

Details of work proposed to be undertaken, fee estimate and statement of expenses

Flybe Limited (in Administration) (“the Company” or “Flybe”)

Overview

The Joint Administrators’ remuneration, estimated disbursements and estimated expenses in respect of the Company is summarised below:

	Remuneration GBP £	Pre-Appointment Costs GBP £	Other expenses including Category 1 & 2 disbursements GBP £
Costs	12,592,921	100,960	11,923,951

Note

- Above amounts are VAT exclusive

Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration is £12,592,921 plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following page(s).

Please note that the estimate of remuneration may not reflect what the Joint Administrators will actually be paid as part of the administration. The extent to which the Joint Administrators recoup these fees will be based on asset realisations and obtaining agreement from the secured creditors.

Explanation of the work proposed to be undertaken

Where work is stated to be expected to provide a financial benefit to creditors, please refer to the section of the fee estimate which deals with the estimated outcome for creditors. At this stage in the administration, it is not possible to quantify the estimated benefit more precisely.

Category of Work	Details of work to be completed
Bank & Statutory Reporting	<p>Tasks providing a direct benefit to the senior lenders and reports as required by statute:</p> <ul style="list-style-type: none"> - Regular reporting to the Company’s secured creditors providing details on key Administration strategy and recommendations. - Prepare Estimated Outcome Statements, including and Cash Flow updates for the senior lender group. - Provide update to Pension Scheme (as security holder for the Training Academy). - Statutory reporting to c.600 creditors of the Company such as Administrators’ proposals, progress reports and final report.
Creditors & Critical Suppliers	<p>Tasks providing a direct benefit to the senior lenders and reports as required by statute:</p> <ul style="list-style-type: none"> - Engage with over 30 critical suppliers to ensure continuation of service with no disruption to business. - Negotiate key supplier terms and provide letters of undertaking where appropriate. - Review and approve payments for critical suppliers. - Liaise with suppliers with hire equipment onsite and assess

Sale of Business, Other Assets and Airport Slots

- claims for return of items.
- Arrange and facilitate return of consignment items and other third party equipment items (where appropriate).
- Liaise with consignment stock providers and claims for return of stock. Arrange and facilitate return of consignment stock where appropriate.
- Liaise with suppliers with ROT claims and assess merit of the claims.
- Seek legal advice and liaise with valuation agents where necessary.
- Engage with 12 landlords across 15 premises including at the head office.
- Agree terms for continued occupation or surrender of premises where appropriate.
- Attend to other tasks associated with premises including rent payments (where applicable), security and collection of records.
- Receipt and recording of creditor claims.
- Deal with creditor queries or questions regarding matters of the Administration.
- Deal with c.900 customer creditor claims under EU261 compensation legislation.
- General correspondence with creditors
- Process distributions to secured creditors, preferential creditors and unsecured creditors (if applicable)

Tasks providing a direct benefit to creditors via asset realisations and preservation of critical assets (actions relating to the CAA):-

- Setup data rooms and retrieve all necessary information to support the various sale processes and strategies.
- Facilitate information requests for c.220 interested parties, including liaising with Flybe leadership and key workstreams
- Approach interested parties and field inbound queries.
- Liaise with key interested parties and understand level of interest in various asset groups
- Engage with senior Flybe team in order to respond to interested party questions
- Seek advice from solicitors in relation the various asset sale approaches
- Engage with IBA and Hilco in relation to the values attributed to key assets including fleet, engines and equipment
- Engage with resellers and other financiers regarding proposal to on-sell fleet and engines
- Interrogate and progress key interest on the various asset groups, in particular fleet, engines and the Group interest including understanding credibility of interest, details regarding asset finance/lease liabilities and other acquisition conditions.
- Work through conditions attached to Group interest, including satisfaction of finance, regulatory, operational requirements amongst other things.
- Review and execute sale agreements and other transaction documents.
- Attend to completion steps for assets.
- Correspondence and discussions with purchasers and their legal representatives.
- Seek advice from lawyers in relation to airport slots, including preservation of CAA licences and ability to sell based on jurisdiction (UK v Europe).
- Engage with various airlines in order to understand level of interest in airport slots.
- Engage with slot coordinators at 16 airports in order to preserve slots and value.
- Attend to letters for the CAA in relation to Operating Licences and Air Operator Certification (and other licences and certifications).
- Prepare various letters of undertaking and provide information to the CAA in relation to the Operating Licence and Air

- Operator Certification (and other licences and certifications).
- Attend to various other ad-hoc enquiries from the CAA in order to preserve the values in the slots by maintaining necessary licences.
- Deal with tasks associated with the FAS business including facilitating wage and critical supplier payments, lease negotiations and employee discussions.
- Deal with critical suppliers in our capacity as A, including landlord in relation to separation of Flybe and FAS legacy arrangements
- Liaise with Airbus, key contract for FAS, in relation to sale process and navigate any change of control and right of refusal clauses in the Airbus contract with may inhibit the ability to transact
- Facilitate bespoke information requests from interested parties and refer queries to directors of FAS
- Finalise sale of FAS business and completion steps.
- Deal with Environment Agency in relation to carbon credits.
- Engage key interested parties into process sale of carbon credits including dealing with Environment Agency.
- Seek advice from solicitors in relation to our ability sell carbon credits (in particular 2019 credits).
- Engage in contractual and commercial negotiations with interested parties in relation to the carbon credit sale, including review of sale agreements and transaction timeframes.
- Finalise carbon credits sale.

Fleet, Engines and Equipment

Tasks providing a direct benefit to creditors by preserving and realising value in assets:

- Identify the location of the fleet, equipment and engines and take steps to secure the assets to preserve their value.
- Engage with fleet lessors/financiers regarding ongoing maintenance and the hand back of their relevant aircraft / engines. Develop, present and agree a proposal to lessors / financiers regarding aircraft/engine maintenance, supply of CAMO services and heavy maintenance and access to technical records.
- Liaise with airports in relation to parking charges and liens, as well as facilitated the removal of the CAA Eurocontrol liens.
- Provide such information to the lessors in order to progress the release of aircraft from the airports
- Deal with third party service/maintenance providers undertaking services on aircraft in jurisdictions outside of the UK.
- Deal with other major part suppliers, returning unrequired consignment stock and reviewing retention of title claims.
- Deal with operational issues, such as third party claims, access to airports, aircraft cleanliness, re-fuelling of aircraft and handling of lessor queries.
- Attend to other tasks associated with MRO operation for the fleet.

Trading & Funding

Tasks providing a direct benefit to creditors by preserving and realising value in assets:

- Engage and work with fleet lessors/financiers regarding ongoing MRO services including aircraft/engine maintenance, supply of CAMO services and supply of heavy maintenance.
- Work through operational issues relating to ongoing trading operations (particularly MRO function).
- Complete and monitor cash flows and costs schedules for the future trading of the Company's MRO division.
- Provide additional undertaking/commitment letters to critical suppliers to support trading operations.
- Work with senior Flybe leadership on key operational matters associated with the trading function, including development of COVID-19 operational plan, communication of plans to Flybe leadership team and Flybe team.
- Investigate the collectability of outstanding receivables including credit card providers. If deemed commercial to do so,

Employees, Customers and other communications	<p>pursuing receivables.</p> <ul style="list-style-type: none"> - Regular discussions with pre-appointment bank regarding the pre-appointment cash at bank and close out of derivatives. - Prepare Flybe cashflow and funding forecast for the administration and management of the same. <p>Tasks providing a benefit to employees and customers:-</p> <ul style="list-style-type: none"> - Hold employee briefing sessions following the appointment. - Issue communications to employees relating to the Administration. - Liaise with Redundancy Payment Service (RPS), unions and various Pension Schemes. - Collate employee entitlement information for all employees and facilitate access to this information for the RPS for GB and separately for NI. - Regular review of employee listing to assess Administration requirements and attend to further redundancies as required - Respond to over 2,000 ad-hoc queries (email and phone) from employees regarding the Administration process and employee entitlements. - Respond to employee queries in relation to ongoing trading operations. - Compile the requisite documents to make a claim from the RPS for unpaid pension contributions. - Oversight and processing of payroll payments. - Deal with German employees and German employment law. - Deal with numerous Protective Award claims. - Close out employee arrangements. - Prepare and update automated customer FAQ documents to share with all enquiring customers/ - Respond to over 24,000 customer email queries (as at the date of this report) and log details of the same. - Hold town hall meeting with all retained. - Prepare weekly newsletters to all retained employees advising on the status of the M&A process, key employee related matters and the Administration generally. - Hold weekly Q&A conference call sessions in the initial months following the administration.
Job Acceptance & Strategy	<p>Tasks providing an indirect benefit to creditors:-</p> <ul style="list-style-type: none"> - Matters relating to the appointments and initial planning of the administration strategy, including meetings with the Company's directors, preparation and review of Court appointment documentation and attendance at Court. - Hold frequent meetings (during trading and M&A process) with Flybe leadership team to discuss critical matters. - Various key leadership strategy meetings between Joint Administrators to monitor progress of Administration.
Statutory Duties (Investigations & CDDA)	<p>Tasks required by statute:-</p> <ul style="list-style-type: none"> - Investigations into the conduct of the Company and its directors including the submission of a report pursuant to the Company Director Disqualification Act 1986 ("CDDA") - Completion of statutory requirements of the administration, including notices and advertising of appointment, preparing the Joint Administrators' Statement of Proposals, progress reports and final report. - Filings with companies house.
Accounting & Administration	<p>Tasks providing an indirect benefit to creditors:-</p> <ul style="list-style-type: none"> - Overall management of the case, treasury and accounting functions, statutory compliance and diaries and time cost reporting.
Immediate Tasks	<p>Tasks providing an indirect benefit to creditors and required by statute:-</p> <ul style="list-style-type: none"> - Attendance by over 60 EY staff at 26 airports and the head office across the UK and Europe immediately following the appointment to address customers, employees and key stakeholders. - Coordinate attendance with Civil Aviation Authority and key Flybe and airport teams.

Other Regulatory

- Communications with other key bodies including the Insolvency Service and Financial Conduct Authority.

Taxation

Tasks required by statute and possibly providing a direct and indirect benefit to creditors:-

- Preparing annual corporation tax returns with input from EY tax specialists (if required).
 - Assessment of tax treatment of transactions and agreements during administration.
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Details of expenses incurred and anticipated to be incurred

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. Expenses incurred or expected to be incurred are £12,024,911 plus VAT, comprising pre-administration costs and expenses of the administration.

Category of expense	£ (exc. VAT)
Employee Costs	5,424,629
Legal Fees	3,640,286
IT & Finance Systems	1,090,100
Rent and rates	754,864
Insurance	517,737
Facilities Management and Security	144,477
Test and maintenance	124,919
Agent Fees	89,232
Transportation Costs	54,993
Equipment lease payment	30,090
Regulatory and License Payments	11,739
Bank Charges	2,500
Interest Charges	1,000
Storage	1,000
Sundry expenses	625
Public Notices	500
Disbursements (Category 1 and 2)	35,261
	11,923,951
Pre-Appointment Costs	
- Pre-appointment Administrators Fees	64,348
- Pre-appointment Legal Fees and Expenses	36,612
	100,960

Explanation of expenses

An explanation of the expenses anticipated to be incurred (where applicable to each of the Companies) is set out below, and a breakdown of the expected expenses is provided as follows:-

Category of expense	Description of expenses incurred or to be incurred
Agents' fees	Fees payable to specialist third party agents in connection with the sale of the Company's property, plant, machinery and other equipment assets.
Bank charges	Charges associated with the operation of the Company's bank accounts during the Administration.
Equipment Lease costs	Fees payable to asset finance providers, where applicable.
Employee costs and expenses	Wages and associated costs in connection with retained employees (including National Insurance, Pension, PAYE and reasonable travel expenses, company cars and fuel provisions).
Facilities Management and Security	Charges associated with maintaining and securing the Company's property (freehold and leasehold).
IT & Finance Systems	Charges associated with the operation of the Company's IT and finance systems (ie software).
Insurance	Costs to insure the Company's assets and operations during the Administration period.
Interest	Interest charges associated with the operation of the Company's bank accounts during the Administration.
Legal Fees	Legal advice regarding such matters required to maximise realisations from the Company's estate.
Public notices	Costs of completing statutory requirements of the Administrations, including advertising and filing costs.

Regulatory and License Payments	Costs associated with licensing and regulatory requirements (ie CAA costs).
Rent & Rates costs	Rent, business rates and utility costs in connection with premises occupied by the Company's during the Administration.
Storage	Costs to arrange collection and storage of the Company's books and records.
Sundry expenses	Other sundry expenses such as stationery,
Test and maintenance	Costs associated with test and maintenance related to the MRO.
Transportation costs	Costs associated with transportation and logistics particularly in relation to the MRO where work crews are deployed to airport locations across the UK.
Category 1 Disbursements	
Accommodation costs	Costs incurred by the Joint Administrators and their staff in respect of their work on the Administrations, whilst operating from or attending various sites operated by the Company's or third parties.
Office supplies	Incidental costs incurred by the Joint Administrators and their staff in respect of Flybe office stationery.
Parking	Costs incurred by the Joint Administrators and their staff in relation to third party parking charges.
Postage, photocopying and printing	Third party costs incurred by the Joint Administrators in respect of printing and posting written communications to creditors, shareholders and other stakeholders (as required).
Specific Penalty Bond	A form of insurance required by insolvency law.
Travel costs	Costs incurred by the Joint Administrators, and their staff in respect of their work on the Administration, to travel to various sites operated by the Company's, or third parties (excluding mileage cost).
Category 2 disbursements	
Mileage	Costs relating to travel by vehicle directly related to work on the Administration.

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The joint administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimate of return for creditors

The majority of the assets of the Company are subject to the fixed and floating charges of the Company's secured creditors (including the Consortium who are the senior secured lenders). The realisable value of the charged assets will not exceed the debt of the secured creditors, and there are minimal other unsecured assets. As such, it is not anticipated that there will be a return to any unsecured creditors as detailed in section 4 of the Administrators proposals.

We estimate the returns to creditors as follows:-

Creditor Category	Return (p/£)
Secured Creditors* (ie the Senior Lenders)	5 p/£ to 49 p/£
Preferential creditors (ie the employees)	100 p/£
Unsecured creditors	Nil

*Note: does not include partly secured creditors, being creditors with discreet charges over specific assets.

As detailed at section 4 of the Administrators proposals, the Joint Administrators intend to make an application to the court, under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part on the grounds that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits of doing so.

Flybe Limited (in Administration)

Estimated remuneration

Joint Administrators' Remuneration breakdown for the period 5 March 2020 to completion of the Administration is as follows:

Type of work	Hours								Estimated Hours	Estimated Time Cost £	Avg Hourly Rate £	Time Costs incurred to 17/4/20 £
	Partner	Executive Director	Director	Senior Manager	Manager	Senior	Staff/ Assistant					
Sale of Business, Other Assets and Airport Slots	573	461	217	1,085	928	874	537	4,676	3,903,806	835	2,500,592	
Fleet, Engines & Equipment	70	581	34	639	545	551	155	2,576	1,788,195	694	817,715	
Trading, Cashflow and Funding	98	2	6	895	452	687	256	2,397	1,498,558	625	828,839	
Creditors, Critical Suppliers and Property	61	0	20	323	1,049	851	924	3,229	1,800,788	558	413,746	
Communications, Customers & Employees	196	526	69	328	136	1,904	733	3,893	1,731,527	445	1,067,859	
Accounting & Administration	13	0	4	67	27	113	122	347	157,412	454	127,869	
Bank & Statutory Reporting	71	0	55	50	2	40	0	218	176,301	809	101,057	
Job Acceptance and Strategy	74	11	0	227	63	298	1	674	428,159	636	239,199	
Immediate Tasks & Day 1	22	3	163	201	166	176	140	872	491,124	563	487,059	
VAT & Taxation	26	119	0	40	81	30	0	297	264,451	890	87,371	
Regulatory	67	0	0	28	0	4	0	99	100,743	1,017	52,525	
Statutory Duties, Investigations & CDDA	26	2	8	9	264	202	25	535	251,858	471	197,992	
Total Est. Hours	1,298	1,705	577	3,892	3,715	5,731	2,894	19,812	12,592,921	636	6,921,821	
Total Est. Fees £	1,622,913	1,758,073	672,067	3,252,295	2,089,389	2,318,113	880,071	12,592,921				

* Please note that the estimate of remuneration may not reflect what the Joint Administrators will actually be paid as part of the administration. The extent to which the Joint Administrators recoup these fees will be based on asset realisations and obtaining agreement from the secured creditors.

Flybe Limited (in Administration)

Estimated expenses

Expenses to be incurred in the period 5 March 2020 to completion of the Administration are as follows:-

Payments which are not disbursements (see notes 1 and 2 at the end of this table)	£Total estimated to be incurred	Incurred to 17 Apr 20
Employee Costs and Expenses	5,424,629	1,161,869
Legal Fees	3,640,286	290,560
IT & Finance Systems	1,090,100	20,683
Rent and rates	754,864	126,533
Insurance	517,737	0
Facilities Management and Security	144,477	67,021
Test and maintenance	124,919	65,701
Agent Fees	89,232	3,950
Transportation Costs	54,993	46,013
Equipment lease payment	30,090	11,169
Regulatory and License Payments	11,739	1,943
Bank Charges	2,500	441
Interest Charges	1,000	76
Storage	1,000	0
Sundry expenses	625	28
Public Notices	500	0
	11,888,690	1,795,988
Category 1 disbursements (see note 2)		
Travel	21,466	16,466
Accommodation	9,286	6,286
Specific penalty bond	1,280	1,280
Office supplies	1,055	1,055
Parking	551	401
Postage, photocopying and printing	123	23
Category 2 disbursements (see note 2)		
Mileage	1,500	-
Disbursements	35,261	25,511
Total Expenses (inc Disbursements)	11,923,951	1,821,499

Notes

- 1 Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.