

## The Insolvency Act 1986

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

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

Name of Company <b>Kelvin Homes Limited</b>	Company number <b>SC082028</b>
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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

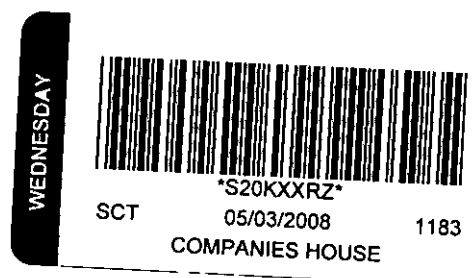
from	to
<b>25 January 2007</b>	<b>24 January 2008</b>

Signed   
Joint Administrator

Dated **4/3/08**

**Contact Details:**

KPMG LLP	
191 West George Street, Glasgow	
G2 2LJ	Tel 0141 300 5511
DX Number GW99	DX Exchange Glasgow 1





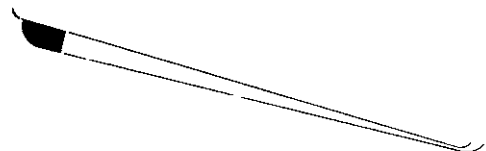
**Kelvin Homes Limited  
(in administration)**

**Joint Administrators' third progress  
report to the Court of Session pursuant  
to Rule 2.44 of the Insolvency Rules  
(Scotland) Act 1986**

**24 January 2008**

**KPMG LLP  
24 January 2008  
*This report contains 9 Pages***

**ms/ac/982**





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## **1 Introduction**

We, Blair Carnegie Nimmo and Gary Steven Fraser of KPMG LLP, Joint Administrators of Kelvin Homes Limited ("KHL"), set out below our progress report in accordance with Rule 2.44 of the Insolvency (Scotland) Rules 1986

We were appointed Joint Administrators by the directors of KHL pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 following the lodgement of a Notice of Appointment at the Court of Session

A receipts and payments account for the period 25 January 2007 (the date of appointment) to 24 January 2008 is attached at Appendix 2. This shows funds on hand totalling £148,037.24

## **2 Extension to initial period of appointment**

Ordinarily, our appointment as Joint Administrators would have automatically ceased at the end of the period of one year beginning with the date on which it took effect pursuant to Paragraph 76 (1) of Schedule B1 to the Insolvency Act 1986. However, we applied to the Court for an extension of this time limit in order to deal with several outstanding issues and were granted an extension of twelve months. Consequently, the administration is due to come to an end of 24 January 2009.

There remain a number of outstanding issues which we are working to finalise by 24 January 2009, but there is a strong possibility that the administration will require to be extended again. These issues are discussed in further detail in Section 3 below.

## **3 Progress to date including realisation of the assets**

### **3.1 Sale of the business and assets**

As you will be aware from our previous reports, KHL 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.

### **3.2 Other realisations**

#### **Contract recoveries**

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

As previously advised, we entered into detailed negotiations with the principal contract employers in respect of the six contracts in progress in order to negotiate early commercial settlements on certain of the contracts. To date, we have recovered £159,173 as a result of these negotiations and do not expect to make any further recoveries from contracts in progress.

In respect of the retention balances due from the five completed contracts, we continue to negotiate with the principal contract employers. Due to the nature of the retentions, and the requirement that the defects periods expire, finalisation of this matter is unlikely to occur in the immediate future.

We will continue to pursue all outstanding balances as long as it remains cost effective to do so, and will, if necessary, initiate legal action as part of this process should negotiations fail to secure acceptable payments.

### **3.3 Land and properties**

We have completed the sale of Plots 60 and 70, Brabloch Park, realising £257,639 in total.

The directors of Aberlady Homes Limited ("Aberlady") completed the sale of Moredun House on 20 November 2007. As previously advised, the entire proceeds of the property sale were used to settle the outstanding bank debt on the property. Accordingly, KHL has not received 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 time to dispose of KHL's land holdings.

### **3.4 Inter-company debtor**

We continue to liaise with the directors of Dundas Development Company Limited ("Dundas"), a subsidiary of Kelvin Holdings Limited, regarding the £6.5 million receivable due to KHL from Dundas.

As previously advised, we understand that Dundas' principal asset is a 25% shareholding and loan notes in Land Options (West) Limited ("LOWL"). The value of LOWL remains extremely uncertain as, therefore, does the return to Dundas from LOWL and the ability of Dundas to meet the debt due to KHL. The areas of development land owned by LOWL are likely to take some time to develop or sell. Any recovery from this source, if any, is unlikely to be secured in the near future.

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

### **4.1 Secured lenders**

HSBC Bank plc's direct claim against KHL at the date of our appointment amounted to £2,779,953. KHL had also granted guarantees for sums due by Kelvinkit Limited, Dundas and Aberlady to HSBC Bank plc. Taking into account the additional sums due under the cross guarantees, HSBC Bank plc's total claim against KHL 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.

## 4.2 Preferential creditors

KHL'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*

The preferential claims will be finalised and paid in due course

## 5 Prescribed part of KHL'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 KHL's net property available for unsecured creditors.

## 6 Dividend prospects for creditors

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

## 7 Joint Administrators' fees

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

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

The Creditors' Committee has audited and approved both our receipts and payments and our remuneration of £141,573.15 plus outlays of £1,124.86 (both excluding VAT) in respect of the period from 25 January 2007 to 6 September 2007.

## **8 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. In addition to those discussed in Section 3, these include, inter alia

- 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

Gary S Fraser  
KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ

24 January 2008

## **Statutory and other information**

### **Relevant court**

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

### **Registered office and trading address**

KHL'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 KHL 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)**  
**Administrators' Abstract of Receipts & Payments**  
**To 24/01/2008**

S of A £		£	£
	<b>ASSET REALISATIONS</b>		
280,000 00	Brabloch Park	257,639 19	
15,000 00	Plant & machinery	4,500 00	
500 00	Furniture & equipment	NIL	
150,000 00	Work in progress	NIL	
820,695 00	Book debts	159,172 50	
6,023,498 00	Loans & Advances	NIL	
250 00	Patents, trade marks, etc	NIL	
17,672 00	Invests other than marketable secs	NIL	
	Insurance refund	421 43	
	Miscellaneous income	15,146 60	
			436,879 72
	<b>OTHER REALISATIONS</b>		
	Bank interest, gross	5,284 08	
	Bank interest, net of tax	0 72	
	Sundry refunds	50 00	
			5,334 80
	<b>COST OF REALISATIONS</b>		
	Telephone/Telex/Fax	108 30	
	Petty cash	30 00	
	HP/ Leasing payments	44 70	
	Repairs & maintenance	450 00	
	Agents'/Valuers' fees	15,629 00	
	Property agents fees	14,830 00	
	Direct labour	24,579 19	
	Specific bonds	175 00	
	Administrators' fees	141,573 15	
	Administrators' expenses	1,124 86	
	Legal fees	2,579 15	
	Property agents' commission	2,575 00	
	Re direction of mail	232 50	
	Statutory advertising	481 95	
	Other property expenses	928 18	
	Insurance of assets	8,438 35	
	Bank charges	1,336 93	
			(215,116 26)
	<b>PREFERENTIAL CREDITORS</b>		
(50,000 00)	Salaries & wages	NIL	
(3,889 00)	Conts to pension schemes	NIL	
			NIL
	<b>FLOATING CHARGE CREDITORS</b>		
(2,551,119 00)	HSBC Bank plc	50,000 00	
(280,000 00)	HSBC Bank plc	NIL	
			(50,000 00)
	<b>UNSECURED CREDITORS</b>		
(7,885,498 00)	Trade creditors	NIL	

**Kelvin Homes Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**  
**To 24/01/2008**

S of A £		£	£
(90,884 00)	PAYE	<u>NIL</u>	NIL
	DISTRIBUTIONS		
50,000 00	Issued & called up capital	<u>NIL</u>	NIL
<u>(3,503,775 00)</u>			<u>177,098 26</u>
REPRESENTED BY			
	Floating ch VAT rec'able		29,061 02
	Fixed charge current		<u>148,037 24</u>
			<u>177,098 26</u>