also resulted in idv being in a position to replace performance bonds and novate key customer contracts, thereby reducing potential creditor claims in the Administration and releasing further debtor and retention monies due to the Company. Debtor and retention collections to date amount to £1.953m representing a recovery of c88% of book value in relation to the business transferred at the date of appointment. We continue to work closely with idv to complete this exercise and will update creditors further in our next progress report.

On completion of the sale, the figure for WIP in relation to the business transferred was estimated at £396k and, following an assessment of the actual book value at 30 May 2017, this was adjusted downwards to £348k. The required reimbursement of £48k has been made to idv.

In relation to the remainder of the Company's business not sold to idv, the Administrators have appointed G A Johnston Associates ("GAJ") to act as their agents to collect the WIP/debtors/retention balances due to the Company. 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 below those achieved with the pre-pack sale. Debtor collections currently amount to £190k representing a recovery of c6% of book value at the date of appointment. We continue to deal with information requests from GAJ and customers to assist in the recovery process and a further update will be provided in our next report.

### ***Plant and Equipment/Motor Vehicles/Stock/Fixtures and Fittings***

The pre-pack sale consideration included a figure of £566k (net of outstanding finance) in respect of the plant and equipment acquired by idv together with a figure of £25k for stock.

Following completion of the sale, the Administrators' appointed agents, Sweeney Kincaid ("SK"), have collected and held a number of auctions of the Company's remaining plant and equipment, fixtures and fittings and motor vehicles/trailers. Gross recoveries of c£223k compare favourably with SK's previous estimate of c£150k. The fixtures and fittings currently located at the Company's freehold property in Fenwick will be sent to auction following idv terminating the licence to occupy granted as part of the sale.

### ***Prepayments and Other Debts***

We have recovered c£21k of amounts paid in advance to suppliers at the date of appointment following the cancellation of certain pre-appointment policies. No further recoveries are anticipated in this regard.

### **Remaining Assets**

#### ***Property - Fenwick***

As previously advised, the Company owns a freehold property in a rural setting near the village of Fenwick in Ayrshire (“the Property”) and, as part of the pre-pack sale, the Administrators granted idv a short term licence to occupy the Property. Following our appointment, the Property was formally marketed for sale through our agents, Graham and Sibbald with an asking price set of offers over £850k. I am pleased to advise that 5 offers were received at the closing date and a preferred bidder has been selected. We anticipate concluding missives shortly with completion by the end of December 2017.

Rental income from the lease of office premises and a telecommunications mast located on the Property together with the licence fee income received from idv in the post Administration period is reflected within the receipts and payments account at Appendix 2.

#### ***Third Party Loans***

As stated in the proposals, 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). We are in correspondence with the relevant third parties with a view to establishing the full background to the loans advanced and securing repayment thereof.

#### ***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. A winding up order was recently issued by HMRC against GES in respect of its joint and several liability for the Company’s VAT debt at the date of appointment and Richard Gardiner of Thomson Cooper was appointed Interim Liquidator of GES on 31 October 2017. The Administrators met with the Interim Liquidator shortly after his appointment and we are continuing to liaise with him as regards the options available to maximise recoveries for the Company’s creditors. A further update will be provided in our next report however creditors should note that a sale is not likely to be achieved for at least another 18 months.

In addition, there is an amount of c£4.2m due from the Company’s parent, Gardrum Investments Limited (“GIL”). Its only assets are its shareholding in the Company and a number of other group companies, the majority of which are dormant and have no realisable assets. Richard Gardiner of Thomson Cooper has also recently been appointed Interim Liquidator to GIL and the other group companies. We are accordingly of the view that there will be no recoveries for the Company from this intercompany debt.

## **Directors' conduct reporting**

We have concluded our investigation into the conduct of the Directors of the Company prior to insolvency under the Company Directors Disqualification Act 1986. Our report in this regard was submitted on 24 August 2017.

## **Joint Administrators' receipts and payments**

I enclose a receipts and payments account for the period from 30 May 2017 to 29 November 2017. 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 £822,065, against which no sums have yet been drawn. Approval has however been received to draw interim fees of £404,330 in respect of the period from 30 May 2017 to 18 August 2017 and these will be drawn shortly. An analysis of the time spent to date is attached as Appendix 3 to this report. At Appendix 4 there is a statement of the Administrators' policy in relation to charging time and disbursements.

To date, no sums have been drawn in respect of disbursements although approval has been received to draw Category 1 disbursements of £824 and Category 2 disbursements of £4,030 incurred in the period from 30 May 2017 to 18 August 2017. These will be drawn shortly. There is an analysis of the disbursements incurred to date at Appendix 3.

## **Secured creditors**

The Bank, the Company's secured lender, had total indebtedness at 30 May 2017 of circa £2.1m (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 view of the progress made with floating charge asset realisations, interim distributions of £1.5m were made to the Bank during the period covered by this report.

The aforementioned figure of £2.1m 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. We understand that the contingent liability in this regard amounts to £351k.

## **Preferential creditors**

Preferential claims of c£101k have been received in respect of employees' salaries, holiday pay and pension contributions.

The Administrators are of the opinion that a distribution of 100p in the £ to preferential creditors will be made in due course.

## **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 not a number of performance bonds on customer contracts are ultimately called. A further update will be provided in our next report.

## **The prescribed part**

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to Section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003. The Company's floating charge was created on 24 June 2011 and accordingly the prescribed part will apply.

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

## **Distributions to creditors**

It is proposed that distributions will be made in the Administration to the secured, preferential and 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 you may be aware, insolvency legislation currently provides for an Administration to automatically come to an end after a period of 12 months. As there are likely to still be a number of key outstanding issues to resolve in the Administration at that time including the recovery of work in progress/debtors/retention sums, intercompany/third party loans and payment of dividends to creditors, we will require to seek an extension to the initial period of the Administration.

Accordingly, in terms of Section 76(2)(b) of Schedule B1 of the Insolvency Act 1986, we are seeking the creditors' consent to extend the period of the Administration by 12 months to 29 May 2019. 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 2018.

## The End of the Administration

If it proves possible to make a distribution to the non-preferential unsecured creditors, and in light of the proposed change of office holder, an amendment will be required to the proposals which were agreed by the body of creditors at the beginning of the Administration, replacing A J Davison with F L Taylor as the proposed Liquidator. I would be grateful for your approval to this amendment by asking you to complete and return the enclosed resolution by no later than 31 January 2018.

## 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, Laura Jones, on 0141 226 9332.

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



A J Davison  
Joint Administrator

Encs: Resolution to amend proposals  
Reply paid envelope

A J Davison and C P Dempster are licensed in the United Kingdom to act as insolvency practitioners by The Institute of Chartered Accountants of Scotland.

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

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

## 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  
Kilmarnock, KA3 6AS  
  
Suite 4A, Skypark 5  
45 Finnieston Street  
Glasgow, G3 8JU

### Details of the Administrators and of their appointment

Administrators: A J Davison and C P Dempster of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX  
Date of Appointment: 30 May 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.  
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.

## Land Engineering (Scotland) Limited (In Administration)

## Joint Administrators' Abstract of Receipts and Payments from 30 May 2017 to 29 November 2017

Estimated to Realise per Directors' Statement of Affairs	Receipts	£
1,500,000 )	IDV - Pre Appointment Debtor Receipts	1,873,765
)	IDV - Retentions	79,114
)	Pre Appointment Debtor Receipts	189,969
640,000	IDV - Work in Progress	348,583
640,000 )	IDV - Plant & Equipment	565,796
)	Plant and Equipment / Motor Vehicles / Fixtures and Fittings	223,398
	Rental Income - Fenwick	60,526
25,000	IDV - Stock	25,000
	Prepayments	21,277
	Bank Interest	676
615,500	Loans and Advances	600
	Petty Cash	108
<b>3,420,500</b>		<b>3,388,813</b>
	<b>Payments</b>	
	Distribution to Floating Charge Holder	1,500,000
	Wage Arrears	15,894
	Gross Wages	54,761
	Rates & Utilities - Skypark	25,730
	Insurance	13,863
	Costs to be recharged - Fenwick	16,291
	Property Agents' Fees	5,750
	Legal Fees & Disbursements	30,053
	Agents' Fees - Debt Collection	10,955
	IDV - Debt Collection Commission	83,678
	Auctioneers' Commission & Other Costs	36,779
	Bank Charges & Interest	244
	Public Notices	614
	IT Support	72
	Postage	185
	Storage Charges	903
	Retention of Title Payments	1,775
		<b>1,797,548</b>
		<b>1,591,264</b>
	<b>Represented by:</b>	
	Interest Bearing Current Account	614,234
	Fixed Term Deposit Account	1,000,000
	Non-Interest Bearing Current Account	3,451
	VAT	(26,421)
		<b>1,591,264</b>
	<b>Notes</b>	
	1. Receipts and payments are stated net of VAT	



## Land Engineering (Scotland) Limited (In Administration)

## Summary of Joint Administrators' time-costs and disbursements from 30 May 2017 to 29 November 2017

Classification of work function	Hours				Total Hours	Time Cost £	Average Hourly Rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff			
Accounting & Administration	2.9	10.8	121.4	1.4	136.5	48,329	354
Bank and Statutory Reporting	44.8	42.9	30.4	9.6	127.7	64,530	505
Creditors	9.1	45.5	159.1	118.5	332.2	94,078	283
Debtors	71.7	139.1	33.9	10.7	255.4	132,404	518
Employee Matters	23.9	38.5	228.9	1.1	292.4	99,680	341
Immediate Tasks	2	8.3	131.7	16.5	158.5	44,921	283
Investigations / CDDA	3.2	8.8	40.8	0.0	52.8	18,662	353
Job Acceptance & Strategy	5.5	0.2	1.6	0.0	7.3	4,178	572
Legal Issues	13.1	4.3	2.5	7.3	27.2	13,692	503
Post Sale Issues - idverde	2.5	35	112.9	8.8	159.2	53,751	338
Other Assets	30.4	72.4	22.9	6.1	131.8	66,214	502
Other Matters	2	1.5	42	5.9	51.4	15,410	300
Property	39.7	60.9	45.4	5.7	151.7	73,713	486
Public Relations Issues	11	0.0	0.0	0.0	11.0	7,360	669
Retention of Title	0.5	16.1	28.9	30.2	75.7	21,838	288
Statutory Duties	19.2	30.6	23.5	6.3	79.6	36,369	457
VAT & Taxation	1.8	24.8	28.1	1.4	56.1	26,938	480
<b>Total hours</b>	<b>283.3</b>	<b>539.7</b>	<b>1054.0</b>	<b>229.5</b>	<b>2,106.5</b>	<b>822,065</b>	
<b>Total time costs (£)</b>	<b>193,585</b>	<b>279,808</b>	<b>312,033</b>	<b>36,640</b>		<b>822,065</b>	
<b>Average hourly rate (£)</b>	<b>683</b>	<b>518</b>	<b>296</b>	<b>160</b>			

Current charge out rates		Restructuring		Tax	
		1-Jul-16 to 30-Jun-17	01-Jul-17 to 30-Jun-18	1-Jul-16 to 30-Jun-17	01-Jul-17 to 30-Jun-18
		£	£	£	£
Partner	Partner	710	745	900	730-850
	Executive Director	660	695	810	645
	Director	565	595	695	610-705
Manager	Assistant Director	500	525	580-615	610-645
	Senior Executive	390	410	410	430
Other Senior Professionals	Executive	280	295	375	395
	Assistant Executive	225	235	-	-
Assistants & Support Staff	Analyst	150-225	160-235	95-205	100-215
	Accounting and Treasury Executive	130-270	135-285	-	-

Category 1 Disbursements	£
Ground transportation	1,096.50
Bordereau	355.00
Meals & subsistence	36.92
<b>Total</b>	<b>1,488.42</b>

Category 2 Disbursements	£
Mileage	53.65
Meals & subsistence	94.60
Printing & postage	4,181.43
<b>Total</b>	<b>4,329.68</b>

<b>Total disbursements</b>	<b>5,818.10</b>
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## **Land Engineering (Scotland) Limited (In Administration)**

### **Office Holders' Charging Policy for Fees**

The Company's floating charge 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.

# Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company Land Engineering (Scotland) Limited	Company number SC070682
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(a) Insert full name(s)  
and address(es) of  
administrator(s)

~~I/We~~ (a) Andrew James Davison and Colin Peter Dempster  
of Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

administrators of the above company attach a progress report for the period

from

to

(b) Insert date

(b) 30 May 2017	(b) 29 November 2017
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Signed



Joint Administrator

Dated

13/12/2017

## 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

Laura Jones	
Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY	
	Tel: 0141 226 9332
DX Number:	DX Exchange:

Receipt date barcode

When you have completed and signed this form please send it to the Financial Conduct Authority at:

**Mutuals Team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS**



**Land Engineering (Scotland) Limited (In Administration) ('the Company')**  
**Resolution in relation to revising the Joint Administrators' statement of proposals dated**  
**5 June 2017**

The second last paragraph on page four of the Joint Administrators' statement of proposals beginning "If for any reason..." and ending "...or all of them." shall be deleted.

The following paragraph shall be inserted on page four of the Joint Administrators' statement of proposals;

If for any reason, distributions require to, but cannot, be made to the non-preferential unsecured creditors in the Administration pursuant to paragraph 65(3) of Schedule B1 to the Insolvency Act 1986, it is proposed that, at the end of the Administration, the Company will move straight into creditors' voluntary liquidation upon the filing with the Registrar of Companies of a notice pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986. It is proposed that the liquidators will be F L Taylor and C P Dempster of Ernst & Young LLP and that any act required or authorised under any enactment to be done by the liquidators may be done by either or all of them.

I ..... hereby **\*[approve / do not approve]** the above resolution:

*\*(delete as appropriate)*

Signed \_\_\_\_\_

Please print name \_\_\_\_\_

For \_\_\_\_\_

(please print name of creditor, if not signing in person)

Date \_\_\_\_\_