

Dear Former Employee,

## **Update Re the Administrators' Pooling Application to the Federal Court**

On Friday, 26 May 2006 there was a hearing as part of the Administrators' pooling application in the Federal Court. The full transcript of the hearing will shortly be available on the websites.

At the hearing the Administrators sought orders, which were granted by the Federal Court, only in relation to those Ansett Group companies which, based on the Administrators' investigations, hold no assets. There are 32 such companies ("Non Asset Holding Companies").

The orders obtained in relation to the 32 Non Asset Holding Companies allow the Administrators to convene meetings of the creditors of those companies in a cost effective way, and to vote in favour of resolutions (to be put to those creditors at those meetings) amending the Deeds of Company Arrangement which apply to those companies, to allow those companies to be "pooled" into the main Ansett trading company, Ansett Australia Limited ("AAL").

The important point to note is that the Federal Court granted the orders sought by the Administrators because it was satisfied, based on the evidence presented by the Administrators in the pooling application, that no creditor of any of those companies would be disadvantaged by the pooling of those companies into AAL.

Representatives for the ACTU and 11 affiliated unions whose employees were part of the Ansett Group were in Court for the May 2006 hearing. The ACTU / Union representatives advised the Federal Court that the ACTU and Unions supported the orders sought by the Administrators in relation to the 32 Non Asset Holding Companies, and reiterated the ACTU's position in relation to the pooling application, namely to seek to achieve the best possible result for the most number of Ansett Group employees.

The other matter of substance dealt with at the hearing was the Administrators' proposal for dealing with the eight remaining Ansett Group companies or entities ("Asset Holding Entities") which do hold assets which may ultimately be available for distribution to creditors (and not only employee creditors, but also trade and other creditors).

The main issues the Administrators face in relation to the Asset Holding Entities are as follows:

- The pooling of the assets of the Asset Holding Entities into AAL will improve the position for employees. That is because there are likely to be more assets available for distribution to priority creditors (chiefly, employees) and significant potential administration costs (in the many millions of dollars) are likely to be saved if pooling occurs.
- However, even if pooling does not occur, that does not mean that the creditors (whether employee or other creditors) of the Asset Holding Entities will do better than they would do if the Asset Holding Entities are pooled. That is because the additional costs of administering the Asset Holding Entities separately (in the many millions of dollars, as noted above), and the effect of liabilities and charge-backs which already exist between the Asset Holding Entities and other Ansett Group companies, may ultimately erode to zero the assets presently held by some of the Asset Holding Entities. In other words, the assets now held by the Asset Holding Entities, which would go into the AAL "pool" if pooling occurs, may in fact be used up in the (future) separate administration of those Asset Holding Entities, in the event that the assets of those entities are not pooled into AAL.
- Because of this, the Administrators advised the Federal Court at the hearing that, rather than seeking further court directions in relation to the Asset Holding Entities at this stage, the Administrators will instead prepare reports to the creditors of the Asset Holding Entities, setting out their opinions as to why it may well be in the interests of the creditors of those entities to vote for pooling.
- While the Federal Court made no formal ruling or comment about the Administrators' proposal, Justice Goldberg noted that the Administrators' proposal gives creditors (including employee creditors) "*an opportunity to determine their own destiny*".

### **What does this mean for employees?**

Employees (as creditors of the various Ansett companies) will soon be notified about the date for the various pooling meetings of the Ansett Group companies and entities. Those meetings are likely to be held in July this year. The form of notification of the meetings will depend upon a number of factors, including whether or not the relevant company or entity has any assets and the level of possible disadvantage to particular creditors as a result of pooling. Notification may be by newspaper advertisement and notice on the websites, or by "one page" notification specifically addressed to employees (with instructions about how to access more detailed information on the websites), or by

mail-outs to relevant employees including reports to creditors in relation to the relevant Ansett Group companies and entities.

The purpose of the notices will be to invite employees to attend meetings of the Ansett Group companies and entities of which they are creditors to vote on pooling-related resolutions.

### **Payment of further dividends**

The timing of payment of further dividends depends upon which Ansett Group companies and entities are pooled into AAL, and when. The Administrators' proposal outlined to the Federal Court in May 2006 is designed to achieve pooling, and the payment of dividends, as soon as possible. The Administrators are not presently able to say exactly when that will occur, or the likely amount of any dividends which might be paid. Further details of those matters will be set out in the reports referred to above.

A handwritten signature in black ink that reads "M. Korda".

Mark Korda  
Joint Deed Administrator

A handwritten signature in black ink that reads "M. Mentha".

Mark Mentha  
Joint Deed Administrator