

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 and Ian David Green both of PricewaterhouseCoopers LLP, 7 More
London Riverside, London SE1 2RT

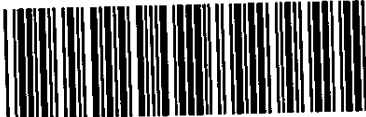
the liquidators of the company attach a copy of our progress report under section 192 of the
Insolvency Act 1986 for the period 20 August 2014 to 19 August 2015

Signed



Date 15 October 2015

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

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COMPANIES HOUSE		



Progress report to members & creditors

Private & Confidential

15 October 2015

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

Registered number 01146644 and 00770529

Registered address 7 More London Riverside, London SE1 2RT

Type of insolvency Creditors' Voluntary Liquidation

Date of appointment 23 April 2010

Appointees Russell Downs and Ian Green

Address PricewaterhouseCoopers LLP
7 More London Riverside, London SE1 2RT

Dividend prospects	Current estimate p in £	Previous estimate p in £
Preferential	100 p in the £	100 p in the £
Unsecured	PLC 24.82 p in the £ Developments 0.16 p in the £	PLC 24 82 p in the £ Developments 0 16 p in the £

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**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 year to 19 August 2015**

15 October 2015

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1. Joint Liquidators' progress report

Introduction

Creditors will recall that 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. Mark Shires retired in summer 2013 and ceased to act by order of the court with effect from 19 August 2013.

Report

This is the Joint Liquidators' sixth progress report to members and all known creditors and covers the year to 19 August 2015.

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. Combined realisations in the Liquidation and the preceding Administration total £239,700.

Leasehold property

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

Preference shares

As part of the consideration for its business and assets, Developments was granted 12% non redeemable shares in Newco. 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 comprise solely various tax assets, which are discussed below.

Receipts and payments accounts

Accounts of the Joint Liquidators' receipts and payments for the year to 19 August 2015 are shown in Section 2. All funds are held on interest-bearing accounts.

1. Joint Liquidators' progress report

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 owed 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, leaving a balance of £323 million.

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").

Under the terms of the wider financial restructuring, amounts distributable by the Companies to secured creditors are directed to be paid to Newco. Developments has distributed a total of £10.5 million to Newco. PLC has distributed £422,779.

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 resulted 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.

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 18 May 2012. 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. This is still primarily dependent on the extent to which 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 agreement. Bidco in turn awaits the outcome of a VAT asset claim and is also now investigating a further possible asset.

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

1. Joint Liquidators' progress report

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 legal fees charged and remain satisfied that they are reasonable in the circumstances of these cases. No legal fees were incurred by the Companies in the year to 19 August 2015

Liquidators' remuneration and expenses

The Companies' respective Liquidation Committees are responsible for fixing the bases 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.

As stated above, surplus floating charge funds on completion of the Liquidations are ultimately payable to Newco in accordance with the terms of the financial restructuring. Accordingly, the Joint Liquidators have sought the approval of Newco in regard to time costs incurred since 23 April 2012

During the period under review, the Liquidation Committee and Newco authorised the Joint Liquidators to draw remuneration of £203,388 for Developments and £178,420 for PLC in respect of their unbilled time costs from 23 April 2012 to 31 March 2015

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 31/03/15	597,245 82	5,478 69	379,924 37	16,510 84
Liquidation Committee approval not yet sought				
For the period 01/04/15 to 19/08/15	15,801 01	-	29,411 40	6 52
Total to 19/08/15	<u>613,046 83</u>	<u>5,478 69</u>	<u>409,335 77</u>	<u>16,517 36</u>

Details of the Joint Liquidators' time costs for the year to 19 August 2015 are provided at Section 3

The receipts and payments accounts in Section 2 detail expenses in the Liquidations to date. Aside from the Joint Liquidators' fees and disbursements referred to above, there are no other unpaid Liquidation expenses

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

The business sale agreements provided that the Companies would pursue tax asset realisations for the benefit of Newco. To date, this has resulted in recoveries and savings of over £44 million

Several claims with a face value of circa £9 million are ongoing and remain subject to the outcome of decisions in complex, lead tribunal cases, which are subject to appeal. Further hearings are likely to be held in 2016 and beyond. The Joint Liquidators are currently reviewing the recoverability of the remaining assets with a view to further discussions with Newco.

1. Joint Liquidators' progress report

Since their previous report, the Joint Liquidators have secured a further recovery of £1.56 million in respect of PLC's entitlement as shareholder to receive surplus funds from the liquidator of the French subsidiaries. Under the terms of the business and sale agreement, the recovery was remitted to Newco, net of an agreed deduction for professional costs.

The Joint Liquidators have filed the corporation tax returns for all periods up to 22 April 2014. No queries have been raised by HMRC on the returns submitted. The latest returns for the year to 22 April 2015 are in the course of preparation.

The Joint Liquidators have also recovered input VAT in PLC and Developments totalling £103,666.

Next report and enquiries

The Joint Liquidators will circulate their next report in approximately 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 and Monarch Realisations 2 Limited. Both 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 bound by the Insolvency Code of Ethics which can be found at

<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

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	Transactions			Notes
	Total to 19 August 2014 £	20 August 2014 to 19 August 2015 £	Total to 19 August 2015 £	
<u>Receipts</u>				
Funds transferred from the Administration	1,092,360	-	1,092,360	
Pre appointment VAT refund	3,648,476	32,450	3,680,926	
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	89,494	272,159	1
Interest	7,853	1,408	9,261	
Bank charges refund	33	-	33	
Distribution from French liquidations	-	1,557,293	1,557,293	
Total	5,467,852	1,680,645	7,148,497	2
<u>Payments</u>				
Payment of pre appointment VAT refund to purchaser	3,648,476	-	3,648,476	3
Payment of VAT refund to Monarch Realisations 2 Limited	153,268	71,216	224,484	
Payment of VAT refund to Mother Bidco Limited	42,724	18,278	61,002	
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	178,420	379,924	
Joint Liquidators' disbursements (Category 1)	-	22	22	
Joint Liquidators' disbursements (Category 2)	14,705	-	14,705	
Joint Liquidators' fees - Mother Bidco Limited	112,744	59,991	172,735	
Joint Liquidators' disbursements - Mother Bidco Limited	2	-	2	
Insurance/bonding	1,784	1,784	3,568	
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	1,076	413	1,489	
Postage, printing and other statutory costs	8,521	383	8,904	
Bank charges	164	66	230	
Net VAT receivable / (payable)	18,673	81,662	100,335	
Distribution to unsecured creditors	81,464	-	81,464	
Release of funds recovered from French subsidiaries	-	1,521,334	1,521,334	
Release of funds to Newco pursuant to the scheme	422,779	-	422,779	
Sub total	4,990,704	1,933,569	6,924,273	
Cash in hand / (movement)	477,148	(252,924)	224,224	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

		Transactions		
	Total to 19	20 August	Total to 19	
Developments	August 2014	2014 to 19	August 2015	Notes
	£	August 2015	£	£
<u>Receipts</u>				
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	71,216	211,157	
Sundry refunds	438	-	438	
Recovery of costs from third party	938	-	938	
Rate refund re excluded property	969	-	969	
Interest	34,173	2,516	36,689	
Corporation tax refund	1,276	-	1,276	
Bank charges refund	25	-	25	
Cancelled cheques	1,066	-	1,066	
Total	12,416,047	73,732	12,489,779	1
<u>Payments</u>				
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	10,500,000	-	10,500,000	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	393,857	203,388	597,245	
Joint Liquidators' disbursements (Category 1)	17	14	31	
Joint Liquidators' disbursements (Category 2)	3,236	-	3,236	
Statutory advertising	74	-	74	
Corporation tax	203	118	321	
Postage, printing and other statutory costs	3,481	-	3,481	
National insurance contributions	2,619	-	2,619	
Bank charges	370	100	470	
Distribution to preferential creditors	4,800	-	4,800	4
Distribution to unsecured creditors	541,066	-	541,066	4
Insurance/bonding	1,784	1,784	3,568	
Tax deducted on interest	957	423	1,380	
Net VAT receivable	104,752	6,723	111,475	
Total	11,800,173	212,551	12,012,724	
Cash in hand / (movement)	615,874	(138,819)	477,055	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

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 2015 £	From 1 July 2015 £
Partner	795	825
Director	695	725
Senior manager	540	550
Manager	460	470
Senior associate – qualified	380	390
Senior associate – unqualified	285	290
Associate	240	245
Support / secretarial	120	123

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.

Grade	Up to 30 June 2015 £	From 1 July 2015 £
Partner	961	1,130
Director	901	1,040
Senior manager	816	875
Manager	540	630
Senior Associate	395	465
Associate	214	225
Support staff	111	130

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

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.

Category 2 disbursements of €50,230 were incurred by PwC France in connection with PLC's recovery of funds from the French subsidiaries. These disbursements are still to be approved by the Liquidation Committee.

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	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	-	-	5.25	-	5.50	-	-	10.75	5,839.00	543.16
Assets	-	-	15.95	-	13.80	0.75	-	50.50	20,475.25	405.45
Creditor claims/distributions	-	-	0.10	-	0.30	-	-	0.40	168.00	420.00
Accounting and treasury	-	-	4.40	0.70	5.10	10.05	1.60	21.85	5,971.50	273.30
Reporting to appointor/committee	-	-	12.50	-	19.30	3.30	-	35.10	13,696.00	390.20
Statutory and compliance	0.50	-	3.70	0.40	22.80	7.10	-	34.50	12,391.00	359.16
Tax/VAT/Pensions	-	3.00	2.90	7.10	6.90	9.80	-	29.70	13,763.41	463.36
Total	0.50	3.00	44.80	8.20	93.70	31.00	1.60	182.80	72,304.16	395.51

Developments

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	-	-	6.60	0.10	5.80	4.80	-	17.30	6,879.00	397.63
Assets	-	-	-	-	0.40	-	-	0.40	154.00	385.00
Accounting and treasury	-	-	2.20	-	6.95	8.65	2.60	20.40	4,987.50	244.49
Reporting to appointor/committee	-	-	12.50	-	16.05	-	-	28.55	11,343.25	397.31
Statutory and compliance	0.50	-	3.70	0.40	18.70	3.45	-	26.75	10,123.00	378.41
Tax/VAT/Pensions	-	12.00	0.95	3.80	3.80	3.75	-	24.30	15,834.51	651.66
Employees	-	-	-	-	0.60	0.80	-	1.40	396.00	282.86
Total	0.50	12.00	25.95	4.30	51.70	20.65	2.60	119.10	49,717.26	417.45

Narrative explanation of the Joint Liquidators' work

Strategy and planning

- Team meetings to discuss case strategy,
- Six monthly reviews of case progress and developments to October 2014 and April 2015,
- Regular review and amendments to strategy milestones to reflect developments, and
- Regular consideration of the Joint Liquidators' position and stakeholders' interests in the context of outstanding matters

Assets

- Assisting Newco with recovery from the liquidator of the French subsidiaries,
- Liaison with PwC France and Newco to agree scope of work and consider developments, and

Monarch Realisations 1 PLC and Monarch Realisations 2 Limited – in Creditors' Voluntary Liquidation

3. Information in support of the Joint Liquidators' time costs and disbursements

- Reviewing and responding to ad hoc query received in respect of former leasehold property

Creditor claims / distributions

- Dealing with creditor queries following circulation of progress report to 19 August 2014

Accounting and treasury

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

Reporting to appointor / committee

- Preparation of time costs analyses for the period 20 August 2014 to 31 March 2015,
- Collation and consolidation of time cost information from 23 April 2012 to 31 March 2015; and
- Drafting and circulating report and resolutions to seek formal approval from the Liquidation Committees to draw fees as already approved by Newco

Statutory and compliance

- Preparation, review and circulation of statutory receipts and payments accounts for the six months ended 22 October 2014 and 22 April 2015, and
- Preparation, review and circulation of progress report to creditors and members for the year ended 19 August 2014

Tax / VAT / Pensions

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

- Analysis of UK tax implications of funds received in respect of PLC's shareholding in French subsidiaries,
- Monitoring developments in lead case hearings / tribunals on VAT claims,
- Continued liaison with Newco and HMRC in regard to the various claims,
- Submission of VAT reclaim to HMRC, and
- Reviewing supporting transaction reports and preparing corporation tax computations for the year ended 22 April 2014

Employees

- Responding to third party requests for former employee references