

The Insolvency Act 1986

Administrator's progress report**R2.38**

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

Name of Company Kelvin Homes Limited	Company number SC082028
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We, Blair Carnegie Nimmo and Gary Steven Fraser

Joint Administrators of the above company attach a progress report for the period

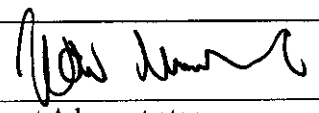
from

25 January 2007

to

24 July 2007

Signed


Joint Administrator

Dated

21/9/07**Contact Details**

KPMG LLP	
191 West George Street, Glasgow	
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**Kelvin Homes Limited
(in administration)**

**Joint administrators' progress report to
creditors pursuant to Rule 2.38 of
the Insolvency Rules (Scotland) 1986**

24 July 2007

**KPMG LLP
24 July 2007**

This report contains 13 Pages



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*Kelvin Homes Limited
(in administration)*

*Joint administrators' progress report to creditors pursuant to Rule 2.38 of
the Insolvency Rules (Scotland) 1986*

*KPMG LLP
24 July 2007*

1 Introduction

We, Blair Carnegie Nimmo and Gary Steven Fraser of KPMG LLP, were appointed Joint Administrators of Kelvin Homes Limited ("the Company") on 25 January 2007. We were appointed by the directors of the Company.

In accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986 we set out below our first six monthly progress report.

The receipts and payments account for the period 25 January 2007 (the date of appointment) to 24 July 2007 is attached at Appendix 2. This shows funds on hand totalling £136,152.

2 Progress to date including realisation of assets

2.1 Sale of business/ongoing trading

As advised at the meeting of creditors held on 5 April 2007, the Company ceased trading immediately upon our appointment, primarily due to the contractual nature of the business, the inherent risks associated with the construction industry in securing payment for work done, particularly during an administration, and the possibility of making significant losses on contracts.

2.2 Contract recoveries

At the date of administration, the Company's contract debts comprised six contracts in progress and five completed contracts.

According to our contract consultant, the debt in respect of the six contracts in progress amounted to £1,057,019. These contracts were all 80% to 95% complete and as such we did not initially expect to make significant recoveries against those contracts as it was possible the costs to complete would be in excess of the values remaining in the contracts.

We entered into detailed negotiations with the principal contract employers in order to negotiate early commercial settlements on certain of the contracts and to date have recovered £159,172 as a result of these negotiations. We do not expect to make any further recoveries from the Company's contracts in progress.

The Company also had debts due in respect of five completed contracts of £403,613, principally in respect of retentions due on those contracts. We currently expect the debt due to the Company on the completed contracts to be eroded as a result of the level of remedial works likely to be required during the 12 month defects period from the date of contract completion.

We will continue to negotiate with the principal contract employers in an effort to realise retentions due as long as it remains cost effective to do so. This is likely to be a lengthy exercise.

2.3 Land and properties

The Company has an interest in the following land and properties

Land / Property	Location	Description
Dunmore	Airth	Development land
Elderslie	Paisley	Development land
Plot 60 & 70, 4 Brabloch Park	Paisley	Two new build flats
Earlston	Earlston	Residual land from a previous development
Nicolton Road, Madison	Falkirk	Option to purchase granted to Land Options (West) Limited
Moredun House	Paisley	Property owned by Aberlady Homes Limited in which the Company has a 75% shareholding

We have recently completed the sale of Plot 70, Brabloch Park and expect to finalise the sale of Plot 60, Brabloch Park within the next few weeks

The directors of Aberlady Homes Limited ("Aberlady") expect to complete the sale of Moredun House at the end of August. The entire proceeds of the property sale will be used to settle the outstanding bank debt on the property. The Company will not receive any recovery in respect of its shareholding in Aberlady.

We are continuing to market the remaining land and properties for sale with the assistance of our property agent Ryden. Due to the nature and location of the various pieces of land and the difficulties in obtaining planning permission we expect that it may take some considerable time to dispose of the Company's land holdings.

2.4 Plant and machinery and office equipment

The majority of plant and machinery and office equipment used by the Company was subject to lease contracts. All other plant and machinery and office equipment in which the Company had an interest has now been realised in full.

2.5 Inter-company debtor

There is a £6.5 million receivable due from a related company, Dundas Development Company Limited ("Dundas"), a subsidiary of Kelvin Holdings Limited. We have entered into detailed discussions with the directors of Dundas regarding the recoverability of this debt. We understand that Dundas has a significant secured creditor and unsecured creditors in addition to the Company. We also understand that Dundas' principal asset is a 25% shareholding and loan notes in Land Options (West) Limited ("LOWL"). It

appears that LOWL owns several areas of development land in Scotland and that these are likely to take some time to develop or sell. The value of LOWL is therefore uncertain and therefore the return to Dundas from LOWL and the ability of Dundas to meet the debt due to the Company are also extremely uncertain. We will continue to liaise with Dundas in relation to the recoverability of the balance due to the Company.

3 **Amounts payable to secured creditors, preferential creditors and the floating charge holder**

3.1 **Secured lenders**

HSBC Bank plc's direct claim against the Company at the date of the appointment amounted to £2,779,953. The Company had also granted guarantees for sums due by Kelvinkit Limited, Dundas Development Company Limited and Aberlady Homes Limited to HSBC Bank plc. Taking into account the additional sums due under the cross guarantees, HSBC Bank plc's total claim against the Company at the date of appointment amounted to £5,184,664. It should be noted that interest continues to accrue on this balance. The Bank's claim is secured by way of a fixed and floating charge.

3.2 **Preferential creditors**

The Company's preferential creditors have been estimated as follows:

Figure 1: Preferential creditors

	£000
Employees – arrears of salary/wages	38
Employees – accrued holiday pay	2
	<hr/>
	40
	<hr/>

Source: Company records and Joint Administrators' estimates

4 **Prescribed part of the Company's net property pursuant to Section 176A of the Insolvency Act 1986**

The Bank's floating charge was granted prior to 15 September 2003. Therefore s 176A is not applicable and there will be no prescribed part of the Company's net property available for unsecured creditors.

5 Dividend prospects for creditors

Our initial investigations into the assets and liabilities of the Company indicate that there will be no dividend payable to ordinary creditors

6 Creditors' meeting

In accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986, the Administrators held the initial meeting of the creditors of the Company on 5 April 2007

The Joint Administrators' proposals were approved at this meeting and a Creditors' Committee was formed

The Joint Administrators' remuneration will be determined in accordance with Rule 2.39 of the Insolvency (Scotland) rules 1986 and will be based upon time costs properly incurred in the conduct of the Administration. For your information, a copy of "A creditors guide to administrators' fees – Scotland" is attached as Appendix 3

7 Other matters

We have continued to attend to all statutory and administrative matters as required, including the submission of our report on the directors' conduct to the Department of Trade and Industry and the completion and submission of VAT and corporation tax returns to HM Revenue and Customs

There remain a number of issues that require to be dealt with in the Administration. These include, inter alia

- realise the land and properties owned by the Company,
- pursue and realise the various debts still due to the Company,
- continue with investigations into the recoverability of the inter company debt due to the Company from Dundas,
- finalise and pay preferential creditors claims, and
- review and respond to correspondence received from creditors

Every effort will continue to be made to maximise realisations whilst it remains cost effective to do so

Blair C Nimmo
KPMG LLP
191 West George Street
Glasgow
G2 2LJ

24 July 2007



Kelvin Homes Limited
(in administration)

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KPMG LLP
24 July 2007

Appendix 1

Statutory and other information



Kelvin Homes Limited
(in administration)

*Joint administrators' progress report to creditors pursuant to Rule 2.38 of
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KPMG LLP
24 July 2007

Statutory and other information

Relevant Court

Notice of the appointment by the directors was lodged at the Court of Session on 25 January 2007

Extensions to initial period of appointment

To date, we have not made any request to extend the period of the Administration beyond the one year statutory period albeit we may require to do so at the appropriate time

Registered office and trading address

The Company's former registered office was situated at

Kelvin House
87 Calder Street
Coatbridge
Lanarkshire
ML5 4EY

As part of the Administration process, the registered office for the Company has been changed to

c/o KPMG LLP
191 West George Street
Glasgow
G2 2LJ

Company number

The Company number is SC082028



***Kelvin Homes Limited
(in administration)***

***Joint administrators' progress report to creditors pursuant to Rule 2.38 of
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KPMG LLP

24 July 2007

Appendix 2

Administrators' receipts and payments accounts



Appendix 2

Kelvin Homes Limited (in administration)

Summary of receipts and payments 25 January 2007 to 24 July 2007

	Total £
Receipts	
Miscellaneous income	13,334 46
Plant and machinery	4,500 00
Book debts	159,172 50
Insurance refund	236 25
Bank interest, gross	894 25
Bank interest, net of tax	0 72
	<hr/> 178,138 18 <hr/>
Payments	
Direct labour	24,579 19
Telephone/telex/fax	108 30
Petty cash	30 00
HP/leasing payments	44 70
Repairs and maintenance	450 00
Contract consultant fees	13,909 00
Redirection of mail	232 50
Statutory advertising	481 95
Other property expenses	552 20
Bank charges	1,305 08
VAT receivable	293 07
	<hr/> 41,985 99
Balance in hand	136,152 19
	<hr/> 178,138 18 <hr/>



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Appendix 3

A creditors' guide to administrators' fees – Scotland

A creditors' guide to administrators' fees Scotland

1 Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of the company's assets in priority to creditors' claims. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:
- the survival of the company and its business in whole or in part,
 - the approval of a company voluntary arrangement,
 - the sanctioning of a scheme under section 425 of the Companies Act 1985,
 - a better realisation of assets than would be possible in a liquidation.

- 2.2 Administration may be followed by a company voluntary arrangement or liquidation.

3 The creditors' committee

- 3.1 The creditors have the right to appoint a committee with a minimum of three and a maximum of five members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within three months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within three months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

4 Fixing the administrator's fees

- 4.1 The basis for the fixing the administrator's remuneration is set out in rule 2.16 of the Insolvency (Scotland) Rules 1986 which states that it may be a commission calculated by reference to the value of the company's property with which he has to deal.
- 4.2 It is for the creditors' committee (if there is one) to fix the remuneration and rule 2.16 says that in arriving at its decision the committee shall take into account:
- the work which, having regard to the value of the company's property, was reasonably undertaken by the administrator, and
 - the extent of his responsibilities in administering the company's assets.
- 4.3 Although not specifically stated in the rules, the normal basis for determining the remuneration will be that of the time costs properly incurred by the administrator and his staff.
- 4.4 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration will be fixed by the court on application by the administrator.

5 What information should be provided by the administrator?

- 5.1 Claims by the administrator for the outlays reasonably incurred by him and for his remuneration shall be made in accordance with section 53 of the Bankruptcy (Scotland) Act 1985 as applied by rule 4.68 which provides that within two weeks after the end of an accounting period, the administrator shall submit to the creditors' committee or if there is no creditors' committee, to the court:
- his accounts of intromissions for audit,
 - a claim for the outlays reasonably incurred by him and for his remuneration, and
 - where the documents are submitted to the creditors' committee, he shall send a copy of them to the court.
- 5.2 The administrator may at any time before the end of an accounting period submit to the creditors' committee (if any) an interim claim for the outlays reasonably incurred by him and for his remuneration.
- 5.3 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee to form a judgement as to whether the proposed fee is reasonable having regard to all circumstances of the case. The administrator should always

make available an up to date receipts and payments account. The administrator should be prepared to disclose the amount of time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged as a commission based on the value of the company's property with which the administrator has had to deal, the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by the administrator or his staff.

5.4 Where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the court when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

5.5 It is the practice of KPMG not to allocate the everyday cost of stationery, printing, telephones, faxes, post etc as individual recharges. However, such costs are necessary disbursements properly re-chargeable to the estate. The re-charge is achieved by adding a charge of 3.5% to the time costs incurred, being an estimate of the costs incurred.

6 What if a creditor is dissatisfied?

6.1 If a creditor believes the administrator's remuneration is too high, he may appeal against the determination by virtue of section 53(6), applied by rule 4.32, which is in turn applied by rule 2.16. Creditors have a right of appeal against the determination of an administrator's remuneration by virtue of the application of section 53(6).

6.2 The right of appeal is either to the court (if the determination is by the creditors committee) or to a higher court (if the determination is by a court). Notwithstanding the fact that the statutory time limit for appealing expires eight weeks from the end of the accounting period concerned, it is normal practice to advise the creditors that they may appeal within 14 days of being notified of the determination in cases where this extends beyond the statutory appeal period.

7 What if the administrator is dissatisfied?

7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for an order increasing its amount or rate. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.

Whilst every care has been taken in its preparation, this statement is intended for general guidance only.