

AM03

Notice of administrator's proposals



Companies House

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1 Company details

Company number 1 1 7 3 2 1 7 7

Company name in full Connect Airways Limited (in Administration)

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Alan Michael

Surname Hudson

3 Administrator's address

Building name/number Ernst & Young LLP

Street 1 More London Place

Post town London

County/Region London

Postcode S E 1 2 A F

Country United Kingdom

4 Administrator's name ①

Full forename(s) Simon Jamie

Surname Edel

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Ernst & Young LLP

Street 1 More London

Post town London

County/Region London


Postcode S E 1 2 A F

Country United Kingdom

② Other administrator

Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

6	Statement of proposals	
	<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7	Sign and date	
Administrator's Signature	<div>Signature</div> <div>✕  ✕</div>	
Signature date	<div><div>d0d1</div><div>m0m5</div><div>y2y0y2y0</div></div>	

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Notice of Administrator's Proposals



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Company name	Ernst and Young LLP				
Address	1 More London				
Post town	London				
County/Region	London				
Postcode	S	E	1	2	A F
Country	United Kingdom				
DX					
Telephone	+44 (0) 20 7951 1448				



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Use extra copies to tell us of additional insolvency practitioners.

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1 Appointment type

Tick to show the nature of the appointment:

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

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- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) Joanne Honor

Surname Robinson

3 Insolvency practitioner's address

Building name/number Ernst and Young LLP

Street 1 More London

Post town London

County/Region London

Postcode S E 1 2 A F

Country United Kingdom

Continuation page

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- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) Lucy

Surname Winterborne

3 Insolvency practitioner's address

Building name/number Ernst and Young LLP

Street The Paragon, 32 Counterslip

Post town Bristol

County/Region Bristol

Postcode B S 1 6 B X

Country United Kingdom

**Connect Airways Limited
(in Administration)**

Administrators' statement of proposals

Pursuant to paragraph 49 of schedule B1 to the
Insolvency Act 1986

Date of delivery of proposals to creditors 4 May 2020

Abbreviations

The following abbreviations are used in this report:

Abbreviation or definition	Meaning
Administrators	Alan Michael Hudson, Simon Jamie Edel, Joanne Honor Robinson, and Lucy Winterborne
AOC	Air Operator Certificate
APD	Air Passenger Duty
BRAL Trustees	BRAL Trustees (IOM) Limited
BEIS	The Department for Business, Energy and Industrial Strategy
CAA	Civil Aviation Authority
CAMO	Continuing Airworthiness Management Organisation
the Company / Connect	Connect Airways Limited
The Consortium / Connect Shareholders	The shareholders of Connect being, Virgin Travel Group Limited (a wholly owned subsidiary of Virgin) (30%), Stobart (30%) and DLP (40%)
DLP	DLP Holdings S.A.R.L
Everdeal	Everdeal 2019 Limited
Everdeal Employees	Everdeal Employees 2019 Limited
EY	Ernst & Young LLP
Flybe	Flybe Limited
Flybe Group	Flybe Group Limited (formerly Flybe Group plc) and other group entities
GLAS	Global Loan Agency Services Limited
GLAS Trustee	GLAS Trust Corporation Limited
GOAL	German Operating Aircraft Leasing GmbH & Co.
HMRC	Her Majesty's Revenue & Customs
Morgan Lewis	Morgan Lewis & Bockius UK LLP
Connect Shareholders Facilities	The first ranking facility agreement originally dated 21 February 2019 between, amongst others, (1) Connect (as Parent), (2) Flybe (as Borrower), (3) Virgin, Stobart and DLP (as Lenders), (4) GLAS (as Agent) and (5) GLAS Trustee (as Security Agent) as amended and restated on 15 January 2020 and the second ranking facility agreement dated 21 February 2019 between, amongst others, (1) Connect (as Parent), (2) Flybe (as Borrower), (3) Virgin, Stobart and DLP (as Lenders), (4) GLAS (as Agent) and (5) GLAS Trustee (as Security Agent)

Propius	Propius Limited, 100% subsidiary of Propius Holdings
Propius Holdings	Propius Holdings Limited
PSO	Public Service Obligation
Stobart Air	Stobart Air Unlimited Company
Stobart Aviation	Stobart Aviation Limited
Stobart Group	Stobart Group Limited
Virgin	Virgin Atlantic Airways Limited

Contents

1. Introduction, background and circumstances giving rise to the appointment	1
2. Purpose, conduct and end of administration.....	4
3. Statement of Affairs	9
4. Prescribed part	10
5. Administrators' remuneration and disbursements and payments to other professionals	11
6. Pre administration costs	12
Appendix A Statutory information.....	13
Appendix B Directors' statement of affairs	15
Appendix C Administrators' receipts and payments account for the period from 10 March to 28 April 2020	22
Appendix D Statement of pre-administration costs	24
Appendix E Group structure.....	25

1. Introduction, background and circumstances giving rise to the appointment

Introduction

On 10 March 2020 the Company entered administration and Alan Hudson, Joanne Robinson, Lucy Winterborne and Simon Edel were appointed to act as Administrators. The appointment was made by the directors of the Company by filing a notice of appointment with the High Court under the provisions of Paragraph 22(2) and 29 of Schedule B1 to the Insolvency Act 1986. This document, including its appendices constitutes the Administrators' statement of proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016.

Certain statutory information relating to the Company and the appointment of the Administrators is provided at Appendix A.

Background

The Company was formed in December 2018 to acquire the British regional airline, Flybe Group plc and its subsidiaries. The acquisition of the entire issued share capital of Flybe and Flybe.com Limited and related intercompany receivables from Flybe Group Limited (at the time Flybe Group plc) was successfully concluded on 21 February 2019 for consideration of £2.8m following approval by majority shareholders of Flybe Group plc. Connect also subsequently acquired the entire issued share capital of Flybe Group Limited (at the time Flybe Group plc) following a scheme of arrangement which received the sanction of the Court on 8 March 2019.

In addition, Connect acquired its respective shareholdings in both (a) Propius Holdings and (b) Everdeal and Everdeal Employees from Stobart Aviation on 21 February 2019 for cash consideration of £7.5m each with Connect also having issued unsecured loan notes to Stobart Aviation in the principal amount of £22.5m for the Propius Holdings acquisition and £2.5m for the Everdeal / Everdeal Employees acquisition.

Connect is a holding company with no trading operations. The Company is the sole shareholder of Flybe Limited, Flybe Group Limited, Flybe.com Limited and Propius Holdings Limited. The Company also held a 40% interest in Everdeal 2019 Limited and a 15% interest in Everdeal Employees 2019 Limited. Refer to Appendix E for a chart of the group structure.

The Company entered administration on 10 March 2020 following the commencement of the Administration of Flybe on 5 March 2020.

The recent financial results of the Company can be summarised as follows:

Period year or period ended	Type audited / draft	Turnover £m	Operating profit £m	Operating profit %	Directors' remuneration £m	Net profit after tax £m	Accum. reserves £m
Year to March 2020	Draft	Nil	(3.7)	Nil	(0.1)	24.3	7.1
FY19	Draft	Nil	(11.1)	Nil	Not Available	(13.3)	(13.3)

Whilst the financial results for the period ending 5 March 2020 appear to show a net profit of £24.3m, this amount is actually representative of a dividend received by Connect from Propius in November 2019. In reality, the treatment of this dividend transaction, created an intercompany receivable owing to Connect by Propius of £2.85m with the balance of cash from the dividend (£21.5m) being directed to Flybe. The £2.85m intercompany receivable was repaid in December 2019 by Propius. The total intercompany receivable due to Flybe at appointment was £27.6m (as discussed at section 2).

Circumstances Giving Rise to the Appointment of the Administrators

Given the Company is the holding company to Flybe with no separate source of funding or trading operations, the circumstances giving rise to the appointment are inherently linked to Flybe. As such, much of the commentary below relates to the circumstances of Flybe's administration appointment.

2018/2019

In the months preceding the Company's purchase of Flybe's shares, Flybe's former parent company, Flybe Group plc, had issued a profit warning, citing weakened consumer demand for travel in Britain and Europe, combined with higher fuel prices and weak sterling as the key factors impacting the Flybe's financial performance.

Flybe continued to experience increased financial strain, as the market reacted to the uncertainty caused by Brexit and, increased cash collateral requirements imposed by credit card merchants from 20% to almost 100% of ticket sales had a material impact on cash flow. The Consortium advanced bridge financing of £20m whilst the share purchase of Flybe was being concluded to meet Flybe's immediate cash requirement.

Ultimately, the Consortium provided funding in excess of £100m to Flybe over the 14 month period prior to administration and £15m to Connect under the Connect Shareholders Facilities which were used to fund both the working capital and general corporate expenses as well as to cover the costs of the transaction. The Connect Shareholders Facilities were guaranteed by Connect, the Flybe Group, Propius Holdings and Propius and secured by fixed and floating charges over the assets of such companies in favour of GLAS Trustee.

2020

On 9 January 2020, Flybe received a letter from HMRC in relation to unpaid amounts it owed for APD totalling £5.8m advising that, should these sums remain unpaid on 14 January 2020, it would issue a winding up petition against Flybe.

On 11 January 2020, a meeting of the directors of the Company was held at which it was confirmed that no further funding would be provided to the Company by the Connect Shareholders; primarily because one of the members of the Consortium was no longer willing to provide further funding. No further funding being available to the Company meant that no funding was therefore available to Flybe either.

Following discussions between representatives from the Company, Flybe, the Rt Hon Andrea Leadsom MP (then) Secretary of State for BEIS and Rt Hon Grant Shapps MP, Secretary of State for Transport and their advisors throughout Sunday 12 January 2020 to Tuesday 14 January 2020, representations were made to Flybe that the Government was supportive in principle to working with Flybe to consider the regime relating to APD. The suggestion was that the rules could be amended to reduce the burden on domestic flights and that such a change would potentially be announced in the March budget.

Those proposed arrangements were extended during the discussions to include more PSO routes (where the route is publicly subsidised) and support in the form of a loan of up to £100m on the basis that the Connect Shareholders provided additional commitment under the Connect Shareholders Facilities of £30m and that the Government funding would rank *pari passu* with the extended Connect Shareholders Facilities. The proposed Government funding was also conditional on, amongst other things, due diligence. On 15 January 2020, the Connect Shareholders Facilities were amended and restated to provide up to £30m of additional committed funding to Flybe.

The Government engaged professional advisers to undertake a due diligence exercise. In the meantime, objections were raised by competitors of Flybe that the support proposed by the Government — in particular, the loan of up to £100m - might constitute unlawful state aid. Irrespective of these concerns, the Government continued in dialogue with representatives from the Company and Flybe regarding potential amendments to the APD regime and additions to PSO routes.

From 26 February 2020 onwards, however, Flybe experienced a sharp decline in bookings of between 30-40% as a result of the COVID-19 coronavirus threat. On the evening of 3 March 2020, the directors of Flybe were informed by Virgin that, as a result of the adverse impact of COVID-19 coronavirus on its own bookings, it was no longer able to provide further funding to Connect or Flybe. Stobart had previously indicated that it was also unwilling to participate in any further funding at this time. DLP informed Flybe's board that it would consider its position overnight

The Civil Aviation Authority ("CAA") was updated that evening of the position and was kept updated throughout the following day, whilst various discussions were being held between the Company, Flybe and DLP to explore their options. This included testing the viability of a pre-packaged administration sale of part of the Flybe airline business to. However, there were many complexities involved in effecting such a transaction, including the need for the purchaser to have the requisite Air Operator Certificate ("AOC") which the CAA has indicated would take several weeks to obtain, even on an expedited basis. At 5.30pm on 4 March 2020, Flybe's directors were informed by DLP that it was not willing to provide further funding on its own.

In parallel, the Flybe board had separately contacted the Rt Hon Alok Sharma MP, Secretary of State for BEIS, and the Rt Hon Grant Shapps MP, Secretary of State for Transport, to determine whether the Government would be willing to provide the requisite funding to Flybe; however, they confirmed that the Government would not do so.

On 5 March 2020, Alan Hudson, Simon Edel, Joanne Robinson and Lucy Winterborne were appointed Administrators of Flybe following an application to court by the directors of Flybe. All air operations ceased with immediate effect.

The Company is the guarantor of the Connect Shareholders Facilities and also guarantees certain of Flybe's other liabilities with no separate source of funding, such as trading operations or pending dividends from other shareholdings. In light of Flybe's insolvency and the lack of alternative funding, the Company's directors concluded that the Company was also insolvent.

On 8 March 2020, the Company's directors filed a notice of intention to appoint administrators at court in accordance with paragraphs 26 and 27(2) of schedule B1 to the Insolvency Act 1986. Following the requisite consent of GLAS Trustee as the holder of a qualifying floating charge over the Company, on 10 March 2020 the Company's directors filed a notice of appointment of administrators at court. Alan Hudson, Simon Edel, Joanne Robinson and Lucy Winterborne were appointed Administrators of the Company under the provisions of Paragraph 22 of Schedule B1 to the Insolvency Act 1986.

2. Purpose conduct and end of administration

Purpose of the administration

The purpose of an administration is to achieve one of three objectives:

- a. To rescue the company as a going concern
- b. To achieve 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)
- c. To realise property in order to make a distribution to one or more secured or preferential creditors

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve 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). Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

In this case, the Administrators are pursuing objective (c). It was not reasonably practicable to pursue either objective (a) or objective (b) as it is only possible to realise its assets for the benefit of the Company's secured and preferential creditors.

Conduct of the administration

Initial steps taken

Immediately following appointment, the Administrators commenced the accelerated marketing process of the Company's shareholding assets, being:

- (i) The 100% equity holding in Propius Holdings, secured by a fixed charge in favour of GLAS Trustee (securing the Connect Shareholders Facilities) in respect of total debt advanced to Flybe and Connect of c.£130m. Propius Holdings is a holding company with no other assets aside from its 100% shareholding in Propius and an intercompany loan receivable of £17.5m due from Propius.
Propius' principal assets are:
 - A USD 23.1m loan receivable owed by Stobart Aviation;
 - Eight plane lease agreements with Goal (Lessor) which Propius on-leased to Stobart Air;
 - An intercompany receivable from Stobart Air of £1.9m; and
 - A £9.9m intercompany receivable due from the Company.
- (ii) A 40% equity holding in Everdeal and a 15% equity holding in Everdeal Employees, both also secured by fixed charge in favour of GLAS Trustee (securing the Connect Shareholders Facilities) in respect of total debt advanced to Flybe and Connect c.£130m. Everdeal Employees' only asset is its shareholding in Everdeal. Everdeal is the sole ultimate shareholder of Stobart Air. No value by way of dividends or existing assets is anticipated to be recovered by the Company from Everdeal or Everdeal Employees from this asset, due to the financial difficulties currently being faced by Stobart Air as was reported in the press due to the impact of COVID-19 on the airline industry. Connect also owns a €20m loan receivable from Everdeal.

Aside from its shareholdings, the only other known assets of the Company at appointment were:

- An unsecured loan receivable due from Flybe for £27.6m. Flybe is in administration and there is not expected to be any dividend to be paid to any of its unsecured creditors, including in respect of the Prescribed Part. As such, we do not expect any amount to be realised by the Company; and
- The £64k held in the Company's pre-appointment bank account. These funds have been recovered by the Administrators.

The Company had three employees, all of whom have been retained to assist with the realisation of the Company's assets and to assist with the Administration of Flybe. The costs associated with their employment are being met from the Flybe administration estate as there is no direct benefit to the Company. The three employees include Flybe's Chief Executive Officer, Chief Financial Officer and Chief Technical Officer and are all important to the success of each administration.

Sale of assets

The Administrators engaged with a number of interested parties to explore the potential sale of the shares held in Propius Holdings, Everdeal and Everdeal Employees. However, the structure of any sale of these shareholdings needed to be balanced and considered against the recoverability of the USD 23.1m loan due to Propius from Stobart Aviation, especially noting that GLAS Trustee (as trustee for the Consortium) have fixed and floating security over Propius Holdings and Propius.

Three offers were received in respect of the shareholdings (or the assets of the shareholdings), however, it was clear that only the offer from Stobart Aviation would result in a higher return of value to the Company's creditors.

DLP and Virgin (as majority members of the Consortium) ultimately recommended acceptance of Stobart Aviation's offer.

On 27 April 2020, the Stobart Group offer for the shares of the Company's interest in Propius, Everdeal and Everdeal Employees was accepted by the Administrators on the basis that there was no other offer capable of acceptance which could return any value.

The transaction was structured into share sale agreements, as follows:

- (i) Everdeal and Everdeal Employees
Stobart Aviation acquired Everdeal whilst the Trustees for the Stobart Air Employee Benefit Trust acquired Everdeal Employees; both transactions were completed for £300,000 payable on 27 April 2020.

A further £2.0m in deferred consideration will be payable by 15 December 2020, together with potential additional deferred consideration up to £6.25m in the event of the sale of Stobart Air by the Stobart Group prior to December 2023. The transaction also included a novation of the Company's loan to Everdeal of €20m (reducing unsecured claims at Connect) and any other loans that may exist, both to and from Connect.

- (ii) Propius Holdings
Stobart Aviation acquired Propius Holdings for £1 in initial consideration, with potential additional deferred consideration as referred to in (i) above.

The transaction also included a loan termination involving Connect's loan from Propius of £9.98m and any other loans that may exist, both to and from Connect.

We set out the proposed consideration as follows:-

Consideration	£m	£m
Initial consideration		
<i>Payable upon completion</i>		0.30
Deferred Consideration		
<i>Payable by 15 December 2020</i>		2.00
Total Minimum Consideration		2.30
Potential Additional Deferred Consideration (Exit* by December 2023 - equity value)		
<i>£nil to £5m equity value @ 75%</i>	3.75	
<i>£5m to £10m equity value @ 50%</i>	2.50	
<i>In excess of £10m equity value - 0%</i>	nil	
Total Capped Deferred Consideration		6.25
Total Maximum Consideration		8.55

* Expectation that the Exit Value for Stobart Group would be at an equity value of above £25m, being the amount of debt Stobart Group will inject into Stobart Air as rescue finance.

Funding

As at the date of the Company's appointment there was £64,045 in the Company's pre-appointment bank account. These funds are subject to a floating charge in favour of the Consortium.

Administrators' receipts and payments

A summary of the Administrators' receipts and payments for the period from 10 March to 28 April 2020 is attached at Appendix C.

Approval of the administrators' proposals

The Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part and consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Act, they do not intend to seek a decision of the creditors on the approval of the proposals.

The Administrators will be obliged to seek a decision of the creditors if requested to do so by creditors of the Company whose debts amount to at least 10% of the total debts of the Company. The request must be delivered within eight business days of the date on which these proposals are delivered to creditors (or such longer period as the Court may allow) and must include the information required by Rule 15.18 of the Insolvency (England and Wales) Rules 2016.

In accordance with Rule 15.19 of the Rules, the Joint Administrators may require a deposit as security for payment of the expenses associated with convening a decision procedure or

deemed consent procedure and will not be obliged to initiate the procedure until they have received the required sum.

Future conduct of the Administration

The Administrators will continue to deal with the Administration in line with the stated objective, namely to realise property in order to make a distribution to one or more secured or preferential creditors.

Future tasks will include, but are not limited to, the following:

- ▶ investigating the extent of any other assets or potential claims held by the Company and pursuing recovery where appropriate;
- ▶ dealing with the statutory requirements of the Administration, including reporting to creditors and investigations into the conduct of the Company's directors (as necessary);
- ▶ calculating the Corporation Tax and VAT positions of the Company as at the date of appointment, and for subsequent periods during the Administration;
- ▶ making distributions to the secured and preferential creditors (as applicable);
- ▶ if it is deemed appropriate, seek an extension and/or further extensions to the Administrations from the Companies' creditors and/or the Court (as applicable);
- ▶ dealing with unsecured creditor enquiries;
- ▶ finalising the Administration including the payment of all Administration liabilities; and
- ▶ any other actions required to be undertaken by the Administrators in order to fulfil the purpose of the Administration.

The end of the Administration

If required to enable the Administrators to complete their work to achieve the objective of the Administration, they may seek an extension to the period of the Administration, beyond the statutory period of one year, by consent of the secured and preferential creditors (where applicable) or by an order of the Court.

We note that there may be certain deferred consideration due to be paid to the Company as part of the sale of the shareholdings in Propius Holdings, Everdeal and Everdeal Employees (as set out at Sale of Assets at section 2 above). Given that the deferred consideration may not be received until well beyond the statutory period of one year, we will need to consider our ability to assign any of the Company's rights to the deferred consideration to the Consortium to which they are already entitled pursuant to their fixed charge. This will enable the Administrators to end their appointment in a timely manner.

Given the above, it is proposed that:

- ▶ The Administrators will review their ability to assign the Company's future rights to the deferred consideration to the Consortium; and
- ▶ If at the end of the Administration the Company has no property which might permit a distribution to its creditors (aside from the deferred consideration, which may be assigned), the Administrators will send a notice to that effect to the Registrar of Companies.

Section 2. Purpose, conduct and end of administration

On registration of the notice the Administrators' appointment in respect of the Company will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

3. Statement of Affairs

The Company directors have submitted the Statement of Affairs as at 10 March 2020. A summary is attached at Appendix B. Whilst we expect £2.3m from the sale of the shares in Propius Holdings, Everdeal and Everdeal Employees by December 2020 (i.e. the minimum consideration for the transaction), the realisation of the potential additional deferred consideration of up to £6.25m remains uncertain. Aside from these share proceeds, the only other asset available is the cash at bank as discussed at section 2 and set out in the Statement of Affairs. A number of creditor claims have yet to be quantified and may be higher than indicated. Additionally, the values are shown before applicable costs of realisation.

We provide below, for information, a summary of the current position with regard to creditors' claims. The figures have been compiled by Company management and have not been subject to independent review or statutory audit.

Secured creditors

The directors have listed in their Statement of Affairs that the Company owes £25m of "secured shareholder loans" as at 10 March 2020. This is shown under preferential creditors in the Statement of Affairs but is a secured debt.

We understand that the Company borrowed £15m from the Consortium under the Connect Shareholders Facilities in order to fund the acquisition of Propius Holdings, Everdeal and Everdeal Employees in February 2019.

The debt is secured by a fixed and floating charge over the Company. We note that the Company is also a guarantor for the amounts owing by Flybe under the Connect Shareholders Facilities. The overall quantum of this debt at appointment, including the debt directly borrowed by the Company, was c.£130m.

Preferential creditors

The current estimate of preferential creditors is nil, in respect of claims for employees' salaries, holiday pay and pension contributions.

Non-preferential creditors

Non-preferential creditor claims total c.£7.0m, of which £6.0m is due to BRAL Trustees in respect of a pension scheme guarantee. This sum excludes the c.£9.98m intercompany loan payable to Propius Limited on the directors' statement of affairs, which was terminated as part of the sale of the Company's shares in Propius Holdings to Stobart Aviation on 27 April 2020.

The directors have indicated that there will be a prescribed part in the sum of £15,809 available to the Company's unsecured, non-preferential creditors. However, any floating charge realisations will first be subject to floating charge Administration expenses and preferential claims (if any) before it can be treated as Net Property for the purposes of calculating the prescribed part.

Connect has an unsecured loan receivable due from Flybe for £27.6m. Flybe is in administration and there is not expected to be any dividend to be paid to any of its unsecured creditors, including in respect of the Prescribed Part.

Given the pre-appointment legal fees already incurred and paid of £10,041, together with the estimated Administrator and legal fees, it is the Administrators' view that there will no funds to allow a distribution to be made by way of a prescribed part under section 176A(5) of the Insolvency Act 1986.

4. Prescribed part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

The Administrators estimate, to the best of their knowledge and belief, that:

- ▶ The value of the Company's net property will be £nil; and
- ▶ The value of the prescribed part will be £nil.

Accordingly, the Administrators are unable to make a distribution under section 176A(5) of the Insolvency Act 1986.

5. Administrators' remuneration and disbursements and payments to other professionals

Remuneration

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Administrators.

In the event that a creditors' decision is not requested, and a creditors' committee is not formed, the Administrators will seek to have their remuneration fixed by the secured creditors and the preferential creditors in accordance with Rule 18.18(4) of the Insolvency (England and Wales) Rules 2016. The Administrators will ask for their remuneration to be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration, in accordance with the fee estimate dated 4 May 2020 which is being circulated to creditors at the same time as these proposals.

Disbursements

Disbursements are expenses met by and reimbursed to the joint administrators. They fall into two categories: Category 1 and Category 2. The fee estimate and statement of expenses dated 4 May 2020 includes details of the Category 1 and 2 disbursements which are expected to be incurred.

Category 1 disbursements are payments to independent third parties where there is expenditure directly referable to the Administration. Category 1 disbursements can be drawn without prior approval.

Category 2 disbursements are expenses that are directly referable to the administration but not to a payment to an independent third party. They may include an element of shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis. Category 2 disbursements require approval in the same manner as remuneration. In the event that a creditors' decision is not requested, and a creditors' committee is not formed, the Joint Administrators will seek the approval of the secured creditors and preferential creditors to charge Category 2 disbursements in accordance with the statement of expenses included in the fee estimate dated 4 May 2020.

6. Pre-administration costs

The Administrators are seeking approval for payment of unpaid pre-administration costs totalling £10,041 plus VAT. The payment of unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52, and not part of the proposals subject to approval under paragraph 53 of Schedule B1 of the Act. This means that they must be approved separately from the proposals.

A breakdown of the total pre-administration costs incurred is attached at Appendix D. Further information is provided below.

Administrators' Fees and Expenses

The Administrators incurred only two hours of time in the lead up to their appointment. As such, the Administrators have decided not to charge this time as an unpaid pre-Administration cost.

Legal Expenses incurred by the Administrators

The following third-party pre-Administration legal expenses were incurred by the Administrators:

Morgan Lewis provided legal advice to the directors of the Company in connection with preparing for the Administration appointments, including preparation of appointment documentation.

Morgan Lewis unpaid pre-Administration costs at appointment total £10,041 (plus VAT), as summarised in Appendix D.

The breakdown attached at Appendix D sets out:

- The fees charged by the Administrators;
- The expenses incurred by the Administrators;
- The fees charged (to the Administrators' knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately);
- The expenses incurred (to the Administrators' knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately); and
- In the event that a creditors' meeting is not requisitioned, and a creditors' committee is not formed, the Administrators will seek to have the unpaid pre-administration approved by the secured creditors and the preferential creditors in accordance with Rule 18.18(4) of the Insolvency (England and Wales) Rules 2016.

Appendix A Statutory information

Company Information

Company Name: Connect Airways Limited
Registered Office Address: 1 More London Place, London, SE1 2AF
Registered Number: 11732177
Trading Name(s): -
Trading Address(es): c/o New Walker Hanger, Exeter International Airport, Clyst Honiton, Exeter, EX5 2BA

Details of the Administrators and of their appointment

Administrators: Alan Michael Hudson, Simon Jamie Edel, Joanne Honor Robinson, and Lucy Winterborne

Date of Appointment: 10 March 2020

By Whom Appointed: The directors of the Company

Court Reference: CR-2020-001588

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	12,000,001	1.0	12,000,001	1.0

Director and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Catherine Ledger	Secretary	4 January 2016	-	-
Mark Michael Charles Anderson	Director	9 April 2019	-	-
Warwick Brady	Director	9 January 2019	-	-
Nicholas Anthony Dilworth	Director	9 April 2019	-	-
Lucien Farrell	Director	18 December 2018	-	-
Jonathan Peachey	Director	5 July 2019	-	-

Appendix B Directors' statement of affairs

Rule 3.30

Statement of affairs

Name of Company Connect Airways Limited (in Administration) ('the Company')	Company number 11732177
In the High Court of Justice Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)	Court case number CR-2020-001588

(a) Insert name and
address of registered
office of the company

Statement as to the affairs of (a) Connect Airways Limited (in Administration), New Walker Hangar
Exeter International Airport, Chyst Honiton, Exeter, EX5 2BA

(b) Insert date

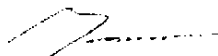
on the (b) 10 March 2020, the date that the Company entered Administration.

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of
the affairs of the above named Company as at (b) 10 March 2020 the date that the Company
entered Administration.

Full name Mark Anderson

Signed

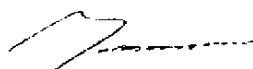


Dated 15th April 2020

A – Summary of Assets

Assets	Book Value (£)	Estimated to Realise (£)
Assets subject to fixed charge:		
Shares in Propius	30,000,000	Uncertain
Shares in Everdeal 2019 Limited	10,000,000	Uncertain
Shares in Flybe Limited	2,800,000	Nil
Shares in Flybe Group Limited	Nil	Nil
Assets subject to floating charge:		
Cash at bank (assumes no costs to realise cash)	64,045	64,045
Intercompany receivable Flybe Ltd	27,588,264	Uncertain
Intercompany receivable Everdeal 2019 Limited (€20 m receivable translated in GBP arising from the disposal of Everdeal Holdings as part of maintaining Irish AOC structure)	17,540,782	Uncertain
Uncharged assets:		
None		
Estimated total assets available for preferential creditors	87,993,091	64,045

Signature



Date

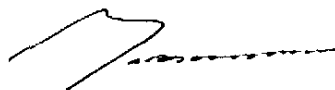
15th April 2020

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A1 – Summary of Liabilities

		Estimated to realise (£)
Estimated total assets available for preferential creditors (carried from page A)	£	64,045
Liabilities	£	
Preferential creditors:- secured shareholder loans	-25,000,000	-25,000,000
Estimated deficiency/surplus as regards preferential creditors	£	-24,935,955
Estimated prescribed part of net property where applicable (to carry forward)	-15,809	-15,809
Estimated total assets available for floating charge holders	£	-24,951,764
Debts secured by floating charges	-15,337,338	-15,337,338
Estimated deficiency/surplus of assets after floating charges	£	-40,289,102
Estimated prescribed part of net property where applicable (brought down)	15,809	15,089
Total assets available to unsecured creditors	£	-40,273,293
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Pension Scheme Guarantee (Residual BRAL pension scheme 24 x £250k, assets dealt with on the Flybe Limited SoA&L)	-6,000,000	
Intercompany payable Flybe Group Limited	-93,000	
Intercompany payable Stobart Air UC	-28,826	
Intercompany payable Propius Limited	-9,983,647	
Trade Creditors and Accruals (Accruals represent the best estimate of liabilities not yet invoiced as at the date of preparation)	-237,805	
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£	-16,341,278
Shortfall to floating charge holders (brought down)	£	-40,289,102
Estimated deficiency/surplus as regards creditors	£	-56,630,380
Issued and called up capital	£	-12,000,001
Estimated total deficiency/surplus as regards members	£	-68,630,381

Signature



Date

15th April 2020

ACM/01/BL3

COMPANY CREDITORS

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the Company's possession. Claims by employees, former employees and consumers should be given as a single figure, with details provided on the respective schedules

Name of creditor or claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
Tribeca Advisory Partners (director's Fees)	34 N Moore St, Apt 4E, New York, NY 10013, USA	13,110.57			
Stobart Group Directors Fees	15 Stratford Place, London, W1C 1BE	36,000.00			
Morgan, Lewis & Bockius UK LLP	Condor House, 5-10 St. Paul's Churchyard, London EC4M 8AL United Kingdom	44,550.32			
ADP Limited	Syward Place, Pyrcroft Road, Chertsey, Surrey KT16 8JT	2,188.57			
Ernst & Young (Fair Value)	1 More London Place, London, SE1 2AF	82,800.00			
Accruals		59,175.81			
Employees		670,000.00			

Signature

Date

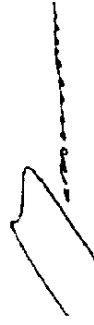
15th April 2020

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COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
DLP Holdings s.a.r.l.	6 Rue Dicks, L-1417, Grand Duchy of Luxembourg, Luxembourg	4,800,000	£4,800,000	Ordinary shares
Stobart Aviation Limited	Third Floor, 15 Stratford Place, London, W1C 1BE, UK	3,600,000	£3,600,000	Ordinary shares
Virgin Travel Group Limited	The VHQ, Fleming Way, Crawley, West Sussex, RH10 9DF, UK	3,600,000	£3,600,000	Ordinary shares
TOTALS		12,000,000	£12,000,000	

Signature



Date 15th April 2020

ADM01803

Employees and Former Employees

Note: You must include details of all monies owed to employees and former employees in this schedule and disclose the total amount in the Company Creditors sheet, described simply as "employees and former employees"

Name of creditor or claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
Employees of the Company (notice pay)	c/o New Walker Hangar, Exeter International Airport, Exeter, EX5 2BA	£570,000	None	n/a	n/a

Signature



Date

15th April 2020

Consumers claiming amounts paid in advance for the supply of goods and services

Note: You must include details of all monies owed to consumers claiming amounts paid in advance for the supply of goods and services in this schedule and disclose the total amount in the Company Creditors sheet, described simply as 'consumers claiming amounts paid in advance for the supply of goods and services'

Name of creditor or claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
none					

Signature



Date

15th April 2020

Appendix C Administrators' receipts and payments account for the period from 10 March to 28 April 2020

Connect Airways Limited
R&P to 28 April 2020

RECEIPTS	Directors' Statement of Affairs - Estimated to Realise GBP	Receipts and Payments to 28 April 2020 GBP	Notes
<u>Fixed Charge:</u>			
Sale of Shareholdings in Everdeal and Everdeal Employees	Uncertain	300,000	1
Sale of Shareholdings in Propius Holdings	Uncertain	1	2
<u>Floating Charge:</u>			
Cash at Bank	64,045	64,045	
Intercompany receivable - Flybe Limited	Uncertain	-	3
Intercompany receivable - Everdeal 2019 Limited (€20m receivable converted to GBP)	Uncertain	-	4
RECEIPTS TOTAL		364,046	
PAYMENTS			
Legal Fees		10,041	
TOTAL PAYMENTS		10,041	
NET RECEIPTS/PAYMENTS TOTAL		354,005	
Net Input/(Output) VAT		2,008	
Cash at Bank		351,997	
REPRESENTED BY TOTAL		354,005	

Notes

1. Initial consideration for the sale of shares in Everdeal and Everdeal Employees. See the *Sale of assets* section of the proposals for further information regarding the deal structure.
2. Initial consideration for the sale of shares in Propius Holdings. See the *Sale of assets* section of the proposals for further information regarding the deal structure.
3. Unsecured loan receivable due from Flybe for £27.6m. Flybe is in administration and there is not expected to be any dividend to be paid to any of its unsecured creditors, including in respect of the Prescribed Part. As such, we do not expect any amount to be realised by the Company. Given the pre-appointment legal fees already incurred and paid of £10,041 by the Company, together with the estimated Administrator and legal fees, it is the Administrators' view that there will no funds to allow a distribution to be made by way of a prescribed part under section 176A(5) of the Insolvency Act 1986.
4. This loan has been waived as part of the deal in respect of Everdeal and Everdeal Employees, therefore no realisations will be made in respect of this asset.

Appendix D Statement of pre-administration costs

Statement of pre-administration costs from 3 March 2020 to Appointment

	Administrator		Legal		Details
	Remuneration £	Expenses £	Remuneration £	Expenses £	
Administrators' pre-appointment fees	-	-	-	-	As detailed at Section 6
Legal Fees	-	-	10,041	-	As detailed at Section 6
Total costs incurred	-	-	10,041	-	
Less: Costs Paid	-	-	-	-	
Unpaid pre-administration costs	-	-	10,041	-	

Unpaid pre-administration costs of are costs which had not been paid at the date of administration are still outstanding and are subject to approval under Rule 3.52 of the Insolvency (England and Wales) Rules 2016.

Unpaid pre-administration costs are not part of the proposals subject to approval under paragraph 53 of Schedule B1 of the Insolvency Act 1986. This means that they must be approved separately from the proposals. Further information on the way in which approval will be sought for unpaid pre-administration costs is set out in section 6 of this document.

Appendix E Group Structure

