

AM10

Notice of administrator's progress report



Companies House

WEDNESDAY

WEI



A860TZ2W
A16 22/05/2019 #148
COMPANIES HOUSE
A84JB2BS
A18 01/05/2019 #146
COMPANIES HOUSE

1 Company details

Company number 0 0 9 0 7 5 9 3

Company name in full Monarch Airlines Limited

→ Filling in this form
Please complete in typescript or in bold black capitals.

2 Administrator's name

Full forename(s) James Robert

Surname Tucker

3 Administrator's address

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

4 Administrator's name [ⓐ]

Full forename(s) Blair Carnegie

Surname Nimmo

ⓐ Other administrator
Use this section to tell us about another administrator.

5 Administrator's address [ⓐ]

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

ⓐ Other administrator
Use this section to tell us about another administrator.

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
 Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. • Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
 You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
 Please complete in typescript or in bold black capitals.
 All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- Administrator
- Administrative receiver
- Receiver
- Manager
- Nominee
- Supervisor
- Liquidator
- Provisional liquidator

• You can use this continuation page with the following forms:
 - VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
 - CVA1, CVA3, CVA4
 - AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
 - REC1, REC2, REC3
 - LIQ2, LIQ3, LIQ05, LIQ13, LIQ14,
 - WU07, WU15
 - COM1, COM2, COM3, COM4
 - NDISC

2 Insolvency practitioner's name

Full forename(s) Michael Robert
 Surname Pink

3 Insolvency practitioner's address

Building name/number 15 Canada Square
 Street Canary Wharf
 Post town London
 County/Region
 Postcode E 1 4 5 G L
 Country

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 0	^d 2	^m 1	^m 0	^y 2	^y 0	^y 1	^y 8
To date	^d 0	^d 1	^m 0	^m 4	^y 2	^y 0	^y 1	^y 9

7 Progress report

I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

J. Tucker

X

Signature date

^d2 ^d6 ^m0 ^m4 ^y2 ^y0 ^y1 ^y9

AM10

Notice of administrator's progress report



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Marie Hayden**

Company name **KPMG LLP**

Address **Arlington Business Park
Theale**

Post town **Reading**

County/Region **Berkshire**

Postcode **R G 7 4 S D**

Country

DX

Telephone **Tel +44 (0) 118 964 2000**



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and number match the information held on the public Register.
- You have attached the required documents.
- You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



Joint
Administrators'
progress
report for the
period 2
October 2018
to 1 April 2019
Monarch Airlines Limited - in
Administration

30 April 2019

Notice to creditors

This progress report provides an update on the administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 6).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.kpmg.co.uk/monarch>. We hope this is helpful to you.

Please also note that an important legal notice about this progress report is attached (Appendix 7).

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1 Executive summary

- This progress report covers the period from 2 October 2018 to 1 April 2019. There are three reports to creditors related to the concurrent administrations of 10 of the Monarch Group companies; one for Monarch Airlines, one for Monarch Holidays sub-group and one for the Monarch Holdings sub-group. This report is for Monarch Airlines.
- The Group's key assets are:
 - Slots. Realised for £54 million.
 - Unrestricted cash at bank of £27.8 million on appointment. Realisations to date at Monarch Airlines are £22.5 million and Monarch Holidays are £5.1 million.In addition we have realised cash collateral held by third parties at appointment of £0.4 million and £1.0 million in Monarch Airlines and Monarch Holidays respectively.
- The Group's engineering business, MAEL, entered into administration on 4 January 2019. This followed a period where the Directors had sought to stabilise the business via agreeing a CVA and funding from PJL. PJL had acquired the shares in MAEL as part of a release of debt and agreement to provide new funding. Unfortunately, due to challenges faced in MAEL's ongoing trading, its Directors concluded there was no reasonable prospect of avoiding insolvency.
- The key asset realisations for the Company to date are the Slots and the cash at bank as noted above.
- We continue to realise the Company's remaining assets and finalise its tax affairs (Section 2 - Progress to date).
- Value will break in the secured debt as previously indicated. We have made distributions to PJL in the period (Section 3 - Dividend prospects and dividends paid).
- We declared and paid a dividend of 100p in the £ to the preferential creditors in the period (Section 3 - Dividend prospects and dividends paid).
- There will be no return to unsecured creditors (Section 3 - Dividend prospects and dividends paid).
- The administration is currently due to end on 1 October 2020.
- Please note: you should read this progress report in conjunction with our previous progress reports and proposals issued to the Company's creditors which can be found at <http://www.kpmg.co.uk/monarch>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Jim Tucker
Joint Administrator

2 Progress to date

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in our previous progress reports.

2.1 Strategy and progress to date

Strategy

The main asset realisations for the Group in the period, and since our last progress reports, have been from an ISDA settlement, debtors and cash at bank.

We continue to focus on realising the Group's remaining assets (certain potential insurance claims), progressing the Group's tax affairs and an orderly wind down of the operations of the business.

Matters specific to Monarch Airlines are set out below.

Services and Funding Agreement (SFA)

As previously advised the services to be provided to the CAA, to assist with matters that would not normally be undertaken in an administration situation, and the terms of reimbursement were agreed in the SFA.

In the period, our work on behalf of the CAA was very limited in respect of the Company. Ongoing CAA work is primarily in respect of Monarch Holidays.

Funding received from the CAA does not represent an asset of the Company; the funding ensures there is no gain or detriment to creditors as a result of work undertaken on behalf of the CAA. It is a cost reimbursement. The CAA have now funded all costs relevant to the Company. There will be further requests for funding from the CAA in respect of certain other Group companies.

Financial instruments

In the period, the final open position has been closed out and we have received funds from that counterparty.

MAEL

MAEL entered into administration on 4 January 2019 notwithstanding an earlier CVA and debt restructuring. At the point of MAEL's administration, the Company was owed approximately £60,000 by MAEL for certain fixtures and fittings it had acquired from the administration of Monarch Airlines. These funds will not be recovered.

Tax

The tax affairs of the Company are complex and intrinsically linked across the Group.

We have made further headway in finalising the corporation tax affairs of the Group and we will shortly be seeking tax clearance for all Group companies for periods ending on or before 31 October 2018.

A tax liability arose in respect of the disposal of the Gatwick and Luton Airport landing rights previously held by Monarch Airlines.

The administration of MAEL, being part of the wider Group, has tax implications for the Group. Depending on its tax position it may be possible to access tax losses in MAEL to shelter some of the taxable profits that have arisen in respect of the disposal of the landing rights mentioned above. We will liaise with MAEL's administrators to explore this further. Whilst it is likely this will only impact Monarch Airlines, at this stage we cannot rule out an impact on other Group companies.

2.2 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations during the period are provided below.

ISDA Settlement

We have closed out the final financial instrument and received funds of approximately £268,000 from that counterparty.

Cash at bank

We have received the final payment of £70,000 from a bank that also acted as a merchant acquirer. All cash at bank has now been realised.

Investment in subsidiary

The Company owns shares in Vantage, which is subject to a members' voluntary liquidation. We have now received the final distribution of approximately £60,000.

Debtors and pipeline monies (credit card receipts)

We have continued to work with the CAA and a consultant to collect certain debtors. In the period, we have recovered an additional £20,000.

Rates refund

We have received a rates refund of £50,000 from Manchester City Council.

2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made during the period are provided below.

Legal fees

Legal fees paid in the period have primarily covered advice in respect of the property

transactions that concluded in September 2018 and tax specific advice.

Additionally we have paid for general legal advice received during the administration and support in respect of the extension of the administration.

IT costs

We have paid IT costs of £130,000 to IT suppliers who provided ongoing services to maintain the IT infrastructure up to the date of disconnection. All IT services have now been completed and no additional costs are expected.

Rent, rates and other property expenses

Costs paid in the period relate to final invoices payable in respect of rent and rates for the period of occupation of the properties.

Costs recharged under the SFA

Costs covered by these invoices primarily include: IT and infrastructure costs incurred whilst supporting the CAA and an on-account charge for the time costs incurred by us and our staff in assisting the CAA.

These costs are included under the appropriate subheadings in the receipts and payments account at Appendix 2, with the subsequent recharge of costs to the CAA also shown. These recharges do not represent the realisation of an asset of the Company; they are cost reimbursements.

2.4 Schedule of expenses

We have detailed the costs incurred during the period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3).

There are no material costs incurred in the period but not yet paid.

3 Dividend prospects and dividends paid

3.1 Secured creditors

We set out a summary of the material security position for the Company, together with a summary of the security provided to merchant acquirers over the Company's bank accounts in our Proposals.

As previously advised, we consider that value will break in the secured debt.

During the period, we have distributed £1.35 million to PJJ - £0.15 million from fixed charge realisations and £1.2 million from floating charge realisations. In addition, Monarch Holidays distributed £0.65 million to PJJ.

3.2 Preferential creditors

The preferential claims have been agreed at £2.7 million.

A first and final dividend to preferential creditors of 100p in the £ was declared on 10 December 2018 and paid during the period.

The preferential creditors have been repaid in full.

3.3 Unsecured creditors

As previously advised, there will be no distribution to unsecured creditors. We obtained an order from the Court that the prescribed part, being funds ordinarily set aside for unsecured creditors up to a maximum of £0.6 million, shall not apply on the grounds that the cost of making a distribution to the unsecured creditors would be disproportionate to the benefits, and exceed the funds available.

4 Joint Administrators' remuneration, disbursements and pre-administration costs

4.1 Joint Administrators' remuneration and disbursements

We previously reported that we had reached an agreement in principle with the senior secured creditor in relation to our remuneration. We also explained the work we undertook to determine which parties constitute secured creditors for approvals purposes under insolvency legislation.

Further to the above, during the period the secured and preferential creditors have provided approval that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate and charge-out rates, as set out in the statement of proposals, but subject to a cap of no more than 80% of the charge out rates disclosed. This will include work undertaken in respect of, but not limited to, tax, VAT, employee and pensions advice from KPMG in-house specialists.

As set out in our statement of proposals and subsequent progress reports, creditors were advised that we have entered into a SFA with the CAA / ATT in respect of their repatriation of the airline passengers post-administration. Under that agreement, the CAA / ATT is reimbursing Monarch for relevant costs incurred. This includes the recharge of Joint Administrators' time costs related to work under the SFA, which will also be subject to a cap of no more than 80% of the charge out rates disclosed. Whilst funded by the CAA, the Joint Administrators will be paid via Monarch.

- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.

Time costs

From 2 October 2018 to 1 April 2019, we have incurred time costs of £497,556. These represent 1,086 hours at an average rate of £458 per hour and are based on our standard charge out rates.

From the date of our appointment to 1 April 2019, we have incurred time costs of £7,751,193. These represent 16,724 hours at an average rate of £463 per hour and are based on our standard charge out rates.

Please see detailed analysis of the time spent and a narrative description of the work performed (Appendix 4) and in our previous progress reports.

Remuneration

During the period, we have drawn floating charge remuneration of £3.7 million.

Disbursements

During the period, we have incurred disbursements of £10,830. None of these have yet been paid.

We have received payment for disbursements of £0.15 million in the period that were incurred in previous periods.

Additional information

We have attached a revised fees estimate at Appendix 4. As explained above, in line with the agreement reached with the senior secured creditor, we will not recover these costs in full. Our envisaged time costs for this administration have increased by approximately £0.3 million, primarily due to the following:

- Dealing with the complex tax affairs of the Company; the Slots sale and the transfers of group tax losses has led to additional complexity of its affairs;
- Ongoing work to support former employees with references and supporting additional requests for information from them.

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 2 October 2018 to 1 April 2019. We have also attached our charging and disbursements policy. This information is based on our standard charge out rates.

Under the SFA, the CAA has agreed to meet costs which would not have been incurred but for the work they required in relation to the repatriation exercise. These costs will include a recharge from the Company for the Administrators' time costs and expenses in relation to our work under the SFA. In agreeing these costs, the CAA is an independent body which is not connected with the Group, the Joint Administrators or KPMG.

4.2 Pre-administration costs

During the period the secured and preferential creditors provided approval to pay the unpaid pre-administration costs, being legal fees and disbursements, as at the date of our appointment. Accordingly we have paid these costs of £112,358 plus VAT. There are no outstanding pre-administration costs.

5 Future strategy

5.1 Future conduct of the administration

We will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- Realisation of the Company's remaining assets, primarily potential insurance claims;
- Finalising the assistance we are providing to the CAA, including agreeing final allocation of debtor receipts and ongoing allocation of debtor receipts
- Complying with ongoing tax and VAT requirements and determining the tax position arising following the sale of the Slots and transfer of group tax losses.
- Making distributions to secured creditors;
- Paying the remaining costs of the administration;
- Complying with ongoing statutory and reporting obligations.

5.2 Future reporting

We will provide a further progress report within one month of 1 October 2019 or earlier if the administration has been completed prior to that time.

Appendix 1 Statutory information

Company information

Company name	Monarch Airlines Limited
Date of incorporation	5 June 1967
Company registration number	00907593
Present registered office	15 Canada Square, Canary Wharf, London, E14 5GL

Administration information

Administration appointment	The administration appointment granted in High Court of Justice, 007261 of 2017
Appointor	Court following application by the Directors
Date of appointment	2 October 2017
Joint Administrators' details	Jim Tucker, Blair Nimmo and Mike Pink
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is c£55.8 million (low case estimate). The Prescribed Part is capped at the statutory maximum of £600,000. In view of the Court Order to disapply the Prescribed Part, it has been taken into account when determining the dividend prospects for unsecured creditors (Section 3.3).
Prescribed Part distribution	The Joint Administrators have obtained an order from the Court that the Prescribed Part shall not apply on the grounds that the cost of making a distribution to the unsecured creditors would be disproportionate to the benefits.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	1 October 2020

Appendix 2 Joint Administrators' receipts and payments account

Monarch Airlines Limited - in Administration							
Abstract of receipts & payments							
Cumulative GBP from							
Statement of affairs (£)	From 02/10/2018 To 01/04/2019 (£)	From 02/10/2018 To 01/04/2019 (Euro)	From 02/10/2018 To 01/04/2019 (SEK)	From 02/10/2018 To 01/04/2019 (CAD)	From 02/10/2018 To 01/04/2019 (US\$)	From 02/10/2017 To 01/04/2019 (£)	
FIXED CHARGE ASSETS							
	NIL	NIL	NIL	NIL	NIL	4,260,100.00	
	NIL	NIL	NIL	NIL	NIL	90,000.00	
	2,624.11	NIL	NIL	NIL	NIL	2,739.30	
2,262,748.00	NIL	NIL	NIL	NIL	NIL	NIL	
6,043,387.00	NIL	NIL	NIL	NIL	NIL	NIL	
121,372.00	NIL	NIL	NIL	NIL	NIL	NIL	
	2,624.11	NIL	NIL	NIL	NIL	4,352,839.30	
FIXED CHARGE COSTS							
	(85,242.00)	NIL	NIL	NIL	NIL	178,910.00	
	NIL	NIL	NIL	NIL	NIL	5,416.80	
	(60.00)	NIL	NIL	NIL	NIL	80.00	
	(85,302.00)	NIL	NIL	NIL	NIL	(184,406.80)	
FIXED CHARGE CREDITORS							
(7,500,000.00)	NIL	NIL	NIL	NIL	NIL	1,564,598.00	
(94,585,897.00)	(150,000.00)	NIL	NIL	NIL	NIL	2,150,000.00	
(6,043,387.00)	NIL	NIL	NIL	NIL	NIL	NIL	
(121,372.00)	NIL	NIL	NIL	NIL	NIL	NIL	
(2,262,748.00)	NIL	NIL	NIL	NIL	NIL	NIL	
	(150,000.00)	NIL	NIL	NIL	NIL	(3,714,598.00)	
GENERAL SECURED GROUP							
(25,596,000.00)	NIL	NIL	NIL	NIL	NIL	NIL	
	NIL	NIL	NIL	NIL	NIL	NIL	
ASSET REALISATIONS							
	NIL	NIL	NIL	NIL	NIL	13,500.00	
268,100.00	NIL	NIL	NIL	NIL	NIL	109,163.32	
	NIL	NIL	NIL	NIL	NIL	653,718.49	
4,786,826.00	20,140.48	NIL	NIL	NIL	NIL	461,688.76	
700,000.00	59,839.18	NIL	NIL	NIL	NIL	59,839.18	
	268,263.60	NIL	NIL	NIL	NIL	268,263.60	
	25,000.00	NIL	NIL	NIL	NIL	25,000.00	
	NIL	NIL	NIL	NIL	NIL	57,399,817.36	
22,342,930.00	67,935.01	NIL	NIL	NIL	NIL	19,372,309.80	
	NIL	NIL	NIL	NIL	NIL	18,857.39	
	NIL	NIL	NIL	NIL	NIL	710,218.05	
	NIL	NIL	NIL	NIL	NIL	688,358.10	
	NIL	NIL	NIL	NIL	NIL	38,215.00	
	441,178.27	0.00	NIL	NIL	0.00	79,818,949.05	
OTHER REALISATIONS							
	53,487.15	NIL	NIL	NIL	1,398.30	178,733.45	
	NIL	NIL	NIL	NIL	NIL	118,936.85	
	NIL	NIL	NIL	NIL	NIL	64,026.66	
	NIL	NIL	NIL	NIL	NIL	115,269.92	
	NIL	NIL	NIL	NIL	NIL	391,225.36	
	NIL	NIL	NIL	NIL	NIL	401,399.35	
	7,847.13	NIL	NIL	NIL	NIL	55,753.43	
	49,585.24	NIL	NIL	NIL	NIL	85,307.00	
	NIL	NIL	NIL	NIL	NIL	86,758.45	
	NIL	NIL	NIL	NIL	NIL	5,421,065.63	
	NIL	NIL	NIL	NIL	NIL	28,338.37	
	110,919.52	NIL	NIL	NIL	1,398.30	6,956,814.47	
COST OF REALISATIONS							
	(112,357.90)	NIL	NIL	NIL	NIL	(112,357.90)	
	(129,873.91)	(34,572.00)	NIL	NIL	NIL	(1,965,166.81)	
	(3,658,490.00)	NIL	NIL	NIL	NIL	(3,658,490.00)	
	(144,300.00)	NIL	NIL	NIL	NIL	(144,300.00)	
	NIL	NIL	NIL	NIL	NIL	(295.89)	
	(4,500.00)	NIL	NIL	NIL	NIL	(75,077.31)	
	(11,295.45)	NIL	NIL	NIL	NIL	(85,483.40)	
	(462,620.78)	NIL	NIL	NIL	NIL	(3,598,048.53)	
	NIL	NIL	NIL	NIL	NIL	186,009.38	
	NIL	NIL	NIL	NIL	NIL	(45,597.36)	
	101,500.00	NIL	NIL	NIL	NIL	2,423,708.43	
	(1,523.32)	NIL	NIL	NIL	NIL	(48,865.82)	
	NIL	NIL	NIL	NIL	NIL	(1,884.71)	
	NIL	NIL	NIL	NIL	NIL	(372,080.98)	

Stationery & postage	NIL	NIL	NIL	NIL	NIL	(902.25)
Heat & light	(2,131.08)	NIL	NIL	NIL	NIL	(86,364.59)
Storage costs	(25,569.27)	NIL	NIL	NIL	NIL	(30,320.25)
Re-direction of mail	NIL	NIL	NIL	NIL	NIL	(204.00)
Statutory advertising	NIL	NIL	NIL	NIL	NIL	(140.00)
Rent	(123,976.46)	NIL	NIL	NIL	NIL	(267,394.38)
Rates	(68,037.35)	NIL	NIL	NIL	NIL	(284,278.51)
Other property expenses	(981.60)	NIL	NIL	NIL	NIL	(76,932.03)
Insurance of assets	NIL	NIL	NIL	NIL	NIL	(38,455.39)
Wages & salaries	NIL	NIL	NIL	NIL	NIL	(1,722,731.80)
PAYE & NIC	NIL	NIL	NIL	NIL	NIL	(916,713.09)
Bank charges	(386.00)	(46.04)	NIL	NIL	NIL	(3,639.24)
Currency Account Transfers	NIL	NIL	NIL	NIL	NIL	(5,440,047.96)
Third party funds paid	(1,412.42)	NIL	NIL	NIL	NIL	(3,094.48)
Merchant acquirer cost contribution	NIL	NIL	NIL	NIL	NIL	15,453.00
Costs recharged to MAEL	NIL	NIL	NIL	NIL	NIL	500,000.00
	(4,645,955.54)	(34,618.04)	NIL	NIL	NIL	(15,854,695.97)
PREFERENTIAL CREDITORS						
Subrogated EPI CJA claim	(1,442,194.48)	NIL	NIL	NIL	NIL	(1,442,194.48)
Employees	NIL	NIL	NIL	NIL	NIL	NIL
Employees' holiday pay and wages	(1,256,452.77)	NIL	NIL	NIL	NIL	(1,256,452.77)
	(2,698,647.25)	NIL	NIL	NIL	NIL	(2,698,647.25)
FLOATING CHARGE CREDITORS						
Floating charge	(1,200,000.00)	NIL	NIL	NIL	NIL	(54,200,000.00)
	(1,200,000.00)	NIL	NIL	NIL	NIL	(54,200,000.00)
UNSECURED CREDITORS						
Trade, Intercompany, Other	NIL	NIL	NIL	NIL	NIL	NIL
Employees	NIL	NIL	NIL	NIL	NIL	NIL
Pre-paid consumer creditors	NIL	NIL	NIL	NIL	NIL	NIL
	NIL	NIL	NIL	NIL	NIL	NIL
DISTRIBUTIONS						
Ordinary shareholders	NIL	NIL	NIL	NIL	NIL	NIL
	NIL	NIL	NIL	NIL	NIL	NIL
	(8,191,480.65)	(34,618.04)	0.00	0.00	1,398.30	14,476,254.80
REPRESENTED BY						
Floating ch. VAT receivable						1,940,917.41
Fixed charge current						1,316,951.07
Floating charge current						13,029,678.34
Funds due from subcontractor						20,024.98
Trade creditors						750.00
Fixed charge VAT receivable						36,865.36
Fixed charge VAT payable						(870,020.00)
Floating ch. VAT payable						(610,480.26)
Floating ch. VAT control						(388,432.10)
						<u>14,476,254.80</u>

NOTE:

Following further review of the receipts and payments account, we identified a posting error in the prior reporting period relating to a receipt from our asset realisation agents. This receipt of £70,000 was incorrectly shown as a book debt realisation. We have now updated our systems and re-allocated this receipt.

Whilst the overall cash position remains as previously reported, the amended cumulative position for the affected receipts and payments categories as at 1 October 2018 is as follows:

Adjustments to previous Receipts and Payments account		
Description	Adjustment	Cumulative GBP as at 1/10/2018
Book debts	(70,000.00)	418,210.35
Tangible assets	97,376.98	109,163.32
Third party funds received	4,419.00	28,338.37
VAT payable	19,275.40	(590,180.26)
Agents fees	(25,872.00)	(70,577.31)
VAT receivable	(5,174.40)	1,037,308.90
Funds due from subcontractor	(20,024.98)	20,024.98
TOTAL	NIL	

Appendix 3 Schedule of expenses

Schedule of expenses (02/10/2018 to 01/04/2019)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Fixed charge costs			
Agents'/Valuers' fees	(85,242.00)	0.00	(85,242.00)
Bank charges	(60.00)	0.00	(60.00)
Cost of realisations			
Administrators' fees	0.00	(497,556.45)	(497,556.45)
Administrators' expenses	0.00	(10,829.93)	(10,829.93)
Agents'/Valuers' fees	0.00	0.00	0.00
ERA solution costs	(11,295.45)	0.00	(11,295.45)
Legal fees	(287,302.80)	(2,198.17)	(289,500.97)
Costs recharged under the SFA	101,500.00	0.00	101,500.00
Other overheads	(1,523.32)	0.00	(1,523.32)
Storage costs	(18,069.27)	0.00	(18,069.27)
Rates	(50,942.13)	0.00	(50,942.13)
Bank charges	(386.00)	0.00	(386.00)
Third party funds paid	(1,412.42)	0.00	(1,412.42)
TOTAL	(354,733.39)	(510,584.55)	(865,317.94)

Some of the payments made in the period relate to expenses incurred in a prior period. Therefore there is a difference between the payments made during the period of £4.7 million (per the receipts and payments account) and the expenses incurred and paid in the period of £0.35 million (per the schedule of expenses).

Please note that the accrual for our remuneration is based on our charge out rates; for consistency of reporting purposes these costs have not been adjusted to reflect the discount agreed with the senior secured creditor.

Requests for further information and right to challenge our remuneration and expenses

Creditors' requests for further information

If you would like to request more information about our remuneration and expenses disclosed in this progress report, you must do so in writing within 21 days of receiving this progress report.

Requests from unsecured creditors must be made with the concurrence of at least 5% in value of unsecured creditors (including, the unsecured creditor making the request) or with the permission of the Court.

Creditors' right to challenge our remuneration and expenses

If you wish to challenge the basis of our remuneration, the remuneration charged, or the expenses incurred during the period covered by this progress report, you must do so by making an application to Court within eight weeks of receiving this progress report.

Applications by unsecured creditors must be made with concurrence of at least 10% in value of unsecured creditors (including the unsecured creditor making the challenge) or with the permission of the Court.

The full text of the relevant rules can be provided on request by writing to the Joint Administrators at 15 Canada Square, Canary Wharf, London, E14 5GL.

Appendix 4 Joint Administrators' revised fees estimate

Estimated Joint Administrators' costs for Monarch Airlines	Estimated time costs for the engagement disclosed in progress report dated 29 October 2018			Additional estimated time costs for the engagement			Total			
	Note	Estimated Total hours	Estimated Time cost (£)	Estimated Average hourly rate (£)	Additional Estimated Total hours	Additional Estimated Time cost (£)	Average hourly rate (£)	Total (£)	CAA Recharge (£)	Total cost to Est (£)
Administration & Planning										
Cashiering - procession of receipts & payments and bank reconciliations	1	428	136,320	318	50	15,916	318	152,236	12,000	140,236
General - books & records, fees and work in progress	1	236	95,628	405	10	4,050	405	99,679	-	99,679
Engagement management - administration strategy and case oversight	2	1,057	656,535	620	30	18,612	620	674,146	133,839	540,307
Preparation for court hearings - compiling information and preparing for court hearings		47	9,498	201	-	-	-	9,498	9,499	-
Statutory and compliance - appointment & related formalities, bonding checklist & reviews, reports to creditors, advertising	3	1,028	417,983	407	110	44,726	407	462,709	-	462,709
Reports to secured creditors - preparing & issuing reports to secured creditors	1	200	118,119	589	25	14,735	589	132,854	-	132,854
Tax - VAT & corporation tax, initial reviews, pre and post appointment tax	4	1,057	529,479	501	220	110,219	501	639,699	-	639,699
Creditors										
Employees - employee meetings, claims and correspondence	5	3,788	1,388,343	282	100	28,225	282	1,416,568	272,935	1,143,633
Creditors and claims - customers - correspondence and claims from customers of the company	6	2,983	1,042,003	286	70	19,989	286	1,061,992	186,302	875,689
Creditors and claims - other - correspondence and claims from other creditors of the company	6	2,257	1,061,217	485	70	33,979	485	1,095,196	19,418	1,075,777
Press and stakeholder management - communication with key stakeholders and press		137	93,321	360	-	-	-	93,321	46,587	46,734
IT related - matters specifically relating to IT creditors and suppliers	7	234	103,808	310	10	3,096	310	106,904	50,837	55,967
Investigation										
Directors - correspondence, statement of affairs, questionnaires	1	189	65,390	391	-	-	-	65,390	-	65,390
Investigations - director conduct and affairs of the company		74	35,025	474	-	-	-	35,025	-	35,025
Realisation of assets										
Asset realisation - realisation of the company's assets	1	2,628	1,358,867	521	10	5,206	521	1,364,073	11,513	1,352,560
Other										
Operating expenses - purchases, overheads, cashflows and fund management	1	1,054	411,901	378	-	-	-	411,901	103,477	308,424
CAA repatriation	8	167	105,411	-	-	-	-	105,411	105,411	-
Totals		17,564	7,627,847	434	705	298,753	434	7,926,600	951,918	6,974,682

The revised estimated time costs shown above reflects an update based on actual time, grade mix and process codes to which time has been charged. This therefore leads to variances by process codes compared with previous estimates. It also includes an estimate of future time costs that we envisage incurring.

For consistency of reporting, this estimate is based on based on our standard charge out rates; these costs have not been adjusted to reflect the discount agreed with the senior secured creditor. As explained in section 4, in line with the agreement reached with the senior secured creditor, we will not recover these costs in full. This includes our costs recharged to the CAA.

Further details in relation to the revised fees estimate and of work to be undertaken for this engagement are given below.

Costs recharged under the SFA

Under the SFA, the CAA has agreed to meet costs which would not have been incurred but for the work they required in relation to the repatriation exercise. The above estimate includes costs of circa £1 million that are being recharged to the CAA. These do not represent a cost to the Monarch Airlines estate.

Note 1 – General, reports to secured creditors, directors, asset realisation and operating expenses

Our work in relation to the above matters will remain ongoing throughout the administration; accordingly we estimate an increase in time costs incurred in these areas of our work.

Note 2 – Engagement management

These costs have increased as we continue to address the complex tax matters arising which requires the ongoing oversight of the engagement.

Note 3 – Statutory and compliance

Further time will continue to be incurred dealing with statutory and compliance related formalities throughout the administration period.

Note 4 – Tax

We forecast an increase in our costs for the above area of our work related primarily to dealing with the Company's corporation tax affairs. These have increased in complexity as a result of the Slots sale and transfers of Group tax losses as we continue to consider the correct treatment of these.

We are unable to submit our final post appointment returns until all assets have been realised. Accordingly this work stream will be ongoing for the duration of the administration.

Note 5 – Employees

We have received a greater volume of queries from former employees including requests for information, references and receipt of claim details over a longer period than we initially expected.

Dealing with these queries is more time consuming now that the Company IT systems have been shut down and there are no longer any Company employees to assist.

Note 6 – Creditors and claims: customers and other

We continue to respond to queries received from customers and other creditors.

As shown in the above table, a proportion of the costs we have incurred will be recharged to the CAA to reflect the work undertaken which is outside our statutory duties.

Note 7 – IT related

Our work in this area is effectively complete, with the increased costs reflecting that we retained access to the IT systems for longer than initially envisaged.

Note 8 – CAA repatriation

As explained above, our time costs incurred in dealing with the repatriation of customers are being met by the CAA and do not represent a cost to the estate.

Appendix 5 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and 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 us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please write to the Joint Administrators at 15 Canada Square, Canary Wharf, London, E14 5GL.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration; using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Table of charge-out rates

Charge-out rates (£) for: Restructuring	
Grade	From 01 Nov 2016 £/hr
Partner	835
Director	740
Senior Manager	645
Manager	515
Senior Administrator	375
Administrator	285
Support	142

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner’s car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements (excluding VAT) during the period 2 October 2018 to 1 April 2019.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Courier & delivery costs	2.43		NIL		2.43
External printing	1,611.92		NIL		1,611.92
Sundry	7,500.22		NIL		7,500.22
Postage	1,715.36		NIL		1,715.36
Total	10,829.93		NIL		10,829.93

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Narrative of work carried out for the period 2 October 2018 to 1 April 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy and meetings with internal and external parties to agree the same; ■ briefing of our staff on the case strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ reviewing and authorising junior staff correspondence and other work including resourcing and budgeting exercises and reviews; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ liaising with legal advisors; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Assistance to CAA	<ul style="list-style-type: none"> ■ working in accordance with the Services and Funding Agreement entered into with the CAA; ■ liaising with the CAA regarding ongoing matters, including ongoing debt collections.
Reports to debenture holders	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of the secured creditors regarding the progress of the administration and case strategy.
Cashiering	<ul style="list-style-type: none"> ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ reviewing information from the Company's records in relation to the taxation position of the Company; ■ reviewing the Company's pre-appointment corporation tax and VAT position; ■ analysing and considering the tax effects of realisations, tax planning for efficient use of tax assets and to maximise realisations, particularly in relation to Slot sales; ■ working initially on tax returns relating to the periods affected by the administration; ■ analysing VAT related transactions; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ responding to enquiries from shareholders regarding the administration.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ drawing remuneration in accordance with the basis which has been approved by secured and preferential creditors; ■ dealing with the ongoing storage of the Company's books and records.
Asset realisations	<ul style="list-style-type: none"> ■ corresponding with financial institutions in relation to cash at bank on appointment and providing such information as they require to release remaining balances held; ■ corresponding with merchant acquirers and credit card providers and providing such information as they require to release remaining balances held; ■ reviewing outstanding debtors and management of the debt collection strategy in conjunction with the CAA; ■ reviewing the inter-company debtor position between the Company and other group companies.
Property matters	<ul style="list-style-type: none"> ■ concluding property arrangements and final bills following the sale of the long-leasehold property; ■ communicating with landlords regarding rent, property occupation and other issues.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;

	<ul style="list-style-type: none"> ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees.
Pensions	<ul style="list-style-type: none"> ■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.
Creditors and claims	<ul style="list-style-type: none"> ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ agreeing preferential claims; ■ arranging distributions to the secured and preferential creditors; ■ drafting our progress report.

Time costs

SIP 9 –Time costs analysis (02/10/2018 to 01/04/2019)			
	Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & planning			
Cashiering			
General (Cashiering)	35.30	10,363.10	293.57
Reconciliations (& IPS accounting reviews)	25.20	9,065.60	359.75
General			
Books and records	1.00	393.50	393.50
Fees and WIP	49.05	23,845.75	486.15
Statutory and compliance			
Budgets & Estimated outcome statements	43.60	23,759.00	544.93
Checklist & reviews	4.00	1,363.50	340.88
Engagement management	78.20	57,549.00	735.92
Extension related formalities	0.40	114.00	285.00
Statutory receipts and payments accounts	0.50	257.50	515.00
Strategy documents	26.60	20,336.50	764.53
Tax			
Post appointment corporation tax	168.05	87,762.75	522.24
Post appointment overseas tax	2.60	1,339.00	515.00
Post appointment VAT	49.70	19,843.50	399.27
Creditors			
Creditors and claims			
Agreement of preferential claims	167.80	62,746.50	373.94
General correspondence	27.50	10,652.50	387.36
Payment of dividends	2.70	1,105.00	409.26
Secured creditors	16.80	8,710.00	518.45
Statutory reports	153.20	76,078.00	496.59
Employees			
Agreeing employee claims	0.40	296.00	740.00

SIP 9 –Time costs analysis (02/10/2018 to 01/04/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Correspondence	48.50	18,441.50	380.24
Pensions reviews	1.00	375.00	375.00
General analysis			
Creditors and claims			
Customer claims – other	18.00	5,130.00	285.00
Dealing with aircraft leases and airports	1.30	487.50	375.00
Dealing with merchant acquirers and claims	0.40	150.00	375.00
Supplier claims – other	98.20	27,987.00	285.00
General			
Dealing with IT suppliers	0.70	262.50	375.00
IT, Systems, Cut off and information	1.90	712.50	375.00
Realisation of assets			
TSA - MAEL matters	2.70	1,012.50	375.00
Investigation			
Investigations			
Correspondence re investigations	0.30	112.50	375.00
Realisation of assets			
Asset Realisation			
Cash and investments	2.70	663.00	245.56
Debtors	17.30	9,735.50	562.75
Leasehold property	6.50	3,494.50	537.62
Other assets	1.20	705.50	587.92
Other			
Employee Matters / PAYE	2.70	918.50	340.19
Purchases and operating costs	29.75	11,787.75	396.23
Total in period	1,085.75	497,556.45	458.26

Brought forward time (appointment date to SIP 9 period start date)	15,638.39	7,253,637.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	1,085.75	497,556.45
Carry forward time (appointment date to SIP 9 period end date)	16,724.14	7,751,193.45

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.

Appendix 6 Glossary

ATT	Air Travel Trust
CAA	Civil Aviation Authority
Company/Monarch Airlines	Monarch Airlines Limited - in Administration
Freshfields	Freshfields Bruckhaus Deringer LLP
Group	Avro Limited, Avro Aviation Limited, First Aviation Limited, MH Aviation Transport Limited, Monarch 2011 Limited, Monarch Airlines Limited, Monarch Holdings Limited, Monarch Holidays Limited, Monarch Travel Group Limited, somewhere2stay Limited (all in administration)
IT	Information Technology
Joint Administrators/we/our/us	Jim Tucker, Blair Nimmo and Mike Pink
KPMG	KPMG LLP
MAEL	Monarch Aircraft Engineering Limited – in administration
Monarch 2011	Monarch 2011 Limited – in administration
PJL	Petrol Jersey Limited
PNC	PNC Business Credit (a trading name of PNC Financial Services UK Ltd)
PPF	Pension Protection Fund

Secured creditors	PJL, PPF, WJL and PNC
Senior secured creditor	PJL
SFA	Services and Funding Agreement
Slots	Take off and landing slots at UK airports
Vantage	Vantage 2014 Limited
WJL	Windsor Jersey Limited

Any references in this progress report to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Appendix 7 Notice: About this report

This report has been prepared by Jim Tucker, Blair Nimmo and Mike Pink, the Joint Administrators of Monarch Airlines Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency Rules (England and Wales) 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the Group.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules (England and Wales) 2016 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

James Robert Tucker and Michael Robert Pink are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

Blair Carnegie Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.

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