In accordance with Rule 3.93(1) of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018.

AM10 (Scot)

Notice of administrator's progress report

Companies House

WEDNESDAY

S8F7F5KZ
SCT 02/10/2019 #153
COMPANIES HOUSE

1 Company details

Company number	S C 1 0 4 6 5 7
Company name in full	British Midland Regional Limited

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

2 Administrator's name

Full forename(s)	Francis Graham
Surname	Newton

3 Administrator's address

Building name/number	c/o BDO LLP Central Square
Street	29 Wellington Street
Post town	Leeds
County/Region	
Postcode	L S 1 1 5 R U
Country	

4 Administrator's name ❶

Full forename(s)	Antony
Surname	Nygate

❶ **Other administrator**
Use this section to tell us about another administrator.

5 Administrator's address ❷

Building name/number	55 Baker Street
Street	London
Post town	W1U 7EU
County/Region	
Postcode	
Country	

❷ **Other administrator**
Use this section to tell us about another administrator.

AM10 (Scot)
Notice of administrator's progress report

6 Period of progress report

From date	18/02/2019
To date	17/08/2019

7 Progress report

☑ I attach a copy of the progress report

8 Sign and date

Administrator's signature	Signature X [signature] X
Signature date	06/09/2019

AM10 (Scot)
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: Francis Graham Newton

Company name: BDO LLP

Address: 4 Atlantic Quay
70 York Street

Post town: Glasgow

County/Region:

Postcode: G 2 8 J X

Country:

DX: BRNOTICE@bdo.co.uk

Telephone: 01412 483 761

✓ 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,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh.

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

Continuation page

Name and address of insolvency practitioner

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

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

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

1 Appointment type

Tick to show the nature of the appointment:

- ☑ Administrator
- ☐ Receiver
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

● You can use this continuation page with the following forms:
- VAM1 (Scot), VAM2 (Scot), VAM3 (Scot), VAM4 (Scot), VAM6 (Scot), VAM7 (Scot) VAM8 (Scot)
- CVA1 (Scot), CVA3 (Scot), CVA4 (Scot)
- AM02 (Scot), AM03 (Scot) AM04(Scot), AM05 (Scot), AM06 (Scot), AM07 (Scot), AM08 (Scot), AM09 (Scot), AM10 (Scot), AM12 (Scot), AM13 (Scot), AM14 (Scot), AM19 (Scot), AM20 (Scot), AM21 (Scot), AM22 (Scot), AM23 (Scot), AM24 (Scot), AM25 (Scot)
- REC1(Scot), REC3 (Scot)
- LIQ13 (Scot), LIQ14 (Scot),
- WU15 (Scot)
- COM1 (Scot), COM2 (Scot),

2 Insolvency practitioner's name

Full forename(s)	James
Surname	Stephen

3 Insolvency practitioner's address

Building name/number	4 Atlantic Quay
Street	70 York Street
Post town	Glasgow
County/Region	
Postcode	G 2 8 J X
Country	

British Midland Regional Limited t/a Flybmi (In Administration) ('the Company')

Progress Report in terms of Rules 3.93 and 3.94 of the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018 ('the Rules' or 'Insolvency (Scotland) Rules 2018')

Period of Report: Six months from 18 February 2019 to 17 August 2019 ('the Period')

Contents

Appendices

Francis Graham Newton of BDO LLP, Central Square, Wellington Street, Leeds, LS11 5RU, Antony David Nygate of BDO LLP, 55 Baker Street, London, W1U 7EU and James Stephen of BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX, were appointed Joint Administrators on 18 February 2019. The business and assets of the Company are now managed by the Joint Administrators. The Joint Administrators act as agents of the Company, without personal liability.

Francis Graham Newton is authorised to act as an insolvency practitioner in the UK by the Insolvency Practitioners Association. Office holder number 9310;
Antony David Nygate is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England & Wales. Office holder number 9237; and
James Stephen is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England & Wales. Office holder number 9273.

The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics.

The Joint Administrators are Data Controllers as defined by the General Data Protection Regulations. Personal data will be kept secure and processed only for matters relating to the Administration of British Midland Regional Limited t/a Flybmi. Please see the privacy statement at https://www.bdo.co.uk/en-gb/legal-privacy/privacy-notice.

This progress report has been prepared by the Joint Administrators solely to comply with their statutory duty under the Insolvency Act 1986 and Insolvency (Scotland) Rules 2018 to provide members and creditors with an update on the progress of the Administration and for no other purpose. This report is not suitable to be relied upon by any other person, or for any other purpose or in any other context including any decision in relation to the debt of or any financial interest in the Company. Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Act 1986 and Insolvency (Scotland) Rules 2018 does so at their own risk. 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 individual creditors.

1 INTRODUCTION

1.1 This is a statutory report to creditors on the progress of the Administration of British Midland Regional Limited t/a Flybmi. The report should be read in conjunction with previous correspondence on the case. A copy of this report will be submitted to the Court and Registrar of Companies.

1.2 The management of this case is being undertaken in our Liverpool office. Should you wish to discuss the progress report our contact details are as follows:

Office Address : BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH

Case Manager: Alice Denmark 0151 237 4497 or David Forester 0151 237 4530
Email: BMR@bdo.co.uk

2 STATUTORY INFORMATION

2.1 The Joint Administrators are:

- Francis Graham Newton (Officeholder No: 9310) of BDO LLP, Central Square, Wellington Street, Leeds, LS11 5RU;
- Antony David Nygate (Office Holder No: 9237) of BDO LLP, 55 Baker Street, London, W1U 7EU; and
- James Stephen (Office Holder No: 9273) of BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX.

2.2 The Joint Administrators were appointed in respect of the Company on 18 February 2019. Under the provisions of Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Joint Administrators carry out their functions jointly and severally and neither Administrator has exclusive power to exercise any function.

2.3 The Joint Administrators were appointed by the Board of Directors under Paragraph 22 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the Court of Session and the court case number is P173/19.

2.4 The Company's registered office is situated at 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX and the registered number is SC104657. The registered office prior to Administration was Lightyear Building, 9 Marchburn Drive, Glasgow Airport, Paisley, Renfrewshire, PA3 2SJ.

2.5 We enclose at Appendix A, for your information, a summary of our receipts and payments for the Period. The receipts and payments shown are largely self-explanatory, although we would comment specifically on the following:

Receipts

2.6 Key receipts in the Period include:

(a) Cash at Bank: On appointment, the Company had a number of bank accounts held at National Westminster Bank Plc (the '**Bank**') including sterling, euros, US dollars and others. In the Period, we have realised £2,733,171. Please note that this excludes approximately £1.7m held in a designated account (see Section 7.4), which is secured by Worldpay UK Limited ('**Worldpay**'), the Company's merchant services provider, pursuant to its fixed charge security.

(b) Exchange rate hedge for foreign currencies: On appointment the Company's agreement was terminated realising £99,208.

(c) Fuel Refunds: The Company had made a number of fuel prepayments and, after liaising with the fuel companies, two refunds have been received totalling £71,491.

(d) Life Assurance Refund: The Company had prepaid life assurance, which has resulted in a refund of £65,250.

(e) Stock: On appointment, the Company's records showed consumables with a book value of c£1.4m and rotable stock with a book value of c£150k (albeit the book value of the consumable stock included a significant provision to account for its age and slow turnover). Despite the challenges we faced in connection with the location and ownership of the stock, in the Period, we have realised £526,376.

Payments

2.7 Key payments in the Period include:

(a) Joint Administrators' Fees: £200,000 has been drawn on account of costs to date and as approved by creditors. Please refer to Section 9 for further details.

(b) Consultancy Fees: £1,600 have been paid to a former employee who has assisted with the ongoing debt collection exercise. Please refer to Section 7.6 for further details.

(c) ERA Solutions Limited ('**ERA**'): £10,650 relating to ERA assisting the Administrators in dealing with 309 UK employees claims and liaising with the Redundancy Payment Service ('**RPS**') in respect of these claims.

(d) IT Services: payments totalling £31,148 have been paid to various IT providers in respect of accessing financial data, aircraft data, leasing information, stock information and employee records in particular flight and training records. All IT services will cease shortly.

(e) Legal fees: these represent legal fees for three legal advisors, two of whom were engaged to advise on specific employee related matters relating to Belgium and Sweden. During the Period, £4,977 and £22,829 respectively has been paid in respect of post Administration and pre-Administration legal fees. On appointment, the Joint Administrators appointed DWF Law LLP ('**DWF**') solicitors based in Leeds, Edinburgh and Germany to assist with matters arising during the Administration. The Company is registered in Scotland and as such insolvency and property law, in part, differs to the rest of the UK. DWF's fees will be charged on a time costs basis plus VAT and disbursements. See the table at Section 2.8 below for more details.

(f) Rent: In the Period, rent of £21,176 was paid in respect of the continued occupation of the Company's leasehold premises in the East Midlands, Bristol and Aberdeen to ensure that the Company's accounting, stock, passenger and HR systems could continue to be maintained and used to facilitate the wind-down of the Company and to enable the stock located at Bristol and Aberdeen to be accessed and subsequently sold. All leasehold properties have been vacated and final rent payments are currently being arranged (post the Period end).

(g) Employee related payments: As detailed in the Joint Administrators' proposals dated 11 April 2019 ('the **Proposals**') 18 employees were temporarily retained to assist with the realisation of the Company's assets, to bring the Company's accounting records up to date enabling the collection of trade debtors and a potential VAT refund, to assist with employee queries and claims and to conclude the winding down of the Company's operations. All employees have now been made redundant. This has resulted in payments of £81,124 in respect of salaries, £43,702 in respect of PAYE/ NIC, pension contributions of £9,843 and payroll bureau costs of £5,347.

(h) Pre-Administration costs: £108,454 has been drawn in respect of BDO LLP's pre-administration costs. This amount has been approved by creditors.

2.8 As detailed in the Proposals a number of agents were employed by the Joint Administrators. The basis of fees, amounts paid in the Period and accrued costs are summarised below:

Agents	Nature of Instruction	Fee Basis	Paid in the Period £	Accrued in the Period £
Wyles Hardy & Co Limited	Agents and valuers instructed to sell the chattel assets and stock	Time costs basis	Nil	113,434.00
Sanderson Weatherall LLP	Chartered Surveyors - instructed to review the Company's leases	Fixed fee of £350 + Vat per lease	Nil	2,100.00
ERA Solutions Limited	Processing of UK Employee's claims	Fixed fee based on the number of employees	10,650.00	-
DWF LLP (post appointment)	Solicitors assisting will all UK and German related matters in the Administration		Nil	77,787.00
DWF (pre appointment)				31,689.00
Strelia	Belgian solicitors assisting with employee matters	Time costs basis	5,373.00	4,636.00
Advokatfirman Hammarskiöld & Co	Swedish solicitors assisting with employee matters	Time costs basis	22,532.00	Nil
PA Consulting Services Limited	Valuation and disposal advice re Landing Slots	Fixed Fee Commission	Nil	16,100.00
Headland PR Consultancy LLP	PR and media advice	Time costs basis	Nil	28,750.00

Administration Strategy

2.9 As previously reported in the Proposals, on the evening of 16 February 2019 the Company ceased operations. In particular, future flights were cancelled and all aircraft were grounded. Additionally, flight crews were repatriated to their home countries and employees contacted and invited to a staff meeting to inform them of the situation. All of the aircraft operated by the Company were leased. As a result of these actions, the majority of the aircraft leases were terminated immediately on cessation of operations with the remaining two further leases terminated shortly thereafter.

2.10 As the Company's operations had ceased, the strategy adopted was to facilitate the orderly wind-down of the company's affairs, assist the stakeholders including passengers, employees and suppliers, whilst maximising value in the assets. As detailed above, this has been undertaken in conjunction with 18 employees and various legal advisors, specialist agents and chattel agents.

2.11 During the Period we have undertaken a number of key actions, further details are provided at Sections 5 and 7.

2.12 Attached at Appendix B is an Estimated Outcome Statement ('EOS') based on current information, which shows the estimated final outcome for each class of creditor. We discuss the anticipated outcome for creditors in Section 8 of this report.

3 PROPOSALS APPROVED

3.1 The Joint Administrators' proposals summarised below were deemed approved on 29 April 2019:

(a) they continue to manage the Company's business and realise assets in accordance with objective (c), the third statutory purpose of the Administration;

(b) they may investigate and, if appropriate, pursue any claims the Company may have under the Companies Act 1985 and 2006 or Insolvency Act 1986 or otherwise. In addition, the Joint Administrators shall do all such other things and generally exercise all their powers as Joint Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals;

(c) if there are sufficient assets to enable payment of a dividend to unsecured creditors beyond the prescribed part, that the Joint Administrators, at a time they see fit, are empowered to file the necessary returns at Court and with the Registrar of Companies to place the Company into Creditors Voluntary Liquidation ('CVL') pursuant to Paragraph 83 of Schedule B1 of the Insolvency Act 1986 and that the Joint Administrators be appointed Joint Liquidators of the Company. Any one Joint Liquidator may exercise all and any/or any powers which are conferred on them as Joint Liquidators; and

(d) if there are insufficient assets to enable payment of a dividend to unsecured creditors beyond the prescribed part, that the Joint Administrators arrange for the Company to exit the Administration by way of dissolving the Company under Paragraph 84 of Schedule B1 of the Insolvency Act 1986.

3.2 A creditor committee has not been formed.

3.3 The Proposals also contained a qualifying decision that fixed the basis of the Joint Administrators' fees as time costs.

4 DEVIATIONS FROM PROPOSALS

4.1 We have not deviated from the Proposals and the purpose of the Administration is to continue to manage the Company's business and realise assets in accordance with objective (c), the third statutory purpose of the Administration, being to realise property in order to make a distribution to one or more secured or preferential creditors. However, in this instance, as detailed above there will be funds available for the unsecured creditors of the Company by virtue of the unsecured creditors funds which the Administrators are obliged to set aside from floating charge realisations under statute (the "**Prescribed Part**"). Please refer to Section 8 for further information.

5 ACTIONS IN PERIOD

<u>Steps on Appointment (248 hours in Period, time cost £81,931)</u>

5.1 A Director, Associate Director or Senior Manager led specific work streams, with work delegated to staff below Manager level where feasible. This phase included reviewing appointment and statutory documents, a preliminary organisation review, initial interviews and meetings with key stakeholders, attendance at the Company's premises, taking steps to collect and protect the Company's assets, establishing internal responsibilities regarding staffing of elements of the project. The majority of this work is statutory in nature. In the Period categories of work included the following:

- Commencement of the wind down and communication strategy formulated in the lead up to the Administrators appointment to ensure that all passengers were aware of the cessation of operations, the cancellation of flights and the administration of the Company.
- Reviewing appointment and statutory documents.
- Preliminary organisation review and finalising our review of employees to be retained to enable us to fulfil our obligations as Joint Administrators.
- Initial discussion and meetings with key stakeholders, the Company directors, management and employees. This included attendance at the Company's premises at East Midlands Airport, Bristol and Aberdeen to meet with the employees and advise them of the Administration.
- Taking steps to locate and preserve all the Company's assets (including stock and rotables at Aberdeen, Bristol and at other airport locations). Additionally a detailed assessment of the other assets was undertaken and steps taken to commence the collection process.
- A bank account was opened in the name of the Joint Administrators, all pre appointment bank accounts were frozen and any cash at Bank held by the Company was transferred to the Administration account to ensure it was safeguarded.
- Formal notice of the Joint Administrators' appointment was issued to The Registrar of Companies.
- Insurance arrangement were put in place to ensure that the Company's assets were protected.
- A VAT 769 was submitted to HMRC notifying them of the appointment.
- The first notification to creditors was prepared and sent advising of the Joint Administrators' appointment and asking for claims.

Planning and Strategy (122 hours in Period, time cost £36,260)

5.2 This area of work was Partner led with support from a Director. Other grades of staff were also involved as required. This aspect of the role is important to the efficient management of the insolvency appointment and the speed with which the wind-down occurs and thus minimises costs. In the Period the following matters were dealt with:

- Reviewing historic records and business performance and finalising the assessment of the Company's financial position to feed this into the overarching strategy.
- Review of the businesses systems and processes to facilitate the orderly winding down of the Company's affairs.
- Liaising with key stakeholders to deliver the strategy.
- Team meetings to agree priorities and ensure that the strategy was being delivered efficiently.
- Updating the strategy to reflect key changes in circumstances as the Administration progressed. This is explained in more detail in other time cost categories below.

General Administration (939 hours in Period, time costs £209,275)

5.3 The majority of this work requires a range of insolvency knowledge and experience, balanced with good accounting and administrative skills and is delegated largely to Executives with suitable levels of experience, supervised by Directors or Managers. In the Period the following was specifically dealt with:

- Reviewing and regularising Insurance, VAT, and taxation including, the completion of pre appointment returns to HMRC.
- Undertaking investigations regarding the conduct of the directors and reporting thereon.
- Investigations into the affairs of and transactions undertaken by the Company. Please refer to Section 6 below for further details.
- Recovery and storage of the Company's books and records. This has been a time consuming task due to the books and records being held at various locations and the need to retain certain records for statutory purpose including stock records, flight and training records.
- Engaging and liaising with solicitors on numerous matters (as detailed in this report).
- Day to day management of the Administration.
- Recording of all receipts and payments in the Period and preparing reports on receipts & payments, ensuring appropriate approval of all costs including approval of remuneration and matching costs of specialists against their estimates.
- Dealing with statutory and regulatory matters.
- General administrative matters, significant correspondence from stakeholders, passengers and creditors and basic enquiries.
- Remuneration related matters
- Meetings and debriefs on the progress of the Administration in relation specific ongoing issues.
- Maintain internal files to evidence all steps taken in the Administration.
- Dealing with contractual matters.
- Liaising with PR consultants and responding to PR queries as they arise.

<u>Asset Realisation/Management (410 hours in Period, time costs £134,256) -</u> includes 2 hrs (£465) which has been allocated to trading but relates to asset realisations and has been adjusted after the period end.

5.4 This work is led at Director or Senior Manager level supported by executives with suitable competencies. Major decisions were made by the Joint Administrators. In the Period the following was specifically dealt with:

- Identification and progressing the asset realisation strategy to maximise recoveries from stock, rotables, landing slots, debtors, prepayments and cash at bank.
- Evaluating the progress being made to recover assets and reconciling recoveries.
- Asset tracing in relation to transactions identified through the review of information or third party disclosure.
- Engaging and liaising with Valuers/Agents (as detailed above at Section 7.
- Agreeing strategies and monitoring implementation, dealing with leasehold property, including securing the same where necessary and agreeing exit strategies for East Midlands, Bristol and Aberdeen premises.
- Undertaking/managing the debt collection process including scheduled and non-scheduled income, prepayments (including fuel and life assurance refunds) and assessing in conjunction with our solicitors the recoverability of intercompany debtor balances.
- Dealing with chattel assets including consumables and rotables and consulting/liaising with and engaging specialist agents and solicitors and monitoring the same and agreeing the approach to sell these assets.
- Liaising with the owners of third party, HP and leased assets, including providing consent to the return of leased aircrafts to the leasing companies and amending entries on the CAA register. This has also included liaising with finance companies in respect of motor vehicles, IT equipment and phones.
- Managing and investigating retention of title claims, the impact of liens (over stock and assets) and legal verification of ownership of consignment stock and identification of the stock subject to consignment agreements or third party ownership. This has included site inspections, detailed correspondence and substantial analysis of the Company's stock records and those purporting to own the stock.
- Liaising with NatWest regarding funds held on appointment, performance bond, HMRC VAT bond and credit card deposits and various account queries.
- Identification of the landing slots owned by the Company immediately prior to the Joint Administrators appointment and liaising with specialist agents regarding, their disposal value and disposal.
- Review of carbon emission certificates in the name of the Company to understand if they a value for the for the benefit of creditors.
- Providing undertakings to certain key suppliers of services to assist facilitate the realisation of assets.

<u>Employee Matters (533 hours in Period, time costs £144,512)</u>

5.5 This area of work requires employment law and insolvency knowledge. The work was undertaken by Senior Manager and Managers within the team supported by Executives with suitable competencies. In the Period the following was specifically dealt with:

- Meeting, corresponding with and assisting 309 UK based employees to submit claims to the RPS in order to ensure they were not prevented from recovering statutory sums for arrears of wages, accrued holiday pay, redundancy pay and notice pay. In this instance there were also arrears of pension contributions.

- Computing and processing and checking employee claims and liaising with our agents, ERA in order to provide sufficient information to the RPS to process employees' claims.
- Liaising with 54 employees based in Europe in respect of amounts they may be able to claim from local agencies in their respective Countries which undertake a similar role to that undertaken by the RPS in the UK ('**European RPS'**).
- Liaising with solicitors and European Employee Agencies and European payroll bureaus as required in order to accelerate the processing of employees' claims (for those based in Europe).
- Liaising with European solicitors (as detailed at Section 2) in respect of those employees based in Europe (the processes for employees claims differs from the UK process, which has added to the complexity of this case).
- Liaising with trade unions regarding the Administration and impact on employees.
- Receiving Employment Tribunal claims from a number of employees and following legal input consenting to these proceedings.
- Liaising with solicitors on behalf of claimants and also liaising with our solicitors in respect any employment law queries that have arisen.
- Facilitating employee requests for training records, fight records and other HR related matters specific to their employment and future employment opportunities.
- Dealing with pension related matters.

<u>Creditor Claims (334 hours in Period, time costs £53,158)</u>

5.6 The work was Manager led supported by executives with suitable competencies. In the Period the following was specifically dealt with:

- Receiving and recording creditor claims, including trade and expense creditors (in excess of 2,000 creditors) and passengers with claims for forward bookings (where they have no recourse under credit / debit cards).
- Overseeing the recording of passenger claims under EU Regulations for delayed or cancelled flights in respect of the period prior to Administration and requesting additional supporting evidence from creditors as necessary.
- Reviewing the validity of claims from a number of creditors alleging they had security rights which would afford them a higher priority and the right to retain funds held by them. These additionally have required input from solicitors.
- This included a claim from Worldpay one of the card acquiring businesses used by the Company to process credit/debit card transactions. Following legal confirmation regarding the validity of their security rights, we have provided consent to the release of approximately £1.7m held in a blocked account with Nat West Bank.
- Reviewing, verifying and recording employee preferential claims (both UK and European employees).
- Recording all unsecured creditor claims and identifying any claims which might be categorised as deferred claims.
- Reviewing the claims of finance companies and landlords to ascertain whether they have a valid claim and whether claim scan be mitigated.

<u>Reporting (147 hours in Period, time costs £49,543)</u>

5.7 These are statutory duties imposed by the relevant legislation. They contribute to the creditors' understanding of the work being undertaken on their behalf. In the Period, the following was specifically dealt with:

- Statutory notification to creditors regarding the appointment of Administrators.
- Preparation of the Administrators' Proposals which provided a detailed update on the steps taken by the Administrators, and the estimated outcome for creditors.
- Filing the agreed Proposals with the Court and Registrar of Companies.
- Reporting to secured creditors as necessary.
- Preparation of receipts & payments accounts.

Distribution and Closure (7 hours in Period, time costs £1,813)

5.8 The Director, Associate Director or Senior Manager supervise the work with final decisions and release of funds being authorised by the partner. The majority of these activities do not contribute to the financial outcome for the creditors (although the matters relating to payment of dividends will do so). The formalities of bringing an insolvency to a close are statutory requirements. In the Period, nominal time has been charged to this category primarily as the agreement of claims has not fully commenced. The following was specifically dealt with:

- Giving notice to relevant creditors to prove their claims and liaising with creditors in respect of queries they may have.
- Review of matters in order to understand the steps to be taken to agree claims and distribute funds to both preferential and unsecured creditors when appropriate.

6 SIP2 INVESTIGATIONS

6.1 The Joint Administrators have a duty to investigate the affairs of the Company to establish if there are any actions that can be pursued for the benefit of the creditors as a whole. Within 3 months of their appointment the Joint Administrators must submit a confidential report to the Secretary of State regarding the conduct of all directors and shadow directors in position during the three years prior to commencement of the Administration. In the Period this has been filed.

6.2 We have reviewed the pre appointment records of the Company to ascertain if there are any transactions that require further investigation. This is nearing conclusion. If appropriate, the outcome of these investigations will be notified to creditors as part of our future reporting.

7 OUTSTANDING MATTERS

Cash at Bank

7.1 The Bank currently holds £80,000 in respect of a bond provided to HMRC for unpaid duty and a $36,000 performance bond in favour of a European airport. These funds are held in Bank controlled accounts and the respective funds will only be returned to the Company once the Bank has confirmation that the funds will not been called upon. Despite chasing, at present, realisations in respect to these amounts are uncertain as the confirmation of their release has not been received.

Trade debtors

7.2 As previously reported the Company's revenue was principally from two sources: scheduled and non-scheduled income.

Scheduled income

7.3 At the date of appointment, several parties were holding funds on behalf of the Company which were subject to rights of set-off. The position with each party can be summarised as follows:

Worldpay

7.4 On appointment, c£1.7m was held in a designated bank account ("the **Blocked Account**") which was subject to fixed charge security in favour of Worldpay. Chargeback claims relating to advance passenger payments continue to be submitted to Worldpay pursuant to Section 75 of the Consumer Credit Act.

7.5 Following confirmation from Worldpay that in excess of £1.7m of chargeback claims (under Section 75 of the Consumer Credit Act) had been received, the amount held in the Blocked Account has been released to Worldpay. Details of their final unsecured claim against the Company is outstanding.

International Air Transport Association ('IATA')

7.6 We have continued to monitor the position regarding £2.9m held by IATA, which will likely to be subject to set-off claims for non-fulfilment of flights. Due to the complex nature of the IATA account we have retained the services (on a consultancy agreement) of a former employee to assist us to reconcile the IATA account. IATA recently advised that its final statement of account is expected to be issued shortly which will enable a final reconciliation to be completed. Until their statement is received the level of realisations due to the Company remains uncertain. Further details will be provided in our next report.

Amex/ Diners Club

7.7 The amount owed to the Company by Amex and Diners Club remain as previously reported:

- Amex - c£267k; and
- Diners Club - c£26k.

7.8 Based on current information the above balances are anticipated to be subject to passenger chargebacks and therefore recoveries are uncertain.

7.9 ***Non-scheduled income***

7.10 At the date of the Proposals, outstanding debtors totalling c£650k were being pursued. These balances have subsequently reduced slightly to c£645k.

7.11 The largest proportion of the debtor ledger was made up of an amount of £498k owed by Loganair Limited, a group company ('**Loganair**'). Logainair subsequently issued a counter claim for monies owed to them under in particular a stock consignment agreement. The effect of this is to set off the entirety of the debt, such that no recoveries will be made. The validity of this counter claim has additionally been confirmed by the Administrators' solicitors.

7.12 All other debtors have been contacted to request payment of their accounts. The current expectation is that debts totalling approximately £75k are collectible and negotiations in this regard are ongoing and are anticipated to be concluded imminently. A further update will be provided in our next report.

Prepayments and deposits

7.13 A review of the prepayment schedule totalling c£403k, suggested that recoveries would be limited and could be difficult to secure. Nevertheless, fuel prepayments totalling £71,491 has been recovered in the Period from two of the Company's fuel suppliers.

7.14 In addition to the above, an amount of £65,250 has been recovered from Canada Life in respect of a life assurance prepayment.

7.15 No further recoveries are anticipated.

Chattel assets and stock

The table below is a summary of chattel and stock realisations to date.

	£
Stock of consumables and rotables	613,376
Office Equipment, furniture and IT Equipment	12,690
Motor Vehicles	4,000
Total realisations to date	**630,066**

Chattel Assets

7.16 As detailed previously we received over 50 expressions of interest in the residual assets of the Company comprising stock of consumables and rotables, operational equipment, office equipment and furniture and IT equipment. Details of these parties were passed to our agents, Wyles Hardy ('WH'), who were instructed to sell the assets.

7.17 In the Period WH realised £12,690 plus VAT for office equipment, furniture and IT equipment (valued at £9,600 in situ and £3,850 ex situ before costs of disposal). Additionally a Ford Transit van which incorporates an access platform cherry picker was sold by WH at auction realising £4,000 plus VAT.

7.18 There are some residual assets to realise, although realisations are anticipated to be nominal.

Consumables and Rotable Stock

7.19 On appointment, the Company's records stated that the Company owned stock of consumables with a book value of c£1.4m and rotable stock with a book value of c£150k. Whilst held predominantly in Bristol and Aberdeen, there was also stock in Munich, Brussels and in Norrköping and Karlstad in Sweden, in addition to small amounts at each of the airports that the Company operated from. The Brussels stock is currently being withheld pursuant to a lien and in view of its value and the costs of recovery has now been abandoned as it was uneconomical to recover. The stock which was located in Munich, Norrköping and Karlstad has following appointment been repatriated to the UK by the third party holding the stock. Discussions are ongoing with this party with a view to its release. The Company also held consignment stock on behalf of an unconnected third party and consignment stock which was owned by Loganair for use in the normal course of its business.

7.20 WH were instructed to sell the consumables and rotables owned by the Company. In the Period WH realised £537,000, of which £450,000 has been received on account (other monies are held by WH). Whilst the majority of stock have been sold there remains a small amount of residual stock to sell now that the ownership of this stock has been agreed. WH ae now instructed to sell this stock. A further update will be provided in our next report.

7.21 In addition to the stock sold by WH, an agreement was reached with Loganair to allow them to purchase consumable stock from the Company. This has resulted in further stock realisations of £76,376. Total stock realisations in the Period have therefore been £613,376, albeit only £526,376 has been received to date with the balance being held WH.

7.22 In addition to the small amount of remaining stock, WH are also marketing for sale the aircraft engine which is subject to the secured lenders security (see section 8). At this time it is uncertain what the value of the engine is or whether any surplus over and above the value of secured lender security will be realised. A further update will be provided in our next report.

Retention of Title ('ROT')

7.23 All creditors were written to on our appointment inviting those seeking to claim ROT, to identify their goods. Five claims totalling approximately £39,000 were received. The documentation relating to these claims was reviewed by the Joint Administrators staff and in certain instances legal advice taken. Where appropriate creditor have been invited to collect their stock. The Company is therefore no longer in possession of any stock which is subject to retention of title and all claims have been concluded.

Landing Slots

7.24 Prior to the Administration, the Company operated numerous routes and therefore benefitted from a number of landing slots at each of the 17 European airports it operated into and out which included Munich, Frankfurt, Paris (Charles de Gaulle airport) and Brussels. These were transferred to Loganair prior to our appointment to prevent the airports seeking to cancel them following the cessation of flights. Loganair approached a number of airlines in relation to a potential acquisition of the slots, which generated little interest. We also engaged a specialist agent (on a joint engagement basis with Loganair) to market them for sale. Neither routes led to any offers and Loganair subsequently returned the slots to the relevant airport. As a result no realisations is anticipated.

Pilot Bonds/Loans

7.25 The Company's other debtors included an amount of £160,969 owed by 18 employees in relation to unpaid training costs. In view of the Company's inability to conclude these training contracts it was not considered either legally enforceable or economical viable to pursue these amounts. No recoveries are therefore anticipated.

Staff Loans

7.26 The Company's records show a total amount of £30,588 owed to the Company. In view of the redundancies and amounts due to the employees no realisations are anticipated.

Intercompany Debtors

7.27 From the information made available from the Company records, Loganair is the only intercompany debtor (albeit subject to set off in respect of monies the Company owes it). The Company's records indicate that all other group companies are creditors, being owed money.

Carbon Emissions Certificates

7.28 We have reviewed the Emission Trading Scheme ('**ETS**') certificates (used to offset their carbon footprint) held in the Company's name to understand if they are realisable. Following engagement with an emissions trader and contact with the Scottish Environment Protection Agency it was established that the Company had not filed its annual statutory return and as such all certificates were suspended. Consequently it is not possible to sell the ETS certificates.

Books and records

7.29 The Company used a number of storage facilities and we are undertaking an assessment to ascertain which records needs to be retained and which need to be destroyed. Some records may need to be retained for statutory purposes (including health and safety records relating to rotable stock.) As such storage and destruction costs are likely to increase.

Employment Tribunal ('ET') claims

7.30 The Company has received a number of group claims on behalf of employees for protective awards which are being pursued through the ET. Subject to the outcome of these hearings, unsecured claims may increase.

8 EXPECTED OUTCOME FOR CREDITORS

8.1 The EOS, attached at Appendix B, shows the estimated final outcome for various classes of creditors.

8.2 Please note that in the Period there have been no distributions to any class of creditor.

8.3 We discuss over the anticipated outcome for creditors, based on current information:

Secured Creditors

Standard Securities

8.4 The Company was a Scottish registered company and therefore the type of security granted by the Company differs slightly from an English Administration.

8.5 The Fixed Charge Securities registered against the Company's assets are detailed below.

- Stephen Bond ('SB'): Created 26 March 2018, registered 10 April 2018. Fixed charge in respect of the Company's interest in (i) the spare engine serial number CAE312189 and with model number AE3007 A1/1 and (ii) the NGL Strut Assembly with part number 1170C0000-8, serial number 346. A provisional claim has been received totalling £3,615,000. This includes a loan of £315,000 and a guarantee claim of £3,300,000.
- Airline Investments Limited ('AIL'): Created 22 October 2018, registered 6 November 2018. Fixed charge in respect of the Company's interest in (i) the spare engine serial number CAE312189 and with model number AE3007 A1/1 and (ii) the NGL Strut Assembly with part number 1170C0000-8, serial number 346. The Directors' Statement of Affairs shows a liability of £1.85m. A provisional claim has been received of £1,851,489 and €463,103 in respect of a loan, leasing charges and other costs.

- Worldpay: Created 22 October 2013, registered 23 October 2013 (a variation to the charge created on 31 October 2012). The liability to Worldpay is estimated at £2.7m before set off of the balance on the designated account totalling £1.7m.

- Worldpay: Created 31 October 2012, registered 16 November 2012.

Floating Charge Creditors

8.6 The Floating Charges registered against the Company are detailed below:

- SB: Created 26 March 2018, registered 10 April 2018. A provisional claim has been received totalling £3,615,000. This includes a loan of £315,000 and a guarantee claim of £3,300,000.

- AIL: Created 22 October 2018, registered 6 November 2018. A provisional claim has been received of £1,851,489 and €463,103 in respect of a loan, leasing charges and other costs.

Validity of Security

8.7 DWF were appointed to review the validity of all security granted by the Company. They have to date confirmed the validity of the following:

8.7.1 the Worldpay security (fixed charge only; they do not have a floating charge) over the Blocked Account only and therefore limited to the sum of £1.7m (see sections 7.4 and 7.5).

8.7.2 the fixed charge security of AIL and SB (AIL and SB together the '**Secured Creditors**'). This fixed charge security relates solely to the engine as we are advised by the Secured Creditors that the NGL Strut Assembly was sold to Loganair prior to our appointment. The current position is that the engine which is subject to their fixed charge is being marketed for sale by WH. It is too early in this process to advise on the anticipated outcome.

8.7.3 The AIL floating charge, albeit there is ongoing dialogue and review of information to clarify the extent to which the debt was secured. AIL have advised that the value of their floating charge claim is approximately £446,000 with the balance representing an unsecured claim.

8.7.4 In relation to the other elements of the security, DWF are still in dialogue with the Secured Creditors' solicitors. Until the outcome of this work is concluded it is not possible to predict the outcome or the extent to which realisations will be required to repay the Secured Creditors in priority to the unsecured creditors (pursuant to the statutory order of priority).

8.8 A further update will be provided in the next report to creditors.

Preferential Creditors

8.9 On Administration, there were 309 employees in the UK and 54 overseas employees based in Belgium, Germany and Sweden. The UK employee claims have been processed, with the assistance of ERA, by the RPS. The overseas employee claims are being processed by European Employee Agencies.

8.10 Preferential claims are defined as monies owed to former employees in respect of arrears of wages, accrued holiday pay and other contractual entitlements which may include a preferential element, at the date of Administration.

(a) UK employees: Current information indicates that preferential claims from the RPS and employee claims (for amounts in excess of those payable by the RPS) are estimated to total approximately £361,000 and £142,000 respectively. The RPS will confirm this once it is in a position to submit a final claim in the Administration.

(b) Overseas employees: These employees are in the process of submitting their claims for unpaid arrears of wages and holiday pay to European Employee Agencies. Claims in this regard are anticipated to total approximately £72,000. As the UK is the relevant insolvency jurisdiction, these employees may be entitled to claim for any preferential element of their claim that is not paid by the European Employee Agencies and would ordinarily be classed as preferential under UK insolvency legislation. Due to the procedures of the European Employee Agencies, we understand that it may be some time before these claims are finalised (potentially up to a year). In the meantime, we are estimating potential preferential claims for the overseas employees so that once the claims have been processed by the European Employee Agencies a preferential claim can be paid.

8.11 Based on current information it is anticipated that preferential creditors will be paid in full. However, the timing of a distribution is dependent on the RPS and European Employee Agencies finalising the processing of the respective employees' claims. Therefore there has not been a distribution to preferential creditors in the Period. Further updates will be provided in future reports.

Prescribed Part - Unsecured Creditors

8.12 Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the prescribed part. This provision only applies where the Company has granted a floating charge to a creditor after 15 September 2003. The Company did grant a floating charge after 15 September 2003 and our lawyers have confirmed that the AIL floating charge is valid. The prescribed part is therefore anticipated to apply in this case, and will result in a prescribed part as follows:

	£
Net Assets Available after Preferential Creditors (note 1)	1,299,992
Prescribed Part (50% first £10k, 20% thereafter to ceiling £600k)	**262,998**
Est of costs to be borne by prescribed part to enable distribution	(30,000)
Total Net distributable	**232,998**

8.13 Note 1: we are still in discussion with SB's legal advisors in relation to the validity of the security. Until this position is finalised it is not possible to confirm whether theremay be amounts over and above the current estimate of the prescribed part which become available to distribute to unsecured creditors.

Ordinary Unsecured Creditors

8.14 The Directors' Statement of Affairs estimated the claims of the ordinary unsecured creditors to be in the region of £37m, as follows:

	£m
Trade creditors	17
Contingent/ other liabilities	20
Total	37

8.15 The contingent/ other liabilities figure noted above includes a provision of c£3.8m being the estimated unsecured claims of former employees. To date, the unsecured claims of former employees are estimated to be in excess of c£2.2m as follows:

	£m	
Redundancy Payments Services	1.8	Redundancy & Pay in Lieu of Notice
Employees	0.4	Wages & holiday pay excess that cannot be claimed preferentially
Total	2.2	

8.16 On current information the estimated unsecured claims of employees and the RPS are £421,645 and £1.8million respectively. These may significantly change depending on the outcome of the ET proceedings. Judgement is expected to be made by the ET later this year.

8.17 At present, the level of ordinary claims notified to the Joint Administrators (excluding employees) totals c£15m. Claims from passengers continue to be received (cancelled flights, historical claims, claims under EU regulations) which are being reviewed and quantified. Further ordinary claims are expected to be submitted in due course as counter-claims, cancellation costs and other termination costs are calculated and finalised. The quantum of ordinary unsecured claims overall is therefore likely to change significantly from the current position.

8.18 As noted earlier, the position as regards the validity of the floating charge creditors remains to be finalised. Until this has been determined, the level of funds available for ordinary unsecured creditors remains uncertain. As previously reported, in the event that the floating charge securities are unenforceable (in whole or in part), it is anticipated that there may be distributable funds to ordinary unsecured creditors above that which may be available pursuant to the prescribed part. Should the floating charge securities be enforceable then any funds available for the ordinary unsecured creditors will be limited to the prescribed part only.

8.19 The outcome for the ordinary unsecured creditors will therefore be subject to the following outstanding matters:

(a) the validity of the floating charge securities;

(b) final realisations from the remaining assets (in particular debtors and residual stock);

(c) the agreement of all preferential creditors' claims;

(d) the quantum of creditor claims that are ultimately received and agreed; and

(e) the professional costs and expenses of the Administration.

8.20 Depending on the outcome of legal advice and as approved by the creditors of the Company, the Joint Administrators will either arrange for the Company to exit from Administration into Creditors' Voluntary Liquidation prior to the automatic end of the Administration or arrange for the Company to be dissolved.

9 JOINT ADMINISTRATORS' FEES

9.1 A declaration was not made in relation to of Para 52(1)(b) of Schedule B1 of the Insolvency Act 1986 (regarding funds only being available to unsecured creditors by virtue of the prescribed part and as such decision procedures in relation to fees in this case are passed by the approval of creditors (as compared to the secured and preferential creditors had the declaration been made). Had creditors failed to determine a fee under a decision process the Administrators would have been obliged to submit the fee request to the Court. Applications to Court in respect of fees incurs outlays such as legal fees, court reporter fees and court fees that are an expense of the Administration. We would therefore encourage all creditors to exercise their voting rights in future decision procedures to avoid the necessity of costly applications to Court.

9.2 A summary of the Joint Administrators' time costs for the Period are attached at Appendix C. A summary of time spent and nature of the work undertaken in the Period is detailed in Section 5. A copy of our remuneration and disbursements policy is attached at Appendix D.

9.3 The Joint Administrators' time costs, summarised by accounting period, the fee requested and approvals obtained to date, are summarised in the table below:

Accounting Period	Time Costs (Excl VAT)	Outlays (Excl VAT)	Fee Requested (Excl VAT)	Fee Approved (Excl VAT)	Outlays Approved (Excl VAT
Pre Appointment	£108,454.45	£nil	£108,454.45	£108,454.45	£nil
Post Appointment (18 February 2019 to 17 August 2019)	£710,747.65	£9,144.60	£467,639.85	£467,639.85	£1,926.91
Total	£819,202.10	£9,144.60	£576,094.30	£576,094.30	£1,926.91

9.4 In addition to the above costs, which were incurred into the Period, it is anticipated that the joint administrators will incur further time costs of approximately £150,000 finalising the administration.

9.5 The approved Joint Administrators' fees and outlays that have been drawn to date are summarised in the table below:

Accounting Period	Fee From Fixed Charge (Excl VAT)	Outlays from Fixed Charge (Excl VAT)	Fee from Floating Charge (Excl VAT)	Outlays from Floating Charge (Excl VAT)
Pre Appointment	£nil	£nil	£108,454.45	£nil
Post Appointment (18 February 2019 to 17 August 2019 only)	£nil	£nil	£200,000.00	£1,926.91
Total	£nil	£nil	£308,454.45	£1,926.91

9.6 Please note that the balance of fees approved by creditors in the Period (i.e. the period 18 February 2019 to 5 April 2019) will be drawn in the next period.

9.7 A further fee request for the period from 6 April 2019 will be requested via a decision procedure (quantum only as creditors have already approved fees on a time cost basis).

10 INSOLVENCY ETHICS & COMPLAINTS

10.1 As Insolvency Practitioners we are bound by the Insolvency Code of Ethics. The fundamental principles are:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

10.2 A full copy of the code of ethics is available at:

http://www.insolvency-practitioners.org.uk/regulation-and-guidance/ethics-code.

10.3 The Insolvency Service has established a central gateway for considering complaints in respect of insolvency practitioners. In the event that you make a complaint to us but are not satisfied with the response from us then you should visit https://www.gov.uk/complain-about-insolvency-practitioner where you will find further information on how you may pursue the complaint.

11 ADMINISTRATION END

11.1 The Administration would come to an automatic end on 17 February 2020 if no extension is agreed. The creditors may agree to a twelve month extension and thereafter the Court needs to approve any extension. In the event there is only a prescribed part to distribute it is likley that the Administration will be extended and the Company will exit the Administrtaion by dissolution. However, if the prescribed part is a maximim of £600,000 and there are surplus funds for crediotrs above the value of the precribed part the Company will exit Administration to Creditors' Voluntary Liquidation before the automatic end date.

Joint Administrators' Discharge

11.2 As a declaration was not made in terms of Para 52(1), the Joint Administrators' will seek a resolution granting their discharge from liability in a decision process of creditors towards the end of the Administration.

Graham Francis Newton
Joint Administrator
27 September 2019

APPENDIX A - Joint Administrators' Receipts & Payments for Period 18 February 2019 to 17 August 2019

British Midland Regional Limited t/a Flybmi in Administration
Joint Administrators' Summary of Receipts & Payments for the Period 18 February 2019 to 17 August 2019

Statement of Affairs £		Period 18 February 2019 to 17 August 2019 £	Total 18 February 2019 to 17 August 2019 £
	ASSET REALISATIONS		
606,838.00	Book debts	2,388.87	2,388.87
2,632,146.00	Cash at Bank	2,733,170.82	2,733,170.82
	Forex Profits	99,208.38	99,208.38
	Fuel Refunds	71,491.02	71,491.02
	Interest Gross	4,016.89	4,016.89
	Life Assurance Refund	65,250.47	65,250.47
10,000.00	Other Property	NIL	NIL
350,000.00	Stock	526,376.32	526,376.32
		3,501,902.77	3,501,902.77
	COST OF REALISATIONS		
	Administrators' Fees	200,000.00	200,000.00
	Bank Charges	146.35	146.35
	Consultancy Fees	1,600.00	1,600.00
	Employee expenses and costs	3,115.07	3,115.07
	Employee Repatriation Costs	514.53	514.53
	ERA Fees	10,650.00	10,650.00
	IT Services	31,147.54	31,147.54
	Legal Fees & Disbs - Post Appointment	4,976.81	4,976.81
	Legal Fees & Disbs - Pre Appointment	22,829.18	22,829.18
	PAYE & NI	43,701.99	43,701.99
	Payroll Bureau Costs	5,347.28	5,347.28
	Pension Contributions	9,842.72	9,842.72
	Pre-Administration Fees	108,454.45	108,454.45
	Printing & Postage	5,431.81	5,431.81
	Re-direction of Mail	1,878.00	1,878.00
	Rents Payable	21,176.40	21,176.40
	Security Costs	1,687.50	1,687.50
	Statutory Advertising	79.25	79.25
	Sundry Expenses	15.00	15.00
	Sundry Property Expenses	118.04	118.04
	Telephone	442.28	442.28
	Wages & Salaries	81,123.81	81,123.81
		(554,278.01)	(554,278.01)
(392,400.00)	**PREFERENTIAL CREDITORS**	NIL	NIL
	FLOATING CHARGE CREDS		
(1,757,011.00)	Airline Investments Ltd	NIL	NIL
(3,567,000.00)	Stephen Bond	NIL	NIL
	UNSECURED CREDITORS		
(19,754,561.00)	Contingent Liabilities	NIL	NIL
(17,197,657.00)	Trade & Expense Creditors	NIL	NIL
	DISTRIBUTIONS		
(20,550,000.00)	Ordinary Shareholders	NIL	NIL
(59,619,645.00)		2,947,624.76	2,947,624.76
	REPRESENTED BY		
	Floating Account No 2		2,133,175.61
	Floating Current Account		844,304.48
	Input VAT		76,189.93
	Output VAT		(106,045.26)
			2,947,624.76

NOTES
1 - All bank accounts are interest bearing.
2 - The Company was part of a VAT Group and all receipts and payments are shown net of VAT.
3 - There have been no distributions in the Period to any class of creditor.

Antony David Nygate
Joint Administrator

APPENDIX B - Estimated Outcome Statement at 27 September 2019

£ 000	Book value at Feb 2019	Receipts and Payments to [illegible] August 2019	Estimate of future receipts and payments	Estimated Outcome at 2[illegible] September 2019	Notes
Assets subject to fixed charge					
Goodwill			-	-	
Aircraft & engine costs	(1,519,084)	-	-	Unascertained	Value TBC
Amount available under fixed charge	**(1,519,084)**				
Less					
Joint Administrators' remuneration		-	(5,000)	(5,000)	Estimate
Joint Administrators' disbursements		-	(1,000)	(1,000)	Estimate
Agent's costs			(1,000)	(1,000)	Estimate
		-	(7,000)	(7,000)	
Amount available to Stephen Bond under fixed charge		-	(7,000)	(7,000)	
Amount owed to Stephen & Peter Bond		-	-	(3,615,000)	Per the claim submitted by SB and subject to legal validation
Estimated surplus/(deficit) under fixed charge		-	(7,000)	(3,622,000)	
Fixed charge surplus brought down					
Amount owed to Airline Investments Ltd		-	-	(446,679)	AIL debt pursuant to recent correspondence with their legal advisors
Estimated surplus/(deficit) under fixed charge		-	-	(446,679)	
Assets subject to floating charge					
Leasehold property/ improvements	7,985	-		-	
Stock - consumables	(5,746,789) }	526,376	137 000	663 376	£87k of cash held by WH and an estimate of £50k of further stock realisations
Stock - rotables	(20,483) }		-		
Trade Debtors	8,514,556	2,389	75,000	77 389	Actual plus approx £75K of future realisations. IATA assumed no recovery
Prepayments	(190,187)	136,741		136 741	Fuel refunds - Lite Ass refund
Deposits		-	-	-	
Pilot and staff loans	(65,571)	-	-	-	
Forex	-	99,208	-	99,208	
Plant & machinery	(1,274,482)	-	3,000	3,000	
Computer equipment - software	244,489	-	-	-	No recoveries
Computer equipment - hardware	(391,662)	-	7,000	7 000	Per Wyles Hardy report
Office equipment	-		4,150	4,150	Per Wyles Hardy report - Bristol/Aberdeen/East Midlands
Cash at Bank and in Hand	2,632,146	2,733,171	-	2,733 171	Amounts realised and excludes residual cash held by NatWest in relation to the HMRC bond.
VAT refund	-		-	-	
Interest	-	4,617	983	5,000	
Amounts due from Other Group Companies	(83,814)	-	-	-	Nil recovery anticipated due to set-off
	3,618,262	3,501,902	227,133	3,729,035	
Less.					
Pre-appointment costs		(108,454)	-	(108,454)	
Joint Administrators' remuneration		(200,000)	(659,454)	(859,454)	Estimate based on costs to date and to complete
Joint Administrators' disbursements			(12,000)	(12 000)	Estimate based on costs to date and to complete
Legal costs - pre appointment		(22,829)	(17,082)	(39 911)	Estimate based on costs to date and to complete
Legal costs - post appointment		(4,977)	(191,033)	(196,010)	Estimate based on costs to date and to complete
Agent's costs		(10,650)	(175,330)	(185,980)	Estimate based on costs to date and to complete
Holding costs		(33,629)	(98,743)	(132,372)	Estimate based on costs to date and to complete
Employee costs		(139,899)	(2,539)	(142,438)	Estimate based on costs to date and to complete
Payroll bureau costs		(5,347)	(2,453)	(7,800)	Estimate based on costs to date and to complete
Printing and postage		(5,511)	(10,000)	(15,511)	Estimate based on costs to date and to complete
Insurance		-	(40,000)	(40,000)	Estimate based on costs to date and to complete
Storage and clearance		-	(5,000)	(5,000)	Estimate based on costs to date and to complete
PR/Media		-	(30,000)	(30,000)	Estimate based on costs to date and to complete
Premises		(21,294)	(30,861)	(52,155)	Estimate based on costs to date and to complete
Security costs		(1,688)	(118)	(1,806)	Estimate based on costs to date and to complete
Contingency		-	(25,000)	(25,000)	Estimate based on costs to date and to complete
		(554,278)	(1,299,612)	(1,853,890)	
Amount available for preferential creditors		2,947,624	(1,072,479)	1,875,145	

Amount available for preferential creditors (b/d)	2,947,624	(1,072,479)	1,875,145	
Preferential creditors		(575,153)	(575,153)	Estimate - subject to receipt of final claims
Estimated sum available under prescribed part		(1,647,632)	1,299,992	
Prescribed Part			(262,998)	
Amount available to the holders of floating charges		(1,647,632)	1,036,994	
Deficit under the SB fixed charge		-	(3,622,000)	As above
Amount due to Airline Investments Ltd (subject to security review)		-	(446,679)	As above
Surplus/(deficit) available to unsecured creditors		(1,647,632)	(3,031,685)	
Add back: Prescribed Part		-	262,998	
Less: cost of dealing with Prescribed Part			(40,000)	Estimate
Amount available to unsecured creditors		-	222,998	
Estimate of distribution to unsecured creditors pursuant to the Prescribed Part (p in £) (1)			(0.01)	

(1) Based on unsecured claims per the directors Statement of affairs totalling £36.95m. This additionally assumes that the security over the SB debt is valid and excludes any potential recovery from the sale of the engine, as the value has not yet been ascertained.
In the event that the SB security is unenforceable either in whole or in part, the dividend to unsecured creditors may increase.

APPENDIX C - Time Costs & Outlays in Report Period

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
B. Steps on Appointment														
01. Review Appointment Validity			0 50	223.50									0 50	223 50
02 Statutory Documentation	6 00	2,964 00	5.25	1,293 25	3.70	728.90	0.85	107 95	3 90	269 10			19.70	5,363.20
04 Meet Directors/Debtors etc			1 50	670.50	6 80	1,441 60							8 30	2,112 10
06 Third Party Discussions					1.00	212.00							1 00	212.00
07 Attendance at Premises			116.05	32,197.95	30 15	6,391 80							146.20	38,589.75
09 Preparation of Proposals			11.65	2,822.75	13.95	2,383.65							25.60	5,206 40
12 Setting up Internal Files					0 90	190 80							0 90	190 80
99 Other Matters	36 50	27,740.00	6 75	1,869 50	1.65	328.55	0 75	95 25					45.65	30,033.30
sub total - B. Steps on Appointment	**42.50**	**30,704.00**	**141.70**	**39,077.45**	**58.15**	**11,677.30**	**1.60**	**203.20**	**3.90**	**269.10**			**247.85**	**81,931.05**
C. Planning and Strategy														
02 Review Financial Position			0 10	23 50									0 10	23 50
03 Review Bus Process/Systems			40.80	9,600 60									40 80	9,600 60
07 Strategy Planning			43.50	18,599.20	35.50	7,527 05							79.00	26,126 25
08. Reporting					0.20	40 60							0.20	40.60

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
99. Other Matters			1 90	469.30									1.90	469.30
sub total - C. Planning and Strategy			**86.30**	**28,692.60**	**35.70**	**7,567.65**							**122.00**	**36,260.25**
D. General Administration														
01. Insurance Matters			5.15	1,431 70	2.85	604 20							8.00	2,035.90
02. VAT			6.80	1,712.30	8.50	1,796.00							15.30	3,508.30
03 Taxation			10.05	3,880.55	1 25	264.25							11.30	4,144 80
04 Instruct/Liase Solicitors			13 35	4,667 70	0.50	109 00							13.85	4,776.70
05. Investigations			35 55	11,487 65	3 35	710.20							38.90	12,197.85
06. Conduct Reports			14.80	4,283.60									14.80	4,283.60
07. Receipts/Payments Accounts			14.10	4,254.40	6.70	1,426.40	0.50	57.15	24.85	1,797.25			46.15	7,535.20
08 Remuneration Issues	1.75	940 75	2 10	752 70									3 85	1,693 45
09 Statutory Matters			36 60	11,572 90	79.30	16,656.20	1.10	139 70					117.00	28,368.80
10 Contractual Matters			0 40	178.80									0 40	178 80
12 Press/PR Matters			1.60	460.80									1 60	460.80
13 General Meetings			6 25	2,350 75	1.00	215 00							7 25	2,565 75

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
14 General Discussions	60.50	46,118.00	26.10	8,874.05	16.50	3,480.00							103.10	58,472.05
15 Gen. Admin/Correspondence	9.35	4,989.15	115.00	30,531.65	49.20	9,099.20	25.20	3,204.40	327.60	24,358.10			526.35	72,182.50
16 Maintain Internal Files			23.20	5,532.80	1.50	295.50							24.70	5,828.30
99 Other Matters			2.10	518.70	3.90	523.30							6.00	1,042.00
sub total - D. General Administration	**71.60**	**52,047.90**	**313.15**	**92,491.05**	**174.55**	**35,179.25**	**26.80**	**3,401.25**	**352.45**	**26,155.35**			**938.55**	**209,274.80**
E. Assets Realisation/Dealing														
03 Asset Tracing			1.10	491.70									1.10	491.70
04. Agent Instruction/Liasing			11.05	4,547.65	11.90	2,522.80							22.95	7,070.45
05 Sales Info. Preparation			0.20	89.40									0.20	89.40
06 Property Related Matters			39.60	12,330.50	25.60	5,427.20							65.20	17,757.70
07 Debt Collection			*64.35*	*17,187.15*	*0.75*	*159.00*							*65.10*	*17,346.15*
08. Dealing with Chattel Assets	0.75	399.75	44.70	16,267.10									45.45	16,666.85
09 Dealing with other Assets	0.75	399.75	75.05	27,976.75	9.90	2,103.00							85.70	30,479.50
10 HP/Leasing Matters			17.70	5,155.90	35.25	7,491.00							52.95	12,646.90
12 Retention of Title			3.55	1,311.25	19.30	4,091.60							22.85	5,402.85

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
14. Sale of Business/Assets	26.00	19,646.50	4.00	1,788.00									30.00	21,434.50
99. Other Matters			7.30	2,521.10	8.85	1,883.70							16.15	4,404.80
sub total - E. Assets Realisation/Dealing	**27.50**	**20,446.00**	**260.60**	**89,666.50**	**111.55**	**23,678.30**							**407.65**	**133,790.80**
F. Trading Related Matters														
06. Monitor/Supervise Trading					0.90	190.80							0.90	190.80
09. Business Closure			0.60	210.60									0.60	210.60
99 Other Matters					0.30	63.60							0.30	63.60
sub total - F. Trading Related Matters			**0.60**	**210.60**	**1.20**	**254.40**							**1.80**	**465.00**
G. Employee Matters														
01 Dealing with Trade Unions					5.30	1,155.40							5.30	1,155.40
02. Dealing with Employees	16.00	12,183.00	169.00	56,439.15	254.95	54,172.40			2.25	204.25			442.20	122,998.80
03. EPA Matters			2.30	765.50	15.70	3,328.40							18.00	4,093.90
04. Pension Issues			1.50	417.50	15.05	3,192.10							16.55	3,609.60
99 Other Matters			24.50	7,674.10	18.20	3,894.40	3.05	636.95	5.40	449.10			51.15	12,654.55
sub total - G. Employee Matters	**16.00**	**12,183.00**	**197.30**	**65,296.25**	**309.20**	**65,742.70**	**3.05**	**636.95**	**7.65**	**653.35**			**533.20**	**144,512.25**

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
H. Creditor Claims														
01 Validity of charges			5.75	1,960.75									5.75	1,960.75
02 Secured Creditors			11.85	4,411.85									11.85	4,411.85
03 Preferential Creditors					0.25	54.50							0.25	54.50
04 Non-Preferential Creditors	20.00	9,880.00	44.10	12,738.75	41.85	8,479.05	0.15	19.05	205.45	14,336.15			311.55	45,453.00
06. Other Creditors			3.75	1,146.25									3.75	1,146.25
99. Other Matters					0.55	99.60	0.25	31.75					0.80	131.35
sub total - H. Creditor Claims	**20.00**	**9,880.00**	**65.45**	**20,257.60**	**42.65**	**8,633.15**	**0.40**	**50.80**	**205.45**	**14,336.15**			**333.95**	**53,157.70**
I. Reporting														
01. Statutory Reporting			93.90	33,849.30	10.30	2,038.10							104.20	35,887.40
04 Reporting to Creditors	6.50	3,386.50	35.65	10,111.80	0.80	157.60							42.95	13,655.90
sub total - I. Reporting	**6.50**	**3,386.50**	**129.55**	**43,961.10**	**11.10**	**2,195.70**							**147.15**	**49,543.30**
J. Distribution and Closure														
01. Closure Planning			6.50	1,625.00									6.50	1,625.00
99 Other Matters			0.75	187.50									0.75	187.50

Name of Assignment **British Midland Regional Limited** **00291330**

Detail of Time Charged and Rates Applicable for the Period From 18/02/2019 to 17/08/2019

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £
sub total - J. Distribution and Closure			7.25	1,812.50									7.25	1,812.50

Net Total	710,747.65
Secretarial Expense	0.00
Other Disbursements	0.00
Billed	0.00
Grand Total	710,747.65

The table below summarises the cumulative disbursements incurred.

Description	Category 1 £	Category 2 £
Archive Boxes	1,348.80	
Bonds	133.34	
Hotels	2,693.60	
Subsistence	1,125.79	
Travel (excluding mileage)	190.39	
Post	278.07	
Room Hire	666.67	
Mileage		2,707.94
Total	**6,436.66**	**2,707.94**

A creditor's guide to office holder remuneration can be accessed via: https://www.icas.com/technical-resources/creditor-guides-to-office-holder-remuneration

APPENDIX D -Statement of Charge out Rates

BDO LLP REMUNERATION AND DISBURSEMENTS POLICY

In accordance with best practice we provide below details of policies of BDO LLP in respect of fees and expenses for work in relation to the above insolvency.

The current hourly charge out rates of staff within my firm who may be involved in working on the insolvency are as follows: This in no way implies that staff at all such grades will work on the case.

Charge Out Rates by Staff Grade	Rates applicable from 18 February to 30 June 2019	Charge out rates applicable from 1 July 2019 to date
	£	£
Partner	760-494	783-509
Senior Manager/Director	487-295	502-295
Manager	247-218	254-225
Assistant Manager	212-127	218-131
Senior Cashier/Cashier	124	124
Senior Administrator	283	291
Administrator	69 - 229	71-236
Support staff/Secretary	70	73

The rates charged by BDO LLP are reviewed periodically during each year and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories:-

Pre Appointment
Steps upon Appointment
Planning and Strategy
General Administration
Asset Realisation/Management
Trading Related Matters
Employee Matters
Creditor Claims

Reporting
Distribution and Closure
Other Issues

Under each of the above categories the work is recorded in greater detail in sub categories (as detailed earlier in this report). Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners.

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

1. **Other Costs**

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into 2 categories.

a) **Category 1 Disbursements**

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, travel (by public transport), couriers, searches at company house, land registry searches, fees in respect of swearing legal documents, external printing costs etc. In each case the recharge will be reimbursement of a specific expense incurred.

Where applicable, disbursements will be subject to VAT at the prevailing rate.

a) **Category 2 Disbursements**

We propose to recover from the estate the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 45p per mile is raised which is in line with the HM Revenue & Customs Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff. Where costs are incurred in respect of mileage, approval will be sought in accordance with the Insolvency (Scotland) Rules to recover this disbursement.

Where applicable, all disbursements will be subject to VAT at the prevailing rate.