

The Insolvency Act 1986
Liquidator's progress
report

S.192

Pursuant to Section 92A and
104A of the Insolvency Act 1986

To the Registrar of Companies

For official use

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Company Number

00770529

Name of Company

(a) Insert full name of
company

(a) Monarch Realisations 2 Limited

(b) Insert full name(s) and
address(es)

I/We (b) Russell Downs of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, Edward Mark Shires of PricewaterhouseCoopers LLP, Donington Court Pegasus Business Park, Castle Donington DE74 2UZ and Ian David Green of PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds LS1 4JP

the liquidators of the company attach a copy of our progress report under section 192 of the Insolvency Act 1986 for the period 23 April to 19 August 2013, the date on which the appointment of Edward Mark Shires as liquidator ended

Signed



Date 17 October 2013

Presenter's name,
address and reference (if
any)

For Official Use

Liquidation Section

Post Room

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COMPANIES HOUSE



**Monarch Realisations 1 PLC (formerly
McCarthy & Stone PLC) and Monarch
Realisations 2 Limited (formerly McCarthy &
Stone (Developments)) Limited**

– in Creditors' Voluntary Liquidation

**Joint Liquidators' progress report to members
and creditors for the period 23 April to 19
August 2013**

17 October 2013

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1. Joint Liquidators' progress report

Introduction

On 23 April 2010 Russell Downs, Mark Shires and Ian Green of PricewaterhouseCoopers LLP were appointed Joint Liquidators of Monarch Realisations 1 PLC (formerly McCarthy & Stone PLC) ("PLC") and Monarch Realisations 2 Limited (formerly McCarthy & Stone (Developments) Limited) ("Developments") (together "the Companies"), having previously acted as Joint Administrators

Retirement

Mark Shires retired this summer and so an application was made to court to facilitate his removal from office. The application was granted and consequently Mark Shires' appointment as Joint Liquidator of the Companies ended with effect from 19 August 2013.

Creditors have 28 days from receipt of this notice to apply to court to vary or discharge the order. Otherwise, Mark Shires will be released from all liability in respect of his conduct as Joint Liquidator 28 days from the date of this report.

Report

This is the Joint Liquidators' fourth progress report to members and all known creditors. In accordance with the Insolvency Rules 1986 ("IR86"), the report covers the period from 23 April to 19 August 2013.

Liquidation Committees

The Joint Liquidators continue to consult with the Liquidation Committees in regard to material developments in the Liquidations.

Background

Business assets

As previously reported, the Companies' businesses and assets and substantially all of the trading liabilities were transferred on a going concern basis to two new companies ("Newco") immediately following the Joint Administrators' appointment as part of the wider financial restructuring of the McCarthy & Stone group of companies.

Cash balances

Surplus funds of approximately £1 million and £10 million were released to the Joint Liquidators of PLC and Developments respectively on completion of the Administrations.

Land contracts

The sale of Developments' business and assets excluded 21 conditional land contracts. Land deposit collections are now complete. Combined realisations in the Liquidation and the preceding Administration total £239,700.

Leasehold property

No value was attributed to Developments' leasehold interest in five operating sites which were vacated prior to the Administration and excluded from the business sale. During the Liquidation, the lease to one site has been surrendered and the Joint Liquidators have formally disclaimed Developments' interest in the remaining four properties.

1. Joint Liquidators' progress report

Preference shares

Developments was granted 12% non redeemable shares in Newco as part of the consideration for its business and assets. The shares were sold on 15 March 2011 to the successor company of PLC for £2 million following tax and legal advice and Liquidation Committee sanction.

Assets to be realised

Unrealised assets in both Liquidations now comprise solely various tax assets, which are discussed below.

Receipts and payments accounts

Accounts of the Joint Liquidators' receipts and payments for the period 23 April to 19 August 2013 are shown in Section 2. All funds are held on interest-bearing accounts.

Investigations

No matters have come to light during the period under review to suggest that the Joint Liquidators need to conduct any work additional to their review of the Companies' affairs prior to the Administration and compliance with their obligations under the Company Directors' Disqualification Act 1986.

Claims agreement and outcome for creditors

Secured creditors

Amounts due to secured creditors by the Companies under the terms of debentures and cross-guarantees at the date of the Joint Administrators' appointment totalled circa £898 million. Approximately £575 million of secured debt was discharged under the sale of the Companies' businesses.

Assets excluded from the sales of business are subject to security but are insufficient to repay the balance of the secured debt. Amounts available for secured creditors comprise surplus funds net of prescribed part floating charge funds set aside for unsecured creditors (see below) and the associated costs of the Administrations and Liquidations of the Companies and of their parent, Mother Bidco Limited ("Bidco").

The terms of the wider financial restructuring provide that amounts distributable by the Companies to secured creditors are directed to be paid to Newco. To date, Developments has released £10 million to Newco. Following receipt of the dividend on its admitted unsecured claim in the Liquidation of Developments, PLC has distributed £422,779 to Newco.

Preferential creditors

No preferential claims have been made against the Companies from staff employed when the Joint Administrators were appointed as all employee contracts were transferred to Newco.

Preferential claims against Developments of £4,800 result from protective awards made by the Employment Tribunal in regard to several employees made redundant some time before the Administration. The Joint Liquidators paid preferential claims in full on 6 March 2012 with Liquidation Committee sanction. No preferential claims have been made against PLC as a result of Employment Tribunal awards.

Unsecured creditors

All unsecured claims against the Companies have been formally dealt with. Distributions derive from the prescribed part of floating charge funds specifically set aside for unsecured creditors under the provisions of Section 176A of the Insolvency Act 1986 ("IA86"). Prescribed part funds are subject to an overall statutory maximum of £600,000.

1. Joint Liquidators' progress report

On 18 May 2012, and in line with previous estimates, Developments distributed £540,000 by way of a first and final dividend of 0.1634 pence in the pound on admitted unsecured claims totalling £330.4 million. No further dividends will be declared by Developments as it has distributed the maximum sum available for unsecured creditors net of allowable costs.

PLC declared a first dividend on unsecured claims of 15.0206 pence in the pound on the same day. Following the resolution of a disputed claim, a second and final dividend of 9.8083 pence in the pound was declared on 23 August 2012. Distributions to unsecured creditors totalled £81,464.

It remains uncertain whether PLC will be in a position to declare further dividends on unsecured claims. As previously reported, this is primarily dependent on the extent to which Mother Bidco Limited ("Bidco"), PLC's parent company, will be able to repay the costs of its Liquidation and Administration that have been borne by PLC under the terms of the wider financial restructuring and business sale agreements. Bidco in turn awaits the outcome of VAT asset claims.

Professional advisers

The Joint Liquidators have retained Linklaters LLP, which was engaged in the preceding Administrations, to provide legal services. This is based upon the advisers' experience and ability to perform this type of work, their knowledge of the complexity and nature of the assignment and the basis of the fee arrangement with them.

The Joint Liquidators continue to review fees charged and remain satisfied that they are reasonable in the circumstances of these cases.

Liquidators' remuneration and expenses

The respective Liquidation Committees of the Companies are responsible for fixing the basis and amount of the Joint Liquidators' remuneration and Category 2 disbursements in respect of services provided by the Joint Liquidators' own firm.

The Liquidation Committees resolved that the Joint Liquidators' remuneration would be fixed by reference to the time properly given by the Joint Liquidators and their staff in attending to matters arising in the Liquidations at the Joint Liquidators' normal scale rates for work of this nature.

When the Joint Liquidators last reported, all fees had been drawn pursuant to that resolution for all time costs up to 22 April 2012 with the exception of £30,000 in Developments which was subject to the recovery of further tax assets above £500,000. This condition has now been satisfied and the balance of £30,000 has been drawn.

A summary of the Joint Liquidators' remuneration and expenses is as follows.

	Developments		PLC	
	Fees £	Expenses £	Fees £	Expenses £
Approved by the Liquidation Committee and drawn				
For the period 23/04/10 to 31/08/10	106,118.40	1,784.00	46,754.26	15,930.18
For the period 01/09/10 to 31/03/11	118,810.91	359.39	45,067.59	477.00
For the period 01/04/11 to 22/04/12	168,927.75	3,318.00	109,682.39	81.80
Liquidation Committee approval not yet sought				
For the year ended 22/04/13	99,326.93	9.30	80,247.99	9.00
For the period 23/04 to 19/08/13	34,527.05	-	18,030.10	-
Forecast totals to 19/08/13	<u>527,711.05</u>	<u>5,470.69</u>	<u>299,782.33</u>	<u>16,497.98</u>

Details of the time costs for the year to 22 April 2013 were provided in the Joint Liquidators' report dated 17 June 2013, a further copy of which is available on request. An analysis of the Joint Liquidators' time costs for the period 23 April to 19 August 2013 is provided at Section 3.

1. Joint Liquidators' progress report

The receipts and payments accounts in Section 2 detail expenses in the Liquidations between 23 April and 19 August 2013. Aside from the Joint Liquidators' own time costs and disbursements shown above, unbilled expenses comprise legal and other costs totalling circa £10,000 in PLC and Developments respectively, which have not yet been billed.

Creditors' rights

An explanatory note giving creditors a statement of their rights in relation to liquidators' remuneration, and their rights to request further information, can be found online at the following internet address:

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-to-liquidators-fees-england-and-wales-apr-10.pdf>

Other matters

Creditors will recall that the business sale agreements provided that the Companies would pursue tax asset realisations for the benefit of Newco. Work in the preceding Administrations resulted in recoveries and savings of over £38 million.

When the Joint Liquidators last reported, a further £1.1 million had been paid by HM Revenue & Customs ("HMRC") to Newco direct as a result of work in the Liquidations. In addition, tax asset realisations received into the Liquidations and remitted to Newco comprised £253,941 from PLC and £10,426 from Developments.

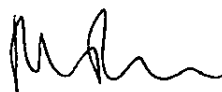
Since that date, PLC has successfully recovered a further £1.5 million from HMRC and released this to Newco. Various claims remain ongoing.

During the period under review, the Joint Liquidators of PLC have continued to assist Newco in seeking to recover dividends due from an overseas subsidiary of circa £800,000 which is in liquidation. Developments acting by its Joint Liquidators has also worked with Newco to arrange land registration matters in respect of sites included in the business sale.

The Joint Liquidators have filed the corporation tax returns for all periods up to 22 April 2012. No queries have been raised by HMRC on the returns submitted. The latest returns for the year to 22 April 2013 are in the course of preparation.

Next report and enquiries

The Joint Liquidators will circulate their next report in 12 months or on completion of the Liquidations, whichever is sooner. If any creditor has any queries in the meantime or would like a free copy of the creditors' guide to liquidators' fees, please contact Aidan Donaldson on 020 7804 1402.



Russell Downs
Joint Liquidator

R Downs and I D Green have been appointed as joint liquidators of Monarch Realisations 1 PLC (formerly McCarthy & Stone PLC) and Monarch Realisations 2 Limited (formerly McCarthy & Stone (Developments) Limited). The joint liquidators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint liquidators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the liquidation.

2. Receipts and payments accounts

PLC	Total to 22 April 2013 £	Transactions 23 April to 19 August 2013 £	Total to 19 August 2013 £	Notes
Receipts				
Funds transferred from the Administration	1,092,360	-	1,092,360	
Pre appointment VAT refund	253,941	1,530,440	1,784,381	
Dividend from Monarch Realisations 2 Limited	422,779	-	422,779	
Recovery of costs from Mother Bidco Limited	113,226	-	113,226	
Reimbursement of postage and printing costs	460	-	460	
VAT refunds for associated companies	182,665	-	182,665	1
Interest	5,537	659	6,196	
Total	2,070,968	1,531,099	3,602,067	2
Payments				
Payment of pre appointment VAT refund to purchaser	253,941	1,530,440	1,784,381	3
Payment of VAT refund to Monarch Realisations 2 Limited	153,268	-	153,268	
Payment of VAT refund to Mother Bidco Limited	42,724	-	42,724	
Joint Administrators' final fees	43,362	-	43,362	
Joint Administrators' final fees - Mother Bidco Limited	45,156	-	45,156	
Scheme Administrators' fees	1,950	-	1,950	
Scheme Administrators' expenses	3,567	-	3,567	
Joint Administrators' final disbursements (Category 1)	108	-	108	
Joint Administrators' final disbursements (Category 2)	117,815	-	117,815	4
Joint Liquidators' fees	201,504	-	201,504	
Joint Liquidators' disbursements (Category 2)	14,705	-	14,705	
Joint Liquidators' fees - Mother Bidco Limited	112,744	-	112,744	
Joint Liquidators' disbursements - Mother Bidco Limited	2	-	2	
Room hire and statutory advertising	762	-	762	
Legal fees and disbursements	39,493	-	39,493	
Legal fees and disbursements - Mother Bidco Limited	30,607	-	30,607	
Corporation tax	692	-	692	
Postage, printing and other statutory costs	2,860	4,740	7,600	
Bank charges	136	-	136	
Net VAT receivable / (payable)	18,634	19	18,653	
Distribution to unsecured creditors	81,464	-	81,464	
Release of funds to purchaser pursuant to the scheme	422,779	-	422,779	
Sub total	1,588,273	1,535,199	3,123,472	
Cash in hand / (movement)	482,695	(4,100)	478,595	5

Notes

- 1) VAT refunds for PLC, Developments and Bidco are claimed by PLC as representative member of the VAT group
- 2) No comparison has been made to the estimate of realisations in the directors' statement of affairs in the Administration as the Liquidation is a successor proceeding and realisations comprise surplus cash on completion of the Administration net of associated costs and recoveries in the Liquidation itself. All receipts are floating charge assets
- 3) As stated in the report, the Joint Liquidators are working to recover tax assets, which are payable to the Newcos per the terms of the wider financial restructuring and as directed by the secured creditors
- 4) Category 2 disbursements include the time costs for PwC Legal LLP in relation to work to strike off the dormant non trading companies within the wider group, as envisaged under the terms of the business sale agreement and as approved by the Liquidation Committee
- 5) Funds are held in an interest-bearing bank account

2. Receipts and payments accounts

Developments

	Total to 22 April 2013 £	Transactions 23 April to 19 August 2013 £	Total to 19 August 2013 £	Notes
Receipts				
Funds transferred from the Administration	10,189,768	-	10,189,768	
Pre appointment VAT refund	10,426	-	10,426	
Sale of preference shares	2,000,000	-	2,000,000	
Land contract deposits	37,027	-	37,027	
VAT refund from Monarch Realisations 1 PLC	139,941	-	139,941	
Sundry refunds	438	-	438	
Recovery of costs from third party	938	-	938	
Rate refund re excluded property	969	-	969	
Interest	29,033	109	29,142	
Total	12,408,540	109	12,408,649	1
Payments				
Payment of refund to purchaser	292	-	292	2
Payment of pre appointment VAT refund to purchaser	10,426	-	10,426	2
Release of funds to purchaser pursuant to the scheme	10,000,000	-	10,000,000	3
Legal fees and disbursements	117,909	-	117,909	
Joint Administrators' final fees	108,024	-	108,024	
Scheme Administrators' fees	2,015	-	2,015	
Scheme Administrators' expenses	3,567	-	3,567	
Joint Administrators' final disbursements (Category 1)	724	-	724	
Joint Liquidators' fees	363,857	30,000	393,857	
Joint Liquidators' disbursements (Category 1)	17	-	17	
Joint Liquidators' disbursements (Category 2)	3,236	-	3,236	
Statutory advertising	74	-	74	
Corporation tax	203	-	203	
Postage, printing and other statutory costs	1,622	1,784	3,406	
National insurance contributions	2,619	-	2,619	
Bank charges	295	25	320	
Distribution to preferential creditors	4,800	-	4,800	4
Distribution to unsecured creditors	540,000	-	540,000	4
Net VAT receivable	98,752	6,000	104,752	
Total	11,258,433	37,809	11,296,242	
Cash in hand / (movement)	1,150,107	(37,700)	1,112,407	5

Notes

- 1) No comparison has been made to the estimate of realisations in the directors' statement of affairs in the Administration as the Liquidation is a successor proceeding and realisations comprise surplus cash on completion of the Administration net of associated costs and recoveries in the Liquidation itself. All receipts are floating charge assets.
- 2) As stated in the report, the Joint Liquidators are working to recover tax assets, which are payable to the Newcos per the terms of the business sale agreement. Certain other refunds are also payable to Newco.
- 3) Surplus funds are payable to the Newcos per the wider financial restructuring and scheme of arrangement as directed by the secured lenders.
- 4) A first and final dividend of 100p in the £ has been paid to preferential creditors and the maximum prescribed part of floating charge funds has been distributed to unsecured creditors net of allowable costs for claims agreement and payment.
- 5) Funds are held in interest-bearing bank accounts.

3. Information in support of the Joint Liquidators' time costs and disbursements for the period 23 April to 19 August 2013

Charging and disbursements policy

The time charged to the Liquidations is by reference to the time properly given by the Joint Liquidators and their staff in attending to matters arising

It is the Joint Liquidators' policy to delegate tasks in the Liquidations to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Joint Liquidators themselves.

Staff (including cashiers, support and secretarial staff) charge time directly to the assignments and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignments in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). There has been no allocation of any general costs or overhead costs.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of the Joint Liquidators' staff actually or likely to be involved.

Grade	Up to 30 June 2013 £	From 1 July 2013 £
Partner	755	775
Director	660	680
Senior manager	510	525
Manager	430	444
Senior associate – qualified	358	370
Senior associate – unqualified	266	275
Associate	225	230
Support / secretarial	112	115

Specialist departments within the Joint Liquidators' firm such as Tax and VAT are also used where their expert advice is required. The figures below provide an indication of the maximum rate per hour.

	Up to 30 June 2013 £	From 1 July 2013 £
Partner	875	914
Director	816	842
Senior manager	741	778
Manager	486	510
Executive / consultant	330	391
Analyst / assistant consultant	192	213
Support staff	94	102

In common with many professional firms, the scale rates used by the Joint Liquidators may increase to cover annual inflationary cost increases.

There is no statutory requirement for the Joint Liquidators to seek approval to draw expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the Joint Liquidators propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the Joint Liquidators' own firm), they must be disclosed and be authorised by those responsible for approving their remuneration. Such expenses are known as "Category 2" disbursements and they must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

3. Information in support of the Joint Liquidators' time costs and disbursements for the period 23 April to 19 August 2013

The Joint Liquidators' expenses policy allows for all properly incurred expenses to be recharged to the case. Category 2 disbursements are approved by the Liquidation Committees. No Category 2 disbursements were incurred in either of the Liquidations during the period under review.

Other matters

No work has been carried out by subcontractors that could otherwise have been undertaken by the Joint Liquidators or their staff.

The Joint Liquidators have no business or professional relationships with parties responsible for approving the basis of their remuneration or who provide services to the Liquidations where the relationship could give rise to a conflict of interest.

Tables summarising the Joint Liquidators' time costs

PLC

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Strategy and planning	-	-	4.35	-	0.60	-	-	4.95	2,444.55	493.85
Assets	-	-	3.10	-	2.80	-	-	5.90	2,588.20	438.68
Accounting and treasury	1.00	-	0.80	0.10	4.40	2.10	-	8.40	2,751.35	327.54
Statutory and compliance	-	-	6.25	-	3.10	1.80	-	11.15	4,674.50	419.24
Tax and VAT	-	0.48	6.40	-	3.47	3.60	-	13.95	5,571.50	399.49
Total	1.00	0.5	20.90	0.10	14.37	7.50	-	44.35	18,030.10	406.57

Developments

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Strategy and planning	-	-	5.55	-	0.50	-	-	6.05	3,020.75	499.30
Assets	-	-	1.00	-	0.70	-	-	1.70	778.00	457.65
Accounting and treasury	-	-	0.90	-	3.30	0.80	-	5.00	1,598.90	319.78
Statutory and compliance	-	-	6.45	-	2.50	2.00	-	10.95	4,606.70	420.70
Tax and VAT	-	25.90	1.20	-	6.16	1.91	-	35.17	24,070.90	684.38
Employees	-	-	-	-	1.30	-	-	1.30	451.80	347.54
Total	-	25.90	15.10	-	14.46	4.71	-	60.17	34,527.05	573.81

Narrative explanation of the Joint Liquidators' work

Strategy and planning

- Team meetings to discuss case strategy
- Six monthly review of progress to 22 April 2013
- Review of junior staff correspondence
- Regular consideration of the Joint Liquidators' position and stakeholders' interests in the context of outstanding matters

Assets

- Liaising with legal advisers and Newco to remedy title issues to various properties transferred by Developments under the business sale
- Assisting Newco and corresponding with the liquidator of an overseas subsidiary about dividends properly payable by the liquidator to Newco under the business sale agreement in place of PLC

3. Information in support of the Joint Liquidators' time costs and disbursements for the period 23 April to 19 August 2013

Accounting and treasury

- Reviewing, authorising and processing receipts and payments
- Carrying out periodic reconciliations of the Liquidations' bank accounts

Statutory and compliance

- Preparation, review and circulation of statutory receipts and payments accounts for the six months ended 22 April 2013
- Preparation, review and circulation of progress report to creditors and members for the year ended 22 April 2013

Tax and VAT

Due to the ongoing nature and commercial sensitivity of certain aspects of work in connection with tax assets, the following is intended to provide a high level overview. Further detail will be provided to the Liquidation Committees

- Monitoring developments in lead case hearings / tribunals on VAT claims to assess possible impact
- Consideration of the relationship between PLC as representative member of the VAT group and its obligations to account to Developments and Bidco for recoveries
- Discussions with Newco about ongoing costs and the impact on available funds in the context of the continued pursuit of claims
- Liaison with Newco and HMRC in regard to the success of one of the claims, recovery of an undisputed sum of £1.5 million and accounting to Newco and discussions on strategy in regard to the disputed balance

Employees

- Responding to third party requests for former employee references