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VAH (Administrators appointed): Deloitte releases report to creditors ^[2]

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The Administrators of the Virgin Australia Group today issued their report to creditors recommending approval of the Deeds of Company Arrangement (DOCAs) proposed by Bain Capital at a second meeting of creditors on 4 September 2020.

The proposed DOCA ensures all employee entitlements are paid in full, customer travel credits are honoured, a number of supply and finance arrangements continue, and unsecured creditors receive a return of between \$462 million and \$612 million.

Joint Voluntary Administrator Vaughan Strawbridge, Deloitte, said that the DOCA results in the best outcome for creditors and will secure the future of the Virgin Australia Group as it emerges from voluntary administration.

?We have set out our opinion to creditors that it is in their interest to approve the deed of company arrangement proposed by Bain Capital as it provides for the best return to creditors in what are extraordinary circumstances, and that were impossible to foresee,? said Mr Strawbridge.

?This will provide certainty for the business under new and committed owners. It provides certainty for employees and customers, a return to creditors, and it can be completed sooner, and at less cost than other alternatives.

?It achieves all the objectives of the voluntary administration process that we sought from the outset. Now we just need to bring the airline out of administration as soon as possible.

?Where we are today is a testimony to the commitment of the staff and all stakeholders of the business who have made this possible and so strongly supported the administration process.?

SECOND MEETING OF CREDITORS:

The Administrators of the Virgin Australia Group - Vaughan Strawbridge, John Greig, Sal Algeri and Richard Hughes, of Deloitte Financial Services Pty Ltd ? provided their statutory report to creditors pursuant to rule 72-225 of the Insolvency Practice Rules (Corporations) today, and in which they confirmed the second meeting of creditors of the Virgin Australia Group would be held on 4 September 2020.

At the second meeting of creditors, the creditors will be asked to decide to either:

1. Accept deeds of company arrangements (DOCAs) as proposed by BC Hart Aggregator, LP (Bain); or
2. Return the company to the control of the directors; or
3. Put the companies into liquidation.

DEED OF COMPANY ARRANGEMENT PROPOSED BY BAIN CAPITAL:

The Administrators signed a binding agreement for the sale of the business to Bain Capital on 26 June 2020 with the completion of the sale to occur by either:

1. Execution of deeds of company arrangement and transfer of shares in Virgin Australia Holdings Limited (VAH) to Bain; or
2. Asset sale agreement (ASA) involving the transfer of the business and assets into a new corporate structure and placing the existing Companies into liquidation.

Bain Capital has proposed to complete the sale by a DOCA structure (Bain DOCA proposal) involving 10 separate DOCAs covering all of the entities in voluntary administration.

Under the Bain DOCA proposal the majority of current employees will retain their employment and all their entitlements will be preserved. The entitlements of employees not being retained will be paid in full without having to claim in the DOCAs.

Under the proposal, unsecured creditors are expected to receive between 13 and 9 cents in the dollar on their claims.

Given that unsecured creditors will not be paid in full, there will be no return to shareholders of VAH. Under the DOCAs, the Administrators will make an application to the Court for the transfer of the shares in VAH to Bain. The DOCAs cannot be successfully completed until the Court approves that application.

Upon the transfer of all the shares in VAH, it is intended the DOCAs will complete and a proposed Creditors' Trust will be created to deal with and pay distributions to the Virgin Group creditors.

The full report to creditors can be viewed at: www.deloitte.com/au/virgin [3]

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