

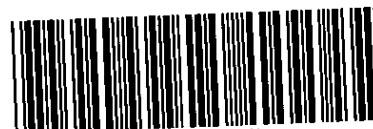
AM10

Notice of administrator's progress report



Companies House

FRIDAY



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28/07/2017

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COMPANIES HOUSE

1 Company details

Company number 0 2 8 8 7 0 3 8

Company name in full Aero Inventory plc

→ 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 ①

Full forename(s) Richard

Surname Heis

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 2	^d 3	^m 0	^m 2	^y 2	^y 0	^y 1	^y 7
To date	^d 1	^d 9	^m 0	^m 7	^y 2	^y 0	^y 1	^y 7

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

A. ...

X

Signature date

^d 2	^d 5	^m 0	^m 7	^y 2	^y 0	^y 1	^y 7
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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 **Laura Grierson**

Company name **KPMG LLP**

Address **15 Canada Square**

Canary Wharf

Post town **London**

County/Region

Postcode **E 1 4 5 G L**

Country

DX

Telephone **Tel +44 (0) 1727 733000**



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



cutting through complexity™

Aero Inventory (UK) Limited and Aero Inventory Plc - both in administration)

Joint Administrators' final progress report for the period

23 February 2017 to 19 July 2017

25 July 2017

Notice: about this Report

This Report has been prepared by James Tucker and Richard Heis, the Joint 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 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 Aero Inventory (UK) Limited and Aero Inventory Plc or any 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 does so at their 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 Tucker and Richard Heis are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. We are bound by the Insolvency Code of Ethics.

The Joint Administrators act as agents for Aero Inventory (UK) Limited and Aero Inventory Plc 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.

Glossary of terms

\$	US Dollars, unless otherwise stated	KPMG	KPMG LLP
Act	The Insolvency Act 1986 (as amended)	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
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	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
Administrators	James Tucker and Richard Heis		
Aero	The business of the Companies and (where relevant) their subsidiaries	Proposals	Statement of Administrators' proposals to creditors
AIPLC	Aero Inventory Plc Company registered number 02887038	Purchaser or DAI	Diversified Aero Inventory 1 LLC, a Diversified Aero Services Inc group company. Diversified Aero Inventory 1 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
AIUK	Aero Inventory (UK) Limited Company registered number 02904862		
BIA	Bankruptcy and Insolvency Act (Canada)	Rules	The Insolvency Rules 1986 (as amended)
Company and the Companies	AIUK and/or AIPLC and together	the Trustee	KPMG Inc., a Canadian registered company, in its capacity as trustee in bankruptcy of AIUK and AIPLC
Directors	Directors of the Companies		
Group	The Companies and subsidiaries		
HMRC	Her Majesty's Revenue and Customs		
ICC	Informal Creditors' Committee		

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2. Receipts and payments accounts	
3. Administrators' time and cost analysis for the period 23 February 2017 to 19 July 2017 and schedule of rates of charging	

Executive summary

- James Tucker, Richard Heis and Allan Graham of KPMG LLP were appointed as Administrators of AIUK and AIPLC on 11 November 2009. On 24 October 2016, we sought and obtained an extension of the Administrations for 9 months to 10 August 2017.
- This final progress report covers the period from 23 February 2017 to 19 July 2017.
- All matters across both Canada and the UK have now been concluded. Nick Brearton, the Trustee in Bankruptcy / Information Officer in Canada, obtained discharge as the Information Officer and Trustee on 7 June 2017.
- The Joint Administrators shall apply to Court to obtain discharge from liability shortly after the filing of this report. The Court hearing to grant our discharge is anticipated to be scheduled within two months of the application.
- We have filed a copy of this final progress report with the Registrar of Companies together with the requisite notice. The Joint Administrators shall exit the Administrations by dissolution under Paragraph 84 of the Act, in accordance with the proposals as approved by the Companies' creditors. The Administrators do not believe the alternative exit strategy of entering liquidation is available for the Companies due to there being no assets available to distribute to unsecured creditors. The administrations will cease to have effect when the Registrar of Companies registers these documents. The Companies will be dissolved three months after that date.
- A final distribution of £2.2 million was distributed to the Secured Lenders. Overall the Secured Lenders suffered a shortfall, which is in line with our initial assessment.
- Throughout the Administrations we continued to consult with the Informal Creditors' Committee and Secured Lenders regularly on all matters affecting the overall strategy.
- On 4 October 2016 Allan Graham was granted discharge by the Court as Administrator. No replacement Administrator was appointed.
- Statutory information is attached at Appendix 1. An abstract of the Administrators' receipts and payments account for the period 23 February 2017 to 19 July 2017 is attached at Appendix 2. The figures are shown net of VAT, unless otherwise stated.

J. Tucker

JR Tucker
Joint Administrator

Administrators' proposals and progress of the Administrations

Summary of progress to date

- As set out in previous reports the Administrators faced 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 worked to maximise realisations for creditors by:
 - Validating the inventory assets owned by the Companies;
 - Developing and implementing a realisation strategy for the inventory which involved working to create a stable trading platform which complied with aviation industry requirements, enabling the business and assets to be marketed for sale as a going concern; and
 - Investigating any potential claims against third parties which may benefit the estate.

Sale of business

- The Administrators have finalised matters associated with the sale of the business.

Canada

- In order to facilitate the final wind down arrangements for the Canadian operation and the Companies' connected insolvency proceedings in Canada, on 24 October 2016 we sought and obtained an extension of the Administrations for 9 months to 10 August 2017.
- Operations in Canada have now been closed. At this time, all saleable stock had been realised and all non-saleable stock had been scrapped.
- Nick Brearton (the Trustee in Bankruptcy and Information Officer in Canada) obtained discharge as the Trustee and Information Officer on 7 June 2017, concluding the Companies connected insolvency proceedings in Canada.

Overseas entities

- Aero's overseas subsidiaries in USA, Japan, Canada, Australia and Switzerland have been wound down and liquidated where required. Currently, the Hong Kong entity is in a local insolvency process.
- The office holders in Hong Kong are taking steps to finalise the local insolvency process and wind up the entity. The process in Hong Kong will not prevent the winding up and dissolution of the Companies.

Indirect tax

- We have deregistered for VAT in the UK.
- The Companies' sales tax affairs in Canada have been closed out as part of the discharge process (see above).

Creditors

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 have paid a final dividend to the Secured Lenders of £2.2 million. Overall the Secured Lenders suffered a shortfall, which is in line with our initial assessment.

Preferential creditors

- On 23 December 2010, ALUK settled in full preferential claims totalling £127,155 in respect of outstanding wage arrears and holiday pay.
- ALPLC has no preferential creditors.

Unsecured creditors

- In their Statement of Affairs, the Directors estimated that claims from the unsecured creditors would total £58,571,804.
- A dividend to the unsecured creditors of ALUK was paid in June 2016 (see below Prescribed Part section for further details).
- No further funds will become available to the unsecured creditors in excess of the Prescribed Part.
- There was no Prescribed Part dividend in respect of ALPLC as there are no floating charge assets.

Prescribed Part

- The unsecured creditors' claims were agreed at £14,209,436.
- ALUK's net property was greater than £3,000,000 and therefore the Prescribed Part was calculated to be the maximum, £600,000 less costs.
- A first and final dividend to unsecured creditors of 3.59p/£ was declared and paid in June 2016.
- £156,088 of unclaimed dividends remain and have, as required, been paid over to the Insolvency Service, a UK government agency. Creditors who did not present their dividend cheques will need to contact the Insolvency Service directly to obtain the dividend distributed to them. The Insolvency Service can be contacted on 0121 6984268 or by email at customerservices.eas@insolvency.gsi.gov.uk.

Conclusion of the Administrations

Dissolution and discharge of the Administrations

- We have filed a copy of this final progress report with the Registrar of Companies with the requisite notices. The Joint Administrators shall exit the Administrations by dissolution under Paragraph 84 of the Act, in accordance with the proposals as approved by the Companies' creditors. The Administrators do not believe the alternative exit strategy of entering liquidation is available for the Companies due to there being no assets available to distribute to unsecured creditors.
- The administrations will cease to have effect when the Registrar of Companies registers these documents. The Companies will be dissolved three months after that date.
- The Joint Administrators shall apply to Court to obtain discharge from liability shortly after the filing of this report. The Court hearing to grant our discharge is anticipated to be scheduled within two months of the application being made.

Costs of the Administrations

- The statutory provisions relating to remuneration are set out in Rule 2.106. 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 23 February 2017 to 19 July 2017.
- 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 Lenders 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. As of August 2015, the ICC had approved KPMG fees and Category 2 disbursements up to and including 30 June 2011, and certain fees and Category 2 disbursements.
 - The final payment of time costs totalling £0.7 million in the period was made following approvals granted by the ICC.
 - 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 have assisted 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".
- 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.

Appendices

1. Statutory information
2. Receipts and payments accounts
3. Administrators' time and cost analysis for the period 23 February 2017 to 19 July 2017 including schedule of charge out rates

Appendix 1

Statutory information

Company name	Aero Inventory (UK) Limited – in Administration
Company number	02904862
Date of incorporation	4 March 1994
Registered office	15 Canada Square, London, E14 5GL
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 regulation 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 and Richard Heis
Former Administrator	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 January 2007); Andrew Jackson (resigned 30 November 2007); and Paul Docker (resigned 27 April 2009); Graham Mitchell (resigned 1 April 2011)
Secretary	MJ Webster FCIS

Appendix 1

Statutory information (cont.)

Company name	Aero Inventory Plc – in Administration
Company number	02887038
Date of incorporation	12 January 1994
Registered office	15 Canada Square, London, E14 5GL
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 regulation 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 and Richard Heis
Former Administrator	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); Roger Davis (1,008,681 – personal shareholding); Paul Rupert Lewin; Collin Trupp (15,000 – personal shareholding); Martin Dodge (315,225 – personal shareholding); Hugh Bevan (83,957 – personal shareholding); Frank Turner; Laurence Heyworth (10,000 – personal shareholding); Martin Webster (74,967 – personal shareholding); Paul Docker (resigned 27 April 2009) (13,979 – personal shareholding); and Timothy Davey (resigned 7 December 2007)
Secretary	MJ Webster FCIS (74,967 – personal shareholding)

Appendix 2

Aero Inventory (UK) Limited – Receipts and payments account

Commentary on the nature of the costs and realisations in the period are set out on page 17.

Aero Inventory (UK) Limited- period account to 19 July 2017

	Statement of affairs		11 Nov 2009 to 22 Feb 2017 ⁽⁴⁾		23 Feb 2017 to 19 July 17		11 Nov 2009 to 19 July 2017	
	(£)	(Total £ or £ equivalent)	(Total £ or £ equivalent)	(Total £ or £ equivalent)	(Total £ or £ equivalent)	(Total £ or £ equivalent)	(Total £ or £ equivalent)	(Total £ or £ equivalent)
Receipts								
Sales	147,618,175		63,651,895	(21,131)		63,630,764		
Furniture & equipment	-		41,198	-		41,198		
Plant & machinery	-		2	-		2		
Stock	-		17,384,444	-		17,384,444		
Shares and investments	50,000		1	-		1		
Property rights/Patents	-		1	-		1		
Goodwill	3,211,922		1	-		1		
Motor vehicles	-		31,433	-		31,433		
Book debts	-		6,518,363	-		6,518,363		
Book debts - CT refund	-		15,255,601	-		15,255,601		
Cash at bank	-		62,941	-		62,941		
License to occupy fee	-		17,794	-		17,794		
Service charges due to AIUK	-		417,907	(1,290)		416,617		
Post Completion DAI sales	-		15,627	(3,204)		12,423		
Contribution to Administrators' fees	-		6,906,095	154,442		7,060,537		
Miscellaneous income	-		10,323	-		10,323		
Floating ch. VAT received	-		185,617	1,359		186,975		
Floating ch. VAT control	-		7,896,864	2,972		7,899,835		
Floating charge GST received	-		3,501,504	-		3,501,504		
Floating charge GST control	-		625,214	(24,830)		600,384		
Floating charge HST received	-		1	-		1		
Floating charge HST control	-		135,994	173		136,167		
Floating charge QST received	-		(54,300)	99,561		45,261		
Floating charge QST control	-		85,283	3,289		88,572		
Bank interest	-		45,611	6,212		51,824		
Sundry refunds	-		-	-		-		
Facility – Funding ⁽¹⁾	-		-	-		-		
Unclaimed monies	-		-	156,062		156,062		
Total Receipts in Period	150,880,097		122,735,445	373,615		123,109,029		

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Appendix 2

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

Aero Inventory (UK) Limited- period account to 19 July 2017 (cont.)			
	11 Nov 2009 to 22 Feb 2017 ⁽⁴⁾ (Total £ or £ equivalent)	23 Feb 2017 to 19 July 2017 (Total £ or £ equivalent)	11 Nov 2009 to 19 July 2017 (Total £ or £ equivalent)
Payments			
<i>Overseas funding</i>			
US Funding	(694,910)	-	(694,910)
Australia funding	2,404,998	-	2,404,998
Canada funding	3,693,416	-	3,693,416
Hong Kong funding	2,314,053	-	2,314,053
Indonesia funding	436,706	-	436,706
Japan funding	3,184,330	-	3,184,330
Singapore funding	1,199,108	-	1,199,108
Other funding	132,593	(108,777)	23,816
Total Overseas funding	12,670,295	(108,777)	12,561,518
<i>Other costs</i>			
Direct expenses	719,450	-	719,450
Sub contractors	7,723,723	-	7,723,723
Payroll Costs	11,921,114	-	11,921,114
Rent	970,084	-	970,084
Rates	376,085	-	376,085
Water rates	15,150	-	15,150
Heat & light	188,807	-	188,807
FX Loss	476,496	(58,941)	417,555
Sales and Marketing	2,106,912	-	2,106,912
ERP payments	734,582	-	734,582
DHL payments	8,448,230	-	8,448,230
Canada - uplift	831,650	-	831,650
Travel	1,327,328	-	1,327,328
Telephone/networks/fax	2,748,056	-	2,748,056
Carriage	351,313	-	351,313
Insurance	2,876,058	-	2,876,058
Professional fees	1,921,341	-	1,921,341

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Appendix 2

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

Aero Inventory (UK) Limited- period account to 19 July 2017 (cont.)

	11 Nov 2009 to 22 Feb 2017 ⁽⁴⁾ (Total £ or £ equivalent)	23 Feb 2017 to 19 July 2017 (Total £ or £ equivalent)	11 Nov 2009 to 19 July 2017 (Total £ or £ equivalent)
Other costs (cont.)			
Bank charges & interest	856,357	248	856,605
Hire of equipment	54,378	-	54,378
Repairs and maintenance	95,653	-	95,653
Sundry expenses	686,948	-	686,948
Stationery & postage	39,059	-	39,059
RoT settlements	137,366	-	137,366
Legal fees	9,736,845	5,275	9,742,120
Transfer to/from Aero Inventory plc	92,564	(7,336)	85,228
Advertising	61,619	-	61,619
Statutory Advertising	1,101	-	1,101
Book debts	41	-	41
Subrogated EP(C)A claim	14,466	-	14,466
Pre-Appointment professional fees	1,136,585	-	1,136,585
Employees' wage arrears	114,424	-	114,424
National insurance contributions	69,819	-	69,819
Trade incentive payments	68,405	-	68,405
Sales Agents' Commission	158,227	-	158,227
Entrustment Partners' Commission	486,250	(4,727)	481,523
Storage costs	479,023	29,177	508,200
Facility commitment fees	201,664	-	201,664
Facility - Interest Charges	126,506	-	126,506
Facility - Other fees and charges	131,457	-	131,457
Corporation tax	2,445	-	2,445
Debtor book sweep to DAI	21,485	-	21,485
Canada Completion Tax Holdback ⁽²⁾	193,237	(229,853)	(36,617)
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	-	156,062	156,062
Distribution to Secured Lenders ⁽³⁾	(519,354)	-	(519,354)
Administrators' fees	29,861,172	729,749	30,590,921
Administrators' expenses	730,202	-	730,202

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Appendix 2

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

Aero Inventory (UK) Limited- period account to 19 July 2017 (cont.)

	11 Nov 2009 to 22 Feb 2017 ⁽⁴⁾ (Total £ or £ equivalent)	23 Feb 2017 to 19 July 2017 (Total £ or £ equivalent)	11 Nov 2009 to 19 July 2017 (Total £ or £ equivalent)
Other costs (cont.)			
Irrecoverable VAT	26,172	102,346	128,518
Customs Duty	26,233	-	26,233
Floating charge GST payable	3,964,342	-	3,964,342
Floating charge VAT payable	9,447,516	152,828	9,600,344
Floating charge HST payable	181,182	-	181,182
Floating charge GST payable	126,595	-	126,595
Total other payments	102,591,115	874,828	103,465,942
<i>Distributions</i>			
Distributions to Secured Lenders	3,914,015	2,188,967	6,102,982
Prescribed Part to unsecured creditors	510,749	-	510,749
Total Distributions	4,424,764	2,188,967	6,613,731
Total payments in period	119,686,173	2,955,018	122,641,191
Net receipts/(payments) in period	3,049,242	(2,581,403)	467,838
Movements during the period 23 February 2017 to 19 July 2017			
Opening balance as at 23 February 2017			3,049,242
Net receipts/(payments) in the period			(2,581,403)
Closing balance as at 19 July 2017 prior to FX movements			467,838
Foreign exchange movements			(467,838)
Closing balance as at 19 July 2017 post FX movements			-

Notes:

- (1) During the administration, the Administrators drew a total of \$6.5m from the facility. Upon receipt of the sale of business proceeds, the facility of \$6.5m was repaid in full.
 - (2) During the administration \$0.3m was held back in escrow to cover potential Canadian tax liabilities. This was released in June 2017, and the balance represents the FX loss upon conversion to GBP.
 - (3) The Administrators advanced \$3.0m funds to the Secured Lenders to finance the Lenders' legal costs incurred pursuing the litigation. This was subsequently repaid in full, subject to a foreign exchange movement.
 - (4) The brought forward values have been adjusted for a prior period VAT recovery in GBP (that was incurred in USD) of £1.1m and a casting error of £0.5m. The net impact reduced net receipts in the period to 22 February 2017 from £3.6m to £3.0m and reduced the balance recorded as foreign exchange movements to £0.4m (i.e. neither adjustment impacted cash at bank at 22 February 2017 of £2.6m).
- Source: Joint Administrators' records.

Appendix 2

Aero Inventory Plc – Receipts and payments account

Aero Inventory Plc – period account to 19 July 2017				
	11 Nov 2009 to 22 Feb 2017 (Total £ or £ equivalent)	23 Feb 2017 to 19 July 2017 (Total £ or £ equivalent)	11 Nov 2009 to 19 July 2017 (Total £ or £ equivalent)	
Receipts				
Sundry refunds	70,100	-	70,100	
Transfer from Aero Inventory UK	106,115	-	106,115	
Floating charge VAT Control	21,571	-	21,571	
	197,786	-	197,786	
Payments				
Bank charges and interest	2,597	-	2,597	
Administrators' fees	146,866	-	146,866	
Transfer to Aero Inventory UK	13,550	7,336	20,886	
Floating charge VAT payable	27,437	-	27,437	
	190,450	7,336	197,786	
Net receipts/(payments) in period	7,336	(7,336)	-	
Balance in hand	7,336		-	

Source: Joint Administrators' records

Appendix 2

Administrators' abstract of receipts and payments as at 19 July 2017

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

Notes:

General

- The revised SLP 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 22 February 2017 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; £1:\$1.5525 for the period 11 November 2012 to 10 May 2013; £1:\$1.60072 for the period 11 May 2013 to 10 November 2013; £1:\$1.68936 for the period 11 November 2013 to 10 May 2014; £1:\$1.65865 for the period 11 May 2014 to 22 August 2014; £1:\$1.5388 for the period 23 August 2014 to 22 February 2015; £1:\$1.5692 for the period 23 February 2015 to 22 August 2015; £1:\$1.43955 for the period 23 August 2015 to 22 February 2016; £1:\$1.30709 for the period 23 February 2016 to 22 August 2016; £1:\$1.24452 for the period 23 August 2016 to 22 February 2017). For the period 23 February 2017 to 19 July 2017 an exchange rate of £1:\$1.30518 has been used. This means that receipts and payments account will differ to that produced for filing at Companies House.
- The foreign exchange movements of £467,838 noted in Appendix 2 (page 15) is a non-cash movement only and is a result of the historic translation rates being applied.

Receipts

DASI

- The final true up of post sale of business accounts with DASI has resulted in a small reallocation of items previously recorded as receipts.

Canada

- The finalisation of matters in Canada allowed the Trustee in Bankruptcy to forward c.\$0.2m in funds under his control connected to the litigation in Canada.

Prescribed Part

- Unclaimed monies totalling £156,062 were transferred to the Insolvency Service Account as noted on page 6.

Payments

Legal fees

- The legal fees paid during the period were to CMS Cameron McKenna in respect of the closure of the Administrations.

Canada

- The Canada tax holdback receipt of \$0.3m has been allocated against the \$0.3m escrow payment previously reported.

Tax

- Following the close out of the sales taxes accounts, a number of journals were required to reflect both recoverable & irrecoverable VAT and QST, as well as foreign exchange movements thereon.

Final Distribution

- A final distribution of £2.2 million was distributed to the Secured Lenders in July 2017.

Administrators' fees

- The final payment of time costs totalling £0.7 million in the period was made in July 2017, following approvals granted by the ICC.

Appendix 3

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

Aero Inventory (UK) Limited SIP 9 Analysis (23 February 2017 to 19 July 2017)									
Consolidated time and cost analysis									
	Number of hours	Number of days	Number of weeks	Number of months	Number of years	Number of days	Number of weeks	Number of months	Average hourly rate
Administration & planning									
Cashiering									
General (Cashiering)	0.2	24.0	4.5	28.7	£ 14,044	£ 489			
Reconciliations (& IPS accounting reviews)		3.1	1.3	4.4	£ 2,415	£ 549			
General									
Books and records		1.1	3.1	4.2	£ 1,593	£ 379			
Statutory and compliance									
Checklist and reviews		0.4	1.6	2.0	£ 716	£ 358			
Closure and related formalities	1.5	111.3	2.4	115.2	£ 73,387	£ 637			
Reports to debenture holders	1.5	6.8		8.3	£ 5,639	£ 679			
Statutory receipts and payments accounts		10.5	0.2	10.7	£ 6,830	£ 638			
Strategy documents	8.0	25.1		33.1	£ 22,248	£ 672			
Tax									
Post appointment overseas tax		11.5		11.5	£ 7,418	£ 645			
Post appointment VAT		29.6	50.7	80.3	£ 33,917	£ 423			
Creditors									
Creditors and claims									
General correspondence		2.1	6.8	8.9	£ 3,276	£ 368			
Payment of dividends			1.1	1.1	£ 341	£ 310			
Statutory reports		11.9	25.6	37.5	£ 14,894	£ 397			
Trading									
Purchases and trading costs		0.7	0.3	1.0	£ 537	£ 537			
Total in period	11.2	238.1	97.6	-	346.9	£ 187,251	£ 540		
Total in period						\$ 244,396			

For the period 23 February 2017 to 19 July 2017 an exchange rate of £1:\$1.30518 has been used.

Source: Joint Administrators' records.

- As discussed in the report, the Administrators provide the above analysis for statutory purposes, and do not intend to seek approval from the ICC to draw the fees incurred in the period.
- We have not accrued for final costs of the dissolution on the basis that the costs related to closure are anticipated to be minimal, and will not be recovered.

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 22 February 2017)	179,213	50,429,154	281
In the period	347	187,251	540
c/f	179,560	50,616,405	282

SIP 9 – Disbursements in period 23 February 2017 to 19 July 2017

	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Disbursements					
Courier & delivery costs	358.01	0.00	0.00	0.00	358.01
External printing	1,668.96	0.00	0.00	0.00	1,668.96
Total	2,026.97	0.00	0.00	0.00	2,026.97

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).

Appendix 3

Aero Inventory Plc – Administrators' time and cost analysis

Aero Inventory Plc SIP 9 Analysis (23 February 2017 to 19 July 2017)

Category	Hours	Time cost (£)	Average hourly rate
Administration & Planning			
Bankrupt/Director/Member			
Share Registrars	0.6	£225	£ 375
Cashiering			
Reconciliations (& IPS accounting reviews)	1.0	£ 285	£ 285
Statutory and compliance			
Checklist & reviews	1.2	£ 387	£ 323
Statutory receipts and payments accounts	0.2	£57	£ 285
Tax			
Post appointment corporation tax	3.0	£ 2,220	£ 740
Post appointment VAT	2.0	£3,315	£ 372
Creditors and claims			
General correspondence	2.2	£ 636	£ 289
Statutory reports	6.3	£ 1,796	£ 285
Total in period	3.0	£ 8,920	£ 381
Total in period		\$ 11,642	

Hours/costs to date	Total hours	Time cost (£)	Average hourly rate (£)
b/f (up to 22 February 2017)	1,033	350,799	339
In the period	23	8,920	381
c/f	1,056	359,719	341

SIP 9 – Disbursements in the period 23 February 2017 to 19 July 2017	Category 1	Category 2	Totals (£)
Disbursements	Paid (£)	Unpaid (£)	
Courier & delivery costs	1.21	0.00	1.21
External printing	19.76	0.00	19.76
Postage	9.13	0.00	9.13
Total	30.10	0.00	30.10

Source: Joint Administrators' records.

- As discussed in the report, the Administrators provide the above analysis for statutory purposes, and do not intend to seek approval from the ICC to draw the fees incurred in the period.
- We have not accrued for final costs of the dissolution on the basis that the costs related to closure are anticipated to be minimal, and will not be recovered.

Appendix 3

KPMG charge out rates applicable to this assignment

Charge out rates (£ or £ equivalent)			
Grade	UK	Canada	
Partner/Director			
Partner	835	725	
Director	740	-	
Manager			
Senior manager	645	438	
Manager	515	313	
Administrator			
Assistant manager	375	193	
Trainee	285	-	
Support			
Support staff	142	121	

Note: As of 1 November 2016, 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 (\$)	Canada (CAD)	UK (GBP)
To GBP	0.766	0.613	1.000
To USD	1.000	0.797	1.305

Note: Rates as at 19 July 2017. These rates are applied throughout the document unless otherwise stated.

Appendix 3

KPMG Restructuring 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/media/documents/publications/professional/Guide_to_Administrators_Fees_Oct_2015.pdf

If you are unable to access this guide and would like a copy, please contact Nayanatara Prakash on 020 73116395.

Hourly rates

Set out above are the relevant charge-out rates per hour worked 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.

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 office-holder 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. These may include shared or allocated costs that may be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Appendix 3

KPMG Restructuring charging and disbursements policy

Joint Administrators' disbursements policy continued

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

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

Category 2 disbursements have been approved in the same manner as our remuneration.



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