

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) Nicholas Hugh O'Reilly and Nigel Hamilton-Smith, of Vantis, Stoughton House, Harborough
Road, Oadby, Leicester LE2 4LP

administrators of the above company attach a progress report for the period

from

to

(b) Insert dates

(b) 10 March 2008

(b) 9 September 2008

Signed

Joint / Administrator(s)

Dated

9 10 2008

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.

Vincent Sweeney, Vantis, Stoughton House, Harborough Road, Oadby, Leicester, LE2 4LP

Tel 0116 272 8200

DX Number

DX Exchange

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Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

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18/10/2008

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COMPANIES HOUSE



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

your ref

our ref C0867LEI/NHS/VS/AO081

date 9 October 2008

To All Creditors

Please ask for Vincent Sweeney or Richard Kirby

Dear Sirs

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

Further to my appointment as joint administrator 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

Removal and Replacement of Alan Roy Limb as Joint Administrator

Alan Roy Limb was appointed Joint Administrator on 30 January 2007. Mr Limb left Vantis with effect from 29 February 2008. Vantis obtained block Court Orders relating to all of Mr Limb's appointments and, under these Orders, Nigel Hamilton-Smith was appointed Joint Administrator in Mr Limb's place with effect from 16 April 2008. The Orders effecting these changes were granted by the High Court of Justice, Chancery Division, Birmingham District Registry (Case numbers 5669 of 2007 and 9121 of 2008 respectively). The Court Orders state 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 14 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
- Lynn Robert Bailey and Alan Roy Limb should be granted their release and discharge as Joint Administrators when the successor Joint Administrators are granted their release and discharge

1 Circumstances Giving Rise to the Appointment of the Administrators

The Company was incorporated in September 2002, as a result of the acquisition of the business and assets of CKE (Midlands) Ltd – In Administration. The Company traded from Unit 401, The Axxess 10 Estate, Bentley Road South, Darlaston WS10 8LQ, manufacturing fabricated metal products.

In June 2003, the David Fabb (Holdings) Limited Group was placed into Administration. The Company was, according to the directors, dependent on the Group for very competitive in-house services, such as IT, machinery maintenance and group rates for utilities (gas, electricity, insurances). Following the Administration, CKE negotiated new contracts for these services but with very high additional premiums

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The Company needed to achieve higher sales volumes in order to fully utilise its expensive leased floor space, and the sole shareholder of the business adopted the strategy of buying new businesses to increase sales volumes and thus contribute to the high overhead costs

Toolmate Limited ("Toolmate") was acquired in February 2004. During the year commencing 2005 sales volumes dropped considerably and forecasts were not achieved. New contracts were being negotiated during 2005 and were forecast to materialise early in 2006, though sales at the beginning of 2006 were low. Due to these factors, Toolmate was unable to maintain its contribution to rent, rates, insurances and utilities, and thus fell behind with its payments to the Company.

In October 2004, the Company acquired the share capital and assets of Beachcase Galvanizing Limited ("Beachcase"). Beachcase traded from premises in Coseley, West Midlands. Following this acquisition it became apparent that the level of Beachcase's creditors was greater than had originally been anticipated. Furthermore Beachcase's financial performance was worse than forecast. Consequently, the Company did not receive the anticipated return on this investment.

By September 2005, Beachcase was experiencing cashflow pressures and soon fell into arrears with creditors. As a result of these Nigel Price and Mark Bowen of Moore Stevens were appointed Joint Administrators of Beachcase on 15 September 2005. Subsequently the business and assets of Beachcase were sold to Coseley Galvanizing Limited ("Coseley Galvanizing"). Coseley Galvanizing continued to use the assets owned by the Company. However this change of ownership did not result in any improvement in the business' financial performance. Consequently Andrew Stoneman and Paul Clarke of Menzies Corporate Restructuring were appointed Joint Administrators of Coseley Galvanizing on 17 November 2005.

Following the second Administration appointment the directors of the Company had sought to realise the assets at Coseley Galvanizing and also successfully claim reservation of title over the zinc stock held at Coseley Galvanizing. This task was complicated by the fact that Coseley Galvanizing's business had ceased prior to Administration and the zinc had solidified. Despite a number of months of negotiations the Company did not secure the agreement of the other parties to realise the assets and zinc for the benefit of the Company.

During January 2005, the Company acquired the assets of Alpa Industrial Limited - in Administration. The order intake and sales were buoyant for the first six months, but thereafter sales dropped. The cost of redundancy payments, due to the relocation of the business from South Woodford, London, to the West Midlands, together with the general overheads of the Alpa division, placed a heavy burden on the cash flow of the Company. Sales did not achieve forecast levels for the eight months leading to March 2006.

The decline of combined sales volumes for all divisions within the Company placed further burden on the cash flow of the business. During mid February 2006, the Radan server failed and was removed by IT specialists for repair. This server configured the CAD/CAM designs and produced the programming for the laser and punch machines. At the date of Administration, the server was still not operable, and although production continued for work in progress, it was not possible to program new orders and therefore production had come to a standstill.

During the week commencing 21 November 2005, the Sales Financing company with whom the Company had an invoicing discounting facility, reduced the available draw-down against debtors' invoices from 90% to 80%, but after negotiation agreed to reduce the facility by 2% per week. During the first week of February 2006, the factoring company reduced the availability draw-down from 80% to 70% and at the date of Administration the percentage figure was 74%. The reduction in availability at the end of 2005 and beginning of 2006 put tremendous cash flow pressure on the business.

The shareholder sought alternative funding which ultimately could not be achieved soon enough. My firm was instructed and both the Company and Toolmate were placed into Administration on 10 March 2006.

2 The Conduct of the Administration

Upon our appointment we met with the Company's directors to ascertain the current financial position. The Company had already ceased trading as a result of:

- The inability to produce following the failure of the Radan server,
- Key suppliers refusing to supply further until their accounts were settled where the Company had insufficient cashflow to make such payments; and
- Customers having responded to the situation by resourcing elsewhere

Consequently we were unable to make funds available to the Company to continue trading during the Administration as the Company would not have generated sufficient income to meet these costs. In view of this the Company was left with no option but to dismiss the vast majority of its workforce on 10 March 2006. The Company's remaining staff were made redundant on 31 March 2006.

As a result of the Company's inability to trade we concentrated on a strategy of realising stock and work in progress by selling it to the customers concerned where they were settling their outstanding account at the same time. This strategy was successful in realising £29,714 from stock and work in progress as well as £52,052 from book debts. We have also received an additional £21,704 from debtors. These book debt receipts have been paid to Barclays Bank plc.

Following our appointment a number of interested parties approached us and made offers to acquire some or all of the Company's business and assets. In all cases these offers required prompt completion of the sale whereby good title to the assets to be transferred would be provided. At the date of our appointment there were a number of competing claims over the Company's assets. The Company's landlord had distrained over the majority of the Company's assets prior to our appointment. The majority of the Company's assets by value were subject to hire purchase and leasing agreements with a number of finance providers. Furthermore, the Joint Administrators of David Fabb (Holdings) Limited had commenced legal action against the Company prior to our appointment claiming that the vast majority of the Company's assets were actually owned by David Fabb (Holdings) Limited.

Having considered the full facts of this matter in conjunction with our solicitors we were forced to conclude that the competing claims did not enable the Company to achieve a prompt sale of the assets in the way that the various parties had requested. We were unable to allow the Company to dispose of its assets in the Administration without due regard for any other parties' claims over the assets.

Consequently we sought to obtain the agreement of all parties that the assets should be disposed of by auction. The auction was held on 16 May 2006. All of the Company's chattel assets have now been realised.

We continued to pursue the Company's claim over the assets and zinc held at Coseley Galvanizing. Both the Company's records and its former management stated that the assets and zinc were owned by the Company at the date of Administration. Consequently we 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 persisted at Coseley Galvanizing. This matter was protracted by the Administrators of Coseley Galvanizing also claiming ownership of the zinc and the landlord insisting that the environmental issues were fully addressed before they would allow contractors to access the site and remove the zinc. In order to progress this matter, and in view of the matters raised by the landlord, we agreed jointly with the Administrators of Coseley Galvanizing to sell the Companies' respective interests in the Coseley Galvanizing assets and zinc to the landlord.

This sale was completed in March 2007 and the sum of £60,000 plus VAT was received from the landlord. The sale at this level was recommended by our agents and reflected both the value of the zinc in its solidified state and all of the costs and expenses that would have been necessary to be incurred in order to remove it from the premises. We then sought to reach agreement with the Administrators of Coseley Galvanizing on the distribution of this sum. We were unable to do so as the offers that the Joint Administrators of Coseley Galvanizing made for the distribution of the money did not reflect the view expressed by both the Company's records and its management over the strength of the Company's claim over the zinc. Consequently we applied to Court for directions over the distribution of these funds. This was considered by the Court at a hearing held on 14 September 2007. The Court accepted our argument that the majority of the sale proceeds should be awarded to the Company and we recovered the sum of £49,000.

as a result as well as the further sum of £13,000 from the Joint Administrators of Coseley Galvanizing Limited as a contribution towards our legal costs. This matter has been finalised and all sums received.

A Creditors' Committee was formed at the meeting of creditors held on 14 June 2006. The purpose of the Committee is to assist the Joint Administrators in their duties. To date three 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. 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
- 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.

4. Progress of the Administration

I attach at Appendix B an abstract of the Joint Administrators' receipts and payments for the period from 10 March 2008 to 9 September 2008 as well as for the case overall from 10 March 2006 to 9 September 2008.

Realisations since my last report have consisted of the recovery of legal costs. The sum of £5,000 has been realised but no further recoveries are anticipated. Creditors will recall from my previous reports that David Fabb, a member of the Creditors' Committee and a former director of the Company, made an application to Court in which he sought 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. The Joint Administrators did not believe that this application reflected the view of creditors overall but were required to respond to this application properly as directed by the Court and incur the time necessary to do this.

In September 2007 the Court accepted my application for summary judgement that the matter should not be allowed to proceed to trial. The Judge also awarded costs against Mr Fabb of £7,820. Mr Fabb entered into an agreement to pay the costs by instalments. The first two payments of £2,500 each were made but the final payment of £2,820 was never received. My solicitors sought to pursue Mr Fabb for the final payment but having discussed the matter with them further and acting upon their advice I decided not to risk defraying the funds in the Administration by incurring further expenditure on the matter with no guarantee of payment. I will shortly therefore be in a position to make first and final distributions to the secured and preferential creditors and proceed to close the Administration.

5. Estimated outcome

We believed that a dividend would be available to the preferential creditors of the Company which would be paid prior to the end of the Administration. The level and timing of this dividend would depend upon the successful recovery of the costs awarded against David Fabb 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 have continued with their debt collection activity under the invoice discounting agreement. They have advised me that the Company still owes the bank £302,134 plus interest.

I attach as Appendix D an estimated outcome statement showing the funds currently held and the anticipated closing expenses of the Administration. After drawing fees in respect of time costs incurred to date and the anticipated further costs of the Administration and processing the case to closure, I will be able to distribute a further £20,065 to Barclays Bank plc under their fixed charge and make a first and final distribution of 5p in the pound to preferential creditors. I anticipate that this distribution will take place within the next 14 days.

There are insufficient funds available to make a distribution to unsecured creditors.

6. Extension of the Administration

As previously advised a further extension of the Administration until 10 December 2008 was approved with the requisite support of both secured and preferential creditors of the Company in accordance with the Insolvency Act and Rules 1986. As all assets have been realised the Joint Administrators do not believe that any further extension to the Administration will be required beyond 10 December 2008.

7. Administrators' Remuneration

To date the Joint Administrators have received the approval of the secured and preferential creditors to draw remuneration of £196,925 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 £205,518.75. The Joint Administrators are required to obtain the approval of the Company's creditors, as prescribed by the Insolvency Act 1986, before drawing any further remuneration and I shall be writing to those creditors shortly to seek this approval.

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 Vincent Sweeney at this office.

Dated this 9th day of October 2008

A handwritten signature in black ink, appearing to read 'N H O'Reilly', written in a cursive style.

N H O'Reilly
Joint Administrator

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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, Harborough 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.	Nicholas Hugh O'Reilly and Nigel Hamilton-Smith (appointed 16 April 2008) Vantis, Stoughton House, Harborough 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), Alan Roy Limb (replaced by Nigel Hamilton-Smith with effect from 16 April 2008)

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 & Payments
From 10 March 2006 to 9 September 2008**

	10/03/2008 To 09/09/2008	10/03/2006 To 09/09/2008
	£	£
RECEIPTS		
Plant & Machinery	0	531,833
Book Debts	0	73,757
Bank Interest	0	6,650
Furniture & Equipment	0	475
Motor Vehicles	0	3,700
Stock	0	24,714
Work in Progress	0	5,000
Barclays Bank Plc - Contributions Towards Administration Costs	0	10,000
Deposit For Costs Of Creditors' Meeting	0	6,500
Sale of IT License	0	465
Sale of Coseley Galvanizing Zinc & Assets	0	49,132
Contribution to legal costs	5,000	18,159
	<u>5,000</u>	<u>730,384</u>
PAYMENTS		
Joint Administrators' Remuneration	6,446	196,925
Joint Administrators' Disbursements	2,849	6,830
Agents' Fees	0	13,882
Agent's' Disbursements	0	32,582
Legal and Counsel's Fees	0	52,204
Legal Disbursements	0	618
Storage Costs	626	4,584
Bank Charges	0	130
Finance Companies	0	270,836
Bordereau	24	552
Barclays Bank Plc	0	73,757
Insurance	0	13,356
PAYE & NI	0	3,316
Barclays Bank Plc - Repayment of Contribution Towards Admin Costs	0	10,000
Statutory Advertising	0	486
Repayment Of Deposit For Costs Of Creditors' Meeting	0	6,500
Wages & Salaries	0	6,052
Other Property Expenses	0	84
Heat/Light/Water	0	5,158
Telephone	0	254
Vat Receivable	0	50
	<u>9,945</u>	<u>698,157</u>
Balances in Hand	(4,945)	32,227
	<u>5,000</u>	<u>730,384</u>

**CKE Engineering Limited
In Administration**

Summary of time costs from 10 March 2006 to 9 October 2008

Classification of Work	Partners Hours £113/Hour	Associate Directors' Hours £113/Hour	Managers Hours £113/Hour	Administrators & Support Staff Hours £113/Hour	Total Hours	Time Cost £
Administration and Planning	117 60	188 60	182 55	544 70	1,033 45	116,779 85
Investigation	-	2 50	-	15 50	18 00	2,034 00
Realisation of Assets	31 10	305 60	59 40	47 35	443 45	50,109 85
Creditors	6 10	49 60	140 60	127 55	323 85	36,595 05
Total Hours	154 80	546 30	382 55	735 10	1,818 75	
Total Time Cost						205,518.75

CKE ENGINEERING LIMITED (IN ADMINISTRATION)

ESTIMATED OUTCOME STATEMENT
AS AT 9 OCTOBER 2008

	FIXED CHARGE		FLOATING CHARGE	
	£	£	£	£
Balance in Hand		21 029		10 683
Further Realisations VAT to reclaim		36		86
		<u>21 065</u>		<u>10,769</u>
Further Costs				
Administrator's Fees to date	(1 000)		(3,000)	
Storage costs		<u>(1 000)</u>	<u>(400)</u>	<u>(3 400)</u>
		20,065		7 369
Preferential Creditors at 5p in the £				(4 755)
Surplus available for charge holder		(20,065)		
Closing costs @ £113 per hour - Estimated time required 23+ hours @ £113 = £2 599				(2 614)
		<u>0</u>		<u>0</u>

The Insolvency Act 1986

Administrator's progress report

Name of Company CKE Engineering Limited	Company number 04538765
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In the High Court of Justice, Chancery Division, Birmingham District Registry	Court case number 4275 of 2006
--	-----------------------------------

[full name of court]

(a) Insert full name(s) and
address(es) of
administrator(s)

We (a) Nicholas Hugh O'Reilly and Nigel Hamilton-Smith, of Vantis, Stoughton House, Harborough Road, Oadby, Leicester LE2 4LP

administrators of the above company attach a progress report for the period

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DX 33050 Cardiff

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