

The Insolvency Act 1986

Administrator's progress reportName of Company
CKE ENGINEERING LIMITEDCompany number
04538765In the High Court of Justice, Chancery Division,
Birmingham District Registry

[full name of court]

Court case number
4275 of 2006(a) Insert full name(s) and
address(es) of
administrator(s)We (a) Alan Roy Limb and Nicholas Hugh O'Reilly of Vantis, Stoughton House, Harborough Road,
Oadby, Leicester LE2 4LP

administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from

to

(b) 11 September 2006

(b) 10 March 2007

Signed

Joint / Administrator(s)

Dated

5/4/07

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.

Alan Limb, Vantis

Stoughton House, Harborough Road

Oadby, Leicester LE2 4LP

Tel 0116 272 8200

DX Number

DX Exchange

you have completed and signed this form please send it to the Registrar of Companies at
Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

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Vantis
Stoughton House
Harborough Road
Oadby
Leicester LE2 4LP
Tel +44(0)116 272 8200
Fax +44(0)116 271 0597
www.vantisplc.com

TO ALL CREDITORS

your ref.

our ref C0867LEI/AO081/ARL/CL

date 5 April 2007

Please ask for: Alan Limb

Dear Sirs

**CKE ENGINEERING LIMITED
(IN ADMINISTRATION) ("CKE" or "THE COMPANY")
IN THE BIRMINGHAM DISTRICT REGISTRY NO. 4275 OF 2006**


Further to the appointment of the Joint Administrators of the above Company on 10 March 2006, I report on the progress of the administration under Rule 2.47 of the Insolvency Rules 1986. Statutory information regarding the company and the appointment of the administrators is given at Appendix A.

1. The Administrators' Proposals

The Joint Administrators' proposals were approved by creditors at the meeting held 14 June 2006. The proposals were as follows:

The Joint Administrators propose that:

- a) They will realise the assets;
- b) They will agree Preferential Creditor claims and distribute funds, as appropriate;
- c) They will agree the claim of the floating charge holder and distribute funds as appropriate;
- d) The exit route from Administration will be either a dissolution of the Company or, if there are funds to distribute to the Company's unsecured creditors, a Creditors' Voluntary Liquidation;
- e) The Administration will continue until the proposals have been fully implemented, as set out above. An extension will be sought if the time required to conclude the Administration is likely to exceed 12 months;
- f) The Joint Administrators to be appointed Liquidators should the Company proceed into Creditors Voluntary Liquidation as referred to above. In accordance with paragraph 83(7), Schedule B1 of the Insolvency Act 1986 and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved;
- g) If they think the Company has no property which might permit a distribution to its unsecured creditors, the Joint Administrators will send notice to the Registrar of Companies in accordance with paragraph 84 of schedule B1 to the Insolvency Act 1986 and three months after the filing of the notice the Company will be deemed to be dissolved;
- h) The Joint Administrators should be discharged from liability pursuant to paragraph 98(2)(b) of Schedule B1 one month after they file their final report; and

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- i) The basis of the Joint Administrators' fees and disbursements will be agreed with the secured creditor and preferential creditors, if appropriate, in due course.

The proposals have not been amended in the meantime.

2. Progress of the Administration

I attach at Appendix B an abstract of the Joint Administrators' receipts and payments for the period from 11 September 2006 to 10 March 2007 as well as for the case overall from 10 March 2006 to 10 March 2007.

Realisations since my last report have mainly consisted of residual sums from the Company's remaining physical assets from its premises in Darlaston that were not sold at the auction held on 16 May 2006.

As mentioned in our previous reports, the Company has a claim over assets and zinc held at Coseley Galvanizing. Both the Company's records and its former management state that the assets and zinc were owned by the Company at the date of Administration. Consequently we have continued to negotiate with Coseley Galvanizing's landlord and the Joint Administrators of Coseley Galvanizing to realise CKE's interest in the assets and zinc whilst also offering a solution to the environmental issues that persist at Coseley Galvanizing. This matter has been protracted by the Joint Administrators of Coseley Galvanizing also claiming ownership of the zinc and the landlord insisting that the environmental issues are fully addressed before they will allow contractors to access the site and remove the zinc. However, the potential realisations from this source are significant and they justify our continued efforts in negotiating a resolution of this problem and generating funds for CKE's creditors as a result. We are hopeful of finally resolving this matter in the near future.


A number of CKE's former employees have applied to the Employment Tribunal in connection with the Company's termination of their employment either prior to or immediately following the Joint Administrators' appointment. Some of these applications have been concluded and employees have received a Protective Award as a result. However, other applications are ongoing and we continue to provide appropriate support and input to the Employment Tribunal to enable former employees to progress their claims in this way.

A Creditors' Committee was formed at the meeting held on 14 June 2006. The purpose of the Committee is to assist the Joint Administrators in their duties. To date two meetings of the Committee have been held. The Joint Administrators will continue to report to the Creditors' Committee, and hold meetings if required, as and when appropriate.

3. Estimated Outcome

As advised in the Joint Administrators' report dated 5 October 2006, we believe that a dividend will be available to the preferential creditors of the Company which will be paid prior to the end of the Administration. The level and timing of this dividend will depend upon further realisations from the Coseley Galvanizing assets and zinc referred to above and also the final costs and expenses of the Administration.

The Company had provided security to Barclays Bank plc ("Barclays") in the form of an invoice discounting agreement which provided the Bank with an assignment over the Company's sales ledger. The Company had also provided Barclays with a debenture and had granted Barclays a floating charge over the Company's other assets. Furthermore, Barclays had the benefit of cross guarantees between the Company and Toolmate Limited, which was also placed into Administration on 10 March 2006 and of which I am the Joint Administrator.



Barclays are continuing with their debt collection activity under the invoice discounting agreement. On the basis of realisations to date in this case as well as the anticipated further realisations and costs in the Administration, I believe that Barclays will suffer a shortfall on its total indebtedness at the date of my appointment of £1,480,000. This includes the cross guarantee liability in respect of Toolmate Limited. Of this figure, £1,353,000 was advanced to the Company.

Based upon current estimates, there is no prospect of a dividend to unsecured creditors.

4. Extension of the Administration

As this case approached its anniversary, the Joint Administrators sought the consent of creditors to an extension of the Administration as not all of the tasks relating to the Administration had been concluded. The main areas that were outstanding were:

- Completion of the debt collection exercise by the secured creditor;
- Realisation of the Company's interest in the assets and zinc used by Coseley Galvanizing; and
- Finalisation of a number of applications to the Employment Tribunal by the Company's former employees.

The extension of the Administration was approved with the requisite support of both secured and preferential creditors of the Company in accordance with the Insolvency Act and Rules 1986. Consequently the Administration has been extended for six months to 10 September 2007. The Joint Administrators will seek the Court's consent should any further extension be considered necessary.

5. Removal and Replacement of Sidney Hopper as Joint Administrator

Sidney Hopper was appointed Joint Administrator at the start of the Administration on 10 March 2006. He left Vantis with effect from 31 December 2006 and it was a condition of his contract of employment with Vantis that he should relinquish his insolvency appointments on his departure. Consequently Vantis obtained a block Court Order relating to all of Sid's appointments and, under this Order, I was appointed Joint Administrator of CKE in his place with effect from 30 January 2007. Consequently this case is now being managed from the Leicester office of Vantis, the registered office of the Company, and all future correspondence should be sent to this address.

The Order effecting this change was granted by the High Court of Justice, Chancery Division, Birmingham District Registry (Case number 4009 of 2007). The Court Order states the following:

- The Joint Administrators are required to notify creditors of this change in the next circular to creditors,
- An individual creditor can apply to the Court within 21 days of receipt of notice of the change in Joint Administrators for reconsideration that the change of Administrators is appropriate. This application can only be made if there are reasonable grounds for the application; and
- Sidney Hopper should be granted his release and discharge as Joint Administrator when the successor Joint Administrators are granted their release and discharge.



6. Court Application by David Fabb

Notwithstanding the approval of the Joint Administrators' proposals by the Company's creditors at the meeting held on 14 June 2006 and the more recent approval by creditors of an extension to the Administration, David Fabb, a member of the Creditors' Committee and a former director of the Company, has made an application to Court in connection with this case. Mr Fabb is seeking an order that the Administration orders of both CKE and Toolmate Limited be terminated and that other insolvency practitioners be appointed as liquidators of the Companies. Mr Fabb's application contains a number of allegations concerning the Joint Administrators' appointment and conduct during the Administration.

The Joint Administrators believe that this application does not reflect the view of creditors overall and is contrary to the support that creditors have already given for the Joint Administrators' proposals and conduct. However we must respond to this application properly as directed by the Court and incur the time necessary to do this.

Mr Fabb's application was initially heard by the Court on 26 March 2007. Mr Fabb has been given until 23 April 2007 to submit his case fully and explain the purpose of his application. We will then be required to respond to Mr Fabb before the next Court hearing scheduled for this matter on 16 July 2007.

We will update creditors on developments in this matter in our next report.

7. Administrators' Remuneration

To date the Joint Administrators have received the approval of the secured and preferential creditors to draw remuneration of £116,225 plus disbursements and VAT and for this remuneration to be drawn on a time cost basis. This was following the Creditors' Committee's refusal to agree either the basis or quantum of the Joint Administrators' remuneration. These fees have now been drawn.

We attach at Appendix C an analysis of time charged to date in this case showing different grades of staff and the type of work undertaken. This time has been calculated at the rate agreed between Vantis and the secured creditor for Administration work and amounts to £151,940. The Joint Administrators will obtain the approval of the Company's creditors, as prescribed by the Insolvency Act 1986, before drawing any further remuneration.

Form 2 24B, Formal Notice of the Progress Report, is also attached.

If you have any queries about this report or the progress of the administration, please do not hesitate to contact me.

Yours faithfully

Alan Limb

Joint Administrator

Licensed by the Insolvency Practitioners Association

The Joint Administrators act as agents of the Company and without personal liability.

The affairs, business and property of the Company are being managed by the Joint Administrators, Alan Roy Limb and Nicholas Hugh O'Reilly.

Statutory Information

Appendix A

CKE ENGINEERING LTD IN ADMINISTRATION

Court in which administration proceedings were brought:	High Court of Justice, Chancery Division, Birmingham District Registry
Court reference number:	4275 of 2006
Other trading names:	None
Company number:	4538765
Registered office:	Stoughton House, Harbrough Road, Oadby, Leicester LE2 4LP
Previous registered office:	Unit 401, The Axxess 10 Estate, Darlaston, West Midlands WS10 8LQ
Business address	Unit 401, The Axxess 10 Estate, Darlaston, West Midlands WS10 8LQ
Administrators' names and addresses:	Alan Roy Limb (appointed 30 January 2007) and Nicholas Hugh O'Reilly Vantis, Stoughton House, Harbrough Road, Oadby, Leicester LE2 4LP
Date of appointment:	10 March 2006
Appointor:	Mrs P J Bailey
Previous office holders, if any:	Sidney Hopper (replaced by Alan Roy Limb with effect from 30 January 2007)

The joint Administrators act jointly and concurrently.

The EC Regulation on Insolvency Proceedings (Council Regulation (EC) no 1346/2000 of 29 May 2000) applies to this Administration and the proceedings are main proceedings

**CKE Engineering Ltd
(In Administration)**

**Joint Administrators' Abstract Of Receipts And Payments
From 10 March 2006 To 10 March 2007**

	11/09/2006 To 10/03/2007	10/03/2006 To 10/03/2007
	£	£
RECEIPTS		
Plant & Machinery	0	531,833
Book Debts	0	73,757
Furniture & Equipment	475	475
Motor Vehicles	3,700	3,700
Stock	5,148	24,714
Work In Progress	0	5,000
Barclays Bank Plc - Contribution Towards Administration Costs	0	10,000
Deposit For Costs Of Creditors' Meeting	0	6,500
Sale of IT Licence	465	465
	<hr/> 9,787	<hr/> 656,444
PAYMENTS		
Joint Administrators' Remuneration	116,225	116,225
Joint Administrators' Disbursements	2,839	2,839
Agents' Fees	932	10,982
Agents' Disbursements	0	30,582
Bank Charges	23	161
Barclays Bank Plc	0	73,757
Finance Companies	0	270,836
Bordereau	264	528
Barclays Bank Plc - Repayment of Contribution Towards Administration Costs	0	10,000
Repayment Of Deposit For Costs Of Creditors' Meeting	0	6,500
Legal Fees	8,295	8,295
Legal Disbursements	40	40
Storage Costs	470	2,475
Statutory Advertising	178	486
Other Property Expenses	0	84
Heat/Light/Water	2,046	2,046
Telephone	254	254
Insurance	7,918	12,803
Wages & Salaries	0	6,052
PAYE & NIC	0	3,316
VAT Receivable		249
	<hr/> 139,483	<hr/> 558,510
Balances in Hand	(129,696)	97,934
	<hr/> 9,787	<hr/> 656,444

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CKE Engineering Ltd - In Administration

Summary of time costs from 10 March 2006 - 31 March 2007

Classification of work

	Partner Hours £113/Hour	Associate Director Hours £113/Hour	Manager Hours £113/Hour	Administrator Hours £113/Hour	Total Hours	Time Cost £
Administration and Planning	96 30	100 20	94 00	397 75	688 25	77,772 25
Realisation of Assets	23 10	188 80	58 25	32 00	302 15	34,142 95
Statutory Compliance	2 50	44 50	17 40	20 90	85 30	9,638 90
Creditors	6 60	32 00	65 85	35 80	140 25	15,848 25
Employees	1 00	10 10	62 30	55 25	128 65	14,537 45
Total Hours	129 50	375 60	297 80	541 70	1,344 60	
Total Time Cost						151,939 80