Rule 2 112 Form 2 31B

The Insolvency Act 1986

Notice of extension of period of administration

Name of Company	Company number
Aero Inventory plc	02887038

In the	Court case number
High Court of Justice [full name of court]	20693 of 2009

(a) Insert full name(s) and address(es) of administrator(s)

We (a)

James Robert Tucker	Richard Heis	Allan Watson 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

(b) Insert name and address of registered office of company

having been appointed Joint Administrators of (b) Aero Inventory plc (the 'Company')

(c) Insert date of appointment

(d) Insert name of appointor/applicant

on (c) 11 November 2009 and by (d) Directors

hereby give notice that the administration has been extended

*Delete as applicable

* by order of the court

* ~~with the consent of the Company's creditors~~

(e) Insert date

until (e) 10 November 2016

Signed

Joint Administrator

Dated 24 October 2014

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

Lyndsay Burch
KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom
DX 38050 Blackfriars
Tel 0118 9642268

TUESDAY

A3JGLLD5

A35 28/10/2014 #30

COMPANIES HOUSE

When you have completed and signed this form, please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ
DX 33050 Cardiff

KPMG

cutting through complexity™

Aero Inventory (UK) Limited and Aero Inventory Plc - both in administration) Report to Court and Creditors

Report to Creditors pursuant to Rules 2.47 and 2.112 of the Insolvency Rules 1986

KPMG LLP

18 September 2014

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 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 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/or 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
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
Rules	The Insolvency Rules 1986 (as amended)

Contents

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 The Administrations have currently been extended by order of the Court on 30 October 2012 until 10 November 2014
- We have prepared this report to seek the consent of the Court to an extension of the administrations for 2 years until 10 November 2016 There are a number of reasons why it is considered beneficial for the Companies to remain in Administration, principally linked to ongoing legal actions These reasons include (but are not limited to) the fact our appointment has been recognised in Canada, and we are authorised to provide direction to the Trustee (in Canada) as required By remaining in Administration, it is our opinion that any future potential recoveries from legal actions are maximised
- This report will also serve as a progress report to creditors and covers the period from 11 May 2014 to 22 August 2014
- 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 22 August 2014 is attached at Appendix 2 The figures are shown net of VAT, unless otherwise stated
- Aero was a complex international operation, from which a number of residual matters remain to be concluded We have addressed ad hoc issues as they have arisen, as well as continued to close out the Company's worldwide tax affairs with the relevant authorities Certain legal actions remain ongoing
- Aside from a small parcel of parts that remain warehoused at a third party facility in Montreal, Canada, all inventory has been realised This inventory is subject to an ongoing legal dispute with Air Canada in respect of the ownership of those parts
- It remains our opinion that there will continue to be a shortfall to Secured Lenders, in line with our initial assessment
- We have consulted with the Informal Creditors' Committee and Secured Lenders regularly on all matters affecting overall strategy
- The AIUK preferential creditors were paid in full on 23 December 2010 Based on the expected level of realisations and creditors, we estimate (from creditor information provided to date) a dividend to unsecured creditors of AIUK of approximately 0 9p in the pound (excluding accounting for a contingent creditor), before costs, based entirely on their share of the Prescribed Part However, the ultimate dividend will not be known until all creditors have proven their claims during the distribution process
- As at the date of this report, we have not paid a Prescribed Part in respect of AIUK It is anticipated that unsecured creditors shall receive further information on any Prescribed Part distribution once the outcome of a contingent claim is determined There will be no Prescribed Part in respect of AIPLC as there are no floating charge assets

J. Tucker

JR Tucker
Joint Administrator

Administrators' proposals and progress of the Administrations

Administrators' proposals

- Our proposals were circulated to all known members and creditors and were deemed approved without modification

Summary of progress to date

- As set out in previous reports the Administrations 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 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
- As previously reported, we completed the sale of Aero's business and assets, including aeroinv com in April 2013
- Since our last report significant progress in executing the strategy has been made, principally in relation to advancing the legal actions
- A number of residual issues remain to be concluded

Progress of the Administrations to date (cont.)

Sale of business

- As previously reported, the Administrators concluded a sale of the business in April 2013 The business and assets, including aeroinv com, were sold during April 2013 to Diversified Aero Inventory I LLC (the Purchaser)
- The Administrators have worked to finalise matters associated with the sale of the business including apportionment of post sale receipts, supplier cut-off, and book debt collection A small balance due to/from the purchaser may remain and is being reconciled

Customer negotiations

- There is a small parcel of parts that remain warehoused at a third party facility in Montreal, Canada This inventory is subject to an ongoing legal dispute with Air Canada in respect to the ownership of the parts The dispute will be resolved at the same time the other litigation actions on foot against Air Canada are drawn to a close As referred to in the Administrators' last report, $1 million further consideration is payable by the Purchaser, contingent upon the favourable resolution of this issue

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) The office holders are looking to finalise the processes and wind up the entities
- 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
- Subsequent to the sale of the business, Aero is not expected to receive any material local entity funding requests, but will consider meeting minor requests where they are considered to be in the best interests of the Companies' creditors

Indirect tax

- Subsequent to the cessation of trading, the Administrators continue to work together with the KPMG Indirect Tax team to comply with local sales tax requirements The Administrators have closed out the Company's sales tax registrations around the world that are no longer required

Employees

- 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

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 consider that the Secured Lenders will face a shortfall in their claims

Preferential creditors

- 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 estimated 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) The Prescribed Part will be paid in full, once a contingent claim identified in early 2014 is resolved
- 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 dividend in respect of AIPLC as there are no floating charge assets

Prescribed Part

- The Prescribed Part provisions of S 176A 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
- 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 (excluding accounting for the contingent creditor referenced above), 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 However, in light of the material contingent creditor identified, the Prescribed Part will not be paid until the outcome of the contingent claim is determined
- Once the outcome of the contingent claim has been determined, the unsecured creditors shall receive further information with regard to the agreement of unsecured claims, and declaration and payment of a dividend

Future strategy

Future strategy and extensions of the Administrations

- For the reasons set out in this report it will not be possible to complete the Administrations before the expiry of the extended administration period We are therefore seeking the consent of the Court for extensions to the Administrations to 10 November 2016 for the Companies
- We propose that we will continue to manage the affairs, business and assets of the Companies in order to achieve the purpose of the Administrations This will include the following
  - advancing ongoing legal actions,
  - distributing further fixed and floating charge monies to the Secured Lenders,
  - making a distribution to the unsecured creditors by way of the Prescribed Part,
  - finalising the affairs of the Administrations including completion of corporation tax and VAT returns and settlement of any liabilities,
  - payment of expenses of the Administrations, including our remuneration,
  - dealing with statutory reporting and compliance obligations
- We envisage that the Administrations will be completed by 10 November 2016 In the event that this is not possible we will apply to Court for a further extension to the period of the Administrations
- Once all outstanding issues have been resolved, we consider that it will be appropriate to file notices under Paragraph 84(1) with the Registrar of Companies to dissolve the Companies
- Should it come to our attention that there are matters which would be more appropriate for a liquidator to deal with then we may place the Companies into a voluntary liquidation process or petition for the liquidation of the Companies, 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

Future reporting

- We are seeking permission from the Court to maintain our existing reporting periods such that we prepare our next "6 monthly report" for the period to 10 May 2015 (as per usual reporting dates), as opposed to 6 months from the date of this interim report

Costs of the Administrations

- 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/publications/professional/Guide to Administrators Fees Nov2011 pdf However, if you are unable to access this guide and would like a copy please contact us on 0118 964 2268
- 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 May 2014 to 22 August 2014
- 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 To date the ICC has approved KPMG fees and Category 2 disbursements up to and including 30 June 2011
  - Notwithstanding the analysis provided on pages 20-24 of this report, and a small number of specific time costs approved by the ICC, the Administrators do not currently propose to recover any further time costs incurred after 30 June 2011, unless approved by the ICC (e g potential future litigation time costs)
  - 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"
- 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 11 May 2014 to 22 August 2014 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	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 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, 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

Appendix 1
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 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, 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
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 19

Aero Inventory (UK) Limited- period account to 22 August 2014	Statement of affairs (£)	11 Nov 2009 to 10 Nov 2013 (Total £ or £ equivalent)	11 May 2014 to 22 Aug 2014 (Total £ or £ equivalent)	11 Nov 2009 to 22 Aug 2014 (Total £ or £ equivalent)
Receipts				
Sales	147,618,175	63,684,083	-	63,684,083
Furniture & equipment		41,198	-	41,198
Plant & machinery	50,000	2	-	2
Stock	-	16,747,177	-	16,747,177
Shares and investments	3,211,922	1	-	1
Property rights/Patents	-	1	-	1
Goodwill	-	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	-	417,907
Post Completion DAI sales	-	12,450	-	12,450
Miscellaneous income	-	10,323	-	10,323
Floating ch VAT received	-	185,617	-	185,617
Floating ch VAT control	-	7,160,301	1,471	7,161,772
Floating charge GST received	-	3,501,504	-	3,501,504
Floating charge GST control	-	602,320	3,679	605,998
Floating charge HST received	-	1	-	1
Floating charge QST received	-	134,762	-	134,762
Bank Interest	-	38,384	10,325	48,709
Sundry refunds	-	44,676	936	45,611
Facility – Funding (1)	-	-	-	-
Total Receipts in Period	150,880,097	114,466,842	16,411	114,483,252

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

Appendix 2

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

Aero Inventory (UK) Limited- period account to 22 August 2014 (cont.)

	11 Nov 2009 to 10 Nov 2013 (Total £ or £ equivalent)	11 May 2014 to 22 Aug 2014 (Total £ or £ equivalent)	11 Nov 2009 to 22 Aug 2014 (Total £ or £ equivalent)
Payments			
Overseas funding			
US Funding	756,275	-	756,275
Australia funding	2,454,237	-	2,454,237
Canada funding	3,693,416	-	3,693,416
Hong Kong funding	2,315,523	-	2,315,523
Indonesia funding	436,706	-	436,706
Japan funding	3,184,330	-	3,184,330
Singapore funding	1,199,108	-	1,199,108
Other funding	108,776	-	108,776
Total Overseas funding	**14,148,371**	-	**14,148,371**
Other costs			
Direct expenses	719,450	-	719,450
Sub contractors	7,706,720	-	7,706,720
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 Movement	192,472	-	192,472
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	791,087	22,900	813,987
Travel	1,327,328	-	1,327,328
Telephone/networks/fax	2,741,241	3,197	2,744,438
Carriage	351,313	-	351,313
Insurance	2,823,188	-	2,823,188
Professional fees	1,917,971	-	1,917,971

Appendix 2

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

Aero Inventory (UK) Limited- period account to 22 August 2014 (cont.)

	11 Nov 2009 to 10 Nov 2013 (Total £ or £ equivalent)	11 May 2014 to 22 Aug 2014 (Total £ or £ equivalent)	11 Nov 2009 to 22 Aug 2014 (Total £ or £ equivalent)
Other costs (cont)			
Bank charges & interest	853,878	290	854,168
Hire of equipment	54,378	-	54,378
Repairs and maintenance	95,653	-	95,653
Sundry expenses	686,261	320	686,581
Stationery & postage	39,059	-	39,059
RoT settlements	137,366	-	137,366
Legal fees	8,304,745	36,188	8,340,933
Transfer to/from Aero Inventory plc	79,044	-	79,044
Advertising	61,619	-	61,619
Statutory Advertising	137	-	137
Book debts	41	-	41
Subrogated EP(C)A claim	14,466	-	14,466
Floating charge dividend	1,136,585	-	1,136,585
Employees' wage arrears	114,423	-	114,423
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	-	486,250
Storage costs	330,524	-	330,524
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	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
Distribution to Secured Lenders	1,775,820	-	1,775,820
Administrators' fees	19,267,174	-	19,267,174
Administrators' expenses	650,670	-	650,670
Irrecoverable VAT	26,172	-	26,172

Appendix 2

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

Aero Inventory (UK) Limited- period account to 22 August 2014 (cont.)	11 Nov 2009 to 10 Nov 2013 (Total £ or £ equivalent)	11 May 2014 to 22 Aug 2014 (Total £ or £ equivalent)	11 Nov 2009 to 22 Aug 2014 (Total £ or £ equivalent)
Other costs (cont.)			
Customs Duty	26,233	-	26,233
Floating charge GST payable	3,955,048	1,145	3,956,193
Floating charge VAT payable	7,425,182	703	7,425,885
Floating charge HST payable	134,195	3,299	137,494
Floating charge QST control	54,300	-	54,300
Floating charge QST payable	111,241	2,356	113,597
Total other payments	**90,170,195**	**70,399**	**90,240,594**
Total payments in period	**104,318,566**	**70,399**	**104,388,965**
Net receipts/(payments) in period	**10,148,275**	**(53,988)**	**10,094,287**
Movements during the period 11 May 2014 to 22 August 2014			
Opening balance as at 11 May 2014			10,148,275
Net receipts/(payments) in the period			(53,988)
Closing balance as at 22 August 2014 prior to FX movements			**10,094,287**
Foreign exchange movements			(1,799,025)
Closing balance as at 22 August 2014			**8,295,262**

Appendix 2
Aero Inventory Plc – Receipts and payments account

Aero Inventory Plc – period account to 22 August 2014	11 Nov 2009 – 10 Nov 2013 (Total £ or £ equivalent)	11 May 2014 to 22 Aug 2014 (Total £ or £ equivalent)	11 Nov 2009 – 22 Aug 2014 (Total £ or £ equivalent)
Receipts			
Sundry refunds	528	134	662
Transfer from Aero Inventory UK	92,595	-	92,595
Floating charge VAT Control	13,550	-	13,550
	106,673	**134**	**106,807**
Payments			
Bank charges and interest	2,088	61	2,149
Administrators' fees	77,428	-	77,428
Transfer to Aero Inventory UK	13,550	-	13,550
Floating charge VAT payable	13,550	-	13,550
	106,616	**61**	**106,677**
Net receipts/(payments) in period	**57**	**73**	**130**
Balance in hand	**57**		**130**

Appendix 2

Administrators' abstract of receipts and payments as at 22 August 2014

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 22 August 2014 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, for the period 11 May 2013 to 10 November 2013 an exchange rate of £1 $1 60072, for the period 11 November 2013 to 10 May 2014 an exchange rate of £1 $1 68936), for the period 11 May 2014 to 22 August 2014 £1 $1 65865 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 £1,799,025 noted in Appendix 2 (page 16) is a non-cash movement only and is a result of the historic translation rates being applied
Receipts	
Miscellaneous	▫ A small number of receipts in relation to recovered indirect tax, bank interest earned and sundry refunds have been posted in the period
Payments	
Legal fees	▫ The majority of legal fees paid during the period were to Norton Rose (Canada)
Canada Uplift	▫ Costs incurred relate to the storage of the remaining parcel of stock in Canada
Administrators' fees	▫ Although KPMG fees have been approved to 30 June 2011, not all fees have yet been drawn

Appendix 3

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

Aero Inventory (UK) Limited SIP 9 Analysis (11 May 2014 to 22 August 2014)							
Consolidated time spent by grade	**Partner / Director**	**Manager**	**Administrator**	**Support**	**Total hours**	**Time cost**	**Average hourly rate**
Cashiering							
General (Cashiering)		4 5	6 1		10 6	£4,073	£384
Reconciliations (& IPS accounting reviews)			3 9		3 9	£1,020	£262
General							
Books and records		0 5	0 6		1 1	£386	£350
Fees and WIP		1 8			1 8	£837	£465
Statutory and compliance							
Checklist & reviews		1 0	2 1		3 1	£1,001	£322
Reports to debenture holders		25 0			25 0	£11,625	£465
Statutory receipts and payments accounts				2 9	2 9	£377	£130
Tax							
Post appointment corporation tax		0 5	1 7		2 2	£666	£303
Post appointment VAT		3 2	3 4		6 6	£2,610	£395
Creditors and claims							
Legal claims		25 0			25 0	£14,625	£585
Secured creditors	4 0				4 0	£2,680	£670
Statutory reports	0 5	8 1	12 6		21 2	£7,362	£347
Investigations							
Review of pre-appt transactions	7 0				7 0	£4,690	£670
Asset Realisation							
Cash and investments			2 6		2 6	£663	£255
Sale of business	1 0				1 0	£670	£670
Stock and WIP		3 2			3 2	£1,488	£465
Trading							
Purchases and trading costs		3 9			3 9	£1,814	£465
Total in period					138 0	£60,954	£442
Total in period $						$101,101	

- As discussed in the report, the Administrators provide the above analysis for information only, and do not intend to seek approval from the ICC for the time costs incurred in the period

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 August 2014)	116,340	49,306,796	424
In the period	138	60,954	424
c/f	**116,478**	**49,367,750**	**424**

- There were no disbursements incurred during the period covered by this report

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 (11 May 2014 to 22 August 2014)							
	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Cashiering							
General (Cashiering)			2 2		2 2	£561	£255
General			0 4		0 4	£111	£276
Books and records							
Checklist & reviews		0 1	2 3		2 4	£633	£264
Statutory receipts and payments accounts				1 2	1 2	£156	£130
Tax							
Post appointment corporation tax			1 8		1 8	£459	£255
Post appointment VAT			0 5		0 5	£153	£340
Creditors and claims							
General correspondence		0 2	0 4		0 6	£195	£325
Statutory reports '		5 0	4 0		9 0	£3,345	£372
Total in period £					**18 1**	**£5,613**	**£311**
Total in period $						**$9,309**	

Hours/costs to date			
	Total hours	Time cost (£)	Average hourly rate (£)
b/f (up to 22 August 2014)	654	187,332	286
In the period	18	5,613	311
c/f	672	192,945	287

- There were no disbursements incurred during the period covered by this report

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	585	443	406	-	266	464	363	355	-
Manager	465	371	-	296	-	305	-	304	280
Administrator									
Senior associate	-	296	237	-	-	-	-	-	-
Assistant manager	340	-	-	122	146	205	175	237	209
Junior assistant manager	-	-	-	-	-	-	-	-	180
Trainee	255	-	-	-	-	-	-	-	138
Junior trainee	-	-	-	-	-	-	-	-	-
Support									
Support staff	130	-	-	74	-	176	-	-	-

Note As of 1 October 2013, 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 6028	0 0063	0 8344	0 6241	0 5955	0 0805	0 6771	0 5856	1 0
To USD	1 0	0 0101	1 3362	1 0	0 9542	0 1290	1 0845	0 9384	1 65865

Note Rates as at 22 August 2014 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 – 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 passengers an additional 5p per mile per passenger will also be charged where appropriate

KPMG

cutting through complexity™