

## 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

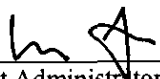
from

(b) 25 January 2010

to

(b) 24 July 2010

Signed

  
 Joint Administrator

(b) Insert dates

Dated

27/8/10

**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

WEDNESDAY



\*S2CG5N1F\*

SCT

01/09/2010

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COMPANIES HOUSE

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

 Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, EH3 9FF  
 DX 235 Edinburgh / LP 4 Edinburgh-2



**Kelvin Homes Limited  
(in administration)**

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

**27 August 2010**

**KPMG LLP  
27 August 2010  
*This report contains 11 Pages***

**ajw/982**



## **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.

The Joint Administrators act as agents for Kelvin Homes Limited and contract without personal liability.

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 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 ("the Court").

A receipts and payments account for the period 25 January 2010 to 24 July 2010 is attached at Appendix 2. This shows funds on hand totalling £251,068.99.

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

The Administration was extended by order of the Court of Session until 25 January 2011 in order to allow the ongoing work to collect outstanding contract debtors, dispose of unsold land and property, and to continue to pursue the outstanding inter-company debtors.

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

### **3.1 Contract recoveries**

You will recall that, at the date of Administration, KHL's contract debts comprised six contracts in progress and five completed contracts.

We have recovered £299,707 from contracts in progress to date.

We are continuing to negotiate, with the assistance of our agents, Leslie Keats & Co. Limited, the settlement of outstanding retention balances with the principal employers on the five completed contracts. As previously advised, negotiation of the completed contracts has been a lengthy and time consuming process, due to the lengths of the defects periods and with all contract employers intimating final accounts in excess of the available retentions.

The prospect of any future recoveries from contract debts remains uncertain, however, 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.

We will provide you with a further update in our next report.

### **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 LLP ("Ryden"). However, it remains the case that it may take some time to dispose of these assets due to difficulties encountered in obtaining planning permission and the ongoing depressed state of the property market.

We are continuing to liaise regularly with Ryden, however, the likelihood of any recoveries in respect of the remaining land and properties remains highly uncertain at this time. 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.

We will provide you with a further update at the time of our next report.

### **3.3 Inter-company debtor**

We continue to liaise with the directors of Dundas Development Company Limited ("Dundas"), a fellow subsidiary of Kelvin Holdings Limited ("Holdings"), regarding the £6.5 million debtor 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 considerable time to develop or sell. Recovery from this source, if any, is unlikely in the near future.

Blair C Nimmo was appointed Interim Liquidator of Holdings on 16 February 2010 following the presentation of a petition to the Court of Session by Holdings' directors, and subsequently appointed Liquidator of Holdings on 5 May 2010. As Holdings does not possess any assets, other than its shareholdings in its subsidiaries, or have any creditors, the winding-up of Holdings should not affect our ability to continue to seek recovery of the sums due to KHL from Dundas.

## **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. HSBC Bank plc's claim is secured by way of a fixed and floating charges.

## **4.2 Preferential creditors**

As you may recall, KHL's preferential creditors were finalised at £31,000. The preferential creditors' claims have now been settled in full.

## **5 Prescribed part of KHL's net property pursuant to Section 176A of the Insolvency Act 1986**

HSBC Bank plc'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, it is very unlikely that there will be sufficient 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.

## **8 Extension to the term of the administration**

Ordinarily, our appointment as Joint Administrators would automatically cease 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, on 24 January 2008. As you will recall, the term of the Administration was extended by the Court and subsequently extended for a further twelve months by order of the Court.

As at today's date, 27 August 2010, we have yet to realise the assets of the Company and do not expect that this will occur before 24 January 2011. As a result, the Joint Administrators require a further extension to the Administration period.

Should you have any objection to the proposed extension you should write to the Joint Administrators no later than 12 noon on 30 September 2010. If we do not hear from you by 12 noon on 30 September 2010, we will approach the Court in due course advising that you have not objected to the proposed extension and ask that it proceeds to grant the extension of the administration until 24 January 2011.

## 9 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 2010 in attending to the significant amount of work required in this case. In this period, a total of 1,673.80 hours were spent by our firm's staff at a total cost of £390,632.50.

In addition, expenses totalling £1,381.05 were incurred by our firm's staff in this period.

The Creditors' Committee previously audited and approved both our receipts and payments and our remuneration of £209,323.75 plus outlays of £1,381.05 (both excluding VAT) in respect of the period from 25 January 2007 to 6 September 2007.

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, Andy Watson.

## 10 Other matters

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*:-

- 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

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

27 August 2010



## **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**

Statement of Affairs		From 25/01/2010 To 24/07/2010	From 25/01/2007 To 24/07/2010
<b>ASSET REALISATIONS</b>			
280,000.00	Brabloch Park	NIL	257,639.19
	Land at Dunmore	NIL	100,000.00
15,000.00	Plant & machinery	NIL	4,500.00
500.00	Furniture & equipment	NIL	NIL
150,000.00	Work-in-progress	NIL	NIL
820,695.00	Book debts	NIL	299,706.92
6,023,498.00	Loans & Advances	NIL	NIL
250.00	Patents, trade marks, etc	NIL	NIL
17,672.00	Invests. other than marketable secs.	NIL	NIL
	VAT refunds (pre-app'ent)	NIL	2,784.68
	Non-domestic rates refund	4,678.85	4,678.85
	Insurance refund	NIL	421.43
	Miscellaneous income	NIL	15,146.60
		4,678.85	684,877.67
<b>OTHER REALISATIONS</b>			
	Bank interest, gross	NIL	7,527.23
	Bank interest, net of tax	NIL	0.72
	Pension refund	NIL	495.46
	Sundry refunds	NIL	50.00
		NIL	8,073.41
<b>COST OF REALISATIONS</b>			
	Telephone/Telex/Fax	NIL	108.30
	Petty cash	NIL	30.00
	HP/ Leasing payments	NIL	44.70
	Repairs & maintenance	NIL	450.00
	Non-domestic rates	NIL	9,335.12
	Agents'/Valuers' fees	NIL	43,307.10
	Property agents fees	NIL	14,830.00
	Direct labour	NIL	24,579.19
	Specific bonds	NIL	720.00
	Administrators' fees	33,426.85	175,000.00
	Administrators' expenses	NIL	1,124.86
	Irrecoverable VAT	NIL	792.00
	Legal fees	4,196.30	63,682.79
	Corporation tax	1,523.74	1,523.74
	Consignation Fee	20.00	20.00
	Property agents' commission	NIL	2,575.00
	Re-direction of mail	NIL	232.50
	Statutory advertising	NIL	481.95
	Other property expenses	NIL	1,126.16
	Insurance of assets	NIL	11,395.46
	Bank charges	70.24	1,474.10
		(39,237.13)	(352,832.97)
<b>PREFERENTIAL CREDITORS</b>			
	Tax and NI contributions	2,951.91	2,951.91
	Subrogated EP(C)A claim	20,159.67	20,159.67
(50,000.00)	Salaries & wages	NIL	NIL
	Employees' holiday and wage arrears	7,862.55	7,862.55
(3,889.00)	Conts. to pension schemes	NIL	NIL

**Kelvin Homes Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**

Statement of Affairs		From 25/01/2010 To 24/07/2010	From 25/01/2007 To 24/07/2010
		(30,974.13)	(30,974.13)
	<b>FLOATING CHARGE CREDITORS</b>		
(2,551,119.00)	HSBC Bank plc	NIL	50,000.00
(280,000.00)	HSBC Bank plc	NIL	NIL
		NIL	(50,000.00)
	<b>UNSECURED CREDITORS</b>		
(7,885,498.00)	Trade creditors	NIL	NIL
(90,884.00)	PAYE	NIL	NIL
		NIL	NIL
	<b>DISTRIBUTIONS</b>		
50,000.00	Issued & called-up capital	NIL	NIL
		NIL	NIL
<b>(3,503,775.00)</b>		<b>(65,532.41)</b>	<b>259,143.98</b>
	<b>REPRESENTED BY</b>		
	Floating ch. VAT rec'able		8,074.99
	Fixed charge current		251,068.99
			<b>259,143.98</b>

\_\_\_\_\_  
Gary Steven Fraser  
Administrator

## **Appendix 3**

### **Administrators' analysis of time and costs**

Ketia Homes Limited (in administration)  
Joint Administrators' fees and outlays for the period from 25 January 2007 to 24 July 2010

Consolidated time spent by grade

Charge out rate range (£)

Activity code

Administration & planning

Appointment and related formalities  
Bonding and bid/bidder  
Checklist & review  
Reports to debenture holders  
Statutory receipts and payments accounts  
Mail redirection  
General administration  
Debtors  
Freehold property  
Leasehold property  
Office equipment, fixtures & fittings  
Plant and machinery  
Rent  
Stock and WIP  
Vehicles  
Other assets  
Property  
Committee formation & correspondence  
Statutory reports  
General correspondence  
Notification of appointment  
Agreeing employee claims  
Correspondence  
DTI redundancy payments service  
Pensions review  
Initial review - CT and VAT  
Pre-appointment VAT / PAYE / CT  
Post-appointment corporation tax  
Post-appointment VAT  
D form drafting and submission  
Director questionnaire / checklist  
Investigation  
General (Catering)  
Reconciliations (& IPS accounting reviews)  
Fees and WIP

Asset Realisation

Insurance

Creditors

Employees

Tax

Investigation

Cashiering

Total in period

Partner/Director	Manager	Administrator	Support	Total hours	Time cost (£)	Average hourly rate (£)
380 - 515	375 - 405	140 - 225	90 - 105			
10.90	6.00	51.80		68.70	15,006.12	218.43
	4.00	0.20		0.20	41.00	205.00
13.60	56.00	20.70		24.70	8,316.50	336.70
	9.00	2.00		71.60	21,755.00	303.84
			3.20	12.20	1,670.00	136.89
			1.00	1.00	95.00	95.00
			73.00	98.40	10,184.00	103.50
114.50	86.00	58.00		258.50	80,779.00	312.19
227.40	110.00	72.10		409.50	125,368.25	306.15
		5.50		5.50	800.00	145.45
	5.00	5.50		11.50	770.00	140.00
		6.50		2.00	2,560.00	222.61
		2.00		5.00	390.00	195.00
		5.00		8.00	810.00	162.00
		2.00		2.00	390.00	195.00
		4.00		4.00	780.00	195.00
		10.00		10.00	1,950.00	195.00
2.00		5.00		7.00	1,775.00	253.93
9.30	42.50	56.00	16.50	124.30	26,482.00	213.05
1.00	20.00	314.50	72.60	208.10	52,606.63	158.80
		16.50	0.80	17.30	2,602.00	150.40
	3.50	29.70		33.20	6,335.50	190.95
		184.00	2.50	186.50	15,413.00	144.72
		2.80		2.80	437.20	156.25
	0.10	13.10		13.20	2,312.50	175.70
		37.30		37.30	4,693.00	125.82
	1.60	6.80		8.40	1,667.00	198.45
		3.50		3.50	490.00	140.00
	8.60	12.50		21.10	5,131.00	243.18
	1.90	15.40		17.30	3,359.50	194.19
	6.00	5.50		11.50	2,420.00	210.43
		15.30		15.30	2,436.00	159.22
	7.00			7.00	1,925.00	275.00
		28.80	1.40	30.20	5,789.00	191.69
		6.30		6.30	1,235.50	199.29
		13.20		13.20	2,411.00	182.65
	358.20	765.90	171.00	1,673.80	390,632.40	

Expenses

Car mileage  
Lunch  
Meals (breakfast/dinner)  
Parking and tolls  
Trains  
Taxis  
Telecommunications

Total Expenses

1,381.05

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 level of charge out rates.