

Imagine Un Limited

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RESTRUCTURING UPDATE – IES ADMINISTRATOR APPOINTED

Imagine Un Limited (IUL) advises that its largely dormant subsidiary Imagine Essential Services Limited (IES) has been placed into administration this morning.

Imagine Global Pty Ltd (IG), IUL's operating subsidiary, is unaffected by the administration, other than the need to address the question of a technical breach by IES of its master licence to market IG's intellectual property.

IES had been attempting to reach agreements with approximately 170 of its 250 licensee's under an Alternative Dispute Resolution Programme (ADRP) commenced as a result of a settlement of the ACCC Court action (see ASX announcements 4 & 6 March 2008). A settlement would have allowed IES to continue its business of providing products to the essential services market. However, IES's remaining director, Richard Evans, has formed the view that a number of recent events have given rise to the prospect that the company cannot pay its debts as and when they fall due. These events include the imminent prospect of legal action to recover previously deferred commitments.

The Board of IUL, when made aware of this view, and after due consideration, declined to provide further financial support to IES (see ASX announcement dated 17 February 2009).

In reaching its position, IUL took into account that: -

- it has already invested substantial funds in seeking a return on its initial investment in IES;
- the November 2004 to June 2006 period during which the events that were the subject of the agreed finding of facts with ACCC were prior to IUL acquiring IES; and,
- IES had no reasonable prospect of reaching profitability in the near term. The Board acknowledges that Richard Evans dissented in the last of these conclusions.



IUL will cooperate with the administrator in the event that a deed of company arrangement is proposed. It will consider offering the following to assist IES to reach agreement with its licensee's and other creditors: -

- A deferral of its claims against IES.
- The finalisation of a new licence agreement with IES.
- The sale of its interest in IES.
- The provision of management and product assistance to IES in re-establishment of its business.
- The issue of IUL shares and or options to assist in the facilitation of a deed of company arrangement. The quantum of such an issue would be limited to the total of any creditors of IES, if any, where the claim arose after the acquisition of IES by IUL.
- The sharing with the IES administrator of the proceeds of any legal action to recover commitments made by the then directors (and their related entities) of IES at the time of the last accounts to fund repayment agreements reached with creditors of IES and that allowed IES to remain solvent.

The Board of IUL will keep the market fully informed of any material developments in the IES administration and the finalisation of any deed of company arrangement. It is usual for this process to take approximately 60 days.



Rodger Johnston
Director and Company Secretary

FOR MORE INFORMATION CONTACT

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