



Rok PLC – in Administration

High Court of Justice
Chancery Division
Companies Court
Case No. 9114 of 2010

Joint Administrators' progress report for the period from 8 November 2010 to 7 May 2011

7 June 2011

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Abbreviations used in this report:

"the Company"	– Rok PLC
"the Administrators"	– J R Webb, R J Hunt, M J A Jervis and R N Lewis
"IA86"	– Insolvency Act 1986
"IR86"	– the Insolvency Rules 1986
"the Bank"	– The Royal Bank of Scotland plc, as agent for the bank syndicate
"PwC"	– PricewaterhouseCoopers LLP
"Rok group"	– Rok plc and its subsidiaries

1. Joint Administrators' progress report for the period from 8 November 2010 to 7 May 2011

Introduction

In accordance with Rule 2.47 IR86, the Administrators write to provide creditors with details of the progress of the administration of the Company in the six months since the Administrators' appointment on 8 November 2010.

This report should be read in conjunction with the Administrators' proposals dated 23 December 2010.

The outcome for preferential creditors is dependent upon litigation against S Harrison Developments Ltd ("Harrison") as noted on page 3 below. It remains unlikely that there will be sufficient funds available for a distribution to be made to unsecured creditors.

Background information and initial actions taken by the Administrators

- The Company was established as the non trading holding company for the Rok group, which operated in the construction and building maintenance sector through various subsidiary companies.
- The Administrators' appointment arose as a consequence of the general downturn in the construction industry, local authority spending restrictions and specific underperforming contracts.
- It was necessary for the Administrators to be appointed over the Company in order to exert control over the Rok group and to ensure that all assets were secured for the benefit of the creditors of the Company and of the other Rok group companies in administration.
- Following their appointment, the Administrators took steps to secure the Company's assets and carry out the immediate tasks in order to comply with their statutory obligations.
- The Company's principal asset is a potential litigation recovery. The investments in subsidiary companies, a number of which are also in administration, have no value.

Approval of the Administrators' proposals

On 23 December 2010 the Administrators circulated to the Company's creditors their proposals for achieving the purpose of administration.

The Administrators stated in their proposals that they had formed the view that it was not possible to rescue the Company as a going concern and that the Company has insufficient property to enable a distribution to be made to unsecured creditors.

Consequently, the objective of this Administration is to realise property in order to make a distribution to one or more secured or preferential creditors.

The Administrators' proposals were deemed to be approved on 14 January 2011, in accordance with Rule 2.33(5) IR86.

Progress to date

The principal elements of the Administrators' strategy, carried out since 8 November 2010, have been:

- working with key employees to maintain essential services across the Rok group;
- co-ordinating the payment of rent, service charges and IT contracts in the name of the Company, for the benefit of creditors of the Company and the Rok group; and
- fulfilling their ongoing statutory duties as Administrators.

1. Joint Administrators' progress report for the period from 8 November 2010 to 7 May 2011

Outstanding realisations

Litigation

The principal Company asset is a claim against Harrison arising from the Company's acquisition of various contracts.

The Administrators have been successful at the trial of the preliminary issues but as the matter is subject to ongoing litigation it is not appropriate to disclose further details.

Other issues

Pension liability

The Company, Rok Building Limited and Rok Development Limited, both also in administration, are employers in respect of two defined benefit pension schemes. The total buy out deficit in these schemes is c. £83 million, for which the trustees of the schemes have statutory claims against the Company, Rok Building Limited and Rok Development Limited for their appropriate share of this deficit.

There is a further defined benefit scheme which has a buyout deficit estimated to be £7 million for which the Company is the principal employer. The trustee of this scheme also purports to have a claim against the Company for this deficit.

At present these pension claims are secured and as a result of a deed of priority, they rank behind the claim of the Bank and on that basis would not receive any distribution.

The Administrators understand that the trustees of the pension schemes were considering releasing their security, thereby allowing the then unsecured claim to take part in the distribution of any prescribed part available in Rok Building Limited and Rok Development Limited.

The Pensions Regulator can separately, if certain conditions are met, issue a financial support direction ("FSD") requiring a target company to put in place reasonable financial support for an underfunded defined benefit pension scheme, which could ultimately result in a liability being imposed

on the target company, of an amount which could be up to the full buy out deficit in the pension scheme.

Following the decision of the High Court in December 2010 in the matter of Nortel and Lehman v the Pensions Regulator (the "Nortel" case), any FSD would now have to be treated as an expense of an administration, rather than as an unsecured debt, and so give the pension scheme priority over other creditors.

The decision is being appealed in late July 2011, but it is likely that the judgement will not be available until October or November 2011. The outcome of this appeal will have a significant impact on the timing and quantum of distributions to all classes of creditor.

Holiday pay

The Administrators are in the process of agreeing the employees' preferential claims on behalf of the Redundancy Payments Office. However, as is the case with a significant number of employees of the other Rok group companies in administration, the Company's holiday records are inconsistent and do not form a reliable basis for agreement.

As a consequence, the Administrators are gathering further evidence from and negotiating settlements with employees.

Receipts and payments account

An account of the receipts and payments in the administration for the period from 8 November 2010 to 7 May 2011 is set out in Section 3.

Receipts in the period comprise:

- inter-company funding of £1.1 million from Rok Building Limited, also in administration, to retain services in the name of Company that are essential for the Company and other entities in the Rok administration group;
- other debtors of £0.1 million, principally business rates and utility refunds; and

1. Joint Administrators' progress report for the period from 8 November 2010 to 7 May 2011

- a contribution to costs of £48,000, awarded by the Court in respect of the Harrison litigation.

Payments include:

- wages, salaries and employee expenses of £1.1 million;
- occupation costs totalling £0.1 million, composed of rent, rates, utilities, maintenance costs and IT licence and systems costs;
- printing, postage, advertising and storage of Company records totalling £25,285; and
- legal and other professional costs of £45,435.

Expenses statement

A statement of the estimated expenses incurred by the Administrators in the period 8 November 2010 to 7 May 2011 is included at Section 4. The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

Administrators' remuneration

The basis of the Administrators' remuneration has yet to be fixed.

In their proposals dated 23 December 2010, the Administrators declared that the Company has insufficient property to enable a distribution to be made to preferential and unsecured creditors. In those circumstances it would ultimately be for the Bank to determine the basis of the Administrators' remuneration.

As at the date this report, the Administrators are pursuing a potential recovery from Harrison, as noted on page 3 above. This action may provide sufficient property for a distribution to be made to the preferential creditors and in those circumstances it would be for the Bank and

preferential creditors to determine the basis of the Administrators' remuneration.

Creditors' rights

A statement of creditors' rights in relation to the Administrators' remuneration and expenses is set out at Section 5.

Outcome for creditors

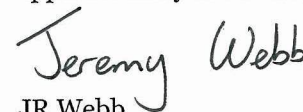
It is anticipated that the Bank will suffer a shortfall under its security, the extent of which will depend on the outcome of the appeal of the judgement in the Nortel case and the outcome of the Harrison litigation.

It remains unlikely that there will be funds available to enable a distribution to be made to the Company's preferential or unsecured creditors, notwithstanding the outcome of the Nortel and Harrison matters.

The Administrators are now considering the most appropriate strategy for bringing the Administration to an end, taking into consideration the ongoing litigation. Creditors will be advised of the Administrators' decision in due course.

Next report

The Administrators anticipate that they will circulate their next report to creditors at the earlier of the conclusion of the Administration or in approximately six months.



JR Webb
Joint Administrator
Rok plc

JR Webb, RJ Hunt, MJA Jervis and RN Lewis have been appointed as Joint Administrators of Rok plc on 8 October 2010 to manage its affairs, business and property as its agents and without personal liability. JR Webb, RJ Hunt, MJA Jervis and RN Lewis are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court, No. 9114 of 2010																																										
Full name:	Rok plc																																										
Trading name:	Rok plc																																										
Registered number:	00358466																																										
Registered address:	Rok Centre, Guardian Road, Exeter Business Park, Exeter, EX1 3PD																																										
Company directors:	Garvis Snook. Gillian Camm, Stephen Pettit, Christopher Bailey, Ian Ellis, Sean Cummins, Robin Olorenshaw all resigned on 13 December 2010																																										
Company secretary:	Julian Turnbull (resigned 7 January 2011)																																										
Shareholdings held by the directors and secretary:	<table><tr><th>Director</th><th>Shares held in own name</th><th>Beneficial Shareholding</th><th>Total Shareholding</th></tr><tr><td>Garvis Snook</td><td>-</td><td>1,167,614</td><td>1,167,614</td></tr><tr><td>Sean Cummins</td><td>210,000</td><td>-</td><td>210,000</td></tr><tr><td>Robin Olorenshaw</td><td>19,931</td><td>101,874</td><td>121,805</td></tr><tr><td>Stephen Pettit</td><td>25,000</td><td>56,631</td><td>81,631</td></tr><tr><td>Ian Ellis</td><td>67,000</td><td>-</td><td>67,000</td></tr><tr><td>Gillian Camm</td><td>2,685</td><td>14,750</td><td>17,435</td></tr><tr><td>Chris Bailey</td><td>-</td><td>11,420</td><td>11,420</td></tr><tr><td colspan="4">Company Secretary</td></tr><tr><td>Julian Turnbull</td><td>331,789</td><td>155,025</td><td>486,814</td></tr></table>			Director	Shares held in own name	Beneficial Shareholding	Total Shareholding	Garvis Snook	-	1,167,614	1,167,614	Sean Cummins	210,000	-	210,000	Robin Olorenshaw	19,931	101,874	121,805	Stephen Pettit	25,000	56,631	81,631	Ian Ellis	67,000	-	67,000	Gillian Camm	2,685	14,750	17,435	Chris Bailey	-	11,420	11,420	Company Secretary				Julian Turnbull	331,789	155,025	486,814
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Julian Turnbull	331,789	155,025	486,814																																								
Date of the Administration appointment:	8 November 2010																																										
Administrators' names and addresses:	JR Webb, RJ Hunt, MJA Jervis and RN Lewis of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT																																										
Details of any extension(s) to the initial period of appointment	None																																										

2. Statutory and other information

Changes in office holder:	None
Appointor's / applicant's name and address:	The Royal Bank of Scotland Plc, Level 5, 135 Bishopsgate, London EC2M 3UR
Objective being pursued by the Administrators:	Objective (c), realising property in order to make a distribution to one or more secured or preferential creditors.
Division of the Administrators' responsibilities:	During the period for which the company is in administration any act required or authorised under any enactment to be done by the administrators may be done by all or any of the persons for the time being holding that office.
Proposed end of the Administration:	Dissolution or Creditors' Voluntary Liquidation
Estimated dividend for unsecured creditors:	£nil
Estimated values of the prescribed part and the company's net property:	£nil
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

3. Receipts and payments account for the period 8 November 2010 to 7 May 2011

Directors' statement of affairs (estimated to realise) £	Notes	There were no recorded transactions for the period from 8 November 2010 to 15 December 2010 £	Movement between 16 December 2010 and 7 May 2011 £	Transactions for the period from 8 November 2010 to 07 May 2011 £
ASSETS / RECEIPTS				
<i>Leasehold improvements</i>	1			
<i>Computer equipment</i>				
<i>Investments</i>				
<i>Deferred tax assets</i>				
<i>Other debtors</i>	2		95,845	95,845
<i>VAT refund</i>				
<i>Prepayments</i>				
<i>Income tax receivable</i>				
<i>Intercompany receivables</i>	3			
<i>Inter-company funding</i>	4		1,118,767	1,118,767
<i>Contribution to costs</i>	5		48,000	48,000
<i>Interest received</i>			24	24
<i>VAT payable / (receivable)</i>			(20,989)	(20,989)
			1,241,646	1,241,646
PAYMENTS - EXPENSES TO 7 MAY 2011				
<i>Wages, salaries and expenses of retained Company staff</i>			1,083,639	1,083,639
<i>Legal fees and expenses</i>			45,435	45,435
<i>Rent, rates utilities and other maintenance costs</i>			60,858	60,858
<i>Printing / postage / advertising and storage of books and records</i>			25,285	25,285
<i>IT Licence and system costs</i>			23,783	23,783
<i>Professional / Consultancy fees</i>			1,664	1,664
<i>Bank charges</i>			120	120
Total payments			1,240,784	1,240,784
BALANCE	6		862	862

3. Receipts and payments account for the period 8 November 2010 to 7 May 2011

Notes

- 1 The italicised categories are estimated to have no realisable value in the directors' statement of affairs.
- 2 Principally pre appointment book debts.
- 3 Loans made pre administration to other members of the group that are now insolvent.
- 4 Inter estate transfers, post administration, principally to cover wages / salaries. Includes a sum of £53,196 from Rok Building Limited in Administration to cover the legal fees of pursuing the Harrison litigation.
- 5 Contribution to legal fees, subsequently awarded by the Court in respect of the Harrison litigation.
- 6 Held on interest bearing accounts with the Royal Bank of Scotland PLC.

4. Statement of expenses incurred from 8 November 2010 to 7 May 2011

Expenses paid as at 7 May 2011

£

Wages, salaries and expenses of retained Company staff	1,083,639
Legal fees and expenses	45,435
Rent, rates utilities and other maintenance costs	60,858
Printing / postage / advertising and storage of books and records	25,285
IT Licence and system costs	23,783
Professional / Consultancy fees	1,664
Bank charges	120
Total payments	1,240,784

2011

Administrators' post appointment time costs	333,662
Administrators' post appointment expenses	11,904
Wages, salaries and expenses of retained Company staff	4,050
Legal fees and expenses	5,000
Rent, rates utilities and other maintenance costs	1,500
Printing / postage / advertising and storage of books and records	500
IT Licence and system costs	
Professional / Consultancy fees	
Bank charges	
Total	356,616
Total expenses	1,597,400

5. Statement of creditors' rights

The IR86 provide for creditors to request further information and challenge the Administrators' remuneration and expenses. The relevant provisions are as follows: -

Rule 2.48A Creditors' request for further information

(1) If—

- (a) within 21 days of receipt of a progress report under Rule 2.47—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
- (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).

(2) The administrator complies with this paragraph by either—

- (a) providing all of the information asked for, or
- (b) so far as the administrator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
- (b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just.”

5. Statement of creditors' rights

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

- (a) the remuneration charged by the administrator,
- (b) the basis fixed for the administrator's remuneration under Rule 2.106, or
- (c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business]days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the administrator was entitled to charge;
- (b) an order fixing the basis of remuneration at a reduced rate or amount;
- (c) an order changing the basis of remuneration;
- (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration;
- (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.