

From: [REDACTED] on behalf of [Virgin Employees](#)
To: [REDACTED]
Subject: Virgin Australia Holdings Limited & Subsidiaries (Administrators Appointed)
Date: Thursday, 13 August 2020 12:56:51 PM
Attachments: [image003.png](#)
[deloitte-au-fa-virgin-creditors-circular-final-170720.pdf](#)

Dear Mr & Mrs Turner,

We have received and considered your messages dated 25 June 2020 and 1 August 2020, submitted via the Halo Platform. We sincerely apologise for the delay in responding to your questions.

Please see below our responses to your questions.

1. Questions

1. *While the focus is on selling, is there still a possibility that Virgin Australia Airlines Pty Ltd may not be saved and may instead be liquidated?*

As detailed in our creditors circular dated 17 Jul 2020, on 26 June 2020, the Administrators entered into a transaction with Bain Capital for the sale of the assets and business of the Virgin Group, which will include the opportunity for creditors to vote on a Deed of Company Arrangement (Bain DOCA) proposal put forward by Bain Capital (which would allow the transaction to complete in a way which increases the potential returns to creditors).

A resolution will be proposed to creditors at the upcoming meeting of creditors in relation to any Bain DOCA proposal. Further details on the terms of any Bain DOCA proposal will be provided in the upcoming report to creditors which is expected to be issued in late August 2020 (**Report to Creditors**).

In the Report to Creditors, the Administrators will provide their recommendation as to whether, it is in the best interests of creditors that the company execute a Deed of Company Arrangement or enter into liquidation. It is hoped that if creditors vote in favour of the Bain DOCA, then the risk of liquidation will be avoided.

2. *What happens to the ongoing entitlement of injured workers if the company is:*
 - a. *Sold?*

As mentioned in the Administrators' circular dated 17 July 2020 (**copy attached**), Bain Capital's offer specified that employee entitlements will be covered in full and assumed by Bain. As the Bain Capital transaction contemplates the continuation of the business of the Virgin Group (including, if approved, via a DOCA), if the Bain DOCA is approved VAA should continue to operate with no anticipated change to the company's structure and will continue to comply with the self-insurance requirements. On this basis, ongoing entitlements of employees will continue to be paid as usual.

Should this situation change, the workers compensation claims of employees of Virgin Australia Airlines Pty Ltd (**VAA**) are secured by a bank guarantee as per VAA's self-insurance arrangements under the Safety, Rehabilitation and Compensation Act 1988 (**SRC Act**).

The guarantee is available to be called upon by Comcare to cover workers compensation claims.

- b. *Liquidated?*

As detailed above, the guarantee is available to be called upon by Comcare to cover workers compensation claims.

3. *What amounts have been allocated to cover the ongoing costs of injured workers, the self-insurance license guarantee, any related insurance policies, excess payments etc? Have all those amounts been paid in advance or are further payments required to protect those entitlements? If still required what are those amounts and will they be paid as a priority?*

The Administrators have ensured that the Voluntary Administration process has not had an impact on workers compensation claims. The Administrators have continued to provide funding so that claims can continue to be managed in accordance with the self-insurance requirements. This includes continuing to hold the bank guarantee to cover ongoing claim liabilities in accordance with SRC Act requirements.

Additionally, as part of the agreement with Bain Capital, Bain has provided a working capital loan to allow the business to continue to trade until the completion of the sale process.

- 4. Separately, are frequent flyer members also viewed as creditors and why is the frequent flyer business not included in the Administration when the proceeds from the groups capital raising as recently as November 2018 were used at least in part to purchase shares in Velocity Frequent Flyer not already owned by the group? Did that capital raising not contribute to the current debt owed by Virgin that is related to this very creditors meeting and if so, again how can the use of those funds not, therefore, result in the associated frequent flyer business also being placed into external administration to enable and maximise the recovery of amounts owed to creditors?*

Virgin Frequent Flyer Pty Ltd and its associated trusts and other entities (**Velocity Group**) operate on a stand-alone basis. As the Administrators are not appointed to or involved with the Velocity Group, they are unable to comment on the Velocity Group. Accordingly, Velocity frequent flyer members are not creditors in the Virgin Group administration. The Velocity Group trustee may have a claim in the Virgin Administration and this will be addressed in our Report to Creditors.

2. Federal Court Hearing

We also take this opportunity to inform you that, the hearing before Justice Middleton in the Federal Court of Australia on Tuesday, 11 August 2020 was adjourned until 11.15am on Monday, 17 August 2020. Clayton Utz, the solicitors acting on behalf of the Administrators, will provide you with the hearing details once they become available.

Kind regards

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