

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 (in administration)	Company number SC082028
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(a) Insert full name(s)
and address(es) of
administrator(s)

We (a) Blair Carnegie Nimmo and Gary Steven Fraser

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

from

(b) 25 January 2007

to

(b) 24 January 2009

Signed


 Joint Administrator

(b) Insert dates

Dated

5 / 3 / 09

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

KPMG LLP, 191 West George Street, Glasgow, G2 2LJ	
Tel 0141 226 5511	
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 37 Castle Terrace, Edinburgh EH1 2EB
 DX 235 Edinburgh / LP 4 Edinburgh-2



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COMPANIES HOUSE

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**Kelvin Homes Limited
(in administration)**

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

4 March 2009

KPMG LLP

4 March 2009

This report contains 11 Pages

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Notice: About this Report

This Report has been prepared by Blair C Nimmo and Gary S Fraser, the Joint Administrators of Kelvin Homes Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context. This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Kelvin Homes Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk.

To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person. Blair C Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Scotland. Gary S Fraser is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Scotland. The Joint Administrators act as agents for Kelvin Homes Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.



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1 Introduction

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

We were appointed 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 2009 is attached at Appendix 2. This shows funds on hand totalling £162,713.78.

2 Extension to initial period of appointment

The Administration was extended by order of the Court of Session until 25 January 2010 in order to allow ongoing work to collect outstanding book debts, dispose of unsold land and property and to continue to pursue the outstanding inter-company book debt.

3 Progress to date including realisation of the assets

3.1 Contract recoveries

As previously advised, at the date of Administration, KHL's contract debts comprised six contracts in progress and five completed contracts.

We can confirm that we have recovered £210,455.17 from contracts in progress to date.

In respect of the five completed contracts, we are continuing to negotiate the settlement of outstanding retention balances with the principal contract employers. Negotiation of the completed contracts remains a lengthy and time consuming process, with all contract employers submitting final accounts in excess of the available retentions.

We remain hopeful of agreeing settlements on a number of the completed contracts and will continue to pursue all outstanding balances as long as it remains economical to do so.

3.2 Land and properties

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 there have been difficulties in obtaining planning permission and we therefore expect that it may take some time to dispose of KHL's land holdings. The recent downturn in the property market has also compounded the difficulties associated with disposing of these assets. It may ultimately become necessary to investigate alternative methods of disposing of KHL's land holdings in the event that a commercial buyer is not found in order to avoid incurring further costs in respect of insurance and maintenance.

3.3 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.

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 is dependent on areas of development land which it owns and intends to develop or sell. Given the current low levels of activity in the real estate sector, the areas of development land owned by LOWL may take some time to develop or sell. Recovery from this source, if any, is unlikely 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 now been finalised and are as follows:-

Figure 1: Preferential creditors

	£000
Employees – arrears of salary/wages	31
Employees – accrued holiday pay	0
	<hr/>
	31
	<hr/>
Source: KPMG records	

We are now taking steps to settle the preferential creditor claims.

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

In line with the comments contained within our most recent update report, there will be insufficient funds available to enable a dividend to be paid to the ordinary creditors in this case.

7 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 KHL on 5 April 2007.

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

As previously advised, 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 Joint administrators' fees

We enclose, at Appendix 3, an analysis of our time and costs properly incurred in the period from 25 January 2007 to 24 January 2009 in attending to the significant amount of work required in this case. In this period, a total of 1,460.50 hours were spent by our firm's staff at a total cost of £328,777.02.

In addition, expenses totalling £1,317.26 were incurred by our firm's staff in this period.

I would advise that the Joint Administrators' further fees and disbursements will be subject to approval by the creditors' committee in due course.

For your information, I would advise that a creditors' guide to fees can be found at:-

[http://www.r3.org.uk/uploads/sip/SIP9%20Scotland %20%201-4-2007.pdf](http://www.r3.org.uk/uploads/sip/SIP9%20Scotland%20%201-4-2007.pdf)

However, if you are unable to access this guide and would like a copy, please contact, Sandy Walker.

9 Other matters

We continue to attend to all statutory and administrative matters as required, 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:-

- Pay preferential creditors' claims;
- Continue to negotiate with outstanding contract debtors;
- Liaise with the directors of Dundas;
- Continue to market for sale KHL's land holdings; 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

2 March 2009

Appendix 1

Statutory and other information

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.

Appendix 2

Joint Administrators' receipts and payments accounts

Kelvin Homes Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 24/01/2009

S of A £		£	£
	ASSET REALISATIONS		
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	210,455.17	
6,023,498.00	Loans & Advances	NIL	
250.00	Patents, trade marks, etc	NIL	
17,672.00	Invests. other than marketable secs.	NIL	
	VAT refunds (pre-app'ent)	2,784.68	
	Insurance refund	421.43	
	Miscellaneous income	15,146.60	
			490,947.07
	OTHER REALISATIONS		
	Bank interest, gross	7,525.91	
	Bank interest, net of tax	0.72	
	Pension refund	495.46	
	Sundry refunds	50.00	
			8,072.09
	COST OF REALISATIONS		
	Telephone/Telex/Fax	108.30	
	Petty cash	30.00	
	HP/ Leasing payments	44.70	
	Repairs & maintenance	450.00	
	Agents'/Valuers' fees	31,466.60	
	Property agents' fees	14,830.00	
	Direct labour	24,579.19	
	Specific bonds	370.00	
	Administrators' fees	141,573.15	
	Administrators' expenses	1,124.86	
	Legal fees	54,541.67	
	Property agents' commission	2,575.00	
	Re-direction of mail	232.50	
	Statutory advertising	481.95	
	Other property expenses	1,126.16	
	Insurance of assets	11,395.46	
	Bank charges	1,375.84	
			(286,305.38)
	PREFERENTIAL CREDITORS		
(50,000.00)	Salaries & wages	NIL	
(3,889.00)	Conts. to pension schemes	NIL	
			NIL
	FLOATING CHARGE CREDITORS		
(2,551,119.00)	HSBC Bank plc	50,000.00	
(280,000.00)	HSBC Bank plc	NIL	
			(50,000.00)
	UNSECURED CREDITORS		
(7,885,498.00)	Trade creditors	NIL	

Kelvin Homes Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 24/01/2009

S of A £		£	£
(90,884.00)	PAYE	NIL	NIL
50,000.00	DISTRIBUTIONS Issued & called-up capital	NIL	NIL
<u>(3,503,775.00)</u>			<u>162,713.78</u>
	REPRESENTED BY		
	Floating ch. VAT rec'able		129.00
	Fixed charge current		162,584.78
			<u>162,713.78</u>

Appendix 3

Joint Administrators' time costs for the period 25 January 2007 to 24 January 2009

Kelvin Homes Limited (in administration)

Joint Administrators' fees and outlays for the period from 25 January 2007 to 24 January 2009

Consolidated time spent by grade	Partner/ Director	Management	Administrators	Total Hours	Time Cost	Ave hourly Rate
Charge out rate range (£)	380 - 465	275 - 365	90 - 205			
Activity code						
Administration & planning						
Appointment and related formalities	9.90	6.00	51.80	67.70	£14,234.09	£210.25
Bonding and bordereau			0.20	0.20	£41.00	£205.00
Checklist & reviews			19.70	19.70	£6,874.75	£348.97
Reports to debenture holders	4.00	53.00	2.00	59.00	£16,580.26	£281.02
Statutory receipts and payments accounts			10.20	10.20	£1,339.97	£131.37
Mail redirection			1.00	1.00	£95.00	£95.00
General administration			98.40	98.40	£10,184.38	£103.50
Realisation of assets						
Debtors	50.40	86.00	52.00	188.40	£51,664.59	£274.23
Freehold property	221.20	110.00	50.10	381.30	£19,376.64	£313.08
Leasehold property			5.50	5.50	£799.98	£145.45
Office equipment, fixtures & fittings			5.50	5.50	£770.00	£140.00
Plant and machinery		5.00	6.50	11.50	£2,560.02	£222.61
Rent			2.00	2.00	£390.00	£195.00
Stock and WIP			5.00	5.00	£810.00	£162.00
Vehicles			2.00	2.00	£390.00	£195.00
Insurance						
Freehold property			10.00	10.00	£1,950.00	£195.00
Other assets			4.00	4.00	£780.00	£195.00
Creditors						
Committee formation and correspondence			3.50	3.50	£500.00	£142.86
Statutory reports	1.30	35.50	49.00	85.80	£17,372.29	£202.47
General correspondence	1.00	20.00	168.90	189.90	£29,751.99	£156.67
Notification of appointment			17.30	17.30	£2,601.92	£150.40
Employees						
Agreeing employee claims			10.60	10.60	£2,037.96	£192.26
Correspondence			105.30	105.30	£15,143.19	£143.81
DTI redundancy payments service			2.80	2.80	£437.50	£156.25
Pension funds		0.10	13.10	13.20	£2,332.44	£176.70
Pensions reviews			37.30	37.30	£4,693.09	£125.82
Tax and VAT						
Initial reviews - CT and VAT		1.60	6.80	8.40	£1,666.98	£198.45
Pre-appointment VAT / PAYE / CT			3.50	3.50	£490.00	£140.00
Post appointment corporation tax		8.60	12.50	21.10	£5,131.10	£243.18
Post appointment VAT		1.90	15.40	17.30	£3,359.49	£194.19
Investigation						
D form drafting and submission		6.00	5.50	11.50	£2,419.95	£210.43
Directors' questionnaire / checklist			15.30	15.30	£2,436.05	£159.22
Investigation		7.00		7.00	£1,925.00	£275.00
Cashiering						
General (Cashiering)			26.80	26.80	£5,183.92	£193.43
Reconciliations (& IPS accounting reviews)			5.80	5.80	£1,144.98	£197.41
Fees and WIP			6.70	6.70	£1,308.51	£195.30
Total hours/ cost	287.80	340.70	832.00	1,460.50	£328,777.02	£225.11

Expenses

Car mileage	775.20
Lunch	89.33
Meals (breakfast/dinner)	108.38
Parking and tolls	16.90
Taxis	113.00
Telecommunications	214.45
Total Expenses	1,317.26

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general levels of charge out rates.