

22 September 2020

UPDATE AND ADDENDUM TO THE REPORT TO CREDITORS PURSUANT TO SECTION 75-225 OF THE INSOLVENCY PRACTICE RULES (CORPORATIONS) 2016

Dear Sir / Madam

**STA Travel Pty. Ltd. ACN 004 801 512
(Administrators Appointed)
(the Company or STA Travel)**

I refer to the appointment of Tim Norman and myself as Voluntary Administrators to the Company on 21 August 2020.

This update to creditors is to be read in conjunction with our Report to Creditors dated 17 September 2020 (**Report**) pursuant to section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

1. Committee of Inspection meeting

As outlined in Section 2.2 of the Report (page 7), the Administrators had convened a meeting of the Committee of Inspection (**COI**) that was held at 12:00pm (AEST) on Monday, 21 September 2020.

The purpose of the meeting was to inform the Committee on the progress of the Administration and in particular:

- Discuss the Administrators' Report to Creditors issued on Thursday, 17 September 2020
- Provide an update on the progress of the Administration to date
- Provide an update on our investigations regarding customer enquiries
- Discuss the forthcoming Second Meeting of Creditors scheduled to be held on Friday, 25 September 2020
- Consider and if thought fit, approve the Administrators' current remuneration from 21 August 2020 to 13 September 2020
- Consider and if thought fit, approve the Administrators' future remuneration from 14 September 2020 to the completion of the Voluntary Administration
- Consider any other business.

The Administrators' remuneration sought for approval by the Committee is summarised below:

Period	Amount \$ (Excl GST)
Current remuneration approval sought:	
Voluntary Administration	
Resolution 1: 21 August 2020 to 13 September 2020 ⁽¹⁾	613,826.00
Resolution 2: 14 September 2020 to the conclusion of the Voluntary Administration ⁽²⁾	385,000.00
Total – Voluntary Administration	998,826.00

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Notes:

- (1) Creditors are advised there was a typographic error in the Report (page 51) where the figure provided for the proposed resolution for the Administrators' remuneration for the period 21 August 2020 to 13 September 2020 was incorrectly recorded as \$580,196.00 plus GST instead of \$613,826.00 plus GST. Creditors are advised that the Committee of Inspection report included a detailed Remuneration Approval Report that disclosed the correct remuneration resolution with the prescribed supporting documentation.
- (2) Approval for the future remuneration sought is based on an estimate of the work that is necessary. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors. However, should a lower amount be incurred, only this amount will be charged to the administration.

1.1 Resolution 1: Voluntary Administrators' current remuneration for the period 21 August 2020 to 13 September 2020 (inclusive) in the amount of \$613,826.00 plus GST

The Administrators sought Committee approval for the actual current remuneration for the period 21 August 2020 to 13 September 2020 (inclusive) in the amount of \$613,826.00 plus GST.

Details of the work completed by our office was contained within the Remuneration Approval Report (**RAR**) provided to Committee members, however we provide the below summary of key tasks undertaken over the course of the administration. The work completed by the Administrators during this period primarily relates to:

- Assessing the possibility of achieving a restructure and / or sale of the Company's business
- Ceasing business operations, including termination of employees and calculation of their entitlements and preparing detailed employee frequently asked questions (**FAQs**)
- Securing key records of the Company across multiple jurisdictions
- Conducting investigations into the flow of funds from customers to entities within the International STA Travel Group and third-party suppliers of services
- Meetings and discussions with key stakeholders including the Australian Federation of Travel Agents (**AFTA**), Australian Consumer Competition Commission (**ACCC**), International Air Transport Association (**IATA**) and various state consumer agencies
- Investigations into the position of customers and STA Travel with airlines and third-party suppliers of services, including multiple meetings with these various parties
- Preparation of customer FAQs memorandums to assist customers with their enquiries
- Meetings with STA Travel's bank and merchant provider
- Preparation and attendance at the First Meeting of Creditors
- Investigating the affairs of the Company and the circumstances leading up to our appointment including preparation of the Administrators' Report to Creditors dated 17 September 2020
- Assessing the value and marketability of the Company's assets
- Discussions and meetings with lawyers representing the liquidator of STA Travel Holding AG
- Attending to thousands of creditor and customer enquiries.

The Administrators were required to attend to the above tasks in order to report to creditors and provide a recommendation as to the future of the Company.

I advise that the following resolution was approved by conduct of a poll at the COI meeting on 21 September 2020:

"That the remuneration of the Joint and Several Administrators for the period 21 August 2020 to 13 September 2020 calculated at hourly rates as detailed in our Initial Remuneration Notice dated 25 August 2020, is approved for payment in the sum of \$613,826.00 plus GST of \$61,382.60 and that the Joint and Several Administrators can draw the remuneration immediately or as required."

1.2 Resolution 2: Voluntary Administrators' future remuneration for the period 14 September 2020 to the completion of the Voluntary Administration (inclusive) in the amount of \$385,000.00 plus GST

The Administrators sought Committee approval for the estimated future remuneration for the period 14 September 2020 to the completion of the Voluntary Administration (inclusive) in the amount of \$385,000.00 plus GST.

The work to be completed by the Administrators during this period primarily relates to:

- Continued investigations into the flow of funds from customers to entities within the International STA Travel Group and third-party suppliers of services
- Further investigations into the position of customers and STA Travel with airlines and third-party suppliers of services, including multiple meetings with these various parties
- Correspondence with various debtors seeking payment of the outstanding debt
- Preparing updated customer FAQs memorandums to assist customers with their enquiries
- Further meetings with STA Travel's bank and merchant provider
- Preparation and lodgement of minutes for the First Meeting of Creditors
- Further investigations into the affairs of the Company and the circumstances leading up to our appointment
- Finalising the Administrators report to creditors dated 17 September 2020
- Preparation of a report to the Committee of Inspection dated 18 September 2020 including a detailed RAR
- Preparing and convening the First Meeting of the Committee of Inspection
- Preparing and convening the Second Meeting of Creditors
- Continued attendance to creditor and customer enquiries.

I advise that the following resolution was approved by conduct of a poll at the COI meeting on 21 September 2020:

"That the future remuneration of the Joint and Several Administrators from 14 September 2020 to the conclusion of the Voluntary Administration is determined at a sum equal to the cost of time spent by the Administrators and their partners and staff, calculated at the hourly rates as detailed in our Initial Remuneration Notice dated 25 August 2020 up to a capped amount of \$385,000.00 plus GST of \$38,500.00, and that the Joint and Several Administrators can draw the remuneration on a monthly basis or as required".

Creditors are advised that should a lesser amount actually be incurred, only the lesser amount will be charged to the Voluntary Administration and drawn. However, should a greater amount be incurred, only the capped amount approved by the Committee will be charged and the Administrators' may seek further approval of the additional professional fees incurred.

2. Estimated return in a winding-up

Section 9.1 of the Report (page 49) disclosed the estimated return from winding-up.

We have prepared an updated analysis of the likely realisations in the event the Company is placed into liquidation to incorporate the revised remuneration resolution as disclosed in section 1 of this correspondence:

\$'000s	Report Ref	Liquidation High	Liquidation Low
Assets			
Cash at Bank	5.1.1	Unknown	Unknown
Debtors	5.1.2	Withheld	Withheld
Inventories	5.1.3	-	-
Plant and equipment	5.1.4	Unknown	Unknown
Other Assets	5.1.5	33	-
JobKeeper recoveries	7.1.6	528	528
Funding provided by CBA	7.1.7	>109	109
Total Assets		>670	637
Other Realisations			
Liquidators' Recovery Actions	8	Unknown	-
Total Other Realisations		Unknown	-
Costs of External Administration			
Voluntary Administrators' Remuneration	11	999	999
Voluntary Administrators' Expenses		150	150
Liquidators' Remuneration		Unknown	Unknown
Liquidators' Expenses		Unknown	Unknown
Total Costs of External Administration		>1,149	>1,149
Funds Available for Distribution to Creditors			
		-	-
Creditor Claims			
Priority Employee Creditors:			
Wages and superannuation	5.1.6	300	300
Leave entitlements	5.1.6	979	979
PILN and redundancy	5.1.6	1,692	1,692
Unsecured Creditors:			
Customer creditors	5.1.7	48,180	48,180
Fines and penalties	5.1.7	14,000	14,000
Trade creditors	5.1.7	3,855	3,855
Related entity creditors	5.1.7	759	759
Non-priority employee entitlements	5.1.7	77	77
Total Creditor Claims		69,842	69,842
Distribution to Creditors			
Priority employee creditors		-	-
Unsecured creditors		-	-
Total Distribution to Creditors		-	-
Return (cents in the dollar)			
Priority Employee Creditors		Unknown	Unknown
Unsecured Creditors		Unknown	Unknown
Customer Creditors		Unknown	Unknown

3. Administrators' opinion

It is the Administrators' opinion that the Company should be placed into liquidation. The reasons for our opinion are discussed in section 10 of the Report to Creditors dated 17 September 2020.

Should you have any queries regarding this report or the voluntary administration generally, please do not hesitate to contact our team by email to STATravel@deloitte.com.au.

Yours faithfully



Jason Mark Tracy
Joint and Several Administrator