

TO ALL KNOWN CREDITORS

8 July 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 November 2019 to 29 May 2020 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, 25 June 2019 and 8 January 2020. 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 £4.92m 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 £50k has been collected since our last report resulting in total realisations of £595k to date. GAJ continue to liaise with a number of customers to agree the remaining final accounts following expiry of the retention periods. It should however be noted that, as a result of COVID19, GAJ expect there to be delays in future recoveries. 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 and recoveries at the date of our last report amounted to £32k. Whilst we are continuing to correspond with the relevant parties with a view to recovering the remaining loans outstanding, no further payments have been received and we are presently considering whether solicitors should be instructed to recover the sums which are overdue for payment. 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 moved to a Company Voluntary Arrangement process on 8 January 2020. The Administrators' most recent report indicates that an acceptable offer has been received for the sale of the plant however the likely dividend to unsecured creditors will be less than 1p in the £. As a result, the Company will not recover any of the loan monies provided to GES.

Extension of Administration

As there were a number of key outstanding issues to be resolved in the Administration, including the realisation of remaining assets, adjudication of claims and payment of dividends to non-preferential creditors, a further extension to the period of the Administration was required. Following no creditors objecting to the application, consent for a 12 months extension was received from the Court of Session on 6 May 2020 and the period of the Administration has been extended to 29 May 2021.

Receipts and payments account

A summary of our receipts and payments for the period from 30 November 2019 to 29 May 2020 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 £57,309. Pending clarification from the Court as to the correct interpretation of the 2018 Rules with regard to the approval of fees where groups of creditors have been paid in full, the Administrators are not seeking approval of the aforementioned time costs at this stage. A detailed analysis and narrative explanation of the time incurred and work completed is attached at Appendix 3 to this report together with a statement of the Administrators' policy in relation to charging time. Together with the time incurred previously of £1,521,972 this results in total time incurred to 29 May 2020 of £1,579,281.

Since our last report, further interim fees of £132,416 incurred in the period from 30 May 2019 to 27 September 2019 have been approved by the secured creditor. No request for approval was made of the preferential creditors on the basis that their debts had been paid in full during June 2018.

In addition, further interim fees of £49,102 incurred in the period from 28 September 2019 to 29 November 2019 have been approved by the unsecured creditors. No request for approval was made of either the secured creditor or the preferential creditors due to their debts having been paid in full at that point. As discussed further below, whilst the aforementioned fees have been approved, no remuneration has been drawn to date.

Proposed revision to proposals

As creditors may recall, with asset realisations exceeding the original estimates and both the secured and preferential creditors' debts having been paid in full, the Administrators sought to have the original proposals amended to provide for the Administrators' remuneration with effect from 28 September 2019 to be fixed on a time-cost basis by the unsecured creditors (or a creditors' committee, if one was established).

Whilst the revision to our proposals was approved by way of decision procedure by the unsecured creditors on 11 February 2020, a question has arisen as to whether the interaction between Rule 3.96 and Rule 5.11 of the 2018 Rules requires the Administrators still to seek approval of their fees from the secured and preferential creditors.

The Administrators have accordingly applied for directions from the Court of Session as to whether, after a group of creditors has been paid in full, the Administrators should continue to seek approval for their fees from the group of creditors which was responsible for approval at the beginning of the insolvency process, despite no longer having an economic interest in the outcome of the case.

As a result of COVID19, we understand that there is a backlog of cases which the Commercial Court of the Court of Session may have to deal with before the application for directions can be heard. We are however hopeful that the application can be determined within the next 6 to 8 weeks and an update will be provided in our next report.

Creditors' committee

As part of the proposed revision to the proposals, creditors were invited to establish a creditors' committee. Whilst a group of creditors have indicated their willingness to form a creditors' committee, one has not yet been formed, pending clarification of the position from the Court as discussed above.

Joint Administrators' outlays

During the period covered by this report, Category 2 disbursements of £2,101 have been incurred. Together with the disbursements incurred previously of £10,997, this results in total disbursements incurred to 29 May 2020 of £13,098. An analysis of the disbursements is attached at Appendix 4.

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

Distributions to creditors

Secured creditors

As previously advised, as a result of the realisations achieved to date and the release of the outstanding performance bonds, Bank of Scotland plc, the Company's secured lender, was repaid in full on 27 September 2019.

Preferential creditors

A distribution of 100p in the £ was paid to the preferential creditors in June 2018 in respect of employees' salaries, holiday pay and pension contributions.

Non-preferential creditors

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 and further claims submitted. Based on current estimates, the dividend is likely to be around 5p in the £.

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:

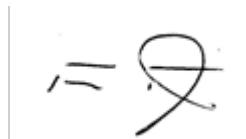
- seeking to realise value from all remaining assets including collecting outstanding book debts, retentions and non-trade balances;
- dealing with unsecured creditor enquiries;
- adjudicating on non-preferential claims and paying a dividend to non-preferential creditors;
- finalising the Administration 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 November 2019 to 29 May 2020

Estimated to Realise per Directors' Statement of Affairs	Receipts	Cumulative to 29 November 2019 (£)	Transactions	
			since 30 November 2019 (£)	Cumulative to 29 May 2020 (£)
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	545,197	50,334	595,531
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	67,291	0	67,291
25,000	IDV - Stock	25,000	0	25,000
	Prepayments	21,752	0	21,752
	Bank Interest	3,544	609	4,153
615,500	Loans and Advances	32,038	0	32,038
	Petty Cash/Sundry Income	333	0	333
4,220,500		4,865,776	50,943	4,916,719
Payments				
	Distribution to Floating Charge Holder	1,514,304	0	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	27,533	39	27,572
	Property Agents' Fees	28,650	0	28,650
	Legal Fees & Disbursements	81,288	3,953	85,240
	Agents' Fees - Debt Collection	35,612	1,875	37,487
	Agents' Disbursements	1,350	0	1,350
	Administrators' Fees	899,893	0	899,893
	Administrators' Expenses	8,277	0	8,277
	IDV - Debt Collection Commission	85,300	0	85,300
	Auctioneers' Commission & Other Costs	36,779	0	36,779
	Other Professional Fees	3,444	0	3,444
	Bank Charges & Interest	585	3	588
	Public Notices	694	0	694
	Corporation Tax	610	0	610
	IT Support	72	0	72
	Motor Expenses	382	0	382
	Postage	928	0	928
	Storage Charges	2,025	129	2,154
	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
		3,606,802	5,999	3,612,801
				1,303,918
Represented by:				
	Current Account - BOS		123,486	
	Fixed Term Deposit Account - BOS		900,000	
	Current Account - RBS		254,518	
	Trade Creditors		(155)	
	Construction Industry Scheme		26,752	
	VAT		(682)	
				1,303,918
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 November 2019 to 29 May 2020

(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 November 2019 to 29 May 2020

Classification of work function	Hours					Total Time Cost £	Average Hourly Rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Accounting & Administration	0.5	5.4	4.1	21.6	31.6	9,901	313
Bank and Statutory Reporting	2.0	2.3	0.0	5.1	9.4	4,172	444
Creditors	1.0	2.2	3.6	1.0	7.8	3,561	457
Debtors	0.0	0.6	2.1	0.0	2.7	1,080	400
Legal Issues	1.0	6.6	0.2	2.4	10.2	5,355	525
Other Assets	0.0	8.4	0.5	0.0	8.9	5,294	595
Other Matters	0.0	0.3	0.8	0.0	1.1	455	414
Property	0.0	2.7	0.0	0.0	2.7	1,647	610
Statutory Duties	0.0	15.4	39.5	2.6	57.5	23,318	406
VAT & Taxation	0.0	1.7	0.3	7.3	9.3	2,526	272
Total hours	4.5	45.6	51.1	40.0	141.2	57,309	
Total time costs (£)	3,860	27,762	17,374	8,313		57,309	
Average hourly rate (£)	858	609	340	208			

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
Other Senior Professionals	Executive	340-375
	Assistant Executive	270
Assistants & Support Staff	Analyst	190-270
	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. ▶ Liasing with HSE and legal advisors with regard to the fatal accident enquiry. ▶ Application to Court for directions on the Joint Administrators' remuneration.
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"> ▶ Liasing 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, the preferential creditors and non-preferential unsecured creditors, as appropriate. ▶ Seeking extensions of the Administration from the Court. ▶ Seeking permission from the Court to pay non-preferential unsecured creditors. ▶ Seeking nominations from creditors to form a Creditors' Committee.
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	3,953
G A Johnston Associates	Quantity surveyor services/debt collection	Time costs basis	1,875
Total			5,828

Appendix 4

Land Engineering (Scotland) Limited (In Administration)

Summary of Joint Administrators' outlays incurred from 30 November 2019 to 29 May 2020

Type of Outlay	Paid as at 29 November 2019	Paid in period to 29 May 2020	Outstanding	Total
	£	£		
Category 1 disbursements (see Note 1)				
Specific penalty bond	967.50	-	-	967.50
Ground transportation	1,364.37	-	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	6,965.86	-	3,518.23	10,484.09
Meals & subsistence	99.60	-	3.90	103.50
Totals	9,487.90	-	3,610.13	13,098.03

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.