

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 |
|---|--------------------------------|

(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

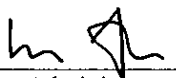
from

(b) 25 January 2007

to

(b) 24 July 2009

Signed


Joint Administrator

(b) Insert dates

Dated

12/11/09

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, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

SATURDAY



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14/11/2009
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**

12 November 2009

KPMG LLP

12 November 2009

This report contains 12 Pages

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CONFIDENTIAL



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 July 2009 is attached at Appendix 2. This shows funds on hand totalling £334,729.87.

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 the 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 £299,706.92 from contracts in progress to date.

In respect of the five completed contracts, with the assistance of our appointed contract debt recovery agent, Leslie Keats & Co. Limited, 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 the majority of the defects periods yet to expire and with all contract employers intimating final accounts in excess of the available retentions.

We remain hopeful, however, 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

On 10 July 2009, the sale of the area of land owned by KHL at Dunmore was completed at a price of £100,000.

We are continuing to market the remaining land and properties for sale with the assistance of our property agent, Ryden LLP. As previously advised, 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 depressed state of 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.

Dundas' principal asset is a 25% shareholding and loan notes in Land Options (West) Limited ("LOWL").

As previously advised, the value of LOWL is contingent upon areas of development land which it owns and intends to develop or sell. Given the continuing 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 Homes Limited 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 | |

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 previous update reports, there will be insufficient funds available to enable a dividend to be paid to unsecured 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 July 2009 in attending to the significant amount of work required in this case. In this period, a total of 1,539.60 hours were spent by our firm's staff at a total cost of £349,646.93.

In addition, expenses totalling £1,381.05 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. You will note that no further fee has been drawn to date.

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

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

9 Other matters

In view of the significant outstanding matters in the Administration, including the inter-company debtor balance and contract debtor recoveries, the Joint Administrators will seek a further 12-month extension of the Administration to 24 January 2011. If any creditor has an objection to the extension, please advise the Joint Administrators immediately.

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

12 November 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

Administrators' receipts and payments accounts

Kelvin Homes Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 24/07/2009

| S of A £ | | £ | £ |
|----------------|--------------------------------------|------------|--------------|
| | ASSET REALISATIONS | | |
| 280,000.00 | Brabloch Park | 257,639.19 | |
| | Land at Dunmore | 100,000.00 | |
| 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 | 299,706.92 | |
| 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 | |
| | | | 680,198.82 |
| | OTHER REALISATIONS | | |
| | Bank interest, gross | 7,527.23 | |
| | Bank interest, net of tax | 0.72 | |
| | Pension refund | 495.46 | |
| | Sundry refunds | 50.00 | |
| | | | 8,073.41 |
| | COST OF REALISATIONS | | |
| | Telephone/Telex/Fax | 108.30 | |
| | Petty cash | 30.00 | |
| | HIP/ Leasing payments | 44.70 | |
| | Repairs & maintenance | 450.00 | |
| | Agents'/Valuers' fees | 41,206.60 | |
| | Property agents fees | 14,830.00 | |
| | Direct labour | 24,579.19 | |
| | Specific bonds | 720.00 | |
| | Administrators' fees | 141,573.15 | |
| | Administrators' expenses | 1,124.86 | |
| | Irrecoverable VAT | 792.00 | |
| | Legal fees | 59,486.49 | |
| | 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 | 1,392.52 | |
| | | | (302,148.88) |
| | 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) |

Kelvin Homes Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 24/07/2009

| S of A £ | | £ | £ |
|-----------------------|----------------------------|-----|-------------------|
| | UNSECURED CREDITORS | | |
| (7,885,498.00) | Trade creditors | NIL | |
| (90,884.00) | PAYE | NIL | |
| | | | NIL |
| | DISTRIBUTIONS | | |
| 50,000.00 | Issued & called-up capital | NIL | |
| | | | NIL |
| <u>(3,503,775.00)</u> | | | <u>336,123.35</u> |
| | REPRESENTED BY | | |
| | Floating ch. VAT rec'able | | 1,393.48 |
| | Fixed charge current | | 334,729.87 |
| | | | <u>336,123.35</u> |

Appendix 3

Administrators' analysis of time and costs

| Consolidated time spent by grade | Partner/Director | Manager | Administrative/ support | Total hours | Time cost £ | Average hourly rate (£) |
|--|------------------|------------------|-------------------------|-----------------|-------------------|-------------------------|
| Charge out rate range (£) | 380 - 515 | 215 - 405 | 90 - 225 | | | |
| Activity code | | | | | | |
| Administration & planning | | | | | | |
| Appointment and related formalities | 9.90 | 6.00 | 51.80 | 67.70 | 14,234.09 | £210.25 |
| Banking and banknotes | | | 0.20 | 0.20 | 41.00 | £205.00 |
| Checklist & review | | 2.00 | 19.70 | 21.70 | 7,514.70 | £346.30 |
| Reports to debenture holders | 10.90 | 56.00 | | 66.90 | 20,492.00 | £297.42 |
| Stationery 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 |
| Debtors | 60.50 | 86.00 | 52.00 | 198.50 | 56,205.00 | £282.38 |
| Freehold property | 225.50 | 110.00 | 71.10 | 406.60 | 124,189.55 | £305.61 |
| Leasehold property | | | 5.50 | 5.50 | 796.98 | £144.54 |
| 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 |
| Other assets | | | 4.00 | 4.00 | 780.00 | £195.00 |
| Property | | | 10.00 | 10.00 | 1,950.00 | £195.00 |
| Company formation and correspondence | | | 3.50 | 3.50 | 500.00 | £142.86 |
| Stationery reports | 4.50 | 42.50 | 62.50 | 109.50 | 22,270.00 | £203.16 |
| General correspondence | 1.00 | 20.00 | 175.40 | 196.40 | 30,439.75 | £154.89 |
| Notification of appointment | | | 17.30 | 17.30 | 2,601.92 | £150.40 |
| Agreeing employee claims | | | 10.60 | 10.60 | 2,017.66 | £192.26 |
| Correspondence | | | 105.80 | 105.80 | 15,355.50 | £144.19 |
| DTI regulatory payments service | | | 2.80 | 2.80 | 437.50 | £156.25 |
| Pension funds | | 0.10 | 13.10 | 13.20 | 2,332.44 | £176.70 |
| Pension reviews | | | 37.30 | 37.30 | 4,693.09 | £125.82 |
| Initial reviews - CT and VAT | | 1.60 | 6.80 | 8.40 | 1,866.98 | £198.45 |
| Pre-appointment VAT / PAYE / CT | | | 3.50 | 3.50 | 490.00 | £140.00 |
| Post-appointment VAT | | 8.60 | 13.50 | 22.10 | 5,131.10 | £232.18 |
| D form setting and submission | | 6.00 | 15.40 | 21.40 | 3,359.46 | £156.49 |
| Director questionnaire / checklist | | | 5.50 | 5.50 | 2,449.95 | £210.45 |
| Investigation | | 7.00 | 15.30 | 22.30 | 2,436.05 | £109.22 |
| General (Cashiering) | | | 27.90 | 27.90 | 1,925.00 | £275.00 |
| Reconciliation (& ITIS accounting reviews) | | | 6.10 | 6.10 | 5,385.50 | £883.03 |
| Fee and WIP | | | 6.70 | 6.70 | 1,308.51 | £195.30 |
| Total in period | 314.00 | 355.70 | 872.50 | 1,539.60 | 349,656.93 | |
| Expenses | | | | | | |
| Coffee/tea | | | | | 797.60 | |
| Lunch | | | | | 101.62 | |
| Mobile (work/leisure) | | | | | 108.38 | |
| Parking and tolls | | | | | 16.90 | |
| Travel | | | | | 29.10 | |
| Taxes | | | | | 113.00 | |
| Telecommunications | | | | | 214.43 | |
| Total Expenses | | | | | 1,381.03 | |

All staff who have worked on this assignment, including unskilled and untrained 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.