Rule 2 47

Form 2 24B

The Insolvency Act 1986

2.24B(CH)

Administrator's progress report

Name of Company	Company number
Aero Inventory plc	02887038

In the	Court case number
High Court of Justice	20693 of 2009

We

James Robert Tucker	Richard Heis	Allan Graham
KPMG LLP	KPMG LLP	KPMG LLP
8 Salisbury Square	8 Salisbury Square	8 Salisbury Square
London	London	London
EC4Y 8BB	EC4Y 8BB	EC4Y 8BB
United Kingdom	United Kingdom	United Kingdom

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

from	to
11 November 2012	10 May 2013

Signed

JR Tucker
Joint Administrator

Dated 7 June 2013

Contact Details.

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

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COMPANIES HOUSE
SATURDAY
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A10 08/06/2013 #93

ABSTRACT OF RECEIPTS AND PAYMENTS - 11/11/2012 to 10/05/2013 **Appendix to Form 2.24**

Aero Inventory plc

RECEIPTS	**£**
Brought forward from previous Abstract (if Any)	105,973 09
Transfer from Aero Inventory UK	200 00
Carried forward to * continuation sheet / next abstract	106,173 09

* Delete as appropriate

PAYMENTS	**£**
Brought forward from previous Abstract (if Any)	105,893 09
Bank charges	240 00
Carried forward to * continuation sheet / next abstract	106,133 09

* Delete as appropriate

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed

KPMG

cutting through complexity ™

Aero Inventory (UK) Limited and Aero Inventory Plc (both in administration) Progress Report

Report to Creditors pursuant to Rule 2.47 of the Insolvency Rules 1986 (as amended)

KPMG LLP

7th June 2013

Notice: about this Report

This Report has been prepared by James Tucker, Richard Heis and Allan Graham, the Administrators of Aero Inventory (UK) Limited and Aero Inventory Plc, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 (as amended) on the progress of the administrations, 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 Aero Inventory (UK) Limited and Aero Inventory Plc or other companies in the same 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 1986 (as amended) does so at their own risk To the fullest extent permitted by law, the Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person

James Tucker, Richard Heis and Allan Graham are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

The Administrators act as agents for Aero Inventory (UK) Limited and Aero Inventory Plc and contract without personal liability The appointments of the 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

Glossary of terms

Act	The Insolvency Act 1986 (as amended)
Administration Orders	The Administration Orders granted on the Companies, Royal Courts of Justice, Nos 20692 and 20693 of 2009
Administrations	The discharge of the Administration Orders
Administrators	James Tucker, Richard Heis and Allan Graham
Aero	The business of the Companies and (where relevant) its subsidiaries
AIPLC	Aero Inventory Plc Company registered number 02887038
AIUK	Aero Inventory (UK) Limited Company registered number 02904862
Company and the Companies	AIUK and AIPLC and together
Directors	Directors of the Companies
Group	The Companies and subsidiaries
HMRC	Her Majesty's Revenue and Customs
ICC	Informal Creditors Committee
Lenders or the Secured Lenders	Participants in a syndicate of Lenders in a $500 million Revolving Facilities Agreement dated 15 February 2008 with Lloyds TSB Commercial Finance Limited as Agent and Security Trustee
OEM	Original Equipment Manufacturer
Official List	The Official List of The UK Listing Authority- also known as full listing of the Stock Exchange
Prescribed Part	A pool of assets set aside for unsecured creditors out of floating charge assets of a company, to a maximum of £600,000
Proposals	Statement of Administrators' proposals to creditors
Purchaser or DAI	Diversified Aero Inventory 1 LLC, a Diversified Aero Services Inc group company Diversified Aero Inventory I LLC is a company formed under the laws of Delaware, United States registered with number 5309173 whose address is 11920 SW 128th Street, Miami, Florida 33186
ROT	Retention of title
Rules	The Insolvency Rules 1986 (as amended)
SPA	Sale and Purchase Agreement
TUPE	The Transfer of Undertaking (Protection of Employment) Regulations 2006

Contents

Executive summary

Executive summary

- James Tucker, Richard Heis and Allan Graham of KPMG LLP were appointed as Administrators of AIUK and AIPLC (Aero or the Companies) on 11 November 2009
- AIPLC was incorporated on 12 January 1994, its main business was as a holding company AIUK was incorporated on 4 March 1994, its main business was as a provider of consumable and expendable aircraft parts to the aerospace sector
- The Group was funded by a $500 million Revolving Facilities Agreement dated 15 February 2008 with Lloyds TSB Commercial Finance Limited as Agent and Security Trustee for a syndicate of lenders (the 'Lenders')
- The Group reported rising profits in the four years prior to entering into administration, it was, however, heavily cash consumptive over that period On 11 November 2009 the Group announced that it had not been able to secure additional short term funding to enable it to continue to trade and that other financial options to secure working capital had failed to reach a satisfactory conclusion
- The Directors appointed Administrators to AIPLC and AIUK The primary objective of the administrations, as set out in the proposals, is to achieve a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up without a preceding Administration Order A copy of the Administrators' Proposals was sent to all creditors on 4 January 2010
- In accordance with Paragraph 52(1)(b) of Schedule B1 of the Act, a meeting of creditors was not convened As mentioned in the Proposals, creditors were entitled to requisition a meeting provided that they had the support of at least 10% in value of the overall creditors and their request was made within 12 days of the date of the report There was insufficient support from creditors for a meeting to be convened and therefore the Administrators' Proposals are deemed to have been approved without modification It remains the Administrators opinion that there will continue to be a shortfall to secured creditors, in line with their initial assessment
- This report covers the six month period from 11 November 2012 to 10 May 2013 Since the last report the Administrators have continued to progress the administrations in line with the Proposals
- The administrations were extended by order of the Court on 30 October 2012 and will automatically end on 10 November 2014
- Aero remains a large, complex, international insolvency In effect, a brand new aircraft parts business (aeroinv com) was constructed and launched within the confines of a company in administration
- Since the Administrators last report, they have completed the process of consolidating all aircraft parts from various regions across the globe into a brand new hub facility in Singapore and in an intermediary location in Montreal, Canada
- Subsequent to this consolidation, the Administrators recently concluded a sale of the business with the approval of the Secured Lenders The business and assets, including aeroinv com, were sold in April 2013 to Diversified Aero Inventory I LLC, a company based in Florida, USA Initial cash consideration of $26 million has been received, with the potential for additional consideration based upon future events
- After protracted negotiations with counterparts in Canada surrounding inventory ownership issues, these matters were consensually resolved in H1 of 2012 which subsequently triggered the commencement of the inventory uplift in Canada in June 2012 The final parts were receipted and processed at AIUK's leased facility in Montreal, Canada in late November 2012, subsequent to which a final inventory reconciliation phase was carried out and completed by February 2013
- The Administrators have consulted with the Informal Creditors' Committee and Secured Lenders regularly on all matters affecting overall strategy

Executive summary

- The AIUK preferential creditors were paid in full on 23 December 2010 (AIPLC has no preferential creditors) Based on the expected level of realisations and creditors, the Administrators estimate (from creditor information provided to date) a dividend to unsecured creditors in the administration of AIUK of approximately 0 9p in the pound, before costs, based entirely on their share of the Prescribed Part (a fund set aside for unsecured creditors even where there is a shortfall to secured creditors) As at the date of this report, the Administrators have not paid distributions to Secured Lenders or the Prescribed Part There will be no Prescribed Part in respect of AIPLC as there are no floating charge assets

J. Tucker

JR Tucker
Joint Administrator

Introduction

Introduction

James Tucker, Richard Heis and Allan Graham of KPMG LLP were appointed as Administrators of the Companies on 11 November 2009 by the Court

This report has been prepared in accordance with Rule 2 47 and covers the period from 11 November 2012 to 10 May 2013 Form's 2 24B, formal notice to that effect, are enclosed

Statutory information as required under Rule 2 47 is attached at Appendix 1 An abstract of the Administrators' receipts and payments account for the period to 10 May 2013 is attached at Appendix 2 The figures are shown net of VAT

Administrators' proposals

The Administrators' proposals were circulated to all known creditors on 4 January 2010 and were deemed approved without modification

Purpose of the administrations and proposals for achieving their objective

In accordance with Paragraph 3(1), the Administrators have the following hierarchy of objectives

a) Rescuing the company as a going concern, or

b) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or

c) Realising property in order to make a distribution to one or more secured or preferential creditors

For the reasons stated in the proposals the primary objective of the Administrations is objective b), to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up

Progress of the administrations

Progress of the administrations to date

Background and summary of progress to date

- Aero remains a large, complex, international insolvency
- As set out in previous reports the administration posed several significant challenges in order to generate realisations Aero had sole supplier contracts with four key customers It owned approximately 40 million aircraft parts across 500,000 different part lines The aircraft parts were primarily located at customer premises in twelve separate countries, each of whom was claiming substantial damage to their business as a result of the Company's insolvency The customers did not wish to purchase significant volumes of stock and there was no readily available channel to realise the remainder
- Since our appointment as Administrators on 11 November 2009, we have been working to maximise realisations for creditors by
  - Validating the inventory assets owned by the Companies
  - Developing and implementing a realisation strategy for the inventory which has involved working to create a stable trading platform that complies with aviation industry requirements
  - Investigating any potential claims against third parties that may benefit the estate
- This report gives a brief update on these items
- In summary the realisation plan has centred around the uplift of inventory situated across the globe, consolidating it in a central hub and then selling it on the open market via a number of different sales channels In effect, a brand new international business has been constructed from within the confines of a company in administration
- Since our last report significant progress in executing the strategy is as follows
  - Gateway processes (to consolidate the inventory and match it to its trace paperwork) were completed in Hong Kong and the UK in mid 2012, and operations at the Gateway in Japan ceased in December 2012 The Administrators had moved all inventory bound for the Singapore Hub to the facility by January 2013
  - The uplift of inventory in Canada commenced in June 2012 subsequent to ownership issues being resolved All parts were receipted and processed at the leased facility located in Montreal, Canada by late November 2012, subsequent to which a final inventory reconciliation phase was carried out in preparation for the inventory to be made available for sale to a third party This final phase of operations was completed in late February 2013 which drew operations in Canada to a close
  - With the completion of operational matters in Canada, this completed the uplift of inventory at the Singapore Hub and Canadian facility
  - The Administrators completed the sale of Aero's business and assets, including aeroinv com in April 2013 Please see further detail on the next page

Progress of the administrations to date (cont.)

Sales workstream

- The business attracted over 700 new customers, generating in the region of $1 3 million - $1 5 million sales revenue per month in the six months prior to the sale of the business Customers submitted over 40,000 searches per month through the site and in recent months approximately 50% of revenue was generated on-line aeroinv com is also listed on eight further industry platforms for selling aviation parts
- A sales team, consisting of over 20 road sales representatives/agents covering all corners of the globe and a 24/7 UK based sales and support team, was created There was an ongoing marketing programme to maintain and generate further interest in the offering In addition, since our last report, the business continued to exhibit at a number of key aerospace exhibitions

Sale of business

- The Administrators concluded a sale of the business in April 2013 The business and assets, including aeroinv com, was sold during April 2013 to Diversified Aero Inventory I LLC (the Purchaser) Consideration of $26 million has been received, with $1 million further consideration contingent upon the resolution of a specific stock issue in Canada
- The sale was completed in consultation with our corporate finance advisers, and approved by the Secured Lenders

Customer negotiations

- As mentioned above, ownership issues in Canada were resolved in H1 of 2012 which allowed for the Canada uplift to commence in June 2012 The final parts were uplifted to a facility leased in Montreal, Canada by late November 2012, subsequent to which a final inventory reconciliation phase was carried out in preparation for the inventory to be made available for sale to a third party This final phase of operations was completed in February 2013
- The Administrators dealings with ANA drew to a close in March 2013 after ANA acquired a final parcel of inventory for the sum of $0 6 million, which increased total receipts from ANA since September 2012 to $2 4 million

Overseas entities

- Currently, the Australian, Canadian, Hong Kong and Swiss entities are in local insolvency processes (with local KPMG insolvency practitioners appointed as office holders in all cases except Switzerland where it is a court appointed officer)
- These entities do not have an independent income stream or assets to fund their insolvency processes (where relevant), so funding from the UK is required in order to maximise realisations for the benefit of the Companies' creditors
- As such, the Companies are meeting local entity funding requests where these are considered to be in the best interests of the Companies' creditors

Retention of title

- As per our last report, all retention of title claims lodged by AIUK creditors in this administration have been resolved No further claims have been made in the last six months

Progress of the administrations to date (cont.)

Corporation tax

- Since the date of the last report, the Administrators have agreed further corporation tax repayments of approximately $1 5 million (including interest) after Crown set-off This repayment brings the total reclaim (including interest) to $23 1 million and represents a repayment of 98% of the total tax paid since 2004
- The sale of the Company's business and assets resulted in a cessation of trade for UK tax purposes No corporation tax liabilities have been triggered as a result of the sale
- Taxable income may arise in the future in respect of any receipts from relevant actions but we would not expect a tax liability to arise due to the availability of tax losses

Indirect tax

- The Purchaser has a number of obligations for the sale of the business to qualify as a transfer of a going concern The Administrators continue to monitor these obligations
- Subsequent to the cessation of trading, the Administrators are working together with the KPMG Indirect Tax team to close out the Company's sales tax returns around the world

Employees

- In accordance with TUPE, 68 employees transferred together with the business and assets to the Purchaser
- No employees remain employed by Aero, although the Administrators have made arrangements with the purchaser to retain access to key staff members as required in support of their ongoing investigations and any relevant actions

Costs of the administrations

Aero Inventory (UK) Limited and Aero Inventory plc

Aero Inventory (UK) Limited and Aero Inventory plc

- The statutory provisions relating to remuneration are set out in Rule 2 106 Further information is available in the association of Business recovery Professional's publication, "a creditors' guide to fees" which can be found at http //www r3 org uk/media/documents/technical_library/SIPS/SIP%209%20E&W pdf However, if you are unable to access this guide and would like a copy please contact Tom Chuter on 020 7311 8667
- The Association of Business Recovery Professional's Statement of Insolvency Practice No 9 requires the Administrators to provide a full detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out Therefore, attached as Appendix 3, is a detailed analysis of time spent and charge out rates for each grade of staff, for work carried out from 11 November 2012 to 10 May 2013
- Under Rule 2 106, as the Administrators' made a statement in accordance with Paragraph 52(1)(b), because the Companies had insufficient property to enable a distribution to be made to its unsecured creditors, other than potentially by virtue of section 176A(2)(a), the Prescribed Part, and as a distribution has been made to preferential creditors it was for the secured and preferential creditors to approve the basis of the Administrators' remuneration in accordance with R2 106(5A)
- The Administrators have obtained a resolution from both the Companies' preferential creditors (in the case of Aero Inventory (UK) Ltd) and secured creditors in favour of their remuneration by reference to time properly given by the Administrators and their staff in attending to matters arising in the administrations
  - At a meeting of Secured Lenders held on 11 February 2010 it was resolved to form an ICC, for the purpose of assisting the Administrators in discharging their functions and for such other purposes as may, from time to time, be agreed between the ICC and the Administrators and/or delegated to the ICC by the Majority Lenders (as defined in the Aero Facility Agreement) The Secured Lenders resolved to delegate all powers to fix and approve the remuneration, costs and expenses (including legal expenses) of the Administrators of the Companies to the ICC To date the ICC has approved KPMG fees and Category 2 disbursements up to and including 30 June 2011
  - In accordance with Insolvency Rule 2 106 the Administrators of Aero Inventory (UK) Ltd have sought and obtained the approval of more than 50% of the preferential creditors to fix their remuneration by reference to time properly given by the Administrators and their staff in attending to matters arising in the administrations, allowing them to draw fees in line with ICC approvals
- As described to the Secured Lenders and set out in our report to all creditors of 30 December 2009, KPMG overseas offices are assisting the Administrators in realising assets in each of the major jurisdictions, as well as acting for certain of the local entities in both advisory and formal appointment capacities
- One of the approved Proposals provides that

  " the costs of KPMG overseas firms incurred in respect of assisting the Administrators in maximising realisations for the benefit of the Companies' creditors be paid as an administration expense of the Company"

Costs of the administrations
Aero Inventory (UK) Limited (cont.)

- Paragraph 6 6 of SIP 9 provides that

  "Payments to outside parties in which the office holder or his firm or any associate (as defined by section 435 of the Insolvency Act 1986) has an interest should be treated as a category 2 disbursement "

- KPMG is an international network of separate member firms and the relationships described in section 435 of the Insolvency Act 1986 do not apply to our relationship with other KPMG member firms However, for the purposes of obtaining fee approvals, the Administrators have incorporated the provisions of Paragraph 6 6 of SIP 9 and sought the Approving Bodies' approval of KPMG overseas fees as category 2 disbursements as set out by SIP 9
- All fees submitted to the ICC, the requisite approval body, have been approved

Creditors and future strategy

Creditors and future strategy

Secured creditors

- Substantially all of the Companies' assets are secured in favour of a syndicate of lenders with Lloyds TSB Commercial Finance Limited as Agent and Security Trustee ('the Secured Lenders') The Administrators do not consider that the Secured Lenders will be repaid in full
- Solicitors, Jones Day LLP were instructed to provide the Administrators with an independent report of the validity of the Secured Lenders' security

Preferential creditors

- The Administrators' staff have completed the processing of a large number of claims from employees made redundant since the date of the administration appointments On 23 December 2010, AIUK settled in full preferential claims totalling £127,155 in respect of outstanding wage arrears and holiday pay
- AIPLC has no preferential creditors

Unsecured creditors

- In their Statement of Affairs, the Directors estimate that claims from the unsecured creditors will total £58,571,804
- A dividend to the unsecured creditors of AIUK is anticipated as a result of the application of the provisions of the Act relating to the Prescribed Part (see below section for further details) It is unlikely that any further funds will become available to the unsecured creditors in excess of the Prescribed Part
- There will be no Prescribed Part in respect of AIPLC as there are no floating charge assets

Prescribed Part

- The Prescribed Part provisions of S 76A of the Act entitle unsecured creditors to a percentage share of realisations from net floating charge assets, after the costs of realisation and settlement of preferential claims The percentage is calculated on a sliding scale up to a maximum amount of £600,000 subject to costs Based on the expected level of realisations and the amounts owed to the Secured Lenders, there is little prospect of funds otherwise being available for unsecured creditors
- On present information, if the Administrators are able to realise Aero's inventory stock in line with the projected strategy, the Prescribed Part funds for AIUK are likely to be the maximum amount, less costs, prescribed under S 176A of the Act and will enable the payment of a dividend of approximately 0 9p in the pound, before costs
- The Administrators made an application to the Court for an order inter alia, seeking authority to allow the Administrators to pay a Prescribed Part dividend to the unsecured creditors The application was approved on 20 October 2010 As at the date of this report, the Administrators have not paid distributions to Secured Lenders or to unsecured creditors from the Prescribed Part

Creditors and future strategy

Future strategy

- It is proposed that the Administrators will continue to manage the affairs, business and property of the Companies in order to achieve the purpose of the administrations This will include
  - Winding down all trading operations of the Company, including
    - Settling administration expenses,
    - Submitting final period sales tax returns,
    - Settling all amounts payable/receivable between the Company and the Purchaser to ensure an accurate financial cut off,
  - completing our investigations into the reasons for the failure of the Companies and to consider any relevant actions,
  - finalising and settling costs and expenses of the administrations,
  - making available distributions to the Secured Lenders under their fixed and floating charges,
  - agreeing the claims of unsecured creditors,
  - declaring and paying a dividend to unsecured creditors,
  - finalising the administrations, including payment of all administration liabilities;
  - dealing with statutory reporting and compliance obligations

Ending the administration

- As set out in this report, there remain outstanding matters to be completed in the administrations, and in order to progress these matters the Administrators sought and obtained the consent of the Court, to the extension of the administrations for a period of 2 years to 10 November 2014
- The Administrators intend to eventually exit these administrations either by placing the entities into a voluntary liquidation process or by dissolution under Paragraph 84 of the Act, in accordance with the proposals as approved by the Companies' creditors The rationale for adopting the appropriate exit route will be determined by the availability of longer term asset realisations which will be required to be managed in a cost effective manner
- HMRC have agreed that one corporation tax return is required for the administration period to illustrate the loss position of the Company Once submitted, HMRC have confirmed that they will have no objections to the Company moving into liquidation
- If the Company is placed in to liquidation, the liquidators will be required to submit corporation tax returns on an annual basis until the company is dissolved

Appendix 1

Statutory information

Appendix 1
Statutory information

Company name	Aero Inventory (UK) Limited (in Administration)
Company number	02904862
Date of incorporation	4 March 1994
Registered office	8 Salisbury Square, London, EC4Y 8BB
Previous address	30 Lancaster Road, New Barnet, Hertfordshire, EN4 8AD
Court	High Court of Justice
Court reference	20692 of 2009
EU regulation	The EU regulation applies and these proceedings are main proceedings as defined therein
EC Regulation	EC regulations will apply and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulations The centre of main interest of the Companies is in England within the EC
Administrators	James Tucker, Richard Heis and Allan Graham
Date of appointment	11 November 2009
Appointer	Directors
Para 100(2) statement	In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986, the Directors of the company state that all functions or acts to be carried out by the Administrators are to be exercised by all or any one or more of the persons for the time being holding that office
Directors	Collin Trupp, Kay Crush, Hugh Bevan, Paul Rupert Lewin, Martin Webster, Colin Arthurs; Martin Dodge; John Harper (resigned 30 November 2006), Sarah Pardington (resigned 30 April 2008), Andrew Matthews (resigned 30 November 2007); Iain Osborne-Patterson (resigned 23 August 2007), Stuart Nathan (resigned 31 March 2008), David Pinnell (resigned 21 January2007), Andrew Jackson (resigned 30 November 2007), and Paul Docker (resigned 27 April 2009), Graham Mitchell (resigned 1 April 2011)
Secretary	MJ Webster FCIS

Statutory information (cont.)

Company name	Aero Inventory Plc (in Administration)
Company number	02887038
Date of incorporation	12 January 1994
Registered office	8 Salisbury Square, London, EC4Y 8BB
Previous address	30 Lancaster Road, New Barnet, Hertfordshire, EN4 8AD
Court	High Court of Justice
Court reference	20693 of 2009
EU regulation	The EU regulation applies and these proceedings are main proceedings as defined therein
EC Regulation	EC regulations will apply and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulations The centre of main interest of the Companies is in England within the EC
Administrators	James Tucker, Richard Heis and Allan Graham
Date of appointment	11 November 2009
Appointer	Directors
Para 100(2) statement	In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986, the Directors of the company state that all functions or acts to be carried out by the Administrators are to be exercised by all or any one or more of the persons for the time being holding that office
Directors	Henry McCorkell (83,009 – personal shareholding)[a], Roger Davis (1,008,681 – personal shareholding)[a], Paul Rupert Lewin, Collin Trupp (15,000 – personal shareholding)[a], Martin Dodge (315,225 – personal shareholding)[a]; Hugh Bevan (83,957 – personal shareholding)[a], Frank Turner; Laurence Heyworth (10,000 – personal shareholding)[a], Martin Webster (74,967 – personal shareholding)[a], Paul Docker (resigned 27 April 2009) (13,979 – personal shareholding)[a], and Timothy Davey (resigned 7 December 2007)
Secretary	MJ Webster FCIS (74,967 – personal shareholding)[a]

Appendix 2

Receipts and payments

Appendix 2

Aero Inventory (UK) Limited – Receipts and payments account

Aero Inventory (UK) Limited- period account to 10 May 2013

	Statement of affairs (£)	11 Nov 2009 to 10 November 2012 (Total £ or £ equivalent)	11 November 2012 to 10 May 2013 (Total £ or £ equivalent)	11 November 2009 to 10 May 2013 (Total £ or £ equivalent)
Receipts				
Sales	147,618,175	57,476,229	5,663,644	63,139,873
Furniture & equipment	50,000	38,217	2,981	41,198
Plant & machinery	-	-	2	2
Stock	3,211,922	-	16,747,177	16,747,177
Shares and investments	-	-	1	1
Property rights/Patents	-	-	1	1
Goodwill	-	-	1	1
Motor vehicles	-	31,433	-	31,433
Book debts	-	6,511,202	-	6,511,202
Book debts - CT refund	-	14,274,037	981,564	15,255,601
Cash at bank	-	62,941	-	62,941
License to occupy fee	-	-	17,794	17,794
Post Completion DAI sales	-	-	27,513	27,513
Other funding	-	-	-	-
Miscellaneous income	-	5,907	4,006	9,913
Irish VAT received *	-	-	-	-
Floating ch VAT received	-	69,016	3,559	72,575
Floating ch VAT control	-	5,626,134	416,753	6,042,886
Floating charge GST received	-	3,783,469	16,509	3,799,977
Floating charge GST control	-	180,312	156,320	336,632
Floating charge HST received *	-	-	-	-
Floating charge QST received *	-	134,714	49	134,762
Bank Interest	-	20,328	879	21,207
Sundry refunds	-	44,676	-	44,676
Facility – Funding (1)	-	3,133,421	(3,133,421)	-
Total receipts in period	**150,880,097**	**91,392,035**	**20,905,331**	**112,297,366**

Notes (1) During the period, the Administrators drew an additional $1 5m from the facility Upon receipt of the sale of business proceeds, the balance of the facility of $6 5m was repaid in full
* Prior period brought forward figure has been adjusted to reclassify Irish VAT and Canadian HST and QST following advice received from the KPMG Indirect Tax team.

Aero Inventory (UK) Limited – Receipts and payments account (cont.)

Aero Inventory (UK) Limited- period account to 10 May 2013 (cont.)

	11 Nov 2009 to 10 November 2012 (Total £ or £ equivalent)	11 November 2012 to 10 May 2013 (Total £ or £ equivalent)	11 Nov 2009 to 10 May2013 (Total £ or £ equivalent)
Payments			
Overseas funding			
US Funding	756,275	-	756,275
Australia funding	2,362,841	91,396	2,454,237
Canada funding	3,720,595	180,851	3,901,446
Hong Kong funding	2,314,619	904	2,315,523
Indonesia funding	316,143	9,447	325,591
Japan funding	3,202,118	92,729	3,294,847
Singapore funding	1,093,207	105,396	1,198,603
Other funding	108,776	-	108,776
Total Overseas funding	**13,874,575**	**480,723**	**14,355,298**
Other costs			
Direct expenses	658,369	60,970	719,340
Sub contractors	6,658,639	968,081	7,626,720
Payroll Costs	10,091,802	1,706,007	11,797,809
Rent	924,084	34,500	958,584
Rates	366,856	8,685	375,541
Water rates	14,213	715	14,928
Heat & light	155,096	26,560	181,656
FX Loss	102,727	2,648	105,375
Sales and Marketing	1,778,702	320,525	2,099,227
ERP payments	715,064	19,518	734,582
DHL payments	7,442,639	1,135,215	8,577,854
Canada - uplift	608,982	147,335	756,317
Travel	1,203,090	124,238	1,327,328
Telephone/networks/fax	2,583,372	149,052	2,732,424
Carriage	235,529	111,957	347,486
Insurance	2,632,826	116,091	2,748,917
Professional fees	898,995	48,327	947,321

Appendix 2

Aero Inventory (UK) Limited – Receipts and payments account (cont.)

Aero Inventory (UK) Limited- period account to 10 May 2013 (cont.)

	11 Nov 2009 to 10 November 2012 (Total £ or £ equivalent)	11 November 2012 to 10 May 2013 (Total £ or £ equivalent)	11 November 2009 to 10 May 2013 (Total £ or £ equivalent)
Other costs (cont.)			
Bank charges & interest	619,064	151,487	770,551
Hire of equipment	54,378	-	54,378
Repairs and maintenance	81,113	14,540	95,653
Sundry expenses	623,166	59,373	682,539
Stationery & postage	31,576	6,846	38,423
RoT settlements	137,366	-	137,366
Legal fees	6,941,803	1,072,512	8,014,315
Transfer to/from Aero Inventory plc	78,344	200	78,544
Advertising	61,619	-	61,619
Statutory Advertising	137	-	137
Book debts	41	-	41
Subrogated EP(C)A claim	13,740	-	13,740
Floating charge dividend	1,136,585	-	1,136,585
Employees' wage arrears	113,274	-	113,274
National insurance contributions	69,819	-	69,819
Trade incentive payments	68,405	-	68,405
Sales Agents' Commission	45,747	94,412	140,159
Entrustment Partners' Commission	331,760	146,695	478,456
Storage costs	318,577	3,201	321,778
Facility commitment fees	127,214	74,450	201,664
Facility - Interest Charges	-	126,506	126,506
Facility - Other fees and charges	113,004	12,882	125,886
Corporation tax	-	2,445	2,445
Debtor book sweep to DAI	-	265,204	265,204
Canada Completion Tax Holdback	-	193,237	193,237
Pre appointment costs	20,784	-	20,784
Petitioners expenses	13,570	-	13,570
Statement of affairs work	10,000	-	10,000
Bank interest, net of tax	400	-	400
Unclaimed Dividends(1)	-	-	-
Administrators' fees	16,203,185	-	16,203,185
Administrators' expenses	649,040	-	649,040
Irrecoverable VAT *	13,212	2,310	15,522
Irish VAT payable *	-	-	-

Notes (1) Unclaimed dividends have now been claimed in full

~~* Prior period brought forward figure has been adjusted to reclassify Irish VAT and Canadian HST and QST following advice received from the KPMG Indirect Tax team.~~

Appendix 2

Aero Inventory (UK) Limited – Receipts and payments account (cont.)

Aero Inventory (UK) Limited- period account to 10 May 2013 (cont.)

	11 Nov 2009 to 10 November 2012 (Total £ or £ equivalent)	11 November 2012 to 10 May 2013 (Total £ or £ equivalent)	11 November 2009 to 10 May 2013 (Total £ or £ equivalent)
Other costs (cont)			
Customs Duty	2,561	47,995	50,556
Floating charge GST payable	3,971,433	33,572	4,005,004
Floating charge VAT payable	6,016,906	764,436	6,781,342
Floating charge HST payable *	110,218	8,358	118,576
Floating charge QST control *	54,300	-	54,300
Floating charge QST payable	97,363	7,769	105,132
Total other payments	**75,200,691**	**8,068,853**	**83,269,544**
Total payments in period	**89,075,266**	**8,549,576**	**97,624,842**
Net receipts/(payments) in period	**2,316,769**	**12,355,755**	**14,672,524**
Movements during the period 11 November 2012 to 10 May 2013			
Opening balance as at 11 November 2012			2,316,769
Net receipts/(payments) in the period			12,355,755
Closing balance as at 10 May 2013 prior to FX movements			**14,672,524**
Foreign exchange movements			(1,087,386)
Closing balance as at 10 May 2013			**13,585,138**

Notes * Prior period brought forward figure has been adjusted to reclassify Irish VAT and Canadian HST and QST following advice received from the KPMG Indirect Tax team.

Appendix 2

Aero Inventory Plc – Receipts and payments account

Aero Inventory Plc – period account to 10 May 2013

	11 Nov 2009 – 10 Nov 2012 (Total £ or £ equivalent)	11 Nov 2012 – 10 May 2013 (Total £ or £ equivalent)	11 Nov 2009 – 10 May 2013 (Total £ or £ equivalent)
Receipts			
Sundry refunds	528	-	528
Transfer from Aero Inventory UK	91,894	200	92,094
Floating charge VAT Control	13,550	-	13,550
	105,972	**200**	**106,172**
Payments			
Bank charges and interest	1,365	240	1,605
Administrators' fees	77,428	-	77,428
Transfer to Aero Inventory UK	13,550	-	13,550
Floating charge VAT payable	13,550	-	13,550
	105,893	**240**	**106,113**
Net receipts/(payments) in period	**79**	**(40)**	**39**
Balance in hand	**79**		**39**

Appendix 2

Administrators' abstract of receipts and payments as at 10 May 2013 (cont.)

To give context to the preceding receipts and payments accounts, the following key aspects should be considered:

Notes:	
General	▪ The revised SIP 7 has been considered in producing the receipts and payments account and has been applied where applicable ▪ The above receipts and payments account shows a consolidated picture of the receipt and payments from the Aero Inventory (UK) Limited estate and funding transfers between bank accounts have been eliminated ▪ Foreign exchange rates used for the period to November 2012 are historic (£1 $1 47911 for the period 10 Nov 2009 to 10 May 2010; £1 $1 55525 for the period 11 May 2010 to 10 Nov 2010, £1 $1 63690 for the period 11 Nov 2010 to 10 May 2011, £1 $1 60287 for the period 11 May 2011 to 10 Nov 2011, £1 $1 61322 for the period 11 Nov 2011 to 10 May 2012, £1 $1 5957 for the period 11 May 2012 to 10 Nov 2012), for the period 11 November 2012 to 10 May 2013 an exchange rate of £1 $1 5525 has been used This means that the above receipts and payments account will differ to that produced for filing at Companies House ▪ The foreign exchange movements of £1,087,386 noted on Appendix 2 (page 26) is a non-cash movement only and is a result of the historic translation rates being applied
Receipts	
Sales	▪ Sales relate to transactions entered into during the administration for sale of stock AIUK sales were typically made in dollars ▪ The most significant receipts in the period relate to the sale of stock through the aeroinv com business Sales receipts of £5 7m were recorded in the period to 10 November 2012
Sale of Business	▪ Consideration of $26m was received from the Purchaser for the business and assets This has been allocated in the R&P in line with the provisions of the SPA ▪ Further amounts payable/receivable between the Company and Purchaser in accordance with the provisions of the SPA are also itemised in the R&P, and will be in future R&P's ▪ In accordance with local requirements, a holdback of $300,000 has been applied against proceeds received in respect of stock located in Canada

Appendix 2

Administrators' abstract of receipts and payments as at 10 May2013 (cont.)

Payments	
Facility drawdown	▪ Facility drawdown receipts and payments relate to drawings under the administration funding facility with Barclays and Lloyds TBS Commercial Finance ▪ The administrators increased the drawdown to \$6 5m during the period, before repaying the facility in full before the end of the period
Funding	▪ £0 5 million of funding has been paid to AIUK's overseas operations in the period to 10 May 2013 The overseas operations are assisting with making recoveries on existing contracts and facilitating the uplift of remaining AIUK stock The most significant payments are for payroll and rent in Canada
Payroll costs	▪ AIUK payroll costs of £1 7 million have been incurred in the period to 10 May 2013
DHL	▪ DHL costs of £1 1 million have been incurred in the period to 10 May 2013, principally in relation to the completion of the Canada uplift
Legal fees	▪ The majority of legal fees paid during the period were to CMS Cameron McKenna (UK) This included, but was not limited to, work undertaken for the following – Day to day matters including drafting a number legal contracts related to trading the business, – Extending the Administration of the Companies, – Planning, drafting and execution of the sale of the business, and – Coordinating between the Administrators' international legal teams
Administrators' fees	▪ Although KPMG fees have been approved to 30 June 2011, not all fees have yet been drawn, and no fees have been drawn in the period since the last report

Appendix 3

Administrators' time and cost analysis for the period 11 November 2012 to 10 May 2013, including schedule of charge out rates

Appendix 3
Aero Inventory (UK) Limited – Administrators' time and cost analysis

Aero Inventory (UK) Limited SIP 9 Analysis (11 November 2012 – 10 May 2013)

Consolidated time spent by grade	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Trading							
Cashiering							
General (Cashiering)	0 50	26 4	176 5	-	203 4	62,486	307
Reconciliations (& IPS accounting reviews)		-	110 0	-	110 0	26,480	241
	0 50	**26 4**	**286.5**	**-**	**313 4**	**88,966**	**284**
Employees							
Correspondence	-	2 8	144 5	-	147 3	47,472	322
	-	**2 8**	**144 5**	**-**	**147 3**	**47,472**	**322**
Tax							
Post appointment corporation tax	11 7	292 6	92 4	-	396 7	180,915	456
Post appointment VAT	68 5	37 9	22 7	-	129 1	68,019	527
Post appointment overseas tax	-	78 2	109 0	-	187 2	60,568	324
Post appointment PAYE	-	1 9	8 7	-	10 6	2,924	276
Initial review – CT and VAT	-	-	8 3	-	8 3	2,640	318
	80 2	**410 6**	**241.1**	**-**	**731.9**	**315,066**	**431**
Trading							
Cash & profit projections & strategy	45 0	-	783 5	-	828 5	280,870	339
Purchases and trading costs	-	274 9	266 0	-	540 9	184,796	342
Sales	8 0	10 3	260 0	-	278 3	72,292	260
	53 0	**285 2**	**1,309.5**	**-**	**1,647 7**	**537,958**	**326**
Administration & planning							
Statutory and compliance							
Reports to debenture holders	59 0	-	-	1 0	60 0	39,655	661
Strategy documents	42 0	1 4	-	5 8	49 2	30,241	615
Closure and related formalities	-	35 0	-	-	35 0	15,400	440
Checklist & reviews	-	2 3	4 0	25 0	31 3	5,325	170
	101 0	**38 7**	**4.0**	**31.8**	**175 5**	**90,621**	**516**
General							
Books and records	-	18 0	4 0	-	22 0	10,536	479
	-	**18 0**	**4 0**	**-**	**22 0**	**10,536**	**479**
Balance c/f	**234 7**	**781 7**	**1,989 6**	**31 8**	**3,037 8**	**1,090,619**	**359**

Appendix 3

Aero Inventory (UK) Limited – Administrators' time and cost analysis (cont.)

Aero Inventory (UK) Limited SIP 9 Analysis (11 November 2012 – 10 May 2013)

Consolidated time spent by grade	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Balance b/f	234 7	781 7	1,989 6	31 8	3,037 8	1,090,619	359
Creditors							
Creditors and Claims							
Secured creditors	92 5	-	-	-	92 5	68,198	737
Statutory reports	54 0	21 8	17 9	5 9	99 6	50,806	510
Legal claims	12 5	0 5	-	0 4	13 4	9,833	734
General correspondence	-	-	5 5	-	5 5	1,320	240
Reports	-	-	-	12 3	12 3	1,531	125
	159 0	**22 3**	**23 4**	**18 6**	**223 3**	**131,687**	**590**
Investigation							
Investigations							
Review of pre-appt transactions	50 5	78 0	-	-	128 5	68,605	534
	50 5	**78 0**	-	-	**128 5**	**68,605**	**534**
Realisation of assets							
Asset Realisation							
Stock and WIP	117 5	1,597 8	695 0	4 4	2,414 7	1,156,730	480
Sale of business	608 7	662 5	239 5	27 7	1,538 4	819,138	532
Leasehold property	-	18 8	-	0 2	19 0	8,297	437
Debtors	-	-	2 0	-	2 0	480	240
	726 2	**2,279.1**	**936 5**	**32.3**	**3,974 1**	**1,984,645**	**500**
Total in period £	1,170 4	3,161 1	2,949 5	82 7	7,363 7	3,275,556	445
Total in period $						5,085,301	691

Appendix 3

Aero Inventory (UK) Limited – Administrators' time and cost analysis (cont.)

Hours/costs to date	Total hours	Time cost (£)	Average hourly rate (£)
b/f (up to 10 November 2012)	106,150	44,760,130	422
In the period	7,364	3,275,556	445
c/f	**113,514**	**48,035,686**	**423**

Category 1 disbursements 11 November 2012 – 10 May 2013	£
Transport – flights	54,869
Accommodation	17,746
Transport – other	5,497
Meals	6,231
Transport – car hire	4,459
Transport – trains	2,263
Telephone	4,663
Sundry expenses	9,682
Courier / delivery costs	2,440
Presentation / print services	2,253
Total in £	**110,103**
Total in $	170,935

Note In addition to the fees reported above the sum of £342,326 in fees have been paid which relate specifically to work undertaken prior to the commencement of the administration These fees have been reported separately in our receipts and payments under the line item Floating charge dividend' (the total of this line item in our receipts and payments is £1,136,585 prior to this reporting period the balance of which represents legal fees incurred pre-appointment)

Category 2 disbursements 11 November 2012 – 10 May 2013	£
Transport – mileage	9,697
Non-UK time costs and expenses assisting UK Administrator	
Canada (Information Officer)	-
Hong Kong	-
Indonesia	-
Japan	-
USA	-
Total Category 2 disbursements	9,697
Total in $	15,054
Grand total (Category 1 and 2 disbursements)	**119,800**
Grand total in $	185,989

Appendix 3

Aero Inventory Plc – Administrators' time and cost analysis

Aero Inventory Plc SIP 9 Analysis (11 November 2012 – 10 May 2013)

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Trading							
Employees							
Correspondence	-	1 4	-	-	1 4	616	440
	-	**1 4**	**-**	**-**	**1 4**	**616**	**440**
Tax							
Post appointment PAYE	-	-	0 9	-	0 9	216	240
Post appointment VAT	-	2 2	6 4	-	8 6	2,724	317
	-	**2 2**	**7.3**	**-**	**9 5**	**2,940**	**309**
General							
Fees and WIP	-	1 3	-	-	1 3	572	440
Books and records	-	1 5	8 8	-	10 3	2,794	271
	-	**2 8**	**8 8**	**-**	**11 6**	**3,366**	**290**
Statutory and compliance							
Checklist & reviews	6 5	0 3	1 6	-	8 4	5,489	653
Strategy documents	-	1 8	-	-	1 8	792	440
Statutory receipts and payments accounts	-	-	0 1	-	0 1	32	320
	6 5	**2 1**	**1 7**	**-**	**10.3**	**6,313**	**613**
Creditors							
Creditors and claims							
Pre-appointment VAT / PAYE / CT	0 2	-	-	-	0 2	153	765
Reports	-	1 6	-	-	1 6	704	440
General correspondence	-	1 2	0 6	-	1 8	672	373
Statutory reports	-	12 6	16 2	-	28 8	9,432	328
	0 2	**15.4**	**16 8**	**-**	**32 4**	**10,961**	**338**
Realisation of assets							
Asset Realisation							
Sale of business	1 0	6 1	11 3	-	18 4	6,161	335
	1 0	**6 1**	**11 3**	**-**	**18 4**	**6,161**	**335**
Total in period	**7.7**	**30 0**	**45 9**	**-**	**83 6**	**30,357**	**363**
Total in period $						**47,129**	**563**

Appendix 3

Aero Inventory Plc – Administrators' time and cost analysis (cont.)

Hours/costs to date	Total hours	Time cost (£)	Average hourly rate (£)
b/f (up to 10 November 2012)	518	135,247	261
In the period	84	30,357	363
c/f	**602**	**165,604**	**275**

Category 1 disbursements 11 May 2012 – 10 November 2012	£
Category 1 disbursements	Nil
Total category 1 disbursements	**Nil**
Total in $	Nil

Appendix 3

KPMG charge out rates applicable to this assignment

Charge out rates (£ or £ equivalent)									
Grade	**UK**	**US**	**Japan**	**Ireland**	**Indonesia**	**Canada**	**Hong Kong**	**Switzerland**	**Australia**
Partner/Director									
Partner	765	499	610	560	406	548	493	440	418
Director	670	-	-	-	-	476	-	372	354
Manager			-						
Associate director	-	-	-	404	-	-	-	-	312
Senior manager	550	443	406	-	266	464	363	355	-
Manager	440	371	-	296	-	305	-	304	280
Administrator									
Senior associate	-	296	237	-	-	-	-	-	-
Assistant manager	320	-	-	122	146	205	175	237	209
Junior assistant manager	-	-	-	-	-	-	-	-	180
Trainee	250	-	-	-	-	-	-	-	138
Junior trainee	-	-	-	-	-	-	-	-	-
Support									
Support staff	125	-	-	74	-	176	-	-	-

Note As of 1 October 2012, KPMG UK charge out rates increased to the levels set out above KPMG overseas firm charge out rates increase at different times of the year

Exchange rates									
	US ($)	**Japan (JPY)**	**Ireland (EUR)**	**Indonesia (USD)**	**Canada (CAD)**	**Hong Kong (HKD)**	**Switzerland (CHF)**	**Australia (AUD)**	**UK (GBP)**
To GBP	0 6440	0 0065	0 8456	0 6440	0 6420	0 0830	0 6867	0 6566	1 0
To USD	1 0	0 0101	1 3130	1 0	0 9968	0 1289	1 0661	1 0195	1 5525

Note Rates as at 10 May 2013 These rates are applied throughout the document unless otherwise stated

Appendix 3

KPMG Restructuring policy for the recovery of disbursements

Where funds permit the officeholder will look 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 both to 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

Any disbursements paid from the estate are disclosed within the attached summary of disbursements

The only Category 2 disbursements that KPMG Restructuring currently charges in the UK is mileage, this is calculated as follows

Mileage claims fall into three categories

- Use of privately-owned vehicle or car cash alternative – 40p 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 passengers an additional 5p per mile per passenger will also be charged where appropriate

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